



SOUTH AFRICAN AIRWAYS

South African Airways
Airways Park, Jones Road
OR Tambo International Airport
Johannesburg, South Africa

Private Bag X13
OR Tambo International Airport
1627

South African Airways (SOC) Limited (in business rescue)

Registration number 1997/022444/30

("SAA")

23 April 2020

Notice to all Affected Persons

Prepared by:

Leslie Matuson and Siviwe Dongwana

Joint Business Rescue Practitioners

Directors

TN Mgoduso (Interim Executive Chairperson), ZM Ramasia (Acting Chief Executive Officer), DJ Fredericks (Interim Chief Financial Officer), AH Moosa* (Independent Lead Director), AI Bassa*, ML Kingston*¹, HP Maluleka*, G Rothschild*, MP Tshisevhe*

*Non-Executive Director

¹ British Citizen

Company Secretary – RN Kibuuka

South African Airways SOC Ltd


Reg. No. 1997/022444/30

A STAR ALLIANCE MEMBER 

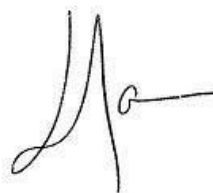
1. Following the notification from Government on 10 April 2020 that no further funding would be provided or available to the business rescue practitioners (“**practitioners**”) to develop and implement a business rescue plan in terms of section 128 (1) (b) (iii) of the Companies Act (no 71 of 2008) which would have contemplated a restructure of SAA to maximise the likelihood of SAA continuing on a solvent basis or, at a minimum, a care and maintenance of the airline until the travel bans are lifted, the practitioners have now considered the only two options available to them.
2. The two remaining options are that:-
 - 2.1. Given the fact that the practitioners have no further funding, the practitioners have considered whether they can develop a business rescue plan which secures a better return for SAA’s creditors than would result from its immediate liquidation. This entails a wind down process which would envisage the termination of the employment of employees by agreement (with severance packages being agreed), a sales process being undertaken which will ultimately result in a distribution of such proceeds to affected parties who are entitled thereto in terms of the business rescue waterfall . If an agreement can be reached with the employees, a business rescue plan can be developed and published.
 - 2.2. If the practitioners cannot reach an agreement with employees, then the practitioners are unable to continue with the business rescue process and the practitioners will have to make an urgent application for an order discontinuing the business rescue proceedings and placing SAA into liquidation.
3. The practitioners do not have sufficient funds available to continue honouring the obligations of SAA to its employees beyond 30 April 2020 and to bear the costs of the wind down process. Accordingly the wind down process referred to in paragraph 2.1 above is dependent upon employees accepting the termination of their employment timeously by mutual consent.
4. The practitioners have presented a collective agreement to all unions and representatives of non-unionised employees of SAA on 17 April 2020, for consideration and negotiation and have advised that agreement must be reached by 24 April 2020. This agreement seeks to provide the employees with the opportunity of concluding a mutually agreed separation of employment.
5. At this stage, requests made by the practitioners to Government for the immediate funding of retrenchment packages have not been successful.
6. The practitioners remind all affected parties that:
 - 6.1. The airline has been in business rescue for almost five months;
 - 6.2. Post commencement funding received of R5,5 billion was fully drawn and utilised in March 2020;

- 6.3. On 9 March 2020 a section 189 notice was issued advising all unions and employees of SAA's intention to commence with negotiations to effect retrenchments;
 - 6.4. This notice was supplemented by a further notice on 19 March 2020 following the President's address on 15 March 2020 and the implementation of a travel ban beginning on 18 March 2020;
 - 6.5. South Africa subsequently commenced its lockdown and all air travel ceased;
 - 6.6. In early April 2020 SAA was requested by foreign governments through their embassies to assist in the repatriation of their citizens, which charters were provided by SAA after an ease in regulations. These charters will cease at the end of April 2020; and
 - 6.7. The lockdown remains in place and SAA has no funds to continue trading and cannot pay a significant salary bill beyond April 2020.
7. It is the practitioners' view that the proposed actions outlined above provide the most responsible way for a managed cessation of the operations of the airline and managing the risks of all affected parties.
 8. The practitioners believe it is appropriate to consult with employees and creditors through employees' and creditors' committees. Employees and creditors are invited to provide questions which they may have for the practitioners to the chairpersons of the respective committees by Friday, 24 April 2020 and suitable arrangements will be made to consult with the committees on Tuesday, 28 April 2020 and a response will be provided to all such questions to all affected persons thereafter.

Yours faithfully



Siviwe Dongwana
Business Rescue Practitioner



Les Matuson
Business Rescue Practitioner