



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”, “The Company”)

April 2020

Report to the Companies and Intellectual Property Commission

and to all Affected Persons

In terms of section 132(3)(a) of the Companies Act 71 of 2008 (“Act”)

Prepared by:

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Joint Business Rescue Practitioners (“BRPs”)

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. Introduction

1.1. In terms of section 132(3) of the Companies Act 71 of 2008 (“Act”), if a company’s business rescue proceedings have not ended within three (3) months after the start of those proceedings, or such longer time as the court, on application by the practitioner, may allow, the practitioner must –

- 1.1.1. prepare a report on the progress of the business rescue proceedings, and update it at the end of each subsequent month until the end of those proceedings; and
- 1.1.2. deliver the report and each update in the prescribed manner to each affected person, and to the:
 - 1.1.2.1. Court, if the proceedings have been the subject of a court order; or
 - 1.1.2.2. Commission, in any other case.

1.2. Therefore, as required, this **Second Update Report** is being tabled in terms of section 132(3)(a).

2. Since the First Update Report of March 2020

2.1. Impact of COVID-19

2.1.1. The COVID-19 virus has had a significant and un-anticipated impact on the operations of the airline which have resulted in:

- 2.1.1.1. immediate cessation of operations following the travel bans and lockdowns;
- 2.1.1.2. evaporation of all revenue; and
- 2.1.1.3. an increased level of uncertainty regarding the period of the lockdown and by extension the time it would take for the restoration of normal trading conditions.

2.1.2. On or about 2 April 2020, the BRPs wrote to Government through the shareholder and provided an update on how the COVID 19 virus was impacting SAA, what the care and maintenance plan and various scenarios and costing scenarios for restart of the operation would look like, a request for the extension of the foreign borrowing limits for the care and maintenance plan and a commitment to funding to be provided by 9 April 2020.

2.1.3. The letter to Government followed a number of attempts by the BRPs to cut costs in the airline, including the suspension or cancellation of onerous and potentially corrupt contracts, renegotiations of various contracts and the suspension of loss making flights.

2.1.4. The response from Government received through the DPE on 14 April 2020 set out the following in terms of the business rescue plan:

- 2.1.4.1. Government will not support the extension of the foreign currency borrowing limit to permit foreign financing of the business rescue plan;
- 2.1.4.2. Government will not support a care and maintenance budget as proposed by the business rescue practitioners;
- 2.1.4.3. Government is unable to provide additional funding to sustain the business rescue process; and
- 2.1.4.4. Government will not provide lending guarantees in respect of the business rescue process.

2.1.5. Following the receipt of the response, the BRPs distributed a Notice to Affected Parties detailing the above and informed the affected parties that a response in respect of the impact of the letter on the development of the Business Rescue Plan was being developed.

2.1.6. A further Notice to Affected Parties was distributed on 23 April 2020 in which the BRPs set out that the only remaining option to them, as a result of no funding, would be to negotiate termination of employment of all employees and begin the wind down of the company. This would return a better result for SAA’s creditors than a liquidation.

2.1.7. The notice also stated that should an agreement with labour not be reached, there would be no option but to terminate the business rescue proceedings and place SAA into liquidation.

2.2. Extension of the Date for the Publication of the Business Rescue Plan

2.2.1. On 26 March 2020, the BRPs received the requisite support from creditors to further extend the date for the publication of the business rescue plan (“plan”) from 31 March 2020 to 29 May 2020.

2.3. Employees

2.3.1. An Employee’s Committee Meeting was held on 28 April 2020, to discuss the impact of the notices to affected parties as distributed on 14 and 23 April 2020.

2.3.2. The section 189 notices were sent out to the employees on 9 March 2020.

2.3.3. Following the declaration by the President of the Republic of South on 15 March 2020 of a National State of Disaster, a section 189 Supplementary Notice was issued to all employees on 19 March 2020. The restrictions of movement imposed as a result of the declaration was expected to have a severe impact on the revenue and cash generating ability of the Company which, in the opinion of the Company and BRPs, necessitated an expedited section 189 consultation process. Furthermore, the Company requested that the parties consult and reach agreement on measures to mitigate the adverse effects of the Covid-19 pandemic, such as the implementation of short time and a rotational lay off.

2.3.4. Since then, there have been numerous engagements with the various employee groupings which include unionised and non-unionised employees’ representatives on the following date:

2.3.4.1. 20 March 2020;

2.3.4.2. 23 March 2020

2.3.4.3. 24 March 2020;;

2.3.4.4. 26 March 2020;

2.3.4.5. 1 April 2020;

2.3.4.6. 2 April 2020;

2.3.4.7. 3 April 2020;

2.3.4.8. 13 April 2020;

2.3.4.9. 14 April 2020;

2.3.4.10. 15 April 2020;

2.3.4.11. 16 April 2020;

2.3.4.12. 17 April 2020;

2.3.4.13. 18 April 2020;

2.3.4.14. 20 April 2020;

2.3.4.15. 23 April 2020;

2.3.4.16. 28 April 2020 and

2.3.4.17. 29 April 2020.

2.3.5. During this process, the outbreak of the COVID-19 virus has had a substantial impact on the speed and efficiency with which this process has progressed.

2.4. Development of a Plan

2.4.1. Prior to the COVID-19 outbreak, SAA was in the process of implementing various stages of the restructuring plan which is supported by Government and had reached agreement with Government on the route network that the Company would take forward during the restructuring period.

2.4.2. This restructuring would have been supported by funding that would have been obtained from either the shareholder, external funders with the support of the shareholder and/or equity funding from a strategic equity partner.

2.5. Charters

2.5.1. Subsequent to the announcement and the start of the lockdown, representatives of several governments have engaged with the BRPs to consider having SAA provide the safe passage of their citizens to their respective home countries. These engagements have required the consideration, approval and support of the South African government to implement and taking into account the amended regulations issued by the Department of Transport.

2.5.2. Following the engagements with various embassies and in consultation with the relevant government departments, SAA has agreed to provide repatriation charter flights to various international destinations.

2.5.3. The first of these chartered flights will be for the repatriation of German citizens home.

2.5.4. The BRPs have confirmed that negotiations are ongoing with other governments for the repatriation of their citizens.

2.5.5. SAA will operate the charter services subject to the health and safety provisions contained in the regulations and other relevant provisions during the lockdown.

3. Proof of Claims

3.1. Many claims have been lodged with the BRPs for proof but there still remains a large number of claims outstanding and creditors who have yet to submit their claims are encouraged to do so before the publication of the plan.

3.2. Claims can be submitted via the online form, which can be found on www.matusonassociates.co.za/saa. A claim form has been provided ([Manual Claim Form](#)) for those unable to complete the online form.

3.3. A mechanism for the resolution of disputed claims will be included in the plan, unless any dispute can be resolved between the BRPs and the creditor.