



SOUTH AFRICAN AIRWAYS

(Registration No. 1997/022444/30)

(in business rescue)

BUSINESS RESCUE PLAN

Prepared in terms of section 150 of the Companies Act No. 71 of 2008 (as amended)

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1. INTERPRETATION AND PRELIMINARY

The headings of the paragraphs in this Business Rescue Plan are for the purpose of convenience and reference only and shall not be used in the interpretation of nor modify nor amplify the terms of this Business Rescue Plan nor any paragraph hereof. Unless a contrary intention clearly appears:

1.1. words importing –

1.1.1. any one gender includes the other gender;

1.1.2. the singular includes the plural and *vice versa*; and

1.1.3. persons include natural persons, created entities (incorporated and un-incorporated and the State) and *vice versa*,

1.2. the following terms and/or expressions shall have the meanings assigned to them hereunder and cognate expressions shall have corresponding meanings –

1.2.1. “**Absa**” means Absa Bank Limited (acting through its Corporate and Investment Banking division), Registration No. 1986/004794/06, a company incorporated in accordance with the laws of South Africa;

1.2.2. “**Adamantem**” means Adamantem (Pty) Limited, Registration No. 2017/292632/07, a company incorporated in accordance with the laws of South Africa;

1.2.3. “**Adoption Date**” means the date upon which the Business Rescue Plan is approved in accordance with section 152(2), read with section 152(3)(b) and section 152(3)(c)(ii)(aa), of the Companies Act;

1.2.4. “**Advisors**” means the advisors to the BRPs, namely Matuson & Associates, Adamantem, Alvarez & Marsal Europe Limited, PricewaterhouseCoopers Advisory Services (Pty) Limited and Edward Nathan Sonnenbergs Inc., and their respective employees or representatives;

1.2.5. “**Affected Person**” or “**Affected Persons**” shall bear the meaning ascribed thereto in section 128(1)(a) of the Companies Act, being shareholders, creditors, employees of the Company and the registered trade unions representing employees of the Company;

1.2.6. “**Air Chefs**” means Air Chefs SOC Limited, Registration No. 1990/006277/30, a state-owned company incorporated in accordance with the laws of South Africa;

1.2.7. “**Ashburton**” means Ashburton Investment Grade Credit Fund 2 Trust;

- 1.2.8. **"BRPs"** means the joint business rescue practitioners of the Company, appointed in terms of section 129 (3) (b) of the Companies Act, being Dongwana and Matuson;
- 1.2.9. **"Business"** means the business of the Company from time to time including, *inter alia*:
- 1.2.9.1. operating as a national airline carrier, providing passenger and cargo transport services, over various domestic, regional and international routes;
 - 1.2.9.2. operating the Divisions; and
 - 1.2.9.3. the holding of shares in the following wholly owned subsidiaries (whose businesses are more fully described in paragraph 12.1.5):
 - 1.2.9.3.1. Mango;
 - 1.2.9.3.2. SAA Technical;
 - 1.2.9.3.3. Air Chefs; and
 - 1.2.9.3.4. SACC.
- 1.2.10. **"Business Day"** means any day other than a Saturday, Sunday or official public holiday in South Africa;
- 1.2.11. **"Business Rescue"** means proceedings to facilitate the rehabilitation of the Company, which is financially distressed, as more fully defined in section 128 (1) (b) of the Companies Act and paragraph 13 herein;
- 1.2.12. **"Business Rescue Costs"** means the remuneration and expenses of the BRPs and other claims arising out of the costs of the Business Rescue, including the costs of the Advisors;
- 1.2.13. **"Business Rescue Plan"** means this document together with all of its annexures, as amended from time to time, and prepared in accordance with section 150 of the Companies Act;
- 1.2.14. **"CCMA"** means the Commission for Conciliation, Mediation and Arbitration established in terms of section 112 of the LRA;
- 1.2.15. **"CIPC"** means the Companies and Intellectual Property Commission, established in terms of section 185 of the Companies Act;

- 1.2.16. **"Claims"** means Pre-commencement Claims and Post-commencement Claims;
- 1.2.17. **"Commencement Date"** means 5 December 2019, being the date upon which Business Rescue commenced in accordance with section 129(1), read with section 132(1)(a)(i), of the Companies Act;
- 1.2.18. **"Company"** or **"SAA"** means South African Airways SOC Limited, Registration No. 1997/022444/30, a state-owned company incorporated in accordance with the laws of South Africa, at present under Business Rescue;
- 1.2.19. **"Companies Act"** means the Companies Act, No. 71 of 2008, as amended;
- 1.2.20. **"Concurrent Allocation"** means an amount of R600 million (six hundred million Rand) allocated to payment of the General Concurrent Creditors, as more fully dealt with in paragraph 31;
- 1.2.21. **"Concurrent Creditors"** means all unsecured Pre-commencement Creditors;
- 1.2.22. **"Conditions"** means the conditions which must be satisfied for the Business Rescue Plan to come into full operation and to be fully implemented, as contemplated in section 150(c)(i) of the Companies Act, more fully dealt with in paragraph 42;
- 1.2.23. **"Contracts"** means those contracts entered into by the Company and third parties, either prior to or after the Commencement Date;
- 1.2.24. **"Creditors"** means Pre-commencement Creditors and Post-commencement Creditors;
- 1.2.25. **"Creditors' Committee"** means the committee formed in terms of section 145(3) of the Companies Act;
- 1.2.26. **"DBSA"** means the Development Bank of Southern Africa, a development finance institution reconstituted and incorporated in terms of section 2 of the Development Bank of Southern Africa Act, No. 13 of 1997;
- 1.2.27. **"Disputed Claims"** means any and all Claims which are disputed by the BRPs, including Pre-commencement Claims which may have been lodged by Pre-commencement Creditors and whose Pre-commencement Claims have been rejected either in whole or in part by the BRPs or Receivers, and which dispute shall be determined in favour of or against such Creditors in terms of the Dispute Mechanism contained in paragraph 47.3;

- 1.2.28. **"Distribution/s"** means distributions to be made to Creditors by the BRPs and/or the Receivers;
- 1.2.29. **"Divisions"** means each of the divisions of the Company set out in paragraph 12.1.4;
- 1.2.30. **"DPE"** means the Department of Public Enterprises of South Africa;
- 1.2.31. **"Dongwana"** means Siviwe Dongwana, the joint business rescue practitioner appointed by the Company in terms of section 129(2)(b) of the Companies Act;
- 1.2.32. **"Employees"** means employees of the Company;
- 1.2.33. **"Employees' Committee"** means the committee formed in terms of section 144(3)(c) of the Companies Act and also for the purposes of consulting with the Employees in terms of section 189(3), read together with section 189A, of the LRA;
- 1.2.34. **"ENSAfrica"** means Edward Nathan Sonnenbergs Incorporated, attorneys practising as such at 129 Rivonia Road, the Marc, Tower 2, Sandown, Sandton;
- 1.2.35. **"Financially Distressed"** shall bear the meaning ascribed thereto in section 128(1)(f) of the Companies Act;
- 1.2.36. **"Final Claims Date"** means the final date for the filing of Pre-commencement Claims, being 31 July 2020;
- 1.2.37. **"FirstRand"** means FirstRand Bank Limited (acting through its Rand Merchant Bank division), Registration No. 1929/001225/06, a company incorporated in accordance with the laws of South Africa;
- 1.2.38. **"General Concurrent Creditors"** means the Pre-commencement Creditors excluding the Lenders;
- 1.2.39. **"General Concurrent Dividend"** means the dividend of R600 million (six hundred million Rand) payable to the General Concurrent Creditors, if this Business Rescue Plan is adopted and the Proposed Restructure is fully implemented, as more fully dealt with in paragraph 31;
- 1.2.40. **"Government"** means the Government of the Republic of South Africa;
- 1.2.41. **"Guarantees"** means the guarantees issued by Government in favour of the Lenders for the obligations of the Company, more fully dealt with in paragraphs 14.6.3, 30.2.1.4 and 30.2.2.4.1;

- 1.2.42. **"IAM"** means Ninety One SA Proprietary Limited (acting for and on behalf of its clients as duly authorised agent) (formerly known as Investec Asset Management (acting for and on behalf of its clients as duly authorised agent), Registration No. 1925/002833/06, a company incorporated in accordance with the laws of South Africa;
- 1.2.43. **"IATA"** means the International Air Transport Association, incorporated in terms of an Act of the Canadian Parliament;
- 1.2.44. **"iNguza"** means iNguza Investments (RF) Limited;
- 1.2.45. **"Insolvency Act"** means the Insolvency Act No. 24 of 1936, as amended;
- 1.2.46. **"Investec"** means Investec Bank Limited, Registration No. 1969/004763/06, a company incorporated in accordance with the laws of South Africa;
- 1.2.47. **"Lenders"** means the Pre-commencement Lenders and PCF Lenders;
- 1.2.48. **"Lessors"** means the lessors of aircraft to the Company, as more fully dealt with in Annexure G;
- 1.2.49. **"Lessors Allocation"** means an amount of R1.7 billion (one billion and seven hundred million Rand) allocated to payment of the Lessors, as more fully dealt with in paragraph 31;
- 1.2.50. **"Lessors' Claims"** means Pre-commencement Claims and Post-commencement Claims of the Lessors that have been limited to the equivalent of 6 months rental payments less any letters of credit or cash deposits held by the Lessors;
- 1.2.51. **"LRA"** means the Labour Relations Act, No. 66 of 1995, as amended;
- 1.2.52. **"Management"** means members of the Company's board and/or pre-existing management as at the Commencement Date;
- 1.2.53. **"Mango"** means Mango Airlines SOC Limited, Registration No. 2006/018129/30, a state-owned company incorporated in accordance with the laws of South Africa;
- 1.2.54. **"Matuson"** means Leslie Matuson, the joint business rescue practitioner appointed by the Company in terms of section 129(2)(b) of the Companies Act;
- 1.2.55. **"Matuson & Associates"** means Matuson & Associates (Pty) Limited, Registration No. 2009/008967/07, a company incorporated in accordance with the laws of South Africa;

- 1.2.56. **"Momentum"** means Momentum Metropolitan Life Limited, Registration No. 1904/002186/06, a company incorporated in accordance with the laws of South Africa;
- 1.2.57. **"National Treasury"** means the Department of the National Treasury of South Africa;
- 1.2.58. **"Nedbank"** means Nedbank Limited, Registration No. 1951/000009/06, a company incorporated in accordance with the laws of South Africa;
- 1.2.59. **"NPE"** means a national public entity established in terms of the PFMA;
- 1.2.60. **"Notice of Meeting"** means the notice of the meeting to consider the Business Rescue Plan delivered to all Affected Persons as contemplated in terms of section 151(2) of the Companies Act;
- 1.2.61. **"PCF"** means post-commencement finance as contemplated in section 135 of the Companies Act;
- 1.2.62. **"PCF Bank Lenders"** means Absa, FirstRand, Investec, Nedbank and Standard Bank;
- 1.2.63. **"PCF Lenders"** means DBSA and the PCF Bank Lenders;
- 1.2.64. **"PFMA"** means the Public Finance Management Act, No. 1 of 1999, as amended;
- 1.2.65. **"Post-commencement Claims"** means any claim against the Company, the cause of action in respect of which arose after the Commencement Date;
- 1.2.66. **"Post-commencement Creditors"** or **"PCF Creditors"** means all persons, including legal entities and natural persons, having Post-commencement Claims, excluding the PCF Lenders;
- 1.2.67. **"Pre-commencement Claims"** means any claim against the Company, the cause of action which arose prior to the Commencement Date;
- 1.2.68. **"Pre-commencement Creditors"** means all persons, including legal entities and natural persons, having Pre-commencement Claims;
- 1.2.69. **"Pre-commencement Lenders"** means Absa, FirstRand, Investec, Nedbank, Standard Bank, IAM, iNguza, Ashburton, Sanlam and Momentum;
- 1.2.70. **"Proposed Restructure"** means the restructure proposed by the BRPs, as more fully dealt with in paragraph 26;

- 1.2.71. **"Publication Date"** means the date on which this Business Rescue Plan is published to Affected Persons in terms of section 150(5) of the Companies Act, being 16 June 2020;
- 1.2.72. **"Rand"** or **"R"** or **"ZAR"** means the lawful currency of South Africa;
- 1.2.73. **"Receivers"** means the receivers to be appointed in terms of paragraph 36.2;
- 1.2.74. **"Receivership"** means the process which will commence on the Substantial Implementation Date, more fully dealt with in paragraph 36;
- 1.2.75. **"Receivership Administration Expenses"** means the remuneration and expenses of the Receivers and other claims arising out of the costs of the Receivership;
- 1.2.76. **"Receivership Proceeds"** means the Restructure Proceeds, the proceeds received from any recovery or related process instituted by the BRPs and/or the Receivers and any additional proceeds to be included in the Receivership Proceeds in terms of the Business Rescue Plan;
- 1.2.77. **"Restructure Proceeds"** means the proceeds received by the Company or the transfer of any other asset in terms of the Proposed Restructure, as more fully dealt with in paragraph 36.4;
- 1.2.78. **"SA Airlink"** means SA Airlink (Pty) Limited, Registration No. 1969/002554/07, a company incorporated in accordance with the laws of South Africa;
- 1.2.79. **"SAA Cargo"** means the division of the Company which operates as an airfreight service provider;
- 1.2.80. **"SAA Lounges"** means the division of the Company which operates as a lounge service provider to premium passengers;
- 1.2.81. **"SAA Technical"** means SAA Technical SOC Limited, Registration No. 1999/024058/30, a state-owned company incorporated in accordance with the laws of South Africa;
- 1.2.82. **"SAA Voyager"** means the division of the Company which operates the Company's loyalty programme;
- 1.2.83. **"SAA Restructure"** means the proposed restructure of the Business of the Company, as more fully dealt with in the Executive Summary and paragraph 26;

- 1.2.84. “**SACC**” means South African Airways City Centre SOC Limited, Registration No. 1997/003282/30, a state-owned company incorporated in accordance with the laws of South Africa;
- 1.2.85. “**SA Express**” means South African Express Airways SOC Limited (in business rescue), Registration No. 1990/007412/30, a state-owned company incorporated in accordance with the laws of South Africa;
- 1.2.86. “**Sanlam**” means Sanlam Life Insurance Limited, Registration No. 1998/021121/06, a company incorporated in accordance with the laws of South Africa;
- 1.2.87. “**Secured Creditors**” means those Creditors who hold security for their Claims against the Company;
- 1.2.88. “**Secured PCF Creditors**” means those Creditors who hold security for their Post commencement Claims against the Company;
- 1.2.89. “**SEP**” means strategic equity partner;
- 1.2.90. “**South Africa**” means the Republic of South Africa;
- 1.2.91. “**Standard Bank**” means The Standard Bank of South Africa Limited, Registration No. 1962/000738/06, a company incorporated in accordance with the laws of South Africa;
- 1.2.92. “**Subsidiaries**” means the wholly owned subsidiaries of the Company, comprising:
- 1.2.92.1. SAA Technical;
 - 1.2.92.2. Mango;
 - 1.2.92.3. Air Chefs; and
 - 1.2.92.4. SACC.
- 1.2.93. “**Substantial Implementation Date**” means:
- 1.2.93.1. the date on which the BRPs will file with CIPC a notice of substantial implementation in terms of section 152 (8) of the Companies Act whereupon Business Rescue will end in terms of section 132(2)(c)(ii) of the Companies Act,

1.2.94. **"Tax/Taxation"** means:

- 1.2.94.1. levies payable to Government authorities;
- 1.2.94.2. normal taxation;
- 1.2.94.3. capital gains tax;
- 1.2.94.4. value-added tax;
- 1.2.94.5. donations tax;
- 1.2.94.6. customs duty;
- 1.2.94.7. securities transfer tax;
- 1.2.94.8. all Pay-As-You-Earn taxation (PAYE) not paid over;
- 1.2.94.9. all other forms of taxation, other than deferred tax; and
- 1.2.94.10. any penalties or interest on any of the foregoing;

1.2.95. **"Trade Unions"** means the following registered trade unions representing employees of the Company:

- 1.2.95.1. National Transport Movement;
- 1.2.95.2. National Union of Metalworkers of South Africa;
- 1.2.95.3. South African Airways Cabin Crew Association;
- 1.2.95.4. Aviation Union of South Africa;
- 1.2.95.5. South African Transport and Allied Workers Union;
- 1.2.95.6. Solidarity; and
- 1.2.95.7. South African Airways Pilots Association;

1.2.96. **"Unsecured PCF Creditors"** means those Creditors who do not hold security for their Post commencement Claims against the Company;

1.2.97. **"Value-Added Tax Act"** means the Value Added Tax Act, No. 89 of 1991, as amended;

1.2.98. **"VAT"** means the value-added tax levied in terms of the Value-Added Tax Act;

- 1.3. any reference to any statute, regulation or other legislation in this Business Rescue Plan shall be a reference to that statute, regulation or other legislation as at the Publication Date, and as amended or substituted from time to time;
- 1.4. any reference in this Business Rescue Plan to any other agreement or document shall be construed as a reference to such other agreement or document as same may have been, or may from time to time be, amended, varied, novated or supplemented;
- 1.5. if figures are referred to in numerals and in words and if there is any conflict between the two, the words shall prevail;
- 1.6. if any provision in a definition in this Business Rescue Plan is a substantive provision conferring a right or imposing an obligation on any person or entity then, notwithstanding that it is only in a definition, effect shall be given to that provision as if it were a substantive provision in the body of this Business Rescue Plan;
- 1.7. where any term is defined in this Business Rescue Plan within a particular paragraph other than this paragraph 1, that term shall bear the meaning ascribed to it in that paragraph wherever it is used in this Business Rescue Plan;
- 1.8. where any number of days is to be calculated from a particular day, such number shall be calculated as excluding such particular day and commencing on the next day. If the last day of such number so calculated falls on a day which is not a Business Day, the last day shall be deemed to be the next succeeding day which is a Business Day;
- 1.9. any reference to days (other than a reference to Business Days), months or years shall be a reference to calendar days, months or years, as the case may be; and
- 1.10. words or terms that are capitalised and not otherwise defined in the narrative of this Business Rescue Plan (excluding capitalised words or terms used for the purpose of tables) shall bear the meaning assigned to them in the Companies Act.

2. ACTION TO BE TAKEN BY AFFECTED PERSONS

- 2.1. If any Affected Person is in doubt as to what action should be taken arising from the contents of this Business Rescue Plan, such Affected Person or Affected Persons are advised to consult an independent attorney, accountant or other professional advisor in addition to any consultation with or direction received from the BRPs.
- 2.2. Nothing contained in this Business Rescue Plan shall constitute legal or Tax advice to any Affected Person, nor do the BRPs make any representations in respect thereof.

3. **STRUCTURE OF THE PLAN**

For the purposes of section 150 (2) of the Companies Act, this Business Rescue Plan is divided into 3 (three) parts as follows –

3.1. **EXECUTIVE SUMMARY**

3.2. **PART A - BACKGROUND**

This part sets out the background to the Company and the factors that resulted in the Company being Financially Distressed and being placed under Business Rescue. The Company's financial distress is described more fully in paragraph 12.3 below.

3.3. **PART B - PROPOSALS**

This part describes the terms of the proposals and includes, *inter alia*, the benefits and/or effect of adopting the Business Rescue Plan as opposed to the Company being placed into liquidation.

3.4. **PART C – ASSUMPTIONS AND CONDITIONS**

This part sets out, *inter alia*, what conditions need to be fulfilled in order for the Business Rescue Plan to become effective, and to be implemented.

EXECUTIVE SUMMARY

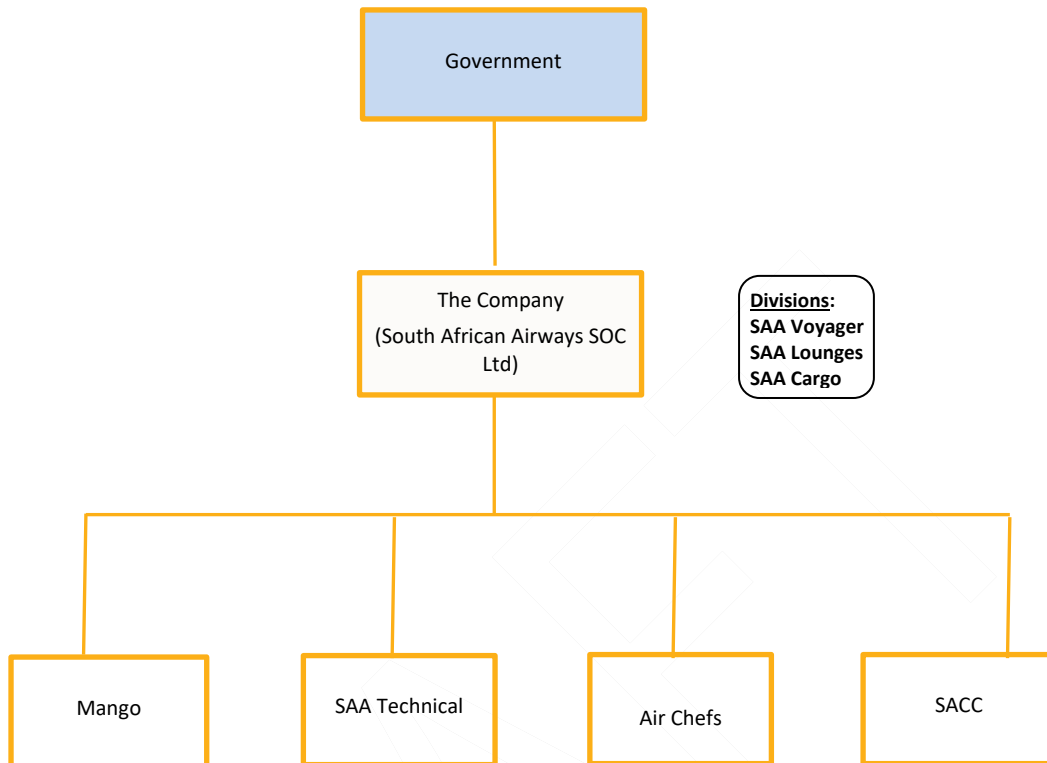
4. FINANCIAL DISTRESS

- 4.1. As set out in the sworn statement, the Company was in dire financial distress prior to the commencement of Business Rescue. The main reasons for the Company's financial distress are as follows:
 - 4.1.1. The Company has suffered significant losses in each financial year since 2014;
 - 4.1.2. There has been a lack of adequate recapitalisation which has resulted in severe liquidity constraints which have been exacerbated by a variety of events;
 - 4.1.3. The governance issues at the Company which resulted in a high turnover of executive management over the last 10 years;
 - 4.1.4. Inadequate capitalisation of the Subsidiaries with increasing dependency on the Company to provide them with working capital; and
 - 4.1.5. Increased competition with significant pressure on the Company's pricing for tickets.

5. SAA RESTRUCTURED

- 5.1. The BRPs and Government have had engagements where Government has affirmed that it supports a Business Rescue which results in a viable and sustainable national flag carrier that provides international, regional and domestic services and will not be dependent on further future bailouts from the fiscus.
- 5.2. The Proposed Restructure envisages an airline that commences with flights in the near future as the Covid-19 lockdown eases and domestic air travel begins again. One of the outcomes of the Proposed Restructure is the commencement of a full domestic network and schedule starting in Jan 2021, operated by the restructured national airline. Regional schedules will be introduced as the market and passenger demand allows. The commencement of international routes and schedules is envisaged to follow thereafter, similarly informed by global market and passenger demand.
- 5.3. The BRPs together with the Advisors and Management conducted an objective assessment of the Company and evaluated various restructuring scenarios to optimise the Company's business model, route network and cost base. A restructuring of the Company's affairs, business property debt and other liabilities and equity in a manner that maximises the likelihood of the Company continuing in existence on a solvent basis is the desired outcome of the Business Rescue Plan.

- 5.4. The below represents the structure of the current SAA Group which will remain as is for the purposes of implementing this restructure but may be optimised post the implementation of the Business Rescue Plan.



Proposed Routes

	Routes at date of Business Rescue	SAA retained /new routes	SAA cancelled routes
International	Hong Kong New York Munich Sao Paulo Washington via Accra Perth Frankfurt London Guangzhou	Washington via Accra New York Perth (fleet dependant) Frankfurt London	Hong Kong Munich Sao Paulo Guangzhou
Regional	Abidjan via Accra Accra Blantyre Dar es Salaam Entebbe Gaborone Harare Kinshasa Lagos Lilongwe Livingstone Luanda Lusaka Maputo Mauritius Nairobi Ndola Victoria Falls Windhoek	Accra Blantyre Dar es Salaam Entebbe Gaborone Harare Kinshasa Lagos Libreville Lilongwe Livingstone Luanda Lusaka Maputo Mauritius Nairobi Ndola Victoria Falls Windhoek	Abidjan via Accra
Domestic	Cape Town Durban East London Port Elizabeth	Cape Town Durban Port Elizabeth	East London



Proposed Fleet

SAA fleet at date of Business Rescue			Jul 2020 – Feb 2021		Mar – Nov 2021		Dec 2021	
	Number	Aircraft	Number	Aircraft	Number	Aircraft	Number	Aircraft
	7	 A319-100s	0	Narrow Body	10	Small Narrow Body	10	Small Narrow Body
	10	 A320-200s						
	6	 A330-200s						
	5	 A330-300s	6		9	Narrow Body	9	Narrow Body
	7	 A340-300Es						
	7	 A340-600s						
	4	 A350-900	0		Wide Body	0	Wide Body	7
Subtotal	42							
 Cargo	2	 B737-FREIGHTERS		6				
Total	44							

5.5. The above are the proposed routes and fleet structure for the restructured airline

5.6. The Business Rescue Plan proposes to deal with Affected Persons as set out below.

6. CREDITORS

6.1. The probable dividend which Concurrent Creditors would have received if the Company was liquidated on the Commencement Date is 0 (zero) cents in the Rand as set out fully in paragraph 19.

6.2. The effect of the Business Rescue Plan on Creditors is fully set out in paragraphs 30, 31 and 32 as summarised below:

6.2.1. Concurrent creditors:

6.2.1.1. Concurrent creditors will receive an amount of R600 million (six hundred million Rand) (approximately 7,5 (seven and a half) cents in the Rand) for dividend distribution;

6.2.1.2. This amount will be paid over three years;

6.2.1.3. Lessors will receive an amount of R1.7 billion (one billion and seven hundred million Rand) (this amount is the

equivalent of 6 months rental payments less any letters of credit and/or cash deposits held by the Lessors) for dividend distribution; and

6.2.1.4. This amount will be paid over three years.

6.2.2. PCF Creditors

6.2.2.1. Will be paid from the working capital injection as set out in paragraph 28 of the Business Rescue Plan; and

6.2.2.2. Will enjoy the preference given to them in terms of the Companies Act.

6.2.3. Lenders

6.2.3.1. Will receive payment over three years in terms of the Government allocation set out in paragraph 30.3 in accordance with applicable legislation.

7. EMPLOYEES

7.1. If the Proposed Restructure is implemented in agreement with the Employees, the respective representatives and the Company it will be concluded by means of the Leadership Compact Forum or the section 189 process in terms of which SAA anticipates that 1000 (one thousand) Employees will be retained and the remaining Employees retrenched and the terms and conditions of employment of the remaining employees will be revised along with the terms of the collective agreements.

7.2. The Company will support the social plan that is an outcome of the Leadership Compact Forum.

7.3. The finalisation of the agreement with Employees and SAA on the revised terms and conditions of employment as well as the headcount as set out above is a condition of the plan as set out in part C.

8. RECEIVERSHIP

8.1. The Business Rescue Plan proposes that a receivership be set up and will become effective from the Substantial Implementation Date, more fully dealt with in paragraph 36.

8.2. The purpose of the receivership is to:

- 8.2.1. Take on the various liabilities from affected parties in order to allow SAA to continue with a restructured balance sheet and continue its business operations without the burden of the Pre- Commencement liabilities;
- 8.2.2. Make payment to Pre-commencement Creditors in accordance with paragraph 31.2 and
- 8.2.3. Make payment to the Lenders in accordance with paragraph 30.3 and administer the process of repayment of all creditors post the filing of the notice of the substantial implementation.

9. **FUNDING**

- 9.1. Government, as the sole shareholder of the Company and acting through the DPE, supports the Business Rescue Plan which results in a viable and sustainable national carrier that provides international, regional and domestic services.
- 9.2. Consequently, and subject to the adoption of the Business Rescue Plan, it is proposed that Government fund or raise funding for:
 - 9.2.1. The Proposed Restructure starting with the working capital injection that is required to restart business operations;
 - 9.2.2. The retrenchment costs of Employees including any support for the social plan;
 - 9.2.3. The repayment of the amounts owing to the Lenders as set out in paragraph 30.3; and
 - 9.2.4. The continuation of the Business as a going concern which would include honouring of tickets bought by customers or any subsequent vouchers that they may receive in accordance with SAA's policy.
- 9.3. This funding is broken down into immediate, medium and long term underpins the Proposed Restructure and is a condition of the implementation of the Business Rescue Plan.

10. **ADVANTAGES OF ADOPTING THE BUSINESS RESCUE PLAN**

- 10.1. The advantages of proceeding with this Business Rescue Plan are set out fully in paragraph 39 and summarised here for ease of reference:
 - 10.1.1. the Company's Business will be restructured in a manner that will result in the Company continuing in existence in a solvent manner, as opposed to being placed in liquidation;
 - 10.1.2. not all of the Employees will be retrenched and many jobs will be preserved;

- 10.1.3. those Employees who are retrenched will be in a better financial position than in a liquidation;
- 10.1.4. General Concurrent Creditors will receive a concurrent dividend, i.e. the General Concurrent Dividend, as opposed to 0 (Zero) cents in the Rand in a liquidation; and
- 10.1.5. the costs of Business Rescue will be less than the costs of liquidation.

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PART A – BACKGROUND

11. COMPANY INFORMATION

11.1. Shareholding Structure

11.1.1. As at the Publication Date, the issued share capital of the Company comprises:

11.1.1.1. Class “A” ordinary shares: 7 237 691 465 (seven billion two hundred and thirty seven million six hundred and ninety one thousand four hundred and sixty five);

11.1.1.2. Class “B” ordinary shares: 2 412 563 822 (two billion four hundred and twelve million five hundred and sixty three thousand eight hundred and twenty two);

11.1.1.3. Class “C” ordinary shares: 2 412 563 822 (two billion four hundred and twelve million five hundred and sixty three thousand eight hundred and twenty two);

11.1.1.4. Class “D” ordinary shares: 603 140 956 (six hundred and three million one hundred and forty thousand nine hundred and fifty six); and

11.1.1.5. Class “E” ordinary shares: 117 578 806 (one hundred and seventeen million five hundred and seventy eight thousand eight hundred and six).

11.1.2. Government, represented by the DPE, is the sole shareholder of the Company.

11.2. Directors

11.2.1. As at the Commencement Date, the directors of the Company, according to CIPC, were:

Name of Director	Date of Appointment
Deon Jeftha Fredericks	29/10/2018
Zukisa Millicent Ramasia	11/06/2019
Ahmed Ismail Bassa (non-executive)	03/11/2017
Martin Lawrence Kingston (non-executive)	03/11/2017
Holmes Peter Maluleka (non-executive)	01/09/2016
Thandeka Nozipho Mgoduso (non-executive)	01/09/2016
Akhter Hoosen Moosa (non-executive)	01/09/2016
Geoffrey Rothschild (non-executive)	03/11/2017
Matsidiso Peter Tshisevhe (non-executive)	01/09/2016

11.2.2. The records of the Company are in the process of being updated with CIPC, however, according to the Company records, the following are the directors of the Company as at the Publication Date:

Name of Director	Date of Appointment
Deon Jeftha Fredericks	29/10/2018
Ahmed Ismail Bassa (non-executive)	03/11/2017
Holmes Peter Maluleka (non-executive)	01/09/2016
Thandeka Nozipho Mgoduso (non-executive)	01/09/2016
Akhter Hoosen Moosa (non-executive)	01/09/2016
Geoffrey Rothschild (non-executive)	03/11/2017
Matsidiso Peter Tshisevhe (non-executive)	01/09/2016

11.3. Company Information

Financial Year End: 31 March
Registered Address: Airways Park
1 Jones Road
OR Tambo International Airport
Kempton Park
Gauteng
1620

Postal Address:	Private Bag X13 OR Tambo International Airport Kempton Park Gauteng 1627
Auditors / Accountants:	Auditor General South Africa: Polani Sokombela

12. COMPANY BACKGROUND

12.1. Background to the Company

12.1.1. The Company was established in February 1934, when Government took over Union Airways of South Africa, being the first commercial airline of South Africa. It has been state-owned since then, except from 1999 to 2002, when Swissair held 20% of the equity in the Company.

12.1.2. The Company's Business involves operating as a national airline carrier, providing passenger and cargo transport services over various domestic, regional and international routes. The Company is a member of Star Alliance, the largest international airline alliance.

12.1.3. As at the Commencement Date, the Company:

12.1.3.1. Provided aviation transport services to 30 routes, comprising:

12.1.3.1.1. 8 international routes;

12.1.3.1.2. 18 regional routes; and

12.1.3.1.3. 4 domestic routes.

12.1.3.2. Held a fleet of 49 aircraft, comprising:

12.1.3.2.1. Owned aircraft:

12.1.3.2.1.1. 5 x A340-300 aircraft; and

12.1.3.2.1.2. 4 x A340-600 aircraft.

12.1.3.2.2. Leased aircraft:

12.1.3.2.2.1. 7 x A319 aircraft;

- 12.1.3.2.2.2. 10 x A320 aircraft;
- 12.1.3.2.2.3. 3 x A340-300 aircraft;
- 12.1.3.2.2.4. 3 x A340-600 aircraft;
- 12.1.3.2.2.5. 6 x A330-200 aircraft;
- 12.1.3.2.2.6. 5 x A330-300 aircraft;
- 12.1.3.2.2.7. 4 x A350-900 aircraft; and
- 12.1.3.2.2.8. 2 x B737-300F aircraft (freighters).

12.1.4. The Company has the following three non-corporate businesses (i.e. the Divisions):

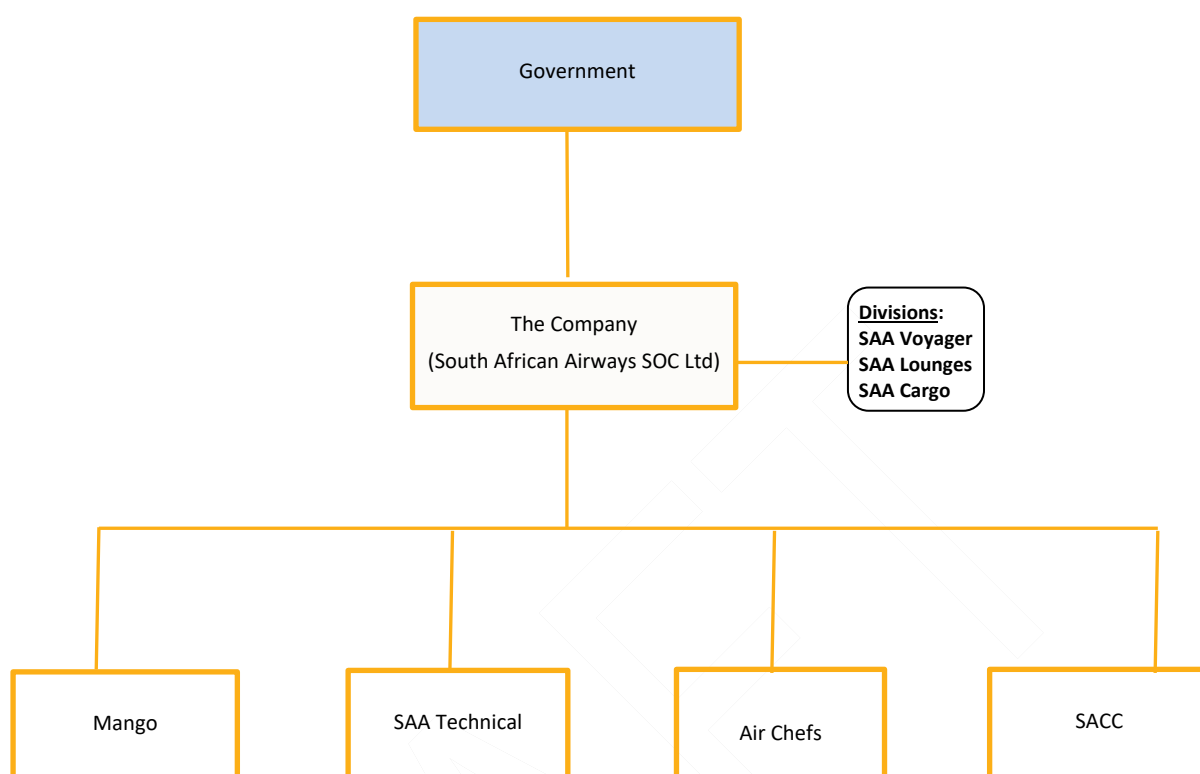
- 12.1.4.1. SAA Cargo, an air cargo service provider with capacity primarily sourced from the “belly space” of SAA’s passenger aircraft fleet.
- 12.1.4.2. SAA Lounges, which provides lounge services to premium passengers in the major cities in South Africa (Johannesburg, Cape Town, Durban, East London and Port Elizabeth) and Africa (Harare and Lusaka).
- 12.1.4.3. SAA Voyager, an airline loyalty programme.

12.1.5. In addition, the Company wholly owns the Subsidiaries, namely:

- 12.1.5.1. Mango, a global best-practice low-cost carrier, primarily operating in the South African domestic market, which increasingly acts as a feeder airline to the Company;
- 12.1.5.2. SAA Technical, Africa’s largest aircraft Maintenance, Repair and Overhaul business;
- 12.1.5.3. Air Chefs, a catering business primarily supplying catering services to the Company’s fleet, offices and SAA Lounges in Johannesburg, Cape Town and Durban; and
- 12.1.5.4. SACC, which is currently dormant but previously operated as a retail travel business with franchises in South Africa and some other African states. It is unlikely that any value can be attributed to the shares held in SACC.

- 12.1.6. The Company licenses its airline code on two feeder airlines, namely, SA Express and SA Airlink. During the Company's Business Rescue, however:
- 12.1.6.1. SA Airlink terminated the license agreement concluded with the Company, which termination was effective from 26 March 2020; and
 - 12.1.6.2. SA Express was placed in provisional liquidation on 28 April 2020.
- 12.1.7. As at the Commencement Date, the Company employed approximately 4 708 (four thousand seven hundred and eight) employees, comprising:
- 12.1.7.1. 617 pilots;
 - 12.1.7.2. 1 516 cabin crew;
 - 12.1.7.3. 209 managers;
 - 12.1.7.4. 216 specialists; and
 - 12.1.7.5. 2 150 non-managers.
- 12.1.8. As stated above, the Company is wholly owned by Government, with shareholder oversight vested in the DPE.

12.2. Current Group Organogram



12.3. Background to the Company's Financial Distress

12.3.1. The main reasons for the Company's financial distress are the following:

12.3.1.1. The Company has suffered significant losses over the last 10-year period which involved:

12.3.1.1.1. The last time the Company reported a profit was in 2011;

12.3.1.1.2. The Company reported losses in each year since 2012 accumulating to over R27 billion (twenty seven billion Rand) in 2019;

12.3.1.1.3. The Rand – US Dollar exchange rate doubled from an average of \$1:R7 in 2011 to \$1:R14 in 2019, with significant implications for the Company's fuel costs and aircraft leasing costs;

12.3.1.1.4. The Company's secured long-term debt increased from R2 billion (two billion Rand) in 2012 to over

R11,9 billion (eleven billion nine hundred million Rand) in 2019;

12.3.1.1.5. Interest costs increased from R172 million (one hundred and seventy two million Rand) in 2012 to R1,3 billion (one billion three hundred million Rand) in 2019;

12.3.1.1.6. The last audited annual financial statements of the Company for the year ended 31 March 2017 were qualified and included a “material uncertainty relating to going concern” as the Company was at that time insolvent with its liabilities exceeding assets by R18 billion (eighteen billion Rand);

12.3.1.1.7. The unaudited results for the period to 31 March 2019 show that the Company’s liabilities exceed its assets by R12,9 billion (twelve billion nine hundred million Rand)

12.3.1.2. There has been a lack of adequate recapitalisation which resulted in the Company experiencing severe liquidity constraints, which was exacerbated by:

12.3.1.2.1. The confirmation by Government that it would not continue supporting the Company financially in the manner that it had previously done, but would provide financial support to facilitate a radical restructuring of the Company.

12.3.1.2.2. The grounding of SAA aircraft by the Civil Aviation Authorities, in October 2019, due to technical non-compliance which negatively affected the reputation of the airline with travel agents and passengers

12.3.1.2.3. The industrial action that occurred over an eight-day period in November 2019 which had the effect of severely hampering the cash flow of the Company.

12.3.1.2.4. The Company lost significant revenue during November 2019 where the Company should have been ramping up to its busiest period.

12.3.1.2.5. The issuing of an application to commence Business Rescue on 21 November 2019 by one of the Trade Unions, namely, Solidarity (**“Solidarity Application”**), coupled with the adverse publicity in the media shortly after the industrial action, , had the following consequences which had a catastrophic impact upon revenue being earned:

12.3.1.2.5.1. the withdrawal of travel insurance by various insurers;

12.3.1.2.5.2. various travel agents halting the sale of the Company's tickets to their customers and preferring to use other carriers; and

12.3.1.2.5.3. customers that had already booked flights started cancelling their flights and requesting refunds (the public's confidence in SAA as a viable concern having dissipated entirely).

12.3.1.2.6. The governance issues at the Company which resulted in a high turnover of executive management over the last ten years 2010 as provided below:

12.3.1.2.6.1. Eight (8) individuals occupied the position of CEO with five (5) in an acting capacity;

12.3.1.2.6.2. Four (4) CFOs, with one as an interim CFO;

12.3.1.2.6.3. At least fifty (50) individuals have served in the Exco over the last decade with only eight individuals who have served at least five years in their positions. In addition, the Company has had five (5) board chairpersons over the same period;

12.3.1.2.7. Inadequate capitalisation of the Subsidiaries with increasing dependency on the Company to provide them with working capital; and

12.3.1.2.8. Increased competition with a significant pressure on the Company's pricing for tickets.

12.3.2. The aforesaid and various other factors, including the loss of substantial revenue adversely affected the Company's cash flow and caused the Company to become illiquid and therefore financially distressed in that it was unable to pay its liabilities to lenders and creditors as they fell due.

12.4. Shortly after the Commencement Date:

12.4.1. Supplier credit terms were revoked with up-front and advance payments required due to the moratorium on outstanding supplier debts;

12.4.2. Many fuel suppliers refused to continue providing fuel unless the pre-business rescue fuel debt was paid;

12.4.3. Bookings reduced by:-

12.4.3.1. 50% for domestic routes - forward bookings materially reduced for January 2020 onwards;

12.4.3.2. 25% for regional routes - less affected due to reduced competition; and

12.4.3.3. more than 50% for international routes - forward bookings had been substantially affected.

13. **SUMMARY OF THE BUSINESS RESCUE**

13.1. **Introduction**

Business Rescue, as defined in section 128 (1) (b) of the Companies Act, refers to proceedings to facilitate the rehabilitation of a company that is financially distressed by providing for –

13.1.1. the temporary supervision of a company by one or more business rescue practitioners, and of the management of its affairs, business and property;

13.1.2. a temporary moratorium on the rights of claimants against a company or in respect of property in its possession; and

13.1.3. the development and implementation, if approved, of a plan to rescue the company in question by restructuring its affairs, business, property, debt and other liabilities, and equity in a manner that maximises the likelihood of the company in question continuing in existence on a solvent basis or, if it is not possible for the company to so continue in existence, results in a better return for the company's creditors or shareholders than would result from the immediate liquidation of the company.

13.2. The following summary sets out the salient dates on which certain events have taken and will take place during Business Rescue –

EVENT	DATE
Board Resolution to commence Business Rescue	5 December 2019
Commencement of Business Rescue (date on which the above resolution was filed at the CIPC)	5 December 2019
Appointment of BRP – Matuson	5 December 2019
Appointment of BRP – Dongwana	18 December 2019
First Employees' Meeting	20 December 2019
First Creditors' Meeting	20 December 2019
Extension obtained to publish the Business Rescue Plan	20 December 2019
First Employees' Committee Meeting	15 January 2020
Second Employees' Committee Meeting	31 January 2020
Third Employees' Committee Meeting	3 February 2020
Fourth Employees' Committee Meeting	6 February 2020
First Creditors' Committee Meeting	6 February 2020
Fifth Employees' Committee Meeting	11 February 2020
Extension obtained to publish the Business Rescue Plan	28 February 2020
Extension obtained to publish the Business Rescue Plan	20 March 2020
Second Creditors' Committee Meeting	28 April 2020
Sixth Employees' Committee Meeting	28 April 2020
Circulation of draft Business Rescue Plan to Affected Persons	1 June 2020
Consultation with Employees' Representatives on draft Business Rescue Plan	1 - 15 June 2020
Consultation with Creditors' Committee on draft Business Rescue Plan	4 June 2020
Consultation with Government on draft Business Rescue Plan	31 May 2020 to 8 June 2020
Business Rescue Plan published	16 June 2020
Meeting to consider the Business Rescue Plan in terms of section 151 of the Companies Act	25 June 2020

14. STEPS TAKEN SINCE THE APPOINTMENT OF THE BRPS

14.1. ADMINISTRATIVE MATTERS

14.1.1. Appointment of BRPs

Matuson was appointed on 5 December 2019 and Dongwana was appointed on 18 December 2019.

14.1.2. Management Control

In terms of section 140 (1) (a) of the Companies Act, the BRPs took over full management control of the Company, but as they were entitled to do, the BRPs delegated certain functions and operations to certain Management.

14.1.3. Notices

The BRPs have been publishing notices to Affected Persons in terms of the Companies Act.

14.1.4. Reporting to CIPC

The BRPs have complied with all statutory obligations under the Companies Act and rendered monthly reports to CIPC as contemplated in section 132 (3) of the Companies Act.

14.1.5. Appointment of Alvarez & Marsal as Global Aviation Restructuring Experts

14.1.5.1. The BRPs appointed and mandated Alvarez & Marsal (an international distressed company and restructuring expert, with specific expertise in dealing with financially distressed airlines) to:

14.1.5.1.1. Provide independent and objective advice, from an aviation operations perspective, on opportunities to reduce cash burn, including cost reduction and operations improvement opportunities;

14.1.5.1.2. Provide assistance to the BRPs in setting out the restructuring options available in light of the severe liquidity constraints in place at the time of the BRPs' appointment, including options to maintain as much of the Company's operations as would be

commercially viable as an alternative to closure and liquidation options that were under consideration;

14.1.5.1.3. provide the restructuring plan options for the airline which would then be developed into a Business Rescue Plan once Government has chosen their preferred plan; and

14.1.5.1.4. based on their aviation industry contacts, to assist in sourcing a SEP for the Company.

14.1.6. **Appointment of PwC as Independent Experts**

14.1.6.1. The BRPs appointed and mandated PwC:

14.1.6.1.1. to provide cash flow forecasts to show the liquidity requirements for each of the restructuring scenarios for SAA;

14.1.6.1.2. to develop an integrated financial forecasting and business model based on the Proposed Restructuring Plan ("**Financial Model**"); and

14.1.6.1.3. as independent experts for purposes of calculating the estimated liquidation dividend that would be received by Creditors, in their specific classes, if the Company were to be immediately placed in liquidation.

14.1.6.2. The Financial Model was used, *inter alia*, to prepare the projected balance sheet and statement of income and expenses for the Company for the ensuing three years, dealt with in paragraph 45 below.

14.1.6.3. The liquidation dividend is dealt with in paragraphs 19.4 to 19.7 below.

14.1.7. **Extension for Publication of Business Rescue Plan**

In terms of section 150 (5) of the Companies Act, the Business Rescue Plan was required to be published within 25 (twenty five) Business Days from the appointment of the BRPs. The BRPs ultimately obtained an extension from the

Creditors as contemplated in section 150 (5) (b) of the Companies Act for the publication of the Business Rescue Plan to 15 June 2020.

14.1.8. Publication of Business Rescue Plan and Notice of Meeting

- 14.1.8.1. The Business Rescue Plan will be published to all Affected Persons on the Publication Date.
- 14.1.8.2. The Notice of Meeting will be delivered to all Affected Persons simultaneously with the publication of the Business Rescue Plan.
- 14.1.8.3. The publication of the Business Rescue Plan and delivery of the Notice of Meeting will take place in accordance with the provisions of the Companies Act and the Regulations thereto.

14.1.9. Cash Resources

- 14.1.9.1. In order to preserve the cash resources of the Company, the BRPs implemented immediate cash relief initiatives and explored broader cost optimisation initiatives, which are dealt with further in paragraph 14.6.5.
- 14.1.9.2. The BRPs also obtained PCF from the PCF Lenders, which is dealt with further in paragraph 14.6.2.

14.2. LABOUR

14.2.1. Employees' Meetings

- 14.2.1.1. A first meeting of Employees, as contemplated in section 148 (1) of the Companies Act, was convened on 20 December 2019.
- 14.2.1.2. At this meeting, *inter alia*:
 - 14.2.1.2.1. the business rescue process was explained;
 - 14.2.1.2.2. Employees were informed of the BRPs' opinion regarding the reasonable prospect of rescuing the Company;

- 14.2.1.2.3. Employees were informed of the BRPs' actions since the Commencement Date;
- 14.2.1.2.4. assistance was also given to the Employees by providing answers to their various queries; and
- 14.2.1.2.5. nominations were requested for the establishment of the Employees' Committee.

14.2.2. **Employees' Committee**

- 14.2.2.1. Pursuant to the first meeting of Employees, the Employees' Committee was duly established.
- 14.2.2.2. The Employees' Committee comprises the following:
 - 14.2.2.2.1. representatives from the Trade Unions; and
 - 14.2.2.2.2. representatives for the independent employees (being those employees unrepresented by trade unions).
- 14.2.2.3. The members of the Employees' Committee appointed Cloete Murray as the independent chairperson of the Employees' Committee.
- 14.2.2.4. The Employees' Committee met with the BRPs on 5 January 2020, 31 January 2020, 4 February 2020, 6 February 2020, 11 February 2020, 12 March 2020 and 28 April 2020.

14.2.3. **Consultation on the Draft Business Rescue Plan**

- 14.2.3.1. On 31 May 2020, the BRPs provided the draft Business Rescue Plan to, *inter alia*, representatives on the Employees' Committee to:
 - 14.2.3.1.1. enable them to make representations to the BRPs for consideration, subject to the BRPs' overall responsibility to publish a Business Rescue Plan which they regard as representing the best prospects of rescuing the Company as contemplated in the Companies Act; and

14.2.3.1.2. afford them sufficient opportunity to review the draft Business Rescue Plan and prepare a submission as contemplated in section 152 (1) (c) of the Companies Act.

14.2.3.2. On 2 June 2020 the employees' representatives sent the BRPs a correspondence to the effect that they would not be consulting the BRPs in the statutory forum of the Employees' Committee but rather through the Leadership Compact Forum.

14.2.3.3. As at Publication Date the BRPs had only received submissions and queries on the Business Rescue Plan from one of the recognised unions, NTM, the BRPs have considered and provided responses to these submissions and queries.

14.2.3.4. The BRPs have also included the agreed outcomes with the employees' representatives stemming from the Leadership Compact Forum in relation to employees and impact of the Proposed Restructure.

14.2.3.5. The chairperson of the Employees' Committee was engaged on the above and he has provided his input on the process and Business Rescue Plan

14.2.4. **Section 189 of the LRA Process**

14.2.4.1. It became apparent that for the Business Rescue efforts to be successful, and for liquidation to be avoided, it was necessary for the Company to restructure its operations and also reduce its costs significantly.

14.2.4.2. The Company has formed the view that, alongside other cost savings measures to be implemented, the best way for the Company to reduce its costs significantly in order for the Business Rescue efforts to be successful, and for liquidation to be avoided, is by the Company:

14.2.4.2.1. reducing the number of its employees in line with the optimal operations; and

14.2.4.2.2. revising the terms and conditions of employment of the remaining employees to align them with the market related conditions, preferably through collective agreements concluded with those Trade Unions representing the majority of the Company's remaining employees.

14.2.4.3. As a result, on 9 March 2020, the Company, having contemplated the possibility of such dismissals and a possible new structure, issued notices in terms of section 189 (3) read together with section 189A of the LRA ("**section 189 (3) notices**") to all Employees and their Trade Unions.

14.2.4.4. In terms of those section 189 (3) notices, all of the positions with the Company would be potentially affected. All employees would be displaced, and the selection criteria would be applied to offer employees new jobs in the new proposed structure, at revised terms and conditions of employment. In the event that an employee does not accept a job offered to them, then it is proposed that they would be selected for retrenchment, and another displaced employee would be offered that position. 2 440 (two thousand four hundred and forty) positions were made available in terms of the proposed new structure on significantly revised terms and conditions of employment. Representative Trade Unions will be required to conclude new collective agreements giving effect to the proposed changes and cancelling existing collective agreements insofar as same are at variance with the proposed changes.

14.2.4.5. On 19 March 2020, the Company issued a supplementary section 189 (3) notice, in which it requested that the parties agree to a truncated consultation period, given the time constraints which were exacerbated by the COVID-19 pandemic. 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.

14.2.4.6. The issuance of the section 189 (3) notices was the first step in a statutory facilitated consultation process which commenced on 20 March 2020 under the auspices and facilitation of the CCMA. The Company and the consulting parties have held consultation meetings electronically, in light of the issues arising from the COVID-19 pandemic and the implementation of the national lockdown. The Company and the consulting parties held consultation meetings and/or bilateral meetings on the following dates:

14.2.4.6.1. 20, 23, 24, and 26 of March 2020,

14.2.4.6.2. 1, 2, 3, 13, 14, 15, 16, 17, 18, 20, 23, 28 and 29 of April 2020.

14.2.4.7. Following the declaration by the President of the Republic of South Africa 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

14.2.4.8. The section 189 (3) notices were issued after consultation with the DPE, and notification to National Treasury.

14.2.4.9. The section 189 process began on 20 March 2020 under the auspices of the CCMA led by Commissioners Shawn Christiansen and Grahame Mathewson and can be summarised as follow:

14.2.4.9.1. NUMSA and SACCA initially sought to have the engagements postponed until the lockdown measures have been uplifted;

- 14.2.4.9.2. However, measures were put in place by the Company to ensure the engagements comply with COVID-19 health and safety measures;
- 14.2.4.9.3. NUMSA and SACCA ultimately abstained from participating in the engagements accusing the Company of not providing all the information necessary for them to evaluate the Company's proposals;
- 14.2.4.9.4. The remaining unions engaged constructively including:
 - 14.2.4.9.4.1. discussing the scenarios presented to government by the BRPs and Alvarez & Marsal and the rationale for each scenario;
 - 14.2.4.9.4.2. engaging on the proposed organisational structures for the restructured company;
 - 14.2.4.9.4.3. discussing the impact of COVID-19 on the Company and the aviation industry; and
 - 14.2.4.9.4.4. discussing alternatives as presented by the various unions.
- 14.2.4.9.5. Following the 10 April 2020 letter from DPE indicating no further funding for the business rescue of SAA, the Company made the following proposals to the unions:
 - 14.2.4.9.5.1. The objective of the section 189 engagements to change from seeking a headcount reduction and a revision of terms and conditions of employment to negotiating voluntary severance packages;
 - 14.2.4.9.5.2. The proposed terms of the severance package were provided

in a draft Collective Agreement to be concluded by the 25 April 2020 in order to ensure that the Company does not incur further employee costs beyond April 2020;

14.2.4.9.5.3. The DPE, which at that time had started a parallel process of engaging with labour through the Leadership Compact Forum, requested that the concluding of the Collective Agreement be extended to 11 May 2020 in order to allow for further engagements with the unions;

14.2.4.9.5.4. The Company acceded to the request by the DPE;

14.2.4.9.5.5. It was during this period that NUMSA and SACCA launched a court application on 30 April 2020, eight days before the expiry of the 60-day mandatory period for the section 189 engagements.

14.2.5. November 2019 Salary Agreements

14.2.5.1. On or about 22 November 2019, the Company concluded salary agreements with NUMSA and SACCA to regulate salaries and other conditions until 31 March 2020.

14.2.5.2. In terms of these salary agreements, the Company agreed to pay salary increases and back pay to employees in separate tranches subject to the Company securing funding for such purposes and such funding being available in February, March and April 2020.

14.2.5.3. Both NUMSA and SACCA have enquired on and demanded the payment of such salary increases and back-pay. To date, SAA have not been able to honour such payment of these salary increases and back-pay as

the funding for such purposes did not become available during the abovementioned period.

14.3. CREDITORS

14.3.1. Creditors' Meeting:

14.3.1.1. A first meeting of Creditors, as contemplated in section 147 (1) of the Companies Act, was convened on 20 December 2019 ("**the First Meeting**").

14.3.1.2. At the First Meeting, *inter alia*:

14.3.1.2.1. the business rescue process was explained;

14.3.1.2.2. Creditors were informed of the BRPs' opinion regarding the reasonable prospect of rescuing the Company;

14.3.1.2.3. Creditors were informed of the BRPs' actions since the Commencement Date;

14.3.1.2.4. assistance was given to the Creditors by providing answers to their various queries;

14.3.1.2.5. the BRPs received proof of Pre-commencement Claims by Pre-commencement Creditors; and

14.3.1.2.6. nominations were requested for the establishment of the Creditors' Committee.

14.3.2. Creditors' Committee

14.3.2.1. Pursuant to the First Meeting, a Creditors Committee was duly established.

14.3.2.2. The members of the Creditors' Committee appointed Juliette de Hutton as the independent chairperson of the Creditors' Committee.

14.3.2.3. The Creditors' Committee met with the BRPs on 6 February 2020, 28 April 2020 and any further meetings since.

14.3.3. Consultation on the draft Business Rescue Plan

14.3.3.1. On 28 May 2020, the BRPs provided the draft Business Rescue Plan to, *inter alia*, representatives of the Creditors' Committee to:

14.3.3.1.1. enable them to make representations to the BRPs for consideration, subject to the BRPs' overall responsibility to publish a Business Rescue Plan which the BRPs regarded as representing the best prospects of rescuing the Company as contemplated in the Companies Act; and

14.3.3.1.2. afford them sufficient opportunity to review the draft Business Rescue Plan.

14.3.3.2. On 4 June 2020, the BRPs consulted with the Creditors' Committee.

14.3.3.2.1. The committee provided their submissions on the Business Rescue Plan relating to a variety of issues from the proposed quantum of the Concurrent Creditor Allocation to the implementation of the Business Rescue Plan and the position of Creditors on various issues. The BRPs provided responses to the clarity seeking questions and insight on other aspects of the Business Rescue Plan that weren't clear to the committee.

14.3.3.2.2. The BRPs also undertook to include various submission in the Business Rescue Plan as well as raise the issue of the quantum of the Concurrent Creditor Allocation with the Government as they would be sourcing the funding for the implementation of the Business Rescue Plan.

14.4. LEGAL

14.4.1. Court Applications:

14.4.1.1. SA Airlink:

14.4.1.1.1. On 17 January 2020, SA Airlink issued an urgent application seeking, *inter alia*:

14.4.1.1.1.1. a declarator that the flown and unflown revenue in respect of flights which occurred prior to the Company's Business Rescue did not amount to a "*debt owed*" as contemplated in terms of section 154 (2) of the Companies Act, or are not debts owed by the Company immediately before the beginning of Business Rescue; and

14.4.1.1.1.2. an order that the Company makes payment of the aforesaid flown revenue within five days of the order sought.

14.4.1.1.2. The Company and BRPs opposed the urgent application.

14.4.1.1.3. The urgent application was heard on 11 February 2020.

14.4.1.1.4. On 2 March 2020, the urgent application was dismissed with costs, including the costs of two counsel.

14.4.1.1.5. On 5 March 2020, SA Airlink applied for leave to appeal.

14.4.1.1.6. On 13 March 2020, SA Airlink were granted leave to appeal to the Supreme Court of Appeal.

14.4.1.1.7. SA Airlink and the Company have filed heads of argument and are awaiting confirmation of the hearing date.

14.4.1.2. Black Management Forum (“**BMF**”) Application:

- 14.4.1.2.1. On or about 13 January 2020, the BMF launched an application challenging the appointment of Mr Nico Bezuidenhout as the Chief Executive Officer of Mango Airlines (SOC) Limited (“**Mango**”). The Company is cited as the Second Respondent in its capacity as Mango’s holding company.
- 14.4.1.2.2. On 5 February 2020, the Company filed its notice of opposition.
- 14.4.1.2.3. On 2 March 2020 the Company filed its record of proceedings.
- 14.4.1.2.4. The other respondents in the matter have also filed their records of proceedings.
- 14.4.1.2.5. The BMF is now required to either supplement its founding papers or to notify the respondents that it will not supplement its founding papers.
- 14.4.1.2.6. Upon the BMF supplementing its papers or notifying the respondents that it will not supplement its papers, the respondents, including the Company will be required to file their answering papers.

14.4.1.3. NUMSA and SACCA application 1

- 14.4.1.3.1. On 10 February 2020 NUMSA and SACCA filed an urgent application in the Labour Court for an order in the order following terms:
 - 14.4.1.3.1.1. That the Company’s and the BRPs’ announcement on 6 February 2020 in respect of the purported dismissals of NUMSA and SACCA’s members due to changes in the flight network of the Company be declared null and avoid for non-compliance with the LRA and be set aside;

- 14.4.1.3.1.2. That the Company's and the BRPs' failure to engage in meaningful joint-consensus seeking consultations as envisaged in section 189 and 189A of the LRA be declared as unlawful and/or unfair;
- 14.4.1.3.1.3. That the Company be interdicted and restrained from taking any steps towards terminating the employment of NUMSA and SACCA members in terms of the restructuring process until it has complied with the procedural requirements in the LRA; and
- 14.4.1.3.1.4. That the Company be directed to place NUMSA and SACCA members on a trainee lay-off scheme in terms of a collective agreement between the parties.
- 14.4.1.3.1.5. The matter was heard on 13 February 2020 and judgment was handed down on 14 February 2020. The application was dismissed and no order as to costs was made.
- 14.4.1.3.1.6. On the same day (14 February 2020), NUMSA and SACCA launched an application for leave to appeal on an urgent basis. The matter was heard on the same day and judgement was reserved.
- 14.4.1.3.1.7. On 20 February 2020, the application for leave to appeal was dismissed.
- 14.4.1.3.1.8. On 21 February NUMSA and SACCA petitioned the Labour

Appeal Court on an urgent basis for leave to appeal.

14.4.1.3.1.9. On 26 February 2020, SAA filed a notice of intention to oppose and answering affidavit.

14.4.1.3.1.10. On 27 February 2020, NUMSA and SACCA filed their replying affidavit.

14.4.1.3.1.11. The matter currently awaits a decision from the Labour Appeal Court. However, in circumstances where the section 189 (3) notice has already been issued by the BRPs on 9 March 2020, this petition is moot and is unlikely to be pursued further.

14.4.1.4. NUMSA and SACCA application 2

14.4.1.4.1. On 30 April 2020 NUMSA and SACCA delivered another urgent application in the Labour Court for an order in the order following terms:

14.4.1.4.1.1. declaring that the Company's and the BRPs' issuing of the section 189(3) notices was unlawful, alternatively, that the issuing of the section 189(3) notices and/or continuation with the consultative process is unfair;

14.4.1.4.1.2. directing the Company and the BRPs to withdraw the section 189(3) notices, alternatively, to suspend the consultative process until a Business Rescue Plan has been presented;

14.4.1.4.1.3. directing the Company and the BRPs not to terminate the services of any employee pursuant to the notices and not to process any

applications for voluntary severance packages, alternatively, not to terminate services of any employee pursuant to the section 189(3) notices until the prayer sought in the aforesaid paragraph has been complied with;

14.4.1.4.1.4. declaring that the Company's and BRPs' suspension of the contractual right of the members of NUMSA and SACCA to be considered for placement in the Training Lay-Off Scheme as an alternative to retrenchment is unlawful; and

14.4.1.4.1.5. directing the Company and the BRPs to uplift such suspension and to take all necessary steps towards giving effect to their reciprocal obligations in respect of the aforesaid contractual rights.

14.4.1.4.2. The application was set down for hearing on 7 May 2020. The Court found in favour of the applicants on 8 May 2020.

14.4.1.4.3. On 25 May 2020, the Company applied for leave to appeal.

14.4.1.4.4. On 25 May 2020, the Company was granted leave to appeal to the Labour Appeal Court and the appeal hearing is scheduled for 30 June 2020.

14.4.2. Suspension and Cancellation of Contracts:

14.4.2.1. Section 136 (2) of the Companies Act authorises the BRPs during Business Rescue to entirely, partially or conditionally suspend, for the duration of the Business Rescue, any obligation of the Company that arises under an agreement to which that the Company was a party at

the Commencement Date and would otherwise become due during the Business Rescue.

14.4.2.2. The BRPs suspended the Company's obligations in terms of some of the aircraft lease agreements concluded with Lessors, as detailed in paragraph 14.6.4, whereafter the Lessors exercised their contractual rights to begin termination proceedings on the applicable lease agreements.

14.4.2.3. The BRPs also suspended certain of the Company's obligations and cancelled certain contracts concluded by the Company prior to the Commencement Date in terms of section 136 (2) of the Companies Act or in accordance with the terms of the respective contracts.

14.4.3. General:

The BRPs were required to engage attorneys to advise on, *inter alia*, issues relating to employment, Tax, regulatory issues, contractual disputes, PCF, post-commencement agreements, the Proposed Restructure, Claims against the Company and various issues arising out of the Business Rescue.

14.5. Investigation into the affairs of the Company

14.5.1. In terms of section 141 (1) (c) of the Companies Act, the BRPs must investigate the Company's affairs, business, property and financial situation. This is dealt with further under the review of procurement contracts in paragraph 14.6.6.

14.5.2. Alleged corruption, mismanagement and unlawful conduct

14.5.2.1. Prior to the commencement of Business Rescue the Company had commenced with various forensic investigations into the alleged corruption, mismanagement and unlawful conduct. This was augmented by secondment of personnel from the Special Investigative Unit ("SIU") to assist the Company with these investigations. This process has been supported by the BRPs throughout the Business Rescue and there has been significant work done in relation to the alleged corruption at the Company. Unfortunately given the nature of the investigation the BRPs are not in a position to give any further detail on this topic but announcements

will be made by the Company as and when they are able to do so.

14.5.2.2. The BRPs also studied various forensic reports which were commissioned prior to the commencement of the Business Rescue and where contracts were alleged to be tainted in terms of the forensic reports, the BRPs took the appropriate steps to either suspend or terminate such contracts, if it was not prejudicial for SAA to do so.

14.5.3. The Company has had several engagements with the Zondo Commission and made submissions thereto as part of the commission's ongoing investigation into state capture.

14.5.4. It is also important to note that many of the alleged corrupt contracts attributed to SAA are in fact in relation to the various Subsidiaries of the Company and the boards of the Subsidiaries have the duty to deal with these allegations.

14.6. **BUSINESS RESCUE INITIATIVES**

14.6.1. **The Proposed Restructure**

14.6.1.1. The BRPs, together with the Advisors and Management, conducted an objective assessment of the Company and evaluated various business rescue scenarios to optimise the Company's business model, flight network and cost base.

14.6.1.2. Pursuant to conducting the aforesaid assessment and evaluation, and after consultation with the Government, the BRPs developed a proposal to restructure the Company's affairs, business, property, debt and other liabilities, and equity in a manner that would maximise the likelihood of the Company continuing in existence on a solvent basis.

14.6.1.3. The details of the Proposed Restructure are set out in paragraph 26.

14.6.2. **Post-Commencement Finance**

14.6.2.1. On 7 December 2019, the PCF Bank Lenders granted a PCF revolving credit facility to the Company in the amount

of R2 billion (two billion Rand) (which debt is secured by Guarantees in favour of the PCF Bank Lenders).

- 14.6.2.2. On 27 January 2020, the DBSA granted a PCF term loan facility to the Company in the amount of R3,5 billion (three billion five hundred million Rand) (which debt is secured by a Guarantee in favour of the DBSA).

14.6.3. Government Funding and Guarantees

- 14.6.3.1. In terms of the 2020 Budget Speech, Government has allocated an amount of R16.4 billion (sixteen billion and four hundred million Rand) to the Company in order to repay Lenders who are secured by way of the Guarantees for legacy debt, PCF and the applicable interest, as detailed in paragraph 30.3.

- 14.6.3.2. Additional funding will be required for the Proposed Restructure in order to address the working capital requirements and the retrenchment costs as set out in paragraph 28.

14.6.4. Lessors and Fleet Optimisation

- 14.6.4.1. In order to address liquidity constraints, the BRPs negotiated deferred payments with the Lessors in terms of which:

- 14.6.4.1.1. Lessors were paid 50% of the amounts due to them since the Commencement Date on 3 January 2020 and the remaining 50% was paid on 30 January 2020;

- 14.6.4.1.2. Lessors were paid in advance on a weekly basis from 1 February 2020 until end of March 2020.

- 14.6.4.2. The BRPs then proceeded to identify which aircraft are necessary for the Business and issued suspension notices to the Lessors of those aircraft which are not necessary for the Business going forward.

- 14.6.4.3. Pursuant to the aforesaid suspension notices, certain lessors opted to terminate their lease agreements.

14.6.4.4. The aforesaid actions will result in substantial savings of aircraft lease charges to the Company.

14.6.4.5. Pursuant to the nation-wide lockdown after the outbreak of Coronavirus (“COVID-19”), Lessors of the remaining aircraft were asked for payment holidays for an anticipated 3 month period during the lockdown period. Lessors agreed to such rental deferrals as well as a deferred repayment plan on those amounts unpaid during the 3 month period. All leased aircraft were placed in preservation mode with the requisite maintenance being performed as required to maintain airworthiness.

14.6.4.6. Two lessors, however, agreed to the Company operating charter flights with their respective aircraft, at no charge.

14.6.5. **Cash Conservation and Management Office**

14.6.5.1. The BRPs established a Cash Conservation and Management Office (“CCMO”).

14.6.5.2. The role of the CCMO is to:

14.6.5.2.1. Enforce the discipline to optimise cash resources through review and authorisation of all expenses/costs (excluding costs related to fuel and leasing of aircrafts that are dealt with in the fleet management working stream);

14.6.5.2.2. holistic monitoring of the cash resources to ensure that there is sufficient liquidity for the execution of critical operations;

14.6.5.2.3. ensure that the allocation of cash within the Company yields the most optimal results for the Company;

14.6.5.2.4. identify and implement real time cost reduction opportunities;

14.6.5.2.5. identify and eliminate costs not necessary for the safe and efficient day-to-day operations of the Company; and

14.6.5.2.6. review and approve the Company's daily cash run prior to payment execution.

14.6.5.3. All expenditure, whether previously provided for or not, needs to be approved by the CCMO, after compliance with the cost authorisation procedures set out by the CCMO.

14.6.5.4. The CCMO is comprised of 10 members, mainly from the BRPs' teams and Management, who meet every weekday.

14.6.5.5. This process achieved a reduction of spend to the tune of R500 million (five hundred million Rand) a month;

14.6.5.5.1. In the past five years, the Company spent at least R30 billion (thirty billion Rand) a year, which amounts to R2.5 billion (two billion and five hundred million Rand);

14.6.5.5.2. Due to the CCMO process, the monthly costs incurred during the BR process amounted to R2 billion (two billion Rand), before the COVID-19 related travel bans;

14.6.5.5.3. The total cash receipts and total expenditure spend during the six month of the Business Rescue up to 31 May 2020 are set out in Annexure F.

14.6.6. Review of Procurement Contracts

14.6.6.1. The BRPs established a fleet management work stream, which performed the following:

14.6.6.1.1. Review of all contracts for leasing of aircrafts; and

14.6.6.1.2. Review of contracts for the supply of fuel.

14.6.6.2. Aircraft leasing contracts which were deemed as not commercially viable were cancelled and the affected Lessors were advised to take back the aircrafts. This resulted in the return of three (3) passenger aircrafts and two (2) cargo aircrafts.

- 14.6.6.3. For the remaining aircraft, terms of the various contracts were renegotiated with a particular focus on the lease charges which resulted in reductions.
- 14.6.6.4. The BRPs also developed a work stream to review other contracts (that is, other than those relating to aircraft and fuel) and assess the value for money for each contract, which work stream was responsible for the following activities:
 - 14.6.6.4.1. Obtaining the Company's payment records for the period 1 March 2018 to 30 April 2019, and performing an analysis of same.
 - 14.6.6.4.2. Obtaining a list of suppliers from the SAA Group procurement department.
 - 14.6.6.4.3. Reviewing the commercial terms and conditions of the supplier contracts.
- 14.6.6.5. The approach adopted by the team was to start by reviewing the top twenty contracts by spend, based on the payment records for the period 1 March 2018 to 30 April 2019. A significant number of the contracts related to the procurement of ITS services. These contracts were then reviewed systematically.
- 14.6.6.6. The team also reviewed the nature and frequency of the costs and/or expenditure submitted for approval at CCMO and verified same against the contract list.
- 14.6.6.7. In the instances where the contracts were deemed to be priced above the market rates, they were renegotiated with the suppliers to reduce the costs to market rates.
- 14.6.6.8. In the instances where the contracts were deemed to be priced above the market rates, and the suppliers were not amenable to a negotiated reduction of rates to market rates, those contracts were cancelled.
- 14.6.6.9. In all instances where the contracts were deemed to be priced significantly higher than the market, those

contracts were submitted to the SIU for investigation for any potential fraud and/or corruption.

14.6.6.10. During this process, it was identified that there are numerous services that are outsourced by the Company, which, in the BRPs' view, do not need to be outsourced, because there is either capability to perform those services within the Company, or, with a small capital investment, it would be more beneficial for the Company to insource those services. The process of insourcing these services would have commenced at the end of March 2020.

14.6.7. **Stakeholder Engagement and Management**

14.6.7.1. In order for the Business Rescue to succeed, it was, and remains, imperative that the BRPs constantly engage with and manage the various stakeholders involved in the Company's Business Rescue.

14.6.7.2. To this extent, and in addition to what has been set out in paragraph 14.2 and 14.3 above, the BRPs have had various engagements with, *inter alia*:

14.6.7.2.1. DPE and National Treasury;

14.6.7.2.2. Trade Unions;

14.6.7.2.3. Regulatory authorities including the Civil Aviation Authority, Air Services Licensing Council, IATA; and

14.6.7.2.4. Association of South African Travel Agents, other trade partners and insurers to the travel industry.

14.6.7.3. The BRPs continue to engage with all stakeholders throughout the Business Rescue.

14.6.8. **Operational Review**

14.6.8.1. The BRPs conducted an operational review of the Business and mandated Alvarez & Marsal to provide an objective and impartial insights into the operations of the Company. The approach that was adopted is as follows;

- 14.6.8.1.1. Assuming the severe cash constraints and survival as the key objectives so as to identify a portfolio of profitable routes to maintain SAA branded flights and retain as many jobs as possible;
- 14.6.8.1.2. Applying a fact based, objective assessment of the impacts on fleet, people and facilities;
- 14.6.8.1.3. Withdrawing from unprofitable routes and increase overall SAA Group profitability;
- 14.6.8.1.4. Identified aircraft and routes that could be better utilised or reassigned to increase yield and capacity. Identify regional routes that would help increase aircraft utilisation so as to improve overall profitability;
- 14.6.8.1.5. Assess the ancillary businesses to achieve a more viable business model with potential to attract SEPs.
- 14.6.8.2. The outcomes of its review as set out in paragraph 14.6.11 below.

14.6.9. **PFMA Application**

- 14.6.9.1. In an attempt to expedite and facilitate critical decision making required to effect cost-savings during the Company's Business Rescue, the BRPs applied to the DPE on 18 December 2019 for:
 - 14.6.9.1.1. a partial exemption from the requirements of section 54 (2) of PFMA, and
 - 14.6.9.1.2. an exemption from the requirements of various clauses of the Company's Memorandum of Incorporation ("**Mol**").
- 14.6.9.2. On 19 December 2019, the DPE granted the Company:
 - 14.6.9.2.1. an exemption from the requirements of section 54 (2) of the PFMA insofar as the following transactions are concerned:

- 14.6.9.2.1.1. acquisition or disposal of a significant shareholding in a company;
- 14.6.9.2.1.2. acquisition or disposal of a significant asset, unless the value of the transaction exceeds R1 billion (one billion Rand) (in the case of disposals);
- 14.6.9.2.1.3. commencement or cessation of a significant business activity; and
- 14.6.9.2.1.4. significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement,
- 14.6.9.2.2. approval to:
 - 14.6.9.2.2.1. commence proceedings in terms of section 189 of the LRA, to implement any retrenchment of the Company's employees;
 - 14.6.9.2.2.2. conclude voluntary severance agreements with the Company's employees; and
 - 14.6.9.2.2.3. conclude transactions covered by clauses 3.4 and 3.5 of the Company's Mol.
- 14.6.9.3. On 26 December 2019, the Minister of Finance granted a similar exemption due to certain conditions to Government guarantees issued by the Minister of Public Enterprises and concurred to by the Minister of Finance to secure debts of the Company.
- 14.6.9.4. This exemption was subsequently withdrawn by the Department of Public Enterprise on 27 April 2020

14.6.10. Financial Stability of Subsidiaries

14.6.10.1. The Company's Business Rescue had various consequences on the Subsidiaries and various intra-group transactions were required, both for the successful Business Rescue of the Company and in order to sustain the financial viability of the Subsidiaries.

14.6.10.2. The Subsidiaries have been engaging with Government in relation their funding, recapitalisation and restart but the process would be as follows:

14.6.10.2.1. the capitalisation of SAA Technical, Air Chefs and Mango through subscription by the Company of ordinary shares in these entities to ensure financial stability post the implementation of the Business Rescue Plan

14.6.10.3. The status of the Subsidiaries is as follows:

14.6.10.3.1. SAA Technical:

14.6.10.3.1.1. SAA Technical As an essential services provider under lockdown, SAA Technical entered most customer aircraft into basic storage and care & maintenance programmes as advised by the customer and guided by the OEM's. Additionally, SAA Technical has assisted SAA and other carriers with authorised repatriation and Cargo flights. As the lockdown levels have been eased, SAA Technical has been able to do a few additional functions mainly around the heavy maintenance section, and return to lessor work. Due to lockdown regulations, SAA Technical sent the majority of its workforce home on compulsory leave, with only

sufficient staff at work to perform the said tasks and functions required.

14.6.10.3.1.2. The impact of both SAA and Comair being in Business Rescue, the COVID-19 lockdown and SAA Technical's already weak liquidity position, has put severe strain on SAA Technical's cashflow position. Due to the limited funds available to SAA Technical in the short-term, its board took the decision to not pay staff full salaries until cashflows allow. The TERS UIF employee assistance programme assisted employees in April by paying out around R17.1 million (seventeen million one hundred thousand Rand), and will continue to assist going forward.

14.6.10.3.1.3. Would require R1 billion (one billion Rand) for their recapitalisation to be utilised as follows:

14.6.10.3.1.3.1. Working Capital requirements in the amount of R500 million (five hundred million Rand).

14.6.10.3.1.3.2. Restructuring costs in the amount of R500 million (five hundred million Rand).

14.6.10.3.2. Air Chefs:

14.6.10.3.2.1.1. Air Chefs is currently servicing SAA charter flights and working with minimal staff. Employees are paid for the day(s) worked only. Air Chefs is

engaging with other major customers (Mango, Swiss & BA) to restart the services.

14.6.10.3.2.2. The last time employees at Air Chefs received a full salary was March 2020. Air Chefs applied for the TERS UIF programme for its employees and almost all employees received payment with the exception of employees who have recently claimed maternity benefits from UIF.

14.6.10.3.2.3. As at 12 June 2020 Air Chefs would require R150 million (one hundred and fifty million Rand) for their recapitalisation to be utilised as follows:

14.6.10.3.2.3.1. Working Capital requirements in the amount of R59 million (fifty nine million Rand).

14.6.10.3.2.3.2. Restructuring costs in the amount of R88 million (eighty eight million Rand).

14.6.10.3.2.3.3. Air Chefs has prior to the Company's business rescue obtained approval to seek a SEP. The Company, as shareholder, appointed Rand Merchant Bank to be the transactional advisor.

14.6.10.3.3. Mango:

14.6.10.3.3.1. Mango intends to commence with operations on 15 June 2020 after

being in lockdown since 27 March 2020, in accordance with the COVID-19 lockdown regulations. Mango's restart planning is informed by considerations pertaining to Mango's workforce and labour relations, passenger safety, the status of its fleet and the status of its supply chain.

14.6.10.3.3.2. Ongoing maintenance has been performed during the lockdown period and Mango's aircraft are in an adequate operational state to support the planned restart. Mango is opting for a conservative restart, whilst having sufficient capacity to respond should demand exceed expectations.

14.6.10.3.3.3. The restart of operations is expected to positively contribute to overhead costs, however Mango's financial position and liquidity remains challenging. It continues to work on initiatives to improve its cash flow and including the sale of assets, negotiating payment terms with creditors and converting to variable cost structures where possible.

14.6.10.3.3.4. Would require approximately R1 billion (one billion Rand) for their recapitalisation, based on pre COVID-19 estimates, to be utilised as follows:

14.6.10.3.3.4.1.	Working requirements	Capital and restructuring costs in the
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amount of R510 million (five hundred and ten million Rand).

- 14.6.10.3.3.4.2. Debt conversion by SAA in the amount of R150 million (one hundred and fifty million Rand) and further debt conversion in the amount of R290 million (two hundred and ninety million Rand) relating to a SAA Technical debt to be acquired by the Company.

14.6.11. Route Retention and Closures

- 14.6.11.1. During the 2019 calendar year, only eight (8) routes were profitable at the C5 level ("Net Profit") (one (1) International & seven (7) Regional).

- 14.6.11.1.1. The International market (57% revenue) route losses for FY19 were (R3,040 million) (three billion and forty million Rand).

- 14.6.11.1.2. The Regional market (29% revenue) route losses for FY19 were (R315 million) (three hundred and fifteen million Rand).

- 14.6.11.1.3. The Domestic market (14% revenue) route losses for FY19 were (R868 million) (eight hundred and sixty eight million Rand).

- 14.6.11.2. In order to have a sustainable and profitable SAA, significant cost reductions are required across labour, aircraft costs, maintenance, property and supplier contracts.

- 14.6.11.3. Analysis showed that even by cutting costs by 25% and reducing revenue by 10%, there were routes that still remained significantly loss making with no option to

optimise further at the Net Profit level and these routes were:

14.6.11.3.1. Three (3) of the international destinations (Hong Kong, Munich, Sao Paulo).

14.6.11.3.2. Four (4) of the regional destinations (Luanda, Entebbe, Dakar and Abidjan)

14.6.11.3.3. All four (4) of the domestic destinations (Cape Town, Durban, Port Elizabeth and East London).

14.6.11.4. taking account of the above and the objective of the having a sustainable National Carrier that is independent and not reliant on further fiscal support, in the long term, the following is the proposed route network as set out in paragraph 26.

14.6.12. Temporary Suspension of Flights

14.6.12.1. On 6 February 2020 the BRPs announced the suspension of flights on all loss-making domestic, regional and international routes with a clear objective of saving cash in the short run in order to ensure the survival of SAA in the immediate term and extend its cash runway until it receives the funds it requires to restructure.

14.6.12.2. It was announced that SAA would be flying the following routes in light of its current cash position:

Route Network post the suspension on 6 February 2020			
	Routes at date of Business Rescue	SAA retained /new routes	SAA suspended routes
International	Hong Kong New York Munich Sao Paulo Washington via Accra Perth Frankfurt London Guangzhou	Washington via Accra New York Perth Frankfurt London	Hong Kong Munich Sao Paulo Guangzhou
Regional	Abidjan via Accra Accra Blantyre Dar es Salaam Entebbe Gaborone Harare Kinshasa Lagos Lilongwe Livingstone Luanda Lusaka Maputo Mauritius Nairobi Ndola Victoria Falls Windhoek	Accra Blantyre Dar es Salaam Gaborone Harare Kinshasa Lagos Lilongwe Livingstone Lusaka Maputo Mauritius Nairobi Victoria Falls Windhoek	Abidjan via Accra Entebbe Luanda Ndola
Domestic	Cape Town Durban East London Port Elizabeth	Cape Town	East London Durban Port Elizabeth

14.6.12.3. Re-assessment of routes

14.6.12.3.1. Subsequent to the announcement and with the progress of the business rescue process, new information came to light which allowed BRPs to re-evaluate their decision on the routes going forward. Some of the new information included:

14.6.12.3.1.1. A number of the lessors having since committed to the reduction of their aircraft lease costs subject to the approval of the Business Rescue Plan by the creditors and lenders;

14.6.12.3.1.2. The cost reduction initiatives started under the business rescue process started bearing fruit;

14.6.12.3.1.3. The initiation of the section 189 process was intended to reduce headcount and revise terms and conditions of employment, which would go a long way in the reduction of both route and overhead costs.

14.6.12.3.2. The Company was, at that time also working on a structured plan for the re-instatement of any one of routes which become profitable after taking into account the effects of a broader revenue enhancement strategy and implementation of the Business Rescue Plan.

14.6.13. **Ad hoc arrangements**

14.6.13.1. As mentioned above, the Company licenses its airline code on two feeder airlines, namely, SA Express and SA Airlink.

14.6.13.2. The BRPs negotiated *ad hoc* arrangements with SA Express and SA Airlink in respect of those tickets which

were purchased through the Company's airline code and flown after the Commencement Date.

14.6.13.3. As set out above:

14.6.13.3.1. the license agreement concluded between the Company and SA Airlink has been terminated, which termination was effective from 26 March 2020; and

14.6.13.3.2. SA Express was placed under provisional liquidation on 28 April 2020.

14.6.14. Other Cash Preservation Initiatives

14.6.14.1. In addition to the aforesaid, and as part of the various cash preservation initiatives, the BRPs:

14.6.14.1.1. repatriated excess funds from various international outstations;

14.6.14.1.2. engaged with IATA, Worldpay and Amex to recover earned revenues withheld by these providers the engagements were successful; and

14.6.14.1.3. deferred non-critical expenses to assist with liquidity.

14.6.15. Strategic Equity Partner:

14.6.15.1.1. the BRPs with the assistance of their Advisors have been actively pursuing strategic equity partners for the Company and/or Divisions

14.6.15.1.2. To this end, three parties were engaged as they were considering various arrangements that they might be interested in;

14.6.15.1.3. One of the parties is not interested in being a SEP, it is however interested in forming an alliance agreement which would provide SAA with increased passenger volumes by being included in its network;

14.6.15.1.4. All these engagements took place pre-COVID-19, and would be revived once the global aviation industry is back on its feet

15. MARKET CONDITIONS, COVID-19 AND TRADING FOLLOWING THE COMMENCEMENT DATE

15.1. Market Conditions

15.1.1. The Solidarity Application and the industrial action that occurred over an eight-day period in November 2019 had a detrimental effect on the cash flow of the Company by virtue of, *inter alia*, the following:

15.1.1.1. various travel insurance companies which insure the ticket reservations withdrew their cover; and

15.1.1.2. major travel agencies publicly announced their decision to refrain from booking any of their customers on the Company's flights.

15.1.2. This, together with certain other factors, caused a complete dissipation of public trust in the Company's ability to continue as a going concern (*inter alia*, honour flights booked by customers). In turn, these circumstances, coupled together with the fact that the Company was placed under Business Rescue supervision, resulted in significantly reduced ticket sales.

15.1.3. The uncertainty about the future of the Company continued until it was publicly announced that Government had decided not to liquidate the Company, but preferred a radical restructure of the Company which would result in the Company becoming a self-sustaining airline with the ability to possibly attract a strategic equity partner in the future.

15.1.4. Despite the negative sentiments around the Company, during the holiday peak season of 15 December 2019 to 15 January 2020, the Company was able to attract a significant portion of the market with better than anticipated results. This was due to the fact that all airline carriers are fully booked during the holiday peak season. Thus, all of the passengers who could not be accommodated on other carriers ended up booking with the Company.

15.1.5. However, the forward booking after 15 January 2020 declined significantly.

15.1.6. On 15 January 2020 the Government elected its preferred restructuring option for the Company which contained the following proposals:

15.1.6.1. Retrenchment costs for the Company and its Subsidiaries;

15.1.6.2. Recapitalisation amounts for the Company and its Subsidiaries;

15.1.6.3. Proposed dividend amount for Concurrent Creditors; and

15.1.6.4. Restructuring and business rescue costs for the Company.

15.1.7. After 15 January 2020, the Company undertook to perform a significant number of tactical cancellations as a consequence of very low load factors on certain scheduled flights. This caused a concern in the market as regards to the going concern of the Company.

15.1.8. After the BRPs obtained PCF from the DBSA, there was an increase in market confidence that the Company would continue as a going concern in the short term.

15.1.9. On 6 February 2020, the BRPs announced the suspension of flights on various international, regional and domestic routes, as a cost cutting initiative. The market immediately reacted by not making reservations on the Company's flights in the fear that there would be further route cancellations at a later stage.

15.1.10. During the month of February 2020, the BRPs managed, subject to providing security, to reinstate the ticket reservations insurance and this restored some of the important relationships with the travel agencies. This increased market confidence.

15.1.11. Prior to the nation-wide lockdown which came into effect on the 26 March 2020, the BRPs were in advanced stages of finalising the Initial Proposed Restructure, which sought the highest retention of jobs possible and the restructuring of the Company so that it was sustainable, non-reliant on Government funding in the future and a platform for growth. The Proposed Restructure required a minimum restructuring cost of approximately R7.7 billion (seven billion and seven hundred million Rand) and would have been proposed in terms of this Business Rescue Plan.

15.1.12. In fact, it had been intended to publish such a plan to employees and other Affected Persons during the week commencing 16 March 2020. However, the effect of COVID-19 then began to become clear and has had a fundamental impact upon the Business Rescue, resulting in the BRPs having to reconsider the Company's position and to ascertain whether further funds could be obtained.

15.2. COVID-19

- 15.2.1. COVID-19, far beyond the negative impact on the global economy, resulted in an unprecedented global aviation crisis, which has detrimentally impacted the Company and other airlines across the world.
- 15.2.2. Globally, the effects of the COVID-19 virus started magnifying in late February 2020, with a significant and un-anticipated impact on the global airline industry, which led to, *inter alia*:
 - 15.2.2.1. The widespread immediate cessation of flying operations following the travel bans and lockdowns in various countries.
 - 15.2.2.2. This resulted in flight cancellations, grounding of aircraft and closure of airports as well as retrenchments of employees.
 - 15.2.2.3. The reduction of revenue from ticket sales and an increase in the demand for refunds.
 - 15.2.2.4. An increased level of uncertainty regarding the length and magnitude of the outbreak containment measures including and the lockdown periods.
 - 15.2.2.5. An increased level of uncertainty of the costs of care and maintenance of the airline infrastructure during the lockdown periods and the cost to restart operations after the lockdowns.
- 15.2.3. As the global airline industry was the first to experience the negative effects of COVID-19, many governments indicated their support for their domestic airlines.
- 15.2.4. In regard to South Africa, on 15 March 2020, President Cyril Ramaphosa declared a national state of disaster in terms of the Disaster Management Act, 57 of 2002. The President further advised that Cabinet had decided on various urgent and drastic measures ("**measures**") to, *inter alia*, manage COVID-19 and to reduce the impact of same, including:
 - 15.2.4.1. A travel ban imposed on foreign nationals from high-risk countries such as Italy, Iran, South Korea, Spain, Germany, United States of America, United Kingdom and China as from 18 March 2020.

- 15.2.4.2. Visas to visitors from high-risk countries had been cancelled from 15 March 2020 and previously granted visas were revoked.
- 15.2.4.3. South African citizens had been advised to refrain from all forms of travel to or through the European Union, United States of America, United Kingdom and other identified high-risk countries, such as China, Iran and South Korea, with immediate effect.
- 15.2.4.4. Government would regularly issue travel alerts referring to specific cities, countries or regions as the situation evolves based on the risk level. Any foreign national who had visited high-risk countries in the prior 20 days would be denied a visa.
- 15.2.4.5. South Africa has seventy two (72) ports of entry in the country which are land, sea and air ports. Of the fifty three (53) land ports, thirty five (35) were shut down from Monday 16 March 2020.
- 15.2.4.6. All non-essential travel for all spheres of government outside of South Africa had been prohibited with immediate effect.
- 15.2.4.7. All non-essential domestic travel, particularly by air, rail, taxis and bus, had been discouraged.

15.2.5. As noted by the President:

- 15.2.5.1. There had been a dramatic decline in economic activity in the major trading partners, a sudden drop in international tourism and severe instability across all global markets.
- 15.2.5.2. The anticipated effects of the decline in exports and tourist arrivals would be exacerbated by both an increase in infections and the measures required to contain the spread of the disease.
- 15.2.5.3. This would have a potentially severe impact on production, the viability of businesses, job retention and job creation.

- 15.2.6. On 23 March 2020, the President announced an unprecedented nation-wide lockdown to contain the spread of COVID-19 for a period of 21 days with effect from midnight on 26 March 2020. The lockdown resulted in, *inter alia*, the closure of South Africa's borders and a ban on air travel (other than limited repatriation charter flights and cargo support for essential services).
- 15.2.7. On 9 April 2020, the President announced that the lockdown would be extended to the end of April 2020.
- 15.2.8. On 23 April 2020, the President announced that Government developed five Covid-19 levels to determine the measures to have in place based on the country's COVID-19 situation. Moreover, the President announced that the then current level 5 would be lifted to level 4 from 1 May 2020. This resulted in some activity being allowed to resume, subject to extreme precautions required to limit community transmission and outbreaks. However, the President confirmed that South Africa's borders would remain closed to international travel, except for the repatriation of South African nationals and foreign citizens, and no travel would be allowed between provinces, except for the transportation of goods and exceptional circumstances.
- 15.2.9. Consequently, COVID-19 has had a detrimental effect on the airline industry locally and globally, resulting in flight cancellations, grounding of aircraft and closure of airports as well as retrenchments of employees. This detrimental effect impacted the Company's business, with forward bookings on international routes and regional routes collapsing substantially from the week ending 13 March 2020 compared to the same week in the previous year. The implications of the collapse in customer demand, and the President's necessary response to COVID-19, resulted in a bleak revenue outlook.
- 15.2.10. Accordingly, the Company ceased operating, other than operating certain chartered flights and its cargo division for essential services purposes.
- 15.2.11. The measures, although necessary and fully supported by the Company and the BRPs, detrimentally impacted air travel, being the Company's primary business, and exacerbated the Company's precarious financial position.
- 15.2.12. Following the nation-wide lockdown and the Company having ceased operating, the BRPs addressed correspondence to Government, through the DPE, on 2 April 2020. In terms of this correspondence, the BRPs, *inter alia*:
- 15.2.12.1. provided an update on how COVID-19 was impacting the Business;

- 15.2.12.2. presented a care and maintenance plan and various scenarios for the restart of the Company's operations in the event of a prolonged lockdown, as well as the costing for this plan;
 - 15.2.12.3. requested an extension of the foreign borrowing limits of the Company, as required by the potential funders for the overall restructuring and care and maintenance period, and as an alternative to sourcing local funds; and
 - 15.2.12.4. requested an urgent response from Government on their support for the care and maintenance plan and commitment on funding for the Company.
- 15.2.13. On 14 April 2020, Government, through the DPE, advised the BRPs, *inter alia*, that:
- 15.2.13.1. Government would not support the extension of the foreign currency borrowing limit to permit foreign financing of the Business Rescue Plan;
 - 15.2.13.2. Government would not support a care and maintenance budget as proposed by the BRPs;
 - 15.2.13.3. Government would not provide further lending guarantees in respect of the Business Rescue; and
 - 15.2.13.4. The BRPs must consider their options within their available resources.
- 15.2.14. On 23 April 2020, the BRPs addressed a notice to Affected Persons advising, *inter alia*, as follows:
- 15.2.14.1. In light of the notification from Government that no further funding would be provided or available to the BRPs to develop and implement a business rescue plan which would have contemplated a restructure of the Company to maximise the likelihood of the Company continuing on a solvent basis (i.e. the Initial Proposed Restructure) or, at a minimum, a care and maintenance plan of the

Company until the travel bans are lifted, the BRPs only had two options available to them, being:

15.2.14.1.1. The development of a business rescue plan which secures a better return for the Company's creditors than would result from its immediate liquidation. This would entail the Wind-Down Process, which would envisage the termination of the employment of employees (with severance packages being agreed) and a sales process being undertaken, which will ultimately result in a distribution of such proceeds to Affected Persons who are entitled thereto in terms of the payment waterfall.

15.2.14.1.2. If the BRPs could not reach an agreement with employees, then the BRPs will be unable to continue with the Business Rescue and will have to urgently apply for an order discontinuing the Business Rescue and placing the Company into liquidation.

15.2.14.2. The BRPs did not have sufficient funds available to continue honouring the Company's obligations to its employees beyond 30 April 2020 and to bear the costs of the Wind-Down Process. Accordingly, the Wind-Down Process was dependent on the employees accepting the termination of their employment timeously by mutual consent.

15.2.15. The deadline for an agreement to be reached with the Trade Union representatives and representatives of non-unionised employees on the terms of the collective agreement was first extended from 24 April 2020 to 1 May 2020. Upon a request from the DPE, a further and final extension was granted from 1 May 2020 to 8 May 2020. The BRPs, however, reserved their rights to offer individual agreements directly to employees for acceptance from 8 May 2020 to 11 May 2020. The extensions were only made possible by virtue of unpaid absence from 1 May 2020.

15.3. Trading

15.3.1. Prior to 18 March 2020, the Company generated cash through:

- 15.3.1.1. normal trading with ticket sales, albeit on a reduced scale due to the aforesaid market conditions;
- 15.3.1.2. commissions in terms of alliance and license agreements; and
- 15.3.1.3. accessing PCF.

15.3.2. Since 18 March 2020, and following the President's address on 15 March 2020 pursuant to the outbreak of COVID-19:

- 15.3.2.1. South Africa commenced with a nation-wide lockdown and a travel ban was implemented which resulted in all air travel ceasing.
- 15.3.2.2. In early April 2020, the Company assisted with the repatriation of South African nationals and was requested by foreign governments, through their embassies, to assist in the repatriation of their citizens, which charters were provided by the Company after an ease in regulations.
- 15.3.2.3. Despite the lockdown being lifted to level three from 1 June 2020, South Africa's borders will remain closed to international travel, except for the repatriation of South African nationals and foreign citizens.
- 15.3.2.4. The Company has been unable to generate sufficient income, which will persist for the foreseeable future.

16. MATERIAL ASSETS AND SECURITY OF THE COMPANY AS AT THE COMMENCEMENT DATE

As required in terms of section 150 (2) (a) (i) of the Companies Act, a complete list of all the material assets of the Company at book value, as well as an indication as to which assets were held as security by Creditors as at the Commencement Date, is attached hereto as **Annexure A**.

17. **CREDITORS OF THE COMPANY AS AT THE COMMENCEMENT DATE**

17.1. As required in terms of section 150 (2) (a) (ii) of the Companies Act, a complete list of the Pre-commencement Creditors of the Company, as reflected in the Company's records, as at the Commencement Date, is attached hereto as **Annexure B**.

17.2. **Annexure B** indicates which of the aforesaid Pre-commencement Creditors:

17.2.1. would qualify as secured, statutorily preferent or concurrent in terms of the laws of insolvency; and

17.2.2. have proved their Pre-commencement Claims.

18. **CREDITORS VOTING INTEREST AND VOTING BY PROXY**

18.1. In terms of section 145 of the Companies Act, for the purpose of any vote by Creditors:

18.1.1. a Creditor has a voting interest equal to the value of the amount owed to that Creditor by the Company on the date of the vote on the Business Rescue Plan; and

18.1.2. a Creditor who would have a subordinated claim in liquidation has a voting interest, as independently appraised and valued at the request of the BRPs, equal to the amount, if any, that the Creditor could reasonably expect to receive in a liquidation of the Company.

18.2. Post-commencement Creditors, including Employees with Post-commencement Claims in terms of section 135 (1) of the Companies Act and PCF Lenders will have a voting interest equal to the value of the amount owed to that PCF Creditor.

18.3. Each Lessor whose lease agreement has or will be terminated by the Company will have a voting interest equivalent to the total rental payable in respect of such lease agreement (limited to 6 months rental and calculated from the date of termination thereof).

18.4. A Creditor who has a Disputed Claim, contingent Claim, prospective Claim, damages or unliquidated Claim will only be allowed to vote in the sole discretion of the BRPs.

18.5. A Creditor whose Claim amount does not reconcile with the Company's records will only be allowed to vote on the amount determined in the sole discretion of the BRPs.

18.6. Voting by proxy will be allowed as long as the form of proxy attached to the Notice of the Meeting is lodged with the BRPs. Creditors and Affected Persons are required to lodge their forms of proxy by way of email to Ischapiro@matusonassociates.co.za by no later than 17h00 on **24 June 2020**.

- 18.7. All forms of proxy given on behalf of a company, a legal entity or a trust must be accompanied by a valid and authorised resolution supporting the appointment of the proxy.
- 18.8. Notwithstanding what has been stated in this paragraph, the BRPs have a discretion to accept any proxy submitted.

19. PROBABLE DIVIDEND ON LIQUIDATION

- 19.1. As required in terms of section 150 (2) (a) (iii) of the Companies Act, the probable dividend which Concurrent Creditors would receive if the Company were to be placed into liquidation is 0 (zero) cents in the Rand.
- 19.2. In order to establish the aforesaid probable dividend, the BRPs engaged PwC as an independent expert to calculate the potential dividend in a liquidation scenario as at the Commencement Date. A schedule setting out the liquidation scenario as at Commencement Date is set out in Annexure E. If affected persons consider this annexure it becomes clear that Concurrent Creditors are worse off in a liquidation.
- 19.3. PwC prepared their liquidation calculation on the following basis:
- 19.3.1. That the Company would have been liquidated as at 31 October 2019, adjusted for additional liabilities to the extent known and quantifiable.
- 19.3.2. Asset realisations are predicated on the basis of a “fire sale” or break up basis in the main.
- 19.3.3. In addition to this, they have assumed that a liquidator of SAA would seek full powers from the Court –and accordingly be in a position to, inter alia, dispose of all Subsidiaries shares. In this context, all investments in the Subsidiaries are assumed to be concurrently and immediately disposed of/closed down.
- 19.3.4. Unless specifically stated, balance sheet recorded creditors are assumed to reflect valid liquid claims for the purposes of the illustrative liquidation analysis.
- 19.4. The calculation in support of a liquidation dividend as at the Commencement Date is based on an independent exercise undertaken by PwC and Affected Persons are encouraged to properly consider the calculation presented by PwC and satisfy themselves as to the accuracy thereof. If any Affected Person requires a full copy of the liquidation and distribution account, please contact Lance Schapiro of Matuson & Associates at creditors@saabusinessrescue.co.za.
- 19.5. PwC relied on the asset and liability figures reported in the management accounts as provided by the Company's management and/or the BRPs and have not sought to verify or audit such

information for the purpose of calculating the liquidation dividend as at the Commencement Date, and the approximate realisation value is set out in the full liquidation calculation document prepared by PwC.

- 19.6. The methodology used by PwC in calculating the liquidation dividend is the methodology chosen by PwC in their sole discretion and the BRPs are not in a position to comment on the methodology. The BRPs have considered the calculation presented by PwC and are satisfied that it is a fair and reasonable calculation of the liquidation dividend.
- 19.7. The probable dividend which Concurrent Creditors would have received if the Company was liquidated on the Commencement Date is 0 (zero) cents in the Rand.
- 19.8. Based on the dividend calculation of PwC as at the Commencement Date, the BRPs therefore estimate that the probable dividend which Concurrent Creditors would receive if the Company was to be liquidated as at the Publication Date would be 0 (zero) cents in the Rand.
- 19.9. The figures in paragraphs 19.7 and 19.8 take into account all the costs associated with a liquidation, including all the costs associated with Section 89 of the Insolvency Act.

20. HOLDERS OF THE COMPANY'S ISSUED SECURITIES

As required in terms of section 150 (2) (a) (iv) of the Companies Act, Government is the sole holder of the Company's issued securities. Please refer to paragraph 11.1.2.

21. THE BRPs' REMUNERATION

- 21.1. If the BRPs propose charging further remuneration, section 150 (2) (a) (v) of the Companies Act requires a copy of the written agreement concerning the BRPs' remuneration, as contemplated in terms of section 143 of the Companies Act, to be included in the Business Rescue Plan.
- 21.2. The BRPs, however, will not be proposing an agreement providing for further remuneration, additional to the prescribed tariff, in terms of section 143 of the Companies Act.
- 21.3. The Company's public interest score, calculated in terms of Regulation 26 (2) of the Companies Act, as at the Commencement Date was 25 826. A company is regarded as a large sized company if its public interest score is over 500.
- 21.4. The BRPs' remuneration will accordingly be charged at the prescribed tariff rates, set out in Regulation 128 to the Companies Act, for a large sized company.

22. **STATEMENT ABOUT WHETHER THE BUSINESS RESCUE PLAN INCLUDES A PROPOSAL MADE INFORMALLY BY A CREDITOR**

As required in terms of section 150 (2) (a) (vi) of the Companies Act, this Business Rescue Plan does not include any informal proposals made by a Creditor or Creditors of the Company.

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PART B – PROPOSALS

23. PURPOSE AND OBJECTIVE OF BUSINESS RESCUE

- 23.1. The purpose of the Business Rescue provisions contained in the Companies Act, as set out in section 7 (k) of the Companies Act, is to provide for the efficient rescue and recovery of financially distressed companies, in a manner that balances the rights and interests of all relevant stakeholders.
- 23.2. The objective of Business Rescue, as set out in section 128 (1) (b) (iii) of the Companies Act, is to develop and implement a plan that rescues the Company:
- 23.2.1. by restructuring its affairs, business, property, debt and other liabilities, and equity in a manner that maximises the likelihood of the Company continuing in existence on a solvent basis (“**Objective A**”); or
 - 23.2.2. if the aforementioned is not possible, results in a better return for the Company’s creditors or shareholders than would result from the immediate liquidation of the Company (“**Objective B**”).
- 23.3. The objective of this Business Rescue Plan is to provide Affected Persons with information reasonably required to facilitate them in deciding upon this Business Rescue Plan, including information upon which Affected Persons may:
- 23.3.1. assess the likely outcome of the dividend yield calculation under Business Rescue, as set out in 25.6; and
 - 23.3.2. be reasonably assured of the likelihood of obtaining a better outcome under Business Rescue, when compared to a liquidation.

24. MORATORIUM

- 24.1. In terms of section 133 of the Companies Act, the commencement of Business Rescue places a moratorium on legal proceedings and enforcement action against the Company. This means that, subject to the exceptions provided for in section 133 of the Companies Act, Creditors will not be able to proceed in any forum against the Company for non-payment of debts during Business Rescue.
- 24.2. The intention of a moratorium is to give the Company the best possible chance to implement the Business Rescue Plan.

- 24.3. As required in terms of section 150 (2) (b) (i) of the Companies Act, the moratorium in relation to the Company commenced on the Commencement Date and is expected to remain in place until the Substantial Implementation Date or until the Business Rescue are terminated. After the Substantial Implementation Date, Creditors will only be entitled to claim payment in accordance with the provisions of this Business Rescue Plan.

25. **SUMMARY OF THE PROPOSAL IN TERMS OF THIS BUSINESS RESCUE PLAN**

- 25.1. The BRPs, together with the Advisors and Management, conducted an objective assessment of the Company and evaluated various restructuring scenarios to optimise the Company's business model, route network and cost base.
- 25.2. Pursuant to conducting the aforesaid assessment and evaluation, and in consultation with the relevant Affected Persons, the BRPs have developed a proposal in accordance with Objective A, referred to in paragraph 26, being a restructuring of the Company's affairs, business, property, debt and other liabilities, and equity in a manner that maximises the likelihood of the Company continuing in existence on a solvent basis.
- 25.3. The proposal to rescue the Company is the implementation of the Proposed Restructure, more fully dealt with in paragraph 26.
- 25.4. The Proposed Restructure entails the restructuring of the Company's Business to achieve an optimised flight operation ("**SAA Restructured**");
- 25.5. The appropriations to be made by Government, through the National Treasury, will be allocated to, *inter alia*, the following:
- 25.5.1. the funding required to implement the Proposed Restructure; and
- 25.5.2. payment of the amounts owed to the Lenders, which are secured by way of the Guarantees.
- 25.6. To ensure that the General Concurrent Creditors and Lessors receive a better dividend in the Business Rescue, and subject to this Business Rescue Plan being adopted and the Proposed Restructure being successfully implemented:
- 25.6.1. An amount of R600 million (six hundred million Rand) (approximately 7,5 (seven and a half) cents in the Rand) will be allocated to payment of the General Concurrent Creditors, being the Concurrent Allocation, and Lessors will receive an amount of R1.7 billion (one billion and seven hundred million Rand) (this amount is the equivalent of 6 months rental payments less any letters of credit and/or cash deposits held by the Lessors) which payment will be made on a pro rata basis depending on the amount of claims submitted by Concurrent Creditors

and Lessors as at the Commencement Date and subject to the risks more fully dealt with in paragraph 40; and

25.6.2. the Lenders will not participate in Distributions made out of the Concurrent Allocation, as more fully dealt with in paragraph 30.4.

25.7. The Concurrent Allocation will result in the General Concurrent Creditors receiving R600 million (six hundred million Rand), being the General Concurrent Dividend and Lessors will receive an amount of R1.7 billion (one billion and seven hundred million Rand) (this amount is the equivalent of 6 months rental payments less any letters of credit and/or cash deposits held by the Lessors), compared to a probable dividend of zero cents in the Rand upon liquidation, subject to the risks and assumptions set out in paragraph 40 of this Business Rescue Plan.

25.8. To ensure a successful Business Rescue in terms of Objective A, payment of the General Concurrent Dividend to the General Concurrent Creditors and the payment of the Lessors' Allocation will be in full and final settlement of the Lessors' Claims and Pre-commencement Claims of the General Concurrent Creditors. The General Concurrent Creditors and Lessors will, accordingly, not retain the balance of their Claims against the Company after payment of the General Concurrent Dividend and Lessors' Allocation, same being discharged as contemplated in section 154 of the Companies Act, upon Substantial Implementation. The General Concurrent Creditors and Lessors will only have claims against the Receivers for payment in terms of the General Concurrent Dividend and Lessors' Allocation.

25.9. In order to terminate the Company's Business Rescue as soon as possible, this Business Rescue Plan provides for a Receivership to deal with the Claims and Distributions detailed in this Business Rescue Plan, which Receivership will arise after the Substantial Implementation Date. The Receivership is dealt with in paragraph 36 below.

25.10. The advantages of proceeding with this Business Rescue Plan are, *inter alia*, as follows:

25.10.1. the Company's Business will be restructured in a manner that will result in the Company continuing in existence in a solvent manner, as opposed to being placed in liquidation;

25.10.2. not all of the Employees will be retrenched and many jobs will be preserved;

25.10.3. those Employees who are retrenched will be in a better position than in a liquidation;

25.10.4. General Concurrent Creditors will receive a concurrent dividend, i.e. the General Concurrent Dividend, as opposed to 0 (zero) cents in the Rand in a liquidation; and

25.10.5. the costs of Business Rescue will be less than the costs of liquidation.

25.11. Affected Persons are referred to paragraph 39 below for more information relating to the advantages of proceeding in terms of this Business Rescue Plan as opposed to a liquidation.

25.12. In the circumstances, a Business Rescue in accordance with the Proposed Restructure will not only achieve Objective A, but will also result in a better return than upon a liquidation and will balance the interests of all stakeholders.

26. THE PROPOSED RESTRUCTURE

26.1. The BRPs and Government have had engagements where Government has affirmed that it supports a Business Rescue which results in a viable and sustainable national flag carrier that provides international, regional and domestic services and is not reliant on further fiscal funding.

26.2. Having regard to the Company's financial position and current organisational structure, it is necessary to implement the SAA Restructure in order to achieve a successful Business Rescue in accordance with Objective A.

26.3. The Proposed Restructure will not impact on the current corporate structure.

26.4. The Proposed Restructure, is subject to the fulfilment of the conditions set out in the Business Rescue Plan, which, for the sake of convenience, are summarised in the table below:

26.4.1. CREDITORS

26.4.1.1. The probable dividend which Concurrent Creditors would have received if the Company was liquidated on the Commencement Date is 0 (zero) cents in the Rand as set out fully in paragraph 19.

26.4.1.2. The effect of the Business Rescue Plan on Creditors is fully set out in paragraphs 30, 31 and 32 as summarised below:

26.4.1.2.1. Concurrent creditors:

26.4.1.2.1.1. Concurrent creditors will receive an amount of R600 million (six hundred million Rand) (approximately 7,5 (seven and a half) cents in the Rand) for dividend distribution on a pro rata basis and subject to the

risks referred to in paragraph 40 of this Business Rescue Plan;

26.4.1.2.1.2. This amount will be paid over three years;

26.4.1.2.1.3. Lessors will receive an amount of R1.7 billion (one billion and seven hundred million Rand) (this amount is the equivalent of 6 months rental payments less any letters of credit and/or cash deposits held by the Lessors) for dividend distribution; and

26.4.1.2.1.4. This amount will be paid over three years.

26.4.1.2.2. PCF Creditors

26.4.1.2.2.1. Will be paid from the working capital injection as set out in paragraph 28 of the Business Rescue Plan; and

26.4.1.2.2.2. Will enjoy the preference given to them in terms of the Companies Act.

26.4.1.2.3. Lenders

26.4.1.2.3.1. Will receive payment over three years in terms of the Government allocation set out in paragraph 30.3 in accordance with applicable legislation.

26.4.2. EMPLOYEES

26.4.2.1. If the Proposed Restructure is implemented in agreement with the Employees, the respective representatives and the Company it will be concluded by means of the Leadership Compact Forum or the section 189 process in terms of which SAA anticipates that 1000 (one thousand) Employees will be retained and the remaining Employees

retrenched and the terms and conditions of employment of the remaining employees will be revised along with the terms of the collective agreements.

26.4.2.2. The Company will support the social plan that is an outcome of the Leadership Compact Forum.

26.4.2.3. The finalisation of the agreement with Employees and SAA on the revised terms and conditions of employment as well as the headcount as set out above is a condition of the plan as set out in part C.

26.4.3. RECEIVERSHIP

26.4.3.1. The Business Rescue Plan proposes that a receivership be set up and will become effective from the Substantial Implementation Date, more fully dealt with in paragraph 36.

26.4.3.2. The purpose of the receivership is to:

26.4.3.2.1. Take on the various liabilities from affected parties in order to allow SAA to continue with a restructured balance sheet and continue its business operations without the burden of the Pre-commencement liabilities;

26.4.3.2.2. Make payment to Pre-commencement Creditors in accordance with paragraph 31.2 and

26.4.3.2.3. Make payment to the Lenders in accordance with paragraph 30.3 and administer the process of repayment of all creditors post the filing of the notice of the Substantial Implementation of all conditions in accordance with paragraph 42 of this Business Rescue Plan.

26.4.4. FUNDING

26.4.4.1. Government, as the sole shareholder of the Company and acting through the DPE, supports a Business Rescue Plan which results in a viable and sustainable national




carrier that provides international, regional and domestic services that is not reliant on further fiscal support.

26.4.4.2. Consequently, and subject to the adoption of the Business Rescue Plan, it is proposed that Government fund or raise funding for:

- 26.4.4.2.1. The Proposed Restructure starting with the working capital injection that is required to restart business operations;
- 26.4.4.2.2. The retrenchment costs of Employees including any support for the social plan;
- 26.4.4.2.3. The repayment of the amounts owing to the Lenders as set out in paragraph 30.3; and
- 26.4.4.2.4. The continuation of the Business as a going concern which would include honouring of tickets bought by customers or any subsequent vouchers that they may receive in accordance with SAA's policy.

26.4.4.3. This funding is broken down into immediate, medium and long term and underpins the Proposed Restructure and is a condition of the implementation of the Business Rescue Plan.

Proposed Routes			
	Routes at date of Business Rescue	SAA retained /new routes	SAA cancelled routes
International	Hong Kong New York Munich Sao Paulo Washington via Accra Perth Frankfurt London Guangzhou	Washington via Accra New York Perth (fleet dependant) Frankfurt London	Hong Kong Munich Sao Paulo Guangzhou
Regional	Abidjan via Accra Accra Blantyre Dar es Salaam Entebbe Gaborone Harare Kinshasa Lagos Libreville Lilongwe Livingstone Luanda Lusaka Maputo Mauritius Nairobi Ndola Victoria Falls Windhoek	Accra Blantyre Dar es Salaam Entebbe Gaborone Harare Kinshasa Lagos Libreville Lilongwe Livingstone Luanda Lusaka Maputo Mauritius Nairobi Ndola Victoria Falls Windhoek	Abidjan via Accra
Domestic	Cape Town Durban East London Port Elizabeth	Cape Town Durban Port Elizabeth	East London

Proposed Fleet									
SAA fleet at date of Business Rescue			Jun – Aug 2020		Sep – Dec 2020		Jan 2021		
	Number	Aircraft	Number	Aircraft	Number	Aircraft	Number	Aircraft	
	7	 A319-100s	0	Narrow Body	10	Small Narrow Body	10	Small Narrow Body	
	10	 A320-200s							
	6	 A330-200s							
	5	 A330-300s							
	7	 A340-300Es							
	7	 A340-600s							
	4	 A350-900							
Subtotal	42		0	Wide Body	4	Wide Body	7	Wide Body	
 Cargo	2	 B737-FREIGHTERS	6		23		26		
Total	44								

SAA RESTRUCTURE	
1	Government Consents and Exemptions
2	Government Funding
3	Management process and procedures must be implemented to effectively and efficiently manage SAA Restructured.
4	Employees reduced and terms and conditions of employment changed and consented to by Trade Unions by way of collective agreements concluded with all of the Trade Unions, or those Trade Unions representing the majority of the Company's employees.
5	Flying Operations optimised – Route Closures and Fleet Optimisation
6	Contracts concluded by the Company must be assessed to ascertain whether such contracts are material to the conduct of the Restructured Business. The material contracts must be on terms which are viable for SAA Restructured; and in compliance with the statutorily prescribed procurement processes. The remaining contracts will be cancelled, either by way of agreement or by way of application in terms of section 136 of the Companies Act.
7	Investment in an Optimised IT infrastructure

26.5. The Lenders will be paid out of the Government appropriation detailed in paragraph 30.3.

26.6. The General Concurrent Creditors will be paid out of the Concurrent Allocation detailed in paragraph 31.2.

26.7. The Restructure Proceeds will vest in and be dealt with by the Receivers in accordance with paragraph 36.4.

27. **ONGOING ROLE OF THE COMPANY**

As required in terms of section 150 (2) (b) (iii) of the Companies Act, if the Proposed Restructure is implemented, the restructured Company will continue operating as SAA.

28. **GOVERNMENT APPROPRIATION AND FUNDING**

28.1. Government, as the sole shareholder of the Company and acting through DPE, supports a Business Rescue which results in a viable and sustainable national flag carrier that provides international, regional and domestic services.

28.2. The Proposed Restructure seeks to achieve, *inter alia*, the aforesaid result.

28.3. Consequently, and subject to the adoption of this Business Rescue Plan, it is proposed that Government fund or raise funding for :

28.3.1. the Proposed Restructure starting with a working capital injection that is needed to restart the airline post the COVID-19 related travel bans and the ramp up of operations as the activity increases due to further relaxation of all the other travel bans including opening the borders. We estimate that the initial working capital injection needed would not be less than R2.8 billion (two billion and eight hundred million Rand). This amount would cover the following costs:

- 28.3.1.1. Post commencement creditors of approximately R800 million (eight hundred million Rand); and
 - 28.3.1.2. Restarting costs of approximately R2 billion (two billion Rand). The working capital requirements would be constantly monitored based on the operational requirements. Details about the phased restart are contained in paragraph 29;
- 28.3.2. The Employees have been consulting in the Leadership Consultative forum that has been convened by the DPE. It is anticipated that a voluntary severance agreement will be concluded as a result of these consultations, it is anticipated that 1000 jobs will be retained, these Employees will be retained under new terms and conditions of employment. The above process will either be achieved by mutual agreement or through a S189 process. Based on the anticipated number of employees to be retrenched it is estimated that cost of the severance package will be in the amount of R2.2 billion (two billion and two hundred million Rand). This amount would be payable a month after the conclusion of such agreements or the conclusion of the S189 process;
- 28.3.3. R16.4 billion (sixteen billion and four hundred million Rand) towards payment of the Lenders, more fully dealt with in paragraph 30.3;
- 28.3.4. the unflown ticket liability in the amount of approximately R3 billion (three billion Rand);
- 28.3.5. General Concurrent Creditors Dividend in the amount of approximately R600 million (six hundred million Rand);
- 28.3.6. The Lessors in the amount of approximately R1.7 billion (one billion and seven hundred million Rand) (this amount is the equivalent of 6 months rental payments less any letters of credit and/or cash deposits held by the Lessors); and
- 28.3.7. to support the business during the post ramp up period until it is profitable and self-sustaining, this quantum is set out in Annexure C of the Business Rescue Plan.

29. RESTART OF DOMESTIC TRAVEL

- 29.1. The restart initiatives of the airline will commence under level 3 of the COVID-19 lockdown restrictions with domestic travel in June 2020 and international travel anticipated to restart under level 1. The domestic operations of the airline will consequently restart with the opening of all economic activity in the country.

- 29.2. The restart of the airline is projected over a period of eight (8) months between June 2020 to January 2021. The operations of the airline will commence with domestic travel under level 3 and 2, and with international travel anticipated to restart under level 1. The airline will slowly ramp up operations and increase its fleet of aircraft in line with the development in the aviation sector.
- 29.3. The fleet strategy for the restart of domestic travel will see the airline conducting a thorough comparative analysis to ensure that the best deal is obtained.
- 29.4. The ramp up plan envisages a ramp up of the airline as market conditions allow, initially for domestic air travel, then followed by regional and international travel. It is anticipated that the restart of domestic travel will be on a step-up basis with a similar effect on the required staff complement as follows:
- 29.4.1. June to August 2020 will require 1000 (one thousand employees):
- 29.4.2. In terms of the envisaged ramp up, it is anticipated that the final staff number will increase in accordance with the market conditions and passenger demand, to 2892 (two thousand eight hundred and ninety-two) Employees; and
- 29.4.3. The employees who accept the voluntary severance package or are retrenched as the case might be, are not precluded from applying for positions as they become available.
- 29.5. The guidelines on the restart set out above are based on estimates available at the time of publishing the Business Rescue Plan and are indicative only. The exact timing, nature and manner of how SAA will implement the restart of domestic travel will be dependent on and based on actual developments in the aviation industry, the economy and the result of the containment measures and in line with best practices adopted towards achieving a sustainable, profitable and competitive airline.

30. **LENDERS**

The Lenders comprise the Pre-commencement Lenders and the PCF Lenders, dealt with separately below.

30.1. **Pre-commencement Lenders**

- 30.1.1. As at the Commencement Date, the Company's exposure to the Pre-commencement Lenders was as follows:

Pre-commencement Lenders	Facility Type	Limits & Exposures R'000
--------------------------	---------------	--------------------------

Nedbank	Subordinated Long Term Loan	784,665
	Term Loan	1,800,000
	General Banking Facility ²	200,000
		2,784,665
Investec	Term Loan	1,265,757
		1,265,757
FirstRand (including iNguza)	Term Loan	585,399
	General Banking Facility ²	250,000
		835,399
ABSA	Term Loan	1,700,000
	Bridge	558,538
	Call Loan ²	130,000
		2,388,538
Standard Bank	Structured Loans	1,057,949
	General Banking Facility ^{2/3}	250,000
		1,307,949
IAM	Term Loan	253,151
		253,151
Ashburton	Term Loan	113,918
		113,918
Momentum	Term Loan	105,480
		105,480
Sanlam	Term Loan	168,768
		168,768
Total Pre-commencement Lenders		9,223,625

Notes:

1. Amounts do not include capitalised interest since the Commencement Date.
2. Utilisation under the general banking facility and/or call loan facilities at Nedbank, FirstRand, ABSA and Standard Bank may fluctuate.
3. Portion of Standard Bank's general banking facility has become a PCF facility.

30.1.2. The Company's aforesaid exposure to the Pre-commencement Lenders is secured by guarantees issued by Government in favour of the Pre-commencement Lenders.

30.2. PCF Lenders

The PCF Lenders comprise the PCF Bank Lenders and DBSA, which are dealt with separately below.

30.2.1. PCF Bank Lenders

30.2.1.1. On 7 December 2019, the PCF Bank Lenders granted a PCF revolving credit facility to the Company in the amount of R2 billion (two billion Rand) ("**Bank PCF**").

30.2.1.2. The following amounts were made available by the respective PCF Bank Lenders to the Company under the Bank PCF:

PCF Bank Lenders	Facility Type	Limits & Exposures R'000
Nedbank	PCF	648,932
Investec	PCF	294,969
FirstRand	PCF	194,679
ABSA	PCF	556,619
Standard Bank	PCF	304,801
Total PCF Bank Lenders		2,000,000

30.2.1.3. The repayment date for the Bank PCF is the earlier of:

30.2.1.3.1. 31 July 2020;

30.2.1.3.2. the date of completion of the Business Rescue of the Company in accordance with this Business Rescue Plan; or

30.2.1.3.3. the date of commencement of liquidation of the Company.

30.2.1.4. As security for the Bank PCF, Government issued unconditional and irrevocable first demand payment guarantees in favour of each PCF Bank Lender guaranteeing the performance of the obligations of the Company to each PCF Bank Lender under the Bank PCF.

30.2.2. **DBSA**

30.2.2.1. On 27 January 2020, DBSA granted a PCF term loan facility to the Company in the amount of R3,5 billion (three billion five hundred million Rand) ("**DBSA PCF**").

30.2.2.2. The DBSA PCF was required as a bridge to the appropriation to be made by Government to the Company, which is dealt with further in paragraph 28.

30.2.2.3. The repayment date for the DBSA PCF is the earlier of:

30.2.2.3.1. 31 July 2020;

30.2.2.3.2. the date of completion of the business rescue of the Company in accordance with this Business Rescue Plan; or

30.2.2.3.3. the date of commencement of liquidation of the Company.

30.2.2.4. As security for the DBSA PCF:

30.2.2.4.1. Government issued an unconditional and irrevocable first demand payment guarantee in favour of DBSA guaranteeing the performance of the obligations of the Company to DBSA under the DBSA PCF; and

30.2.2.4.2. a cession agreement was concluded in terms of which the Company's rights in and to a ring-fenced bank account opened by the Company for the purpose of receiving the amounts to be paid or payable to the Company by or on behalf of Government ("**DBSA Account**"), were ceded to DBSA.

30.3. Repayment of Lenders

As set out above, Government has issued Guarantees in favour of the Lenders in respect of the obligations of the Company to the Lenders. Government has accordingly allocated R16.4 billion (sixteen billion four hundred million Rand) to repay the Lenders as set out below.

30.3.1. DBSA

30.3.1.1. The amount owed to the DBSA under the DBSA PCF, being:

30.3.1.1.1. R3.5 billion (three billion five hundred million Rand) in capital; and

30.3.1.1.2. R168 million (one hundred and sixty eight million Rand) in estimated interest.

30.3.1.2. will be paid into the DBSA Account during the 2020/2021 fiscal year.

30.3.2. Pre-commencement Lenders and PCF Bank Lenders

30.3.2.1. The Pre-commencement Lenders and the PCF Bank Lenders will be paid over three years, by no later than 31 August of each relevant year in accordance with the below table:

Fiscal Year	Amount to Pre-Commencement Lenders R'000	Amount to PCF Bank Lenders R'000
2020/2021	3,800,000	2,000,000
2021/2022	3,800,000	
2022/2023	1,623,916	
Total (excluding interest)		R10,923,916
Total (including estimated interest)		R12,719,903

30.3.2.2. The aforesaid amounts will be paid to the Receivers, subject to the following:

30.3.2.2.1. the adoption of this Business Rescue Plan;

30.3.2.2.2. the amounts being paid into a ring-fenced bank account opened by the Receivers for this purpose on a quasi-ownership basis in terms of which ownership in and to the funds will vest in the Pre-commencement Lenders and PCF Bank Lenders ("**Appropriation Accounts**"); and

30.3.2.2.3. the rights in and to the proceeds in the Appropriation Accounts being ceded to the Pre-commencement Lenders and PCF Bank Lenders.

30.3.2.3. The Receivers will be obliged to pay the Pre-commencement Lenders and PCF Bank Lenders within 7 days of receipt of amounts paid by Government into the Appropriation Accounts.

- 30.4. In consideration for the above payments, and subject to the adoption of this Business Rescue Plan, the Lenders will not participate in Distributions of the Restructure Proceeds and/or the Concurrent Allocation in settlement of their Claims.
- 30.5. The Lenders' Claims will vest in the Receivership and they will no longer have a claim against the Company, subject to retaining their full Claims against Government under the Guarantees.
- 30.6. The Government shall provide the DBSA, PCF Bank Lenders and the Pre-commencement Lenders with satisfactory confirmation that the Guarantees issued to them in respect of the Pre-commencement Claims and the PCF provided by them to the Company (collectively, the **Lender Claims**) shall continue in full force and effect until the Lender Claims are discharged in full as contemplated in this paragraph 30:

31. **GENERAL CONCURRENT CREDITORS**

- 31.1. The General Concurrent Creditors comprise the Pre-commencement Creditors, excluding the Lenders. This paragraph deals with the effect of this Business Rescue Plan and the Proposed Restructure on the General Concurrent Creditors.
- 31.2. Payment of the General Concurrent Creditors
- 31.2.1. As set out above, the Concurrent Allocation, being an amount R600 million (six hundred million Rand) (approximately 7,5 (seven and a half) cents in the Rand) , will be allocated to payment of the Pre-commencement Claims of the General Concurrent Creditors, should the General Concurrent Creditors' claims increase post the Adoption Date there will be no increase in the amount available for distribution to General Concurrent Creditors and Concurrent Allocation will be paid to the General Concurrent Creditors pro rata to their claims, subject to the risks referred to in paragraph 40 below and any increase of claims of the General Concurrent Creditors which have not as yet been lodged with the BRPs.
- 31.2.2. The payment of the allocated amount of R600 million (six hundred million Rand) will be repaid over a three year period commencing from the Substantial Implementation Date.
- 31.3. Payment of Lessors
- 31.3.1. As set out above, the Lessor Allocation, being an amount R1.7 billion (one billion and seven hundred million Rand) (this amount is the equivalent of 6 months rental payments less any letters of credit and/or cash deposits held by the Lessors), will be allocated to payment of the Lessors' Claims, should the Lessors' Claims increase post the Adoption Date there will be no increase in the amount available

for distribution to Lessors and Lessors' Allocation will be paid to the Lessors pro rata to their claims.

- 31.3.2. The payment of the allocated amount of amount R1.7 billion (one billion and seven hundred million Rand) will be repaid over a three year period commencing from the Substantial Implementation Date.

31.4. Claims and release of the Company from the payment of debts

- 31.4.1. In return for the right to participate in the Concurrent Allocation and with effect from the Substantial Implementation Date:

- 31.4.1.1. each General Concurrent Creditor will be deemed to have acceded to the discharge of the remainder of such General Concurrent Creditor's Pre-commencement Claim after payment of the General Concurrent Dividend, and will lose its rights to enforce the relevant balance of such debt against the Company (the provisions of section 154 (1) of the Companies Act will accordingly apply); and

- 31.4.1.2. aside from their rights to claim payment of the General Concurrent Dividend from the Receivers, no General Concurrent Creditor shall have any Pre-commencement Claim against the Company from the Substantial Implementation Date.

- 31.4.2. Consequently, and as required in terms of section 150 (2) (b) (ii) of the Companies Act, upon the Substantial Implementation Date, the General Concurrent Creditors will have Pre-commencement Claims against the Receivership, as provided for in paragraph 36, and the Company will be released from the payment of debts to the Pre-commencement Creditors.

31.5. Contracts

- 31.5.1. As required in terms of section 150 (2) (b) (iii) of the Companies Act, one of the conditions required for the Proposed Restructure is the cancellation, modification or restructuring of certain Contracts. To the extent that Contracts are cancelled, Creditors' Claims for damages will be limited as contemplated in paragraph 31.6 below.

31.5.2. As a result of the constrained cash position the Company will be terminating all the of aircraft leases of the Lessors. As and when the regional and international travel resume, the Company will enter into new aircraft leases on a competitive and profitable basis.

31.6. **Damages**

31.6.1. In the event that Creditors claim damages, whether contractual, delictual or statutory, against the Company, which damages Claim is accepted by the BRPs or proved by way of the Dispute Mechanism or by Court or similar proceedings, such damages Claims:

31.6.1.1. shall be a concurrent Claim, unless the Creditor holds security for such claim;

31.6.1.2. will be deemed to be limited to general damages suffered over the lesser of 2 (two) months from the date on which the alleged damages Claim arose or the balance of the Contract duration with the exception of the Lessors Claims that are more fully dealt with in paragraph 31.3. For purposes hereof, general damages are those which, on an objective basis, would be reasonably foreseeable at the time of entering into the relevant Contract as a probable consequence of, and with a sufficiently close connection to, any breach by the Company of such Contract so as to be said to flow naturally and generally and not to be too remote;

31.6.1.3. will be deemed to exclude all consequential (including loss of profit) and indirect damages; and

31.6.1.4. if disputed, will be resolved in terms of the Dispute Mechanism, detailed in paragraph 47.3.

31.7. **Section 22 of Value-Added Tax Act**

31.7.1. Section 22 of the Value-Added Tax Act will apply in respect of the Pre-commencement Claims of the General Concurrent Creditors which will be compromised in terms of this Business Rescue Plan, as provided for in paragraph 31.4.1.1.

31.7.2. Any claim due to SARS as a result of the application of section 22 of the Value-Added Tax Act will be treated as a pre commencement claim, receive a portion

of the Concurrent Creditors Allocation and be compromised in terms of paragraph 31.4.

32. POST-COMMENCEMENT CREDITORS

32.1. Payment of Post-Commencement Creditors

Post-commencement Creditors will be paid by SAA as part of the working capital injection, failing which they will be paid by the Receivers in accordance with the payment waterfall provided for in paragraph 37.

32.2. Property of the Company available to pay Post-Commencement Claims

As required in terms of section 150 (2) (b) (iv) of the Companies Act, the Receivership Proceeds, dealt with in paragraph 36, will be available for payment of, *inter alia*, the Post-commencement Claims.

33. EMPLOYEES

33.1. If the Proposed Restructure is implemented, an agreement with employees, the respective representatives and the Company will be concluded by means of the Leadership Compact Forum or the section 189 process will be proceeded with to finality, in terms of which SAA anticipate that one thousand (1000) Employees of the Company will be retained and the remaining Employees retrenched and the terms and conditions of employment of the remaining Employees will be revised, along with the terms of the collective agreements.

33.1.1. The Company will support the social plan that is an outcome of the Leadership Compact Forum.

33.1.2. The finalisation of the agreement with employees and SAA on the revised terms and conditions of employment as well as the headcount as set out above is a condition of the plan as set out in Part C.

33.2. As set out in paragraph 28.3.2, Government has agreed to fund the payments due to Employees who have been retrenched.

33.3. As the operations of SAA stabilise and eventually increase it is anticipated that more staff will be required and on a commercially viable and sustainable basis the Company will employ more staff, with a preference being given to former SAA employees subject to competence, skills and suitability.

34. **EFFECT OF THE BUSINESS RESCUE PLAN ON THE HOLDERS OF EACH CLASS OF THE COMPANY'S ISSUED SHARES**

The Business Rescue Plan will not have an effect on the holders of the Company's issued shares.

35. **COMPARISON OF THE BUSINESS RESCUE TO LIQUIDATION**

35.1. The following table sets out a comparison of the outcomes that are likely to arise under the Business Rescue as compared to a liquidation (the liquidation calculation is based on the information provided in PwC's liquidation calculation):

Class of creditor	Liquidation		Business Rescue
	Commencement Date	Publication Date	Proposed Restructure
Secured	N/A	N/A	N/A
Business Rescue / PCF Creditors	N/A	N/A	100c
Employees	R 32,000	R 32,000	Full severance for retrenched employees and continued employment for retained employees
Concurrent creditors	0c	0c	R1,2 billion for distribution to General Concurrent Creditors

36. **RECEIVERSHIP**

36.1. The BRPs will file a notice of substantial implementation, thereby discharging the Company from Business Rescue, subject to the conditions and assumptions set out in paragraph 42.1 being met.

36.2. If payment mechanisms are not otherwise agreed for those payments required to be made under and in terms of the Business Rescue Plan in respect of payments to the Pre-commencement Lenders, the PCF Lenders, Lessors and the General Concurrent Creditors, then and in that event the Receivership mechanism as contemplated in this paragraph 36 will be implemented.

36.3. With effect from the Substantial Implementation Date, Receivers will be proposed by the BRPs to be elected and confirmed by the majority of Creditors in order to:

36.3.1. receive the Restructure Proceeds;

36.3.2. make payment to the Pre-Commencement Creditors in accordance with paragraph 31.2;

- 36.3.3. distribute the Restructure Proceeds in accordance with this paragraph; and
- 36.3.4. make payment to the Lenders in accordance with paragraph 30.3.
- 36.4. The Restructure Proceeds will be allocated as follows:
 - 36.4.1. firstly, payment of the Receivership Administration Expenses; and
 - 36.4.2. thereafter, payment in accordance with the payment waterfall, which will exclude the Lenders' claims and the Pre-commencement Claims of the General Concurrent Creditors, as more fully dealt with in paragraph 37.
- 36.5. The Concurrent Allocation will be allocated to payment of the Pre-Commencement Claims of the General Concurrent Creditors, which will result in the payment of the General Concurrent Dividend to the General Concurrent Creditors.
- 36.6. As set out in paragraph 31.4.1, in return for the right to participate in the Concurrent Allocation, and with effect from the Substantial Implementation Date:
 - 36.6.1. each General Concurrent Creditor will be deemed to have acceded to the discharge of the remainder of such General Concurrent Creditor's Pre-commencement Claim after payment of the General Concurrent Dividend; and
 - 36.6.2. aside from their rights to claim payment of the General Concurrent Dividend, no General Concurrent Creditor shall have any Pre-commencement Claim against the Company from the Substantial Implementation Date.
- 36.7. With effect from the date of adoption of this Business Rescue Plan, the BRPs and the Company shall be authorised and empowered to negotiate and conclude with the Receivers (upon appointment), the Government and the relevant Lender(s) (as applicable) the terms of a debt consolidation agreement(s) regulating the relevant PCF and Pre-commencement Claims in Receivership in terms of this Business Rescue Plan.
- 36.8. The Receivers will have all such powers as may be necessary for them to discharge their obligations in terms of the Receivership and without in any way restricting the generality of such powers, the Receivers shall have the following powers and obligations:
 - 36.8.1. to perform all acts and discharge all duties which the Receivers are required to perform and discharge in order to give effect to the implementation of terms of the Receivership;
 - 36.8.2. to open and operate banking accounts and investments as if they were trustees in terms of section 70 (1) of the Insolvency Act, *mutatis mutandis*;

- 36.8.3. to admit or reject any Claims tendered for proof as provided for in paragraph 38.3.1;
 - 36.8.4. to compromise the Claims and defend any proceedings which may be instituted against the Receivers for the enforcement of Claims disputed by the Receivers;
 - 36.8.5. to abandon to secured Creditors any property held as security at a value agreed to between the secured Creditor and the Receivers;
 - 36.8.6. to proceed in terms of the Dispute Mechanism or institute any legal proceedings in their capacities as the Receivers, as they may in their sole discretion deem appropriate, against any person as may be required to give effect to the Receivership and to defend any proceedings brought against the Receivers arising out of the Receivership where the subject matter of the dispute relates to their powers and obligations in terms of the Receivership;
 - 36.8.7. to have access to all books, records, documentation and trading figures of the Company as they may reasonably and properly require for the execution of their duties as Receivers in terms of the Receivership;
 - 36.8.8. to engage the service of attorneys, advocates, other professional advisers and service providers in connection with any matter concerning the Receivership, their functions and duties, to dispense with taxation and to agree on the amount of their reasonable fees and charges and to pay such fees and disbursements of such persons out of the monies becoming available to the Receivers in terms of the Receivership;
 - 36.8.9. to receive any and all amounts payable to them by the Successful Bidder in terms of the Proposed Transaction and the power to disburse all such amounts to any relevant person/s and Creditors contemplated in this Proposed Transaction; and
 - 36.8.10. to investigate the Company's affairs, business, property and financial situation and take appropriate steps as contemplated in section 141 (1) (c) of the Companies Act.
- 36.9. The Receivers will be entitled to charge out their time at the rate of R2000 (two thousand Rand) per hour, excluding VAT.

37. ORDER OF DISTRIBUTION – PAYMENT WATERFALL IN BUSINESS RESCUE & RECEIVERSHIP

- 37.1. As required in terms of section 150 (2) (b) (v) of the Companies Act, the order of preference in which proceeds will be applied to pay creditors if the Business Rescue Plan is adopted is set out below.

- 37.2. In term of section 135 of the Companies Act, Creditors are to be paid in the following order of priority (to the extent that there are funds available to pay all categories of Creditors):
- 37.2.1. The Business Rescue Costs, including but not limited to legal costs, the costs of the Advisors, operating costs and other costs associated with the Business Rescue;
 - 37.2.2. Employees for their employment during Business Rescue (to the extent that they have not been paid for their services during Business Rescue);
 - 37.2.3. Secured PCF Creditors;
 - 37.2.4. Unsecured PCF Creditors; and
 - 37.2.5. Concurrent Creditors.
- 37.3. In respect of pre-commencement Secured Creditors, their Claims will rank in respect of such secured asset in priority to all other claims, other than the BRPs' remuneration and expenses, as contemplated in section 143 of the Companies Act.
- 37.4. Subject to what is set out in paragraph 30.4, the Lenders will not participate in any Distributions out of the Restructure Proceeds and/or the General Allocation.
- 37.5. Based on the information the BRPs have to date, the General Concurrent Creditors will receive the General Concurrent Dividend, being R600 million (six hundred million Rand) over a three year period, as a result of the adoption of the Business Rescue Plan, should the General Concurrent Creditors' claim increase post the Adoption Date there will be no increase in the amount available for distribution to General Concurrent Creditors and the Concurrent Allocation will be paid to the General Concurrent Creditors pro rata. For further information relating to this, please refer to paragraph 31.2.1.

38. **PROOF OF CLAIMS BY CREDITORS**

- 38.1. The exchange rate in respect of all Claims expressed in foreign currency will be determined as at the Commencement Date.
- 38.2. General Concurrent Creditors will not be entitled to charge interest on their Pre-commencement Claims from the Commencement Date.
- 38.3. Pre-commencement Creditors are required to lodge their Pre-commencement Claims prior to the Final Claims Date for purposes of participating in the Distribution:

- 38.3.1. The BRPs or the Receivers, as the case may be, have a discretion as to whether to allow a Pre-commencement Creditor to lodge any Pre-commencement Claim after the Final Claims Date; and
- 38.3.2. Pre-commencement Creditors that have lodged Pre-commencement Claims after the Final Claims Date, and whose Pre-commencement Claims have been accepted by the BRPs or the Receivers in the exercise of the BRPs' or the Receivers' aforesaid discretion, forfeit their right to participate in Distributions that have been made prior to the lodgement of their Pre-commencement Claims.
- 38.4. Pre-commencement Claims shall be proved to the satisfaction of the BRPs or the Receivers, as the case may be, and supported by an affidavit. If any Pre-commencement Creditor requires the affidavit form, please contact Lance Schapiro of Matuson & Associates at creditors@saabusinessrescue.co.za.
- 38.5. In the event that the BRPs or the Receivers, as the case may be, dispute a Pre-commencement Claim or security, such disputed Pre-commencement Claims will be dealt with in accordance with the Dispute Mechanism more fully dealt with in paragraph 47.3.

39. **BENEFITS OF ADOPTING THE BUSINESS RESCUE PLAN COMPARED TO LIQUIDATION**

As required in terms of section 150 (2) (b) (vi) of the Companies Act, the benefits to Creditors of adopting the Business Rescue Plan compared to a liquidation are as follows:

39.1. **Continuation of Business**

If the Business Rescue proceeds in terms of the Proposed Restructure, the Business will continue on a solvent basis.

39.2. **Quantum**

39.2.1. According to the PwC calculation, the dividend that would be received by Creditors on a liquidation of the Company would be zero cents in the Rand, being lower than the dividend that is anticipated to be received by Creditors as a result of Business Rescue.

39.2.2. By way of illustration, please refer to paragraphs 19 and 35.

39.3. **Timing**

39.3.1. Given the complexity of the Company, it is likely that a liquidation would last longer than 24 months with no ability to pay an interim dividend to concurrent Creditors. Post-commencement Creditors are likely to only receive their final

dividend after several years. General Concurrent Creditors will not receive a dividend.

- 39.3.2. If the Business Rescue proceeds in terms of the Proposed Restructure, General Concurrent Creditors will receive their first distribution within a year of the Substantial Implementation Date.

39.4. **Employees**

- 39.4.1. If the Business Rescue proceeds in terms of the Proposed Restructure, a complete loss of Employees' jobs will be averted, on revised terms and conditions.

- 39.4.2. In a liquidation:

39.4.2.1. all jobs will be lost immediately unless the liquidator agrees to continue trading against an indemnity. In the current circumstances, it is highly unlikely that a liquidator would agree to continue trading or that a liquidator would be indemnified against trading losses;

39.4.2.2. Employees would be entitled to receive a maximum amount of R32 000 (thirty two thousand Rand) per staff member, to the extent that there are funds available; and

39.4.2.3. Employees will only receive payment once the final liquidation and distribution account has been approved at the end of the liquidation process which can take up to 24 months.

39.5. **Fees**

- 39.5.1. The BRPs submit that the entire costs of the Business Rescue will be significantly lower than the liquidation costs.

- 39.5.2. The estimated fees a liquidator would be entitled to in terms of the liquidation calculation prepared by PwC is approximately R369 million (three hundred and sixty nine million Rand) based on the realisation of the assets.

39.6. **PCF**

The BRPs are able to access further PCF for the implementation of the Business Rescue Plan.

40. RISKS OF THE BUSINESS RESCUE

40.1. Notwithstanding what has been stated in this Business Rescue Plan, the Business Rescue and the amount which Creditors could receive in terms of the Business Rescue may be adversely affected by, *inter alia*, the following factors:

- 40.1.1. the fulfilment of the conditions in terms of the Proposed Restructure taking longer than expected and/or the Proposed Restructure failing for any reason;
- 40.1.2. unforeseen litigation of any nature whatsoever, howsoever arising, from any cause of action whatsoever;
- 40.1.3. unforeseen damages claims arising from the cancellation of any contracts or agreements of any nature whatsoever, howsoever arising;
- 40.1.4. any changes in legislation that impact Business Rescue;
- 40.1.5. any challenges to this Business Rescue Plan, the rejection thereof or any amendments thereto;
- 40.1.6. any regulatory challenges of any nature whatsoever, howsoever arising;
- 40.1.7. any unforeseen circumstances, outside of the control of the BRPs of any nature whatsoever howsoever arising that impacts on Business Rescue, including the consequences of the Coronavirus;
- 40.1.8. material discrepancies in the information made available to the BRPs by Management;
- 40.1.9. market conditions worsen; and
- 40.1.10. Lack of further PCF.

40.2. It should be noted that, in the unlikely event of an immediate liquidation of the Company, the risks set out in this paragraph 40.1 would still apply.

41. ASSUMPTIONS MADE WITH REGARD TO FORECAST OF THE BUSINESS RESCUE DIVIDEND

41.1. Due to the COVID-19 pandemic, the aviation industry has been severely affected, to a point whereby it is almost impossible to anticipate:

- 41.1.1. what flying demand will look like in the short, medium and long term;
- 41.1.2. how many airlines will survive into the period post COVID-19;
- 41.1.3. what will the restart of flying look like once the travel bans are lifted;

- 41.1.4. which countries will open their borders for commercial flying in the short, medium and long term;
 - 41.1.5. what will be the requirements that will have to be complied with as the conditions of flying; and
 - 41.1.6. how will the ticket prices and insurance be affected.
- 41.2. Therefore, a significant number of estimates and assumptions have been made in order to generate the financial forecasts for the period post COVID-19.
- 41.3. We have worked out the financial forecasts as set out in Annexure C. The following assumptions were made at the time:
- 41.3.1. Revenue:
 - 41.3.1.1. Passenger Revenue related to tickets revenue;
 - 41.3.1.2. Ancillary Revenue relates to ancillary charges related to passenger travel (e.g. excess baggage, etc.);
 - 41.3.1.3. Fuel Surcharge is levied to customers as per the applicable legislation;
 - 41.3.1.4. Cargo Revenue relates to revenue generated by utilising the belly space of the passenger aircraft to transport cargo on all the routes; and
 - 41.3.1.5. Other revenue related to revenue generated from the Voyager loyalty programme and revenue generated from the Lounges that are operated in various airports.
 - 41.3.2. Fuel Cost: This is the cost of fuel for operating the flights.
 - 41.3.3. Labour Costs: These are the total payroll costs (excluding staff allowance).
 - 41.3.4. Maintenance Costs: These are costs that are incurred for the maintenance of the aircraft fleet.
 - 41.3.5. Other Operating Costs include:
 - 41.3.5.1. inflight entertainment services costs;
 - 41.3.5.2. inflight catering costs;
 - 41.3.5.3. hotel accommodation costs;

41.3.5.4. crew allowances; and

41.3.5.5. training costs;

41.3.6. Leasing Costs: This is the costs incurred for rental of the lease aircraft fleet.

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PART C – ASSUMPTIONS AND CONDITIONS

42. CONDITIONS FOR THE BUSINESS RESCUE PLAN TO COME INTO OPERATION AND BE FULLY IMPLEMENTED

42.1. As required in terms of section 150 (2) (c) (i) (aa) of the Companies Act, the Business Rescue Plan will come into operation upon the conditions listed below having been fulfilled:

42.1.1. The approval and adoption of the Business Rescue Plan in terms of section 152 of the Companies Act;

42.1.2. Approval of the Minister of Public Enterprises and the Minister of Finance (to the extent necessary), as executive authority for SAA, for the implementation of those aspects of the Business Rescue Plan which involve transactions requiring such approval in terms of section 54(2) of the PFMA, read with the Significance and Materiality Framework for SAA;

42.1.3. Approval of the Minister of Public Enterprises, as representative shareholder of SAA, for the implementation of those aspects of the Business Rescue Plan which involve transactions requiring such approval in terms of the Mol;

42.1.4. An agreement is reached with the employees, their respective Trade Unions and SAA on the reduction of headcount and revised terms and conditions as set out in paragraph 33;

42.1.5. Confirmation of Government's support and commitment to providing the requisite funding for the various commitments stipulated in paragraph 28 the Business Rescue Plan. This is to be evidenced by way of a letter of support from the Department of Public Enterprises with the concurrence of the Department of National Treasury. Such letter is to be received on or before 15 July 2020; and

42.1.6. The Government has provided confirmation satisfactory to the DBSA, PCF Bank Lenders and the Pre-commencement Lenders that the Guarantees issued to them in respect of the Pre-commencement Claims and the PCF provided by them to the Company (collectively, the **Lender Claims**) shall continue in full force and effect until the Lender Claims are discharged in full as contemplated in this Business Rescue Plan.

42.2. Should the conditions set out in paragraph 42.1 not be fulfilled by 15 July 2020, the Business Rescue Plan will be deemed unimplementable and a meeting of Creditors will be convened on 17 July 2020 for Creditors to consider amending the Business Rescue Plan, failing which

for the BRPs to discharge the Business Rescue. Such meeting will be convened in terms of section 151 of the Companies Act.

42.3. Prior to the meeting contemplated in paragraph 42.2 the BRPs will publish a report on the conditions fulfilled, if any, and the status of the conditions not yet fulfilled.

42.4. As required in terms of section 150 (2) (c) (i) (bb) of the Companies Act, Substantial Implementation will be deemed to have occurred upon fulfilment of the conditions as set out in paragraph 42.1 above.

43. EFFECT OF THE BUSINESS RESCUE PLAN ON EMPLOYEES

As required in terms of section 150 (2) (c) (ii) of the Companies Act, the effect of the Business Rescue Plan on Employees is set out in paragraph 33.

44. CIRCUMSTANCES IN WHICH THE BUSINESS RESCUE WILL END AND THE DURATION OF BUSINESS RESCUE

44.1. As required in terms of section 150 (2) (c) (iii) of the Companies Act, the Business Rescue Plan will end upon the occurrence of one of the events listed in paragraph 44.2.1.

44.2. In terms of section 132 (2) of the Companies Act, the Business Rescue will end when –

44.2.1. the Business Rescue Plan is:

44.2.1.1. proposed and rejected and the BRPs and Affected Person/s do not take any action to extend the Business Rescue in any manner contemplated by the Companies Act; or

44.2.1.2. adopted and implemented (with the conditions fulfilled) and the BRPs have filed a notice of substantial implementation of the Business Rescue Plan with the CIPC (i.e. on the Substantial Implementation Date); or

44.2.2. a High Court orders the conversion of the Business Rescue into liquidation proceedings; or

44.2.3. the BRPs file with the CIPC a notice of termination of the Business Rescue.

45. **PROJECTED BALANCE SHEET AND PROJECTED STATEMENT OF INCOME AND EXPENSES**

As required in terms of section 150 (2) (c) (iv) of the Companies Act, the projected balance sheet and statement of income and expenses for the ensuing three years, prepared pre-COVID-19 on the assumption that Business Rescue Plan is adopted, is attached as **Annexure D**.

46. **EXISTING LITIGATION**

All parties who have instituted legal proceedings, including any enforcement action, in respect of any Pre-commencement Claims against the Company in any forum will be subject to the provisions of paragraph 38.3, dealing with the proof of Pre-commencement Claims.

47. **DISPUTE RESOLUTION**

47.1. Reference in this paragraph to BRPs will include a reference to Receivers.

47.2. Subject to paragraph 31.6.1, save as provided for in section 133 of the Companies Act, in respect of all or any disputes by the BRPs on Claims, which disputes include, but are not limited to, disputes on the existence or otherwise of Claim(s), on quantum of Claim(s), security claimed by a Creditor, the nature of the security, the extent and value of the security and the like ("**dispute**"), such dispute may be resolved in accordance with the dispute mechanism outlined below ("**Dispute Mechanism**").

47.3. The Dispute Mechanism procedure will be as follows:

47.3.1. All creditors who have received notification from the BRPs of a dispute are required within 15 days of receipt of such notice to contact the BRPs and to meet with the BRPs during this period in an attempt to reach agreement on the dispute ("**Settlement Meeting**").

47.3.2. If the Creditor does not avail itself of this 15 day opportunity, the Creditor will be deemed to have accepted the BRPs' position in regard to the dispute

47.3.3. If the Creditor does avail itself of the Settlement Meeting, however, the dispute is not resolved and the Creditor persists with the dispute, the BRPs and Creditor must agree to the appointment of a retired judge as an expert (not as an arbitrator or mediator) to preside over and to resolve the dispute.

47.3.4. Should the BRPs and the Creditor fail to reach an agreement on the expert, then the BRPs will request the Arbitration Foundation of Southern Africa to appoint such expert.

- 47.3.5. The appointed expert must endeavour to complete his/her mandate within 30 days of his/her appointment or within such further time period as the expert in his/her sole discretion may determine.
- 47.3.6. The expert will in his/her sole and absolute discretion determine:
- 47.3.6.1. the venue at which the dispute is to be resolved;
 - 47.3.6.2. the rules, regulations and procedures that will govern the determination of the dispute;
 - 47.3.6.3. the date(s) for the determination of the dispute;
 - 47.3.6.4. will give his award / determination within 5 days of the completion of the process as determined by him;
 - 47.3.6.5. will as part of his award / determination determine who is liable for the costs of the determination such costs to include his costs, legal costs, venue costs, recording equipment (if applicable), transcript of evidence (if applicable) and the like.
- 47.3.7. The Creditor/s agree/s that, save for any manifest error the determination of the expert will be final and binding on the Creditor/s, the Company and the BRPs and will not be subject to any subsequent review or appeal application / procedure / process.
- 47.3.8. The expert shall be entitled to make an award for costs in his/her discretion.
- 47.3.9. The Creditor, the Employee/s, the Company and the BRPs agree to use their utmost endeavours to ensure that the entire dispute is determined by the expert as expeditiously as possible.
- 47.4. To the extent necessary, should the BRPs be of the view that certain disputes may be settled or compromised, the BRPs shall be authorised to settle and compromise such a dispute.
- 47.5. The BRPs may in their sole and absolute discretion decide that the dispute mechanism is not appropriate for resolving the dispute and/or that the application of the dispute mechanism may result in prejudice to other Creditors or Employees or the Company. In such event, the Creditor or Employee concerned shall be entitled in terms of 133 of the Companies Act to refer the dispute to Court and if an expert has already been nominated, such nomination shall lapse and be of no further force or effect.

48. **ABILITY TO AMEND THE BUSINESS RESCUE PLAN**

- 48.1. Provided that any amendment will not be prejudicial to any of the Affected Persons, the BRPs shall have the ability, in their sole and absolute discretion, to amend, modify or vary any provision of this Business Rescue Plan, provided that at all times the BRPs act reasonably. The Amendment will be deemed to take effect on the date of written notice of the amendment to all Affected Persons.
- 48.2. Provided that any amendment will not be prejudicial to any of the Affected Persons, the BRPs shall have the ability, in their sole and absolute discretion, to amend, modify or vary any provision of this Business Rescue Plan, provided that at all times the BRPs act reasonably. The amendment will be deemed to take effect on the date of written notice of the amendment to all Affected Persons.
- 48.3. It is specifically recorded that the provisions of paragraph 48.2 shall *mutatis mutandis* apply to the extension or reduction of any timeframes by the BRPs.

49. **SEVERABILITY**

Any provision in this Business Rescue Plan which is or may become illegal, invalid or unenforceable shall be ineffective to the extent of such prohibition or unenforceability and shall be treated *pro non scripto* and severed from the balance of this Business Rescue Plan, without invalidating the remaining provisions of this Business Rescue Plan or affecting the validity or enforceability of such provision in any other jurisdiction.

50. **CONCLUSION**

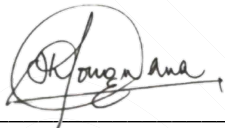
- 50.1. For the reasons set out above, the BRPs are of the view that if the Business Rescue proceeds in terms of the Proposed Restructure, same will result in an efficient rescue and recovery of the Company, in a manner that balances the rights and interests of all relevant stakeholders.
- 50.2. The advantages of proceeding with this Business Rescue Plan are set out fully in paragraph 39 and summarised here for ease of reference:
- 50.2.1. the Company's Business will be restructured in a manner that will result in the Company continuing in existence in a solvent manner, as opposed to being placed in liquidation;
- 50.2.2. not all of the Employees will be retrenched and many jobs will be preserved;
- 50.2.3. those Employees who are retrenched will be in a better position than in a liquidation;

- 50.2.4. General Concurrent Creditors will receive a concurrent dividend, i.e. the General Concurrent Dividend, as opposed to zero cents in the Rand in a liquidation; and
- 50.2.5. the costs of Business Rescue will be less than the costs of liquidation.

51. **BRPS' CERTIFICATE**

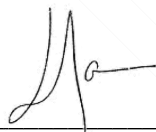
51.1. We, the undersigned, Siviwe Dongwana and Leslie Matuson, hereby certify to the best of our knowledge and belief that –

- 51.1.1. any actual information provided herein appears to be accurate, complete and up to date;
- 51.1.2. the BRPs have relied on financial information including opinions and reports furnished to them by Management and Advisors;
- 51.1.3. any projections provided are estimates made in good faith on the basis of factual information and assumptions as set out herein;
- 51.1.4. in preparing the Business Rescue Plan, the BRPs have not undertaken an audit of the information provided to them by Management, the Company's auditors and by the Advisors, although where practical, the BRPs have endeavoured to satisfy themselves of the accuracy of such information.



Siviwe Dongwana, in his capacity as the appointed joint
business rescue practitioner (in terms of the Companies Act)

Date: 16 June 2020



Leslie Matuson, in his capacity as the appointed joint
business rescue practitioner (in terms of the Companies Act)

Date: 16 June 2020