

NOTE:

1. THIS IS A DRAFT BUSINESS RESCUE PLAN, BASED ON A RESTRUCTURED SAA PROPOSAL, WHICH IS STILL IN THE PROCESS OF BEING SUPPLEMENTED WITH FURTHER INFORMATION (INDICATED IN THE BODY OF THIS DOCUMENT WITH DRAFTING NOTES) AND WHICH IS ALSO SUBJECT TO CONSULTATION.
2. IN PARTICULAR, THE BRPs:
 - 2.1. ARE IN THE PROCESS OF OBTAINING VALUATIONS OF THE COMPANY'S ASSETS, WHICH WILL BE INSERTED AND ATTACHED TO THIS DOCUMENT.
 - 2.2. WILL PROVIDE FURTHER INFORMATION IN THIS DOCUMENT DETAILING THE RESTARTING OF THE AIRLINE PURSUANT TO THE OUTBREAK OF COVID-19.
 - 2.3. WILL PROVIDE THE COMPLETE LIST OF ANNEXURES TO THIS DOCUMENT AT A LATER STAGE.
3. THIS DRAFT BUSINESS RESCUE PLAN IS FOR DISCUSSION PURPOSES AND MAY NOT BE CIRCULATED TO ANY OTHER PARTY.



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)

Prepared by:

SIVIWE DONGWANA

(joint business rescue practitioner)



and

LESLIE MATUSON

(joint business rescue practitioner)



PUBLICATION DATE: [•]

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Annexure [●] : Income statement, balance sheet and cash flow

Annexure [●] :

Annexure [●] :

DRAFT

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 [•];

- 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, and shall include a reference to “Receivers” as the context requires in this Business Rescue Plan;
- 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 [5.5•]):
 - 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 [•] 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"** 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 [•] allocated to payment of the General Concurrent Creditors, as more fully dealt with in paragraph [•];
- 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 [•];
- 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, Registration No. [•], a public entity established in terms 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 BPRs, 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 [•];
- 1.2.28. **"Distribution/s"** means distributions to be made to Creditors by the BRPs and/or the Receivers;

- 1.2.29. **"DPE"** means the Department of Public Enterprises of South Africa;
- 1.2.30. **"Dongwana"** means Siviwe Dongwana, the joint business rescue practitioner appointed by the Company in terms of section 129(2)(b) of the Companies Act;
- 1.2.31. **"Employees"** means employees of the Company;
- 1.2.32. **"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;
- 1.2.33. **"ENSAfrica"** means Edward Nathan Sonnenbergs Incorporated, attorneys practising as such at 129 Rivonia Road, the Marc, Tower 2, Sandown, Sandton;
- 1.2.34. **"Financially Distressed"** shall bear the meaning ascribed thereto in section 128(1)(f) of the Companies Act;
- 1.2.35. **"Final Claims Date"** means the final date for the filing of Pre-commencement Claims, being [•];
- 1.2.36. **"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;
- 1.2.37. **"General Concurrent Creditors"** means the Pre-commencement Creditors excluding the Lenders;
- 1.2.38. **"General Concurrent Dividend"** means the guaranteed dividend of [•] ([•]) cents in the 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 [•];
- 1.2.39. **"Government"** means the Government of the Republic of South Africa;
- 1.2.40. **"Guarantees"** means the guarantees issued by Government in favour of the Lenders for the obligations of the Company, more fully dealt with in paragraph [•];
- 1.2.41. **"IAM"** means Investec Asset Management, Registration No. [•], a company incorporated in accordance with the laws of South Africa;
- 1.2.42. **"IATA"** means the International Air Transport Association, incorporated in terms of an Act of the Canadian Parliament;
- 1.2.43. **"Insolvency Act"** means the Insolvency Act No. 24 of 1936, as amended;

- 1.2.44. **"Investec"** means Investec Bank Limited, Registration No. 1969/004763/06, a company incorporated in accordance with the laws of South Africa;
- 1.2.45. **"Lenders"** means the Pre-commencement Lenders and PCF Lenders;
- 1.2.46. **"Lessors"** means the lessors of aircraft to the Company, as more fully dealt with in [•];
- 1.2.47. **"LRA"** means the Labour Relations Act, No. 66 of 1995, as amended;
- 1.2.48. **"Management"** means members of the Company's board and/or pre-existing management as at the Commencement Date;
- 1.2.49. **"Mango"** means Mango Airlines SOC Limited, Registration No. 2006/018129/30, a state owned company incorporated in accordance with the laws of South Africa;
- 1.2.50. **"Matuson"** means Leslie Matuson, the joint business rescue practitioner appointed by the Company in terms of section 129(2)(b) of the Companies Act;
- 1.2.51. **"Matuson & Associates"** means Matuson & Associates (Pty) Limited, Registration No. 2009/008967/07, a company incorporated in accordance with the laws of South Africa;
- 1.2.52. **"Momentum"** means [•];
- 1.2.53. **"National Treasury"** means the Department of the National Treasury of South Africa;
- 1.2.54. **"Nedbank"** means Nedbank Limited, Registration No. 1951/000009/06, a company incorporated in accordance with the laws of South Africa;
- 1.2.55. **"New HoldCo"** means the new holding company to be established as a State Owned Company by Government in terms of the Proposed Restructure;
- 1.2.56. **"NPE"** means a national public entity established in terms of the PFMA;
- 1.2.57. **"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;
- 1.2.58. **"PCF"** means post-commencement finance as contemplated in section 135 of the Companies Act;
- 1.2.59. **"PCF Bank Lenders"** means Absa, FirstRand, Investec, Nedbank and Standard Bank;

- 1.2.60. **"PCF Lenders"** means DBSA and the PCF Bank Lenders;
- 1.2.61. **"PFMA"** means the Public Finance Management Act, No. 1 of 1999, as amended;
- 1.2.62. **"Post-commencement Claims"** means any claim against the Company, the cause of action in respect of which arose after the Commencement Date;
- 1.2.63. **"Post-commencement Creditors"** means all persons, including legal entities and natural persons, having Post-commencement Claims, excluding the PCF Lenders;
- 1.2.64. **"Pre-commencement Claims"** means any claim against the Company, the cause of action which arose prior to the Commencement Date;
- 1.2.65. **"Pre-commencement Creditors"** means all persons, including legal entities and natural persons, having Pre-commencement Claims;
- 1.2.66. **"Pre-commencement Lenders"** means Absa, FirstRand, Investec, Nedbank, Standard Bank, IAM, Ashburton, Sanlam and Momentum;
- 1.2.67. **"Proposed Restructure"** means the restructure proposed by the BRPs, as more fully dealt with in paragraph [•];
- 1.2.68. **"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 [•] 2020;
- 1.2.69. **"Rand"** or **"R"** or **"ZAR"** means the lawful currency of South Africa;
- 1.2.70. **"Receivers"** means the receivers to be appointed in terms of paragraph [•], being Dongwana and Matuson;
- 1.2.71. **"Receivership"** means the process which will commence on the Substantial Implementation Date, more fully dealt with in paragraph [•];
- 1.2.72. **"Receivership Administration Expenses"** means the remuneration and expenses of the Receivers and other claims arising out of the costs of the Receivership;
- 1.2.73. **"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;

- 1.2.74. **“Restructure Proceeds”** means the proceeds received by the Company or value attributed to the Transfer Shares or the transfer of any other asset in terms of the Proposed Restructure, as more fully dealt with in paragraph [•];
- 1.2.75. **“SA Airlink”** means SA Airlink (Pty) Limited, Registration No. 1969/002554/07, a company incorporated in accordance with the laws of South Africa;
- 1.2.76. **“SAA Cargo”** means the division of the Company which operates as an airfreight service provider;
- 1.2.77. **“SAA Lounges”** means the division of the Company which operates as a lounge service provider to premium passengers;
- 1.2.78. **“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;
- 1.2.79. **“SAA Voyager”** means the division of the Company which operates the Company’s loyalty programme;
- 1.2.80. **“SAA Restructure”** means the proposed restructure of the Business of the Company, as more fully dealt with in paragraph [•];
- 1.2.81. **“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;
- 1.2.82. **“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;
- 1.2.83. **“Sanlam”** means [•], Registration No. [•], a company incorporated in accordance with the laws of South Africa;
- 1.2.84. **“Secured Creditors”** means those Creditors who hold security for their Claims against the Company;
- 1.2.85. **“South Africa”** means the Republic of South Africa;
- 1.2.86. **“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;

1.2.87. **"Subsidiaries"** means the wholly owned subsidiaries of the Company, comprising:

1.2.87.1. SAA Technical;

1.2.87.2. Mango;

1.2.87.3. Air Chefs; and

1.2.87.4. SACC.

1.2.88. **"Substantial Implementation Date"** means the earlier of:

1.2.88.1. [•], or such later date as may be notified by the BRPs to Affected Persons,

upon which date 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);

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

1.2.89.1. levies payable to Government authorities;

1.2.89.2. normal taxation;

1.2.89.3. capital gains tax;

1.2.89.4. value-added tax;

1.2.89.5. donations tax;

1.2.89.6. customs duty;

1.2.89.7. securities transfer tax;

1.2.89.8. all Pay-As-You-Earn taxation (PAYE) not paid over;

1.2.89.9. all other forms of taxation, other than deferred tax; and

1.2.89.10. any penalties or interest on any of the foregoing;

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

1.2.90.1. National Transport Movement;

- 1.2.90.2. National Union of Metalworkers of South Africa;
- 1.2.90.3. South African Airways Cabin Crew Association;
- 1.2.90.4. Aviation Union of South Africa;
- 1.2.90.5. South African Transport and Allied Workers Union;
- 1.2.90.6. Solidarity; and
- 1.2.90.7. South African Airways Pilots Association;
- 1.2.91. **"Transfer Shares"** means the shares to be transferred by the Company to New HoldCo in terms of the Proposed Restructure;
- 1.2.92. **"Value-Added Tax Act"** means the Value Added Tax Act, No. 89 of 1991, as amended;
- 1.2.93. **"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 0, 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. **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 [•] below.

3.2. **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.

3.3. **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.

PART A – BACKGROUND

4. COMPANY INFORMATION

4.1. Shareholding Structure

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

4.1.1.1. 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);

4.1.1.2. 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);

4.1.1.3. 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);

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

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

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

4.2. Directors

4.2.1. 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

4.2.2. 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
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

4.3. 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

5. COMPANY BACKGROUND

5.1. Background to the Company

5.1.1. 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.

5.1.2. 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.

5.1.3. As at the Commencement Date, the Company:

5.1.3.1. Provided aviation transport services to [21] routes, comprising:

5.1.3.1.1. 9 international routes;

5.1.3.1.2. 15 regional routes; and

5.1.3.1.3. 6 domestic routes.

5.1.3.2. Held a fleet of 49 aircraft, comprising:

5.1.3.2.1. Owned aircraft:

5.1.3.2.1.1. 5 x A340-300 aircraft; and

5.1.3.2.1.2. 4 x A340-600 aircraft.

5.1.3.2.2. Leased aircraft:

5.1.3.2.2.1. 7 x A319 aircraft;

5.1.3.2.2.2. 10 x A320 aircraft;

- 5.1.3.2.2.3. 3 x A340-300 aircraft;
- 5.1.3.2.2.4. 3 x A340-600 aircraft;
- 5.1.3.2.2.5. 6 x A330-200 aircraft;
- 5.1.3.2.2.6. 5 x A330-300 aircraft;
- 5.1.3.2.2.7. 4 x A350-900 aircraft; and
- 5.1.3.2.2.8. 2 x B737-300F aircraft (freighters).

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

- 5.1.4.1. SAA Cargo, an air cargo service provider with capacity primarily sourced from the “*belly space*” of SAA’s passenger aircraft fleet.
- 5.1.4.2. 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).
- 5.1.4.3. SAA Voyager, an airline loyalty programme.

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

- 5.1.5.1. Mango, a global best-practice low-cost carrier, primarily operating in the South African domestic market, and a feeder airline to the Company;
- 5.1.5.2. SAA Technical, Africa’s largest aircraft Maintenance, Repair and Overhaul (“MRO”) business;
- 5.1.5.3. Air Chefs, a catering business primarily supplying catering services to the Company’s fleet and SAA Lounges in Johannesburg, Cape Town and Durban; and
- 5.1.5.4. SACC, which is currently dormant but operated as a retail travel business with franchises in South Africa and some other African states.

5.1.6. The Company licenses its airline code to two feeder airlines, namely, SA Express and SA Airlink. During the Company’s Business Rescue, however, SA Airlink terminated the license agreement concluded with the Company, which

termination will be effective from 6 June 2020 and SA Express was placed in provisional liquidation on 28 April 2020.

5.1.7. As at the Commencement Date, the Company employed approximately 4 708 (four thousand seven hundred and eight) employees, comprising:

5.1.7.1. 617 pilots;

5.1.7.2. 1 516 cabin crew;

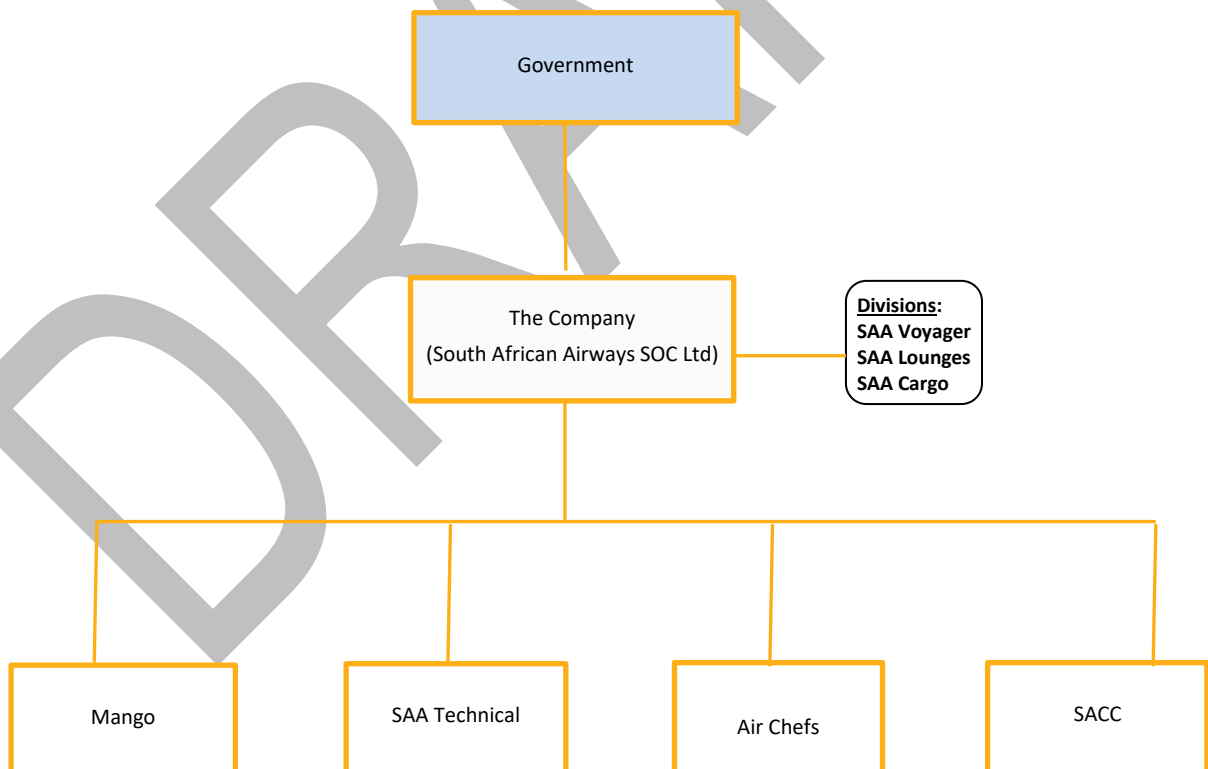
5.1.7.3. 209 managers;

5.1.7.4. 216 specialists; and

5.1.7.5. 2 150 non-managers.

5.1.8. As stated above, the Company is wholly owned by Government, with shareholder oversight vested in the DPE.

5.2. Current Group Organogram



5.3. Background to the Company's Financial Distress

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

5.3.1.1. The Company has suffered significant losses in each financial year since the 2014 financial year.

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

5.3.1.2.1. 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.

5.3.1.2.2. 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

5.3.1.2.3. 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.

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

5.3.1.2.5. The issuing of an application to commence business rescue proceedings by one of the Trade Unions. The adverse publicity in the media shortly after the commencement of business rescue proceedings had the following consequences:

5.3.1.2.5.1. the withdrawal of travel insurance by various insurers;

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

5.3.1.2.5.3. customers that had already booked flights started cancelling their flights and requesting refunds.

5.3.1.2.6. The governance issues at the Company which resulted in a high turnover of executive management over the last ten years;

5.3.1.2.7. In adequate capitalisation of the subsidiaries with increasing dependency on the Company to provide them with working capital; and

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

5.3.2. The aforesaid 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.

6. SUMMARY OF THE BUSINESS RESCUE

6.1. 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 –

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

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

6.1.3. 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.

- 6.2. 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
First Employees' Committee Meeting	5 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	28 April 2020
Second Creditors' Committee Meeting	28 April 2020
Consultation with Employees' Committee on draft Business Rescue Plan	[•] May 2020
Consultation with Creditors' Committee on draft Business Rescue Plan	[•] May 2020
Consultation with Government on draft Business Rescue Plan	[•] May 2020
Business Rescue Plan published	[•] May 2020
Meeting to consider the Business Rescue Plan in terms of section 151 of the Companies Act	[•] June 2020

7. STEPS TAKEN SINCE THE APPOINTMENT OF THE BRPS

7.1. ADMINISTRATIVE MATTERS

7.1.1. Appointment of BRPs

Matuson was appointed on 5 December 2019 and Dongwana was appointed on 18 December 2018, both appointments have been confirmed by the CIPC.

7.1.2. 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.

7.1.3. **Notices**

The BRPs have been publishing notices to affected persons in terms of the Companies Act.

7.1.4. **Reporting to CIPC**

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

7.1.5. **Appointment of Alvarez & Marsal as Global Aviation Restructuring Experts**

The BRPs appointed and mandated Alvarez & Marsal to provide:

- 7.1.5.1. Independent and objective advice, from an aviation operations perspective, on opportunities to reduce cash burn, including cost reduction and operations improvement opportunities;
- 7.1.5.2. to provide the restructuring plan options for the airline which would then be developed into a BR plan once Government has chosen their preferred plan and
- 7.1.5.3. based on their aviation industry contacts, to assist in sourcing a SEP for the Company.

7.1.6. **Appointment of PWC as Independent Experts**

7.1.6.1. The BRPs appointed and mandated PWC:

- 7.1.6.1.1. to provide cash flow forecasts to show the liquidity requirements for each of the restructuring scenarios for SAA;
- 7.1.6.1.2. to develop an integrated financial forecasting and business model [based on the Proposed Restructuring Plan] ("**Financial Model**"); and
- 7.1.6.1.3. 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.

7.1.6.2. 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 [•] below.

7.1.6.3. The liquidation dividend is dealt with in paragraph [•] below.

7.1.7. 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 [29 May 2020].

7.1.8. Publication of Business Rescue Plan and Notice of Meeting

7.1.8.1. The Business Rescue Plan will be published to all Affected Persons on the Publication Date.

7.1.8.2. The Notice of Meeting will be delivered to all Affected Persons simultaneously with the publication of the Business Rescue Plan.

7.1.8.3. 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.

7.1.9. Cash Resources

7.1.9.1. 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 [•].

7.1.9.2. The BRPs also obtained PCF from the PCF Lenders, which is dealt with further in paragraph [•].

7.2. LABOUR

7.2.1. Employees' Meetings

7.2.1.1. A first meeting of Employees, as contemplated in section 148 (1) of the Companies Act, was convened on 20 December 2019.

7.2.1.2. At this meeting, *inter alia*:

7.2.1.2.1. the business rescue process was explained;

7.2.1.2.2. Employees were informed of the BRPs' opinion regarding the reasonable prospect of rescuing the Company;

7.2.1.2.3. Employees were informed of the BRPs' actions since the Commencement Date;

7.2.1.2.4. assistance was also given to the Employees by providing answers to their various queries; and

7.2.1.2.5. nominations were requested for the establishment of the Employees' Committee.

7.2.2. Employees' Committee

7.2.2.1. Pursuant to the first meeting of Employees, the Employees' Committee was duly established.

7.2.2.2. The Employees' Committee comprises the following:

7.2.2.2.1. representatives from the Trade Unions; and

7.2.2.2.2. representatives for the independent employees (being those employees unrepresented by trade unions).

7.2.2.3. The members of the Employees' Committee appointed Cloete Murray as the independent chairperson of the Employees' Committee.

7.2.2.4. The Employees' Committee met with the BRPs on 5 January 2020, 31 January 2020, 4 February 2020, 6 February 2020, 12 March 2020 and 28 April 2020.

7.2.3. Consultation on the Draft Business Rescue Plan

7.2.3.1. On 31 May 2020, the BRPs provided the draft Business Rescue Plan to, *inter alia*, representatives on the employees' committee to:

7.2.3.1.1. 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

7.2.3.1.2. 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.

7.2.3.2. On [•], the BRPs consulted with the employees' committee and [•].
[D/N: Insert outcome of consultation].

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

7.2.4.1. 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.

7.2.4.2. 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:

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

7.2.4.2.2. 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.

7.2.4.3. 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.

7.2.4.4. 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 will be offered that position. 2 440 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.

7.2.4.5. It must be mentioned that both NUMSA and SACCA withdrew from the section 189 process initially citing health concerns in the context of the COVID-19 pandemic and later in protest for inadequacy of information provided by the Company.

7.2.4.6. 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 of facilitation at the CCMA. The Company and the consulting parties held consultation meetings and/or bilateral meetings on the following dates 20 March 2020, 23/03/2020, 24/03/2020, 26/03/2020, 01/04/2020, 02/04/2020, 03/04/2020, 13/04/2020, 14/04/2020, 15/04/2020, 16/04/2020, 17/04/2020, 18/04/2020, 20/04/2020, 23/04/2020, 28/04/2020 and 29/04/2020..

7.2.4.7. Following the declaration by the President of the Republic of South on 15 March 2020 of a National State of Disaster, a s189 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 s189 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

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

7.2.4.9. The Company, for a minimum period of 60 (sixty) days as prescribed in terms of the LRA, consulted with the consulting parties, on all the issues set out in the section 189 (3) notices. This consultation process was facilitated by two commissioners from the CCMA and ended on 8 May 2020.

7.2.4.10. Mutual separation agreements were offered to the employees on the terms set out below. The period for acceptance of the agreements will be set out in more detail in paragraph [•] .

7.2.5. On or about 22 November 2019, the Company had concluded a salary agreement with a coalition of two of the recognised unions (NUMSA and SACCA) within its workplace to regulate salaries and other conditions until 31 March 2020. 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. The trade unions have enquired on and demanded the payment of such salary increases and back-pay. To date, the funding required for such salary increases has not been provided and accordingly the BRPs have not authorised such payment of these salary increases and back-pay.

7.3. CREDITORS

7.3.1. Creditors' Meeting:

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

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

7.3.1.2.1. the business rescue process was explained;

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

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

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

- 7.3.1.2.5. the BRPs received proof of Pre-commencement Claims by Pre-commencement Creditors; and
- 7.3.1.2.6. nominations were requested for the establishment of the Creditors' Committee.

7.3.2. Creditors' Committee

- 7.3.2.1. Pursuant to the First Meeting, a Creditors Committee was duly established.
- 7.3.2.2. The members of the Creditors' Committee appointed Juliette de Hutton as the independent chairperson of the Creditors' Committee.
- 7.3.2.3. The Creditors' Committee met with the BRPs on 6 February 2020 and 28 April 2020.

7.3.3. Consultation on the draft Business Rescue Plan

- 7.3.3.1. On 28 May 2020, the BRPs provided the draft Business Rescue Plan to, *inter alia*, representatives on the creditors' committee to:
 - 7.3.3.1.1. 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
 - 7.3.3.1.2. afford them sufficient opportunity to review the draft Business Rescue Plan.
- 7.3.3.2. On [•], the BRPs consulted with the creditors' committee. **[D/N: Insert outcome of consultation].**

7.4. LEGAL

7.4.1. Court Applications:

7.4.1.1. SA Airlink:

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

7.4.1.1.1.1. 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

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

7.4.1.1.2. The Company and BRPs opposed the urgent application.

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

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

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

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

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

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

- 7.4.1.2.1. 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.
- 7.4.1.2.2. On 5 February 2020, the Company filed its notice of opposition.
- 7.4.1.2.3. On 2 March 2020 the Company filed its record of proceedings.
- 7.4.1.2.4. The other respondents in the matter have also filed their records of proceedings.
- 7.4.1.2.5. The BMF is now required to either supplement its founding papers or to notify the respondents that it will not supplement its founding papers.
- 7.4.1.2.6. 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.

7.4.1.3. NUMSA and SACCA application 1

- 7.4.1.3.1. On 10 February 2020 NUMSA and SACCA filed an urgent application in the Labour Court for an order in the order following terms:
 - 7.4.1.3.1.1. That the Company’s and the Business Rescue Practitioners’ 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;

7.4.1.3.1.2. That the Company's and the Business Rescue Practitioners' 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;

7.4.1.3.1.3. 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

7.4.1.3.1.4. 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.

7.4.1.3.1.5. 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.

7.4.1.3.1.6. 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.

7.4.1.3.1.7. On 20 February 2020, the application for leave to appeal was dismissed.

7.4.1.3.1.8. On 21 February NUMSA and SACCA petitioned the Labour

Appeal Court on an urgent basis for leave to appeal.

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

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

7.4.1.3.1.11. 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.

7.4.1.4. NUMSA and SACCA application 2

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

7.4.1.4.1.1. 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;

7.4.1.4.1.2. 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;

7.4.1.4.1.3. 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;

7.4.1.4.1.4. 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

7.4.1.4.1.5. 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.

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

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

7.4.1.4.4. On May 2020, the Company was granted leave to appeal to the Labour Appeal Court.

7.4.2. **Suspension and Cancellation of Contracts:**

7.4.2.1. Section 136 (2) (2) of the Companies Act authorises the BRPs during Business Rescue to entirely, partially or conditionally suspend, for the duration of the business rescue proceedings, 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.

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

7.4.2.3. 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.

7.4.3. **Investigation into the affairs of the Company**

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 36.

7.4.4. **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.

7.5. **BUSINESS RESCUE INITIATIVES**

7.5.1. **The Proposed Restructure**

7.5.1.1. 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.

7.5.1.2. 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.

7.5.1.3. The details of the Proposed Restructure are set out in paragraph 57.

7.5.2. Post-Commencement Finance

- 7.5.2.1. On 7 December 2019, the PCF Bank Lenders granted a PCF revolving credit facility to the Company in the amount of R2 000 000 000.00 (two billion Rand) (which debt is secured by Government Guarantees in favour of the PCF Bank Lenders).
- 7.5.2.2. On 27 January 2020, DBSA granted a PCF term loan facility to the Company in the amount of R3 500 000 000.00 (three billion five hundred million Rand) (which debt is secured by a Government Guarantee in favour of DBSA).

7.5.3. Government Funding and Guarantees

- 7.5.3.1. In terms of the 2020 Budget Speech, Government has allocated an amount of R16.4 billion 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 60.
- 7.5.3.2. Additional funding will be required for the Proposed Restructure in order to address the working capital requirements and the retrenchment costs.

7.5.4. Lessors and Fleet Optimisation

- 7.5.4.1. In order to address liquidity constraints, the BRPs negotiated deferred payments with the Lessors in terms of which:
 - 7.5.4.1.1. Lessors were paid 50% of the amounts due to them since the Commencement Date on 31 December 2019 and the remaining 50% was paid on 15 January 2020;
 - 7.5.4.1.2. Lessors were, and continued to be, paid on a weekly basis from 1 February 2020 until end of March 2020.
- 7.5.4.2. 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.
- 7.5.4.3. Pursuant to the aforesaid suspension notices, certain lessors opted to terminate their agreements as detailed in annexure [●].

- 7.5.4.4. The negotiated lease agreements will take effect after the Adoption Date.
- 7.5.4.5. The aforesaid actions will result in substantial savings of aircraft lease charges to the Company.

7.5.5. **Cash Conservation and Management Office**

- 7.5.5.1. The BRPs established a Cash Conservation and Management Office (“CCMO”).
- 7.5.5.2. The role of the CCMO is to:
 - 7.5.5.2.1. enforcement of discipline to optimise cash resources through review and authorisation of all expenses/costs excluding costs related to fuel and leasing of aircrafts;
 - 7.5.5.2.2. holistic monitoring of the cash resources to ensure that there is sufficient liquidity for the execution of critical operations;
 - 7.5.5.2.3. ;
 - 7.5.5.2.4. ensure that the allocation of cash flow within the Company yields the most optimal results for the Company;
 - 7.5.5.2.5. identify and implement real time cost reduction opportunities;
 - 7.5.5.2.6. identify and eliminate costs not necessary for the safe and efficient day-to-day operations of the Company; and
 - 7.5.5.2.7. review and approve the Company’s daily cash run prior to payment execution.
- 7.5.5.3. 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.
- 7.5.5.4. The CCMO is comprised of 10 members, mainly from the BRPs’ teams and Management, who meet every weekday.

7.5.6. Review of Procurement Contracts

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

7.5.6.1.1. Review of all contracts for leasing of aircrafts.

7.5.6.1.2. Review of contracts for the supply of fuel.

7.5.6.2. 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 3 passenger aircrafts and 2 cargo aircrafts.

7.5.6.3. For the remaining aircraft, terms of the various contracts were renegotiated with a particular focus on the lease charges which resulted in reductions. This is dealt with in paragraph 35.

7.5.6.4. The BRPs also developed a work stream to review contracts and assess the value for money for each contract, which work stream was responsible for the following activities:

7.5.6.4.1. Obtaining the Company's payment records for the period 1 March 2018 to 30 April 2019, and performing an analysis of same.

7.5.6.4.2. Obtaining a list of suppliers from the group procurement department.

7.5.6.4.3. Reviewing supplier contracts other than those relating to aircraft and fuel.

7.5.6.5. 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.

7.5.6.6. 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.

- 7.5.6.7. 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.
- 7.5.6.8. 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.
- 7.5.6.9. In all instances where the contracts were deemed to be prices significantly higher than the market, those contracts were submitted to the Special Investigating Unit for investigation for any potential fraud and/or corruption.
- 7.5.6.10. 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.

7.5.7.

7.5.8. **Stakeholder Engagement and Management**

- 7.5.8.1. 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.

- 7.5.8.2. To this extent, and in addition to what has been set out in paragraph [•] above, the BRPs have had various engagements with, *inter alia*:

- 7.5.8.2.1. DPE and National Treasury;

- 7.5.8.2.2. Trade Unions;

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

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

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

7.5.9. **Operational Review**

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

7.5.9.1.1. Assuming the severe cash constraints and survival as the key objective so as to identify a portfolio of profitable routes to maintain SAA branded flights and retain as many jobs as possible;

7.5.9.1.2. Applying a fact based, objective assessment of the impacts on fleet, people and facilities;

7.5.9.1.3. Withdrawing from unprofitable routes and increase overall SAA Group profitability;

7.5.9.1.4. 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;

7.5.9.1.5. Assess the ancillary businesses to achieve a more viable business model with potential to attract SEPs.

- 7.5.9.2. The outcomes of its review as set out in paragraph [•] below.

7.5.10. **PFMA Application**

- 7.5.10.1. 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:

7.5.10.1.1. a partial exemption from the requirements of section 54 (2) of PFMA, and

7.5.10.1.2. an exemption from the requirements of various clauses of the Company's Memorandum of Incorporation ("**Mol**").

7.5.10.2. On 19 December 2019, the DPE granted the Company:

7.5.10.2.1. an exemption from the requirements of section 54 (2) of the PFMA insofar as the following transactions are concerned:

7.5.10.2.1.1. acquisition or disposal of a significant shareholding in a company;

7.5.10.2.1.2. acquisition or disposal of a significant asset, unless the value of the transaction exceeds R1 billion (in the case of disposals);

7.5.10.2.1.3. commencement or cessation of a significant business activity; and

7.5.10.2.1.4. significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement,

7.5.10.2.2. approval to:

7.5.10.2.2.1. commence proceedings in terms of section 189 of the LRA, to implement any retrenchment of the Company's employees;

7.5.10.2.2.2. conclude voluntary severance agreements with the Company's employees; and

7.5.10.2.2.3. conclude transactions covered by clauses 3.4 and 3.5 of the Company's Mol.

7.5.10.3. 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.

7.5.10.4. This exemption was subsequently withdrawn by the Department of Public Enterprise on xxx

7.5.11. **Financial Stability of Subsidiaries**

[D/N: To be updated closer to publication]

7.5.11.1. 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.

7.5.11.2. Pursuant to the grant of the supplementary exemption referred to in [•], **[the BRPs proceeded with / intend to proceed with the following intra-group transactions]:**

7.5.11.2.1. the capitalisation of SAA Technical, Air Chefs and Mango through subscription by the Company of ordinary shares in these entities to ensure financial stability during [the Proposed Restructure]; and

7.5.11.2.2. [the transfer of rights, duties, assets and/or liabilities between the Company and the Subsidiaries as part of the Proposed Restructure].

7.5.11.3. [The grant of the supplementary exemption will also allow the Subsidiaries to conclude transactions and will further ensure their financial stability and will limit the Company from having to continue funding them post-Business Rescue. These transactions included proceedings in terms of section 189 of the LRA and the sale / disposal of assets to generate liquidity to fund operational costs.]

7.5.12. **Route Retention and Closures**

7.5.12.1. During the 2019 calendar year, only eight routes were profitable at the C5 level (one International & seven Regional).

7.5.12.1.1. The International market (57% revenue) route losses for FY19 were (R3,040m).

7.5.12.1.2. The Regional market (29% revenue) route losses for FY19 were (R315m).

7.5.12.1.3. The Domestic market (14% revenue) route losses for FY19 were (R868m).

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

7.5.12.3. 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 C5 level and these routes were:

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

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

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

7.5.12.4. Taking account of the above and the objective of the having a sustainable National Carrier that is independent and not reliant on fiscal support, in the long term, the following is the proposed route network for SAA:

7.5.12.5. **[D/N: insert slide with route selection, please ensure that the domestic routes CPT and DBN are included in the current route network]**

7.5.12.6. **[D/N: we should also include the following routes that can be brought back online post the implementation of the plan and on a strategic basis and to be operated differently so as to minimise the losses and eventually strive for profitability:**

7.5.12.6.1. **Domestic (More frequencies in Cape Town-Durban and Port Elizabeth)**

7.5.12.6.2. **Regional (Blantyre, Entebbe, Gaborone, Libreville, Luanda, Ndola)**

7.5.12.6.3. **International (Munich)].**

7.5.13. **Temporary Suspension of Flights**

7.5.13.1. On 06 February 2020 the BRPs announced the suspension of all loss-making 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.

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

7.5.13.2.1. International Routes:

7.5.13.2.1.1. New York;

7.5.13.2.1.2. Washington via Accra;

7.5.13.2.1.3. Perth;

7.5.13.2.1.4. Frankfurt; and

7.5.13.2.1.5. London.

7.5.13.2.2. Regional Routes:

7.5.13.2.2.1. Mauritius;

7.5.13.2.2.2. Dar es Salaam;

7.5.13.2.2.3. Victoria Falls;

7.5.13.2.2.4. Lagos;

7.5.13.2.2.5. Maputo;

7.5.13.2.2.6. Harare;

7.5.13.2.2.7. Lusaka;

7.5.13.2.2.8. Lilongwe;

7.5.13.2.2.9. Windhoek;

7.5.13.2.2.10. Kinshasa; and

7.5.13.2.2.11. Nairobi.

7.5.13.2.3. Domestic Route:

7.5.13.2.3.1. Cape Town

7.5.13.3. Re-assessment of routes

7.5.13.3.1. 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:

7.5.13.3.1.1. 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;

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

7.5.13.3.1.3. 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.

7.5.13.3.2. The Company is 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 BR Plan.

7.5.13.4.

7.5.14. **Ad hoc arrangements**

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

7.5.14.2. 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.

7.5.14.3. As set out above, the license agreement concluded between the Company and SA Airlink has been terminated, which termination will take effect on 6 June 2020 and SA Express was placed under provisional liquidation on 28 April 2020.

7.5.15. **Other Cash Preservation Initiatives**

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

7.5.15.1.1. repatriated excess funds from various international outstations;

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

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

7.5.16. **Strategic Equity Partner:**

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

7.5.16.1.2. To this end, three parties have been engaged who are considering various arrangements that they might be interested in;

7.5.16.1.3. 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 the network;

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

7.5.16.1.5.];

8. MARKET CONDITIONS AND TRADING FOLLOWING THE COMMENCEMENT DATE

8.1. Market Conditions

- 8.1.1. 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:
- 8.1.1.1. various travel insurance companies which insure the ticket reservations withdrew their cover; and
 - 8.1.1.2. major travel agencies publicly announced their decision to refrain from booking any of their customers on the Company's flights.
- 8.1.2. 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.
- 8.1.3. 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.
- 8.1.4. 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.
- 8.1.5. However, the forward booking after 15 January 2020 declined significantly.
- 8.1.6. On 13 January 2020 the Government elected its preferred restructuring option for the Company.
- 8.1.7. After 15 January 2020, the Company undertook to perform a significant number of tactical cancellations in order to avoid flying empty aircraft. This caused a concern in the market as regards to the going concern of the Company.

- 8.1.8. 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.
- 8.1.9. On 6 February 2020, the BRPs announced the suspension of 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.
- 8.1.10. 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.
- 8.1.11. Prior to the national-wide lockdown, 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.
- 8.1.12. In fact it had been intended to publish such 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.

8.2. COVID -19

- 8.2.1. 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.
- 8.2.2. 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*:
- 8.2.2.1. The widespread immediate cessation of flying operations following the travel bans and lockdowns in various countries.
- 8.2.2.2. The reduction of revenue from ticket sales and an increase in the demand for refunds.

- 8.2.2.3. An increased level of uncertainty regarding the length of social distancing and lockdown periods.
- 8.2.2.4. 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.
- 8.2.3. 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.
- 8.2.4. 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:
 - 8.2.4.1. 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.
 - 8.2.4.2. Visas to visitors from high-risk countries had been cancelled from 15 March 2020 and previously granted visas were revoked.
 - 8.2.4.3. 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.
 - 8.2.4.4. 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.
 - 8.2.4.5. South Africa has 72 ports of entry in the country which are land, sea and air ports. Of the 53 land ports, 35 were shut down from Monday 16 March 2020.
 - 8.2.4.6. All non-essential travel for all spheres of government outside of South Africa had been prohibited with immediate effect.
 - 8.2.4.7. All non-essential domestic travel, particularly by air, rail, taxis and bus, had been discouraged.

8.2.5. As noted by the President:

8.2.5.1. 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.

8.2.5.2. 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.

8.2.5.3. This would have a potentially severe impact on production, the viability of businesses, job retention and job creation.

8.2.6. 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 close of South Africa's borders and a ban on air travel (other than limited repatriation chartered flights and cargo support for essential services).

8.2.7. On 9 April 2020, the President announced that the lockdown would be extended to the end of April 2020.

8.2.8. 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 will remain closed to international travel, except for the repatriation of South African nationals and foreign citizens, and no travel will be allowed between provinces, except for the transportation of goods and exceptional circumstances.

8.2.9. Consequently, COVID -19 has had a detrimental effect on the airline industry globally, resulting in flight cancellations, grounding of aircraft, 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.

- 8.2.10. The Company accordingly ceased operating, other than operating certain chartered flights and its cargo division for essential services purposes.
- 8.2.11. 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 position.
- 8.2.12. 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*:
- 8.2.12.1. provided an update on how COVID -19 was impacting the Business;
 - 8.2.12.2. 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;
 - 8.2.12.3. 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
 - 8.2.12.4. requested an urgent response from Government on their support for the care and maintenance plan and commitment on funding for the Company.
- 8.2.13. On 14 April 2020, Government, through the DPE, advised the BRPs, *inter alia*, that:
- 8.2.13.1. Government will not support the extension of the foreign currency borrowing limit to permit foreign financing of the Business Rescue Plan;
 - 8.2.13.2. Government will not support a care and maintenance budget as proposed by the BRPs;
 - 8.2.13.3. Government will not provide further lending guarantees in respect of the Business Rescue; and
 - 8.2.13.4. The BRPs must consider their options within their available resources.

8.2.14. On 23 April 2020, the BRPs addressed a notice to affected persons advising, *inter alia*, as follows:

8.2.14.1. 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:

8.2.14.1.1. The development of a business rescue plan which secures a better return 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.

8.2.14.1.2. If the BRPs cannot 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.

8.2.14.2. The BRPs did not have sufficient funds available to continue honouring the Company's obligations 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.

8.2.15. 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. The extension has been extended indefinitely

- 8.2.16. In respect of those employees who do not conclude the individual agreement or are not bound by the concluded collective agreement, the Company will continue with the consultation process in terms of section 189 read with 189A of the LRA,.

8.3. Trading

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

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

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

- 8.3.2.1. South Africa commenced with a nation-wide lockdown and a travel ban was implemented which resulted in all air travel ceasing.
- 8.3.2.2. 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. In light of the Company's financial position, these charters ceased in the first week of May 2020.
- 8.3.2.3. Despite the lockdown being lifted to level four from 1 May 2020, South Africa's borders will remain closed to international travel, except for the repatriation of South African nationals and foreign citizens.
- 8.3.2.4. The Company has been unable to generate sufficient income, which will persist for the foreseeable future.

9. 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**.

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

10.1. 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**.

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

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

10.2.2. have proved their Pre-commencement Claims.

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

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

11.1.1. 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

11.1.2. 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.

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

11.3. 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.

11.4. 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.

11.5. 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 [•] by no later than 17h00 on [•].

11.6. 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.

11.7. Notwithstanding what has been stated in this paragraph, the BRPs have a discretion to accept any proxy submitted.

12. PROBABLE DIVIDEND ON LIQUIDATION

- 12.1. 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.
- 12.2. 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.
- 12.3. PWC prepared their liquidation calculation on the following basis:
- 12.3.1. That the Company would have been liquidated as at 31 October 2019, adjusted for additional liabilities to the extent known and quantifiable.
 - 12.3.2. Asset realisations are predicated on the basis of a “fire sale” or break up basis in the main.
 - 12.3.3. 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 subsidiary investments are assumed to be concurrently and immediately disposed of/closed down.
 - 12.3.4. Unless specifically stated, balance sheet recorded creditors are assumed to reflect valid liquid claims for the purposes of the illustrative liquidation analysis.]
- 12.4. 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 [•].
- 12.5. PWC relied on [•] 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].
- 12.6. 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.
- 12.7. 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.

12.8. 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 [zero] cents in the Rand.

12.9. The figures in paragraphs 12.5 and 12.6 take into account all the costs associated with a liquidation, including all the costs associated with Section 89 of the Insolvency Act.

13. **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 [•].

14. **THE PRACTITIONERS' REMUNERATION**

14.1. 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.

14.2. 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.

14.3. 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.

14.4. 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.

15. **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.

PART B – PROPOSALS

16. PURPOSE AND OBJECTIVE OF BUSINESS RESCUE

- 16.1. 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.
- 16.2. 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:
- 16.2.1. 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
 - 16.2.2. 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**”).
- 16.3. 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:
- 16.3.1. assess the likely outcome of the dividend yield calculation under Business Rescue, as set out in [●]; and
 - 16.3.2. be reasonably assured of the likelihood of obtaining a better outcome under Business Rescue, when compared to a liquidation.

17. MORATORIUM

- 17.1. 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.
- 17.2. The intention of a moratorium is to give the Company the best possible chance to implement the Business Rescue Plan.

- 17.3. 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 proceedings 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.

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

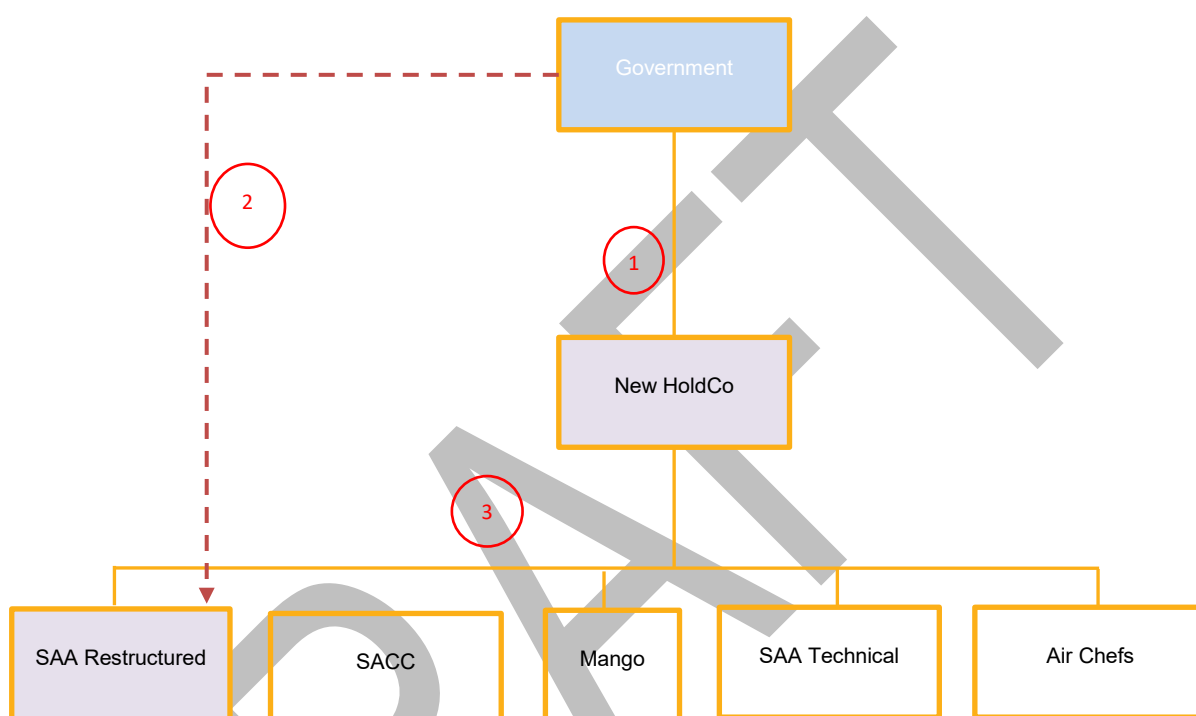
- 18.1. The BRPs, together with the Advisors and Management, conducted an objective assessment of the Company and evaluated various restructuring scenarios to optimise the Company's business model, route network and cost base.
- 18.2. Pursuant to conducting the aforesaid assessment and evaluation, and in consultation with the relevant Affected Persons, the BRPs have developed a proposal in accordance with Objective A, referred to in paragraph [•], 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.
- 18.3. The proposal to rescue the Company is the implementation of the Proposed Restructure, more fully dealt with in paragraph [•].
- 18.4. The Proposed Restructure entails the restructuring of the Company's Business to achieve an optimised flight operation ("**SAA Restructured**");
- 18.5. The appropriations to be made by Government, through the National Treasury, will be allocated to, *inter alia*, the following:
- 18.5.1. the funding required to implement the Proposed Restructure; and
 - 18.5.2. payment of the amounts owed to the Lenders, which are secured by way of the Guarantees.
- 18.6. To ensure that the General Concurrent Creditors receive a better dividend in the Business Rescue, and subject to this Business Rescue Plan being adopted and the Proposed Restructure being successfully implemented:
- 18.6.1. An amount of [•] will be allocated to payment of the General Concurrent Creditors, being the Concurrent Allocation, which payment will be made by the Receivers in the Receivership, as more fully dealt with in paragraph 65; and
 - 18.6.2. the Lenders will not participate in Distributions made out of the Concurrent Allocation, as more fully dealt with in paragraph [•].

- 18.7. The Concurrent Allocation will result in the General Concurrent Creditors receiving a dividend of [•] ([•]) cents in the Rand, being the General Concurrent Dividend, compared to a probable dividend of zero cents in the Rand upon liquidation, subject to the risks and assumptions set out in this Business Rescue Plan.
- 18.8. To ensure a successful Business Rescue in terms of Objective A, payment of the General Concurrent Dividend to the General Concurrent Creditors will be in full and final settlement of the Pre-commencement Claims of the General Concurrent Creditors. The General Concurrent Creditors will, accordingly, not retain the balance of their Claims against the Company after payment of the General Concurrent Dividend, same being discharged as contemplated in section 154 of the Companies Act [upon Substantial Implementation]. The General Concurrent Creditors will only have claims against the Receivers in terms of the General Concurrent Dividend.
- 18.9. 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 69 below.
- 18.10. The advantages of proceeding with this Business Rescue Plan are, *inter alia*, as follows:
- 18.10.1. 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;
 - 18.10.2. not all of the Employees will be retrenched and many jobs will be preserved;
 - 18.10.3. those Employees who are retrenched will be in a better position than in a liquidation;
 - 18.10.4. 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
 - 18.10.5. the costs of Business Rescue will be less than the costs of liquidation.
- 18.11. Affected Persons are referred to paragraph [•] below for more information relating to the advantages of proceeding in terms of this Business Rescue Plan as opposed to a liquidation.
- 18.12. 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.

19. **THE PROPOSED RESTRUCTURE**

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

19.2. The Proposed Restructure is depicted in the organogram below:



19.3. The numbers reflected in the above organogram are the steps required to implement the Proposed Restructure and are summarised in the table below:

No.	Step Required
1.	Incorporation of New HoldCo by Government /DPE
1a.	Capacitate New HoldCo (governance and operational structures for the whole group)
2.	Sale by Government of 100% of the shareholding in the Company and individual subsidiaries to New HoldCo. Taxation and legal implications to be considered during the sale and purchase of SAA to the HoldCo.
3.	Eliminate individual governance and operational structures of all the companies in the group

19.4. For the purposes of this Business Rescue Plan, the BRPs and their Advisors have prepared a high level steps plan setting out the fundamental details, requirements and conditions

relating to the aforesaid steps involved in implementing the Proposed Restructure (“**Steps Plan**”). The Steps Plan is annexed to this Business Rescue Plan as **Annexure [●]** (capitalised terms used in the Steps Plan shall have the same meaning assigned to them in paragraph 1).

- 19.5. The Proposed Restructure, which is detailed in the Steps Plan (Annexures [●]) is subject to the fulfilment of the conditions set out in the Steps Plan, which, for the sake of convenience, are summarised in the table below:

[D/N: Update once Steps Plan finalised]

Group Restructure	SAA Restructure
Government Consents and Exemptions	Government Consents and Exemptions
Government Funding	Government Funding
Restructure of Subsidiaries	Management process and procedures must be implemented to effectively and efficiently manage SAA Restructured.
	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.
	Flying Operations optimised – Route Closures and Fleet Optimisation
	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.
	Investment in an Optimised IT infrastructure
	Approvals for change of control from regulatory authorities: Licenses, Bilateral / Frequency Rights, IATA.

- 19.6. The Lenders will be paid out of the Government appropriation detailed in paragraph60.

- 19.7. The General Concurrent Creditors will be paid out of the Concurrent Allocation detailed in paragraph65.

- 19.8. The Restructure Proceeds will vest in and be dealt with by the Receivers in accordance with paragraph69.

20. **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.

21. **GOVERNMENT APPROPRIATION AND FUNDING**

21.1. 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.

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

21.3. Consequently, and subject to the adoption of this Business Rescue Plan, Government has agreed to:

21.3.1. fund 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 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 [.];

21.3.2. fund the retrenchment of Employees pursuant to the process commenced in terms of the Leadership Compact Forum or the section 189 process. Based on the anticipated number of employees to be retrenched this amount is estimated to be up to R2 billion (two billion Rand). This amount does not have to be paid immediately, an arrangement with the employees can be reached where this amount is deferred to a period where an appropriation for same is obtained or a cash injection from a SEP is received, whichever comes first; and

21.3.3. allocate the following amounts:

21.3.3.1. R16.4 billion towards payment of the Lenders, more fully dealt with in paragraph64; and

21.3.3.2. a minimum of R600 million (six hundred million Rand), being the Concurrent Allocation, towards payment of the General Concurrent Creditors, more fully dealt with in paragraph65.

22. LENDERS

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

22.1. Pre-commencement Lenders

22.1.1. 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	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.

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

22.2. PCF Lenders

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

22.2.1. PCF Bank Lenders

22.2.1.1. On 7 December 2019, the PCF Bank Lenders granted a PCF revolving credit facility to the Company in the amount of R2 000 000 000.00 (two billion Rand) ("**Bank PCF**").

22.2.1.2. 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

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

22.2.1.3.1. 31 July 2020;

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

22.2.1.3.3. the date of commencement of liquidation of the Company.

22.2.1.4. 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.

22.2.2. **DBSA**

22.2.2.1. On 27 January 2020, DBSA granted a PCF term loan facility to the Company in the amount of R3 500 000.00 (three billion five hundred million Rand) ("**DBSA PCF**").

22.2.2.2. 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 [•].

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

22.2.2.3.1. 31 July 2020;

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

22.2.2.3.3. the date of commencement of liquidation of the Company.

22.2.2.4. As security for the DBSA PCF:

22.2.2.4.1. 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

22.2.2.4.2. 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.

22.3. 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 to repay the Lenders as set out below.

22.3.1. DBSA

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

22.3.1.1.1. R3.5 billion in capital; and

22.3.1.1.2. R168 million in estimated interest,

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

22.3.2. Pre-commencement Lenders and PCF Bank Lenders

22.3.2.1. The Pre-commencement Lenders and the PCF Bank Lenders will be paid over three years in accordance with the below table:

[D/N: Table to be updated once confirmed interest with DPE and Lenders – will include an interest column]

Fiscal Year	Amount to Pre-Commencement Lenders R'000	Amount to PCF Bank Lenders
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

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

22.3.2.2.1. the adoption of this Business Rescue Plan;

22.3.2.2.2. 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

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

22.3.2.3. 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.

22.4. 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.

22.5. 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.

22.6. The Pre-commencement Lenders have agreed to consolidate their Pre-Commencement Claims on the following terms and conditions:

[D/N: To be inserted by A&O].

23. **GENERAL CONCURRENT CREDITORS**

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.

23.1. **Payment of the General Concurrent Creditors**

23.1.1. As set out above, the Concurrent Allocation, being an amount R600 million (six hundred million Rand), will be allocated to payment of the Pre-commencement Claims of the General Concurrent Creditors, 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 Concurrent Allocation will be paid to the General Concurrent Creditors pro rata.

23.1.2. The payment of the allocated amount of R600 million (six hundred million) will be repaid over a three year period commencing from the resumption of domestic,

regional and international flights, other than repatriation and COVID-19 related charters.

23.1.3. Pre-commencement Creditors will also be issued with a promissory note or similar instrument that would accrue interest over the three year period and would be convertible into a form of equity in SAA upon the lapse of the three period set out in 65, should there be any portion of the allocated amount outstanding at that point.

23.1.4. This will result in a General Concurrent Dividend of R600 million (six hundred million Rand) being paid by the Receivers in the Receivership to the General Concurrent Creditors over the three year period or a conversion of that debt to equity at the lapse of the three year period.

23.3. **Claims and release of the Company from the payment of debts**

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

23.3.1.1. 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

23.3.1.2. 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.

23.3.2. 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 Receivers, as provided for in paragraph 69, and the Company will be released from the payment of debts to the Pre-commencement Creditors.

23.4. **Contracts**

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 36;

23.5. Damages

23.5.1. 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:

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

23.5.1.2. 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. 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;

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

23.5.1.4. if disputed, will be resolved in terms of the Dispute Mechanism, detailed in paragraph 78.

23.6. Section 22 of Value-Added Tax Act

[D/N: Need to discuss this and if we include same]

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 66.

24. POST-COMMENCEMENT CREDITORS

24.1. 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 71.

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

As required in terms of section 150 (2) (b) (iv), the Receivership Proceeds, dealt with in paragraph69, will be available for payment of, *inter alia*, the Post-commencement Claims.

25. **EMPLOYEES**

25.1. 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 the BRPs anticipate that approximately 48.17% of the Employees of the Company will be retrenched and the terms and conditions of employment of the remaining Employees will be revised, along with the terms of the collective agreements.

25.2. As set out in paragraph60, Government has agreed to fund the payments due to Employees who have been retrenched.

25.3. 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 employee more staff, with a preference being given to former SAA employees subject to competence, skills and suitability.

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

As required in terms of section 150 (2) (b) (vii) of the Companies Act, the implementation of the Proposed Restructure will result in the shares in the Company being transferred to New HoldCo.

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

27.1. 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			
Business Rescue / PCF Creditors	N/A	N/A	
Employees	R 32,000	R 32,000	

Concurrent creditors	0c	0c	
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28. **RECEIVERSHIP**

- 28.1. On 27 June 2020, 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 75 and 77 being met.
- 28.2. With effect from the Substantial Implementation Date, the BRPs will be appointed as the Receivers in order to:
- 28.2.1. receive the Restructure Proceeds;
 - 28.2.2. make payment to the Pre-Commencement Creditors in accordance with paragraph 65;
 - 28.2.3. distribute the Restructure Proceeds in accordance with this paragraph; and
 - 28.2.4. make payment to the Lenders in accordance with paragraph 64.
- 28.3. The Restructure Proceeds will be allocated as follows:
- 28.3.1. firstly, payment of the Receivership Administration Expenses; and
 - 28.3.2. 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 71.
- 28.4. 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.
- 28.5. As set out in paragraph 66, in return for the right to participate in the Concurrent Allocation, and with effect from the Substantial Implementation Date:
- 28.5.1. 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
 - 28.5.2. 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.

28.6. 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:

- 28.6.1. 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;
- 28.6.2. 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*;
- 28.6.3. to admit or reject any Claims tendered for proof as provided for in paragraph [●];
- 28.6.4. to compromise the Claims and defend any proceedings which may be instituted against the Receivers for the enforcement of Claims disputed by the Receivers;
- 28.6.5. to abandon to secured Creditors any property held as security at a value agreed to between the secured Creditor and the Receivers;
- 28.6.6. 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; **[D/N: Consider dealing with BR litigation]**
- 28.6.7. 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;
- 28.6.8. 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;
- 28.6.9. 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

28.6.10. 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.

28.7. The Receivers will be entitled to charge out their time at the rate of R [•] per hour, excluding VAT.

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

29.1. 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.

29.2. 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):

29.2.1. 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;

29.2.2. Employees for their employment during Business Rescue (to the extent that they have not been paid for their services during Business Rescue);

29.2.3. Secured PCF Creditors;

29.2.4. Unsecured PCF Creditors; and

29.2.5. Concurrent Creditors.

29.3. 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.

29.4. Subject to what is set out in paragraph64, the Lenders will not participate in any Distributions out of the Restructure Proceeds and/or the General Allocation.

29.5. Based on the information the BRPs have to date, the General Concurrent Creditors will receive the General Concurrent Dividend, being R600 million 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 Concurrent Allocation will be paid to the General Concurrent Creditors pro rata. For further information relating to this, please refer to paragraph65.

30. **PROOF OF CLAIMS BY CREDITORS**

- 30.1. The exchange rate in respect of all Claims expressed in foreign currency will be determined as at the Commencement Date.
- 30.2. General Concurrent Creditors will not be entitled to charge interest on their Pre-commencement Claims from the Commencement Date.
- 30.3. Pre-commencement Creditors are required to lodge their Pre-commencement Claims prior to the Final Claims Date for purposes of participating in the Distribution:
- 30.3.1. 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
- 30.3.2. 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.
- 30.4. 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.
- 30.5. 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 78.

31. **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:

31.1. **Continuation of Business**

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

31.2. **Quantum**

- 31.2.1. 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.

31.2.2. By way of illustration, please refer to paragraphs 53 and 65 [●].

31.3. **Timing**

31.3.1. 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.

31.3.2. If the Business Rescue proceeds in terms of the Proposed Restructure, General Concurrent Creditors will receive their first distribution within a year of the resumption of domestic, regional and international flights.

31.4. **Employees**

31.4.1. If the Business Rescue proceeds in terms of the Proposed Restructure, the large number of Employees' jobs will be saved, on revised terms and conditions.

31.4.2. In a liquidation:

31.4.2.1. 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;

31.4.2.2. Employees would be entitled to receive a maximum amount of R32 000.00 (thirty two thousand rand) per staff member, to the extent that there are funds available; and

31.4.2.3. 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.

31.5. **Fees**

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

- 31.5.2. The estimated fees a liquidator would be entitled to in terms of the liquidation calculation prepared by PWC is approximately R 369 million based on the realisation of the assets.

31.6. **PCF**

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

32. **RISKS OF THE BUSINESS RESCUE**

- 32.1. 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:

- 32.1.1. the fulfilment of the conditions in terms of the Proposed Restructure taking longer than expected and/or the Proposed Restructure failing for any reason;
- 32.1.2. unforeseen litigation of any nature whatsoever, howsoever arising, from any cause of action whatsoever;
- 32.1.3. unforeseen damages claims arising from the cancellation of any contracts or agreements of any nature whatsoever, howsoever arising;
- 32.1.4. any changes in legislation that impact Business Rescue;
- 32.1.5. any challenges to this Business Rescue Plan, the rejection thereof or any amendments thereto;
- 32.1.6. any regulatory challenges of any nature whatsoever, howsoever arising;
- 32.1.7. 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;
- 32.1.8. material discrepancies in the information made available to the BRPs by Management;
- 32.1.9. market conditions worsen;
- 32.1.10. Lack of further PCF.

- 32.2. It should be noted that, in the unlikely event of an immediate liquidation of the Company, the risks set out in this paragraph 72 would still apply.

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

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

33.1.1. what flying demand will look like in the short, medium and long term;

33.1.2. how many airlines will survive into the period post COVID-19;

33.1.3. what will the restart of flying look like once the travel bans are lifted;

33.1.4. which countries will open their borders for commercial flying in the short, medium and long term;

33.1.5. what will be the requirements that will have to be complied with as the conditions of flying;

33.1.6. how will the ticket prices and insurance be affected;

33.1.7. etc.

33.2. Therefore, it is not possible to reliably estimate any financial forecasts for the period post COVID-19.

33.3. We had worked out the financial forecasts for the sustainable SAA pre-COVID-19 as set out in [.] The following assumptions were made at the time:

33.3.1. Revenue:

33.3.1.1. Passenger Revenue related to tickets revenue;

33.3.1.2. Ancillary Revenue relates to ancillary charges related to passenger travel (e.g. excess baggage, etc);

33.3.1.3. Fuel Surcharge is levied to customers as per the applicable legislation;

33.3.1.4. Cargo Revenue relates to revenue generated by utilising the belly space of the passenger aircraft to transport cargo on all the routes; and

33.3.1.5. Other revenue related to revenue generated from the Voyager loyalty programme and revenue generated from the Lounges that are operated in various airports.

33.3.2. Fuel Cost: This is the cost of fuel for operating the flights.

- 33.3.3. Labour Costs I: These are the total payroll costs (excluding staff allowance).
- 33.3.4. Maintenance Costs: These are costs that are incurred for the maintenance of the aircraft fleet.
- 33.3.5. Other Operating Costs include:
- 33.3.5.1. inflight entertainment services costs;
 - 33.3.5.2. inflight catering costs;
 - 33.3.5.3. hotel accommodation costs;
 - 33.3.5.4. crew allowances;
 - 33.3.5.5. training costs;
 - 33.3.5.6. etc.
- 33.3.6. Leasing Costs: This is the costs incurred for rental of the lease aircraft fleet.

PART C – ASSUMPTIONS AND CONDITIONS

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

34.1. 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:

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

34.1.2. Approval of the executive authority for the implementation of the Business Rescue Plan in terms of the PFMA;

34.1.3. An agreement is reached with the employees, their respective Trade Unions and SAA on the reduction of headcount and revised terms and condition as set out in paragraph 68;

34.1.4. The requisite funding arrangements as set out in paragraph 60 are finalised funding is received by no later than 27 June 2020;

34.2. 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 77.

35. 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 68.

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

36.1. 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 [•].

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

36.2.1. the Business Rescue Plan is:

36.2.1.1. 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

36.2.1.2. 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

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

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

37. **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 [•]**.

38. **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 [•], dealing with the proof of Pre-commencement Claims. **[D/N: Consider whether we make provision for the Receivers to continue due to advanced stage of litigation]**

39. **DISPUTE RESOLUTION**

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

39.2. Subject to paragraph [•], 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**”).

39.3. The Dispute Mechanism procedure will be as follows:

39.3.1. 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**”).

- 39.3.2. 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
- 39.3.3. 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.
- 39.3.4. Should the BRPs and the Creditor fail to reach an agreement on the expert, then
- 39.3.5. 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.
- 39.3.6. The expert will in his/her sole and absolute discretion determine:
- 39.3.6.1. the venue at which the dispute is to be resolved;
 - 39.3.6.2. the rules, regulations and procedures that will govern the determination of the dispute;
 - 39.3.6.3. the date(s) for the determination of the dispute;
 - 39.3.6.4. will give his award / determination within 5 days of the completion of the process as determined by him;
 - 39.3.6.5. 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.
- 39.3.7. 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.
- 39.3.8. The expert shall be entitled to make an award for costs in his/her discretion.
- 39.3.9. 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.
- 39.4. 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.

39.5. 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.

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

40.1. 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.

40.2. It is specifically recorded that the provisions of paragraph [•] shall mutatis mutandis apply to the extension or reduction of any timeframes by the BRPs.

41. **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.

42. **CONCLUSION**

42.1. 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.

42.2. **[D/N: Insert summary of advantages again]**

43. **BRPS' CERTIFICATE**

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

43.1.1. any actual information provided herein appears to be accurate, complete and up to date;

43.1.2. the BRPs have relied on financial information including opinions and reports furnished to them by Management and Advisors;

- 43.1.3. any projections provided are estimates made in good faith on the basis of factual information and assumptions as set out herein;
- 43.1.4. 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: [●] 2020

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

Date: [●] 2020

Annexure A: List of Material Assets of the Company*

	Notes	November 2019
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	1	1 665 752 386
Intangible Assets		38 713 059
Investments in Subsidiaries	2	2 114 961 891
Other Investment		34 500 000
Retirement Benefit Fund		-73 004 608
Non-Current Aircraft and Other Deposits	3	1 513 181 675
Total Non-Current Assets		5 294 104 403
Current Assets		
Inventories	4	122 940 893
Trade and Other Receivables	5	2 880 252 731
Loan Receivable - SAA Technical		1 129 219 633
Current Aircraft and Other Deposits	6	1 495 783 381
Derivative Financial Assets		1 042 151
Total Current Assets		5 629 238 789
TOTAL ASSETS		10 923 343 192
<u>Notes</u>		
1 Property, Plant and Equipment		
Land and Buildings		643 043 654
Machinery, Equipment and Furniture		88 441 283
Vehicles and Cabin Loaders		9 868 843
Aircraft and Simulators		892 106 140
Containers		52 533
WIP		32 239 934
Total Property, Plant and Equipment		1 665 752 386
2 Investments in Subsidiaries		
SAA Technical		3 160 140 000
Mango		336 305 989
Airchefs		324 149 645
SA Travel Centre		2 000 000
Investments at Cost		3 822 595 634
Less Impairments		-1 707 633 743
Net Investment Value		2 114 961 891
3 Non-Current Aircraft and Other Deposits		
Amex Security Deposit		390 861 962
IATA Security Deposit		293 412 000
Other Cash Deposits		828 907 715
Total Non-Current Aircraft and Other Deposits		1 513 181 677
4 Inventories		
Inflight Stock		68 928 118
Fuel Stock		38 582 917
Corporate Clothing & Other		15 429 858
Total Inventories		122 940 893

5 Trade and Other Receivables

Net Trade Debtors	2 505 294 468
Prepayments	255 540 879
Security Deposits	25 830 574
Other Receivables	93 586 809
Total Trade and Other Receivables	2 880 252 731

6 Current Aircraft and Other Deposits

Maintenance Reserve	1 485 807 373
Cargo Security Deposits	9 976 008
Total Current Aircraft and Other Deposits	1 495 783 381

* None of the assets were held as security by Creditors at the Commencement Date.

Disclaimer

- * The above is an extract from the 30 November 2019 Managements Accounts.
- * The Management Accounts have not been consolidated and relate to the Company only.
- * The Management Accounts are draft, unaudited and are presented for illustrative purposes only.
- * These Management Accounts should not be relied on for any other purpose whatsoever.

Annexure B: [List of creditors]

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Annexure D:**Projected statement of Income and Expenses**

Restructured Base Case								
	Year Counter							
	:	1	2	3	4	5	6	7
Passenger		13 532	11 774	10 788	13 127	13 332	13 596	13 871
Revenue		803 682	364 955	275 175	828 255	885 727	033 195	079 549
Ancillary		464 110	425 121	295 738	443 075	588 424	781 308	1 037
Revenue		805	078	273	186	736	332	573 084
		4 923	4 951	3 223	3 259	3 086	3 086	3 086
Fuel Surcharge		754 735	095 209	642 864	454 630	847 433	847 433	847 433
SAAT								
Revenue		-	-	-	-	-	-	-
Cargo		520 420	516 158	645 417	654 394	654 394	654 394	654 394
Revenue		581	631	129	649	649	649	649
Air Chefs								
Revenue		-	-	-	-	-	-	-
Voyager								
Revenue		-	-	-	-	-	-	-
		1 438	1 308	1 186	1 444	1 466	1 495	1 525
Other Revenue		638 263	585 108	710 269	061 108	617 430	563 651	818 750
		20 879	18 975	16 139	18 928	19 129	19 614	20 175
Total Revenue		728 066	324 981	783 710	813 828	169 975	147 260	713 464
		(6 987	(6 405	(4 190	(4 259	(4 033	(4 033	(4 033
		126	848	350	456	893	893	893
Fuel Cost		475)	466)	593)	750)	588)	588)	588)
		(4 287	(3 888	(2 593	(2 161	(2 251	(2 346	(2 446
		791	722	189	446	800	673	289
Labour Cost		034)	362)	478)	083)	803)	259)	338)
		(4 065	(3 730	(2 738	(2 802	(3 065	(3 084	(3 446
Maintenance		174	110	950	018	062	483	998
Cost		798)	741)	603)	829)	921)	528)	894)
		(8 545	(8 034	(6 111	(6 919	(7 080	(7 264	(7 461
Other Operating		360	285	260	201	847	852	175
Costs		614)	911)	116)	014)	530)	621)	603)
		(23 885	(22 058	(15 633	(16 142	(16 431	(16 729	(17 388
Total Operating		452	967	750	122	604	902	357
Costs		921)	481)	790)	676)	843)	996)	424)
		(3 005	(3 083					
		724	642	506 032	2 786	2 697	2 884	2 787
EBITDAR		855)	500)	920	691 152	565 132	244 264	356 041
EBITDAR								
Margin		-22%	-26%	5%	21%	20%	21%	20%
		(2 840	(2 833	(2 244	(2 236	(2 223	(2 200	(2 198
		926	239	275	713	102	464	406
Leasing Costs		769)	538)	193)	619)	785)	785)	785)
		(5 846	(5 916	(1 738				
		651	882	242	549 977	474 462	683 779	588 949
EBITDA		625)	038)	273)	533	346	479	255
EBITDA								
Margin		-43%	-50%	-16%	4%	4%	5%	4%

	(946)	(716)	(113)	(172)	(211)	(212)	(213)
	781	204	083	728	005	484	963
Depreciation	680)	046)	540)	391)	322)	322)	322)
			(896				
Profit on Sale of	(726	(1 324	712				
Fixed Assets	371)	275)	990)	-	-	-	-
	(1 337	(877	(215				
Financing	380	337	906	(71 628	(12 300		
Costs	650)	691)	975)	584)	262)	(0)	(0)
			(1 312				
Exceptional and			991				
one off costs	-	-	919)	-	-	-	-
	(2 284	(1 594	(2 538	(244	(223	(212	(213
Total Other	888	866	695	356	305	484	963
Costs	700)	012)	424)	974)	584)	322)	322)
	(8 131	(7 511	(4 276				
	540	748	937	305 620	251 156	471 295	374 985
EBIT	325)	050)	697)	559	763	157	933
EBIT Margin	-60%	-64%	-40%	2%	2%	3%	3%

ASSUMPTIONS

Number of	4 622	3 760	1 965	2 332	2 380	2 431	2 486
Passengers	518	298	102	888	782	893	433
Number of							
Flights	51 209	45 027	19 127	18 973	18 973	18 973	18 973
Number of							
Aircraft	40	43	22	22	22	21	21
Number of Flights							
per Aircraft	1 252	1 118	829	862	862	900	903
Revenue							
Passenger	16 427	13 698	8 449	9 807	10 011	10 220	10 435
Kilometres	811 722	819 368	732 203	854 660	669 116	118 427	493 055
Available Seat	21 623	20 653	16 296	16 584	16 584	16 584	16 584
Kilometres	128 918	530 088	029 160	237 960	237 960	237 960	237 960
Load Factor	76%	66%	52%	59%	60%	62%	63%
Block Hours	136 504	126 938	79 314	78 736	78 736	78 736	78 736
Average Fare	2 928	3 131	5 490	5 627	5 600	5 591	5 579
Average Revenue							
per PAX	4 517	5 046	8 213	8 114	8 035	8 065	8 114
Revenue per							
ASK	1	1	1	1	1	1	1
Headcount	4 747	2 539	2 539	2 539	2 539	2 539	2 539

Projected Cash Flow forecast

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Aircraft owner	Registration	Status
Air Lease Corporation	ZS-SFG	Suspended and lease termination in progress
Castlelake (Wilmington)	ZS-SFJ	Suspended and lease termination in progress
Castlelake (Wilmington)	ZS-SFK	Suspended and lease termination in progress
Marlborough Finance No. 2 DAC	ZS-SFH	Suspended and lease termination in progress
Genesis (GASL Ireland Leasing 6 Limited)	ZS-SFM	Suspended and lease termination in progress
Stellar Aircraft Holding 2 Limited/ DVB	ZS-SFI	Suspended and lease termination in progress
Castlelake (Wilmington)	ZS-SFL	Suspended and lease termination in progress
GY Aviation Lease 1501 Co LTD. (CDB)	ZS-SZA	Lease agreements and Rental reduction negotiated, Amendment and finalisation of lease agreements suspended, until clarity on future of SAA.
GECAS- Celestial Aviation Trading 68 LTD	ZS-SZB	
GECAS- Celestial Aviation Trading 68 LTD	ZS-SZC	
GECAS- Celestial Aviation Trading 68 LTD	ZS-SZD	
Limpopo Aviation Leasing /Goshawk Management (Ireland) Limited	ZS-SZE	
Oriental Leasing 7 Company Limited (CMB)	ZS-SZF	
Pembroke Aircraft Leasing 6 Limited (Standard Chartered Bank)	ZS-SZG	
Oriental Leasing 7 Company Limited (CMB)	ZS-SZH	
Zimbani Aviation Leasing Limited /Goshawk Management (Ireland) Limited	ZS-SZI	
LETABA AVIATION LEASING LIMITED/Goshawk Management (Ireland) Limited	ZS-SZJ	
Natixis	ZS-SXA	Suspended and lease termination in progress
Natixis	ZS-SXB	Suspended and lease termination in progress
Natixis	ZS-SXC	Suspended and lease termination in progress
Aercap	ZS-SNE	Aircraft returned and lease termination concluded
Aercap	ZS-SNH	Aircraft returned and lease termination concluded
Aercap	ZS-SNI	Aircraft returned and lease termination concluded

AirCastle Lease (ThunderBird 1 Leasing Ltd.)	ZS-SXZ	Aircraft returned and lease termination in progress
AirCastle Lease (ThunderBird 2 Leasing Ltd.)	ZS-SXY	Aircraft returned and lease termination in progress
AirCastle Lease (ThunderBird 3 Leasing Ltd.)	ZS-SXX	Aircraft returned and lease termination in progress
AirCastle Lease (ThunderBird 4 Leasing Ltd.)	ZS-SXW	Aircraft returned and lease termination in progress
(Tokyo Century) TC-Skyward Aviation Ireland Ltd. Technical now managed by Aviation Capital Group.	ZS-SXV	Aircraft returned and lease termination in progress
C.I.T. Aerospace International (Avolon)	ZS-SXU	Suspended and lease termination in progress
Oriental Leasing 11 Company Limited (CMB)	ZS-SXI	Lease agreements and Rental reduction negotiated, Amendment and finalisation of lease agreements suspended, until clarity on future of SAA.
Athena4 Aviation Leasing Limited	ZS-SXJ	
Oriental Leasing 12 Company Limited (CMB)	ZS-SXK	
AC Finance MSN1779 Limited	ZS-SXL	
Metal 2017-1 Leasing XV Limited (Aergo Capital Holdings)	ZS-SXM	
GECAS	ZS-SBA	End of Lease
GECAS	ZS-SBB	End of Lease
Hainan Airlines / Avolon	ZS-SDC	Dependant on the future route network of the airline
Hainan Airlines / Avolon	ZS-SDD	
Air Mauritius	ZS-SDE	
Air Mauritius	ZS-SDF	

Provision for CP for new Guarantee ifo receivership

Government must settle interest at end upon presentation of certificate by receiver at the end.

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