



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

FINANCE MINISTER APPROVES ADDITIONAL GUARANTEE FOR SAA

The Minister of Finance has approved an additional guarantee¹ of R6.488 billion for South African Airways (SAA), taking the total guarantees granted to the airline to R14.4 billion.

The additional guarantee will enable SAA to finalise its annual financial statements for 2013/14, making it possible for the airline to hold its annual general meeting (AGM) on Friday next week, 30 January 2015. At the conclusion of the AGM, the Minister of Finance and the airline management will brief the media. The venue and time for the media briefing will be announced closer to the day.

Conditions of the guarantee include:

- SAA to provide Treasury within one month with a comprehensive implementation plan for the 90-day action plan interventions, including timelines for the targeted savings and which managers are responsible for delivering those savings;
- Review and stress testing jointly by government and SAA of the financial model and refined long-term turnaround strategy (LTTS);
- SAA to develop proposals within three months on the network structure, fleet strategy and structure of the airline for government's consideration;
- SAA to identify within three months areas where it can cut operating costs and how those cuts will be achieved;
- Airline to strengthen governance, internal controls and working capital management, develop an implementation plan in this regard and submit progress reports monthly; and
- SAA to submit weekly report to Treasury

¹ A guarantee is not a transfer of money but allows an entity to borrow against it. It is an undertaking that government will take on the liability of the entity's debt obligation in the event of a default

As stated in the media statement issued on the 22 December 2014, the Minister, the board, the acting CEO, and the CFO have agreed that to stabilise the company's financial position, elements of the long term strategy must be implemented with speed even as the board continues to refine and update the strategy.

In addition, short-term and medium-term milestones have been identified and will form part of the shareholder compact that the Minister of Finance will sign with the board.

Issued on behalf of the Ministry of Finance

Date: 22 January 2015