Dear Director General,

I attach for your attention correspondence from Siza Mzimela regarding an update on the discussions with Jet Airways.

Kind Regards

Helena de Magalhaes
Office Manager CEO's Office

Phone: +2711-978-1908 | Fax: +2711-978-6055 | E-Mail: HelenadeMagalhaes@flysaa.com

- Johannesburg- South Africa
9 May 2012

Mr Tshediso Matona
Director General
Department of Public Enterprises
Email: tshediso.matona@dpe.gov.za
By fax: 012-342-4146

Dear Tshediso

Update on Discussions between South African Airways and Jet Airways

Further to the update provided in March 2012, the following is the status of the commercial discussions currently taking place between South African Airways (SAA) and Jet Airways (Jet).

SAA’s appointed attorneys were in the process of filing for the exemption with the Competition Commission. On 7 May 2012, Jet Airways advised the industry that it would be redeploying its aircraft on its existing route network and this decision has necessitated the temporary suspension of its Mumbai - Johannesburg flights effective 12 June 2012.

SAA will review its codeshare operations as well as the structure of the codeshare agreement with Jet Airways in view of the above decision by Jet Airways. Should the revised structure have any competition implications and necessitate the need to file for exemption with the Competition Commission, SAA will once again request assistance from the DPE. As SAA currently also codeshares with Air India on its Mumbai - Johannesburg operations, we do not however, anticipate any concerns with allowing Jet Airways as a codeshare partner on the route post the suspension of their flights.

We will keep you updated with the developments.

Kind Regards

Siza Mzimela
Chief Executive Officer

Cc: Raisibe Lepule, Raisibe.Lepule@dpe.gov.za
    Matsietsi Mokholo, Matsietsi.mokholo@dpe.gov.za
    Melanchton Makobe, Melanchton.Makobe@dpe.gov.za

Directors

*Non-Executive

Ruth Kibuuka Company Secretary

South African Airways (Proprietary) Limited Reg. No. 1997/022444/07
Dear Ms. Sizakele Mzimela,

Re: Update on discussions between SAA & Jet Airways

Thank you for your update on SAA-Jet airways Cooperation, as per your letter of 27 March 2012.

I will forthwith approach the competition authorities to facilitate an engagement with you for their advice, as you request.

I trust this is in order and will revert to you at the earliest instance.

Kind regards

Tshediso Matona
Director-General

Date: 3/4/2012
Dear Director General,

I attach for your attention correspondence of today's date from Siza Mzimela regarding the discussions between SAA and Jet Airways.

Kind Regards

Helena de Magalhaes
Office Manager CEO's Office

Phone: +2711-978-1908 | Fax: +2711-978-6055 | E-Mail: HelenadeMagalhaes@flysaa.com

- Johannesburg- South Africa
Dear Tshediso,

**Update on discussion between SAA and Jet Airways**

I wish to update you on the discussions currently taking place between South African Airways (SAA) and Jet Airways (Jet).

A confidential letter of intent (LOI) was signed on 29 November 2011 in Johannesburg following a meeting between the parties. SAA and Jet further met at Jet's Head Offices in Mumbai on 14 December 2011 and during that meeting agreed on the scope of cooperation between the parties and subsequently signed a Memorandum of Understanding (MoU).

It was the parties' intention to commence negotiations and formulate agreements that will give effect to the above undertakings no later than end February 2012 with implementation by April 2012. The commercial agreements, in particular the codeshare agreement, was both negotiated and contracted by the commercial department however as a company requirement and to meet certain statutory requirements, all agreements have to be legally sanctioned. The external legal opinion obtained recommends that SAA submit an exemption application to the Competition Commission before finalisation.

Legal counsel have not identified any outright contravention of the Act in assessing the codeshare agreement, the Competition Commission will evaluate whether the parties to the codeshare agreement hold any substantial market power, individually or jointly, on these routes. As the codeshare will be implemented on routes in which SAA and Jet are direct competitors, with significant market share, there is a perceived inherent risk of the existence of anti-competitive conduct which may expose SAA to a finding relating to market allocation or an agreement that substantially prevents or lessens competition in a market that cannot be justified by pro-competitive gains.

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**Directors**


*Non-Executive

Ruth Kubuuka Company Secretary

South African Airways (Proprietary) Limited Reg. No. 1997/022444/07

A STAR ALLIANCE MEMBER ✈️
Based on prior experience of applying for exemption from the Competition Commission, such applications may be adjudicated within a period of 6 months. It can however be extended to one year if the Commission requests additional information in support of the application. SAA will therefore expedite all internal assessments and the exemption application for urgent submission to the Competition Commission. In order that we can achieve results timeously, we therefore wish to request assistance from the Department of Public Enterprises to facilitate the matter on behalf of SAA with the relevant authorities.

Kind Regards

[Signature]

Siza Mzimela
Chief Executive Officer

cc: Raisibe Lepule, Deputy Director General: Transport, Department of Public Enterprises
Raisibe.Lepule@dpe.gov.za

Siyabonga Mahlangu, Special Advisor to the Minister, Legal & Political, Department of Public Enterprises
Siyabonga.Mahlangu@dpe.gov.za
From: Helena de Magalhaes  
Sent: 29 November 2011 03:16 PM  
To: 'Tshediso Matona'  
Cc: 'Siyabonga Mahlangu'  
Subject: Confidential Letter of Intent  
Attachments: Letter of intent between SAA & Jet Airways 29.11.11.pdf

Dear Director General
I attach for your information and records the letter of intent signed by SAA & Jet Airways.
Kind Regards

Helena de Magalhaes
Office Manager CEO’s Office

☎ Phone: +2711-978-1908 | Fax: +2711-978-6055 | E-Mail: HelenadeMagalhaes@flysaa.com

- Johannesburg- South Africa
Confidential letter of intent between South African Airways and Jet Airways (India) Limited

This Letter of Intent ("LOI") is effective as of 29 November 2011 ("Effective Date"), is made between:

South African Airways (Proprietary) Limited, (Registration No: 1997/022444/07), a limited liability company existing under the laws of South Africa, whose Head Office is at 1 Jones Road, Kempton Park, Johannesburg, South Africa (hereinafter referred to as "SAA")

AND

JET AIRWAYS (INDIA) LIMITED, a company incorporated under the laws of India, having its registered office at Siroya Centre, Sahar Airport Road, Andheri (East), Mumbai 400 099, India (hereinafter referred to as "Jet").

In this LOI, SAA and Jet may be individually referred to as a "Party" and may be collectively referred to as "Parties".

The Parties recognize the significant volume of passenger and cargo traffic between (i) India and South Africa; (ii) Southern Africa and India/Asia and; (iii) South America and India/Asia (via South Africa) and the benefits of offering seamless connectivity between these regions. The Parties now wish to partner with each other and work towards tapping the potential that lies in these markets in a manner that enhances consumer benefits and would be mutually beneficial and viable to the Parties.

To that purpose, Parties intend to closely explore opportunities to collaborate in the areas specified herein, subject to compliance with all applicable laws and regulations (including but not limited to those as stipulated by the Department of Transport of South Africa and the Ministry of Civil Aviation of India and the competition commission in South Africa and India) and the entering into mutually acceptable definitive agreements.
This LOI sets forth certain understandings of the Parties with respect to the possible collaboration between SAA and Jet. Subject to the receipt of the necessary approvals, the Parties agree to:

- Implement a full codeshare on the trunk route (BOM-JNB);
- Implement codeshares on selected domestic, regional and international services behind and beyond the trunk route providing seamless travel and other customer benefits in the regions stipulated above;
- Implement an enhanced reciprocal full FFP agreement; and
- Implement an enhanced SPA agreement.

It is the Parties' intention to implement the above, commencing with a Memorandum of Understanding (MoU) to be concluded in December 2011, and then proceeding to formulate agreements that will give effect to the above undertakings no later than end February 2012.

Thus done and signed at Johannesburg on this 29th day of November 2011.

For and on behalf of:  
South African Airways (PTY LTD)  

[Signature]
NAME: Theunis Potgieter  
TITLE: General Manager – Commercial

Jet Airways (India) Limited

[Signature]
NAME: Sudheer Raghavan  
TITLE: Chief Commercial Officer

For and on behalf of:  

South African Airways (PTY LTD)  

[Signature]
NAME: Marc Cavaliere  
TITLE: Head of Global Sales Development and Alliances

Jet Airways (India) Limited

[Signature]
NAME: Raj Sivakumar  
TITLE: Senior Vice President: Planning and Alliances
Dear Director General

I attach for your attention correspondence from Ms Siza Mzimela of today’s date regarding the Johannesburg / Mumbai route.

Kind Regards

Helena de Magalhaes

Office Manager CEO’s Office

Phone: +2711-978-1908 | Fax: +2711-978-6055 | E-Mail: HelenadeMagalhaes@flysaa.com

- Johannesburg- South Africa
11 August 2011

Mr Tshediso Matona
Director General
Department of Public Enterprises
Hatfield
By e-mail: tshediso.matona@dpe.gov.za

Dear Tshediso

Johannesburg / Mumbai Route

Thank you for your letter date 4 August 2011 with reference to the proposed cooperation between South African Airways and Jet Airways of India. We understand from your correspondence that you wish to engage the services of Deloitte to further analyse the potential commercial prospects between SAA and Jet Airways.

SAA acknowledges the Department’s prerogative to engage external advice in exercising its executive authority role, and we will certainly cooperate with whomever the Department elects to retain for this purpose. We however respectfully recommend that your choice of advisors reflect in-depth knowledge of the airline commercial and competitive environment and avoids any potential conflict of interest. In the latter regard you may wish to consider that both SAA and Jet Airways utilise Deloitte as their external auditors.

Your understanding of our concerns is most appreciated.

Kind Regards

Siza Mzimela
Chief Executive Officer

Directors

*Non Executive.

Ruth Kibuuka Company Secretary

South African Airways (Proprietary) Limited Reg. No. 1997/022444/07

A STAR ALLIANCE MEMBER
Ms. Siza Mzimela  
CEO, South African Airways  
Airways Park, OR Tambo International Airport  
Kempton Park  
1627  

Tel: 011 978 6068  
Fax: 011 978 6055  

Dear Siza,  

Johannesburg/Mumbai route  

I write to you further to the Minister’s directive for me to facilitate resolution of the matter of possible cooperation between SAA and Jet Airways on the above-mentioned route.  

As I indicated to you a few weeks ago, having assessed the information I requested from yourselves and Jet, I have come to the conclusion that it is advisable to engage the assistance of an independent and reputable advisory service to analyse the different possible permutations of cooperation/code sharing between SAA and Jet on this route, and provide advice that can enable us to bring the matter to closure.  

In this regard, I have identified Deloitte to provide this service, due to their assurance of their capacity to conduct the exercise, the feasibility through which such an engagement can be arranged, and the speed of delivery on the assignment.  

While I finalise the engagement of Deloitte in this regard, I thought I should formally inform you in advance of this, and request your further cooperation in the exercise. Upon sign-off of the engagement, Deloitte will liaise with yourselves, and I would appreciate it if you could designate an appropriate SAA executive as a contact point for this purpose.  

Lastly, I have taken note of all the issues and concerns you raised in the letter accompanying the information I requested, and wish to assure you that I am fully alive to the potential competition law implications and strategic policy considerations that bear on this matter, and of course your commercial interests.
that attach to it. No undue prejudice to SAA is intended by this exercise, nor will ensue from it.

I trust this is in order, and thank you for your ongoing cooperation on this matter.

Kind regards

[Signature]

Mr. Tshediso Matona
Director General

Date: 4/8/2011
Ms. Siza Mzimela  
CEO, South African Airways  
Airways Park, OR Tambo International Airport  
Kempton Park  
1627

Tel: 011 978 6553  
Fax: 011 978 2545

Dear Ms. Mzimela,

MUMBAI-JOHANNESBURG ROUTE

Further to the meeting you held with the Minister of Public Enterprises on 14 April 2011 in the above regard, I hereby request that you furnish me with specific information on this route pursuant to the task of facilitating a resolution of this matter with Jet Airways as assigned to me by Minister Gigaba on that occasion.

As a departure point I recall that SAA assured the Minister of their commitment to possible cooperation with Jet Airways based on identified synergies and on a mutually beneficial basis. Jet Airways has made the same commitment.

I attach in a separate sheet a full listing of the type of information I need to have deeper appreciation of the overall performance, challenges and opportunities for SAA on this route. It would assist me greatly if, in addition to the requested data, SAA would provide me with an in-depth profitability analysis on this route, setting out the factors contributing to SAA’s losses and how SAA has sought to mitigate these losses.

It would also be useful to get a sense of possibilities under different scenarios, starting with how SAA would address the current and projected losses on the route where no cooperation existed with Jet Airways. Secondly, various scenarios of cooperation with Jet Airways in which SAA’s ongoing loss position can be turned positive and the implications for sharing of frequencies between SAA and Jet Airways, including the scenario where SAA operates no aircraft on this route.

SAA had emphasised the importance of beyond point considerations in assessing possible cooperation with Jet Airways, as well as the strategic importance of the South America route. Please outline the key commercial issues and relevant financial information in this regard.
Dear Director General,

I attach for your attention the further information re SAA & Jet Airways, as promised.

Kind Regards

Helena de Magalhaes

Office Manager CEO’s Office

📞 Phone: +2711-978-1908 | ✉️ Fax: +2711-978-6055 | ✉️ E-Mail: HelenadeMagalhaes@flysaa.com

- Johannesburg- South Africa
Successful partnerships are reciprocal and ensure that both parties are able to profitably operate, expand their networks and provide their passengers with seamless connectivity.

- Airlines however must ensure that the commercial arrangements are not used as a mechanism to engage in anti-competitive activities where agreements on consumer pricing and capacity planning are used to influence market behavior.

- The Competition Authorities especially scrutinize arrangements such as code shares on routes where only two carriers operate as these are deemed to have a propensity for collusion,

- The market size between two regions (Southern Africa and India) has been growing at an average of 12% per annum over the last three years. The Jet Airways' introduction into the market increased capacity by over 150% - subsequently reduced to 108%.

- SAA’s proposal is for the Parties to explore cooperation that would enhance efficiency in the market without lessening competition. The attached presentation outlays different scenarios that SAA would prefer to explore within the context of the Competition Laws.

- SAA has on numerous occasions engaged with Jet Airways to evaluate options for further co-operation. However an agreement with Jet Airways which would benefit both airlines has not been reached at this stage. The proposal from Jet Airways at this stage for cooperation would further erode SAA’s revenue and impact on our strategic intentions for the route.

- The proposal from SAA for seven weekly frequencies between the two airlines is a mutually beneficial arrangement.

- A further compromise would be a total of eight weekly frequencies code shared between the two airlines.

I hope that this provides further information to the memo delivered to yourselves on 10 January 2011.
Cooperation

between Jet Airways and SAA

on the Bombay route
• The market size between Southern Africa and India has only grown by an average of 12% per annum over the last three years.
• The capacity increase was far greater than the current market growth.
SAA’s market share was diluted and Jet gained market share mainly due to inability to serve connecting markets beyond India.
Scenario 1: Code-Sharing Evaluation – Impact to SAA

For each of these options, SAA will lose an additional (per annum):

- R9.7m
- R4m
- R7.7m

<table>
<thead>
<tr>
<th>Codeshare Options</th>
<th>Load Factor %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Case</td>
<td>66%</td>
</tr>
<tr>
<td>Trunk Route Only</td>
<td>63%</td>
</tr>
<tr>
<td>Domestic Beyond Point Only</td>
<td>65%</td>
</tr>
<tr>
<td>Both Trunk and Domestic</td>
<td>64%</td>
</tr>
</tbody>
</table>
Scenario 1: Code share Evaluation – Jet reduce frequency from 5 to 4 per week

For each of these options, SAA will increase revenue (per annum) by:

<table>
<thead>
<tr>
<th></th>
<th>Base Case</th>
<th>Jet Reduces to 4</th>
<th>Jet Reduces to 4 and Full code share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Load Factor %</td>
<td>66%</td>
<td>70%</td>
<td>69%</td>
</tr>
<tr>
<td>Revenue Increase</td>
<td></td>
<td>R11mil+</td>
<td>R8mil+</td>
</tr>
</tbody>
</table>
Scenario 1: Code share Evaluation – Jet reduces frequency from 5 to 3 per week

For each of these options, SAA will increase revenue (per annum) by:

- R28mil+
- R34mil+

Load Factor %

- Base Case (66%)
- Jet Reduces to 3 Codeshare Options (76%)
- Jet Reduces to 3 and Full code share (78%)

SAA Proprietary and confidential