

10 April 2020

NECESSARY MEASURES TO ENSURE LONG TERM EMPLOYMENT AND SUSTAINABILITY OF THE BUSINESS

As you are aware Aerosud has, prior to the current lockdown, experienced financial and cashflow difficulties. This was due to the worsening situation of the Boeing 737 Max Program, and A400M rate reductions and other factors already communicated earlier this year. In an attempt to address these difficulties, Aerosud started a Section 189A on 29 January 2020. This process was suspended as result of the Covid-19 lockdown.

Unfortunately, due to the impact of COVID-19, further difficulties have arisen which will need to be addressed. We have experienced severe impact on the supply chain and customer demand and individual country lock-downs disrupting the global Aerospace sector. It is anticipated that OEM production rates will reduce by 50% for the remainder of 2020 and most of 2021.

The extension of the Covid-19 lock down in South Africa has added additional financial pressures on the company – although this decision by our President is fully supported as the only way of “flattening the curve”. This has given rise to a situation where the operational requirements of the company cannot be met, and the company has been put in a situation of “impossibility to perform”.

The current Section 189A is therefore cancelled with immediate effect. A new Section 189A will be announced. The relevant notice and how it will take place, given the current lockdown circumstances, will be announced shortly.

We wish to assure you that all efforts are being made to preserve continued employment and the sustainability of the company. In this regard, we are necessitated to implement various alternative measures to curb costs, reduce risk and minimise job losses. Therefore, more drastic measures are necessary.

As an alternative to “no work no pay” Aerosud will implement a reduction in salaries effective 17 April 2020, as measure of good will. It will be applied to ALL EMPLOYEES. It will be done on a sliding scale and will be based on the All-Inclusive Payrates. The reduction will be between 2 % for the lower earners and 50 % for the higher earners. It will be processed as “lockdown short time” to ensure a maximum tax benefit and an unchanged Provident Fund contribution.

This measure needs to be implemented to reduce the number of affected employees in the new Section 189A. In these unprecedented and challenging times, we request that you assist us in our attempts to ensure long term employment and the sustainability of the business.



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