

**Presentation to Portfolio Committee on
Public Enterprises:**

SAA Corporate Plan

17 June 2009

Content

1. Context of the SAA Corporate Plan

2. SAA Mandate and Strategy

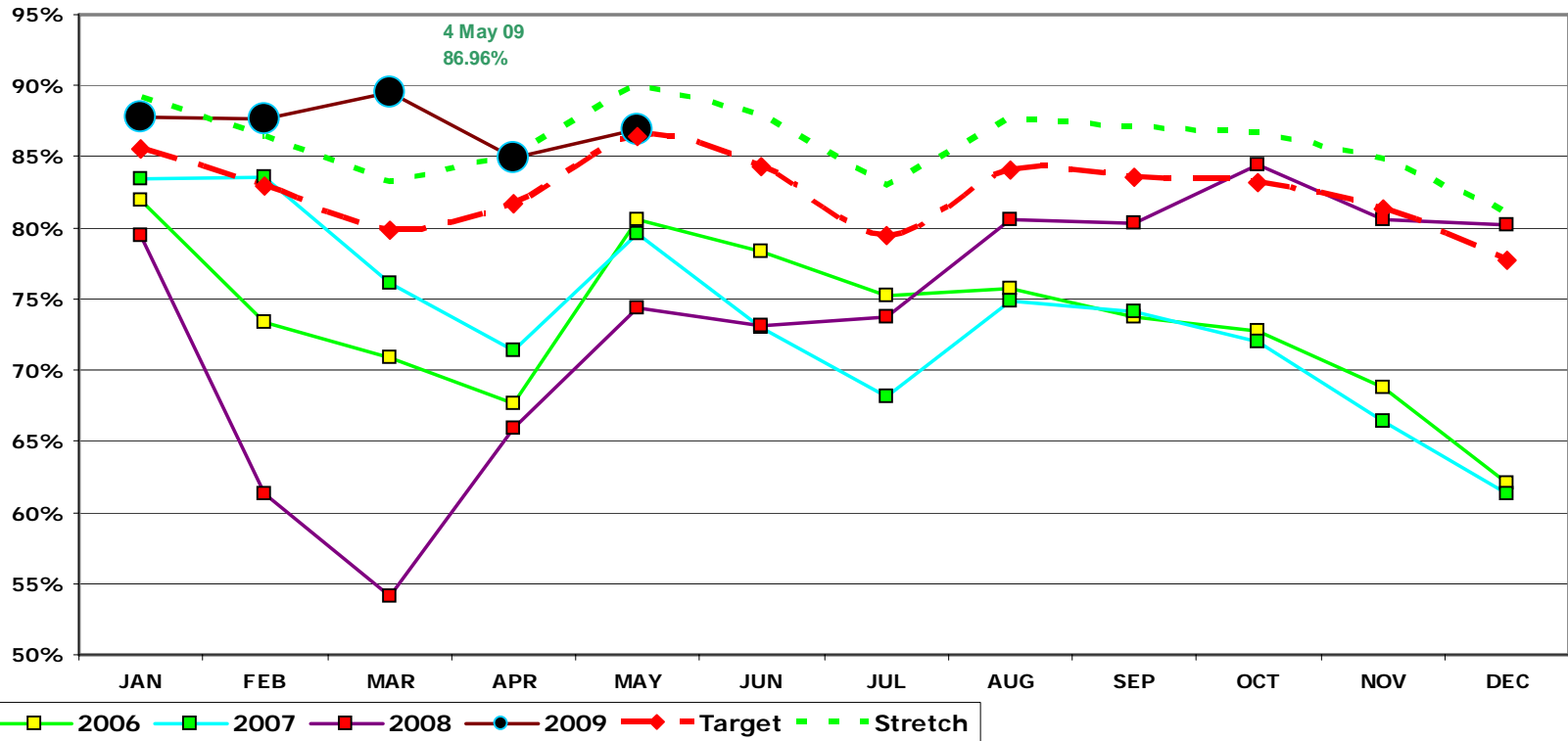
3. SAA Budget

SAA Context: The good news

- **More than 6,5-million passengers**
- Successful restructuring – 8% ahead of target at R2.5b sustainable initiatives
- **Strong operational performance in 2008-09 (R1,1b EBIT)**
- Exceptional safety standards and record
- **Outstanding product and advanced technology for passenger convenience – 11th for Business class and 14th for economy out of 167 airlines**
- Internationally recognised crew – 14th out of 167
- **Customer satisfaction trends improving**
- On-time performance improved – from 54% March 2008 to 89% March 2009 with resultant 26% increase in customer satisfaction
- **Baggage trends improving**
- Future plans include growth into Africa
- **Sustainable future amidst harsh economic environment due to restructuring**
- 75th Anniversary

On Time Performance

**SAA's On-Time Performance : Yearly Comparison
>9/15 Minute Standard-Excluding Weather Delays**



SAA Context: The Challenges

- **Recapitalisation**
- **IFRIC 13 (International Financial Reporting Interpretations Committee)**
- **Pre-delivery payments (PDP) from legacy Airbus order**
- **Hedging**
- **Anti-trust litigation**
- **Deteriorating global economic conditions.**

Our Vision, Mission, Values

Vision

An African airline with global reach

Mission

To deliver sustainable profits and to grow our market share through world class service to our customers internally and externally

Values

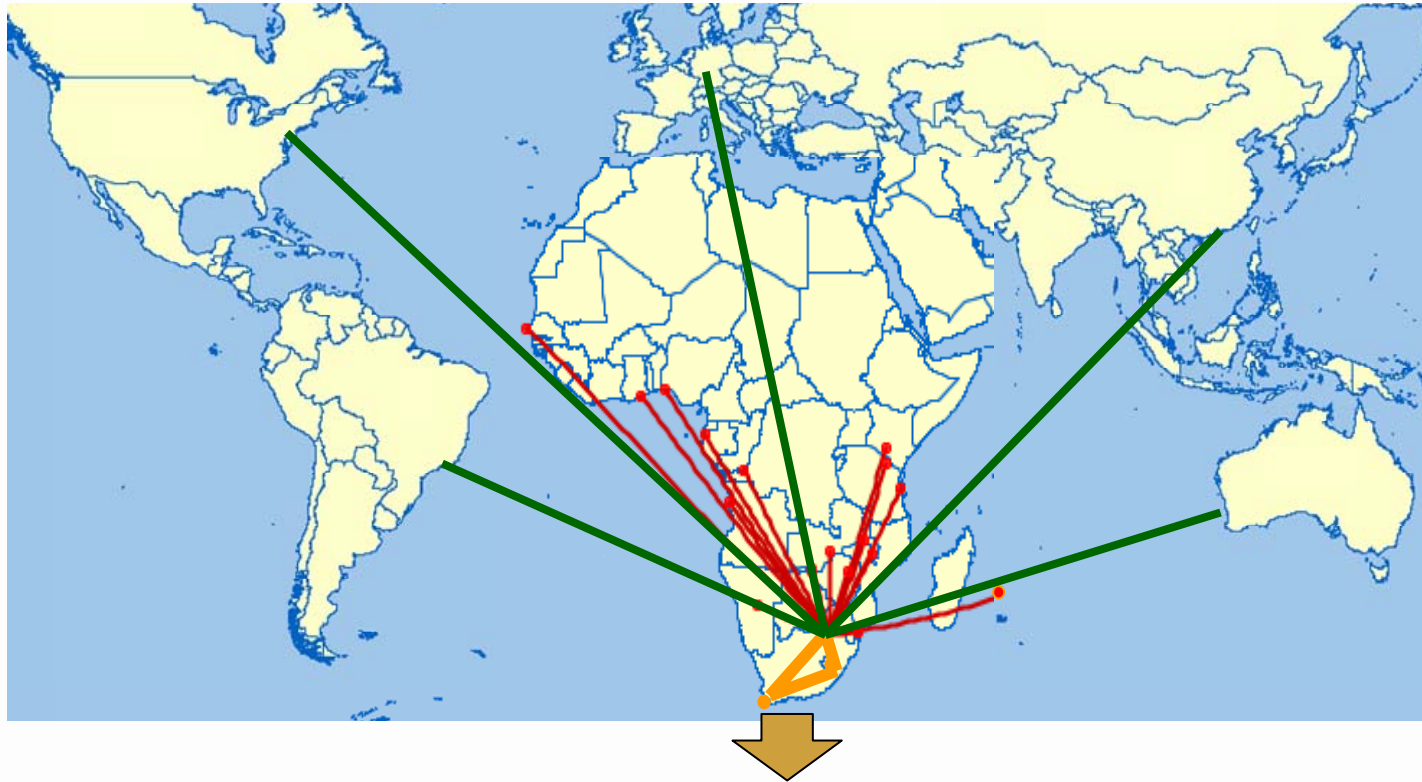
- Safety
- Valuing Our People
- Customer Focused
- Accountability
- Integrity
- Excellence In Performance



SAA Supports South Africa

- **Trade:**
 - Generate counter trade that benefit the SA aviation industry and South Africa
 - Linking flows between Asia, South Africa, South America (south to south flow)
- **Economic Development:**
 - Supports 8500 direct employment
 - Promote Cargo as key enabler for SA export market
 - Support the World Cup 2010 initiative
 - Earn foreign exchange for SA
 - Generate FDI for the country
 - Ensure SA has reliable international connections
- **Africa footprint:**
 - Contribute to the development of the safety aviation standards in Africa
 - Assist with aviation liberalisation of the continent - intra Africa aviation industry,
 - Support South African companies with an Africa footprint
 - Support NEPAD

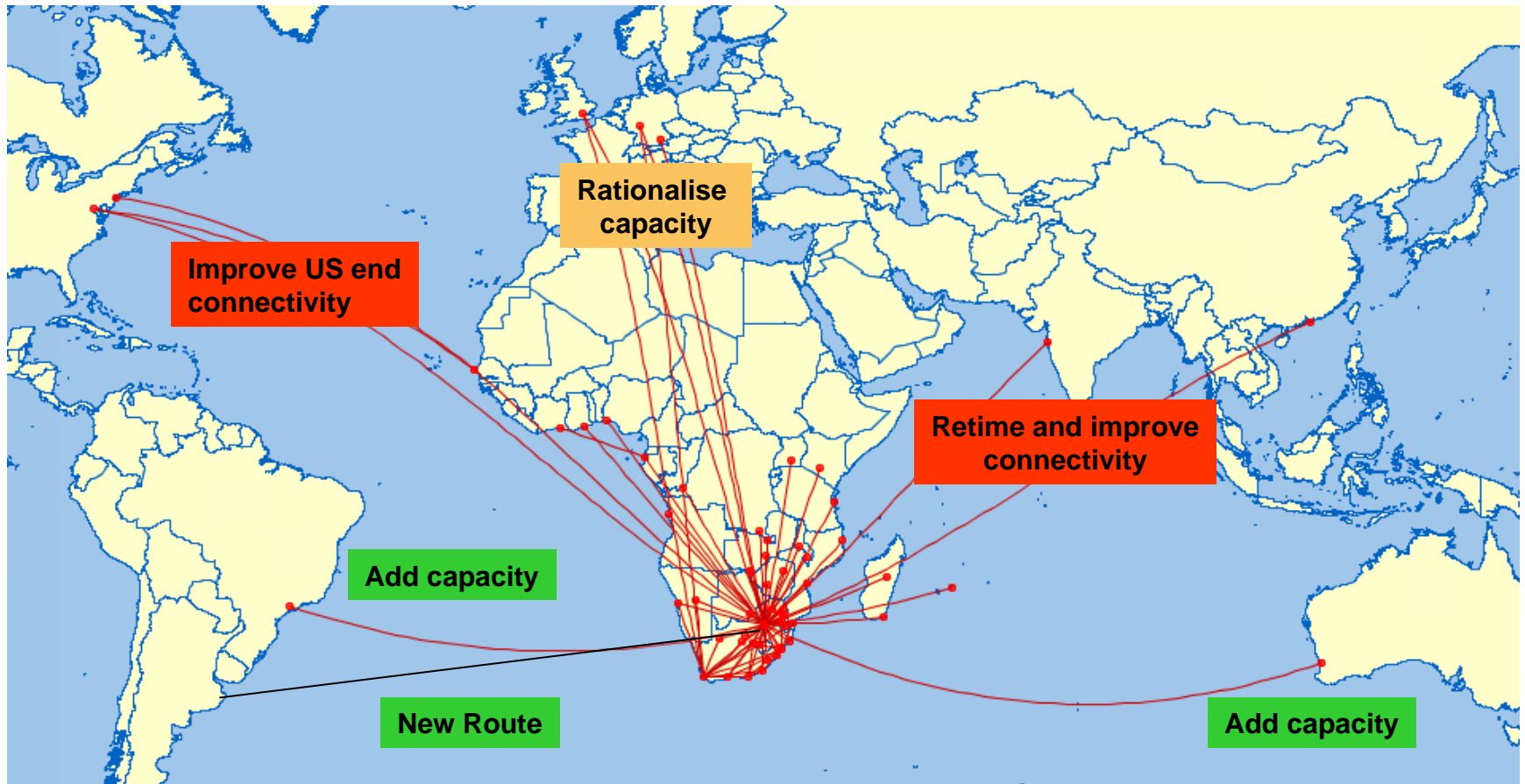
SAA Mandate: Profitable African airline with global reach



Concentrated operations in African business markets with limited number of profitable routes into each major continent

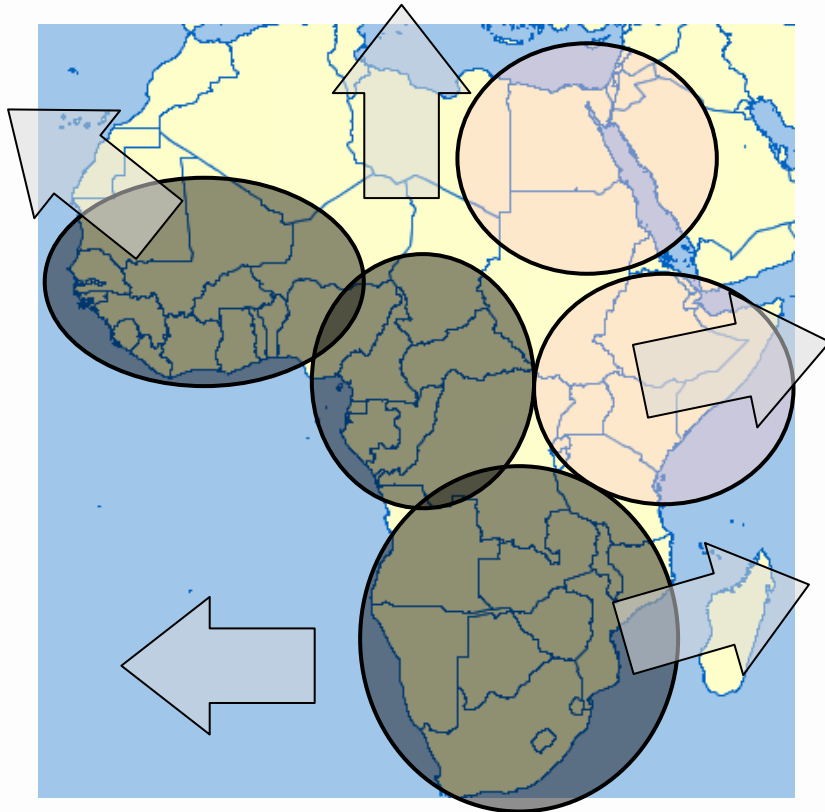
International Network

Concentrates on major gateways in each continent supported by strong alliance partners



Africa: Vision for Future Development

SAA Sphere of Influence



● SAA direct influence ○ SAA indirect influence

Comments

- Strategy centred around JNB hub
- Capture International– Africa traffic flows
- Capture markets beyond the reach of current SAA network
- Create regional hubs to access secondary markets
- Create a sphere of high influence in Africa

SAA with its alliance partners will remain the preferred carrier in the domestic market

Domestic market success will be achieved through: Maintaining Johannesburg as a hub and improving connections for Africa and International traffic



Work on a new commercial agreement with SAX and Airlink to cover the domestic market comprehensively.

Develop closer relationship with Mango to maximise capacity utilisation on SAA.

Our Competitor Positioning is in alignment with the market structure

- To be no 1 on all outbound routes served from South Africa in terms of market share defined as passenger share.
- We will be no 1 or 2 on all routes inbound to South Africa in terms of market share defined as passenger share.
- New market share will not be obtained at the detriment of profitability.
- In markets where we are not no 1 or 2 as stated above a clear business case for network contribution must exist.
- Passenger share is dependent on capacity share and therefore the fleet strategy supporting our network strategy will be implemented.

Operations will support the SAA mandate with the initiatives focusing on Africa....

- Raise Standards of African Airports and On-Board Service to International Standards – Lounges, Check-in functionality, Foreign languages on-board
- Performance Based Navigation Project
- African Aviation Training Initiative

...and improving service levels

- Implement Service Recovery Team at Airports (SWAT)
- Denied Boarding Compensation (DBC)
- Expand current VIP service to top 100 business people

Key People focus areas

- Ensure uniform standard in managing people by implementing **People Management Standards**
- Build capacity to have sustained operations through a fully integrated **Talent Management** Philosophy, Strategy, System and Intelligence i.e. Succession and Career Planning
- Sustain sound employee relationship by **Continuous Employee and Labour engagement**
- Focus on Labour and other associated costs by means of an Operationalised **Workforce Plan** and People cost measures
- Implement an **Employee Value Proposition** Philosophy and Strategy i.e. top 20% performers can select flexible conditions & work-life balance options
- Inculcate a **Performance Management** culture through enforcement of Performance Management discipline and assist management with tools to management performance of non-management staff.

SAA Technical



Top 5 Strategic Initiatives

1. Safety is Priority #1
2. Employee Engagement
3. MEMIS replacement
4. Improve Turnaround Time – Major Maintenance
5. African Footprint

Cargo strategy has two pillars

Revenue Improvement

Domestic Market

- Create a new product category
- Review pricing model
- Optimize use of belly space

Regional Markets

- Increase Regional and Charter Operations
- Develop strategic hubs in West and East Africa

International Markets

- Leverage profitable partnerships

Revenue Management

- I-Cargo implementation

Reduction of Cost of Sales

- Improve freighter profitability
- Advanced handling process
- Launch I - Cargo

Financial projections

- The aviation industry lost \$10.4b in 2008 and is projected to lose \$9.7b in 2009
- Based on current world and domestic recession and in order to protect our workforce to prevent another restructuring at least a breakeven position is envisaged
- In order for airlines to survive in these difficult times they need to have sufficient headroom to weather the storm
- Current capital base is extremely thin with a gearing level of 100%
- Interest burden much higher than comparable airlines and is consuming all available profits and leaving nothing for the fiscus
- The current allocation from National Treasury of R1.5 billion will all be utilised to pay-off the subordinated loan and thus not help SAA's cash resources directly

Thank you