SAA Financial Results 2008/09

"Building on Restructuring"

South African Airways
A Star Alliance Member
75
Our milestones. Your memories.

Content

South African Airways
A Star Alliance Member
Our milestones. Your memories.

Industry Overview

- The airline industry entered into a cyclical downturn in mid-2008
- This was partly as a result of the global economic downturn which affected all airlines, but also due to the oil price hitting a historic peak of more than $147 last year
- Airlines around the globe were hard hit, with IATA estimating that the industry will lose $11-billion in 2009
- Global airlines sought to cut costs by grounding aircraft, scrapping unprofitable routes and merging

SAA's Restructuring Programme 2007-2009

SAA identified three (3) categories of initiatives in order to achieve most of the turnaround:

SAA restructuring

Global initiatives

- **Boeing 747 elimination**
- **Reduce manager numbers**
- **Labour negotiations**
- **Operational performance**

Revenue initiatives

- **Point of sale share gap**
- **Pricing and Yield mgt**

Departmental initiatives

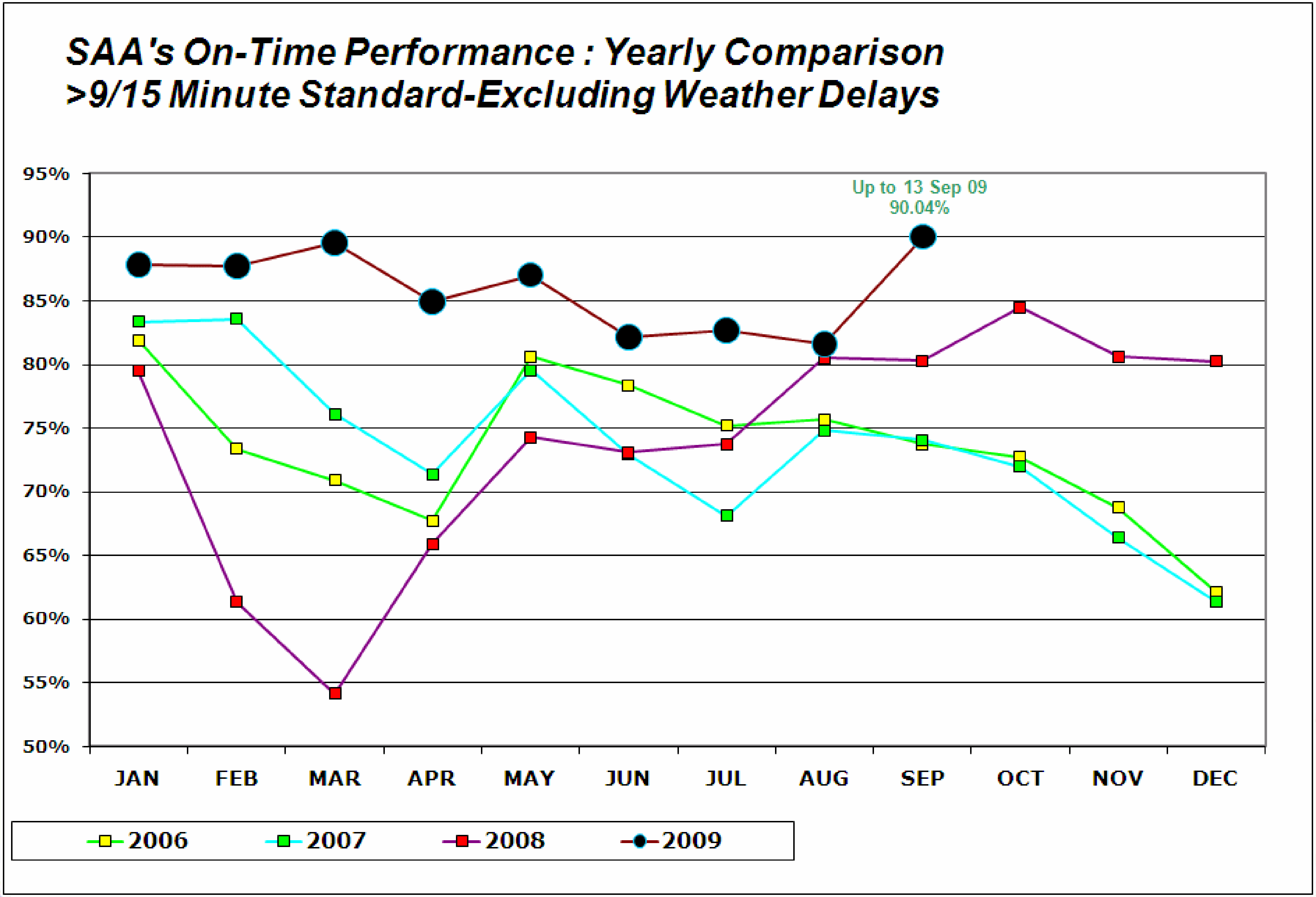
- **Cost reduction**
- **Removal of duplication**
- **Performance measurement and Accountability**
- **Contract review**

THE RESTRUCTURING PROGRAMME DELIVERED R2,5-BILLION IN COST SAVINGS AND REVENUE GROWTH VS A TARGET OF R2,3-BILLION

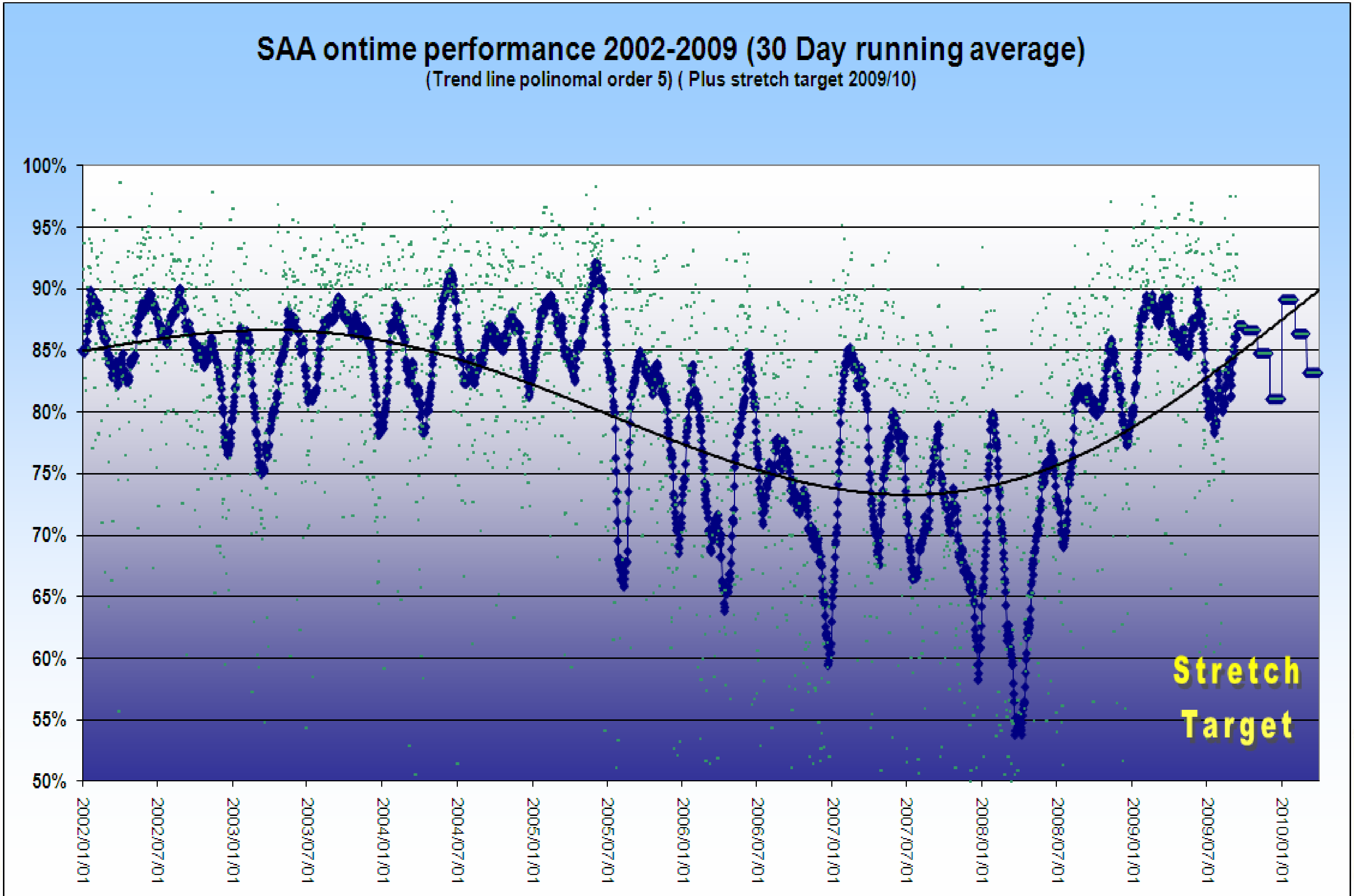
Strategic Overview - Restructuring

- SAA was fortunate to begin its restructuring in 2007 when the economy was in a growth phase
- In the first phase of restructuring (2007-09), the focus was largely on cutting costs and improved revenue generation
- The next phase will focused on improving customer service, the operational performance and ensuring the programme remains in place and is sustainable
- The success of restructuring can be seen in SAA's operating profit for 2008-09
- Restructuring has now become part of operations to ensure it is sustainable

On Time Performance



On Time Performance



Operational Statistics

	2007	2008	2009	Δ 07/08	Δ 08/09
Capacity (ASK mil)	33,671	32,681	29,980	(3%)	(8%)
Uptake (RPK mil)	25,381	24,619	21,935	(3%)	(11%)
Pax Load Factors	75%	75%	73%	0%	(3%)
Pax carried ('000)	7,727	7,444	6,898	(4%)	(7%)
Cargo ('000 mt)	202	186	138	(8%)	(26%)
Pax Yield (c/RPK)	56	67	79	20%	18%

South African Airways
A Star Alliance Member
Our milestones. Your memories.

Financial Performance Summary

	2007	2008	2009	Δ 07/08	Δ 08/09
Turnover	20 524	22 257	26 435	8%	19%

SOUTH AFRICAN AIRWAYS
A STAR ALLIANCE MEMBER
75
Our milestones. Your memories.

Financial Performance Summary

	2007	2008	2009	Δ 07/08	Δ 08/09
Turnover	**20 524**	**22 257**	**26 435**	**8%**	**19%**
Passenger Turnover	17 274	19 141	23 028	11%	20%
Cargo Revenue	1 839	1 772	1 577	(4%)	(11%)
Other Turnover	1 411	1 344	1 830	(5%)	36%

Financial Performance Summary

	2007	2008	2009	Δ 07/08	Δ 08/09
Turnover	**20 524**	**22 257**	**26 435**	**8%**	**19%**
Passenger Turnover	17 274	19 141	23 028	11%	20%
Cargo Revenue	1 839	1 772	1 577	(4%)	(11%)
Other Turnover	1 411	1 344	1 830	(5%)	36%
Operating Costs	**(21 174)**	**(22 284)**	**(24 526)**	**5%**	**10%**

Financial Performance Summary

	2007	2008	2009	Δ 07/08	Δ 08/09
Turnover	**20 524**	**22 257**	**26 435**	**8%**	**19%**
Passenger Turnover	17 274	19 141	23 028	11%	20%
Cargo Revenue	1 839	1 772	1 577	(4%)	(11%)
Other Turnover	1 411	1 344	1 830	(5%)	36%
Operating Costs	**(21 174)**	**(22 284)**	**(24 526)**	**5%**	**10%**
Energy	(5 734)	(6 685)	(8 589)	17%	28%
Other	(15 440)	(15 599)	(15 937)	1%	2%

Financial Performance Summary

	2007	2008	2009	Δ 07/08	Δ 08/09
Turnover	**20 524**	**22 257**	**26 435**	**8%**	**19%**
Passenger Turnover	17 274	19 141	23 028	11%	20%
Cargo Revenue	1 839	1 772	1 577	(4%)	(11%)
Other Turnover	1 411	1 344	1 830	(5%)	36%
Operating Costs	**(21 174)**	**(22 284)**	**(24 526)**	**5%**	**10%**
Energy	(5 734)	(6 685)	(8 589)	17%	28%
Other	(15 440)	(15 599)	(15 937)	1%	2%
Operating Profit / (Loss)	**(650)**	**(27)**	**1 909**		

Financial Performance Summary

	2007	2008	2009	Δ 07/08	Δ 08/09
Turnover	**20 524**	**22 257**	**26 435**	**8%**	**19%**
Passenger Turnover	17 274	19 141	23 028	11%	20%
Cargo Revenue	1 839	1 772	1 577	(4%)	(11%)
Other Turnover	1 411	1 344	1 830	(5%)	36%
Operating Costs	**(21 174)**	**(22 284)**	**(24 526)**	**5%**	**10%**
Energy	(5 734)	(6 685)	(8 589)	17%	28%
Other	(15 440)	(15 599)	(15 937)	1%	2%
Operating Profit / (Loss)	**(650)**	**(27)**	**1 909**		
Interest, Hedge Prems, Other	(302)	(23)	(399)		
Profit/(Loss) from Normal Ops	**(952)**	**(50)**	**1 510**		

South African Airways
A Star Alliance Member
Our milestones. Your memories.

Financial Performance Summary

	2007	2008	2009	Δ 07/08	Δ 08/09
Turnover	**20 524**	**22 257**	**26 435**	**8%**	**19%**
Passenger Turnover	17 274	19 141	23 028	11%	20%
Cargo Revenue	1 839	1 772	1 577	(4%)	(11%)
Other Turnover	1 411	1 344	1 830	(5%)	36%
Operating Costs	**(21 174)**	**(22 284)**	**(24 526)**	**5%**	**10%**
Energy	(5 734)	(6 685)	(8 589)	17%	28%
Other	(15 440)	(15 599)	(15 937)	1%	2%
Operating Profit / (Loss)	**(650)**	**(27)**	**1 909**		
Interest, Hedge Prems, Other	(302)	(23)	(399)		
Profit/(Loss) from Normal Ops	**(952)**	**(50)**	**1 510**		
Hedging Profit / (Loss)	69	310	(1 046)		

Financial Performance Summary

	2007	2008	2009	Δ 07/08	Δ 08/09
Turnover	**20 524**	**22 257**	**26 435**	**8%**	**19%**
Passenger Turnover	17 274	19 141	23 028	11%	20%
Cargo Revenue	1 839	1 772	1 577	(4%)	(11%)
Other Turnover	1 411	1 344	1 830	(5%)	36%
Operating Costs	**(21 174)**	**(22 284)**	**(24 526)**	**5%**	**10%**
Energy	(5 734)	(6 685)	(8 589)	17%	28%
Other	(15 440)	(15 599)	(15 937)	1%	2%
Operating Profit / (Loss)	**(650)**	**(27)**	**1 909**		
Interest, Hedge Prems, Other	(302)	(23)	(399)		
Profit/(Loss) from Normal Ops	**(952)**	**(50)**	**1 510**		
Hedging Profit / (Loss)	69	310	(1 046)		
Restructuring Costs	-	(1 345)	(474)		

South African Airways
A Star Alliance Member
Our milestones. Your memories.

Financial Performance Summary

	2007	2008	2009	Δ 07/08	Δ 08/09
Turnover	**20 524**	**22 257**	**26 435**	**8%**	**19%**
Passenger Turnover	17 274	19 141	23 028	11%	20%
Cargo Revenue	1 839	1 772	1 577	(4%)	(11%)
Other Turnover	1 411	1 344	1 830	(5%)	36%
Operating Costs	**(21 174)**	**(22 284)**	**(24 526)**	**5%**	**10%**
Energy	(5 734)	(6 685)	(8 589)	17%	28%
Other	(15 440)	(15 599)	(15 937)	1%	2%
Operating Profit / (Loss)	**(650)**	**(27)**	**1 909**		
Interest, Hedge Prems, Other	(302)	(23)	(399)		
Profit/(Loss) from Normal Ops	**(952)**	**(50)**	**1 510**		
Hedging Profit / (Loss)	69	310	(1 046)		
Restructuring Costs	-	(1 345)	(474)		
Current Year Profit	**(883)**	**(1 085)**	**(10)**		

Financial Performance Summary

	2007	2008	2009	Δ 07/08	Δ 08/09
Turnover	**20 524**	**22 257**	**26 435**	**8%**	**19%**
Passenger Turnover	17 274	19 141	23 028	11%	20%
Cargo Revenue	1 839	1 772	1 577	(4%)	(11%)
Other Turnover	1 411	1 344	1 830	(5%)	36%
Operating Costs	**(21 174)**	**(22 284)**	**(24 526)**	**5%**	**10%**
Energy	(5 734)	(6 685)	(8 589)	17%	28%
Other	(15 440)	(15 599)	(15 937)	1%	2%
Operating Profit / (Loss)	**(650)**	**(27)**	**1 909**		
Interest, Hedge Prems, Other	(302)	(23)	(399)		
Profit/(Loss) from Normal Ops	**(952)**	**(50)**	**1 510**		
Hedging Profit / (Loss)	69	310	(1 046)		
Restructuring Costs	-	(1 345)	(474)		
Current Year Profit / (Loss)	**(883)**	**(1 085)**	**(10)**		
Reversal of PDP Impairment	-	-	408		
Final P/(L) after Tax	**(883)**	**(1 085)**	**398**		

South African Airways
A Star Alliance Member
75
Our milestones. Your memories.

Content

Income Statement

	2007	2008	2009	Δ 07/08	Δ 08/09
Total airline income	20,524	22,257	26,435	8%	19%
Operating costs	21,174	23,629	24,528	12%	4%
Profit (loss) before fair value and translation (losses) gains	**(650)**	**(1,372)**	**1,907**	**-111%**	**239%**
Fair value and translation (losses) gains	40	399	(1,564)	898%	-492%
Operating (profit) loss	**(610)**	**(973)**	**343**	**-60%**	**135%**
Net finance costs	(280)	(130)	90	54%	169%
Profit (loss) before taxation	**(890)**	**(1,103)**	**433**	**-24%**	**139%**
Taxation	(42)	15	(22)	136%	-247%
Profit (loss) from continuing operations	**(932)**	**(1,088)**	**411**	**-17%**	**138%**
(Loss) profit from discontinuing operations	49	3	(13)	-94%	-533%
Profit (loss) for the year	**(883)**	**(1,085)**	**398**	**-23%**	**137%**

Total Airline Income

	2007	2008	2009	Δ 07/08	Δ 08/09
Passenger revenue	17,274	19,141	23,028	11%	20%
Freight & mail	1,829	1,765	1,561	-3%	-12%
Technical services	410	336	634	-18%	89%
Voyager income	371	327	294	-12%	-10%
Commission received	181	315	291	74%	-8%
Other income	459	373	627	-19%	68%
Total airline income	**20,524**	**22,257**	**26,435**	**8%**	**19%**

South African Airways
A Star Alliance Member
Our milestones. Your memories.

Operating Costs

	2007	2008	2009	Δ 07/08	Δ 08/09
Energy	5,734	6,685	8,589	17%	28%
Airline lease costs	2,514	3,021	2,266	20%	-25%
Accomodation & refreshments	880	908	964	3%	6%
Distribution costs	1,409	1,430	1,728	1%	21%
Electronic data costs	472	649	550	38%	-15%
Employee Benefit expenses	3,300	3,298	3,496	0%	6%
Material	1,524	2,066	1,760	36%	-15%
Navigation, landing & parking	1,056	1,142	1,214	8%	6%
Other operating costs	4,285	4,430	3,961	3%	-11%
Operating costs	**21,174**	**23,629**	**24,528**	**12%**	**4%**

Hedging

- Hedging is a critical tool in the arsenal of any company exposed to oil and currency movements in the financial markets
- SAA is conservative in its approach to hedging
- Approved target range is 40% to 60% for fuel and 50% to 75% for forex of the 12-month rolling future purchase.
- Industry norm is to hedge up to 80% of fuel uplift and for four years.
- In the environment of a declining oil price hedging, a net loss of R1,046-billion was incurred.

Balance Sheet

	2008	2009	Δ 08/09
Total Non-current assets	**7,232**	**7,274**	**42**
Property, aircraft And equipment	6,984	7,073	89
Other Non-current assets	248	201	(47)
Total Non-current liabilities	**(4,191)**	**(3,729)**	**462**
Long-Term Loans	(3,519)	(3,080)	439
Other Non-current liabilities	(672)	(649)	23
Net current liabilties	**(545)**	**(1,042)**	**(497)**
Current assets	**10,243**	**9,024**	**(1,219)**
Cash and cash equivalents	5,393	3,778	(1,615)
Trade and other receivables	3,598	4,084	486
Other Current assets	1,252	1,162	(90)
Current liabilities	**(10,788)**	**(10,066)**	**722**
Trade and other payables	(5,260)	(5,127)	133
Air traffic liability	(2,938)	(2,623)	315
Other Current Liabilities	(2,590)	(2,316)	274
Net assets	**2,496**	**2,503**	**7**

Balance Sheet

	2008	2009	Δ 08/09
Share capital	11,343	11,343	-
Shareholder restructuring fund	653	653	-
Non-distributable reserves	(43)	(75)	(32)
Accumulated losses	(12,321)	(12,282)	39
Shareholder's deficit	**(368)**	**(361)**	**7**
Subordinated loan guaranteed by government	1,300	1,300	-
Subordinated loan guaranteed by government	1,564	1,564	-
Total capital and reserves	**2,496**	**2,503**	**7**

Content

1. Industry, Strategic and Operational Overview
2. Financial Overview
3. **Conclusion and Way Forward**

South African Airways
A Star Alliance Member
Our milestones. Your memories.

SAA's Strategic Value

The geographical location of South Africa necessitates air services connectivity for the normal functioning of the economy and trade and industry.

- **SAA's mandate** is to be the African Airline with global reach
- Through its **established network** SAA provides:

Intercontinental connections to major cities of strategic interest to South Africa

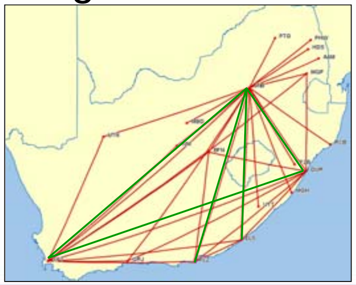
- ✓ SAA accounts for +/- 38% of international arrivals
- ✓ Through STAR, SAA offers 17,600 daily flights serving 943 cities in 159 countries

Connections to key cities within Africa

- ✓ SAA accounts for +/- 49% of Africa arrivals from the 19 cities SAA serves
- ✓ SAA creates connectivity between South Africa, Africa and the rest of the World

Intensive domestic schedule and connectivity

- ✓ SAA with its partners Airlink and SAX has the largest most frequent domestic schedule by far
- ✓ SAA moves over 50% of all air cargo in SA.



SOUTH AFRICAN AIRWAYS
A STAR ALLIANCE MEMBER
75
Our milestones. Your memories.

SAA's Strategic Value

SAA contributes to and supports the broader National Governmental goals

Employment

- ✓ SAA and its subsidiaries employ 7 989 people full-time
- ✓ Considerably more jobs generated in indirect employment in other sectors such as tourism.
- ✓ Training and development of technical aviation skills

Economic growth

- ✓ Cargo allows quick movement of critical and high value goods
- ✓ Access to and promotion of SA as a destination
- ✓ Contribution to local economy
  - Revenue of over R7bn to local suppliers
  - 45% of ACSA's aircraft revenue was paid by SAA
  - R2b in direct local salaries

Africa footprint

- ✓ Driving safety aviation standards in Africa
- ✓ Liberalisation of the Air traffic regulation in Africa.
- ✓ Largest and widest network in Africa which is an enabler for axpansion of SA companies into Africa

Looking Ahead

- The global economic downturn is far worse than expected and will continue longer than originally envisaged

- In the four months to end July 2009:

  - SAA passenger traffic fell by
    - 11% on international routes and 10% on domestic routes, but
    - rose by 9% on Intra African routes
  - Net airfares fell by 14%;
  - Nevertheless we are still above budget YTD

Looking Ahead

- We must prepare for the inevitable growth after this downturn through:
  - Decision making on our fleet
  - Network expansion through partnerships and
  - The retention of, and investment in, our people
  - Africa will remain SAA's key operational focus for expansion

- We will focus on:
  - Continued strict cost containment culture
  - Efficiency improvements
  - Strategic and effective procurement
  - Proactive revenue management
  - New channels of distribution and targeted sales efforts
  - While cost control is paramount, Safety stays non-negotiable

Conclusion

- SAA has delivered a net profit of R398 million this year despite:
  - Unprecedented fuel prices,
  - Associated hedging losses, and
  - The onset in the 2nd half of the worst recession since 1929
- Restructuring initiatives have over-delivered at R2.5 billion vs a target of R2.3 billion, and contributed significantly to this result.
- On time performance is the best that it has been in the past 5 years.
- SAA is expected to break even for 2009/10, provided:
  - Passenger and Freight demand does not fall further
  - Yields do not decline
  - Rand does not weaken
  - Fuel price does not rise
- SAA is confident about its future despite the challenges that the world economic crisis continues to pose.

Thank you

SOUTH AFRICAN AIRWAYS
A STAR ALLIANCE MEMBER
75
Our milestones. Your memories.