

Values

Customer focused

Anticipating and striving to understand the unique needs of our customers through tailoring each interaction to their specific needs.

Accountability

Taking responsibility for individual and team actions, decisions and results by establishing clear plans and goals and measuring our progress against them while discerning a deeper purpose in one's everyday job.

Integrity

Practising highest standards of ethical behaviour in all our lines of work and maintaining credibility by making certain that our actions consistently match our words.

Safety

Adopting a zero-defect mentality and striving for zero accidents through proper training, work practices, risk management and adherence to safety regulations at all times.

Excellence in performance

Setting goals beyond the best and reinforcing high quality performance standards and achieving excellence through implementing best practices.

Valuing our people

Committing to their satisfaction, development, and well-being, through treating them with respect, dignity and fairness.



SOUTH AFRICAN AIRWAYS

A STAR ALLIANCE MEMBER 

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

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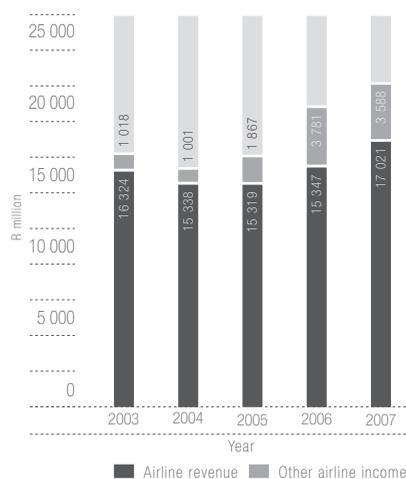
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Financial highlights

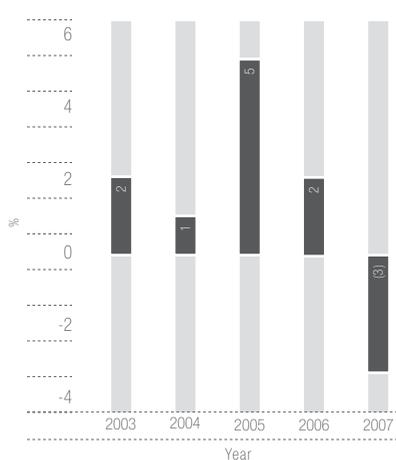
KEY FINANCIAL AND OPERATING DATA

	2002/03	2003/04	2004/05	2005/06	2006/07
	R million				
GROUP INCOME STATEMENT DATA					
Turnover	16 324	15 338	15 319	15 347	17 021
Total airline income	17 342	16 339	17 186	19 128	20 609
Net (loss) profit for the year	(5 977)	(8 610)	648	65	(883)
(Loss) earnings per share (cents)	(191)	(296)	22	2	(12)
Headline (loss) earnings per share (cents)	(191)	(166)	28	(8)	(13)
GROUP OPERATING DATA					
Capacity (million)					
Passenger available seat kilometres ("ASKs")	31 814	33 056	33 367	35 222	33 671
Traffic					
Revenue passenger kilometres ("RPKs") (million)	21 769	22 306	23 505	24 488	25 381
Revenue passengers (thousands)	6 520	6 510	6 851	7 158	7 727
Utilisation					
Passenger load factor (%)	68	67	70	70	75
Yield (R/RPK) – Passenger	0,63	0,58	0,56	0,52	0,56
Passenger revenue (R million)	13 688	12 926	13 163	12 747	14 230
Yield (R/ASK) – Turnover	0,51	0,46	0,46	0,44	0,51
Yield (R/ASK) – Total airline income	0,55	0,49	0,52	0,54	0,61
Unit cost (R/ASKs)	0,53	0,49	0,49	0,54	0,64
Operating costs					
Labour cost	0,09	0,09	0,10	0,09	0,10
Energy	0,11	0,09	0,10	0,14	0,17
Material cost	0,03	0,04	0,03	0,04	0,05
Depreciation and amortisation	0,01	0,02	0,01	0,02	0,02
Other operating costs	0,29	0,25	0,25	0,25	0,30

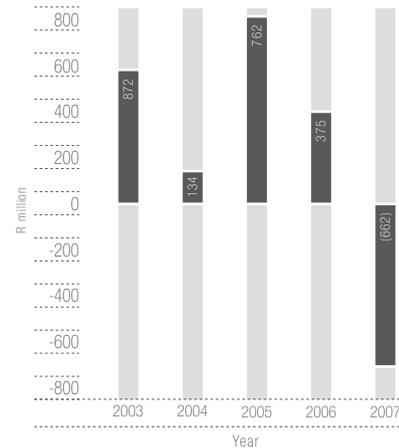
TURNOVER



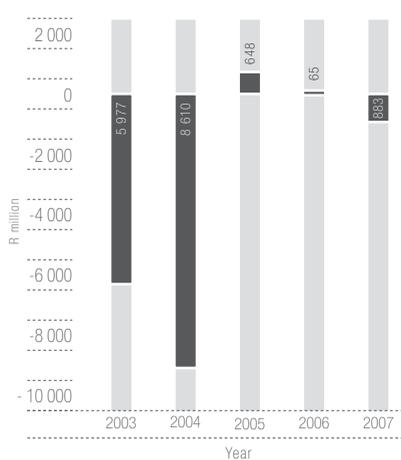
EBIT MARGIN



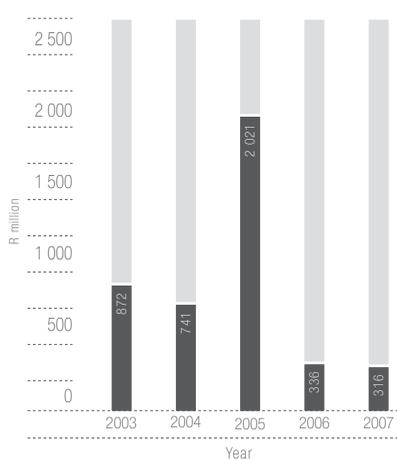
GROSS (LOSS) PROFIT BEFORE IMPAIRMENT



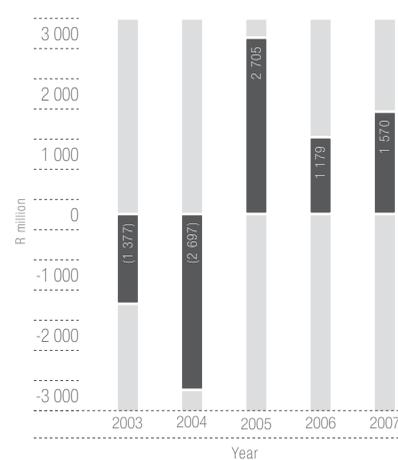
NET (LOSS) PROFIT FOR THE YEAR



CASH GENERATED FROM OPERATIONS



NET ASSETS EMPLOYED



Chairman's statement

Professor Jakes G Gerwel | Chairman

SAA posted good growth in passenger numbers and revenue, but operating costs rose even more steeply. With costs rising above revenue, it became evident that a fundamental restructuring of the airline was required

Industry overview

After five years of turmoil since the 9/11 attacks on the United States, the global airline industry moved to the brink of profitability in 2006. Airlines continued their drive for greater efficiencies, with fuel efficiencies and labour productivity rising sharply. The trend towards low-cost carriers continued unabated as liberalisation and price sensitivity amongst passengers saw more and more people flying on no-frills carriers. Nowhere was this more apparent than in South Africa, where continued strong economic growth and rising disposable income put more money into people's pockets. The response of South African Airways (SAA) was to launch its own low-cost carrier, Mango, in November 2006 which aimed to capitalise on the surge in low cost travel domestically, and successfully did so.

The International Air Traffic Association (IATA) estimates that net losses for the global airline industry stood at about \$0,5-billion in the 2006 calendar year, well down from the \$6-billion loss in the previous year. However, the organisation warned that the industry remains vulnerable to the kind of shocks that hit demand and costs in the past six years, with balance sheets for US airlines in particular having deteriorated significantly as a result of past losses. The volatile oil price remains the single largest threat in these circumstances.

Increasingly, airlines around the globe have sought to ward off these shocks by joining global alliances. SAA has worked hard over the past financial year to leverage its membership of the Star Alliance, after SAA became the first African airline member, joining in March 2006. Customers have reaped the benefits of this decision, having significantly increased the number of destinations to which they can now fly on SAA. Ultimately, joining Star Alliance will boost SAA's ability to fulfil its mandate of being an African airline with a global reach.

SAA Bill

In 2004, Public Enterprises Minister Alec Erwin approved Transnet's turnaround strategy of focusing on core freight services, namely the provision of rail, ports and pipeline. The strategy entailed the disposal of non-core businesses which resulted in SAA moving out of the Transnet stable by 31 March 2006 and becoming a standalone state-owned enterprise, reporting directly to government.

In October 2006, Cabinet approved the draft SAA Bill which provided for the transfer of Transnet's shares in SAA to government. The effective transfer of ownership from Transnet to the Department of Public Enterprises took place on 31 March 2007.

On behalf of the board, I would like to thank Transnet for its support over the years. The establishment of SAA as a standalone company will allow the management teams of both companies to focus their attention on the individual needs and aspirations of each organisation.

SAA's performance

In a rapidly growing domestic market, SAA's passenger numbers rose 8% to 7,7-million as the airline managed to regain some of the market share it had lost to low-cost carriers. Passenger revenue grew strongly, rising more than 11% to R14,2-billion on the back of the rise in passenger numbers and improved yields, achieved by adjusting the schedule to improve connection times and through revenue management. SAA were able to do this partly as a result of the launch of Mango, the low-cost carrier that took to the skies in the latter part of the financial year. Competition from other carriers, including low-cost carriers, was fierce, but SAA remained competitive and grew its domestic route revenue. This contributed to airline income rising from R19,1 billion to R20,6 billion.

However, a steep increase in lease charges contributed to higher operating costs, with energy costs once again being a big contributor. Sharply higher aircraft leases were one of the main drivers behind operating costs, rising to R2,5-billion from R1,9-billion the previous year. This increase was mainly due to the sale and leaseback of two A340-600 aircraft at the end of the last financial year.

The fuel bill rose to R5,7-billion from R4,9-billion as oil prices remained high during the course of the year, although increases in fuel levies helped offset this charge. Energy costs now consistently make up more than 25% of total operating costs. Management however continued to achieve savings due to earlier changes made to the group's fuel policy and fuel procurement agreements.

As a result, SAA posted a loss of R883-million, a cause of concern amongst management, the board and the shareholder.

The board was, however, impressed by the willingness of the management team to deal decisively with the challenges facing the airline by launching a holistic restructuring programme. With the aim of simplifying and rightsizing the business, as well as re-skilling and incentivising staff, the programme is both bold and ambitious. It is far more than just a financial recapitalisation or organisational structural shift, as the entire business model is being overhauled to ensure survival. This includes strategy, processes, people and systems.

Recapitalisation

On 30 March 2007, SAA received a government guarantee of R1,3-billion for the first tranche of a recapitalisation process that is tied to SAA's turnaround strategy. A task team comprising the Department of Public Enterprises and National Treasury has been set-up to work with SAA to assist in, and monitor, the implementation of this strategy.

Passenger numbers rose 8% to 7,7-million

Sustainability

SAA has long been the dominant airline in Southern Africa, and is committed to remaining a responsible and caring corporate citizen. We take our role as a fair employer seriously, and are committed to ensuring that we operate with respect for people and the planet.

Labour relations

SAA's relationship with its employees is of critical importance, and the 2006/07 year proved to be a stable one following the industrial action of the previous year which grounded operations for nearly a week. SAA has worked hard at improving its communications with employees and is committed to ensuring that staff are fully involved and informed throughout the restructuring initiative.

Customer service

SAA's customers are at the very heart of the business, and we take their comments and suggestions seriously. There was a continued decline in baggage related complaints from customers as SAA improved the supervision of, and security around, baggage handling. Staff training on customer relations is an ongoing priority.

Awards

SAA was again announced the Best Airline in Africa at the Weekly Globe Awards for the 16th consecutive year. We also received an award for our Voyager credit card, launched in August 2006, from Razor's Edge Business Intelligence and were again recognised for service excellence and professionalism in the travel industry, with awards from ASATA and Diners Club International as the Best Online International Airline and the Best African Airline.

Sponsorships

The emphasis on sponsorships as one of our marketing levers has been scaled down as SAA seeks to focus increasingly on the premium target market. SAA will realign its sponsorship programme in keeping with its restructuring business plan. Sponsorships are an important part of our business plan, allowing the airline to increase revenue through our core business – that of flying customers. We are also making a valuable contribution to promoting sport amongst the country's diverse social groupings as part of our broader corporate social responsibilities.

Corporate social investment

SAA continued its commitments to its strategic plan for corporate social investment that was launched in 2005, called Wings of the Nation. A wide range of initiatives were successfully undertaken during the course of the year, focusing on issues such as education, sports, poverty alleviation and social development as well as on

staff outreach projects. In terms of the latter, SAA staff invested a significant amount of time and energy on projects such as the winter soup kitchen drives and the Alexander and Tembisa Outreach programmes.

Black economic empowerment

Our commitment to broad-based black economic empowerment (BEE) is driven by the group's view that empowerment is a key driver of long-term growth. Key aims of SAA's BEE strategy include promoting enterprise development, developing a strategic black supplier base, enabling black owned companies to participate in local manufacturing and escalating the procurement of goods and services from black-owned companies.

SAA's Bid Adjudication Council, an internal tender adjudication structure mandated to sanction tenders above R500 000, approved supplier contracts to the value of R471-million, of which R234-million was committed to BEE. This represented an increase of 700% over the previous financial year.

HIV/Aids staff initiatives

SAA implemented various initiatives through its "SAA Cares" campaign and started the year with a candlelight memorial where public speakers were invited to share their personal experience in terms of living with HIV/Aids. More than R700 000 was spent on an HIV/Aids management programme which provides testing, ARV treatment and counselling to infected employees that do not have medical aid cover.

Corporate governance

The group is committed to the guidelines of the King II Code of Corporate Practices and Conduct in South Africa, and complies to the rules of the Public Finance Management Act relating to public entities.

Management has put a lot of effort into improving the control environment. A number of initiatives were implemented to achieve this, including the delegation of authority framework, a risk register, a new revenue accounting system, a fraud prevention policy and plan as well as a cash conservation office. These initiatives deserve particular mention in this review as they will play a pivotal role in improving financial controls as the restructuring programme is implemented.

Board of Directors

During the review period, a number of non-executive directors retired their positions on SAA's board. They are Advocate Marumo Moerane, Mr Valli Moosa, Dr Charles Okeahalam, Mr Paul Nkuna, Ms Albertina Kekana (nee Ngwezi) and Ms Maria Ramos. We thank them all for their valuable input over the years.

We welcome the new appointees to our Board, including Adv Francine-Ann du Plessis, Prof Jeurgem Schrempp, Dr Nkosana Moyo, Ms Koosum Kalyan, Mr Billy Modise and Ms Margie Whitehouse who all joined us as non-executive directors in 2006/07. We thank them for their positive contribution.

I would like to thank all the other Board members for their hard work and wisdom over the past year and will continue to count on them during the current year.

Looking forward

IATA predicts that the airline industry is moving into a period of slower revenue growth over the next two years. Revenues are forecast to grow by about 5% – roughly half the average annual expansion of 10% enjoyed since 2004. This is in line with the projected growth in air travel to and from SA over the next five years. Further challenges are brought about by the push towards "open skies" both internationally and domestically, which will increase competition. Other challenges include ongoing bilateral restrictions in Africa as well as the volatility in the fuel price and exchange rates.

However, there are also many opportunities for SAA. These include the expected growth in the domestic and African markets, the increase in the number of premium class passengers flying in Africa, cost reduction through advances in technology and major events that will boost travel to SA, notably the 2010 Soccer World Cup.

There can be little doubt that the 2007/08 financial year will be an extremely challenging one for SAA – the like of which has seldom been witnessed by the airline. Painful initiatives will be required to turn the carrier around financially, and hence the board does not expect SAA to produce profits in the coming financial year.

We do, however, have full confidence in the ability and determination of the management team to push through with the restructuring plan, and appreciate the hard work and dedication shown by employees in ensuring that the initiatives produce the desired results.

I would like to thank Khaya Ngqula and all the employees of SAA for their considerable efforts during the year and wish them strength and fortitude in the year ahead.



Professor Jakes Gerwel
Chairman

Chief Executive Officer's report

Khaya Ngqula | Chief Executive Officer

Simplify, rightsize, re-skill and incentivise

The airline reached a critical juncture during the 2006/07 financial year, when it became evident that a deep and fundamental restructuring was required. Much was achieved under the People, Patronage and Profit strategy, including a determined effort to enhance customer service, to improve the skills of our staff by ensuring that they meet the needs of our business, and by retaining a clear focus on cutting costs. There were also achievements in terms of growth, with passenger revenue improving more than 11% during the review period and passenger numbers rising 8% to 7,7-million.

However, despite strong overall revenue numbers, it became evident that costs were rising beyond our turnover. Key to this was the sharp rise in aircraft leases costs. Fuel prices, which make up more than a quarter of the airline's costs, also rose steeply in line with the oil price which exceeded \$70 per barrel at times during the financial year.

A decision was made in November last year that a turnaround plan was needed which dealt not only with the issue of costs, but one which interrogated every aspect of the business, from the fleet to our routes, from the staff complement and employee benefits to our contracts with suppliers. In February, we appointed US aviation turnaround specialists, The Seabury Group, to assist management in formulating a strategy that would allow SAA to hold its own as a world-class airline.

Staff

We made significant strides in building a strong and durable relationship with our staff during the review period. There has been a particular focus on leadership development and bolstering the calibre of our financial and risk management skills. Communication with all staff was stepped up following the debilitating strike during 2005, and all parties have worked hard to build better relations. We have also engaged labour throughout our restructuring process under the auspices of the labour restructuring caucus.

Strategic direction

We received a clear mandate from our shareholder, government, during the review period that SAA is to be an African airline with a global reach. It is therefore management's intention to concentrate SAA's operations in Africa, with profitable routes into each of the major continents linking into key cities and airports, and to focus on popular and profitable routes in the domestic market.

Route network

Africa is the key driver of international tourism to South Africa and a significant growth market for the airline, hence SAA will expand its route network into Africa. This will help boost SAA's profitability and assist key government objectives, including the New Partnership for Africa's Development (Nepad) initiative. Negotiations of bilateral traffic rights with governments in key markets have moved slowly, but we remain hopeful that further progress will be made.

On the international front, global carriers are increasing their capacity, while more airlines are offering services to SA. We decided to exit unprofitable international routes, such as Zurich, and shift capacity to routes which are profitable, while still ensuring that we continue to serve major cities on all the continents. We have also made changes to our network so as to improve connectivity for our customers, such as flights from Washington that now operate non-stop.

Domestically, our objective is to continue to service the key domestic routes and to provide seamless connectivity for inbound and outbound international passengers. We will strive to be at the forefront of driving the growth of tourism in SA, given its rising contribution to economic growth.

Partnerships

Adding to our expanding route network, we increased our partnerships in Africa and the Middle East by joined hands with Air Mauritius, Saudi Arabian Airlines, Egypt Air and Rwandair Express. We also formed relationships with Star Alliance partners such as United Airlines in North America and Singapore Airlines and ANA in Asia.

Fleet

In November 2006, the Board of SAA approved a long-term strategic fleet plan to expand SAA's fleet. This was in line with expectations that growth on existing profitable routes as well as SAA's network into new markets would increase over the next five years. This was subsequently put on hold during the review period in line with SAA's decision to restructure the airline. At financial year-end, SAA had a fleet of 70 aircraft, of which 14 are owned and the remaining 56 are leased.

Voyager

SAA's Voyager frequent flyer programme has made great strides with the three-year programme, launched in 2005, which sought to boost efficiencies, improve customer service and simplify the system. Loyal customers have seen major benefits from SAA's decision to join the Star Alliance, as they are able to earn and spend on 18 airlines. The launch of the Voyager Credit Card in August 2006 was a big milestone for the programme, and also brought in additional revenue.

New IT systems

The upgrade of SAA's reservations, inventory and departure control system to the Amadeus reservations system, which boosted our service to the travel trade, was successfully introduced during the year. We focused on using the system to improve customer service by providing the IT support for the new common user facility (CUSS) check-in system as well as introducing a new voice recognition system. Improvements to our IT systems have not only resulted in savings to SAA, but have also increased the utilisation of IT assets and the standardisation of operations facilities.

Safety and security

Safety and security, both on the ground and in the air, are crucial components of SAA's value proposition, characterised by superior service, products and networks. Our commitment to delivering safe and secure operations are unwavering. Despite 2006/07 being a generally good year during which SAA operations again underwent a number of regulatory audits from civil aviation authorities, it did not pass without several incidents. The most notable of these was the attempted hijacking of an SAA aircraft in June 2006 and the armed robbery of valuable cargo to the value of \$11-million at OR Tambo International in March 2007. We continue to work closely with governments and relevant authorities around the world to monitor and implement the safety and security measures we have in place, and to ensure our policy is in full compliance with all regulatory requirements.

Customer service

Improving on our customer service remains a priority, with various initiatives introduced over the year. The common user facility (CUSS), an

industry-led initiative which allows customers travelling with hand baggage to check themselves in, was introduced at domestic airports served by SAA. This initiative, which will soon be expanded to include passengers travelling with bags, was very well received.

We also experienced a decrease in pilferage from customer bags and lost bags due to the implementation of increased security measures. We introduced boarding by seat numbers at domestic coastal stations to help with congestion on our aircraft and to speed up the boarding process. We have also become far stricter with excess baggage allowance, for safety reasons.

Environmental issues

We support industry efforts to improve cost efficiencies and are committed to contributing towards greener skies. We are looking at ways to fly, and to run our ground handling, as efficiently as possible as part of our contribution to a greener future. We already operate one of the youngest, most efficient aircraft fleets in the world, with an average age of only five years.

SAA is at the forefront of the International Air Transport Association (IATA) call for the voluntary commitment of member airlines to increase fuel efficiency and reduce CO₂ emissions. When IATA published a checklist in 2004 for participating airlines to measure their operation in terms of fuel and emissions, we had already complied with 80% of the list. Since then we have put measures in place to achieve full compliance.

We are in ongoing discussions with aviation partner, Air Transport Navigational Services (ATNS), on how traffic control procedures can contribute towards improved efficiencies and we are intent on burning less fuel, not only as a cost saver, but as our way of contributing to a greener future.

Product

SAA completed the introduction of our award winning lie-flat beds in business class on all Airbus long haul aircraft during the year. These beds lie completely flat at 180 degrees, in contrast to the angled seats provided by most competitive airlines. These beds have been extremely well received by our passengers, and won us an improved ranking in the 2006 World Airline Awards.

We also improved our meals on board with items such as health breakfasts. In premium and first class, we now offer meals designed by celebrity chefs and the "dine-on-demand" concept has proved to be very popular.

The SAA premium and first class lounges remain a priority for our business class passengers, all of which have now been equipped with WI-FI accessibility. The in-flight entertainment content has also been upgraded to deliver a balanced range of content for our passengers.

Mango

SAA launched its low cost airline Mango in November 2006 to make air travel more accessible and affordable to the public, which has proved to be a successful venture into the low-cost carrier market. The group advanced a subordinated loan facility of R100-million to fund the operations of Mango until it is in a position to fund its own operations. Mango operates at an arm's length basis from SAA.

In the five months between its launch and the end of March 2007, Mango achieved market-share in excess of 10% and it is strongly competing for the position of second biggest South African carrier by passenger volumes. This is despite its relatively small fleet size. Mango operates with a fleet of four Boeing 737-800 aircraft on five routes, and has an average of 30 flights per day.

SAA Technical

SAA Technical, our maintenance arm which operates as a separate business entity, once again made strong progress towards growing its client base, sourcing yet more work from other airlines. This is part of its overarching goal of ensuring that the servicing of SAA aircraft makes up a total of 50% of its revenue in the next two years, against the current 75%. SAA Technical has amongst the best dispatch records in the world, which not only reflects well on its maintenance standards, but also boosts SAA's revenue.

SAA Cargo

The cargo division of SAA raised revenue by 14%, a strong performance in an increasingly competitive environment. The revenue was split roughly 50:50 between using SAA aircraft to carry cargo and external customers as the division sought to increasingly diversify its revenue stream. Looking forward, Cargo will seek to make further inroads into the market in sub-Saharan Africa, particularly in the strong growing fresh flower and vegetable markets.

Financial performance

Despite good growth in revenue during the year, SAA's costs grew more steeply than income, which led to margins and profits being squeezed.

Passenger revenue, which is the critical performance measurement for an airline, showed good growth, rising to R14,2-billion from R12,7-billion, as passenger numbers improved 8% to 7,7-million. This revenue was partly driven by an increase in capacity – as measured by available seat kilometres – predominantly due to added flights on our domestic and regional routes. The main driving force behind the growth in revenue was, however, due to SAA regaining some of its lost market share in the domestic market, by implementing commercially acceptable agreements with retail and corporate customers. This was enhanced by strong revenue growth at the regional

level, with only the international market underperforming.

However, operating costs rose sharply, driven largely by aircraft leases which came in markedly higher at R2,5-billion from the previously stated R1,9-billion. This increase was mainly due to the sale and leaseback of two A340-600 aircraft. Spending on energy also came in markedly higher, rising to R5,7-billion from R4,9-billion the previous year, although coinciding with an increase in fuel levies. At the end of the year, SAA reported an operating loss of R603-million. The net loss for the year was R883-million against a profit of R65-million the previous year.

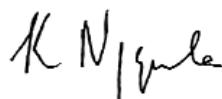
Prospects

The current financial year will be one of the most challenging in SAA's history. Restructuring is always a painful and difficult process, and one with the depth and breadth of SAA's current initiative is particularly challenging. The ultimate objective of the strategy to simplify, rightsize, re-skill and incentivise the business is to put SAA on the path to sustainable profitability and to deliver an airline that South Africans are proud of. In the next 12 to 18 months, we will undertake a range of operational and revenue improvement initiatives, in order to achieve a profit margin of 7,5%.

One of the biggest challenges in the current year will be to negotiate new conditions of employment with all employees. The aim is to standardise employment throughout the organisation, not only to ensure fairness and uniformity for all staff members, but also to reduce administrative costs.

We will continue our efforts to provide a seamless service involving all our service providers. We plan to introduce a 'one-stop' service at OR Tambo International airport in Johannesburg that will integrate our ticketing and Voyager services. Intent on offering our customers a wider selection of direct services from Johannesburg, we will introduce new routes to Libreville (Gabon) and Munich (Germany).

The ultimate objective is to deliver on the mandate given to us by our shareholder: to be a profitable African airline with a global reach. I have every confidence that SAA's loyal employees will rise to the challenge and help us deliver on our objectives. I would like to thank them all for their dedication in the past year, and to express my gratitude to the Board and the shareholder for their guidance during what has proven to be a challenging period for SAA.



Khaya Ngqula
Chief Executive Officer

In the next 12 to 18 months, SAA will undertake a range of initiatives to achieve a 7,5% profit margin

The Board

Prof Gert Johannes 'Jakes' Gerwel

Chairperson

Prof Gerwel holds the following qualifications: BA, BA Hons, LicGermPhil, DLitt et Phil. He is Chancellor of Rhodes University, distinguished Professor in the Humanities at the University of the Western Cape, Honorary Professor in the Humanities at the University of Pretoria, and Chairman of the Human Sciences Research Council. He was vice-Chancellor and Rector of the University of the Western Cape from 1987 to 1994. From May 1994 to June 1999 he served as Director-General in the Office of President Mandela and Secretary of the Cabinet in the Government of National Unity. He is presently a non-executive director of Naspers, Old Mutual, and Distell. He is also non-executive chairman of Africon Engineering International, Brimstone Investment Corporation, Life Healthcare and Media 24 and chairs the Boards of Trustees of the Nelson Mandela Foundation, the Mandela Rhodes Foundation, the Institute for Justice and Reconciliation, the Allan Gray Orbis Foundation and is vice chairman of the Peace Parks Foundation.

Dr Khaya Ngqula

CEO

SAA CEO Dr Ngqula was President and Chief Executive of the Industrial Development Corporation (IDC) of SA Limited. Before joining the IDC he was MD of Norwich Unit Trust. He has a BAdmin degree and an Honorary Doctorate of Commerce from University of Fort Hare. He sits on the board of Worldwide African Investment Holdings and Party Design (Pty) Limited and is a member of the United Nations Investment Committee.

Gareth Griffiths*

Chief Financial Officer

Gareth was appointed as Chief Financial Officer of SAA from 2007. Gareth, a chartered accountant, has a distinguished career in financial management. He holds a Commerce degree from Rhodes University, an Honours degree in Accounting from the University of South Africa and is a member of the South African Institute of Chartered Accountants.

Ms Albertina Kekana (Ngwezi)*

Non-executive

Ms Kekana is currently the Chief Operating Officer of the Public Investment Corporation (PIC). She also serves on the Investment Committee of the Eskom Pension and Provident Fund and the boards of Pareto, Advent, ACSA and as executive director for the PIC. She previously held the position of Corporate Finance Director at UBS Warburg. During her term at UBS Warburg, she spent some time on secondment to the New York and London offices of UBS. She is a chartered accountant by profession. She served on the Audit Committee. She resigned from the Board on 8 March 2007.

Ms Louisa Mojela

Non-executive

Ms Mojela is one of the founders and Group CEO of Women Investment Portfolio Holdings (Wiphold). She has held positions at Standard Corporate and Merchant Bank, the Development Bank of South Africa and the Lesotho National Development Corporation. She has a BCom from the University of Lesotho. She serves on the Financial, Risk and Investment Management Committee and served on the Nominations, Governance and Remuneration Committee. She is also chairperson of the Restructuring subcommittee.

Mr Peter Joubert

Non-executive

Peter Joubert is the current Chairman of BDFM Publishers (Pty) Limited, Munich Reinsurance Company of Africa Limited, Sandvik (Pty) Limited. He also serves on the boards of Transnet, Cycad Financial Holdings Limited and IMS Holdings (Pty) Limited. His career spanned 30 years with Afrox, starting as a trainee and with 15 years as Chief Executive and Chairman. He served on the board of various top corporates such as Murray and Roberts, Old Mutual and Nedcor and as Chairman of various other companies, including Delta Electrical Industries, Foodcorp, General Motors SA, Impala Platinum and Northern Engineering Industries. He has also been Chairman of Roedebeek School and Chancellor of the Order of St John. He serves on the Finance, Investment and Risk Management Committee as well as the Restructuring subcommittee of the Board.

Adv Francine-Ann du Plessis

Non-executive

Mrs du Plessis is a chartered accountant and is an admitted advocate to the Cape High Court. She is an expert on taxation issues and contracts. She brings strong legal and financial expertise to the SAA Board. She has served on various boards, including Naspers, Sanlam and the IDC. On the SAA Board, she also serves as chairperson of the Audit Committee and is a member of the Restructuring subcommittee.

Prof Jeurgen Schrempp

Non-executive

Prof Schrempp is a mechanical engineer by profession and was CEO and Chairman for DaimlerChrysler AD until 2005. He has extensive international business experience and exposure including strong competencies in finances, business development; strategic turnaround and mergers and acquisition. He has extensive board experience. He is an Honorary Consul General of SA, Member: Presidential Investment Committee, Chairperson: SA Initiative of German Business and Chair Emeritus: Global Business Initiative on HIV/Aids. He has also received international acclaim for his humanitarian efforts.

Dr Nkosana Moyo*Non-executive*

Dr Moyo, a Zimbabwean national, holds a PhD in Physics and an MBA. He was the Minister of Industry and International Trade in Zimbabwe. Dr Moyo held a number of senior management positions, all of them in the private sector, and largely in finance. He held several executive director positions as CEO for banking institutions and has worked with the World Bank. He is currently a partner for Actis Capital, a leading private equity investor. He is also a pilot. His board experience and financial expertise will greatly enhance the SAA Board.

Ms Koosum Kalyan*Non-executive*

Ms Kalyan has a BCom (Law) (Hons Economics) and has completed the Senior Executive Management Programme – London Business School. She is a member and co-facilitator of the UNAIDS/Shell Scenario Planning Team on HIV/Aids in Africa. She is an adviser to Prime Minister Blair's Commission for Africa as well as a Private Sector Liaison and Coordinator for Africa and is lecturing at Harvard Business School on Investment Climate for Africa. She chairs the G8 Business Action Against Corruption in Africa, the Commonwealth Business and Women's Network and the Commonwealth Business Advisory Council. She sits on the boards of the MTN Group Limited, South African Business Trust, South African Bank Note Company of SA Reserve Bank, South African Mint Company of Reserve Bank, Kgontsi Investments and UK/SA Business Initiative London. Ms Kalyan chairs the Remuneration Committee of the SAA Board.

Mr Billy Modise*Independent non-executive*

Ambassador Modise was the South African High Commissioner to Canada from 1995 to 1999. He was Chief of State Protocol at the Department of Foreign Affairs from 1999 until April 2006. He served a total of 13 years with the United Nations in two different capacities from 1975 to 1988. He has a BA as well as MA degree in Social Sciences. He serves on the Nominations, Governance and Remuneration Committee as well as the Restructuring subcommittee of the Board.

Ms Margie Whitehouse*Non-executive*

Ms Whitehouse has a Bachelor of Business Science with Honours in Marketing. With a background of working in multinationals such as Unilever, as well as extensive work within the South African Government, Ms Whitehouse has experience in building and marketing brands, specifically world-class African brands. She will be able to assist in the positioning of SAA's business disciplines to better position marketing initiatives. She serves on the Financial, Risk and Investment Management Committee.

*Resignations

SAA Leadership

Dr Khaya Ngqula

CEO

SAA CEO Dr Ngqula was President and Chief Executive of the Industrial Development Corporation (IDC) of SA Limited. Before joining the IDC he was MD of Norwich Unit Trust. He has a BAdmin degree and an Honorary Doctorate of Commerce from University of Fort Hare. He sits on the board of Worldwide African Investment Holdings and Party Design (Proprietary) Limited and is a member of the United Nations Investment Committee.

Thelma Melk

Company Secretary

As the Company Secretary Thelma provides a secretarial service and corporate governance council to the SAA Board, the CEO and the executive team. She previously was the group Company Secretary for the SABC and worked for Transnet. Thelma holds law degrees and is educated in labour relations, corporate governance and company direction.

Vishnu Naicker

Chief Risk Officer (CRO)

At SAA, he is the CRO and is responsible for managing the corporate's enterprise risk management, internal audit, corporate governance and compliance portfolios. His career spans extensive experience with corporates such as the Barlow Rand Group and Altech. Vishnu has a strong academic background and experience in economics, accounting and financial management. He holds BCompt, HDip.Tax, Dip Bus.Mgt (University of Natal) and a Systems Administration Diploma.

Nomfanelo Magwentshu

Chief Restructuring Executive

Nomfanelo has been appointed as the airline's Chief Restructuring Executive, responsible for overseeing the airline's restructuring business plan taking the airline towards profitability. She previously held the portfolio responsible for long-term planning (including corporate strategy, new business and fleet planning), alliances, aeropolitical affairs, network planning and scheduling as well as revenue management and pricing. Before SAA she worked for the Standard Corporate and Merchant Bank's Corporate Banking division as an account executive, as director in the Director-General's office in the Department of Public Enterprises, as Business Planning Manager at Metrorail and as Survey Analyst for Hay Management Consultants. Nomfanelo has an MBA from GIBS and a BSc Hons (Statistics) from the University of Natal, Pietermaritzburg, BSc (mathematics and statistics) from University of Transkei (Eastern Cape), and attended a Programme for Management Development at the UCT Graduate School of Business.

Bhabhalazi Bulunga

General Manager Human Resources

Bhabhalazi joined SAA in March 2007 as the General Manager responsible for the company's human resources function. Previously he worked for the biggest mining company in the world, BHP Billiton, as Manager Human Resources at Mozal in Mozambique and Hillside in Richards Bay. He also worked for South African Revenue Service (SARS), leading the Siyakha Transformation Programme. He has wide experience in various business sectors, including that for government, pharmaceutical, chemical, FMCG (fast moving consumer goods) and technology sectors. Bhabhalazi holds a BA Social Science degree from the University of Swaziland and completed an Executive Development Programme at Wharton University in Philadelphia, USA.

Captain Colin Jordaan

General Manager Flight Operations

He is responsible for the flight operations of the airline including pilots, cabin crew, flight technical and all crew training. He has been Chairman of the flight operations group of the International Air Transport Association (IATA) for the past two years. He previously held the positions of Chief Technical Pilot and Strategic Planning Manager SAA Flight Operations. He captains the Airbus A340 and is also a rated test pilot on this and other aircraft. He studied aeronautical engineering at Wits University.

Gareth Griffiths

Chief Financial Officer

Gareth was appointed as Chief Financial Officer of SAA from 2007. A chartered accountant, he has followed a distinguished career in financial management. He holds a commerce degree from Rhodes University, an honours degree in Accounting from the University of South Africa and is a member of the South African Institute of Chartered Accountants.

Patrick Dlamini

General manager SAA Cargo

Patrick is responsible for running the airline's global cargo division, where he has been General Manager since 2004. Before joining SAA he worked for South African Ports Operations as business unit executive and previous thereto as chief operations manager at Transnet as an audit manager and at The McCarthy Group as regional audit manager. Patrick holds a BCom Accounting degree from the University of Durban-Westville and completed the Wits Business School Executive Programme.

Jan Blake*CEO SAA Technical*

Jan is CEO of SAA's Technical (SAAT) division that handles all maintenance work for the airline. Before this he was Chief Financial Officer at SAAT and headed SAA's operations. Before SAA he was with Flitestar, the XPS division of the Rannies Group and worked for Iscor. Jan is a chartered accountant.

Louisa Zondo*General Counsel*

Louisa is SAA's General Counsel. Before this she was CEO of the National Nuclear Regulator (NNR), and spent three years in Vienna with the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organisation as Secretary for the Preparatory Commission. She practised as an advocate at the Johannesburg and Durban Bar. Her work experience also includes roles as a Deputy Executive Director in The Secretariat of the Constitutional Assembly and as CEO of The South African Human Rights Commission. Louisa holds a BProc degree (University of the North) an LLB (University of Natal, Durban) and an LLM (London School of Economics) and she is an advocate of the High Court of South Africa.

Phillip Bekker*General Manager Airport Operations, Customer Care, CEO office*

Phillip was appointed as General Manager for global passenger services in August 2006. He joined the Transnet group more than thirty years ago and has served the airline in various top positions. Before his appointment as GM he was executive vice president for North America in Fort Lauderdale, responsible for the airline's North America operations, and from 2000 to 2004 regional GM for North Asia in Hong Kong responsible for overall operations, sales and marketing in Hong Kong, Japan, South Korea, China, Taiwan, Philippines, Vietnam and Macau. Other positions in the airline included those as regional manager for Japan and Korea in Tokyo, Japan and director human resources in Johannesburg. Phillip holds a BA from the University of Stellenbosch, Honours and Master's degrees from the University of South Africa, a postgraduate diploma in Labour Relations and followed an Executive MBA programme at Stellenbosch University. He is a registered industrial psychologist.

Rushj Lehutso*General Manager Commercial*

Rushj is General Manager Commercial, and responsible for the airline's worldwide sales, marketing, sponsorship and Voyager. Rushj previously held the position as the city of Cape Town's Chief Operations Officer. During his career he was a District Manager for South African Breweries, General Manager of United Distillers & Vintners and the Director of Operations for Coca Cola Southern Africa. Rushj holds an MBS from the University of Cape Town and a Bachelor of Communications from the University of the North West.





SOUTH AFRICAN AIRWAYS

A STAR ALLIANCE MEMBER 

Annual Financial Statements

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The annual financial statements set out on pages 16 to 81 were approved by the Board of Directors on 4 June 2007.