



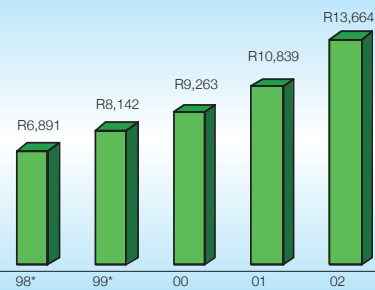
SOUTH AFRICAN AIRWAYS

South African Airways (Proprietary) Limited

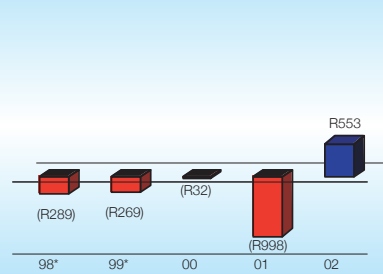
(Registration number 1997/022444/07)

GROUP AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2002

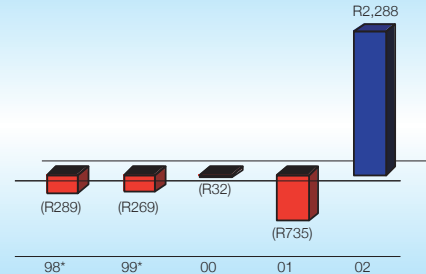
Revenue – R million



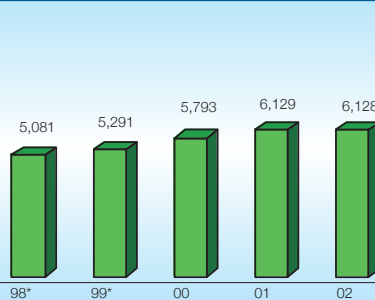
Headline profit (loss) – R million Before net derivative fair value gain (AC133)



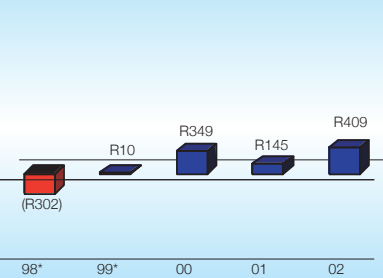
Headline profit (loss) – R million After net derivative fair value gain (AC133)



Revenue passengers flown – million



Net profit (loss) – R million Before net derivative fair value gain (AC133)



Net profit (loss) – R million After net derivative fair value gain (AC133)



*a division of Transnet Limited

Abridged group income statement

	Year ended 31 March 2002 R million	Year ended 31 March 2001 R million	% change
Revenue	13,664	10,839	26.1
Operating costs	(14,984)	(12,564)	19.3
Operating costs excluding aircraft lease costs and depreciation	(13,346)	(11,474)	16.3
Aircraft lease costs	(1,357)	(777)	74.6
Depreciation	(281)	(313)	(10.2)
Gross operating loss	(1,320)	(1,725)	(23.5)
Impairment of assets	(509)	(25)	
Restructuring cost	(68)	–	
Operating loss before other income	(1,897)	(1,750)	
Net profit on sale of property, aircraft and equipment	467	1,263	
Profit on sale of property, aircraft and equipment	540	1,562	
Phase out costs on aircraft sold	(73)	(299)	
Other operating income	560	836	
Operating (loss) income	(870)	349	
Additional retirement benefit costs	(80)	(55)	
(Loss) income before net finance income and revaluation of investment	(950)	294	
Net finance income	3,312	114	
Interest paid	(427)	(306)	
Interest received	294	184	
Other finance income	1,516	103	
Net derivative fair value gain	1,953	263	
Loss on revaluation of investment	(24)	(130)	
Income before taxation	2,362	408	
Taxation	218	–	
Net profit	2,144	408	
Earnings per share (cents)	69	13	
Headline profit (loss) per share (cents)	73	(24)	
Number of shares in issue (million)	3,127	3,127	
Reconciliation of headline earnings			
Net profit for period	2,144	408	
Adjusted by:			
Profit on sale of property, aircraft and equipment	(540)	(1,562)	
Phase out costs on aircraft sold	73	299	
Branding and code share income	–	(35)	
Loss on revaluation of investment	24	130	
Restructuring cost	68	–	
Impairment of assets	509	–	
Other	10	25	
Headline profit (loss) for period after net derivative fair value gain (AC133)	2,288	(735)	
Net derivative fair value gain	(1,953)	(263)	
Tax effect	218	–	
Headline profit (loss) for period before net derivative fair value gain (AC133)	553	(998)	

Abridged group balance sheet

	As at 31 March 2002 R million	As at 31 March 2001 R million
ASSETS		
Non-current assets	6,553	5,496
Property, aircraft and equipment	4,107	3,677
Intangible asset	27	203
Investments and long-term asset	2,291	1,616
Deferred tax asset	128	–
Current assets	9,275	5,240
Inventories	433	535
Accounts receivable	2,222	2,072
Financial derivative asset	2,494	424
Short-term portion of long-term asset	237	169
Bank balances and cash	3,889	2,040
	15,828	10,736
EQUITY AND LIABILITIES		
Capital and reserves	6,028	3,884
Share capital	3,127	3,127
Accumulated profits	2,901	757
Non-current liabilities	3,198	1,818
Interest-bearing long-term liabilities	2,852	1,818
Deferred tax liability	346	–
Current liabilities	6,602	5,034
Bank overdraft	–	1
Financial derivative liability	171	174
Air traffic liability	1,803	1,346
Accounts payable	4,401	3,381
Short-term portion of long-term liabilities	227	132

Abridged group cash flow statement

	Year ended 31 March 2002 R million	Year ended 31 March 2001 R million
Cash inflow from operating activities	1,852	389
Cash (outflow) inflow from investing activities	(438)	506
Cash inflow (outflow) from financing activities	436	(307)
Increase in cash and cash equivalents of year	1,850	588
Cash and cash equivalents at beginning of year	2,039	1,451
Cash and cash equivalents at end of year	3,889	2,039

Abridged group statement of changes in equity

	As at 31 March 2002 R million	As at 31 March 2001 R million
Share capital	3,127	3,127
Non-distributable reserves	–	–
At beginning of year	–	(13)
Cash flow hedge changes	–	13
Accumulated profits	2,901	757
At beginning of year	757	349
Net profit	2,144	408

Other operating income

	Year ended 31 March 2002 R million	Year ended 31 March 2001 R million
Revenue from prescribed tickets	59	100
Revenue from prescribed air waybills	26	200
Lease income	50	80
Branding and code share income	–	35
Insurance claims	74	–
Discounts received	172	213
Other miscellaneous income	179	208
	560	836



South African Airways (Proprietary) Limited

(Registration number 1997/022444/07)

GROUP AUDITED RESULTS (CONTINUED)

COMMENTARY

COMMITMENT TO CORPORATE GOVERNANCE

SAA's Board of Directors and management are committed to the highest levels of corporate governance and compliance with the provisions of the Public Finance Management Act. Recommendations of the "King II report on corporate governance" have been considered by the Board and steps will be implemented to further improve corporate governance.

ACCOUNTING POLICIES

Accounting policies have been applied in accordance with South African Statements of Generally Accepted Accounting Practice ("GAAP"), which are consistent with the prior years except for the policy on maintenance costs.

Maintenance costs

In prior years, SAA expensed all maintenance costs as and when incurred. With effect from 1 April 2001, SAA expenses maintenance costs that are contractually required when paid and maintenance costs which are not contractually required as and when incurred. The effect of the change in the accounting policy amounts to a reduction in income before taxation of R114 million in the current year. Prior results were not adjusted as the effect is not material.

Derivative financial instruments (AC133)

As stated in the prior year, SAA is in preparation for the adoption and implementation of statement AC133, Financial Instruments: Recognition and Measurement. Consistent with the prior year, SAA has accounted for all derivative financial instruments on a mark to market basis. The adjustments on derivative financial instruments were recognised in the income statement. This policy has been adopted to more fairly reflect SAA's exposure to financial instruments. The effect of the above policy for the year under review was a profit of R1 953 million before tax (2001: profit of R263 million). The increase from the prior year is as a result of the significant devaluation of the Rand against major currencies during the latter part of the year under review. The R1 953 million profit should be excluded to better understand SAA's results for the year under review. If the effect of the above policy is excluded, SAA's net profit after tax decreases from a profit of R2 144 million to a profit of R409 million (2001: profit of R408 million to a profit of R145 million) and headline earnings decreases from a profit of R2 288 million to a profit of R553 million (2001: loss of R735 million to a loss of R998 million).

FINANCIAL PERFORMANCE

Revenue

SAA increased revenue 26,1% for the year under review despite continued difficult market conditions. The increase was mainly attributable to increased passenger revenue, cargo revenue and third party maintenance work performed.

Passenger

Passenger revenue increased 25,8% to R11 178 million (2001: R8 889 million). The increase is mainly due to an improvement in yields (resulting from fare increases and improved revenue management) and the positive impact of the devaluation of the Rand against major currencies. Approximately 55% of revenues are foreign currency denominated. Revenue paying passengers carried remained constant at 6,1 million (2001: 6,1 million) and capacity utilisation (load factor) also remained constant at 67%.

Cargo

SAA Cargo increased its revenue 18,9% to R1 394 million (2001: R1 172 million). The growth in revenue is mainly as a result of an increase in rates, which was offset by a decrease in tonnage flown. The devaluation of the Rand also had a positive effect on Cargo's revenue.

Technical

Third party revenue has increased 54,6% to R532 million (2001: R344 million). The growth in revenue is from additional major maintenance checks performed for Lufthansa and other new maintenance contracts entered into. During the year under review, Technical has entered into new maintenance contracts with Hydro Air, Air Seychelles and Linhas Aereas De Angola ("TAAG"). However, Technical has lost significant maintenance contract work due to the demise of the SAir Group. Technical is in the process of sourcing additional third party work.

Voyager revenue and commissions received

Voyager revenue and commissions received increased 29,0% to R560 million (2001: R434 million).

Operating costs

Operating costs increased 19,3% to R14 984 million (2001: R12 564 million). The escalation in operating costs was mainly attributable to higher fuel costs, maintenance material costs, aircraft lease costs and certain once off items.

Approximately 51% of operating costs, excluding aircraft lease costs, are US\$ denominated and were severely impacted by the Rand's devaluation.

Fuel cost increased 15,6% from R2 431 million in the prior financial year to R2 807 million. The increase was as a consequence of the decline in the Rand. This was partially offset by a decline in fuel prices and a profit earned on fuel hedges of R235 million (2001: R392 million).

The higher operating costs have been offset by the positive effects of the costs saving programme introduced last year. A 30-minute turn around time on domestic flights has been implemented to facilitate improved aircraft daily utilisation and generate savings on aircraft ownership costs of approximately R100 million per annum. The introduction of the "Bistro Bags" in economy class on domestic routes has eliminated more costly catering needs and generated savings of approximately R40 million for the year under review. In addition, the reduction in the use of consultants contributed a R243 million saving in costs.

Aircraft lease costs increased 74,6% to R1 357 million (2001: R777 million). The increase is as a result of new lease agreements entered into, in respect of Boeing 737-800 and -200 aircraft, and the devaluation of the Rand as the majority of these contracts are denominated in US\$.

Headline earnings

In the year under review, the headline earnings, before the net derivative fair value gain (AC133), has improved from a loss of R998 million in the prior year to a profit of R553 million. This was mainly attributable to the above-mentioned increase in revenue, improved operating cost management and income from other finance income which includes foreign exchange gains.

OTHER MATTERS

Atraxis Africa

SAA's IT function has been outsourced since April 2000. Part of the outsourcing contract included SAA's right to implementation and use of certain specified software to the value of R189 million, which was recorded as an asset. Subsequent to the demise of the SAir Group (ultimate holding company of Atraxis Africa (Pty) Ltd) certain assets and liabilities of Atraxis AG were sold to Electronic Data Services ("EDS"). An impairment provision amounting to R166 million has been raised against the above-mentioned asset. EDS continues to provide SAA with its IT services, but at a significantly higher cost. The airline is currently in negotiations with EDS and other IT suppliers to address the issue.

September 11

Except for the North American routes, SAA's passenger demand was not significantly impacted by the events of September 11. Frequencies to New York were reduced to 4 flights per week from 7. Demand to North America is improving and a 5th frequency has been reinstated to New York. Insurance costs increased by R200 million per annum as a result of this tragic event.

Fleet

SAA completed the disposal of its Airbus fleet as a result of the upgrade to new Boeing 737-800's. During the year under review, 4 Airbus A300's and 5 Airbus A320's were disposed of, realising a profit of R554 million.

The cash generated by these transactions, after allowing for aircraft sale preparation expenses, has been retained by the company for its future fleet requirements.

SAA operates a fleet of 62 (2001: 62) aircraft, which comprises 14 (2001: 23) owned aircraft and 48 (2001: 39) aircraft operated under operating lease agreements. 5 New Boeing 737-800's and 4 used Boeing 737-200's were introduced into service on operating leases. An additional 5 Boeing 737-800's are on order for use in the domestic and regional markets throughout Africa. SAA will take delivery of these aircraft in terms of its contractual commitment with Boeing.

Operating fleet as at 31 March 2002

Aircraft Type	Owned	Leased	Total	Avg Age (years)
Boeing 737-200F	-	2	2	21
Boeing 737-200Adv	-	20	20	21
Boeing 737-800	-	16	16	1
Boeing 767-200	-	2	2	17
Boeing 747-SP	3	-	3	26
Boeing 747-200	5	-	5	30
Boeing 747-300	3	3	6	19
Boeing 747-400	3	5	8	10
Total Operating Fleet	14	48	62	18

As part of SAA's strategy to create a standard and efficient fleet, a major deal was concluded with Airbus to renew its entire fleet over a period of 10 years. This aggressively priced deal comprises firm orders for the following aircraft:

A319-100	-	11 aircraft to be delivered commencing in 2005
A320-200	-	15 aircraft to be delivered on expiry of Boeing 737-800 leases

A340-300e	-	6 aircraft to be delivered, 3 in Q1 2004 and 3 in Q1 2005
A340-600	-	9 aircraft to be delivered, 2 in Q4 2002, 1 in Q1 2003, 1 in Q2 2003, 2 in Q3 2003, 1 in Q1 2004 and 2 in 2005

In addition, 6 A340-200's will be leased on an interim basis (12 to 18 months) from Airbus to cover the exit of the Boeing 747 "Classics" from the SAA fleet. These leases will terminate at the time the A340-300e's are delivered.

As a result of the above fleet renewal strategy, SAA's entire fleet of Boeing 747 "Classics", being the Boeing 747-300's, -200's and -SP's, will be phased out over the next two years. These aircraft were written down to net realisable value. The write down amounted to R129 million on aircraft and R144 million on aircraft spares relating to the Boeing 747 "Classics". The new generation Airbus aircraft do not require flight engineers and a redundancy provision of R68 million has been raised.

In order to retain and regain premium passengers on key routes, SAA embarked on a programme to upgrade its fleet of 8 Boeing 747-400's with new seating and in-flight entertainment systems (Millennium Product). To date, all aircraft have been completed and are in service. The Boeing 747-400's will be operated until 2006 at which time it is the intention to replace them with additional A340-600's.

SAA's total capital commitments for aircraft acquisitions, including the Boeing 737-800 programme, amounts to US\$2 187 million over a period of 10 years. These commitments will be financed through a mixture of internal and external funding.

Customer service

With the drive to revamp customer service, service level agreements are being introduced and a Global Passenger Service Training Centre has been established where approximately 710 candidates have undergone training to improve their skills and morale. The development of customer service standards, known as "Touch Points", have been introduced to improve service levels of all staff, which SAA views as a major enhancement to complement the arrival of its new fleet.

Subsequent events

The Board of SAA has approved a transaction to acquire a 100% stake in Air Chefs (Pty) Ltd, an airline catering company.

The underlying value of financial derivatives is sensitive to market fluctuations. The strengthening of the Rand against major currencies subsequent to year end has resulted in the net derivative financial gain of R1 953 million being reduced to approximately R750 million.

Prospects

Should fuel prices and the Rand/US\$ exchange rate remain at current levels, then SAA should achieve profits in the year ahead. However, whilst transaction gains on financial instruments made a significant contribution to earnings during the year under review, it is unlikely to be repeated in the year ahead. Management continues to explore initiatives to reduce operating costs to negate the impact of a devaluing Rand.

The fleet renewal plan, development of alliances, cost cutting measures and service improvements are key areas of focus in SAA's strategy of "Perfecting the Basics" to improve the airline's profitability.

SAA is expanding its e-commerce activities. Whilst on-line booking levels were initially low, they have increased rapidly. These are highly efficient sales as administration and commission levels are reduced.

An additional frequency to London and a new destination to Milan were recently added to SAA's routes. Expansion programmes into Africa are also being evaluated. The increase in tourism and the New Partnership for Africa's Development ("NEPAD") should have a positive effect on earnings. SAA is committed to improving tourism and is working closely with the Department of Tourism in this regard.

For and on behalf of the Board

DMJ Ncube

Chairman

25 July 2002

AN Viljoen

President and Chief Executive Officer

Directors:

DMJ Ncube* (Chairman)

AN Viljoen (President and Chief Executive Officer)

SN Mabaso*, ME Mkwanazi*, Dr L Konar*, R Forson**

(*Non executive)

(**Alternate)

Company secretary:

N Maqutu

Registered office:

Airways Park, Jones Road
Johannesburg International Airport
Kempton Park