

Comair Limited

Company Secretary: D. Borer

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Earnings Review

In our 60th year of operation Comair can report a solid performance for the year ended 30 June 2006 despite unprecedented high oil prices. This maintains what we believe to be a world record as being the only airline to have achieved operating profits for 60 consecutive years.

This year we also celebrate 10 years as a British Airways franchise, a partnership that has helped us become the business airline of first choice in the country. We also celebrate the 5th birthday of kulula.com. South Africa's first and leading low fare airline. kulula.com has revolutionised air travel and attracted almost 6 million customers to date, while becoming the country's biggest on-line retailer.

We have focused our efforts this year on growing our revenue base, while further reducing our controllable costs, aided by our fleet replacement programme whereby we continue to introduce more modern and cost efficient aircraft. The market continued to grow strongly during the year on the back of the fast growing middle class in South Africa as well as a buoyant economy. Our growth in passenger volumes, to over 3 million customers, exceeded the market growth and resulted in record turnover and occupancy levels.

Our strong brands helped us achieve a 15% growth in turnover to R2 billion which we converted to an attributable profit of R79 million (prior year: R73 million), despite an operating cost escalation of R149 million arising from the increased price of fuel. Fuel as a proportion of total costs increased from 25% in the prior year to 32% this year. Headline earnings per share increased by 8% to 20 cents per share. Cash generated by operations remained strong at R222 million, leaving us with a cash balance of R319 million at year end (prior year R216 million).

Prospects

We expect to see continued tough trading conditions for the next 12 months. Our major challenges are the high fuel price, pressure on yields and ongoing state support of our main competitor including uncertainty as to the final form of their proposed low fare airline. A weaker rand and potential slowing down of the economy would put further pressure on profits. We will continue to realise cost efficiencies and revenue opportunities from our fleet replacement programme

and will be looking to further diversify our revenue base through travel related opportunities.

Dividends

The Directors have resolved to declare a dividend (Dividend number 8) of 7.0 cents per share (prior year: 7.0 cents per share) to all shareholders. The last day to trade (cum the dividend) in order to participate in the dividend will be Friday, 29 September 2006. The shares will commence trading "ex" dividend from the commencement of business on Monday, 2 October 2006 and the record date is Friday, 6 October 2006. Share certificates may not be de-materialised or re-materialised between Monday, 2 October 2006 and Friday, 6 October 2006 both days included. The dividend payment will be made on Monday, 9 October 2006.

Basis of preparation

In terms of the listing requirements of the JSE Limited, the Group is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as from 1 July 2004. These results have been prepared in accordance with IFRS and IAS34 - Interim Financial Reporting. Previously the group reported in terms of South African Statements of Generally Accepted Accounting Practice.

Opening balance sheets at 1 July 2004 and 1 July 2005 have been restated accordingly. The comparative income statement for the year ended 30 June 2005 at that date has also been restated. The effect of the transition from of South African Statements of Generally Accepted Accounting Practice to IFRS on the group's financial position, financial performance and cash flows is summarised below.

IFRS 2 — Share based payments

The fair value of share options granted has been charged against income over the relevant option vesting periods.

IAS16 — Property, Plant and Equipment

Costs relating to the overhaul of aircraft components were previously expensed as maintenance. These costs are now capitalised and subsequently expensed as depreciation. The effect is an increase in the depreciation charge, with a commensurate decrease in the aircraft maintenance expense.

Audited Group Results for the year ended 30 June 2006

(Incorporated in the Republic of South Africa) (Comair or "the Company")
(Registration number 1967/006783/06)

JSE Share code: COM ISIN number: ZAE000029823 ("Comair")

ABRIDGED GROUP INCOME STATEMENT

	2006 R'000	2005 R'000	% change
Revenue	1,973,245	1,713,583	15%
Operating Expenses	(1,840,099)	(1,602,833)	15%
Profit from operations before interest	133,146	110,750	20%
Net investment expense	(17,272)	(12,144)	
Profit from ordinary activities before taxation	115,874	98,606	
Taxation	(37,074)	(25,863)	
Attributable profit	78,800	72,743	

ABRIDGED GROUP BALANCE SHEET

	2006 R'000	2005 R'000
ASSETS		
Property, plant and equipment	503,455	419,894
Deferred Taxation	-	6,094
Unlisted Investment	67,320	45,900
Current assets	488,777	335,945
	1,059,552	807,833
EQUITY AND LIABILITIES		
Capital and reserves	368,061	308,274
Non-current liabilities	296,281	177,740
Deferred taxation	5,128	-
Current liabilities	390,082	321,819
	1,059,552	807,833

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

Opening balance	308,274	234,558
Attributable profit	78,800	72,743
Dividend paid	(27,960)	(7,989)
Gain from cash flow hedges	13,287	9,269
Shares purchased by Share Trust	(13,199)	(1,024)
Shares sold by Share trust	8,859	717
Closing balance	368,061	308,274

ABRIDGED GROUP CASH FLOW STATEMENT

	2006 R'000	2005 R'000
Cash at the beginning of the year	215,672	210,201
Cash generated by operations	222,695	228,429
Net interest expense	(17,272)	(12,144)
Taxation (paid)/refunded	(21,659)	14
Dividends paid	(27,960)	(7,989)
Additions to property, plant and equipment	(159,730)	(140,010)
Proceeds on disposal of property, plant and equipment	54	7,058
Net cost of share trust purchases	(4,340)	(307)
Aircraft deposits utilised/(paid)	10,452	(10,452)
Acquisition of preference share investments	(21,420)	(45,900)
Cash generated/(utilised) by financing activities	122,487	(13,228)
Cash at the end of the year	318,979	215,672

HEADLINE EARNINGS PER SHARE

Earnings attributable to ordinary shareholders	78,800	72,743
Less profit on disposal of property, plant and equipment	-	(7,057)
Headline earnings attributable to ordinary shareholders	78,800	65,686

SALIENT FEATURES

Earnings per share (cents)	19.7	18.2
Headline earnings per share (cents)	19.7	16.4
Diluted earnings per share (cents)	19.5	17.9
Diluted headline earnings per share (cents)	19.5	16.2
Net asset value per share (cents)	92.2	77.2
Dividend per share (cents) declared	7.0	7.0
Weighted ordinary shares in issue ('000)	399,412	399,441
Depreciation (R'000)	76,161	64,042
Interest expense (R'000)	34,300	23,713

CAPITAL COMMITMENTS

Comair has committed to purchase another 84 000 preference shares in KWJ Investments at a cost of R1 020 per share in bi-annual installments of R10 710 000 with the last installment due **30 June 2010**.

IFRS RECONCILIATION

	Previously reported	IFRS Adjustment	Prior Year Restated
Prior year attributable profit	76,063	(3,325)	72,738
Prior period adjustment			5
Prior year attributable profit restated			72,743
Earnings per share (cents)	19.0	(0.8)	18.2
Headline earnings per share (cents)	17.2	(0.8)	16.4
Diluted earnings per share (cents)	18.7	(0.8)	17.9
Diluted headline earnings per share (cents)	17.0	(0.8)	16.2

AUDIT OPINION

These financial statements have been audited by PKF (Jhb) Inc. and their unqualified audit report is available for inspection at the registered office of the company.

By order of the Board
D.Novick Chairman
12 September 2006

G.Novick joint CEO

E.Venter joint CEO