



### Earnings Review

The trading environment that we experienced during the second half of the financial year has been the toughest in the history of the industry. The oil price, always a major factor in our performance, reached levels that very few had predicted and now represents over half of our costs. In the past six months more than 30 airlines around the world ceased operations and the International Air Transport Association (IATA) has predicted that the global airline industry will lose over \$6 billion this calendar year. In these circumstances we did well to continue our proud record of 63 years of uninterrupted operating profits. We salute the skilled, committed and energetic Comair team of 1,781 people who delivered these results.

Our earnings were severely impacted by the exceptionally high oil price, particularly during the second half of the financial year. Top line growth was strong and increased by 21% to R2.7 billion for the year, attributable to volume and yield growth on both our British Airways and kulula brands. The earnings decline of 43%, from R109 million to R62 million, was driven primarily by a R380 million increase in our fuel bill. Cash generation remained strong and allowed significant investment in our new fleet, which delivered much-improved fuel efficiency.

The commitment of our people to customer service ensured that even though the overall market did not grow during the year, both our brands grew strongly. Our British Airways brand improved its key metric of 'overall satisfaction with British Airways' from 73% last year to 78% and also performed exceptionally well against other British Airways short-haul services from around the world. During the year we upgraded our Club (business class) product, including a revamp of our meal service. The new high-quality meals have been very well accepted and allowed us to grow our share of the business market. On the kulula side, on our key metric of 'satisfaction with the kulula experience' we achieved a score of 92% in our first full year of the survey. We did however fall short of our on time performance target due to our fleet replacement programme and the changing of maintenance service providers, both of which have now been completed. On baggage delivery we achieved a baggage loss/damage rate of less than 1 bag per 5,000 carried.

### Prospects

We have continued to grow our successful kulula services out of Lanseria airport, where the ease and convenience of the experience has been very well accepted by our business and leisure travellers. Our strong infrastructure and airline expertise has provided opportunities for us to commercially deploy these to the benefit of other African airlines. The progression to Africa of the global trend to privatise loss-making national carriers, as well as our government's 'Airlift strategy', to open up flight access in Southern Africa, has provided further scope for us to grow in Africa.

Our new travel business progressed well during the year with the launch of the first on-line travel packages in South Africa. We estimate the size of the travel market in South Africa to be in excess of R50 billion. By leveraging our leading technology and strong brands, we are very well positioned to be a major player in the on-line travel space. We are also, with strong partnerships, extending the kulula brand and on-line platform into the cellular and financial services offerings.

High inflation, a slower economic growth rate and the credit crunch will impact on customer volumes. This might be mitigated to some extent by the build up to the 2010 Soccer World Cup tournament for which we are well positioned. The efficiencies that we have achieved from our new fleet, and that we anticipate from our efficiency drive, will continue to strengthen our position in the industry, but could be offset by the crude oil price, rand/dollar exchange rate and uncompetitive behaviour of our state-owned competitors.

### Dividends

Due to the difficult trading environment, the company has prudently decided to maintain its cash reserves and has chosen to not pay a dividend. (prior year: 9 cents).

### Directors' resignation and appointment

- (a) Mr. Lloyd Cromwell Griffiths resigned as a director on 14 February 2008
- (b) Ms. Wrenelle Doreen Stander was appointed as a director on 18 June 2008

### Contingent Liability

Subsequent to year end the company has received an inquiry from the South African Revenue Service (SARS) relating to the 2004 year of assessment. The company has made provision for R10 million through the taxation charge in the financial statements, and in addition SARS has queried taxation relating to the deduction of interest of approximately R15 million. The company is evaluating its position in this regard.

### Annual General Meeting

The Annual General Meeting of shareholders of Comair Limited will be held at the Comair Operations Building, corner Fortress and Whirlwind Roads, Rhodesfield, Kempton Park, 1619 on Thursday 30 October 2008 at 12h30. The annual report will be posted by 30 September 2008.

### Basis of Preparation

In terms of the listing requirements of the JSE Limited, the Group has prepared its consolidated financial statements in accordance with International Financial Reporting Standards including IAS 34. The accounting policies used in the preparation of these results are consistent in all material aspects with those used for the prior comparative period.

### Abridged Group Income Statement

	Audited year 30 June 2008 R'000	Audited year 30 June 2007 R'000
Revenue	2,688,488	2,211,743
Operating expenses	2,576,364	2,041,975
Profit from operations	112,124	169,768
Net investment expense	(8,276)	(10,228)
Share of loss of associates	(350)	(2,064)
Profit before taxation	103,498	157,476
Taxation	(41,695)	(48,313)
Attributable earnings	61,803	109,163
Earnings per share (cents)	15.4	27.3
Headline earnings per share (cents)	15.4	25.2
Diluted earnings per share (cents)	14.9	25.0
Diluted headline earnings per share (cents)	14.9	23.0
Weighted ordinary shares in issue ('000)	400,740	399,517
Diluted weighted ordinary shares in issue ('000)	414,233	437,080
Depreciation (R'000)	102,857	87,141
Interest expense (R'000)	37,668	35,145

### Headline Earnings

Earnings attributable to ordinary shareholders	61,803	109,163
Deduct profit on sale of subsidiary	-	(8,432)
Deduct profit on sale of property, plant and equipment	-	(64)
Headline earnings attributable to ordinary shareholders	61,803	100,667

### Abridged Group Balance Sheet

<b>ASSETS</b>		
Property, plant and equipment	866,750	676,029
Available-for-sale investments	110,160	88,740
Investment in associates	56,113	13,404
Current assets	409,406	366,112
	<b>1,442,429</b>	<b>1,144,285</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital and reserves	459,942	425,531
Interest-bearing liabilities	360,333	259,952
Deferred taxation	44,717	20,766
Current liabilities	577,437	438,036
	<b>1,442,429</b>	<b>1,144,285</b>

### Abridged Group Cash Flow Statement

	Audited year 30 June 2008 R'000	Audited year 30 June 2007 R'000
Cash and cash equivalents at the beginning of the period	242,024	318,979
Cash from operations and investment income	172,439	305,499
Dividends paid	(36,067)	(27,959)
Taxation paid	(28,180)	(33,001)
Cash utilised in investing activities	(358,057)	(288,736)
Net effect of share trust activities	665	(1,435)
Sale of "A" class shares to BEE partner	-	741
Increase/(decrease) in interest-bearing liabilities	132,180	(32,064)
Cash and cash equivalents at the end of the period	125,004	242,024

### Abridged Group Statement of Changes in Equity

	Share capital R'000	Share premium R'000	BEE reserve R'000	Hedging reserve R'000	Accumulated profit R'000	Total R'000
<b>Balance at 1 July 2007</b>	4,736	8,042	-	(485)	413,238	425,531
Profit for the year	-	-	-	-	61,803	61,803
Dividends paid	-	-	-	-	(36,067)	(36,067)
Equity settled share-based payment adjustment	-	-	6,856	-	-	6,856
Net effect of share trust activities	13	28	-	-	624	665
Net change in hedging reserve	-	-	-	1,154	-	1,154
<b>Balance at 30 June 2008</b>	4,749	8,070	6,856	669	439,598	459,942

### 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) G. Novick (Joint CEO) E. Venter (Joint CEO)  
15 September 2008

Comair Limited  
(Incorporated in the Republic of South Africa)  
Reg. No. 1967/006783/06  
ISIN Code: ZAE000029823 Share Code: COM  
("Comair" or "the Company" or the "Group")  
Sponsor: RAND MERCHANT BANK (A division of First Rand Bank Limited)