

# Unaudited Condensed Interim Results

## for the six months ended 31 December 2013 and cash dividend declaration



Incorporated in the Republic of South Africa | Registration number: 1967/006783/06 | Share code: COM | ISIN code: ZAE000029823  
("Comair" or "the Company" or "the Group")

kulula.com

BRITISH AIRWAYS

S L O W

Comair Travel



foodirections

### Performance review

Revenue grew by 23%, mainly attributable to the 15% increase in capacity arising from the replacement of Boeing 737-300s with the larger 800s. The four new Boeing 737-800s that were introduced into the kulula fleet during the comparative period, contributed for the full six months of the first half of the current financial year. In September 2013 Comair also implemented its first Boeing 737-800 into the British Airways fleet.

Ticket prices were driven by the weakening of the Rand. The exchange rate resulted in a 14% escalation in the fuel price relative to the comparative period, and also adversely affected US Dollar-based maintenance costs. By December the jet fuel price had reached a new high, 225% up on its previous stable level of R4 per litre in 2010.

Earnings per share and headline earnings per share grew to 34.3 cents (prior period earnings per share and headline earnings per share of 16.4 cents).

Cash generation was strong, resulting in a cash balance of R695 million at 31 December 2013 after making the following investments: During the period Comair continued with pre-delivery payments towards its next four new Boeing 737-800s for delivery in late 2015 and 2016. The company also invested R140 million in cash for the purchase of a previously owned 737-800, with the balance funded through a revolving credit facility. R151 million of cash was used to repurchase 10% of the share capital of the company at an average share price of 308.5 cents per share in accordance with the mandate granted at the Annual General Meeting of 30 October 2013.

### Prospects

The domestic passenger market continues to show year-on-year shrinkage of approximately 5%, compounding on similar shrinkage in the prior year. The continued devaluation of the Rand has driven the Rand price of fuel and Dollar-based technical services to record highs. We therefore do not foresee early growth in market volumes as ticket prices will remain at the levels necessary to recover such escalating costs. We do not anticipate any near-term recovery in local consumer spending.

The additional capacity provided by our fleet upgrade programme, as well as similar increases introduced by the state-owned airlines, has resulted in greater capacity in the domestic market than existed prior to the exit of our privately owned competitors in 2012. The resulting negative effect on seat occupancy levels has kept competitive pressure on ticket pricing. The expected entry of further airlines into the market will exacerbate the overcapacity.

However, our new aircraft provide the best solution to the rising fuel price, with an improved customer proposition. This, along with improved, technology-driven operating processes, will ensure that we maintain a healthy lead over the profitability of our competitors. Our travel business, flight training facility, catering business and airport lounges also show opportunities for further growth.

We remain well placed for the full 2014 financial year, despite a further 12% increase in the fuel price since December, driven mainly by the depreciation of the Rand. Our current after tax profit margin of 5% leaves scope for further improvement, as it remains below the average of 7% for the Transport and Logistics sector as published by the Department of Trade and Industry.

The above outlook has not been reviewed and reported on by Comair's external auditors and does not constitute an earnings forecast.

### Dividend

Following on the strong performance of the first six months, and notwithstanding that the Company does not normally pay an interim dividend, notice is hereby given that a gross interim cash dividend of 5.0 cents per ordinary share has been declared payable to shareholders. The dividend has been declared out of income reserves.

The dividend will be subject to a local dividend tax rate of 15% or 0.75 cents per ordinary share, resulting in a net dividend of 4.25 cents per ordinary share, unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate in terms of the applicable double tax agreement. No STC credits were available to be utilised as part of this declaration. The Company's tax reference number is 9281/874/7/1/0 and the number of ordinary shares in issue at the date of this declaration is 440,263,099.

In accordance with the provisions of Strate, the electronic settlement and custody system used by the JSE Limited, the relevant dates for the dividend are as follows:

Event	Date
Last day to trade (cum dividend)	Friday, 7 March 2014
Shares commence trading (ex dividend)	Monday, 10 March 2014
Record date (date shareholders recorded in books)	Friday, 14 March 2014
Payment date	Monday, 17 March 2014

Share certificates may not be dematerialised or rematerialised between Monday, 10 March 2014 and Friday, 14 March 2014, both days inclusive.

### Directors' resignations and appointments

Mr Atul Gupta, a Non-executive Director, resigned as Board Member on 12 November 2013.

Mr Hubert Brody was appointed to the Board as an independent Non-executive Director on 1 January 2014.

Mr Yarasri Chandana, our Financial Director, resigned from the Board on 15 January 2014 to pursue opportunities in Australia. Erik Venter will be assuming the role of financial director in addition to his role as CEO while the company identifies a new incumbent for the position of financial director.

### Basis of preparation

In terms of the Listings Requirements of the JSE Limited, the Group has prepared its Condensed Consolidated Interim Results in accordance with International Financial Reporting Standards, including IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the requirements of the Companies Act, Act No. 71 of 2008. The accounting policies used in the preparation of these results are consistent in all material aspects with those applied in the prior reporting period. During the current interim period the group adopted those standards and interpretations in issue and effective for the interim period. The impact of adopting these new and amended standards and interpretations has not had a significant impact on the Group's accounting policies adopted.

### Subsequent events

No matters have occurred between the reporting date and the date of approval of the interim financial statements which would have a material effect on these financial statements.

These Unaudited Condensed Interim Group Results were prepared by Erik Venter, Financial Director and CEO, Comair Limited.

### Condensed Results

	Group		
	Unaudited six months 31 Dec 2013 R'000	Unaudited six months 31 Dec 2012 R'000	Audited year 30 June 2013 R'000
<b>Condensed Group Statements of Comprehensive Income</b>			
<b>Revenue</b>	<b>2,963,143</b>	2,411,335	5,386,581
Operating expenses	(2,598,023)	(2,176,919)	(4,765,356)
<b>Operating profit before depreciation, impairment and profit on sale of assets</b>	<b>365,120</b>	234,416	621,225
Depreciation	(131,981)	(110,113)	(241,582)
Impairments	-	-	(6,817)
Profit on sale of assets	-	-	984
<b>Profit from operations</b>	<b>233,139</b>	124,303	373,810
Interest income	17,301	7,523	20,217
Interest expense	(38,485)	(23,499)	(61,641)
Share of (loss) profit of associates	(1,060)	426	(1,725)
<b>Profit before taxation</b>	<b>210,895</b>	108,753	330,661
Taxation	(57,455)	(29,625)	(103,135)
<b>Total comprehensive income for the period attributable to ordinary shareholders of the parent</b>	<b>153,440</b>	79,128	227,526
Earnings per share (cents)	34.3	16.4	47.0
Headline earnings per share (cents)	34.3	16.4	47.9
Diluted earnings per share (cents)	34.3	16.4	47.0
Diluted headline earnings per share (cents)	34.3	16.4	47.8
Dividends per share (cents)	10.0	0.0	5.0
Actual number of shares in issue ('000)	440,263	489,176	489,176
Weighted ordinary shares in issue ('000)	447,380	483,028	483,650
Diluted weighted ordinary shares in issue ('000)	447,755	483,055	484,177
<b>Reconciliation between earnings and headline earnings</b>			
Earnings attributable to ordinary shareholders	153,440	79,128	227,526
Less: IAS 16 profit on disposal of property, plant and equipment	-	-	(984)
Add: IAS 16 impairment to assets	-	-	4,817
Add: Tax effect of profit on disposal	-	-	276
Headline earnings attributable to ordinary shareholders	153,440	79,128	231,635
<b>Condensed Group Statements of Financial Position</b>			
<b>Assets</b>			
Property, plant and equipment	2,610,403	2,381,578	2,314,082
Intangible assets	36,291	51,307	41,475
Investments in associates	990	9,293	2,050
Goodwill	3,668	3,668	3,668
Current assets	1,176,040	1,101,409	1,244,581
	<b>3,827,392</b>	3,547,255	3,605,856
<b>Equity and liabilities</b>			
Share capital and reserves	976,758	895,303	1,021,200
Interest bearing liabilities	1,238,125	1,258,360	1,133,767
Deferred taxation	158,332	120,562	135,696
Share-based payments	4,250	-	4,250
Current liabilities	1,449,927	1,273,030	1,310,943
	<b>3,827,392</b>	3,547,255	3,605,856
Net asset value per share (cents)	224.4	185.4	211.1

	Group		
	Unaudited six months 31 Dec 2013 R'000	Unaudited six months 31 Dec 2012 R'000	Audited year 30 June 2013 R'000
<b>Condensed Group Statements of Cash Flow</b>			
Cash and cash equivalents at the beginning of the period	778,045	246,095	246,095
Cash from operations and investment income	459,396	262,672	913,224
Taxation (paid) refunded	(24,191)	9,158	(82,530)
Cash utilised in investing activities	(366,271)	(24,449)	(104,441)
Cash (utilised in) generated by financing activities	(152,112)	35,904	(194,303)
Cash and cash equivalents at the end of the period	694,867	529,380	778,045
<b>Condensed Group Segmental Report</b>			
<b>Segmental revenue</b>			
Airline	2,918,091	2,378,148	5,232,260
Non-airline	45,052	33,187	154,321
	<b>2,963,143</b>	2,411,335	5,386,581
<b>Segmental results</b>			
Airline	353,088	222,419	596,907
Non-airline	12,032	11,997	24,318
Operating profit before depreciation, impairment and profit on sale of assets	365,120	234,416	621,225
Depreciation – Airline	(129,670)	(107,731)	(236,342)
Depreciation – Non-airline	(2,311)	(2,382)	(5,240)
Impairment – Airline	-	-	(6,817)
Profit on sale of assets – Airline	-	-	984
Profit from operations	233,139	124,303	373,810
Segmental assets – Airline	3,655,388	3,376,252	3,421,093
Segmental assets – Non-airline	172,004	171,003	184,763
Segmental liabilities – Airline	(2,745,729)	(2,552,405)	(2,477,695)
Segmental liabilities – Non-airline	(104,905)	(99,547)	(106,961)
Segmental capital additions – Airline (excluding borrowing costs capitalised)	428,047	1,041,035	1,093,702
Segmental capital additions – Non-airline	255	2,398	432
<b>Condensed Group Statements of Changes in Equity</b>			
<b>Opening balances</b>	<b>1,021,200</b>	814,461	814,461
Total comprehensive income for the period	153,440	79,128	227,526
BEE share-based payments	1,714	1,714	3,428
Repurchase of Comair shares	(151,102)	-	-
Dividend paid	(48,494)	-	(24,215)
	<b>976,758</b>	895,303	1,021,200
<b>By order of the Board</b>			
<b>Mr P van Hoven</b> (Chairman)		<b>Mr ER Venter</b> (CEO)	
11 February 2014			
<b>Address and Registered Office</b>		<b>Transfer Office</b>	
1 Marignane Drive		Computershare Investor Services (Pty) Ltd	
Bonaero Park 1619		70 Marshall Street	
PO Box 7015		Johannesburg 2001	
Bonaero Park 1622		PO Box 61051	
		Marshalltown 2107	
<b>Sponsor</b>			
RAND MERCHANT BANK (A division of FirstRand Bank Limited)			