

Comair Limited
(Incorporated in the Republic of South Africa)
Reg. No. 1967/006783/06
ISIN Code: ZAE000029823 Share Code: COM
("Comair" or the "Group")

AUDITED GROUP RESULTS AND CASH DIVIDEND FOR THE YEAR ENDED 30 JUNE 2014

Earnings review

Comair has again delivered strong performance against a backdrop of a contracting domestic market and devaluation of the rand. Total comprehensive income increased by 16% to R265 million, while earnings per share were further improved by the repurchase of 10% of issued shares, transacted in November and December 2013, resulting in a 24% increase in earnings per share to 58 cents.

Turnover grew by 17%, with one quarter attributable to an increase in passengers and three quarters from improved yields. Due to the strength of the kulula and British Airways brands and the ongoing attention to customer service, a growth in passengers of 3% was achieved despite the domestic market contracting by 4%. We continued to focus on our customers through the application of service metrics, feedback surveys, customer journey mapping, and extensive investment in training programmes for front-line staff. Operating performance remained good, with on-time performance meeting our threshold target of 85% across both the British Airways and kulula.com brands. The capacity growth by Comair and its competitors has, however, resulted in a decline of 6% in average seat occupancy rates compared to the prior year.

Operating costs remain under control. A significant challenge for the 2014 financial year was to accommodate an 18% weakening of the average exchange rate, contributing to an increase of 19% in the price of fuel and similar increases in other foreign based costs. Excluding the effect of the fuel price increase, the cost per available seat decreased by 1.5%. This was achieved mainly through the efficiencies derived from the ongoing fleet upgrade strategy. The new Boeing 737-800's, acquired 18 months ago, continued to perform exceptionally well, and Comair purchased a further, pre-owned '800 early in the year, followed by another '800 on lease. Both of these aircraft replaced Boeing 737-300's that were retired.

Cash at year end remained strong at R868 million, after accommodating outflows of R120 million for the 50% cash component of the purchase of the 737-800 mentioned above, R151 million for the share buy-back, R152 million on pre-delivery payments for the 4 new aircraft to be delivered in late 2015 and 2016, and a R102 million deposit on 8 new aircraft to be delivered from 2019 to 2021.

Comair achieved a clean safety audit by IATA, thereby renewing its IATA Operations Safety Audit certification for a further 2 years.

Our affiliated businesses of flight training, travel product distribution and airport lounges continued to perform well.

The Group continued to invest in its transformation initiatives, including its pilot cadet programme, airport learnerships, and social responsibility, and anticipates an improvement in its BBBEE score.

Our sincere appreciation goes to every person within the Comair Group who contributed to our success during the year under review, including our directors, management and employees, and a special thanks to our customers and stakeholders who have chosen to use our services or provide services to us. We

also thank all the public sector departments and agencies that we have worked with for their shared commitment to our objectives.

Prospects

We remain concerned with the sluggish economy, declining domestic passenger market and the high operating costs faced by the aviation industry. The total market size remains below the peak volume of 2008 and does not currently show signs of returning to historic levels.

Nevertheless, looking further ahead, we remain confident that there is scope for further growth in the profits of the Group. The ongoing upgrades to the fleet will continue to improve operating efficiency while at the same time enhancing the revenue potential per flight. We are scheduled to take delivery of the next four new 737-800's from Boeing in late 2015 and 2016. During the year Comair placed the first African order for the next generation of Boeing 737, the 737-8 Max. Eight of these aircraft will be delivered to Comair from 2019 to 2021. We are also focused on implementing technology solutions to enhance our operating performance, customer service experience and revenue generating opportunities. The pace of development in distribution technology is relentless, and Comair is intent on extracting the maximum benefit from its customer information data in order to improve on its service offering, and on the marketing of relevant products to its various customer segments. We are also developing new software applications for use on board the aircraft and on the ground to facilitate more efficient operating procedures.

The financial information on which the above is based has not been reviewed and reported on by Comair's external auditors.

Dividends

Notice is hereby given that a final gross cash dividend of 13.00000 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 1.95000 cents per ordinary share, resulting in a net dividend of 11.05000 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 taxation 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, 10 October 2014
Shares commence trading (ex dividend)	Monday, 13 October 2014
Record date (date shareholders recorded in books)	Friday, 17 October 2014
Payment Date	Monday, 20 October 2014

Share certificates may not be dematerialised or rematerialised between Monday, 13 October 2014 and Friday, 17 October 2014, both days inclusive.

Directors' resignation and appointment

- (1) Atul Kumar Gupta resigned as an independent non-executive director of the Board on 12 November 2013.
- (2) Ranil Yasas Sri-Chandana, the Company's Financial Director, who has emigrated to Australia, resigned as Financial Director on 15 January 2014.
- (3) Hubert Rene Brody was appointed as an independent non-executive director on 1 January 2014.
- (4) Kirsten Emily King was appointed as Financial Director on 9 June 2014.

Annual General Meeting

The Annual General Meeting of shareholders of Comair will be held at the Comair operations building on the corner of Whirlwind and Fortress Streets, Rhodesfield, 1619 on 5 November 2014 at 13h00.

	Audited year 30 June 2014 R '000	Audited year 30 June 2013 R '000
Summarised Preliminary Group Statements of Comprehensive Income		
Revenue	6 282 219	5 386 581
Operating expenses	(5 577 457)	(4 765 356)
Operating profit before depreciation, impairment and profit on sale of assets	704 762	621 225
Depreciation	(290 747)	(241 582)
Reversal of impairment (impairment)	2 235	(6 817)
Profit on sale of assets	524	984
Profit before interest, dividend and taxation	416 774	373 810
Investment income	32 149	20 217
Interest expense	(77 340)	(61 641)
Share of profit (loss) of associates	2 327	(1 725)
Profit before taxation	373 910	330 661
Taxation	(109 059)	(103 135)
Total comprehensive income for the year attributable to the equity holders of the parent	264 851	227 526
Earnings per share (cents)	58.4	47.0
Headline earnings per share (cents)	57.8	47.9
Diluted earnings per share (cents)	56.1	47.0
Diluted headline earnings per share (cents)	55.6	47.8
Actual number of shares in issue ('000)	440 263	489 176
Weighted ordinary shares in issue ('000)	453 856	483 650
Diluted weighted ordinary shares in issue ('000)	471 851	484 177

	Audited year 30 June 2014 R '000	Audited year 30 June 2013 R '000
Reconciliation between earnings and headline earnings		
Profit after taxation attributable to equity holders of the parent	264 851	227 526
Less: IAS 39 (reversal of impairment) impairment of loans to associate	(2 235)	4 817
Less: IAS 16 (profit) on disposal of property, plant and equipment	(524)	(984)
Add: taxation effect of remeasurement adjustments	147	276
Headline earnings after taxation	262 239	231 635

Summarised Preliminary Group Statements of Financial Position

ASSETS

Property, plant and equipment	2 545 033	2 314 082
Intangible assets	31 106	41 475
Investments in and loans to associates	6 612	2 050
Goodwill	3 668	3 668
Current assets	1 436 929	1 244 581
	4 023 348	3 605 856

EQUITY AND LIABILITIES

Share capital and reserves	1 067 970	1 021 200
Interest-bearing liabilities	1 183 072	1 133 767
Deferred taxation	167 689	135 696
Share based payments	21 666	4 250
Current liabilities	1 582 951	1 310 943
	4 023 348	3 605 856
Net asset value per share (cents)	235.3	211.1

Summarised Preliminary Group Statements of Cash Flows

Cash and cash equivalents at the beginning of the year	778 045	246 095
Cash from operations and investment income	940 960	913 224
Taxation (paid)	(76 664)	(82 530)
Cash utilised in investing activities	(508 655)	(104 441)
Cash utilised in financing activities	(265 983)	(194 303)
Cash and cash equivalents at the end of the year	867 703	778 045

Audited year 30 June 2014 R '000	Audited year 30 June 2013 R '000
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Summarised Preliminary Group

Segmental Report

Segmental Revenue

Airline	6 109 143	5 232 260
Non-airline	173 076	154 321
	6 282 219	5 386 581

Segmental Results

Airline	681 552	596 907
Non-airline	23 210	24 318
Operating profit before depreciation, impairment and profit on sale of assets	704 762	621 225
Profit on sale of assets - Airline	524	984
Reversal of impairment (impairment) - Airline	2 235	(6 817)
Depreciation - Airline	(285 734)	(236 342)
Depreciation - Non-airline	(5 013)	(5 240)
Profit before interest, dividend and taxation	416 774	373 810

Total assets per segment

Airline	3 857 108	3 421 093
Non-airline	148 240	184 763
	4 023 348	3 605 856

Summarised Preliminary Group Statements of Changes in Equity

Opening Balances	1 021 200	814 461
Equity settled BEE share-based payment adjustment	3 428	3 428
Total comprehensive income for the year	264 851	227 526
Dividends paid	(70 295)	(24 215)
Repurchase of Comair shares	(151 213)	-
Net effect of Share Trust activities	(1)	-
Movement for the year	46 770	206 739
Closing Balances	1 067 970	1 021 200

Significant Commitments

Comair has made pre-delivery payments of R152 million prior to year end towards the delivery of four Boeing 737-800's in late 2015 and early 2016. The Group has a remaining commitment to Boeing for R1,5 billion at year end (prior year R1,7 billion), the funding of which will be finalised closer to the time of delivery. Pre-delivery payment finance has been arranged through Investec Bank.

Comair has also made deposits of R102 million towards the purchase of eight Boeing 737-8 Max's for delivery from 2019 to 2021. Pre-delivery payments on these aircraft will commence in 2017. At year end the Group has a remaining commitment to Boeing for R4.6 billion (prior year Nil), payable from 2017 to 2021, the funding of which will be finalised closer to the time of delivery.

Comair has entered into two sales agreements with Qantas to purchase two Boeing 737-400 aircraft which will be delivered during the 2015 financial year. The total purchase price for the two aircraft, payment for which will be made in cash, is R 44 million.

Basis of Preparation

In terms of the Listings Requirements of the JSE Limited, the Group has prepared its consolidated financial statements in accordance with International Financial Reporting Standards including IAS 34 Interim Financial Reporting, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the requirement of the Companies Act, 2008. The accounting policies used in the preparation of these results are consistent in all material aspects with those used for the prior comparative period. These results have been prepared by K. King CA(SA), Financial Director, Comair Limited.

Audit Opinion

The auditors, Grant Thornton (Jhb) Inc., have issued their unmodified opinion on the Group's annual financial statements for the year ended 30 June 2014. The audit was conducted in accordance with International Standards on Auditing. A copy of the auditor's report together with a copy of the audited financial statements are available for inspection at the Company's registered office. These summarised preliminary financial statements have been derived from the Group's annual financial statements and are consistent in all material respects with the Group's annual financial statements. The contents of this announcement are extracted from audited information, although the announcement is not itself audited. The Directors of Comair take full responsibility for the preparation of this announcement and confirm that the financial information has been correctly extracted from the underlying annual financial statements.

The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the Company's registered office.

By order of the Board

P van Hoven (Chairman) ER Venter (CEO)

9 September 2014

Sponsor

RAND MERCHANT BANK (A division of First Rand Bank Limited)