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

CONDENSED PROVISIONAL AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2017 AND CASH DIVIDEND DECLARATION

Earnings review

The 2017 financial year represented a return to Comair's historic profit growth trend in the absence of the extraordinary costs of the comparative period that arose from losses on oil hedges and the revaluation of the dollar based aircraft loan.

The total domestic passenger market increased by 2.3% while Comair grew passenger numbers by 2% resulting in an increase in airline revenue of 2%, which is testament to the brands' strength as well as our ongoing commitment to service. In the absence of meaningful GDP growth, the market has yet to expand into its surplus seat capacity, which is constraining industry occupancy levels at below the global average of approximately 80.6%. Despite inflationary pressure and a 5% increase in the rand price of fuel, operating costs including depreciation and interest expense remained well contained with a 1% increase overall. The new aircraft continue to contribute towards this efficiency through their lower fuel burn and maintenance requirements. In line with our promise to constantly improve service delivery, we met our threshold target on-time performance of 85%, achieving 89% in the last six months.

The translation loss of the comparative period that arose from the effect of the exchange rate on a dollar based aircraft loan, was partly reversed as the currency made some headway to R13.044 against the dollar as at 30 June 2017, from the low of R14.765 against the dollar a year earlier. This resulted in a profit of R41 million in the current period on the loan value of US$21.2 million, compared to a loss of R74 million on the revaluation of the loan at 30 June 2016. The dollar oil price remained relatively stable over the past 12 months and the oil hedges that gave rise to a loss of R71 million in the comparative period all matured by 31 December 2015, with no subsequent hedges being entered into.

The non-airline businesses grew their contribution to 20% of earnings. The travel business, pilot training, SLOW lounges and catering all performed well and have justified further investment into these ventures.

Profit after taxation for the year consequently increased by 54% to R297 million (prior year R193 million), resulting in earnings per share of 63.7 cents (prior year: 41.5 cents) and headline earnings per share of 67.0 cents (prior year: 36.5 cents). Cash generated from operations grew by R257 million (by 28%), resulting in a healthy cash balance of R935 million at year end (prior year: R1.12 billion), after a significant investment of R132 million in pre-delivery payments towards new aircraft for delivery in 2019. Dividends declared for the past 12 months increased by 5 cents per share from 16 cents in the prior year to 21 cents per share in the current year.

Highlights

The ongoing upgrades to our fleet provide mitigation to the expected rise in the fuel price, while also providing an improved customer proposition. During the year we took delivery of one new 737-800 from Boeing, being the last of the original order of eight 737-800 New Generation aircraft. The delivery of the next eight Boeing 737-8 Max aircraft remains scheduled for commencement in 2019. Two 737-8 Max aircraft have been deferred to the end of the original delivery schedule in order to smooth the timing of deliveries more evenly. The ongoing upgrades to the fleet will continue to improve operating efficiency while at the same time enhancing the revenue potential per flight.

We acquired a fixed-base flight simulator for R21.6 million to expand our Boeing 737-800 training capacity and commenced with the construction of a third simulator training facility at a cost of approximately R67 million with the potential capacity for a further two fixed-base simulators and two full-motion simulators.

During the year, substantial investments were made in commencing the expansion and upgrading of our SLOW Lounge in the Domestic terminal at OR Tambo International Airport and have recently opened a new concept lounge at Lanseria International Airport. We look forward to expanding the new concept lounge to some of the smaller airports where we do not yet have a lounge presence.

The Group's catering operations and its stores facility are housed in an office park, known as Anchor Park. An agreement has been entered into to purchase the industrial park for R75 million to provide capacity for future expansion, with transfer of the property expected to take place early in the 2018 financial year. In addition, we have developed offices, catering facilities and store facilities at Cape Town International Airport to the value of R27 million.

Continued focus on implementing technology solutions has enhanced operating performance, customer service and revenue generation. 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. New software applications are being developed for use on board the aircraft and on the ground to facilitate more efficient operating procedures.

The management of talent is also considered to be a key differentiator of the Group and continues to be a core focus. The Group values its talent and continues to make a significant investment to support the management of its skills base. Talent Management practices support decision making in terms of building capacity now and into the future, with the dual benefit to employees of having information that supports their careers within the Group.

Comair's claim against SAA for damages, arising from anti-competitive conduct was heard in the Gauteng South High Court between 18 April and 24 August 2016. Judgement in this matter was handed down on 15 February 2017. In terms of the judgement, Comair was awarded damages in the sum of approximately R1.16 billion, inclusive of interest and costs. SAA lodged an appeal against this judgement. Comair lodged a cross appeal to recover the full amount of the damages sustained plus interest on the total amount, which if successful, will increase the damages awarded to approximately R1.9 billion. It is anticipated the appeal will be heard in early 2018.

Prospects

While profits for the year were good, we are still not achieving the margins that will allow for the optimum pace of upgrading the fleet. The current weak economy is expected to maintain pressure on consumer spending, and we will therefore see continued pressure on margins, particularly in the airline industry, combined with a possible decline in passenger volumes. Comair is however well placed to operate in these conditions, with strong brands, committed staff, effective equipment, an efficient cost base and strong cash reserves. We foresee that the non-airline businesses will continue to grow their contribution towards profits and will receive ongoing focus.

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.

Dividends

Notice is hereby given that a final gross cash dividend of 14.00000 cents per ordinary share has been approved and declared by the board which is payable to shareholders for the financial year ended 30 June 2017. The dividend has been declared out of income reserves.

The dividend will be subject to a local dividend tax rate of 20% or 2.80000 cents per ordinary share, resulting in a net dividend of 11.20000 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. 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 469,330,865

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)	Tuesday, 24 October 2017
Shares commence trading (ex dividend)	Wednesday, 25 October 2017
Record date (date shareholders recorded in books)	Friday, 27 October 2017
Payment Date	Monday, 30 October 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 25 October 2017 and Friday, 27 October 2017, both days inclusive.

Directors' Appointments and Resignations

Resignations

The following directors resigned during the period under review

• Ms WD Stander resigned as an Independent Non-executive Director (and her associated positions on the Audit Committee, Risk Committee, Remunerations Committee and Social and Ethics Committee) on 28 November 2016

• Mr KI Mampeule resigned as an Independent Non-executive Director (and his associated positions on the Audit Committee, Risk Committee, Nominations Committee and Social and Ethics Committee) on 31 March 2017

• Mr GJ Halliday resigned as an Independent Non-executive Director (and his associated positions on the Audit Committee and Risk Committee) on 5 April 2017

Appointments

. Mr N Maharajh, an Independent Non-executive Director, was appointed as a member of the Risk Committee and Social and Ethics Committee on 13 February 2017

. Mr MN Louw, an Executive Director, was appointed as a member of the Risk Committee on 13 February 2017

. Mr RS Ntuli, an Independent Non-executive Director, was appointed as a member of the Audit Committee on 5 June 2017

Condensed Audited Consolidated Results
Comair Limited

	Group	
	Audited Year 30 June 2017 R'000	Audited Year 30 June 2016 R'000
Condensed Consolidated Statement of Profit or Loss		
Revenue	**6,063,737**	5,959,573
Operating expenses	**(4,999,789)**	(5,129,781)
Operating profit before depreciation, amortisation, impairment, unrealised translation gain (loss) on dollar denominated loan, compensation for damaged aircraft and (loss) profit on sale of assets	**1,063,948**	829,792
Depreciation and amortisation	**(456,281)**	(372,103)
Write off of aircraft damaged beyond economical repair	**-**	(64,462)
Compensation for write off of aircraft damaged beyond economical repair	**-**	84,155
Unrealised translation gain (loss) on dollar denominated loan	**40,697**	(73,946)
(Loss) profit on sale of assets	**(10,574)**	12,419
Profit from operations	**637,790**	415,855
Interest income	**49,670**	41,440
Interest expense	**(250,377)**	(170,496)
Impairment loss on re-measurement of non-current assets held for sale	**(11,270)**	-
Share of profit of associates	**8,874**	8,011
Profit before taxation	**434,687**	294,810
Taxation	**(137,717)**	(102,108)
Profit for the year	**296,970**	192,702
Profit attributable to:		
Owners of the parent	**296,023**	192,555
Non-controlling interest	**947**	147
	296,970	192,702

Condensed Consolidated Statement of Other Comprehensive Income

Profit for the year	**296,970**	192,702
Other comprehensive income: Items that may be reclassified subsequently to profit or loss		
Effects of oil cash flow hedge recognised in other comprehensive income	**-**	40,387
Total comprehensive income for the year	**296,970**	223,089
Total comprehensive income for the year attributable to:-		
Owners of the parent	**296,023**	232,942
Non-controlling interest	**947**	147
	296,970	233,089
Earnings per share (cents)	**63.7**	41.5
Headline earnings per share (cents)	**67.0**	36.5
Diluted Earnings per share (cents)	**63.7**	41.4
Diluted Headline earnings per share (cents)	**67.0**	36.5
Actual number of shares in issue ('000)	**469,331**	469,331
Weighted ordinary shares in issue ('000)	**465,089**	464,347
Diluted weighted ordinary shares in issue ('000)	**465,089**	464,716
Reconciliation between earnings and headline earnings		
Earnings attributable to the equity holders of the parent	**296,023**	192,555
Add: IAS 16 loss (profit) on disposal of property, plant and equipment	**10,574**	(12,419)
Add: IAS 16 write off of aircraft damaged beyond economical repair	**-**	64,462
Less: IAS 16 compensation for write off of aircraft damaged beyond economical repair	**-**	(84,155)
Add: IFRS 5 Impairment on re-measurement of non-current assets held for sale	**11,270**	-
Less: tax effect of re-measurement adjustments	**(6,116)**	8,991
Headline earnings attributable to ordinary shareholders	**311,751**	169,434

	Audited Year 30 June 2017 R'000	Audited Year 30 June 2016 R'000
Condensed Consolidated Statement of Financial Position		
ASSETS		
Property, plant and equipment	**4,631,326**	3,988,323
Intangible assets	**15,892**	21,953
Investments in and loans to associates	**45,296**	36,422
Goodwill	**6,615**	6,615
Deferred taxation	**3,902**	3,942
Current assets	**1,208,365**	1,553,163
Non-current assets held for sale	**7,044**	-
	5,918,440	5,610,418
EQUITY AND LIABILITIES		
Share capital and reserves	**1,542,717**	1,329,515
Non-current portion of interest bearing liabilities	**2,344,926**	2,182,459
Deferred taxation	**435,043**	303,848
Share-based payments	**5,032**	1,001
Current liabilities	**1,590,722**	1,793,595
	5,918,440	5,610,418
Net asset value per share (cents)	**331.7**	286.6

	Audited Year 30 June 2017 R'000	Audited Year 30 June 2016 R'000
Condensed Consolidated Statement of Cash Flows		
Cash generated from operating activities		
Cash generated from operations	**1,149,088**	892,231
Interest paid	**(250,377)**	(170,496)
Interest received	**49,670**	40,546
Taxation received (paid)	**25,034**	(6,020)
Net cash from operating activities	**973,415**	756,261
Cash utilised in investing activities		
Additions to property, plant and equipment	**(323,248)**	(182,257)
Proceeds on disposal of property, plant and equipment	**3,594**	100,935
Aircraft deposits paid	**(132,217)**	-
Additions to intangible assets	**(9,652)**	(13,174)
Repayment of loan by associate	**7,852**	-
Net cash from investing activities	**(453,671)**	(94,496)
Cash utilised in financing activities		
Raising of interest-bearing liabilities	**-**	34,790
Repayment of interest-bearing liabilities	**(717,921)**	(638,258)
Refund on aircraft purchase price for pre-delivery payment finance	**96,738**	282,317
Dividends paid	**(83,776)**	(69,764)
Net cash from financing activities	**(704,959)**	(390,915)

Total cash movement for the year	**(185,215)**	270,850
Cash and cash equivalents at the beginning of the year	**1,120,128**	849,278
Cash and cash equivalents at the end of the year	**934,913**	1,120,128

	Audited Year 30 June 2017 R'000	Audited Year 30 June 2016 R'000
Condensed Consolidated Segmental Report		
Segmental Revenue		
Airline	**5,796,443**	5,725,892
Non-airline	**267,294**	233,681
	6,063,737	5,959,573
Segmental results		
Airline	**964,559**	743,896
Non-airline	**99,389**	85,896
Operating profit before depreciation, amortisation, impairment, unrealised translation gain (loss) on dollar denominated loan, compensation for damaged aircraft and (loss) profit on sale of assets	**1,063,948**	829,792
Depreciation and amortisation - Airline	**(438,115)**	(361,072)
Depreciation and amortisation - Non-airline	**(18,166)**	(11,031)
Write off of aircraft damaged beyond economical repair - Airline	**-**	(64,462)
Compensation for write off of aircraft damaged beyond economical repair – Airline	**-**	84,155
Unrealised translation gain (loss) on dollar denominated loan	**40,697**	(73,946)
(Loss) profit on sale of assets – Airline	**(10,574)**	12,419
Profit from operations	**637,790**	415,855

Segmental assets – Airline	**5,398,905**	5,288,207
Segmental assets - Non-airline	**519,535**	322,211
Segmental liabilities – Airline	**(4,261,165)**	(4,158,433)
Segmental liabilities - Non-airline	**(114,558)**	(122,470)
Segmental capital additions - Airline (excluding borrowing costs capitalised)	**886,615**	1,480,618
Segmental capital additions- Non-airline	**79,206**	12,569

Condensed Consolidated Statement of Changes in Equity	**Audited Year 30 June 2017 R'000**	Audited Year 30 June 2016 R'000
Opening Balance	**1,329,515**	1,166,190
Profit for the year	**296,970**	192,702
Cash flow hedge reserve	**-**	40,387
Dividend paid	**(83,776)**	(69,764)
Shares sold by Share Trust	**8**	-
	1,542,717	1,329,515

Significant Commitments

Comair made pre-delivery payments of R132 million during the current year, in addition to R102 million in preceding years, towards the delivery of eight Boeing 737-8 Max aircraft due for delivery between 2019 and 2022. The Group has a remaining commitment to Boeing for R5.7 billion at year end (prior year R6.6 billion) in respect of the Boeing 737-8 Max order, the funding options of which will be finalised closer to the time of delivery. Pre-delivery payment finance has been mandated to Investec Bank.

Basis of Preparation

The accounting policies and method of measurement and recognition applied in the preparation of these condensed consolidated financial results are in terms of International Financial Reporting Standards ("IFRS") and are consistent with those applied in the audited annual financial statements for the previous year ended 30 June 2016. The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The condensed consolidated financial results are presented in terms of the minimum disclosure requirements set out in International Accounting Standards ("IAS") 34 – Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. These condensed consolidated financial results have been prepared by Ryan de Miranda CA (SA), under the supervision of Kirsten King CA (SA), the Financial Director. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the group's external auditors.

Subsequent Events

R70 million was paid on 31 August 2017, for purchase of the office park, known as Anchor Park. Transfer is expected to take place in the near future at which time, the remaining R5 million will be paid in full and final settlement of the transaction.

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

Audit Opinion

The auditors, Grant Thornton, (Michelle da Costa (Audit Partner, Registered Auditor, Chartered Accountant (SA)), have issued their unmodified opinion on the Group's financial statements for the year ended 30 June 2017. 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 condensed provisional audited consolidated financial statements have been derived from the Group's annual financial statements. The contents of this announcement are extracted from audited information, although the announcement itself is not 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 audited annual financial statements.

By order of the Board

P van Hoven (Chairman) ER Venter (CEO)

11 September 2017

Sponsor:

PSG Capital Proprietary Limited

Release Date: 12 September 2017