

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 AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2016 AND CASH DIVIDEND DECLARATION

### **Earnings review**

The 2016 financial year was characterised by overcapacity in the low cost carrier segment, which led to 10% volume growth in the domestic passenger market. We estimate however, that total revenue in the market for domestic airline tickets declined, the impact of which was exacerbated by the relatively weak economy. The international inbound market showed a partial recovery of 4% following the relaxation of the 2014 visa regulations, thereby improving the international feed traffic particularly on the British Airways flights operated by Comair. The weakening of the Rand further improved revenue from overseas sales.

Despite declining revenue in the domestic market, Comair grew its revenue by 1% and passenger volumes by 6% due to the strength of the kulula and British Airways brands as well as our ongoing commitment to service. 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 therefore remained good, with on-time performance achieving our threshold target of 85% across both the British Airways and kulula.com brands.

The Rand weakened against the US dollar by an average of 27% compared to the previous year, thereby negatively impacting dollar denominated costs. This cost increase was offset by a lower Rand fuel price based on a consistently low dollar oil price throughout the year, resulting in no significant increase in total operating expenses. This included realised losses of R71 million (pre-taxation) on hedges that were in effect until 31 December 2015.

The volatility of the Rand resulted in significant unrealised exchange losses of R73.9m as at 30 June 2016 on the revaluation of a US\$ 24.8 million loan on one aircraft.

Profit after taxation for the year consequently declined by 12% to R193 million (prior year R219 million), resulting in earnings per share of 41.5 cents (prior year : 47.8 cents) and headline earnings per share of 36.5 cents (prior year : 47.9 cents). Cash generated from operations grew by R212 million (by 31%), resulting in a healthy cash balance of R1,1 billion at year end (prior year : R849 million).

Our affiliated businesses of flight training, travel product distribution, catering and airport lounges performed well. Non-airline revenue grew by 6%, contributing 18% to profit from operations.

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

The current weak economy is expected to maintain pressure on consumer spending, and we will therefore see continued pressure on margins in the industry despite the recent growth 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 anticipate that both the oil price and the exchange rate will remain volatile. The forward price of oil reflects an increase, making it imprudent to take out any further hedges at these forward rates, despite the low spot price.

The ongoing upgrades to our fleet provide mitigation to the expected recovery in the fuel price, while also providing an improved customer proposition. During the year we took delivery of three new 737-800's from Boeing, with the last aircraft from this order of 8 aircraft scheduled for delivery in November 2016. The delivery of the eight Boeing 737-8 Max aircraft remains scheduled for 2019 to 2021. 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 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.

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, the outcome of which remains pending.

The financial information on which the above forecast 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 11.00000 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 1.65000 cents per ordinary share, resulting in a net dividend of 9.35000 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, 25 October 2016
Shares commence trading (ex dividend)	Wednesday, 26 October 2016
Record date (date shareholders recorded in books)	Friday, 28 October 2016
Payment Date	Monday, 31 October 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 26 October 2016 and Friday, 28 October 2016, both days inclusive.

**Condensed Audited Consolidated Results  
Comair Limited**

	<u>Group</u>	
	Audited Year 30 June 2016 R'000	Audited Year 30 June 2015 R'000
<b>Condensed Consolidated Statements of Profit or Loss</b>		
<b>Revenue</b>	<b>5,959,573</b>	5,890,746
Operating expenses	<u>(5,129,781)</u>	<u>(5,106,894)</u>
<b>Operating profit before depreciation, amortisation, impairment, unrealised translation loss on dollar denominated loan, compensation and profit on sale of assets</b>	<b>829,792</b>	783,852
Depreciation and amortisation	<b>(372,103)</b>	(405,812)
Impairment of loan	-	(1,530)
Write off of aircraft damaged beyond economical repair	<b>(64,462)</b>	-
Compensation for write off of aircraft damaged beyond economical repair	<b>84,155</b>	-
Unrealised translation loss on dollar denominated loan	<b>(73,946)</b>	(50,684)
Profit on sale of assets	<b>12,419</b>	1,231
<b>Profit from operations</b>	<b>415,855</b>	327,057
Interest income	<b>41,440</b>	40,428
Interest expense	<b>(170,496)</b>	(72,930)
Share of profit of associates	<b>8,011</b>	6,799
<b>Profit before taxation</b>	<b>294,810</b>	301,354
Taxation	<b>(102,108)</b>	(82,578)
<b>Profit for the year</b>	<b>192,702</b>	218,776
<b>Profit attributable to:</b>		
Owners of the parent	<b>192,555</b>	217 887
Non-controlling interest	<b>147</b>	889
	<b>192,702</b>	218,776

## Condensed Consolidated Statements of Other Comprehensive Income

<b>Profit for the year</b>	<b>192,702</b>	218,776
<b>Other comprehensive income: Items that may be reclassified subsequently to profit or loss</b>		
Effects of oil cash flow hedge recognised in other comprehensive income	<b>40,387</b>	(40,387)
<b>Total comprehensive income for the year</b>	<b>233,089</b>	178,389
<b>Total comprehensive income for the year attributable to:-</b>		
Owners of the parent	<b>232,942</b>	177,500
Non-controlling interest	<b>147</b>	889
	233,089	178,389
Earnings per share (cents)	<b>41.5</b>	47.8
Headline earnings per share (cents)	<b>36.5</b>	47.9
Diluted Earnings per share (cents)	<b>41.4</b>	47.8
Diluted Headline earnings per share (cents)	<b>36.5</b>	47.9
Dividends per share paid (cents)	<b>15.0</b>	18.0
Actual number of shares in issue ('000)	<b>469,331</b>	469,331
Weighted ordinary shares in issue ('000)	<b>464,347</b>	457,655
Diluted weighted ordinary shares in issue ('000)	<b>464,716</b>	457,655
<b>Reconciliation between earnings and headline earnings</b>		
Earnings attributable to the equity holders of the parent	<b>192,555</b>	218,776
Less: IAS 16 profit on disposal of property, plant and equipment	<b>(12,419)</b>	(1,231)
Add: IAS 16 write off of aircraft damaged beyond economical repair	<b>64,462</b>	-
Less: IAS 16 compensation for write off of aircraft damaged beyond economical repair	<b>(84,155)</b>	-
Add: IAS 36 impairment of loan	-	1,530
Less: tax effect of remeasurement adjustments	<b>8,991</b>	345
Headline earnings attributable to ordinary shareholders	<b>169,434</b>	219,420

	<b>Audited Year 30 June 2016 R'000</b>	Audited Year 30 June 2015 R'000
<b>Condensed Consolidated Statements of Financial Position</b>		
<b>ASSETS</b>		
Property, plant and equipment	<b>3,988,323</b>	2,760,584
Intangible assets	<b>21,953</b>	27,490
Investments in and loans to associates	<b>36,422</b>	28,411
Goodwill	<b>6,615</b>	6,615
Deferred taxation	<b>3,942</b>	4,965
Current assets	<b>1,553,163</b>	1,207,318
	<b>5,610,418</b>	4,035,383
<b>EQUITY AND LIABILITIES</b>		
Share capital and reserves	<b>1,329,515</b>	1,166,190
Non-current portion of interest bearing liabilities	<b>2,182,459</b>	982,052
Deferred taxation	<b>303,848</b>	217,316
Share-based payments	<b>1,001</b>	-
Current liabilities	<b>1,793,595</b>	1,669,825
	<b>5,610,418</b>	4,035,383
Net asset value per share (cents)	<b>286.6</b>	251.5
<b>Condensed Consolidated Statements of Cash Flows</b>		
Cash and cash equivalents at the beginning of the year	<b>849,278</b>	867,703
Cash from operations, investment income and finance charges	<b>762,281</b>	647,573
Taxation paid	<b>(6,020)</b>	(46,785)
Cash (utilised) in investing activities	<b>(94,496)</b>	(280,465)
Cash (utilised) in financing activities	<b>(390,915)</b>	(338,748)
Cash and cash equivalents at the end of the year	<b>1,120,128</b>	849,278

	<b>Audited Year 30 June 2016 R'000</b>	<b>Audited Year 30 June 2015 R'000</b>
<b>Condensed Consolidated Segmental Reports</b>		
Segmental Revenue		
Airline	<b>5,725,892</b>	5,671,092
Non-airline	<b>233,681</b>	219,654
	<b>5,959,573</b>	5,890,746
Segmental results		
Airline	<b>743,896</b>	704,619
Non-airline	<b>85,896</b>	79,233
Operating profit before depreciation, amortisation, impairment, unrealised translation loss on dollar denominated loan, compensation and profit on sale of assets	<b>829,792</b>	783,852
Depreciation and amortisation - Airline	<b>(361,072)</b>	(397,352)
Depreciation and amortisation - Non-airline	<b>(11,031)</b>	(8,460)
Impairment of loan - Airline	-	(1,530)
Write off of aircraft damaged beyond economical repair - Airline	<b>(64,462)</b>	-
Compensation for write off of aircraft damaged beyond economical repair – Airline	<b>84,155</b>	-
Unrealised translation loss on dollar denominated loan	<b>(73,946)</b>	(50,684)
Profit on sale of assets – Airline	<b>12,419</b>	1,231
Profit from operations	<b>415,855</b>	327,057
Segmental assets – Airline	<b>5,288,208</b>	3,876,837
Segmental assets - Non-airline	<b>322,211</b>	158,546
Segmental liabilities – Airline	<b>(4,158,433)</b>	(2,761,037)
Segmental liabilities - Non-airline	<b>(122,470)</b>	(108,156)

Segmental capital additions - Airline (excluding borrowing costs capitalised)	<b>1,480,618</b>	558,145
Segmental capital additions- Non-airline	<b>12,569</b>	11,082

### Condensed Consolidated Statements of Changes in Equity

Opening Balance	<b>1,166,190</b>	1,067,970
Profit for the year	<b>192,702</b>	218,776
Equity settled share-based payment adjustment	-	857
Repurchase of 'A' class shares	-	(451)
Cash flow hedge reserve	<b>40,387</b>	(40,387)
Dividend paid	<b>(69,764)</b>	(81,464)
Business combinations	-	889
	<b>1,329,515</b>	1,166,190

### Significant Commitments

Comair made pre-delivery payments of R68 million during the year towards the delivery of the final Boeing 737-800NG of the original order of eight due for delivery in November 2016. The Group has a remaining commitment to Boeing for R477 million at year end (prior year R1.9 billion), the funding options of which will be finalised closer to the time of delivery. Pre-delivery payment finance is mandated to Investec Bank.

Comair also made deposits of R102 million in the 2014 year, 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 R6.6 billion (prior year 4.6 billion), payable from 2017 to 2021, the funding of which will be finalised closer to the time of delivery.

## **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 2015. 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. The Financial Director, Kirsten King CA (SA), was responsible for the preparation of the condensed consolidated financial results. 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**

No 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, have issued their unmodified opinion on the Group’s annual financial statements for the year ended 30 June 2016. 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 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)

12 September 2016

Sponsor:

RAND MERCHANT BANK (a division of FirstRand Bank Limited)

Release Date: 13 September 2016