

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

REVIEWED CONDENSED CONSOLIDATED PROVISIONAL FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2015 AND CASH DIVIDEND DECLARATION

Earnings review

The 2015 financial year provided a basket of challenging variables, with a very strong profit in the first half followed by a more mundane second half. The first half started with an unprecedented collapse in the oil price, resulting in a drop in the price of jet fuel from a high of R9.50 per litre to R7.30 by December and R6.50 by year end. This decline granted relief to the dramatic cost escalation of previous years. We benefitted from revenue growth of 5% in the first half of the year.

The second half of the year saw two new competitors enter the market with very aggressive, but more than likely unsustainable pricing. Comair was, out of necessity drawn into the fray in order to retain its slice of a market that had still not recovered to 2008 volumes. As a result of this, any savings achieved on the price of fuel were returned to our customers by way of significantly reduced ticket prices, with a consequent reversal of the revenue growth experienced in the first 6 months. Despite the new capacity in the market, Comair maintained its passenger volumes, largely due to the strength of the kulula and British Airways brands and our ongoing attention 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 exceeding our threshold target of 85% across both the British Airways and kulula.com brands.

The year closed with no growth in revenue compared to the previous year, and a 1% saving in operating costs. Despite an increase in Operating Profit, Profit for the year reflects a 17% reduction, resulting in Earnings per share of 47.8 cents per share (prior year 58.4 cents).

Cash of R147 million was invested in the acquisition of three previously leased Boeing 737-400 aircraft and two pre-owned Boeing 737-400's, all for operation in the British Airways fleet. These aircraft have replaced the 737-300 fleet which will be fully retired by December. The newer aircraft afford improved fuel efficiency and reduced maintenance demands, while at the same time improving passenger comfort. Early settlement was also concluded on aircraft and simulator funding amounting to R115 million. Cash on hand at year end was R849 million, much in line with the prior year balance of R868 million.

Due to hedging 26% of demand early on during the decline in the fuel price, the Company was not able to achieve the full benefit of the lower cost of fuel. At year end there remain 160,000 barrels hedged at an average of \$82, representing 10% of our fuel demand for the 2016 financial year. The last of these hedges will expire in December 2015. The Black Economic Empowerment transaction concluded by Comair and the Thelo Consortium in 2007, matured in September 2014, and created realised value of R152 million for the participants. The "A" shares arising from the transaction were

converted to 29,067,766 ordinary shares on 21 April 2015. The weighted effect of the additional shares is a reduction in the 2015 Earnings Per Share of 3 cents. The Group continued to invest in its transformation initiatives, including its pilot cadet programme, airport learnerships, enterprise development and social responsibility, and thereby maintained its level 4 BBBEE score.

Our affiliated businesses of flight training, travel product distribution, catering and airport lounges performed well and continue to grow their contribution to the consolidated profits.

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 weak economic growth and the consequent impact of overcapacity in the domestic aviation market. Fundamentals dictate that a correction in market capacity is very likely. On the other hand, the new visa regulations applicable to South Africans traveling with children, as well as to foreign tourists, have impacted negatively on our cross-border tourist destinations, and we are actively participating in achieving a more favourable dispensation in this regard. The weakness of the Rand continues to impact negatively on all dollar based operating costs.

In August 2015 we took delivery of the first of the next four new 737-800's from Boeing, the remaining three of which will be delivered in late 2015 and 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 customer satisfaction, operating performance and drive revenue generating opportunities. The pace of development in distribution technology is relentless. Comair is intent on realising the maximum benefit from its customer insight in order to improve on its overall proposition, and the marketing of relevant products to its customer segments. We are also developing new applications to enhance both the ground and air experience that will facilitate more efficient operating procedures.

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

Dividend

Notice is hereby given that a final gross cash dividend of 10.00000 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 1.50000 cents per ordinary share, resulting in a net dividend of 8.50000 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)	Friday, 16 October 2015
Shares commence trading (ex dividend)	Monday, 19 October 2015
Record date (date shareholders recorded in books)	Friday, 23 October 2015
Payment Date	Monday, 26 October 2015

Share certificates may not be dematerialised or rematerialised between Monday, 19 October 2015 and Friday, 23 October 2015, both days inclusive.

Directors' resignation and appointment

- 1) Mr Luo Cheng was appointed as a non-executive director on 1 August 2015
- 2) Mr Li Neng was appointed as a non-executive director on 1 August 2015
- 3) Mr Naran Maharajh was appointed as an independent non-executive director on 1 August 2015
- 4) Ms Phuti Mahanyele was appointed an independent non-executive director on 1 August 2015

Reviewed Condensed Consolidated Provisional Financial
Results for the year ended 30 June 2015

Comair Limited

	Reviewed year ended 30 June 2015 R'000	Audited restated year ended 30 June 2014 R'000
Condensed Consolidated Statement of Profit or loss		
Revenue	5,890,746	5,903,219
Operating Expenses	(5,157,578)	(5,198,457)
Operating profit before depreciation, impairment and profit on sale of assets	733,168	704,762
Depreciation	(405,812)	(290,747)
(Impairment) reversal of impairment	(1,530)	2,235
Profit on sale of assets	1,231	524
Profit from operations	327,057	416,774
Interest income	40,428	32,149
Interest expense	(72,930)	(77,340)
Share of profit of associates	6,799	2,327
Profit before taxation	301,354	373,910
Taxation	(82,578)	(109,059)
Profit for the year	218,776	264,851
Earnings per share (cents)	47.8	58.4
Headline earnings per share (cents)	47.9	57.8
Diluted earnings per share (cents)	47.8	56.1
Diluted headline earnings per share (cents)	47.9	55.6
Dividend per share paid (cents)	18.0	15.0

Condensed Consolidated Statement of Profit or loss and other Comprehensive income

Profit for the year	218,776	264.851
Other comprehensive income: Items that may be reclassified subsequently to profit or loss		
Effects of oil cash flow hedge recognised other comprehensive income	(40,387)	-
Total comprehensive profit for the year attributable to ordinary shareholders of the parent	178,389	264,851

	Reviewed year ended 30 June 2015 R'000	Audited restated year ended 30 June 2014 R'000
Actual number of shares in issue ('000)	469,331	440,263
Weighted ordinary shares in issue ('000)	457,655	453,856
Diluted weighted ordinary shares in issue ('000)	457,655	471,851
Reconciliation between earnings and headline earnings		
Earnings attributable to the equity holders of the parent	218,776	264,851
Less: IAS 16 (profit) on disposal of property, plant and equipment	(1,231)	(524)
Less: IAS 36 (reversal of impairment) to loans to associates	-	(2,235)
Add: IAS36 Impairment of goodwill	1,530	-
Add: tax effect of profit on disposal	345	147
Headline earnings attributable to ordinary shareholders	219,420	262,239

Condensed Consolidated Statement of Financial Position

ASSETS

Property, plant and equipment	2,760,584	2,545,033
Intangible assets	27,490	31,106
Investments in associates	28,411	6,612
Deferred taxation	4,965	-
Goodwill	6,615	3,668
Current assets	1,191,372	1,436,929
	4,019,437	4,023,348

	Reviewed year ended 30 June 2015 R'000	Audited restated year ended 30 June 2014 R'000
EQUITY AND LIABILITIES		
Share capital and reserves	1,166,190	1,067,970
Interest bearing liabilities	982,052	1,183,072
Deferred taxation	201,370	167,689
Share-based payments	32,500	21,666
Current liabilities	1,637,325	1,582,951
	4,019,437	4,023,348
Net asset value per share (cents)	251.1	245.3

Condensed Consolidated Statement of Cash Flows

Cash and cash equivalents at the beginning of the period	867,703	778,045
Cash from operations and investment income	646,453	1,043,147
Taxation paid	(46,785)	(76,664)
Cash (utilised in) investing activities	(279,796)	(610,842)
Cash (utilised in) financing activities	(338,297)	(265,983)
Cash and cash equivalents at the end of the period	849,278	867,703

	Reviewed year ended 30 June 2015 R'000	Audited restated year ended 30 June 2014 R'000
Condensed Consolidated Segmental Report		
Segmental Revenue		
Airline	5,645,467	5,730,306
Non-airline	245,279	172,913
	5,890,746	5,903,219
Segmental results		
Airline	645,608	654,252
Non-airline	87,560	50,510
Operating profit before depreciation, impairment and profit on sale of assets	733,168	704,762
Depreciation – Airline	(397,352)	(280,475)
Depreciation - Non-airline	(8,460)	(10,272)
(Impairment) reversal of impairment – Airline	(1,530)	2,235
Profit on sale of assets – Airline	1,231	524
Profit before interest, dividend and taxation	327,057	416,774
Segmental assets – Airline	3,860,891	3,858,702
Segmental assets - Non-airline	158,546	164,646
Segmental liabilities – Airline	(2,745,091)	(2,825,314)
Segmental liabilities - Non-airline	(108,156)	(130,064)
Segmental capital additions - Airline (excluding borrowing costs capitalised)	558,145	510,381
Segmental capital additions- Non-airline	11,082	668

	Reviewed year ended 30 June 2015 R'000	Audited restated year ended 30 June 2014 R'000
Condensed Consolidated Statement of Changes in Equity		
Opening balances	1,067,970	1,021,200
Profit for the year	218,776	264,851
Equity settled share-based payment adjustment	857	3,428
Repurchase of Comair shares	(451)	(151,213)
Cash flow hedge reserve	(40,387)	-
Dividend paid	(81,464)	(70,295)
Non-controlling interest	889	-
Net effect of share trust activities	-	(1)
	1,166,190	1,067,970

Significant Commitments

Comair has made pre-delivery payments of R288 million prior to year end towards the delivery of four Boeing 737-800's in late 2015 and early 2016. Pre-delivery payment finance has been arranged through Investec Bank.

Comair has also made deposits of R102 million in the prior year, towards the purchase of eight Boeing 737-8 Max's for delivery from 2019 to 2021. The Group has a remaining commitment to Boeing for R1.9 billion at year end (prior year R1.5 billion), the funding of which will be finalised closer to the time of delivery. Pre-delivery payments on these aircraft will commence in 2017. At year end the Group has a remaining commitment to Boeing for R5.4 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 provisional 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 2014. The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The condensed consolidated provisional financial results are presented in terms of the minimum disclosure

requirements set out in International Accounting Standards (“IAS”) 34 – Interim Financial Reporting, as well 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 provisional 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.

The Group has adopted the new standards in issue and there has been no material impact on the financial statements identified based on management’s assessment of these standards.

Prior period restatement

Comair offers travel and holiday package services using advanced technology, both locally and internationally, to consumers directly and via the retail travel trade. This business forms part of the non-airline segment of the Group and is disclosed as such in the Segmental Report. In terms of IAS 18 – Revenue, Comair acts as an agent for the collection of revenue on certain travel packages and these amounts, net of inventory costs, should be accounted for as commission received. In the financial year ended 30 June 2014 gross amounts were included in revenue, and the associated inventory costs were included in operating expenses which gives rise to the restatement.

The restatement has no impact on the profit of the Group. The effect is a reduction in both revenue and operating expenses amounting to R379 million in the Statement of Comprehensive Income for the year ended 30 June 2014.

Change in Accounting Estimates

Arising from the fleet upgrade programme, the Board reassessed the estimated residual values and useful lives of the Boeing 737-300 and 737-400 fleets, resulting in additional depreciation of R 95 million in the current reporting period. Aircraft are depreciated over their useful lives on a component basis, taking into account residual value, technological innovation, planned maintenance programmes and forecast retirement dates.

Change in Segmental classification

The Group is organised into two main business segments: Airline and Non-Airline. Previously “Non-airline” comprised the travel business, property investments, simulator business and Slow in the City. Lounges were initially established at main ACSA airports to improve customer experience and were therefore included in the Airline segment. However, the lounge business has since evolved into a self- sustainable business, generating third party Lounge Revenue and can now be considered independent of the Airline segment and will be reported as “Non-airline” for segmental reporting purposes.

		2014	
Segmental revenue	Restated	Previously reported	Difference
Airline	5,730,306	5,819,632	89,326
Non-airline	172,913	83,587	(89,326)
Segmental result			
Airline	654,252	681,552	27,300
Non-airline	50,510	23,210	(27,300)

Segmental depreciation			
Airline	(280,475)	(285,734)	5,259
Non-airline	(10,272)	(5,013)	(5,259)
Segmental Assets			
Airline	3,858,702	3,875,108	16,406
Non-airline	164,646	148,240	(16,406)

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.

Review of the independent auditors

These provisional condensed consolidated financial statements for the year ended 30 June 2015 have been reviewed by Grant Thornton, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office.

By order of the Board

P van Hoven (Chairman) ER Venter (CEO)

11 September 2015

Sponsor

RAND MERCHANT BANK (a division of FirstRand Bank Limited)

14 September 2015