

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

VERSION 10

## **Unaudited Interim Results for the six months ended 31 December 2014 and Cash Dividend Declaration**

### **Performance review**

In the absence of growth in the domestic market, Comair's capacity remained consistent with that of last year. Revenue grew by 5%, attributable to a 3% increase in average yield and a 2% increase in occupancy. The declining dollar oil price benefitted the Company towards the end of the reporting period, but was offset by a further 9% average weakening of the exchange rate compared to the previous year, which affects 48% of our costs. The net effect for the half year was an increase in operating expenses of 2%.

Earnings per share and headline earnings per share grew to 37.6 cents (prior period earnings and headline earnings per share of 34.3 cents). The cash balance at 31 December 2014 was R688 million after investing R149 million in the purchase of the five Boeing 737-400's mentioned below, and early settlement of aircraft and simulator funding amounting to R73 million.

The Company continues to progress with its fleet upgrade programme, and retired a further two Boeing 737-300 aircraft, which were replaced with one 737-800 for operation in the British Airways fleet. We also purchased three Boeing 737-400 aircraft that were on lease to Comair, and two pre-owned Boeing 737-400 aircraft. The above changes will complete the retirement of the B737-300 fleet.

### **Prospects**

The domestic passenger market remains below the 2008 peak volume and we do not anticipate any near-term recovery in local consumer spending. While the decline in the oil price has provided welcome relief, we are of the view that it will increase in the second half of the year. The current swap price in the market for the 12 months ahead is averaging \$65 to \$75 per barrel, indicating market expectations of a recovery in the price of oil. The impact of the lower fuel price is anticipated to equal approximately 3% of total cost for the full financial year and we are seeing related downward pressure on ticket prices. Comair hedged 26% of its fuel consumption for the second half at an average price of \$82 per barrel. The mark-to-market valuation was taken to the Cash Flow Hedge Reserve and will be released against the underlying cost as the hedges mature.

The ongoing upgrades to our fleet remain the best solution to the expected recovery in the fuel price, while also providing an improved customer proposition, and, along with improved technology-driven operating processes, will ensure that we maintain a healthy lead over our competitors. Our travel business, flight training facility, catering business and airport lounges also show opportunities for further growth.

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

## Cash Dividend Declaration

Following on the strong performance of the first six months, notice is hereby given that a gross interim cash dividend of 5.00000 cents per share (prior year gross interim cash dividend of 5.00000 cents) was declared payable to ordinary shareholders and “A” shareholders (unlisted shares). The “A” shareholders are now entitled to participate in dividends in terms of a Black Economic Empowerment transaction approved by ordinary shareholders by way of a special resolution passed at the General Meeting held on 14 September 2006. The dividend was declared out of income reserves.

Dividends will be subject to a local dividend tax rate of 15% or 0.75000 cents per share, resulting in a net dividend of 4.25000 cents per 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 used as part of this declaration. The Company’s tax reference number is 9281/874/7/1/0 and the number of shares in issue at the date of this declaration is 440,263,099 ordinary shares and 29,067,766 “A” shares (unlisted shares).

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 ( <i>cum dividend</i> )	Friday, 13 March 2015
Shares commence trading ( <i>ex dividend</i> )	Monday, 16 March 2015
Record date (date shareholders recorded in books)	Friday, 20 March 2015
Payment date	Monday, 23 March 2015

Share certificates may not be dematerialised or rematerialised between Monday, 16 March 2015 and Friday, 20 March 2015, both days inclusive.

## Directors’ resignations and appointment

There were no Director appointments or resignations during the interim period under review.

## Basis of preparation

In terms of the Listings Requirements of the JSE Limited, the Group has prepared its 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 adopted accounting policies.

## 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 and reflects as 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 R97 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.

### 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 Interim Group Results were prepared by:

Kirsten King  
Financial Director  
Comair Limited

### Condensed Results Comair Limited

	<b>Unaudited six months 31 Dec 2014 R'000</b>	<b><u>Group</u> Unaudited six months 31 Dec 2013 R'000</b>	<b>Audited year restated 30 June 2014 R'000</b>
<b>Condensed Group Statement of Comprehensive Income</b>			
<b>Revenue</b>	<b>3,126,877</b>	2,963,143	5,903,219
Operating expenses	<b>(2,658,833)</b>	(2,598,023)	(5,198,457)
<b>Operating profit before depreciation, impairment and profit on sale of assets</b>	<b>468,044</b>	365,120	704,762
Depreciation	<b>(225,312)</b>	(131,981)	(290,747)
Impairment	-	-	2,235
Profit on sale of assets	-	-	524
<b>Profit from operations</b>	<b>242,732</b>	233,139	416,774
Interest income	<b>22,209</b>	17,301	32,149
Interest expense	<b>(38,668)</b>	(38,485)	(77,340)
Share of profit (loss) of associates	<b>948</b>	(1,060)	2,327
<b>Profit before taxation</b>	<b>227,221</b>	210,895	373,910
Taxation	<b>(63,649)</b>	(57,455)	(109,059)
<b>Profit for the period</b>	<b>163,572</b>	153,440	264,851
<b>Other comprehensive income: Items that may be reclassified subsequently to profit or loss</b>			
Effects of cash flow hedge	<b>(79,621)</b>	-	-
<b>Total comprehensive profit for the period attributable to equity shareholders of the parent</b>	<b>83,951</b>	153,440	264,851

Earnings per share (cents)	<b>37.6</b>	34.3	58.4
Headline earnings per share (cents)	<b>37.6</b>	34.3	57.8
Diluted earnings per share (including "A" shares)(cents)	<b>35.2</b>	34.3	56.1
Diluted headline earnings per share (including "A" shares) (cents)	<b>35.2</b>	34.3	55.6
Dividends per share paid	<b>13.0</b>	10.0	15.0
Actual number of shares in issue ('000)	<b>440,263</b>	440,263	440,263
Weighted ordinary shares in issue ('000)	<b>435,270</b>	447,380	453,856
Diluted weighted ordinary shares in issue ('000)	<b>464,338</b>	447,755	471,851

<b>Reconciliation between earnings and headline earnings</b>	<b>R'000</b>	R'000	R'000
Earnings attributable to the equity holders of the parent	<b>163,572</b>	153,440	264,851
Less: IAS 16 profit on disposal of property, plant and equipment after taxation	-	-	(524)
Add: IAS 16 impairment to loans to associates	-	-	(2,235)
Add: tax effect of profit on disposal	-	-	147
Headline earnings attributable to ordinary shareholders	<b>163,572</b>	153,440	262,239

	<b>Unaudited six months 31 Dec 2014 R'000</b>	<b>Group Unaudited six months 31 Dec 2013 R'000</b>	<b>Audited year restated 30 June 2014 R'000</b>

## Condensed Group Statement of Financial Position

### ASSETS

Property, plant and equipment	<b>2,700,119</b>	2,610,403	2,545,033
Intangible assets	<b>25,922</b>	36,291	31,106
Investments in associates	<b>7,560</b>	990	6,612
Goodwill	<b>3,668</b>	3,668	3,668
Current assets	<b>1,442,668</b>	1,176,040	1,436,929
	<b>4,179,937</b>	3,827,392	4,023,348

### EQUITY AND LIABILITIES

Share capital and reserves	<b>1,096,096</b>	976,758	1,067,970
Interest-bearing liabilities	<b>1,169,073</b>	1,238,125	1,183,072
Deferred taxation	<b>175,313</b>	158,332	167,689
Share-based payments	<b>25,277</b>	4,250	21,666
Current liabilities	<b>1,714,178</b>	1,449,927	1,582,951
	<b>4,179,937</b>	3,827,392	4,023,348

Net asset value per share (cents)	<b>251.8</b>	224.4	245.3
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### Condensed Group Statement of Cash Flows

Cash and cash equivalents at the beginning of the period	867,703	778,045	778,045
Cash from operations and investment income	222,616	459,396	1,043,147
Taxation paid	(27,521)	(24,191)	(76,664)
Cash (utilised in) investing activities	(375,214)	(366,271)	(610,842)
Cash generated by (utilised in) financing activities	780	(152,112)	(265,983)
	<u>688,364</u>	<u>694,867</u>	<u>867,703</u>
Cash and cash equivalents at the end of the period			

	<b>Unaudited</b> <b>six months</b> <b>31 Dec</b> <b>2014</b> <b>R'000</b>	<b>Group</b> Unaudited six months 31 Dec 2013 R'000	Audited year restated 30 June 2014 R'000
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### Condensed Group Segmental Report

Segmental revenue			
Airline	3,072,065	2,918,091	5,819,632
Non-airline	54,812	45,052	83,587
	<u>3,126,877</u>	<u>2,963,143</u>	<u>5,903,219</u>

Segmental results			
Airline	434,100	353,088	681,552
Non-airline	33,944	12,032	23,210

Operating profit before depreciation, impairment and profit on sale of assets	468,044	365,120	704,762
Depreciation – Airline	(222,994)	(129,670)	(285,734)
Depreciation – Non-airline	(2,318)	(2,311)	(5,013)
Reversal of Impairment – Airline	-	-	2,235
Profit on sale of assets – Airline	-	-	524
Profit before interest, dividend and taxation	<u>242,732</u>	<u>233,139</u>	<u>416,774</u>

Segmental assets – Airline	3,986,959	3,655,388	3,875,108
Segmental assets – Non-airline	192,978	172,004	148,240
Segmental liabilities – Airline	(3,008,538)	(2,745,942)	(2,825,314)
Segmental liabilities – Non-airline	(75,302)	(104,693)	(130,064)
Segmental capital additions – Airline (excluding borrowing costs capitalised)	192,968	428,047	510,381
Segmental capital additions – Non-airline	246	255	668

### Condensed Group Statement of Changes in Equity

Opening balances	1,067,970	1,021,200	1,021,200
Profit for the period	163,572	153,440	264,851
Equity settled share-based payment adjustment	857	1,714	3,428
Repurchase of Comair shares	-	(151,102)	(151,213)
Cash flow hedge reserve	(79,621)	-	-

Dividend paid	<b>(56,682)</b>	(48,494)	(70,295)
Net effect of share trust activities	-	-	(1)
	<b>1,096,096</b>	976,758	1,067,970

**By order of the Board**

P van Hoven (Chairman)

E Venter (Chief Executive Officer)

16 February 2015

**Sponsor**

Rand Merchant Bank (A division of FirstRand Bank Limited)