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Performance review

The turnaround in profitability that commenced in the second half of the 2012 financial year has continued into the six months to December 2012, and has resulted in a profit after tax of R79 million for the period, a significant improvement on the results of the comparative period. While it took time to adequately address the effect of higher operating costs, brought on predominantly by the rapid escalation of the fuel price in 2011, we are now accommodating an oil price of over $110 per barrel and do not anticipate a reduction in this price in the near future.

Revenue grew by 20%, mainly attributable to the fuel surcharge on British Airways tickets and kulula's improved pricing capability and revenue integrity processes emanating from its new inventory management system. The four new Boeing 737-800s, introduced during the period, further contributed to increased revenue per flight, while at the same time improving fuel efficiency. Our in-house catering facility and other cost saving initiatives continued to deliver meaningful results.

Earnings per share and headline earnings per share grew to 16.4 cents (prior period loss of 7.1 cents and headline loss of 4.9 cents) and cash generation was particularly strong due to the tax allowances on the new aircraft, as well as abnormally good advance ticket sales in December, resulting in a cash balance of R529 million at 31 December 2012.

The four new aircraft were brought onto the statement of financial position during the period, funded with US Export-Import Bank backed loans, which ensured excellent financing rates.

We are particularly proud of the fact that the turnaround in profitability was achieved without the retrenchment of any staff, largely as result of their own commitment towards implementing the changes required to turn the business around.

Prospects

The total domestic passenger market has shown year-on-year shrinkage since February 2012, with the half year volumes for the market 6% lower than for the comparative period. The continued devaluation of the Rand has driven the Rand price of fuel and Dollar-based technical services to record levels, and therefore we do not foresee early growth in market volumes as ticket prices will remain at the levels necessary to recover such escalating costs. We also do not anticipate any near-term recovery in global or local consumer spending.

However, our new enterprise-wide IT platform and the new fleet, which were only in operation for a portion of the reporting period, offer further opportunities for improved revenue and operating efficiency that will be fully optimised over the next few years.

Flights from Johannesburg (ORTIA) to East London on the kulula brand will commence on 1 March 2013, and flights from Johannesburg to Maputo on the British Airways brand from May 2013. There are also good growth opportunities for our travel business, flight training facility, catering business and airport lounges.

We are therefore cautiously optimistic for further improvements to profitability and cash generation in the second half of the 2013 financial year.

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

Dividend

Contrary to past practice and in light of the Company's improved trading results, notice is hereby given that a gross interim cash dividend of 5.0 cents per ordinary share has been declared payable to shareholders. The dividend has been declared out of income reserves.

STC Credits of R5 640 412 (equating to 1.15304 cents per share) are available to be utilised as part of this declaration. The gross dividend will be subject to a local dividend tax rate of 15.00% but the effective rate is brought down to 11.54% once STC Credits have been applied resulting in a net dividend of 4.42296 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 tax agreement. The Company's tax reference number is 9281/874/1/0 and the number of ordinary shares in issue at the date of this declaration is 489,176,471.

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, 8 March 2013
Shares commence trading (ex dividend)	Monday, 11 March 2013
Record date (date shareholders recorded in books)	Friday, 15 March 2013
Payment date	Monday, 18 March 2013

Share certificates may not be dematerialised or rematerialised between Monday, 11 March 2013 and Friday, 15 March 2013, both days inclusive.

Directors' resignations and appointments

Derek Henry Borer was appointed as an Alternate Director to Rodney Cyril Sacks, an Independent Non-executive Director, on 17 October 2012.

Alan Buchanan, a Non-executive Director, having left the employ of British Airways, resigned as a Board Member on 27 November 2012.

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 used for the previous Annual Financial Statements.

These Unaudited Interim Group Results were prepared by R Yasas Sri-Chandana, Financial Director, Comair Limited.

By order of the Board
Mr P van Hoven (Chairman)   **Mr ER Venter** (CEO)
11 February 2013

Address and Registered Office
1 Marignane Drive
Bonaero Park 1619
PO Box 7015
Bonaero Park 1622

Transfer Office
Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown 2107

Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)

K-10497 [www.kashan.co.za]

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Comair Limited

Unaudited Interim Results and Interim Cash Dividend Declaration
for the six months ending
31 December 2012

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Abridged Group Statement of Comprehensive Income

	Unaudited six months 31 Dec 2012 R'000	Unaudited six months 31 Dec 2011 R'000	Audited year 30 June 2012 R'000
Revenue	2,411,335	2,053,784	4,162,938
Operating expenses	(2,176,919)	(1,998,192)	(3,974,163)
Operating profit before depreciation	234,416	55,592	188,775
Depreciation	(110,113)	(85,083)	(153,270)
Impairment	-	-	(4,049)
Loss on sale of assets	-	(10,669)	(10,669)
Profit (loss) before interest, dividend and taxation	124,303	(40,160)	20,787
Interest income	7,523	4,497	8,200
Interest expense	(23,499)	(11,135)	(19,433)
Share of profit of associates	426	1,856	1,329
Profit (loss) before taxation	108,753	(44,942)	10,883
Taxation	(29,625)	10,776	(3,202)
Profit (loss) for the period	79,128	(34,166)	7,681
Other comprehensive gain			
Fair value adjustment on cash flow hedge	-	395	395
Total comprehensive profit (loss) for the period attributable to the equity holders of the parent	79,128	(33,771)	8,076
Earnings (loss) per share (cents)	16.4	(7.1)	1.6
Headline earnings (loss) per share (cents)	16.4	(4.9)	3.8
Diluted earnings (loss) per share (cents)	16.4	(7.1)	1.6
Diluted headline earnings (loss) per share (cents)	16.4	(4.9)	3.8
Dividends per share	0.0	0.0	0.0
Actual number of shares in issue ('000)	489,176	489,176	489,176
Weighted ordinary shares in issue ('000)	483,028	481,484	483,028
Diluted weighted ordinary shares in issue ('000)	483,055	482,464	483,055
Reconciliation between earnings and headline earnings			
Profit (loss) after tax attributable to the equity holders of the parent	79,128	(34,166)	7,681
Add: IAS 16 loss on disposal of property, plant and equipment after taxation	-	10,669	10,669
Add: IAS 16 impairment to assets	-	-	4,049
Less: tax effect of re-measurement adjustments	-	-	(4,121)
Headline earnings (loss) attributable to ordinary shareholders	79,128	(23,497)	18,278

Abridged Group Statement of Financial Position

	At 31 Dec 2012	At 31 Dec 2011	At 30 June 2012
Assets			
Property, plant and equipment	2,381,578	1,375,284	1,432,509
Intangible assets	51,307	-	51,515
Investments in associates	9,293	-	8,717
Goodwill	3,668	3,668	3,668
Current assets	1,101,409	641,909	709,358
	3,547,255	2,020,861	2,205,767
Equity and liabilities			
Share capital and reserves	895,303	768,464	814,461
Interest-bearing liabilities	1,258,360	310,663	85,907
Deferred taxation	120,562	108,174	99,039
Current liabilities	1,273,030	833,560	1,206,360
	3,547,255	2,020,861	2,205,767
Net asset value per share (cents)	183.0	157.1	166.5

Abridged Group Statement of Cash Flows

	Unaudited six months 31 Dec 2012 R'000	Unaudited six months 31 Dec 2011 R'000	Audited year 30 June 2012 R'000
Cash and cash equivalents at the beginning of the period	246,095	234,031	234,031
Cash from operations and investment income	262,672	161,809	278,197
Tax refunded (paid)	9,158	1,198	(4,971)
Cash utilised in investing activities	(1,059,826)	(100,284)	(134,388)
Cash generated by (utilised in) financing activities	1,071,281	(41,956)	(126,774)
Cash and cash equivalents at the end of the period	529,380	254,798	246,095

Abridged Group Segment Report

Segmental revenue			
Airline	2,378,148	2,024,907	4,076,004
Non-airline	33,187	28,877	86,934
	2,411,335	2,053,784	4,162,938
Segmental results			
Airline	222,419	40,520	169,705
Non-airline	11,997	15,072	19,070
Operating profit before depreciation, impairment and loss on sale of assets	234,416	55,592	188,775
Depreciation – Airline	(107,731)	(79,810)	(148,030)
Depreciation – Non-airline	(2,382)	(5,273)	(5,240)
Impairment – Airline	-	-	(4,049)
Loss on sale of assets – Airline	-	(10,669)	(10,669)
Profit (loss) before interest, dividend and taxation	124,303	(40,160)	20,787
Segmental assets – Airline	3,376,252	1,894,964	2,039,582
Segmental assets – Non-airline	171,003	125,897	166,185
Segmental liabilities – Airline	(2,552,405)	(1,156,531)	(1,295,250)
Segmental liabilities – Non-airline	(99,547)	(95,866)	(96,056)
Segmental capital additions – Airline (excluding borrowing costs capitalised)	1,041,035	143,877	305,161
Segmental capital additions – Non-airline	2,398	7,551	3,046

Abridged Group Statement of Changes in Equity

Opening balance	814,461	800,521	800,521
Total comprehensive income (loss) for the period	79,128	(33,771)	8,076
Equity settled share-based payment adjustment	1,714	1,714	3,428
Net effect of share trust activities	-	-	2,436
	895,303	768,464	814,461

Comair Limited Unaudited Interim Results and Interim Cash Dividend Declaration
for the six months ending 31 December 2012.

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