

# UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

## for the six months ended 31 December 2016 and Cash Dividend Declaration

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")

### Performance review

The first half of 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.

Revenue growth for the domestic aviation industry is reliant on a strong economy and GDP growth and we continue to see surplus capacity in the market, resulting in occupancy levels that remain low by international standards. The cycle of very low yields, which drove volume growth as seen in the comparative first half, partly reversed in the six months under review, but at the expense of passenger numbers. Comair consequently saw revenue growth of 6% as a result of a recovery in yields, but without any increase in volumes.

Costs remained flat, with local inflationary pressure being offset by the improved exchange rate applicable to foreign currency-based expenses. During the period Comair took delivery of one new Boeing 737-800 aircraft and one leased Boeing 737-800 aircraft to replace Boeing 737-400 aircraft in the British Airways fleet, due for retirement as part of Comair's fleet replacement programme. This contributed to further operating efficiency and enhancement of the customer experience.

The R91 million translation loss for the comparative period, which arose from the effect of the exchange rate on a dollar-based aircraft loan, was partly reversed as the currency made some headway to R13.73 as at 31 December 2016 from the low of R15.47 a year earlier. This resulted in a gain of R25 million in the period under review on the loan value of US\$23 million, compared to a loss of R74 million on the last revaluation of the loan at 30 June 2016. The 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.

Consequently, profit after taxation for the period was R199 million (prior period R84 million), and earnings per share and headline earnings per share were 42.8 cents (prior period earnings per share of 18.0 cents and headline earnings per share of 13.1 cents). Growth in the contribution from Comair's non-airline segment was strong.

Cash generated from operations remained healthy at R448 million, resulting in cash on hand of R949 million at 31 December 2016 (R972 million in the comparative period). The company will be making pre-delivery payments of US\$9.7 million during the remainder of the financial year towards its first deliveries of Boeing 737-8 Max aircraft in 2019.

### Prospects

The current weak economy is expected to maintain pressure on consumer spending, and we therefore foresee continued pressure on margins in the industry. 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 the exchange rate will remain volatile and that the price of oil is on an upward trend. The ongoing upgrades to our fleet provide mitigation to the expected increase in the fuel price, while also providing an improved customer experience. The new fleet, along with improved technology-driven operating processes, will ensure that we maintain a healthy competitive advantage for the benefit of our customers.

Our travel business, flight training facility, catering business and airport lounges are 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 cash earnings for 1 July 2016 to 31 December 2016, notice is hereby given that a gross interim cash dividend of 7.00000 cents per share (prior period gross interim cash dividend of 5 cents) payable to ordinary shareholders was approved and declared by the Board of Directors for the six month period ended 31 December 2016. The dividend was declared out of income reserves.

Dividends will be subject to a local dividend tax rate of 15% or 1.05000 cents per share, resulting in a net dividend of 5.95000 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. 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 469,330,865 ordinary 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 (cum dividend)	Monday, 20 March 2017
Shares commence trading (ex dividend)	Wednesday, 22 March 2017
Record date (date shareholders recorded in books)	Friday, 24 March 2017
Payment date	Monday, 27 March 2017

Share certificates may not be dematerialised or re-materialised between Wednesday 22, March 2017 and Friday, 24 March 2017, both days inclusive.

### Director appointments and resignations

Ms Wrenelle Stander resigned as an independent non-executive director (and her associated positions on the Audit Committee, Risk Management Committee, Remuneration Committee and Social and Ethics Committee), on the 28<sup>th</sup> of November 2016.

	Group		
	Unaudited 6 months ended 31 Dec 2016 R'000	Unaudited 6 months ended 31 Dec 2015 R'000	Audited year ended 30 June 2016 R'000
<b>Condensed Consolidated Statements of Profit or Loss</b>			
<b>Revenue</b>	<b>3,128,842</b>	2,960,721	5,959,573
Operating expenses	(2,583,879)	(2,571,386)	(5,129,781)
<b>Operating profit*</b>	<b>544,963</b>	389,335	829,792
Depreciation and amortisation	(206,986)	(173,060)	(372,103)
Write-off of damaged aircraft beyond economical repair	-	(64,462)	(64,462)
Compensation for write-off of damaged aircraft beyond economical repair	-	84,124	84,155
Unrealised translation gain (loss) on dollar denominated loan	<b>25,492</b>	(91,244)	(73,946)
Profit on sale of assets	-	12,450	12,419
<b>Profit from operations</b>	<b>363,469</b>	157,143	415,855
Interest income	<b>25,920</b>	19,884	41,440
Interest expense	(116,021)	(64,847)	(170,496)
Income from equity accounted associates	<b>4,919</b>	5,749	8,011
<b>Profit before taxation</b>	<b>278,287</b>	117,929	294,810
Taxation	(79,281)	(34,196)	(102,108)
Profit for the period	<b>199,006</b>	83,733	192,702
<b>Profit for the period attributable to:</b>			
Owners of the parent	<b>198,539</b>	83,733	192,555
Non-controlling interest	<b>467</b>	-	147
	<b>199,006</b>	83,733	192,702

\* Operating profit before depreciation, amortisation, write-off of damaged aircraft, unrealised gain (loss) on translation of dollar-denominated aircraft loan, compensation for write-off of damaged aircraft and profit on sale of assets.

<b>Condensed Consolidated Statements of Comprehensive Income</b>			
<b>Profit for the period</b>	<b>199,006</b>	83,733	192,702
<b>Other comprehensive income: Items that may be reclassified subsequently to profit or loss</b>			
Effects of cash flow hedge recognised in other comprehensive income	-	40,387	40,387
<b>Total comprehensive income for the period</b>	<b>199,006</b>	124,120	233,089

<b>Total comprehensive income for the period attributable to:</b>			
Owners of the parent	<b>198,539</b>	124,120	232,942
Non-controlling interest	<b>467</b>	-	147
	<b>199,006</b>	124,120	233,089
<b>Earnings per share (cents)</b>	<b>42.8</b>	18.0	41.5
<b>Headline earnings per share (cents)</b>	<b>42.8</b>	13.1	36.5
<b>Diluted earnings per share (cents)</b>	<b>42.7</b>	18.0	41.4
<b>Diluted headline earnings per share (cents)</b>	<b>42.7</b>	13.1	36.5
<b>Dividends per share paid (cents)</b>	<b>11.0</b>	10.0	15.0
Actual number of shares in issue ('000)	<b>469,331</b>	469,331	469,331
Weighted ordinary shares in issue ('000)	<b>464,347</b>	464,337	464,347
Diluted weighted ordinary shares in issue ('000)	<b>464,803</b>	464,337	464,716

<b>Reconciliation between earnings and headline earnings</b>			
Earnings attributable to ordinary shareholders	<b>198,539</b>	83,733	192,555
Less: IAS 16 profit on disposal of property, plant and equipment	-	(12,450)	(12,419)
Add: taxation effect of profit on disposal	-	3,485	3,477
Add: IAS 36 impairment due to write-off of damaged aircraft beyond economical repair	-	64,462	64,462
Less: taxation effect of IAS 36 impairment due to write-off of damaged aircraft beyond economical repair	-	(18,049)	(18,049)
Less: IAS 16 compensation for write-off of damaged aircraft beyond economical repair	-	(84,124)	(84,155)
Add: taxation effect of IAS 16 compensation for write-off of damaged aircraft beyond economical repair	-	23,555	23,563
Headline earnings attributable to ordinary shareholders	<b>198,539</b>	60,612	169,434

<b>Condensed Consolidated Statements of Financial Position</b>			
<b>Assets</b>			
Property, plant and equipment	<b>4,504,287</b>	3,557,404	3,988,323
Intangible assets	<b>19,517</b>	23,962	21,953
Investments in associates	<b>41,341</b>	34,160	36,422
Goodwill	<b>6,615</b>	3,668	6,615
Deferred tax	<b>3,942</b>	4,940	3,942
Current assets	<b>1,559,385</b>	1,483,070	1,553,163
	<b>6,135,087</b>	5,107,204	5,610,418
<b>Equity and liabilities</b>			
Share capital and reserves	<b>1,477,361</b>	1,243,801	1,329,515
Interest-bearing liabilities	<b>2,501,440</b>	1,648,837	2,182,459
Deferred taxation	<b>383,129</b>	249,023	303,848
Share-based payments	<b>1,001</b>	-	1,001
Current liabilities	<b>1,772,156</b>	1,965,543	1,793,595
	<b>6,135,087</b>	5,107,204	5,610,418
<b>Net asset value per share (cents)</b>	<b>317.9</b>	267.9	286.6

	Group		
	Unaudited 6 months ended 31 Dec 2016 R'000	Unaudited 6 months ended 31 Dec 2015 R'000	Audited year ended 30 June 2016 R'000
<b>Condensed Consolidated Statements of Cash Flows</b>			
<b>Cash generated from operating activities</b>			
Cash generated from operations	<b>447,832</b>	343,136	892,231
Interest paid	(116,021)	(64,847)	(170,496)
Interest received	<b>25,920</b>	19,884	40,546
Taxation paid	(2,193)	(1,400)	(6,020)
<b>Net cash from operating activities</b>	<b>355,538</b>	296,773	756,261
<b>Cash utilised in investing activities</b>			
Additions to property, plant and equipment	(238,217)	(84,657)	(182,257)
Proceeds on disposal of property, plant and equipment	-	12,450	100,935
Additions to intangible assets	(5,758)	-	(13,174)
Decrease in loan to associate	<b>7,852</b>	-	-
<b>Net cash from investing activities</b>	<b>(236,123)</b>	(72,207)	(94,496)
<b>Cash utilised in financing activities</b>			
Raising of interest-bearing liabilities	-	74,858	34,790
Repayment of interest-bearing liabilities	(335,646)	(130,547)	(638,258)
Refund on aircraft purchase price for pre-delivery payment finance	<b>96,738</b>	-	282,317
Dividends paid	(51,160)	(46,509)	(69,764)
<b>Net cash from financing activities</b>	<b>(290,068)</b>	(102,198)	(390,915)
<b>Total cash movement for the period</b>	<b>(170,653)</b>	122,368	270,850
Cash and cash equivalents at the beginning of the period	<b>1,120,128</b>	849,278	849,278
<b>Cash and cash equivalents at the end of the period</b>	<b>949,475</b>	971,646	1,120,128

<b>Condensed Consolidated Segmental Reports</b>			
<b>Segmental revenue</b>			
Airline	<b>2,992,562</b>	2,858,399	5,725,892
Non-airline	<b>136,280</b>	102,322	233,681
	<b>3,128,842</b>	2,960,721	5,959,573
<b>Segmental results</b>			
Airline	<b>495,434</b>	349,914	743,896
Non-airline	<b>49,529</b>	39,421	85,896
Operating profit before depreciation, amortisation, write-off of damaged aircraft, unrealised gain (loss) on translation on dollar denominated loan, compensation for write-off of damaged aircraft and profit on sale of assets	<b>544,963</b>	389,335	829,792
Depreciation and amortisation – Airline	(203,095)	(169,345)	(361,072)
Depreciation and amortisation – Non-airline	(3,891)	(3,715)	(11,031)
Write-off of damaged aircraft beyond economical repair – Airline	-	(64,462)	(64,462)
Compensation for write-off of aircraft beyond economical repair – Airline	-	84,124	84,155
Unrealised translation gain (loss) on dollar denominated loan – Airline	<b>25,492</b>	(91,244)	(73,946)
Profit on sale of assets – Airline	-	12,450	12,419
Profit from operations	<b>363,469</b>	157,143	415,855
Segmental assets – Airline	<b>5,704,338</b>	4,798,880	5,288,207
Segmental assets – Non-airline	<b>430,749</b>	308,324	322,211
Segmental liabilities – Airline	(4,500,187)	(3,710,867)	(4,158,433)
Segmental liabilities – Non-airline	(157,539)	(152,536)	(122,470)
Segmental capital additions – Airline (excluding borrowing costs capitalised)	<b>642,279</b>	925,871	1,480,618
Segmental capital additions – Non-airline	<b>91,641</b>	20,503	12,569

<b>Condensed Consolidated Statements of Changes in Equity</b>			
Opening balance	<b>1,329,515</b>	1,166,190	1,166,190
Total comprehensive income for the period	<b>199,006</b>	83,733	192,702
Cash flow hedge reserve	-	40,387	40,387
Dividend paid	(51,160)	(46,509)	(69,764)
	<b>1,477,361</b>	1,243,801	1,329,515

### Basis of preparation

In terms of the Listings Requirements of the JSE Limited, the Group has prepared its Unaudited Condensed Consolidated Interim Financial Statements 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, Financial Pronouncements as issued by the Financial Reporting Standards Council 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 respects with those applied in the previous Annual Financial Statements. 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.

These results have not been audited or reviewed by the Group's auditors, Grant Thornton Johannesburg Partnership.

### Subsequent events

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

These Unaudited Condensed Consolidated Interim Financial Statements were prepared by:  
Kirsten King CA(SA)  
Financial Director  
Comair Limited

**By order of the Board**  
P van Hoven (Chairman) E Venter (Chief Executive Officer)  
13 February 2017

**Sponsor**  
PSG Capital Proprietary Limited  
14 February 2017

