

Unaudited Unreviewed Condensed Consolidated Interim Results

For the six months ended 31 December 2017 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

Comair delivered a record first half performance for the 2018 financial year, slightly above that achieved in the first half of the prior year. EBITDA for the first half of the 2018 financial year again exceeded half a billion Rand, at R604 million (prior period R575 million).

Consequently, profit after taxation for the period was R203 million (prior period R199 million), and earnings per share and headline earnings per share were 43.6 cents (prior period earnings and headline earnings per share of 42.8 cents).

Revenue growth for the domestic aviation industry is reliant on strong economic and GDP growth. Despite the continued surplus capacity in the market restricting occupancy levels to below that of international standards, combined with volatile economic conditions, Comair saw revenue growth of 6% as a result of a similar increase in passenger volumes, while average yields remained flat.

Operating expenses increased by 5% in the face of local inflationary pressure and higher fuel prices arising from a stronger oil price, which was only partially offset by the strengthening of the Rand. Comair's fleet replacement programme continues to contribute operating efficiencies which contain the cost pressures, whilst providing an enhanced customer experience.

Further gains arose from the translation of the dollar denominated aircraft loan as the Rand made some headway to close at R12.36/dollar as at 31 December 2017, down from R13.73 a year earlier.

Comair's non-airline business continued to grow steadily with non-airline revenue increasing by 11.6% and non-airline EBITDA increasing by 20%, resulting in an overall contribution of 13% to Profit from Operations for the Group.

Net cash flows from operating activities was strong, generating R514 million after significant cash investments having been made in aircraft heavy maintenance of R135 million, the purchase of an income producing property on which the catering division is currently housed for R75 million and pre-delivery aircraft payments of R160 million towards the 737-8 Max order, resulting in cash on hand of R777 million at 31 December 2017.

Highlights

In November 2017, Comair was awarded 5th place amongst the Sunday Times JSE Top 100 listed companies, in terms of growth in cumulative shareholder value over the past 5 years, with total growth of 467%, equal to compounded annual growth of 41.5% per annum.

We are also proud to announce that the Group has been certified by the Top Employer Institute, as a top employer in South Africa. The management of talent amongst the entire workforce is considered to be a key differentiator of the Group and continues to be a core focus. The Group values its talent and continues to make a significant investment to support the management of its skills base. Talent Management practices support decision making in terms of building capacity now and into the future, with the dual benefit to employees of having information that supports their careers within the Group.

The Company also invested in the acquisition of a Training Academy, namely EPT Aviation Training (Pty) Ltd and Global Training College South Africa (Pty) Ltd as part of its ongoing diversification of its non-airline operations. While the financial impact of the acquisition will not be significant initially, the acquisition will enhance an already formidable pilot training facility, increasing the Group's capacity for cabin crew, passenger handling and travel and tourism training.

Comair continued its focus on implementing technology solutions to enhance operating performance, customer service and revenue generation. The pace of development in distribution technology is relentless, and Comair is intent on extracting the maximum benefit from its customer data in order to improve on its service offering, and on the marketing of relevant products to its various customer segments. New software applications are being developed for use on board the aircraft and on the ground to facilitate more efficient operating procedures.

In November 2017, Comair successfully implemented a variable voting structure applicable to Foreign Shareholders in order to ensure that it cannot exceed the foreign control restrictions applicable to licensed air service operators in South Africa.

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. Judgement in this matter was handed down on 15 February 2017. In terms of the judgement, Comair was awarded damages in the sum of approximately R1.16 billion with regard to a total claim of R1.9 billion, inclusive of interest and costs. SAA lodged an appeal against this judgement. It is anticipated that the appeal will be heard in early 2018.

Prospects

Given current volatile economic conditions, it is expected that pressure will be maintained on consumer spending and we therefore foresee continued pressure on margins in the airline 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. Despite mention in the media of a reduction in the flight schedules of some state-owned airlines, it is not anticipated that there will be any reduction in the total capacity operating in the domestic market.

We anticipate that the Rand/dollar exchange rate and the oil price will remain volatile going forward. The ongoing upgrades to our fleet provide mitigation

to the increase in the fuel price while providing incremental revenue per flight and an improved customer experience. The delivery of the next eight Boeing 737-8 Max aircraft remains scheduled for commencement in 2019.

We foresee that the non-airline businesses, namely the travel business, flight training, catering and airport lounges, will continue to increase their contribution towards profits and will receive ongoing focus.

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

Notice is hereby given that a gross interim cash dividend of 5.00000 cents per share (prior period gross interim cash dividend of 7 cents) payable to ordinary shareholders was approved and declared by the board of directors for the six-month period ended 31 December 2017. The dividend was declared out of income reserves.

Dividends will be subject to a local dividend tax rate of 20% or 1.00000 cent per share, resulting in a net dividend of 4.00000 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. The company's registration number is 1967/006783/06.

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, 13 March 2018
Shares commence trading (ex dividend)	Wednesday, 14 March 2018
Record date (date shareholders recorded in books)	Friday, 16 March 2018
Payment date	Monday, 19 March 2018

Share certificates may not be dematerialised or re-materialised between Wednesday, 14 March 2018 and Friday, 16 March 2018, both days inclusive.

Directors' Appointments and Resignations

Appointments

Ms NB Sithole, was appointed as an Independent Non-executive Director of the company, on 1 October 2017.

Ms P Mahanyele, an Independent Non-executive Director, was appointed as a member of the Audit Committee on 1 October 2017.

Mr SL Doyle, was appointed as an Independent Non-executive Director of the company, on 1 December 2017.

Unaudited Unreviewed Condensed Consolidated Interim Results

Comair Limited

	Unaudited 6 months ended 31 Dec 2017 R'000	Group Unaudited 6 months ended 31 Dec 2016 R'000	Audited Year ended 30 June 2017 R'000
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Condensed Consolidated Statements of Profit or Loss

	Unaudited 6 months ended 31 Dec 2017 R'000	Group Unaudited 6 months ended 31 Dec 2016 R'000	Audited Year ended 30 June 2017 R'000
Revenue	3 301 043	3 128 842	6 063 737
Operating expenses	(2 715 226)	(2 583 879)	(4 999 789)
Operating profit*	585 817	544 963	1 063 948
Depreciation and amortisation	(210 375)	(206 986)	(456 281)
Unrealised translation gain on Dollar denominated aircraft loan	11 614	25 492	40 697
Loss on sale of assets	-	-	(10 574)
Profit from operations	387 056	363 469	637 790
Interest income	20 297	25 920	49 670
Interest expense	(124 921)	(116 021)	(250 377)
Impairment loss on remeasurement of non-current assets held for sale	(266)	-	(11 270)
Income from equity accounted associates	6 606	4 919	8 874
Profit before taxation	288 772	278 287	434 687
Taxation	(85 394)	(79 281)	(137 717)
Profit for the period	203 378	199 006	296 970
Profit for the period attributable to:			
Owners of the parent	202 714	198 539	296 023
Non-controlling interest	664	467	947
	203 378	199 006	296 970

* Operating profit before depreciation, amortisation, unrealised translation gain on translation of Dollar denominated aircraft loan and loss on sale of assets.

	Unaudited 6 months ended 31 Dec 2017 R'000	Group Unaudited 6 months ended 31 Dec 2016 R'000	Audited Year ended 30 June 2017 R'000
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Condensed Consolidated Statements of Comprehensive Income

Profit for the period	203 378	199 006	296 970
Total comprehensive income for the period	203 378	199 006	296 970

Total comprehensive income for the period attributable to:

Owners of the parent	202 714	198 539	296 023
Non-controlling interest	664	467	947
	203 378	199 006	296 970
Earnings per share (cents)	43.6	42.8	63.7
Headline earnings per share (cents)	43.6	42.8	67.0
Diluted earnings per share (cents)	43.6	42.7	63.7
Diluted headline earnings per share (cents)	43.6	42.7	67.0
Dividends per share paid (cents)	14.0	11.0	18.0

Actual number of shares in issue ('000)	469 331	469 331	469 331
Weighted ordinary shares in issue ('000)	465 089	464 347	465 089
Diluted weighted ordinary shares in issue ('000)	465 089	464 803	465 089

	Unaudited 6 months ended 31 Dec 2017 R'000	Group Unaudited 6 months ended 31 Dec 2016 R'000	Audited Year ended 30 June 2017 R'000
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Reconciliation between earnings and headline earnings

Earnings attributable to ordinary shareholders	202 714	198 539	296 023
Add: IFRS 5 impairment on remeasurement of non-current assets held for sale	266	-	11 270
Less: taxation effect of IFRS 5 impairment on remeasurement of non-current assets held for sale	(74)	-	(3 156)
Add: IAS 16 loss on disposal of property, plant and equipment	-	-	10 574
Less: taxation effect of IAS 16 loss on disposal of property, plant and equipment	-	-	(2 961)
Headline earnings attributable to ordinary shareholders	202 906	198 539	311 750

Condensed Consolidated Statements of Financial Position

	Unaudited 6 months ended 31 Dec 2017 R'000	Group Unaudited 6 months ended 31 Dec 2016 R'000	Audited Year ended 30 June 2017 R'000
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Net asset value per share (cents) 361.4 317.9 331.7

	Unaudited 6 months ended 31 Dec 2017 R'000	Group Unaudited 6 months ended 31 Dec 2016 R'000	Audited Year ended 30 June 2017 R'000
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Condensed Consolidated Statements of Cash Flows

Cash generated from operating activities	622 631	447 832	1 149 088
Cash generated from operations	(124 921)	(116 021)	(250 377)
Interest received	20 297	25 920	49 670
Taxation paid	(3 569)	(2 193)	25 034
Net cash from operating activities	514 438	355 538	973 415

Cash utilised in investing activities

Additions to property, plant and equipment	(258 655)	(238 217)	(323 248)
Proceeds on disposal of property, plant and equipment	3 441	-	3 594
Additions to intangible assets	(5 157)	(5 758)	(9 652)
Pre-delivery payments	(160 312)	-	(132 217)
Acquisition of subsidiaries, net of cash acquired	(5 411)	-	-
Repayment of loan by associate	-	7 852	7 852
Net cash utilised in investing activities	(426 094)	(236 123)	(453 671)

Cash utilised in financing activities

Raising of pre-delivery payment finance	131 138	-	-
Repayment of interest-bearing liabilities	(312 655)	(335 646)	(717 921)
Refund on aircraft purchase price for pre-delivery payment finance	-	96 738	96 738
Dividends paid	(65 231)	(51 160)	(83 776)
Net cash utilised in financing activities	(246 748)	(290 068)	(704 959)

Total cash movement for the period

Cash and cash equivalents at the beginning of the period	934 913	1 120 128	1 120 128
Cash and cash equivalents at the end of the period	776 509	949 475	934 913

	Unaudited 6 months ended 31 Dec 2017 R'000	Group Unaudited 6 months ended 31 Dec 2016 R'000	Audited Year ended 30 June 2017 R'000
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Condensed Consolidated Segmental Reports

Segmental revenue			
Airline	3 148 957	2 992 562	5 796 443
Non-airline	152 086	136 280	267 294
	3 301 043	3 128 842	6 063 737
Segmental results			
Airline	534 352	495 434	964 559
Non-airline	51 465	49 529	99 389
Operating profit before depreciation, amortisation, unrealised gain on translation of Dollar denominated aircraft loan and loss on sale of assets	585 817	544 963	1 063 948

Depreciation and amortisation - Airline

Depreciation and amortisation - Airline	(197 984)	(203 095)	(438 115)
Depreciation and amortisation - Non-airline	(12 391)	(3 891)	(18 166)
Unrealised translation gain on Dollar denominated aircraft loan - Airline	11 614	25 492	40 697
Loss on sale of assets - Airline	-	-	(10 574)

Profit from operations	387 056	363 469	637 790
Segmental assets - Airline	5 394 364	5 704 338	5 398 905
Segmental assets - Non-airline	719 442	430 749	519 535
Segmental liabilities - Airline	(4 313 235)	(4 500 187)	(4 261 165)
Segmental liabilities - Non-airline	(119 707)	(157 539)	(114 558)
Segmental capital additions - Airline (excluding borrowing costs capitalised)	163 759	642 279	886 615
Segmental capital additions - Non-airline	97 266	91 641	79 206

	Unaudited 6 months ended 31 Dec 2017 R'000	Group Unaudited 6 months ended 31 Dec 2016 R'000	Audited Year ended 30 June 2017 R'000
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Condensed Consolidated Statements of Changes in Equity

Opening balance	1 542 717	1 329 515	1 329 515
Total comprehensive income for the period	203 378	199 006	296 970
Repurchase of Comair shares sold by Share Trust	-	-	8
Dividend paid	(65 231)	(51 160)	(83 776)
	1 680 864	1 477 361	1 542 717

Business Combinations

On 11 December 2017, the Group acquired 100% of the share capital in EPT Aviation Training (Pty) Ltd and 100% of the share capital in Global Training College South Africa (Pty) Ltd (previously EPT Global Training (Pty) Ltd). These acquisitions were acquired for an aggregate consideration of R8.5 million, which was settled in cash.

The acquired businesses contributed revenues of R2.4 million and net profit after tax of R1.6 million to the Group since acquisition.

These provisional amounts have been calculated using the Group's accounting policies.

If the businesses had been acquired on 1 July 2017, revenues and net profits after tax from the businesses would have been R7.3 million and R2.2 million respectively.

The final purchase price accounting has not yet been completed at period end, and will be completed within 12 months of the acquisition, as defined in the applicable accounting standard.

The below table summarises the provisional amount of assets acquired and liabilities assumed at the acquisition date:

	Group Unaudited 6 months ended 31 Dec 2017 R'000
Purchase consideration	8 480
The summarised assets and liabilities arising from the acquisition are as follows:	
Total assets	8 516
Total liabilities	(6 351)
Fair value of net assets	2 165
Goodwill	6 315
Total purchase consideration	8 480
Purchase consideration	8 480
- Settled in cash	8 480
Cash and cash equivalents in subsidiaries acquired	(3 069)
Cash outflow on acquisition	5 411

Significant Commitments

Comair made pre-delivery payments of R160 million during the current period until 31 December 2017. This was in addition to R132 million in the previous year ended 30 June 2017, and R102 million in the year ended 30 June 2014, towards the delivery of eight Boeing 737-8 Max aircraft due for delivery between 2019 and 2022. The Group has a remaining commitment to Boeing for R5.2 billion at period end (prior period: R6.1 billion) in respect of the Boeing 737-8 Max order, the funding options of which will be finalised closer to the time of delivery. Pre-delivery payment finance has been mandated to Investec Bank.

Comair has also committed itself to the construction of a fourth simulator building at a cost of R67 million, the purchase of an Airbus A320 Fixed Base Simulator Trainer at a cost of approximately R19 million and a pre-owned Boeing 737-800 aircraft at a cost of approximately R299 million. The financing for this capital expenditure has been mandated to Investec Bank.

Basis of Preparation

In terms of the Listings Requirements of the Johannesburg Stock Exchange (JSE), the Group has prepared its Unaudited Unreviewed Condensed Consolidated Interim Financial Statements in accordance with International Financial Reporting Standards, including IAS 34 Interim Financial Reporting, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting 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 an impact on the Group's adopted accounting policies.

These Unaudited Unreviewed Condensed Consolidated Interim Financial Statements were prepared by Ryan de Miranda CA(SA), under the supervision of Kirsten King CA(SA), the Financial Director.

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 Unreviewed Condensed Consolidated Interim Financial Statements which would have a material effect on these financial statements.

By order of the Board

P van Hoven (Chairman) E Venter (Chief Executive Officer)
 12 February 2018

Sponsor

PSG Capital Proprietary Limited
 13 February 2018