

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")

## **Unaudited Interim Results for the six months ended 31 December 2015 and Cash Dividend Declaration**

### **Performance review**

The first half of the 2016 financial year presented very different and challenging market conditions to those experienced during the comparative period. The stagnation in passenger volumes since 2008 reversed, with 12.8% growth in the market, arising from aggressive pricing as a result of surplus capacity. While this level of discounting is ultimately not sustainable in the industry, Comair managed the situation well to deliver cash earnings (profit before taxation, depreciation and foreign liability translation losses) of R382m (comparative period: R481m). The cash balance at 31 December 2015 was R972 million (prior period: R688 million). Revenue declined by 5% due to a 10% decline in average yield, while the number of passengers carried increased by 4%.

The weakening of the exchange rate to R15.54 to the US dollar at 31 December 2015 required that Comair revalue the dollar denominated loan of \$27million on one of its aircraft, thereby negatively affecting profits by a non-cash flow, pre-tax amount of R91 million.

Operating costs declined by 2%, mainly as a result of the suppressed dollar price of oil. The significant reduction in the dollar price of oil was not, however, fully realised in South Africa due to a 23% devaluation of the Rand relative to the comparative period. Furthermore, dollar oil hedges, contracted in mid-2014, cost the Company R71 million (pre-tax) during this reporting period. The last of these hedges expired in December 2015.

Consequently profit for the period was R84 million (prior period R164 million), earnings per share were 18.0 cents and headline earning per share were 13.1 cents (prior period earnings per share and headline earnings per share of 37.6 cents).

The Company continues to progress with its fleet upgrade programme. It retired the last two Boeing 737-300 aircraft by December 2015 and took delivery of its 6<sup>th</sup> new Boeing 737-800NG in October 2015.

### **Prospects**

The current weak economy is expected to maintain pressure on consumer spending, and we therefore expect to see continued pressure on margins in the industry despite the recent growth in passenger volumes. 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 both the oil price and the exchange rate will remain volatile. The forward price of oil reflects an expected increase, but this also makes it imprudent to take out any further hedges at these forward rates, despite the low spot price. With the expiry of the historic fuel hedges we will not see further losses of this nature in the second half of the financial year.

Further revaluation of the dollar denominated loan will depend on the exchange rate at financial year end.

The ongoing upgrades to our fleet provide mitigation to the expected recovery in the fuel price, while also providing an improved customer proposition. The 7<sup>th</sup> new Boeing 737-800NG aircraft arrives in February 2016, and the last new aircraft from this consignment arrives in November 2016, both for operation by the British Airways brand. The new fleet, along with improved technology-driven operating processes, will ensure that we maintain a healthy lead for the benefit of our customers. 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 cash earnings of the first six months, namely the period 1 July 2015 to 31 December 2015, notice is hereby given that a gross interim cash dividend of 5 cents per share (prior year gross interim cash dividend of 5 cents) was declared payable to ordinary shareholders. The dividend was declared out of income reserves.

Dividends will be subject to a local dividend tax rate of 15% or 0.75 cents per share, resulting in a net dividend of 4.25 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:

<b>Event</b>	<b>Date</b>
Last day to trade ( <i>cum dividend</i> )	Friday, 11 March 2016
Shares commence trading ( <i>ex dividend</i> )	Monday, 14 March 2016
Record date (date shareholders recorded in books)	Friday, 18 March 2016
Payment date	Tuesday, 22 March 2016

Share certificates may not be dematerialised or rematerialised between Monday, 14 March 2016 and Friday, 18 March 2016, both days inclusive.

### **Directors' appointments and resignations**

- 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. As an independent non-executive director and chartered accountant, he was appointed as chairperson and member of the Audit Committee, on 2 November 2015
- 4) Ms Phuti Mahanyele was appointed an independent non-executive director on 1 August 2015
- 5) Mr Hubert Brody resigned as an independent non-executive director, (and his associated positions on the Audit Committee and Risk Management Committee), on the 20th of October 2015

- 6) Dr Piet Welgemoed, an independent non-executive director, resigned as Chairperson of the Audit Committee on 2 November 2015. He continues to serve as a member of the Audit Committee

**Comair Limited**

**Consolidated Interim Results**

**Condensed Consolidated Statements of Profit or Loss**

	<u>Group</u>		
	<b>Unaudited 6 months 31 Dec 2015 R'000</b>	Unaudited 6 months 31 Dec 2014 R'000	Audited Year 30 June 2015 R'000
<b>Revenue</b>	<b>2,960,721</b>	3,126,877	5,890,746
Operating Expenses	<b>(2,571,386)</b>	(2,630,380)	(5,106,894)
<b>Operating profit before depreciation and amortisation, impairment, unrealised translation loss on dollar denominated loan, compensation and profit on sale of assets</b>	<b>389,335</b>	496,497	783,852
Depreciation and amortisation	<b>(173,060)</b>	(225,312)	(405,812)
Impairment of goodwill	-	-	(1,530)
Impairment of aircraft	<b>(64,462)</b>	-	-
Compensation for impairment of aircraft	<b>84,124</b>	-	-
Unrealised translation loss on dollar denominated loan	<b>(91,244)</b>	(28,453)	(50,684)
Profit on sale of assets	<b>12,450</b>	-	1,231
<b>Profit from operations</b>	<b>157,143</b>	242,732	327,057
Interest income	<b>19,884</b>	22,209	40,428
Interest expense	<b>(64,847)</b>	(38,668)	(72,930)
Share of profit of associates	<b>5,749</b>	948	6,799
<b>Profit before taxation</b>	<b>117,929</b>	227,221	301,354
Taxation	<b>(34,196)</b>	(63,649)	(82,578)
<b>Profit for the period</b>	<b>83,733</b>	163,572	218,776
<b>Total comprehensive profit for the period attributable to:-</b>			
Owners of the parent	<b>83,733</b>	163,572	217,887
Non-controlling interest	-	-	889
	<b>83,733</b>	163,572	218,776

**Consolidated Interim Results (continued)**

	<b>Unaudited 6 months 31 December 2015 R'000</b>	Unaudited 6 months 31 December 2014 R'000	Audited Year 30 June 2015 R '000
<b>Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income</b>			
<b>Profit for the period</b>	<b>83,733</b>	163,572	218,776
<b>Other comprehensive income: Items that may be reclassified subsequently to profit or loss</b>			
Effects of oil cash flow hedge recognised in other comprehensive income	<b>40,387</b>	(79,621)	(40,387)
<b>Total comprehensive profit for the period</b>	<b>124,120</b>	83,951	178,389
Earnings per share (cents)	<b>18.0</b>	37.6	47.8
Headline earnings per share (cents)	<b>13.1</b>	37.6	47.9
Diluted earnings per share (cents)	<b>18.0</b>	35.2	47.8
Diluted headline earnings per share (cents)	<b>13.1</b>	35.2	47.9
Dividends per share paid (cents)	<b>10.0</b>	13.0	18.0
Actual number of shares in issue ('000)	<b>469,331</b>	440,263	469,331
Weighted ordinary shares in issue ('000)	<b>464,337</b>	435,270	457,655
Diluted weighted ordinary shares in issue ('000)	<b>464,337</b>	464,338	457,655
<b>Reconciliation between earnings and headline earnings</b>			
Earnings attributable to the equity holders of the parent	<b>83,733</b>	163,572	218,776
Less: IAS 16 profit on disposal of property, plant and equipment	<b>(12,450)</b>	-	(1,231)
Add: IAS36 impairment of aircraft	<b>64,462</b>	-	-
Less: IAS16 compensation for impairment of aircraft	<b>(84,124)</b>	-	-
Add: IAS36 impairment of goodwill	-	-	1,530
Add: tax effect of re-measurement adjustments	<b>8,991</b>	-	345
Headline earnings attributable to ordinary shareholders	<b>60,612</b>	163,572	219,420

**Consolidated Interim Results (continued)**

	<b>Unaudited 6 months 31 Dec 2015 R'000</b>	Unaudited 6 months 31 Dec 2014 R'000	Audited Year 30 June 2015 R'000
<b>Condensed Consolidated Statements of Financial Position</b>			
<b>ASSETS</b>			
Property, plant and equipment	<b>3,557,404</b>	2,700,119	2,760,584
Intangible assets	<b>23,962</b>	25,922	27,490
Investments in associates	<b>34,160</b>	7,560	28,411
Goodwill	<b>3,668</b>	3,668	6,615
Deferred tax	<b>4,940</b>	-	4,965
Current assets	<b>1,483,070</b>	1,442,668	1,207,318
	<b>5,107,204</b>	4,179,937	4,035,383
<b>EQUITY AND LIABILITIES</b>			
Share capital and reserves	<b>1,243,801</b>	1,096,096	1,166,190
Interest bearing liabilities	<b>1,648,837</b>	1,169,073	982,052
Deferred taxation	<b>249,023</b>	175,313	217,316
Share-based payments	-	25,277	32,500
Current liabilities	<b>1,965,543</b>	1,714,178	1,637,325
	<b>5,107,204</b>	4,179,937	4,035,383
Net asset value per share (cents)	<b>267.9</b>	251.8	251.5

**Condensed Consolidated Statements of  
Cash Flows**

Cash and cash equivalents at the beginning of the period	<b>849,278</b>	867,703	867,703
Cash from operations and investment income	<b>298,173</b>	222,616	647,573
Taxation paid	<b>(1,400)</b>	(27,521)	(46,785)
Cash (utilised) in investing activities	<b>(72,207)</b>	(375,214)	(280,465)
Cash (utilised) generated in financing activities	<b>(102,198)</b>	780	(338,748)
Cash and cash equivalents at the end of the period	<b>971,646</b>	688,364	849,278

## Consolidated Interim Results (continued)

	<b>Unaudited 6 months 31 Dec 2015 R'000</b>	Unaudited 6 months 31 Dec 2014 R'000	Audited Year 30 June 2015 R'000
<b>Condensed Consolidated Segmental Reports</b>			
Segmental Revenue			
Airline	<b>2,858,399</b>	3,028,630	5,645,467
Non-airline	<b>102,322</b>	98,247	245,279
	<b>2,960,721</b>	3,126,877	5,890,746
Segmental results			
Airline	<b>349,914</b>	462,553	696,292
Non-airline	<b>39,421</b>	33,944	87,560
Operating profit before depreciation and amortisation, impairment, exchange loss on translation of dollar denominated loan, compensation and profit on sale of assets	<b>389,335</b>	496,497	783,852
Depreciation - Airline	<b>(169,345)</b>	(222,994)	(397,352)
Depreciation - Non-airline	<b>(3,715)</b>	(2,318)	(8,460)
Impairment - Airline	-	-	(1,530)
Impairment of aircraft - Airline	<b>(64,462)</b>	-	-
Compensation for impairment of aircraft - Airline	<b>84,124</b>	-	-
Unrealised exchange loss on translation of dollar denominated loan - Airline	<b>(91,244)</b>	(28,453)	(50,684)
Profit on sale of assets - Airline	<b>12,450</b>	-	1,231
Profit from operations	<b>157,143</b>	242,732	327,057
Segmental assets - Airline	<b>4,798,880</b>	3,986,959	3,860,891
Segmental assets - Non-airline	<b>308,324</b>	192,978	158,546
Segmental liabilities - Airline	<b>(3,710,867)</b>	(3,008,538)	(2,743,564)
Segmental liabilities - Non-airline	<b>(152,536)</b>	(75,302)	(108,156)
Segmental capital additions - Airline (excluding borrowing costs capitalised)	<b>925,871</b>	192,968	558,145
Segmental capital additions- Non-airline	<b>20,503</b>	246	11,082

**Consolidated Interim Results (continued)**

	<b>Unaudited</b>	Unaudited	Audited
	<b>6 months</b>	6 months	Year
	<b>31 Dec</b>	31 Dec	30 June
	<b>2015</b>	2014	2015
	<b>R'000</b>	R'000	R'000

**Condensed Consolidated Statements of Changes in Equity**

Opening Balances	<b>1,166,190</b>	1,067,970	1,067,970
Profit for the period	<b>83,733</b>	163,572	218,776
Equity settled share-based payment adjustment	-	857	857
Repurchase of 'A' class shares	-	-	(451)
Cash flow hedge reserve	<b>40,387</b>	(79,621)	(40,387)
Dividend paid	<b>(46,509)</b>	(56,682)	(81,464)
Business Combinations	-	-	889
	<b>1,243,801</b>	1,096,096	1,166,190

**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 respects 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.

**Re-presentation of unrealised exchange losses on translation of dollar denominated aircraft loan to spot rate at reporting date**

The unrealised exchange loss on translation of the dollar denominated aircraft loan to spot rate as at reporting date has been displayed separately because knowledge of the losses and materiality of the extent of the losses is useful for the purposes of economic decisions. The unrealised losses were previously reported within the Operating Expenses line item.

**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 Consolidated Results were prepared by:

Kirsten King  
Financial Director  
Comair Limited

**By order of the Board**

P van Hoven (Chairman)

E Venter (Chief Executive Officer)

15 February 2016

**Sponsor**

Rand Merchant Bank (A division of FirstRand Bank Limited)

16 February 2016