Comair Limited
(Incorporated in the Republic of South Africa)
Reg. No. 1967/006783/06
ISIN Code: ZAE000029823 Share Code: COM
("Comair" or the "Group")

AUDITED GROUP RESULTS AND CASH DIVIDEND FOR THE YEAR ENDED 30 JUNE 2013

Earnings Review

In the year to June 2013 we have delivered a significant improvement in profitability. This result reflects the realisation of our transformation plans implemented at the end of 2011, which were conceived in three phases to deal with the prevailing market weakness and escalating operating costs. The first phase involved a freeze on all non-critical costs, as well as a headcount and salary freeze to January 2013. In the second phase we implemented the new enterprise system platform from Sabre solutions, with the cut-over of inventory in June 2012, as well as taking delivery of four new Boeing 737-800 aircraft towards the end of the 2012 calendar year. We are currently working on the third phase, which is to optimise the use of the new Sabre platform and implement the remaining modules.

While some of the cost cutting from the first phase was not sustainable, there also emerged improved processes which are providing ongoing benefit. The new Sabre platform has delivered substantial improvements in revenue integrity, inventory management and optimised ticket pricing, as well as improved productivity. We see further opportunities for better customer service and revenue growth from the ongoing enhancements to the systems. The new generation Boeing 737-800 aircraft have delivered to expectation, with a considerable reduction in the fuel burn per seat relative to the 737-400 aircraft that they replaced. At 189 seats, they also have greater revenue generating potential, and require less maintenance down-time.

The above initiatives, amongst many others, delivered a turnaround in earnings per share from 1.6 cents in the comparative period, to 47 cents for the year under review. Turnover increased by 29%, mostly as result of increased ticket prices in response to exchange rate related cost inflation, as well as improved inventory management. The exit of the last remaining privately owned competitor airline helped to restore seat occupancy to prior year levels. Despite improved earnings, our net profit per passenger remains low at R45, relative to the substantial capital investment required in the airline business.

During the year, the escalation of the dollar oil price since 2011 was exacerbated by the rapid devaluation of the rand against the dollar, affecting the rand fuel price as well as various hard-currency based maintenance, lease and distribution system costs. The fuel efficiency of the new 737-800 aircraft, as well as the termination of some dollar based leases on aircraft that they replaced, helped to marginally reduce exposure to the currency and fuel price.

Cash generation was strong and resulted in a cash balance of R778 million at year end.

Kulula started services on the East London route in March 2013, providing much needed cost-efficient flights to this important Eastern Cape destination, and we commenced flights from Johannesburg to Maputo on the British Airways brand in May 2013. The Group's affiliated businesses of flight training, travel product distribution and airport lounges continued to perform well and in line with the prior year. Our catering operation, which was launched in March 2012, has been very successful in delivering substantial cost savings while improving our control over menu flexibility and quality.

Our sincere appreciation goes to every person within the Comair Group who contributed to the success of the Group during the year under review, which includes our directors, management and employees, and a special thanks to our customers and stakeholders who have chosen to use our services or provide services to us. We also thank all the public sector departments and agencies that we have worked with this year for their shared commitment to our objectives.

Prospects

We remain cautious regarding the strength of the domestic market, particularly in light of the relatively weak GDP growth forecasts. The monthly domestic passenger numbers remain 5% down on last year, and have yet to recover to the volumes seen in 2008. The recent demise of two local competitors did great damage to the reputation of the industry, with customers, suppliers and bankers alike. State infrastructure suppliers wrote off over R250 million in debt, with private sector suppliers incurring losses of over R100 million and the credit card acquiring banks taking the brunt of the passenger ticket liability.

The challenge to industry profitability is highlighted by the fact that in the domestic industry, the average ticket price has only increased by 14% since 2001, while operating costs have increased by 163% and the consumer inflation index by 98%.

Although the aviation industry continues to face obstacles, we remain confident that the recent capital investments have elevated the Group to a new level of efficiency. The 2014 year will be the first full year of operation for the new 737-800's, and we look forward to the delivery of the next four aircraft in late 2015 as well as potential further aircraft orders for delivery post 2018.

While the foundation of our Sabre platform is now implemented, we have plans for the realisation of further value from the optimization of the systems and for the implementation of additional enhancements. Our on-line travel distribution capability and inventory also continues to grow and reveal new opportunities with the advancement of this technology.

Externally there remains some unwarranted expectation of imminent and significant growth of air travel within Africa. We are still of the opinion that there are substantial challenges to overcome before Africa achieves the economies of scale that will adequately address the risks of operating in many parts of the continent. We will therefore remain pragmatic in our assessment of opportunities for expansion into Africa.

We will continue to focus on the behaviour of the state owned airlines where it impacts on the prospects of Comair, and expect to spend some time in the courts in order to enforce their compliance with legislation and policy. It would, however, be remiss of our duties to all of our stakeholders if we did not do so.

Despite the challenges of the industry, Comair's much improved infrastructure and continued focus on customer service bode well for reasonable results in the year ahead.

The financial information on which the above forecast is based has not been reviewed and reported by Comair's external auditors.

Dividends

Notice is hereby given that a gross cash dividend of 10 cents per ordinary share has been declared payable to shareholders. The dividend has been declared out of income reserves.

The dividend will be subject to a local dividend tax rate of 15% or 1.5 cents per ordinary share, resulting in a net dividend of 8.5 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 taxation agreement. No STC credits were available to be utilised as part of this declaration. The Company's tax reference number is 9281/874/7/1/0 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, 11 October 2013
Shares commence trading (ex dividend)	Monday, 14 October 2013
Record date (date shareholders recorded in books)	Friday, 18 October 2013
Payment Date	Monday, 21 October 2013

Share certificates may not be dematerialised or rematerialised between Monday, 14 October 2013 and Friday, 18 October 2013, both days inclusive.

Directors' Resignation and Appointment
Derek Henry Borer was appointed as an Alternate Director to Rodney Cyril Sacks, an Independent Non-Executive Director, on 17 October 2012.

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

Annual General Meeting
The Annual General Meeting of shareholders of Comair will be held at the SLOW in the City Lounge (Radisson Blu Gautrain Hotel), corner of Rivonia and West Streets (opposite Gautrain Station), Sandton, on Wednesday, 30 October 2013 at 13h00.

Abridged Group Statement of Comprehensive Income

	Audited Year 30 June 2013 R'000	Audited Year 30 June 2012 R'000
Revenue	5 386 581	4 162 938
Operating expenses	(4 765 356)	(3 974 163)
Operating profit before depreciation impairment and profit(loss) on sale of assets	621 225	188 775
Impairment	(6 817)	(4 049)
Profit (loss) on sale of Assets	984	(10 669)
Depreciation	(241 582)	(153 270)
Operating profit, before Interest, share of (loss) profit of associates, dividend and taxation	373 810	20 787
Investment income	20 217	8 200
Interest expense	(61 641)	(19 433)
Share of (loss) profit of associates	(1 725)	1 329
Profit from operations	330 661	10 883
Taxation	(103 135)	(3 202)
Profit after tax attributable to the equity holders of the parent	227 526	7 681
Fair value adjustment on cash flow hedge net of taxation	-	395
Total comprehensive income for the year attributable to the equity holders of the parent	227 526	8 076
Earnings per share (cents)	47.0	1.6
Headline earnings per share (cents)	47.9	3.8
Diluted earnings per share (cents)	47.0	1.6
Diluted headline earnings per share (cents)	47.8	3.8
Actual number of shares in issue ('000)	489 176	489 176
Weighted ordinary shares in issue ('000)	483 650	483 028
Diluted weighted ordinary		

shares in issue ('000)	484 177	483 055

Reconciliation between earnings and headline earnings

Profit for the year attributable to equity holders of the parent	227 526	7 681
Add: IAS 16 Impairment to assets	-	4 049
Add: IAS 36 Impairment of loan to associate	4 817	-
Less: IAS 16 (profit) loss on disposal of property, plant and equipment	(984)	10 669
Less: tax effect of remeasurement adjustments	276	(4 121)
Headline earnings after tax	231 635	18 278

Abridged Group Statement of Financial Position

ASSETS		
Property, plant and equipment	2 314 082	1 432 509
Intangible assets	41 475	51 515
Investments in and loans to associates	2 050	8 717
Goodwill	3 668	3 668
Current assets	1 244 581	709 358
	3 605 856	2 205 767
EQUITY AND LIABILITIES		
Share capital and reserves	1 021 200	814 461
Interest-bearing liabilities	1 133 767	85 907
Deferred taxation	135 696	99 039
Share based payments	4 250	-
Current liabilities	1 310 943	1 206 360
	3 605 856	2 205 767
Net asset value per share (cents)	211.1	168.4

	Audited year 30 June 2013 R'000	Audited year 30 June 2012 R'000
Abridged Group Statement of Cash Flows		
Cash and cash equivalents at the beginning of the year	246 095	234 031
Cash from operations and		

investment income	913 224	278 197
Taxation paid	(82 530)	(4 971)
Cash utilised in investing activities	(104 441)	(134 388)
Cash utilised in financing activities	(194 303)	(126 774)
Cash and cash equivalents at the end of the year	778 045	246 095

Abridged Group Segment Report

Segmental Revenue		
Airline	5 232 260	4 076 004
Non-airline	154 321	86 934
	5 386 581	4 162 938
Segmental Results		
Airline	596 907	169 705
Non-airline	24 318	19 070
Operating profit before depreciation, impairment and profit (loss) on sale of assets	621 225	188 775
Impairment – Airline	(6 817)	(4 049)
Profit (loss) on sale of assets – Airline	984	(10 669)
Depreciation - Airline	(236 342)	(148 030)
Depreciation - Non-airline	(5 240)	(5 240)
Profit from operations	373 810	20 787
Total assets per segment		
Airline	3 421 093	2 039 582
Non-airline	184 763	166 185
	3 605 856	2 205 767

Abridged Group Statement of Changes in Equity

Opening Balance	814 461	800 521
Total comprehensive income for the year	227 526	8 076
Dividends paid	(24 215)	-
Equity settled share based payment adjustment	3 428	3 428
Net effect of Share Trust Activities	-	2 436
Movement for the year	206 739	13 940
Closing Balance	1 021 200	814 461

Significant Commitments

Comair has made pre-delivery payments of R25 million prior to year end towards the delivery of four Boeing 737-800's in late 2015 and early 2016. The Group has a remaining commitment to Boeing for R1,729 million at year end (prior year R2,342 million), the funding of which will be finalised closer to the time of delivery. Pre-delivery payment finance has been arranged through Investec Bank.

Basis of Preparation

In terms of the Listings Requirements of the JSE Limited, the Group has prepared its consolidated financial statements in accordance with International Financial Reporting Standards including IAS 34 Interim Financial Reporting, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the requirement of the Companies Act, 2008. The accounting policies used in the preparation of these results are consistent in all material aspects with those used for the prior comparative period. These results have been prepared by RY Sri-Chandana CA(SA), Financial Director, Comair Limited.

Audit Opinion

The auditors, Grant Thornton (Jhb) Inc., have issued their unmodified opinion on the Group's annual financial statements for the year ended 30 June 2013. The audit was conducted in accordance with International Standards on Auditing. A copy of the auditor's report together with a copy of the audited financial statements are available for inspection at the Company's registered office. These summarised preliminary financial statements have been derived from the Group's annual financial statements and are consistent in all material respects with the Group's annual financial statements. The contents of this announcement are extracted from audited information, although the announcement is not itself audited. The Directors of Comair take full responsibility for the preparation of this announcement and confirm that the financial information has been correctly extracted from the underlying annual financial statements.

The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the Company's registered office.

By order of the Board
Mr P van Hoven (Chairman)   Mr ER Venter (CEO)
9 September 2013

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