

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

TRADING STATEMENT

In terms of the JSE Limited Listings Requirements, companies are required to provide guidance to the market when they are satisfied that a reasonable degree of certainty exists that the financial results for the current reporting period will differ by at least 20% from the results of the previous corresponding reporting period.

Shareholders are advised that earnings per share ("EPS") and headline earnings per share ("HEPS") for the six-month period ending 31 December 2019 are expected to be more than 20% lower than the previous corresponding period. There is currently insufficient certainty to enable the Group to provide specific guidance on the extent of the expected decrease in both HEPS and EPS. The Group will publish a further trading statement closer to the release of its interim financial results on Stock Exchange News Service (SENS), which is expected to be on or about 15 February 2020.

Further to the Condensed Consolidated Provisional Audit Results for the year ended 30 June 2019, released on SENS on 17 September 2019, the Group continues to combat fleet availability constraints arising from well documented maintenance challenges as well as the global grounding of the Boeing 737 MAX 8 aircraft. Cumulative losses (from the date the equipment type was grounded, in March 2019) as a result of the grounding of the MAX continue to escalate. The Group has also incurred substantial costs in transitioning its fleet from South African Airways Technical to Lufthansa Technik. Revenue generation and operational execution nevertheless remains sound, with significant progress made in the key areas of taking back control of the fleet:

- The Group is on track with the transition of the fleet from SAA Technical to Lufthansa Technik for line maintenance purposes. Six (6) of the twenty-six (26) aircraft fleet are already being maintained by Lufthansa Technik, with the remainder of the fleet scheduled for transition by May 2021. We are already seeing an improvement in the availability of these aircraft. Despite the aircraft availability benefits, the transition will result in incremental maintenance costs over the first two years of the contract, as Lufthansa recovers its initial set up costs and scales up its facilities. As a result, we will only see any meaningful cost benefit, over and above the fleet availability benefits, in FY22.
- In addition, as announced on SENS on 31 May 2019, we continue to pursue the Star Air Cargo (Pty) Ltd and Star Air Maintenance (Pty) Ltd transaction whereby the Group intends acquiring 100% of the equity in both entities. In this regard, we have received a favourable recommendation from the Competition Commission and await the Competition Tribunal's ruling. This transaction is also a vital step in re-establishing control of our own heavy maintenance requirements locally in South Africa.

We also anticipate earnings to be adversely affected by the implementation of the IFRS 16 accounting standard on leases, effective for annual periods beginning on or after 1 January 2019. The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, in place of the operating lease expense. However, the underlying lease liability, which is dollar denominated, is required to be remeasured at each reporting date at the prevailing exchange rate on that date, which will have a negative impact on earnings.

As you would have noted South African Airways (SAA) Limited (“SAA”) has gone into Business Rescue. It is too early at this stage to speculate on what is going to transpire with the payment due by SAA to Comair as a result of the settlement reached with them arising out of Comair’s damages claim against SAA as a result of their anti-competitive travel agency agreements. We intend to meet with the Business Rescue Practitioner in due course to discuss this matter

The financial information on which this trading statement is based has not been reviewed and reported on by Comair’s external auditors.

IMPORTANT NOTICE TO FOREIGN SHAREHOLDERS AND PROSPECTIVE INVESTORS

FOREIGN SHAREHOLDERS AND PROSPECTIVE INVESTORS IN COMAIR LIMITED (“COMAIR”) SHOULD NOTE THAT, IN ORDER TO ENABLE COMAIR (AS A LICENSED AIR SERVICES OPERATOR IN SOUTH AFRICA) TO REMAIN COMPLIANT WITH THE FOREIGN OWNERSHIP RESTRICTION CONTAINED SECTIONS 16(4)(c) AND 19(a) OF THE AIR SERVICES LICENSING ACT, NO. 115 OF 1990, THE VOTING RIGHTS OF FOREIGN SHAREHOLDERS MAY BE DECREASED PROPORTIONATELY SUCH THAT THE VOTING RIGHTS OF FOREIGN SHAREHOLDERS DO NOT, IN AGGREGATE, EXCEED 24.99%. FOREIGN SHAREHOLDERS AND PROSPECTIVE INVESTORS ARE REFERRED TO THE COMAIR’S MEMORANDUM OF INCORPORATION AND WEBSITE (www.comair.co.za) FOR FURTHER DETAILS. IF FOREIGN SHAREHOLDERS OR PROSPECTIVE INVESTORS ARE IN ANY DOUBT AS TO WHAT ACTION TO TAKE THEY SHOULD SEEK ADVICE FROM THEIR BROKER, ATTORNEY OR OTHER PROFESSIONAL ADVISER.

Johannesburg
4 December 2019

Sponsor
PSG Capital