Kenya Airways Audited Group Results

For the year ended 31st March 2006

	Year to 31st Mar-06 KShs m	Year to 31st Mar-05 KShs m	% Variance
Turnover: Passenger	45,266	36,665	23
Cargo	5,453	4,019	36
Handling	1,171	900	30
Other	914	650	41
Total Revenues	**52,804**	**42,234**	**25**
Direct Expenditure	35,605	29,065	(23)
Overheads	9,496	6,580	(44)
Total Expenses - Fuel	**13,221**	**8,446**	**(57)**
-Other	**31,880**	**27,199**	**(17)**
Operating profit	**7,703**	**6,589**	**17**
Operating Margin (%)	**14.6%**	**15.6%**	**(1.0)**
Net Financial Expenses	(1,066)	(770)	(38)
(Loss) on Exchange (1)	(191)	(372)	49
Other Non-Operational Items (2)	514	73	604
Profit before tax and minorities	**6,960**	**5,520**	**26**
Taxation	(2,131)	(1,645)	(30)
Minority Interest		7	(100)
Profit after tax and minorities	**4,829**	**3,882**	**24**
Earnings per Share before Tax and Minority Interest (KShs)	**15.06**	**11.95**	**26.0%**
Earnings per Share after Tax and Minority Interest (KShs)	**10.45**	**8.40**	**24.4%**

(1)Loss on Exchange is mainly due to the impact of the depreciating US$ to the Ksh on the US$ denominated deposits.

(2)Includes other income and share of associate's profit.

Commentary:

The Board is pleased to announce that Kenya Airways has sustained growing profitability in the financial year ended 31st March 2006 despite increased competition and historically high fuel prices in the year. This has been primarily due to continuing growth in passenger and cargo carryings on both new and existing routes whilst at the same time maintaining appropriate controls on costs.

The airline achieved another record profit after tax of Ksh 4,829m, being 24% above last year's result of KShs 3,882m. The net margin remained flat on prior year at 9.2%.

Passenger

The passenger carryings in the year were also a record at 2.4m reflecting growth of 17% over prior year. This, coupled with increased passenger yield of 4% ensured year on year growth in passenger revenue.. Strong passenger growth of 20% was experienced in Europe following the successful deployment there of the three Boeing 777 aircraft. The Middle East and Far East business grew at 8% and continues to develop in this important and growing area. All African regions experienced increased passenger growth, West & Central Africa 26%, Southern Africa 22%, North Africa 21% and East Africa 5%. The Kenyan domestic network experienced 22% increased frequencies in response to increased passenger demand and realised a traffic growth of 25%.

Cargo

Cargo volumes experienced a substantial growth of 24%, mainly due to increased cargo space available on the B777s and the increased deployment of the B767 in Africa, with yields growing too at some 12% over the previous year.

Costs

The escalating global fuel prices impacted the year's result significantly as fuel cost was 56% above prior year, 44% of it owing to unit price increases, 17% due to increased volumes as result of growth in operations but partly mitigated by 5% movement in the KShs/US$ exchange rate. The airline unit fuel price averaged 201usc/ag compared to prior year's 141 usc/ag. However, due to the strong growth in Revenue, the ratio of Direct Expenditure to Revenue fell slightly from 68.8% to 67.4%.

Prospects

As the airline continues to expand, with five additional aircraft (four new) due for delivery within the next twelve months, three of which will replace the oldest aircraft in the fleet, the Board is cautiously optimistic that further growth in the business can be achieved, subject to unforeseeable issues, such as further increases in fuel prices. It is with this growth expectation in mind that the Company announced earlier this year that it had placed an order for six B787s for delivery in 2010 and 2011. Such development of the Company will continue to support the economic growth of not just Kenya in particular but Africa generally.

Dividends

Given the level of business expansion envisaged within the next five years, including fourteen aircraft deliveries, it is essential that appropriate cash reserves are maintained to ensure prudent availability of resources to not only fund the airline's aircraft purchase obligations but also to ensure sufficient availability in the event of any industry downturn. Nevertheless, the Board is of the opinion that an increase in the dividend is both appropriate and affordable and accordingly recommends a first and final dividend for the year of KShs 1.75 per share, for declaration by the shareholders at the Annual General Meeting. This is an increase of 40% on the prior year dividend of KShs 1.25 per share and represents a total dividend amount of KShs 809m.

Subject to approval by the Shareholders at the Annual General Meeting, to be held on Friday 25 August 2006, the Register of Members will close at 4:30 p.m. that day and will remain closed up to and including Tuesday 29 August 2006 for the purpose of preparation of the dividend cheques. It is anticipated that these will be paid on or around 29 September 2006 to ordinary shareholders registered at the close of business on 25 August 2006.

The address of the Share Registrars, Barclays Advisory and Registrar Services Limited, is Bank House, Moi Avenue, P.O. Box 30120, GPO 00100, Nairobi.

By order of the Board
EVANSON MWANIKI
Chairman
30th May 2006

African Airline 2005 of the Year

www.kenya-airways.com