

# Business and Financial Review – 2010/11



# Agenda

- **Global Economy**
- **Airline Industry Overview**
- **KQ Business & Financial Review**
  - **Past 10 Years**
  - **Year 2010/11**
- **Next Year**
- **Q & A**
- **Chairman's Remarks**

# Global Economy

**Strong Global Economic growth in 2010.**

**Economic growth remains strong in 2011,**

- **World GDP forecast to rise by 3.1%**
- **Strong Business Confidence**

**On the downside 2011 dented by:-**

- **Upward pressure on Energy prices**
- **Political turmoil in M-East and N. Africa**
- **Earthquake and Tsunami in Japan**

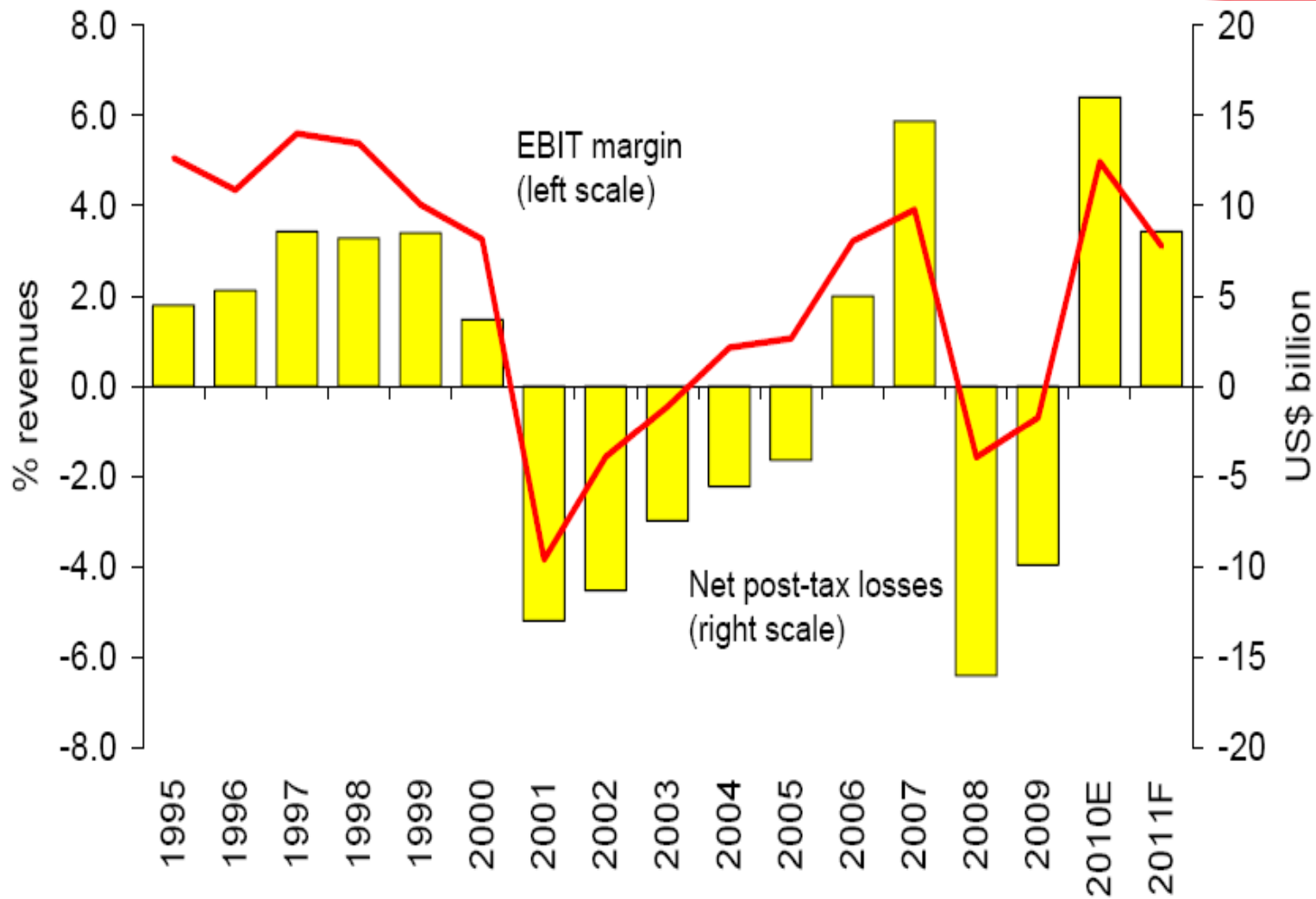
Source: IATA website

# Airline Industry

- Airlines globally expected to make US\$ 16bn profit in 2010
- High fuel prices will squeeze profits in 2011
- Outlook for 2011 – Profit will slip down by half to US\$ 8.6bn
- Capacity expected to grow by 6% in 2011
  - Load factors and yields under pressure to mitigate high fuel prices in 2011

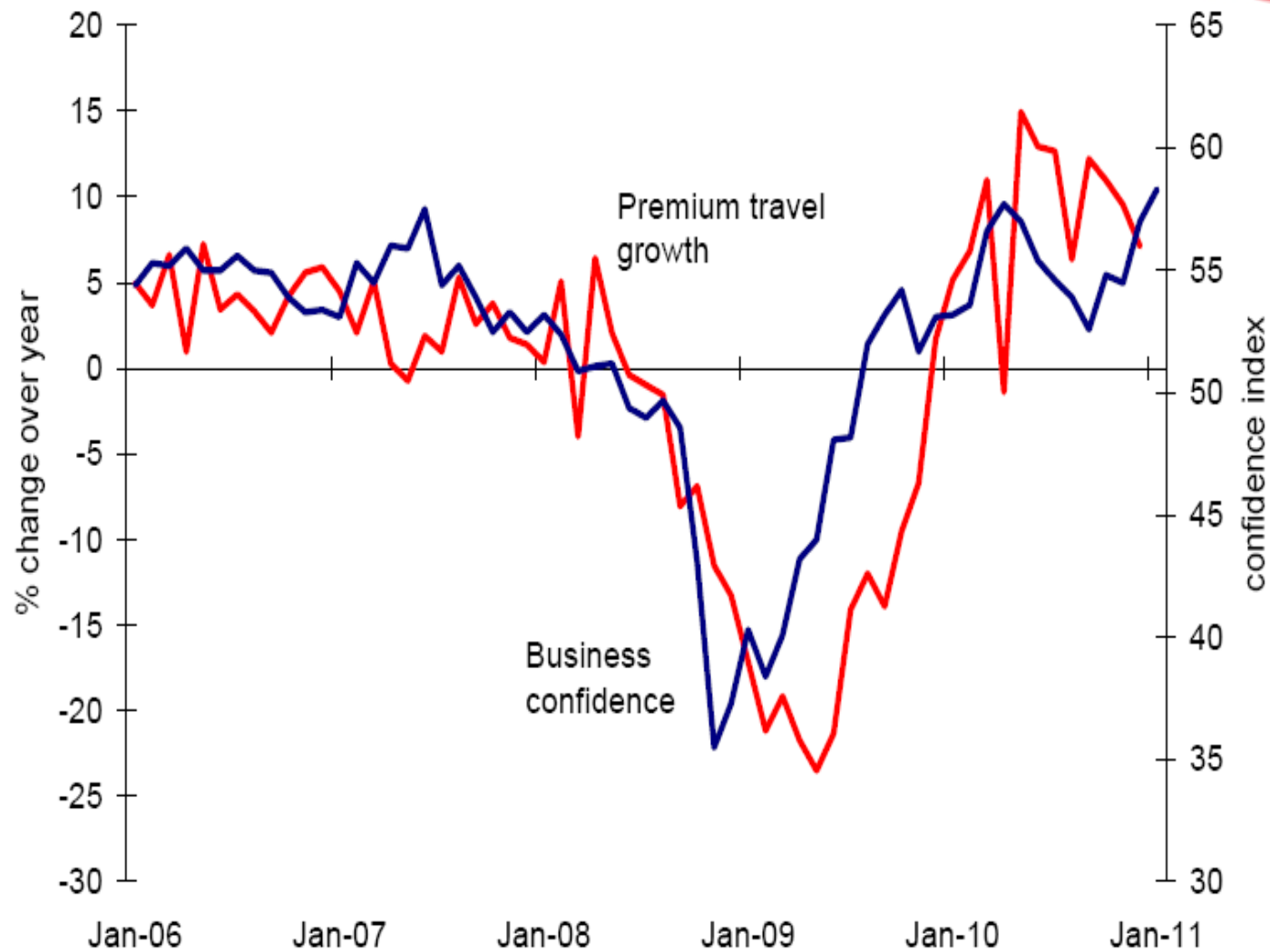
Source: IATA website

# Global Commercial Airline Profitability



Source:  
ICAO, IATA

# Premium Travel Growth & Business Confidence



Source: IATA, Markit

# Industry Statistics Jan-Dec (2010 vs 2009)

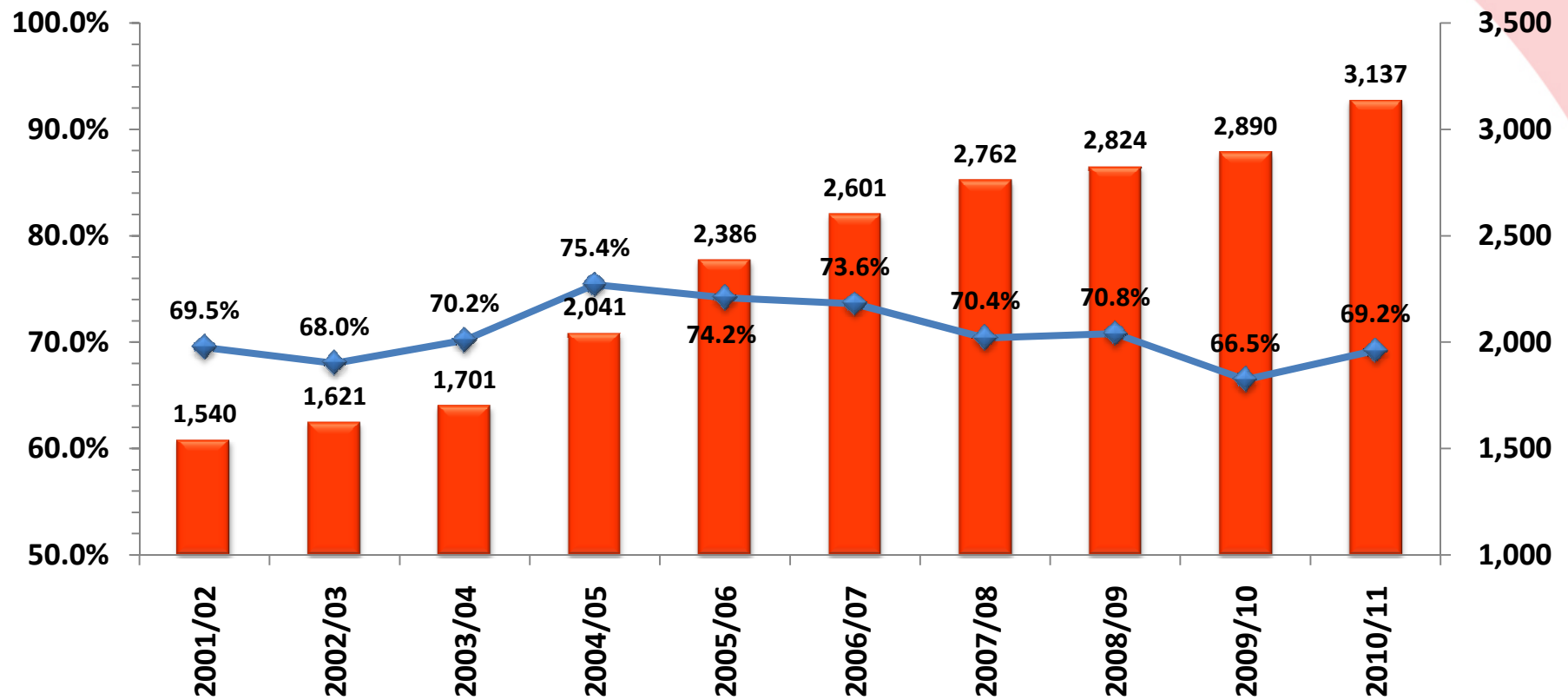
	<b>RPK% Growth</b>	<b>ASK% Growth</b>	<b>PLF %</b>	<b>FTK% Growth</b>	<b>ATK% Growth</b>
<b>Africa</b>	<b>12.9</b>	<b>9.6</b>	<b>69.1</b>	<b>23.8</b>	<b>12.1</b>
<b>Asia/Pacific</b>	<b>9.0</b>	<b>3.6</b>	<b>77.6</b>	<b>24.0</b>	<b>14.3</b>
<b>Europe</b>	<b>5.1</b>	<b>2.6</b>	<b>79.4</b>	<b>10.8</b>	<b>0.5</b>
<b>Latin America</b>	<b>8.2</b>	<b>2.9</b>	<b>76.7</b>	<b>29.1</b>	<b>12.6</b>
<b>Middle East</b>	<b>17.8</b>	<b>13.2</b>	<b>76.0</b>	<b>26.7</b>	<b>15.7</b>
<b>North America</b>	<b>7.4</b>	<b>3.9</b>	<b>82.2</b>	<b>21.8</b>	<b>6.1</b>
<b>Industry</b>	<b>8.2</b>	<b>4.4</b>	<b>78.4</b>	<b>20.6</b>	<b>8.9</b>
<b>KQ</b>	<b>8.6</b>	<b>4.8</b>	<b>69.1</b>	<b>3.7</b>	<b>5.2</b>

Source: IATA Website & KQ

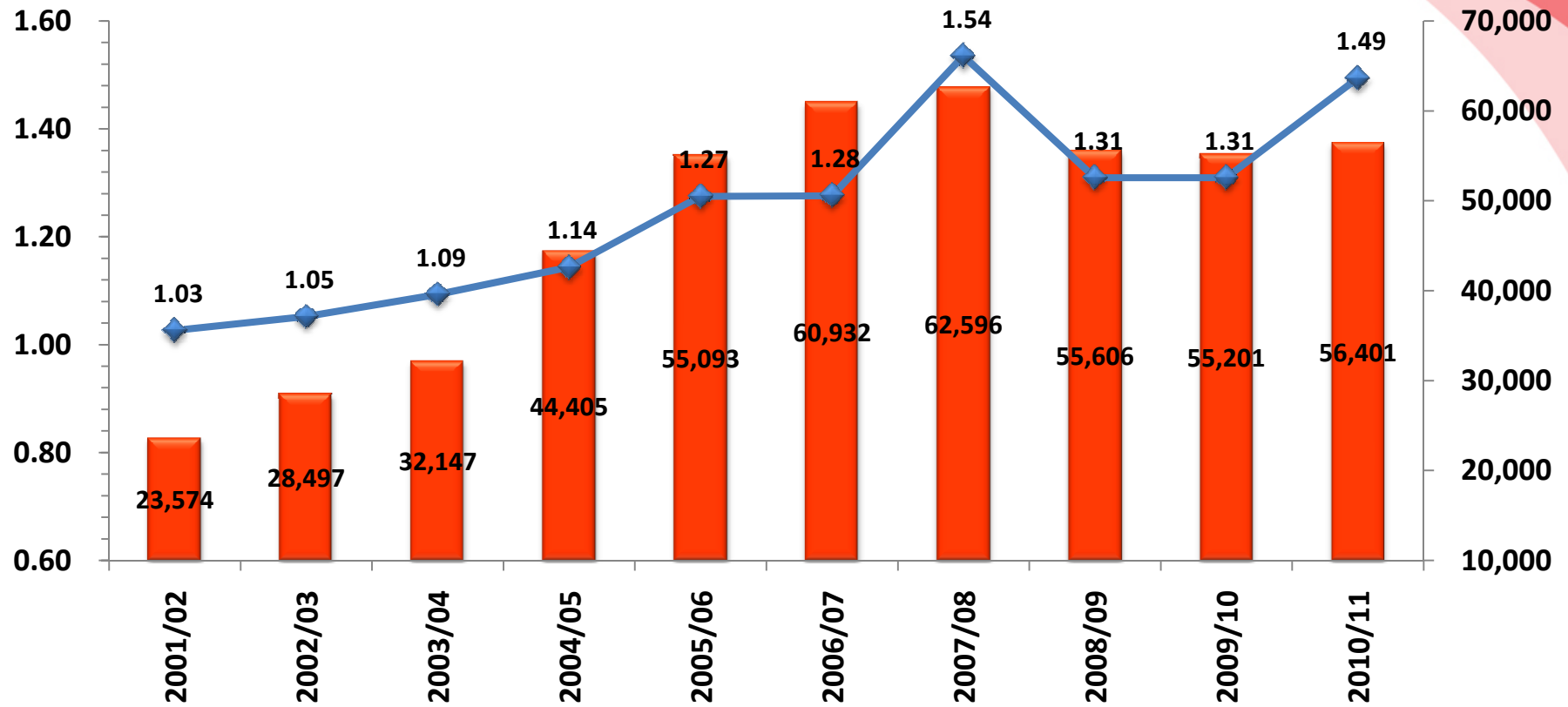
# Business & Financial Review

## The Past 10 Years

# 10 Year Pax & C/F% Trend



# 10 Year Cargo Volume & Rate Trend



# Business & Financial Review

**Year 2010/11**

# Fleet in Service

	<b>2011</b>	<b>2010</b>
<b>Wide Body</b>		
Boeing 767 - 300	6	7
Boeing 777 - 200	4	4
<b>Narrow Body</b>		
Boeing 737 - 300	6	4
Boeing 737 - 700	4	4
Boeing 737 - 800	5	5
Embraer 170	5	3
Embraer 190	1	-
<b>Total Fleet</b>	<b>31</b>	<b>27</b>
<b>Total Seats</b>	<b>4,925</b>	<b>4,669</b>

# Network

- **Routes launched in the year**
  - ✓ **Muscat, Oman**
  - ✓ **Juba, Sudan**
  - ✓ **Luanda, Angola**
  - ✓ **Rome, Italy**
  - ✓ **Nampula, Mozambique**
  - ✓ **Malindi, Kenya**

# Pride Centre 2



**Hon. Amos Kimunya - Minister of Transport officially opens Pride Center 2**

# Simulator

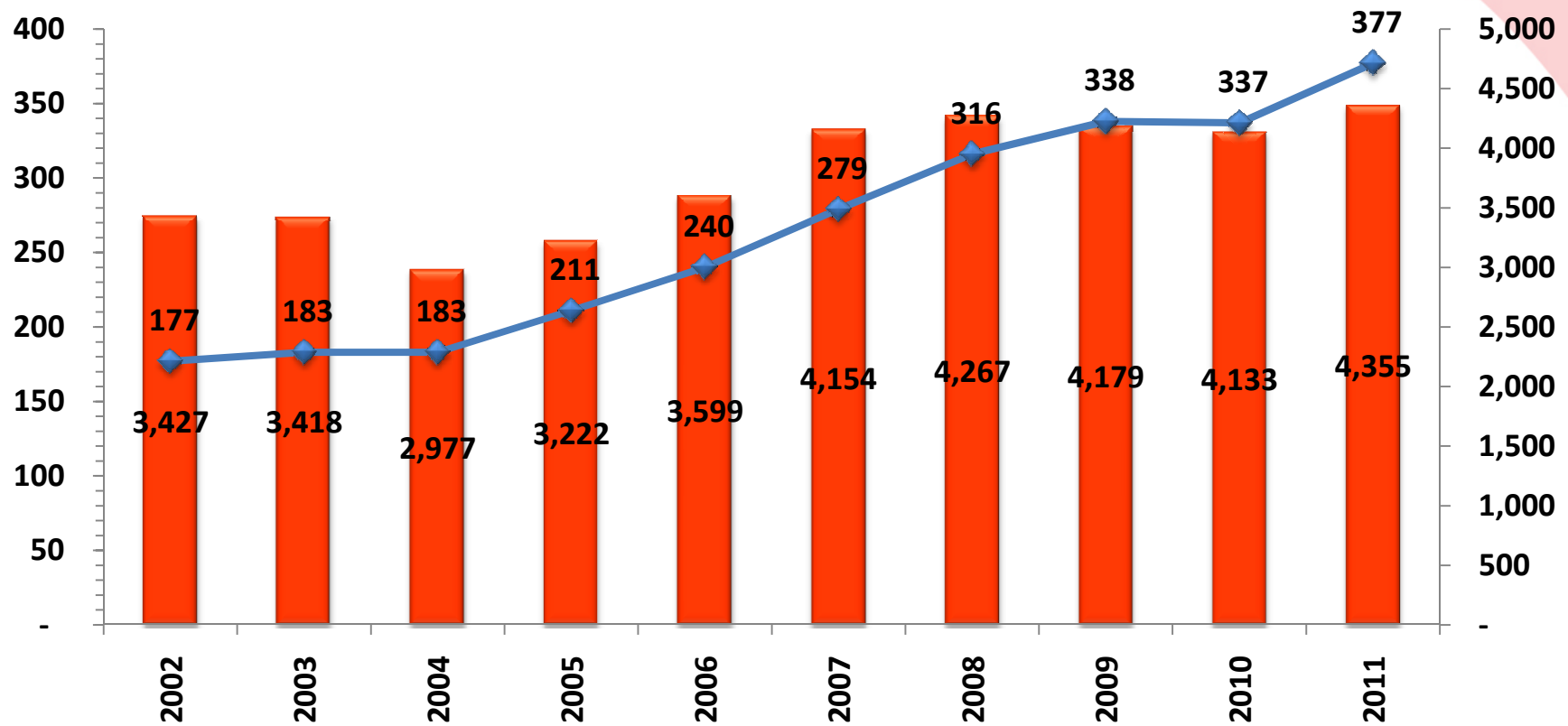


**Hon. Amos Kimunya - Minister of Transport gives a Thumbs up to the new simulator as he officially opens Pride Center 2**

# People Development Programmes

Course Name	Target Group	Number of Staff Attended
World Class Operations Training (All modules)	All staff	2,639
Personal Effectiveness & Personal Finance	All new staff	647
Learning to Lead	Team Leaders and Supervisors	159
Business Leadership	Lead other leaders	16
Stress Management	All Staff	66
Presentation Skills	All Staff	54
HR for Non HR Managers	Leaders with responsibility for Managing	37
Finance for Non-Finance Managers	Team Leaders	97

# Total Employees and Pilots Headcount



# Information Systems

# Systems Implemented

- **Integrated Operations Control Centre System (Sabre IOCC)**
  - **Modules implemented**
    - **Crew Scheduling**
    - **Operations Control**
    - **Ground Staff rostering and management**
    - **Pricing (Fares management & Contract Composer)**
    - **Flight Explorer**
    - **Maintenance Planner**
    - **Maintenance Control**

# Systems Implemented

- **PROS (Pricing and Revenue Optimisation Software)**
- **E-Freight**
- **Online Annual Report**
- **MPESA and ZAP Payment for air tickets**

# Systems under Development

## – Modules in development

- **Flight Recovery Manager**
- **Flight Planning System**
- **Crew Vacation Management**
- **Airport Gate Management**

# Corporate Social Responsibility

**Broken down into 4 major categories**

- **Education**
- **Water**
- **Environment**
- **Health**

# Education



Kshs 8.4m

**Kenya Airways, has partnered with the Zambian Ministry of Education to promote the “Education for All Campaign”. The partnership will see Zambian pupils fly to Nairobi from Lusaka for an education exchange programme.**

# Environment



Kshs 28m

The “Plant-a-Future” initiative was launched in April 2007, and has so far seen over 500,000 indigenous trees planted in the Ngong Hills Forest. This year, a further 250,000 trees have been planted bringing the total to 750,000 trees.

# Carbon Emission



KQ has announced the launch of a new voluntary Carbon offsetting tool aimed at providing a channel for its customers to contribute towards reducing the effect of carbon emissions by supporting environmental sustainability initiatives.

# 2010/11 Financial Results

**Alex Mbugua**  
**Group Finance Director**

# Operating Statistics

	<b>2011</b>	<b>2010</b>	<b>Var</b>	<b>Var %</b>
ASK's (mil)	<b>12,854</b>	<b>12,143</b>	<b>711</b>	<b>5.9</b>
RPK's (mil)	<b>8,896</b>	<b>8,071</b>	<b>825</b>	<b>10.2</b>
Cabin Factor %	<b>69.2%</b>	<b>66.5%</b>		<b>2.7%</b>
B/Even C/F%	<b>63.6%</b>	<b>62.0%</b>		<b>1.6%</b>
Passengers ('000s)	<b>3,137</b>	<b>2,890</b>	<b>247</b>	<b>8.5</b>
Yield per RPK incl YR(USc)	<b>9.79</b>	<b>9.13</b>	<b>0.7</b>	<b>7.2</b>
Yield per RPK incl YR( KShs)	<b>7.80</b>	<b>7.00</b>	<b>0.8</b>	<b>11.5</b>
Exchange Rate (KSh/US\$)	<b>79.69</b>	<b>76.67</b>	<b>3.0</b>	<b>3.9</b>
RASK (USc)	<b>6.78</b>	<b>6.07</b>	<b>0.7</b>	<b>11.7</b>
CASK (USc)	<b>5.27</b>	<b>4.92</b>	<b>(0.4)</b>	<b>(7.1)</b>
KQ Cargo Tonnes	<b>56,401</b>	<b>55,201</b>	<b>1,200</b>	<b>2.2</b>
Cargo Yield per KG (US\$)	<b>1.49</b>	<b>1.31</b>	<b>0.2</b>	<b>13.7</b>
Employees	<b>4,355</b>	<b>4,133</b>	<b>222</b>	<b>5.4</b>

# Consolidated Income Statement

KShs Mil.	<u>2011</u>	<u>2010</u>	<u>Var.</u>	<u>Var. %</u>
<b>Turnover</b>	<b>85,836</b>	<b>70,743</b>	<b>15,093</b>	<b>21.3</b>
Direct operating costs	(53,419)	(44,376)	(9,043)	(20.4)
Fleet ownership costs	(9,622)	(9,102)	(520)	(5.7)
<b>Gross profit</b>	<b>22,794</b>	<b>17,265</b>	<b>5,529</b>	<b>32.0</b>
Overheads	(16,980)	(15,426)	(1,554)	(10.1)
<b>Operating profit</b>	<b>5,815</b>	<b>1,839</b>	<b>3,976</b>	<b>216.2</b>
<b>Operating margin %</b>	<b>6.8%</b>	<b>2.6%</b>		<b>4.2%</b>
Net Finance Revenue/Cost	(951)	(1,614)	663	41.1
Precision Air (loss)/Profit	(188)	77	(266)	(343.9)
Realised gain/(losses) on fuel derivatives	298	(3,771)	4,069	107.9
Fair value gains on fuel derivatives	30	6,140	(6,110)	(99.5)
<b>Profit before tax</b>	<b>5,002</b>	<b>2,671</b>	<b>2,331</b>	<b>87.3</b>
Taxation	(1,464)	(636)	(828)	(130.1)
<b>Profit after tax</b>	<b>3,538</b>	<b>2,035</b>	<b>1,503</b>	<b>73.9</b>
<b>Profit after tax margin %</b>	<b>4.1%</b>	<b>2.9%</b>		<b>1.2%</b>

# Group Turnover

KShs mil

	<b>2011</b>	<b>2010</b>	<b>Var</b>	<b>Var %</b>
<b>Pax Turnover</b>	<b>75,355</b>	<b>62,838</b>	<b>12,517</b>	<b>19.9%</b>
<b>Cargo</b>	<b>6,522</b>	<b>5,434</b>	<b>1,088</b>	<b>20.0%</b>
<b>Handling</b>	<b>1,492</b>	<b>1,312</b>	<b>180</b>	<b>13.8%</b>
<b>Others</b>	<b>2,467</b>	<b>1,159</b>	<b>1,308</b>	<b>112.9%</b>
<b>Group Turnover</b>	<b>85,836</b>	<b>70,743</b>	<b>15,093</b>	<b>21.3%</b>

# Direct Operating Costs

	<b>2011</b>	<b>2010</b>	<b>Var</b>	<b>% Var</b>
<b>Aircraft Fuel</b>	<b>24,778</b>	<b>18,819</b>	<b>(5,959)</b>	<b>(31.7)</b>
<b>Landing, Handling &amp; Navigation</b>	<b>8,486</b>	<b>8,530</b>	<b>44</b>	<b>0.5</b>
<b>Aircraft Maintenance</b>	<b>6,835</b>	<b>5,028</b>	<b>(1,807)</b>	<b>(35.9)</b>
<b>Catering</b>	<b>4,683</b>	<b>4,445</b>	<b>(238)</b>	<b>(5.4)</b>
<b>Commission on Sales</b>	<b>2,785</b>	<b>3,246</b>	<b>461</b>	<b>14.2</b>
<b>Aircraft, Pax &amp; Cargo Ins</b>	<b>487</b>	<b>366</b>	<b>(121)</b>	<b>(32.9)</b>
<b>Crew Route Expenses</b>	<b>2,221</b>	<b>1,742</b>	<b>(479)</b>	<b>(27.5)</b>
<b>CRSs</b>	<b>2,561</b>	<b>1,805</b>	<b>(756)</b>	<b>(41.9)</b>
<b>Others</b>	<b>584</b>	<b>395</b>	<b>(189)</b>	<b>(47.8)</b>
<b>Total DOCs</b>	<b>53,419</b>	<b>44,376</b>	<b>(9,043)</b>	<b>(20.4)</b>

# Fleet Ownership Costs

	<b>2011</b>	<b>2010</b>	<b>Var</b>	<b>Var %</b>
Hire of aircraft and engines	<b>5,902</b>	5,920	18	0.3%
Depn on aircraft & engines	<b>3,622</b>	3,094	(528)	(17.1%)
Depn on rotables	<b>272</b>	262	(10)	(3.6%)
Aircraft Purchase Subsidy	<b>(174)</b>	(174)	0	0.0%
<b>Total Fleet Ownership Costs</b>	<b>9,622</b>	<b>9,102</b>	<b>(520)</b>	<b>(5.7%)</b>

# Statement of Financial Position

KShs Mil

ASSETS	Mar-11	Mar-10	Var	Var%
Aircraft	44,096	44,864	(768)	(1.7%)
Properties, Plant & Equip	6,698	6,625	73	1.1%
Intangible Assets	1,029	899	130	14.5%
Prepaid Lease Rentals	5	6	(1)	(12.3%)
Aircraft deposits	2,797	2,351	446	19.0%
Investments in Ass co & others	364	558	(194)	(34.8%)
<b>Total Non-Current Assets</b>	<b>54,989</b>	<b>55,303</b>	<b>(314)</b>	<b>(0.6%)</b>
Inventories	1,907	1,543	364	23.6%
Trade receivables	9,197	7,166	2,031	28.3%
Other receivables	1,962	1,887	75	4.0%
Corporate tax recoverable	840	832	8	1.0%
Fuel derivatives	2,594	409	2,185	534.1%
Cash and Equivalents	7,254	6,123	1,131	18.5%
<b>Total Current Assets</b>	<b>23,754</b>	<b>17,960</b>	<b>5,794</b>	<b>32.3%</b>
<b>Total Assets</b>	<b>78,743</b>	<b>73,263</b>	<b>5,480</b>	<b>7.5%</b>

# Statement of Financial Position

KShs Mil

<b>EQUITY AND LIABILITIES</b>	<b>Mar-11</b>	<b>Mar-10</b>	<b>Var</b>	<b>Var % to</b>
<b>Capital</b>	<b>2,308</b>	<b>2,308</b>	<b>-</b>	<b>0.0%</b>
<b>Revenue Reserve</b>	<b>20,714</b>	<b>17,641</b>	<b>3,073</b>	<b>17.4%</b>
<b>Hedge Reserve</b>	<b>68</b>	<b>(26)</b>	<b>94</b>	<b>361.5%</b>
<b>Minority interests</b>	<b>53</b>	<b>50</b>	<b>3</b>	<b>6.0%</b>
	<b>23,143</b>	<b>19,973</b>	<b>3,170</b>	<b>15.9%</b>
<b>Aircraft Loans</b>	<b>25,449</b>	<b>26,920</b>	<b>(1,471)</b>	<b>(5.5%)</b>
<b>Deferred Taxation</b>	<b>8,303</b>	<b>6,918</b>	<b>1,385</b>	<b>20.0%</b>
<b>Deferred Income</b>	<b>2,406</b>	<b>2,580</b>	<b>(174)</b>	<b>(6.7%)</b>
<b>Finance Lease Obligation</b>	<b>1,436</b>	<b>-</b>	<b>1,436</b>	<b>100.0%</b>
<b>Total Non-Current Liabilities</b>	<b>37,594</b>	<b>36,418</b>	<b>1,176</b>	<b>3.2%</b>
<b>Advance Sales Collections</b>	<b>9,010</b>	<b>8,700</b>	<b>310</b>	<b>3.6%</b>
<b>Trade &amp; Other Creditors</b>	<b>8,996</b>	<b>8,172</b>	<b>824</b>	<b>10.1%</b>
<b>Total Current Liabilities</b>	<b>18,006</b>	<b>16,872</b>	<b>1,134</b>	<b>6.7%</b>
<b>Total Equity and Liabilities</b>	<b>78,743</b>	<b>73,263</b>	<b>5,480</b>	<b>7.5%</b>

# Statement of Cash Flows

KShs Mil	Mar-11	Mar-10	Var	Var%
Profit before tax	5,002	2,671	2,331	87.3%
Non operational items	6,875	(676)	7,551	(1,116.9%)
Movt in working capital	(1,341)	5,806	(7,147)	(123.1%)
Operating activities	10,535	7,801	2,734	35.0%
Income taxes paid	(116)	(209)	93	(44.5%)
Net Cash from Ops	10,419	7,592	2,827	37.2%
Capex Expenditure	(3,555)	(3,860)	305	(7.9%)
Disposal proceeds	47	209	(162)	(77.5%)
Deposit refunds	-	55	(55)	(100.0%)
Aircraft deps paid (leased AC)	(287)	(72)	(215)	298.6%
Interest received	172	372	(200)	(53.8%)
Net cash in investing Activities	(3,623)	(3,296)	(327)	9.9%
Dividends paid	(462)	(462)	-	0.0%
Repayment of L.T loans	(3,687)	(3,676)	(11)	0.3%
Repayment of finance lease	(137)		(137)	(100.0%)
Interest paid	(1,379)	(1,485)	106	(7.1%)
Net cash in financing Activities	(5,665)	(5,623)	(42)	0.7%
Decrease in cash & cash equiv	1,131	(1,327)	2,458	(185.3%)
Cash & Cash equiv at beg	6,123	7,450	(1,327)	(17.8%)
Cash & Cash equiv at end	7,254	6,123	1,131	18.5%

## Benchmark on 2010/11 Results

	<b>EK</b>	<b>LH</b>	<b>KLM/AF</b>	<b>KQ</b>
<b>Turnover (USD mil)</b>	<b>14,806</b>	<b>35,497</b>	<b>30,678</b>	<b>1,077</b>
<b>Operating Profit</b>	<b>1,481</b>	<b>1,138</b>	<b>526</b>	<b>73</b>
<b>Op Margin%</b>	<b>10.0%</b>	<b>3.2%</b>	<b>1.7%</b>	<b>6.8%</b>
<b>Net Profit</b>	<b>1,463</b>	<b>1,469</b>	<b>796</b>	<b>44</b>
<b>Net margin%</b>	<b>9.9%</b>	<b>4.1%</b>	<b>2.6%</b>	<b>4.1%</b>

# Dividend

**Proposed dividend at 1/50 per share = KShs 693m**

# Next Year



# Network

## ■ Upcoming Routes

✓ N'djamena, Chad

✓ Ouagadougou, Burkina Faso

✓ Jeddah, Saudi Arabia

✓ Beirut, Lebanon

✓ Abuja, Nigeria

✓ Kilimanjaro, Tanzania

✓ Port Louis, Mauritius

✓ Asmara, Eritrea

## ■ New Frequencies

✓ Double daily to Juba up from daily

✓ Zanzibar from 3 times weekly to 10 times weekly

✓ 2 additional flights to Gaborone;

✓ Additional flights to Libreville and Bangui

# Major Initiatives

	Target Date
▪ <b>Communication ,Efficiency &amp; Growth</b>	<b>on going</b>
▪ <b>10 Year Plan</b>	<b>Dec 11</b>
▪ <b>B787 Entry Preparations</b>	<b>on going</b>
▪ <b>EASA Certification</b>	<b>Mar 12</b>
▪ <b>Integrated Ops &amp; Maint. Control Syst. (IOCS &amp;MCS)</b>	<b>on going</b>
▪ <b>Carbon Emission Trading Scheme</b>	<b>on going</b>
▪ <b>ACARS (Automatic communication Alert &amp; Recording system)</b>	<b>on going</b>

# Q & A