

**KENYA AIRWAYS LIMITED**  
**AUDITED GROUP CONSOLIDATED RESULTS FOR THE PERIOD**  
**ENDED 31 MARCH 2010**

**CONSOLIDATED INCOME STATEMENT**  
**31 MARCH 2010**

	<b>2010</b>	<b>2009</b>
	<b><u>KShs M</u></b>	<b><u>KShs M</u></b>
<b>Turnover</b>		
Passenger	62,838	62,947
Cargo and Mail	5,434	6,081
Handling	1,312	1,276
Other	1,159	1,525
<b>Total Revenue</b>	<b>70,743</b>	<b>71,829</b>
Direct Costs	(44,376)	(47,792)
Fleet Ownership Costs	(9,102)	(7,994)
Overheads	(15,426)	(12,001)
<b>Total Expenses</b>	<b>(68,904)</b>	<b>(67,787)</b>
<b>Operating Profit</b>	<b>1,839</b>	<b>4,042</b>
<b>Operating Margin (%)</b>	<b>2.6%</b>	<b>5.6%</b>
Finance Costs	(1,485)	(1,594)
Finance Income	372	658
Realised(losses)/gains on fuel derivatives	(3,771)	(1,372)
Fair value gains/(losses) on fuel derivatives	6,140	(7,532)
Other (losses)/gains	(501)	72
Share of result of associated company	77	62
<b>Profit/(Loss) before tax</b>	<b>2,671</b>	<b>(5,664)</b>
Taxation	(636)	1,581
<b>Profit/(Loss) after tax</b>	<b>2,035</b>	<b>(4,083)</b>
<b>Net Profit Margin (%)</b>	<b>2.9%</b>	<b>(5.7%)</b>
<b>Earnings/(Loss) per share after tax (KShs)</b>	<b>4.40</b>	<b>(8.84)</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**31 MARCH 2010**

	<b>2010</b>	<b>2009</b>
	<b><u>KShs M</u></b>	<b><u>KShs M</u></b>
<b>Profit /(loss) for the year</b>	<b>2,035</b>	<b>(4,083)</b>
<b>OTHER COMPREHENSIVE INCOME:</b>		
Gain/(loss) on hedged exchange differences on borrowings	1,280	(6,451)
Gain on hedged fuel contracts	398	-
Deferred taxation on cash flow hedges	<u>(503)</u>	<u>1,936</u>
<b>Total other comprehensive income/(loss)</b>	<b>1,175</b>	<b>(4,515)</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>3,210</b>	<b>(8,598)</b>
<b>Total comprehensive income/(loss) attributable to:</b>		
Equity holders of the company	3,209	(8,598)
Non-controlling interest	<u>1</u>	<u>-</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 MARCH 2010**

	<b>2010</b>	<b>2009</b>
	<b><u>KShs M</u></b>	<b><u>KShs M</u></b>
<b>ASSETS</b>		
Aircraft	44,866	46,817
Properties, Plant & Equip	4,990	4,234
Intangible assets	899	550
Leasehold Land	1,641	1,662
Investment in Ass company	526	449
Aircraft deposits	2,351	2,532
Deferred tax asset	32	26
Fuel derivatives	100	-
<b>Total Non-Current Assets</b>	<b>55,405</b>	<b>56,270</b>
Inventories	1,543	1,474
Trade and other receivables	9,045	10,045
Due from related companies	6	3
Corporate tax recoverable	832	737
Fuel derivatives	309	-
Cash and Equivalents	6,123	7,450
<b>Total Current Assets</b>	<b>17,858</b>	<b>19,709</b>
<b>Total Assets</b>	<b>73,263</b>	<b>75,979</b>
<b>EQUITY AND LIABILITIES</b>		
Capital	2,308	2,308
Revenue Reserves	17,641	16,069
Hedge Reserve	(26)	(1,201)
	19,923	17,176
Minority interests	50	-
<b>Total Equity</b>	<b>19,973</b>	<b>17,176</b>
Aircraft Loans - L.Term	23,386	28,257
Deferred Tax Liability	6,918	5,871
Fuel Derivative	-	714
Deferred Income	2,065	2,239
<b>Total Non-Current Liabilities</b>	<b>32,369</b>	<b>37,081</b>
<b>Current Liabilities</b>		
Fuel Derivatives	-	5,415
Sales in advance of carriage	8,700	6,886
Trade & Other Payables	7,151	4,599
Accruals for staff leave entitlements	1,253	741
Deferred income	174	174
Unclaimed Dividends	109	40
Corporate Tax Payable	-	16
Aircraft Loans - S.Term	3,534	3,851
<b>Total Current Liabilities</b>	<b>20,921</b>	<b>21,722</b>
<b>Total Equity and Liabilities</b>	<b>73,263</b>	<b>75,979</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**31 MARCH 2010**

	<b>2010</b>	<b>2009</b>
	<b><u>KShs M</u></b>	<b><u>KShs M</u></b>
Profit before tax	2,671	(5,664)
Depreciation & Amortisation	4,632	3,917
Interest expense	1,485	1,594
Movt. In MTM	(6,140)	7,532
Other items	(653)	(625)
Movt in working capital	5,806	(1,929)
Income taxes paid	(209)	(142)
<b>Net Cash from Ops</b>	<b>7,592</b>	<b>4,683</b>
Capex Expenditure	(3,929)	(2,580)
Purchase of Leasehold Land	-	(1,567)
Deferred expenditure	-	(7)
Deposit refunds received	55	-
Deposits for aircraft purchases	(72)	(83)
Disposal proceeds	209	116
Net Interest paid	(1,113)	(936)
Repayment of L.T loans	(3,676)	(3,610)
Dividends paid	(393)	(808)
<b>Total Cash Outflows</b>	<b>(8,919)</b>	<b>(9,475)</b>
<b>Net Cash Outflows</b>	<b>(1,327)</b>	<b>(4,792)</b>
<b>Cash &amp; Cash equiv at beg</b>	<b>7,450</b>	<b>12,242</b>
<b>Cash &amp; Cash equiv at end</b>	<b>6,123</b>	<b>7,450</b>

## **COMMENTARY**

Kenya Airways growth during this period was restricted by the economic meltdown that continued to impact the first half of the year and the unionisable staff strike in August, traditionally the highest peak in KQ traffic seasons. These adverse effects were partly mitigated by successful launches of new destinations namely Ndola, Gaborone, Malabo, Kisangani, Brazzaville, Bangui and Libreville.

Crude oil prices remained stable and below USD 90/BBL throughout the year.

After the losses realised in prior year, the Board announces that Kenya Airways has regained profitability. The airline achieved KShs 2.035billion profit after tax compared to prior year loss of KShs 4.08billion. The result produced a net profit margin of 2.9% and an increase in earnings per share of 149.8% over prior year.

Management continued to invest time and resources towards maintaining high levels of safety in all its operations during the year.

## **REVENUES**

### **Passenger**

Despite the difficult economic climate, the capacity measured in terms of Available Seat Kilometre (ASK) increased by 6.7% largely as a result of new destinations. Passenger traffic measured in terms of Revenue Passenger Kilometre (RPK) remained at prior year's level. The passenger yields in US cents dropped by 5.3% but, strengthened marginally by 1.9% when translated into Kenya Shillings, primarily due to the weaker Kenya Shilling in the period.

Passenger traffic growth of 7% was achieved in Southern Africa, primarily due to the successful launch of new operations to Maputo, Ndola and Gaborone. Additional frequencies were introduced to Johannesburg, Lusaka and Harare. Eastern Africa passenger traffic grew by 5.9%. This was largely attributable to increased frequencies to Bujumbura and Kigali as well as improved uplifts on Dar-es-Salaam route jointly operated with Precision Air.

Areas of modest passenger growth included Northern Africa (+4.4%), through increased operations on the Addis Djibouti route. Europe improved by 4.3%, mainly from Amsterdam and Paris operations, an indication of dim recovery after the global traffic slump in prior year. West and Central Africa grew by 3.6% largely driven by the new destinations of Malabo, Bangui and Kinshasa Brazzaville route.

The Far East passenger traffic decreased by 12.1% due to the suspension of direct operations to Guangzhou, and Dubai Guangzhou route. Instead operations to Guangzhou were increased through Bangkok to improve profitability. Mid-East and Asia dropped 4.3% due to tactical cutbacks on capacity to Mumbai.

Domestic Kenya total traffic remained unchanged despite suspension of operations to Malindi and Lamu and the temporary withdrawal from Kisumu due to runway construction. This was offset by growth of 8.1% in passenger numbers on Mombasa operations

The overall cabin factor dropped to 66.5% compared to 70.8% in the prior year due to the increase in capacity growth of 6.7% while passenger numbers remained similar to prior year.

### **Cargo**

Cargo tonnage volumes were at par with prior year, but yields declined by 17.1%. As a consequence cargo revenue declined by 10.6% on prior year. Regions with high growth in cargo tonnage volumes included West and Central Africa (+41.6%) as a result of increased frequencies, Northern Africa (+14.2%), Mid-East and Asia (+9.3%). Cargo traffic on European routes improved marginally by 1.9% following the slow economic recovery. Regions that recorded drop in cargo uplifts were East Africa (-22.4%), Southern Africa (-15.8%), Far East (-7.9%) and Domestic Kenya (-16.9%).

### **Exchange rate**

The US Dollar strengthened against the Kenya Shilling with the average exchange rate for the period being KShs 76.67 per US\$ against a prior year average of KShs 71.23 per US\$. The strong US Dollar and the relative weakening of the Kenya Shilling over this period had a positive effect on foreign currency denominated revenues when reported in Kenya Shillings. These gains were however partly offset by the adverse effect on foreign currency denominated expenses.

### **COSTS**

#### **Fuel Costs**

Fuel cost excluding hedge costs decreased by KShs 5.7bn or 23.4% over the period compared to prior year. This significant drop was primarily driven by lower jet fuel prices which declined from 308/cag in 2009 to 217/cag in 2010, a decrease of 29.6%. The decrease of 6.2% in price impact resulted from a combination of volume consumption and exchange rate.

#### **Overheads**

Overheads increased by KShs 3.4bn or 28.5%. KShs 2.1bn of this was attributable to the increased salaries and allowances following the return to work agreement with Aviation Allied Workers Union. The other increases included depreciation of completed projects and amortisation of intangible assets totalling KShs 535m, advertising and publicity up KShs 193m due launches of new destinations. The balance of KShs 567m is due to growth and increased activities.

### **PROSPECTS**

There are signs that the aviation industry is starting to recover slowly after the global financial crisis of 2008. The traffic demand revival globally is however inequitable across regions, with growth concentrated in the emerging markets of Asia, Latin America and the Middle East. There is divergent performance of airlines in different regions. IATA, the global industry body, estimates that airlines reported a combined loss of USD 9.4 billion in 2009 but this is anticipated to reduce to a loss of USD 2.8 billion in 2010.

The global economic recovery that is emerging in the West, Middle East and the Asian economies is expected to flow into Africa and the Kenyan economy. This should, in turn, improve the prospects for Kenya Airways in 2010 and beyond.

The Board however recognizes the growing threat of competition. This implies that Kenya Airways has to take cognizance of this and implement appropriate strategies to enhance growth and profitability. The main drivers of improved performance are passenger numbers, better yields and more stringent cost management. The airline must therefore continue investing in its fleet development, staff training and improvement of its systems. Management is committed to offering a more competitive product through, inter alia, improved on-time performance in order to meet and exceed customer expectations.

Kenya Airways profit after tax in 2009/10 compares favourably with the prior year's loss. The Board is optimistic that the company's performance will continue improving in the years ahead.

The Board takes this opportunity to thank all its customers, staff, management and suppliers for their dedicated contribution to the growth of the airline.

### **DIVIDEND**

The Board recommends a first and final dividend of KShs 1.00 per share, for approval by shareholders at the Annual General Meeting on Friday 24<sup>th</sup> September 2010. This represents a total dividend payment of KShs 462m. The dividend will be paid on or around 22 October 2010 to shareholders on the Register of Members at the close of business on 24 September 2010.

**By order of the Board**  
**4<sup>th</sup> June 2010**

  
**Evanson Mwaniki**  
**Chairman**