

KENYA AIRWAYS LIMITED
AUDITED GROUP CONSOLIDATED RESULTS
FOR THE YEAR ENDED 31 MARCH 2011

CONSOLIDATED INCOME STATEMENT
31 MARCH 2011

	2011	2010
	<u>KShs M</u>	<u>KShs M</u>
Turnover		
Passenger	75,355	62,838
Cargo and Mail	6,522	5,434
Handling	1,492	1,312
Other	2,467	1,159
Total Revenue	85,836	70,743
Direct Costs	(53,419)	(44,376)
Fleet Ownership Costs	(9,622)	(9,102)
Overheads	(16,980)	(15,426)
Total Expenses	(80,021)	(68,904)
Operating Profit	5,815	1,839
Operating Margin (%)	6.8%	2.6%
Finance Costs	(1,379)	(1,485)
Finance Income	172	372
Realised gains/(losses) on fuel derivatives	298	(3,771)
Fair value gains/(losses) on fuel derivatives	30	6,140
Other gains/(losses)	254	(501)
Share of result of associated company	(188)	77
Profit/(Loss) before tax	5,002	2,671
Taxation	(1,464)	(636)
Profit/(Loss) after tax	3,538	2,035
Net Profit Margin (%)	4.1%	2.9%
Earnings/(Loss) per share after tax (KShs)	7.65	4.40

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
31 MARCH 2011

	2011	2010
	<u>KShs M</u>	<u>KShs M</u>
Profit /(loss) for the year	3,538	2,035
OTHER COMPREHENSIVE INCOME:		
Gain/(loss) on hedged exchange differences on borrowings	(2,021)	1,280
Gain on hedged fuel contracts	2,155	398
Deferred taxation on cash flow hedges	(40)	(503)
Total other comprehensive income	94	1,175
Total comprehensive income for the year	3,632	3,210
Total comprehensive income attributable to:		
Equity holders of the company	3,629	3,209
Non-controlling interest	3	1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 MARCH 2011

	2011	2010
	<u>KShs M</u>	<u>KShs M</u>
ASSETS		
Aircraft	44,096	44,864
Properties, Plant & Equip	6,698	6,625
Intangible assets	1,029	899
Leasehold Land	5	6
Investment in Ass company	338	526
Aircraft deposits	2,797	2,351
Deferred tax asset	26	32
Fuel derivatives	132	100
Total Non-Current Assets	55,121	55,403
Inventories	1,907	1,543
Trade and other receivables	11,159	9,053
Corporate tax recoverable	840	832
Fuel derivatives	2,462	309
Bank and Cash Balances	7,254	6,123
Total Current Assets	23,622	17,860
Total Assets	78,743	73,263
EQUITY AND LIABILITIES		
Capital	2,308	2,308
Reserves	20,089	17,153
Proposed Dividend	693	462
	23,090	19,923
Non-Controlling interests	53	50
Total Equity	23,143	19,973
Aircraft Loans - L.Term	21,750	23,386
Deferred Tax Liability	8,303	6,918
Deferred Income	2,232	2,406
Finance lease obligations	1,101	-
Total Non-Current Liabilities	33,386	32,710
Current Liabilities		
Sales in advance of carriage	9,010	8,700
Trade & Other Payables	9,217	8,063
Deferred income	174	174
Unclaimed Dividends	109	109
Corporate Tax Payable	5	-
Aircraft Loans - S.Term	3,699	3,534
Total Current Liabilities	22,214	20,580
Total Equity and Liabilities	78,743	73,263

CONSOLIDATED STATEMENT OF CASH FLOWS
31 MARCH 2011

	2011	2010
	<u>KShs M</u>	<u>KShs M</u>
Profit before tax	5,002	2,671
Depreciation & Amortisation	5,142	4,632
Interest expense	1,379	1,485
Movt. In MTM	(30)	(6,140)
Other items	384	(653)
Movt in working capital	(1,341)	5,806
Income taxes paid	(116)	(209)
Net Cash from Ops	10,419	7,592
Capex Expenditure	(3,555)	(3,929)
Deposit refunds received	-	55
Deposits for aircraft purchases	(287)	(72)
Disposal proceeds	47	209
Net Interest paid	(1,207)	(1,113)
Repayment of finance lease obligations	(137)	-
Repayment of L.T loans	(3,687)	(3,676)
Dividends paid	(462)	(393)
Total Cash Outflows	(9,288)	(8,919)
Net Cash Outflows	1,131	(1,327)
Cash & Cash equiv at beg	6,123	7,450
Cash & Cash equiv at end	7,254	6,123

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
31 MARCH 2011

	Share capital KShs M	Reserves KShs M	Proposed dividends KShs M	Non controlling interest KShs M	Total KShs M
At 1 April 2009	2,308	14,406	462	-	17,176
Profit for the year		2,034		1	2,035
Other comprehensive income	-	1,175		-	1,175
Dividends paid for financial year 2009	-		(462)	-	(462)
Dividends proposed for financial year 2010	-	(462)	462	-	-
Shares issued to non controlling interest	-	-		49	49
At 31 March 2010	2,308	17,153	462	50	19,973
At 1 April 2010	2,308	17,153	462	50	19,973
Profit for the year		3,535		3	3,538
Other comprehensive income	-	94		-	94
Dividends paid for financial year 2010	-		(462)	-	(462)
Dividends proposed for financial year 2011	-	(693)	693	-	-
At 31 March 2011	2,308	20,089	693	53	23,143

COMMENTARY

Kenya Airways recorded two historic milestones during the financial year ended 31 March 2011 despite the challenging economic and geopolitical environment witnessed in quarter four. For the first time in its history, the airline surpassed the 3 million passenger mark during March 2011. In the same financial year, the airline turnover exceeded the one billion US dollar mark. The Airline successfully launched five new destinations namely Muscat, Juba, Luanda, Nampula, Rome and re-introduced the Malindi route.

The Board is pleased to announce that Kenya Airways profits have continued to grow. The airline achieved a record turnover of KShs. 85.8 billion which represents a 21% increase on prior year turnover of KShs.70.7 billion. Profit after tax increased to KShs.3.538 billion compared to the prior year profit of KShs.2.035billion. This represents a net profit margin of 4.1%, up from 2.9% achieved in 2009/10. Earnings per share rose to KShs.7.65 from KShs.4.40 reported in the prior year.

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

REVENUES

Passenger

Capacity measured in terms of Available Seat Kilometre (ASK) increased by 5.5% largely as a result of increased frequencies and new destinations launched. Passenger traffic measured in terms of Revenue Passenger Kilometre (RPK) grew by 9.3% over prior year due to an improved world economic climate during the first three quarters of the year. Passenger yields in US cents increased by 6.7% and strengthened further to 10.3% when translated into Kenya Shillings, primarily due to a weaker Kenya Shilling in the period.

The passenger revenue for the year was KShs.75.4billion which is 20% above prior year.

High Passenger traffic growth was achieved in the following regions: Southern Africa grew by 16.3% largely due to the World Cup and launch of operations into Nampula and Luanda during the year. Traffic in Northern Africa grew by 25.1% due to the successful launch of operations to Juba. European traffic was up 12.8% due to improved demand out of London, Amsterdam, Paris and launch of Rome in quarter three, while Mid-East growth of 9.2% was largely due to the impact of new operations to Muscat. West & Central Africa realised a growth of 7.2%.

Domestic Kenya total traffic grew by 13.7% as a result of increased capacity and frequencies on Mombasa route and the reintroduction of Malindi.

Regions with traffic decline included East Africa (-5%) and the Far East with a marginal drop of (-1%).

The high passenger traffic improved the overall cabin factor to 69.2% compared to 66.5% realised in the prior year.

Cargo

Cargo tonnage was 2.2% above prior year coupled with a yield growth of 13.7%. This resulted in revenue growth of 16.7% over prior year. Regions with high growth in cargo tonnage volumes included Europe (+9.7%), Southern Africa (+5.9%), East Africa (+10.2%) and Domestic Kenya (+12.1%). West and Central Africa grew marginally by 1.6%. The growth was mainly due to improved economic conditions and introduction of new destinations. Regions that recorded decline in cargo volumes included Mid-East (-11.2%), Far East (-12.9%) and North Africa (-3.5%). The decline in these regions was particularly sharp in the last quarter of the year due to political unrest in the Middle East and Northern Africa. The decline was also caused by capacity constraints due to excess baggage.

Exchange rate

The US Dollar strengthened against the Kenya Shilling with the average exchange rate for the period being KShs 79.69 per US Dollar against a prior year average of KShs 76.67 per US Dollar. 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, increased by KShs 5.96 billion or 31.7% compared to prior year. This significant increase was primarily driven by higher jet fuel prices from 216/cag in 2010 to 258/cag in 2011, an increase of 19.4%. The fuel price is US Dollar based. The weaker Kenya Shilling therefore negatively impacted fuel cost by 3.9%. The remaining increase of 8.4% is the result of increased consumption from increased operations.

Overheads

Overheads increased by Kshs. 1.55 billion or 10.1%. The performance was adversely impacted by an increase in employee costs of Kshs. 1.022 billion and Kshs. 532m on general administration and establishment cost mainly driven by introduction of new destinations

PROSPECTS

According to IATA the high fuel prices, arising from the political turmoil in the Middle East and Northern Africa, will squeeze airline's profits in 2011. The traffic demand however remains robust with long haul network airlines being the best placed. Due to the foregoing the airline industry worldwide profits net of tax that was estimated at USD 9.1 billion in 2011 will decrease to USD 8.6 billion.

The Board has taken cognisance of the anticipated traffic demand in 2011 and the pressures on yields due to escalating fuel prices. This implies that Kenya Airways has to 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 will therefore continue opening new routes on a selective basis, investing in its fleet development, training staff and improving 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 the year 2010/11 compares favourably against prior year's profit. The Board is optimistic that the company's performance will continue improving in the following years.

DIVIDEND AND ANNUAL GENERAL MEETING

The Directors recommend payment of a first and final dividend of KShs 1.50 per share for approval by the Shareholders at the forthcoming Annual General Meeting to be held on 14 October 2011, payable on or around 16 November 2011 to shareholders on the Register of Members at close of business on 14 October, 2011.

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

By order of the Board
1st June 2011

Evanson Mwaniki
Chairman