

**KENYA AIRWAYS LIMITED**  
**SUMMARY UNAUDITED GROUP RESULTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

**SUMMARY CONSOLIDATED INCOME STATEMENT**

	<b>Six Months to 30 Sep 2013 KShs M</b>	<b>Six Months to 30 Sep 2012 KShs M</b>
<b>Revenue</b>	54,338	49,832
Direct costs	(37,265)	(39,877)
Fleet ownership costs	(5,954)	(5,345)
Overheads	(9,380)	(10,143)
	<b>(52,599)</b>	<b>(55,365)</b>
<b>Operating profit / (loss)</b>	<b>1,739</b>	<b>(5,533)</b>
<b>Operating margin (%)</b>	<b>3.2%</b>	<b>(11.1%)</b>
Finance costs	(1,214)	(959)
Finance income	488	733
Realised gain / (loss) on fuel derivatives	216	(85)
Other costs	(681)	(744)
<b>Profit / (loss) before income tax</b>	<b>548</b>	<b>(6,589)</b>
Income tax (expense) / credit	(164)	1,801
<b>Profit / (loss) after tax</b>	<b>384</b>	<b>(4,788)</b>
<b>Net profit margin (%)</b>	<b>0.7%</b>	<b>(9.6%)</b>
<b>Earnings / (loss) per share (KShs)</b>	<b>0.26</b>	<b>(4.85)</b>

**SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>30 Sep 2013</b>	<b>30 Sep 2012</b>
	<b>KShs M</b>	<b>KShs M</b>
<b>Profit / (loss) for the period</b>	384	(4,788)
Other comprehensive income/(loss)		
Loss on hedged exchange differences on borrowings	(525)	(433)
Gain / (loss) on hedged fuel contracts	165	(1,608)
Deferred taxation on hedges	108	612
<b>Total other comprehensive (loss) / income</b>	<b>(252)</b>	<b>(1,429)</b>
<b>Total comprehensive income / (loss)for the period</b>	<b>132</b>	<b>(6,217)</b>

## SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 Sep 2013 KShs M	31 Mar 2013 KShs M
<b>ASSETS</b>		
Non-current assets		
Property, plant and equipment	75,514	71,502
Intangible assets	1,721	2,029
Prepaid operating lease rentals	1,235	1,235
Aircraft deposits	27,944	19,095
Others	183	201
	<b>106,597</b>	<b>94,062</b>
Current assets		
Inventories	2,420	2,532
Trade and other receivables	13,103	10,413
Current income tax recoverable	1,049	1,060
Fuel derivatives	616	210
Bank and cash balances	13,140	14,393
	<b>30,328</b>	<b>28,608</b>
<b>TOTAL ASSETS</b>	<b>136,925</b>	<b>122,670</b>
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to owners	31,291	31,155
Non-controlling interest	50	54
<b>Total equity</b>	<b>31,341</b>	<b>31,209</b>
Non - current liabilities		
Fuel derivatives	222	-
Borrowings	39,019	31,421
Deferred tax liability	6,340	6,372
Deferred income	1,897	1,984
Finance lease obligations	-	843
	<b>47,478</b>	<b>40,620</b>
Current liabilities		
Sales in advance of carriage	11,407	9,087
Finance lease obligations	960	212
Trade and other payables	11,234	10,824
Deferred income	174	174
Borrowings	34,331	30,544
	<b>58,106</b>	<b>50,841</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>136,925</b>	<b>122,670</b>

## SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital KShs M	Share premium KShs M	Reserves KShs M	Proposed dividend KShs M	Non controlling Interest KShs M	Total Equity KShs M
<b>For the six month period ended 30 Sep 2012</b>						
At 1 April 2012	2,308		20,280	374	61	23,023
Issue of additional share capital	5,174	8,630				13,804
Comprehensive income						
Loss for the period	-	-	(4,783)	-	(5)	(4,788)
Other comprehensive loss			(1,429)			(1,429)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(6,212)</b>	<b>-</b>	<b>(5)</b>	<b>(6,217)</b>
<b>At 30 September 2012</b>	<b>7,482</b>	<b>8,630</b>	<b>14,068</b>	<b>374</b>	<b>56</b>	<b>30,610</b>
<b>For the six month period ended 30 Sep 2013</b>						
As at 1 April 2013	7,482	8,670	15,003	-	54	31,209
Comprehensive income						
Profit / (loss) for the period	-	-	388	-	(4)	384
Other comprehensive income	-	-	(252)	-	-	(252)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>136</b>	<b>-</b>	<b>(4)</b>	<b>132</b>
<b>At 30 September 2013</b>	<b>7,482</b>	<b>8,670</b>	<b>15,139</b>	<b>-</b>	<b>50</b>	<b>31,341</b>

## SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	30-Sep-13 KShs M	30-Sep-12 KShs M
<b>Cashflows from operating activities</b>		
Cash generated from operations	5,186	252
Interest received	488	733
Interest paid	(1,214)	(602)
Income tax paid	(78)	(155)
<b>Net cash generated from operating activities</b>	<b>4,382</b>	<b>228</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6,484)	(6,544)
Proceeds of disposal of property and equipment	25	8
Deposit refunds received	-	50
Deposits paid for aircraft purchases	(9,631)	(6,513)
Deferred expenditure	(1)	(85)
<b>Net cash used in investing activities</b>	<b>(16,091)</b>	<b>(13,084)</b>
<b>Cash flows from financing activities</b>		
Proceeds from rights issue, net of issue costs	-	13,803
Borrowings received	16,761	8,623
Repayment of borrowings	(6,200)	(2,436)
Repayment of finance lease obligations	(105)	(100)
<b>Net cash generated from financing activities</b>	<b>10,456</b>	<b>19,890</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,253)</b>	<b>7,034</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>14,393</b>	<b>6,840</b>
<b>Cash and cash equivalents at end of period</b>	<b>13,140</b>	<b>13,874</b>

## **COMMENTARY**

Kenya Airways recorded improved performance for the first half year ended 30<sup>th</sup> September 2013 with a profit compared to the prior year losses. This has been made possible by amongst others the stabilisation of the Euro-zone economies; favourable prices of jet fuel; robust business environment in Kenya following the peaceful elections and management focus to prune loss making operations.

However, the unfortunate fire incident at JKIA in the period slowed the traffic recovery by adversely affecting the flow of transit passengers through Nairobi and most of the traffic originating from other countries. The incident happened during what is traditionally a peak season for the airline causing some sales challenges. Management's concerted efforts ensured that the problem was mitigated in record time. The terrorist attack at Westgate Mall in Nairobi was an additional setback in the period and we saw a traffic dip especially after some countries issued advisories against travel to Kenya.

In the six months, the airline successfully commenced operations to Livingstone in Zambia, Abu Dhabi in the United Arab Emirates and Blantyre in Malawi. However, changing market dynamics coupled with civil unrest in some countries led to suspension of operations to Libreville in Gabon; Bangui in Central African Republic; Ouagadougou in Burkina Faso and Cairo in Egypt.

The Board is pleased to announce that Kenya Airways achieved Kshs 384 million profit after tax compared to prior year loss of KShs 4,788 million. The result produced a net profit margin of 0.7% compared to a loss margin of 9.6% in prior year. The turnover achieved during this period was KShs 54.3 billion with an increase of KShs 4.5 billion compared to last year mainly from increased passenger revenues. Direct operating costs at KShs 37.3 billion were lower than prior year by KShs 2.6 billion largely driven by savings in fuel from lower fuel prices.

## **REVENUE**

### **Passenger**

The airline offered to the market a capacity of 7,106 million measured in terms of Available Seat Kilometres (ASK) which remained at the same level with that of prior year same period. Uptake of this capacity measured in Revenue Passenger Kilometres (RPK) at 4,979 million was also at the same level with that of prior year. However, the achieved Passenger yields including fuel surcharge in US cents grew by 5% year on year.

The Passenger revenue for the period was KShs 46.8 billion, an improvement from KShs 43.6 billion achieved last year primarily influenced by better yields.

Capacity offered into Europe shrunk by 5% owing to the withdrawal of all daylight operations on the London route as part of turnaround measures taken by management to trim unprofitable operations. The Middle East and Far East regions witnessed a 7% increase in capacity made possible by the introduction of daily flights to Guangzhou via Bangkok and swapping some operations to Mumbai previously served by B767 with B777 (which are 50% larger). The B777 capacity was available from the freed up equipment on London daylight operations. Both actions enhanced the connectivity of intra Africa traffic with the East in line with the company strategy of growing the business by linking these two continents.

There were remarkable adjustments to capacity in the African market following the addition of Livingstone and Blantyre into the network, together with the introduction of a third daily frequency to Juba; night time flights to Lusaka and Lilongwe; daily early morning departures to Entebbe and night stop operations to Dar es Salaam. However, due to management focus on improved performance there was urgent need to suspend services to N'Djamena, Libreville, Bangui, Ouagadougou and Cairo hence the net capacity put in Africa, excluding Kenya, fell by 5% compared to prior year.

The domestic market saw an increase in capacity by 17% due to the introduction of two daily flights to Kisumu including a night stop as well as Eldoret that had been launched in October 2012. The steady improvement in Kenyan air travel has continued to spur positive results for new capacity made available.

### **Cargo**

The company's cargo business profile changed fundamentally in the year due to the conversion of two of the B737-300 from passenger airplanes to freighters, besides the B747-400 freighter that is jointly operated with MartinAir. However, the global freight business landscape has been weak following the slowdown of the emerging economies in the East resulting in a reduction of 5.7% in total cargo volume uplifted.

### **Exchange rate**

During the period under review, the Kenya Shilling weakened marginally against the US Dollar with the average exchange rate at KShs 85.52 per US Dollar against a prior year average of KShs 84.33.

### **COSTS**

#### **Direct Operating Costs**

Direct operating costs reduced from KShs 39.9 billion to KShs 37.3 billion due to reduced fuel prices and management efforts to improve performance among others. Fuel cost, being the single largest component at 37% of total operating costs, accounted for the biggest saving of KShs 1.9 billion because the average price of jet fuel per gallon in US cents declined by 10% compared to last year.

#### **Overheads**

Overheads at KShs 9.4 billion indicate an 8% saving on prior year. The bulk of this saving was realised in employee costs that came down year on year by KShs 557m due to a lower staff complement. Management efforts to curb controllable costs remains unwavering as demonstrated by the reduction of non-employee costs by the same 8% despite the activity level remaining unchanged compared to prior year.

### **PROSPECTS**

The latest forecast from IATA estimates the industry will achieve a profit of USD 11.7 billion for 2013. This projection takes cognisance of weakening cargo but strengthening travel outlook with slowing emerging economies but rebounding developed economies. The management remains focused in closely monitoring the market dynamics in order to maximise performance.

The Board and management of Kenya Airways have remained resolute in taking actions necessary to steer the company back to profitability.

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**  
**12 November 2013**

**Evanson Mwaniki**  
**Chairman**