

KQ 2013-14 Half Year Investors Brief



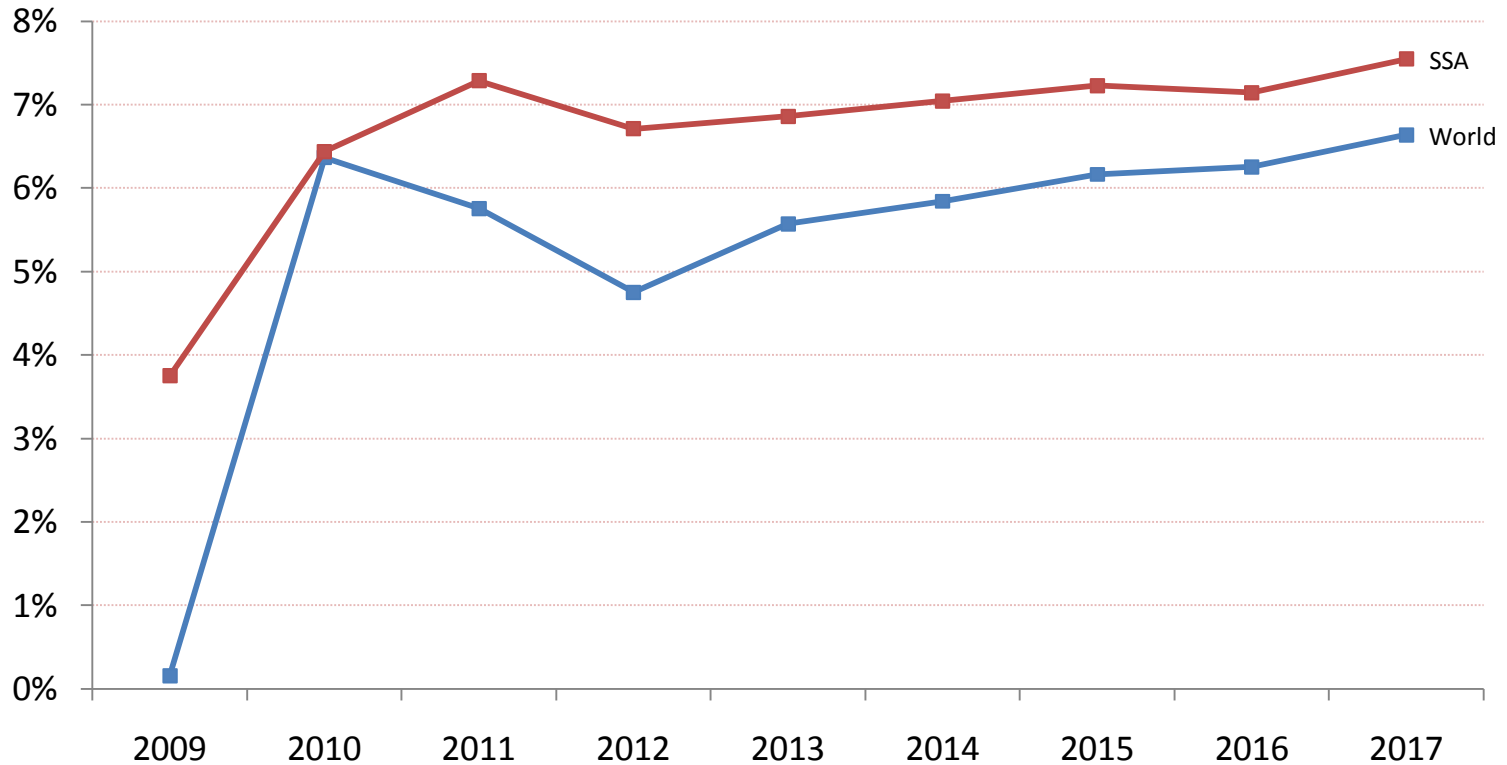
- **Global Economy**
- **Airline Industry Overview**
- **KQ Business Review**
- **Financial Results**
- **Chairman's Remarks**
- **Q & A**

Trade to remain subdued in 2013 for airlines in most markets

- **Economic activity slowed down**
- **Emerging markets have weakened.**
- **Developed markets strengthened.**
- **High fuel costs – in comparison with 2009 or 2010.**

Source: IATA website

World & Sub-Sahara Africa GDP Growth Forecast



Sub Sahara Africa still above World average

- **Profits expected to increase in 2013 but at thin margins**
- **Rebounding passenger travel but depressed cargo business**
- **Factors impacting 2013-14 include:**
 - **High fuel prices**
 - **Euro zone crisis**
 - **Travel Advisories**

Sep YTD 2013 vs. Sep YTD 2012	RPK Growth	ASK Growth	CF	FTK Growth	AFTK Growth
International	5.2%	4.4%	80.0	(0.1%)	1.2%
Domestic	4.8%	4.2%	80.2	2.2%	1.8%
Total Market	5.0%	4.3%	80.1	0.2%	1.3%

Source: IATA website

2013/14 Vs 2012/13:

(Total Market)

RPKs

5.0%



ASKs

4.3%



CF%

80.1%

AFTKs

1.3%



FTKs

0.2%



FLF%

44.9%

2013F Profit

\$11.7bn

2013/14 vs. 2012/13 (Total market)

Region	RPKs	ASKs	CF%	FTKs	AFTKs
Africa	7.2	5.4	69.9	2.5	4.6
Asia-Pacific	5.2	4.7	78.3	(2.8)	(1.9)
Europe	3.5	2.1	81.8	0.0	1.0
M/East	8.5	8.9	79.1	1.7	4.5
N/America	12.0	12.4	78.1	11.8	10.4
LATM	2.7	1.4	83.5	(3.2)	(0.7)
Industry	5.0	4.3	80.1	0.2	1.3
KQ	(0.2%)	(1.0%)	70.1	(14.3)	(18.2)

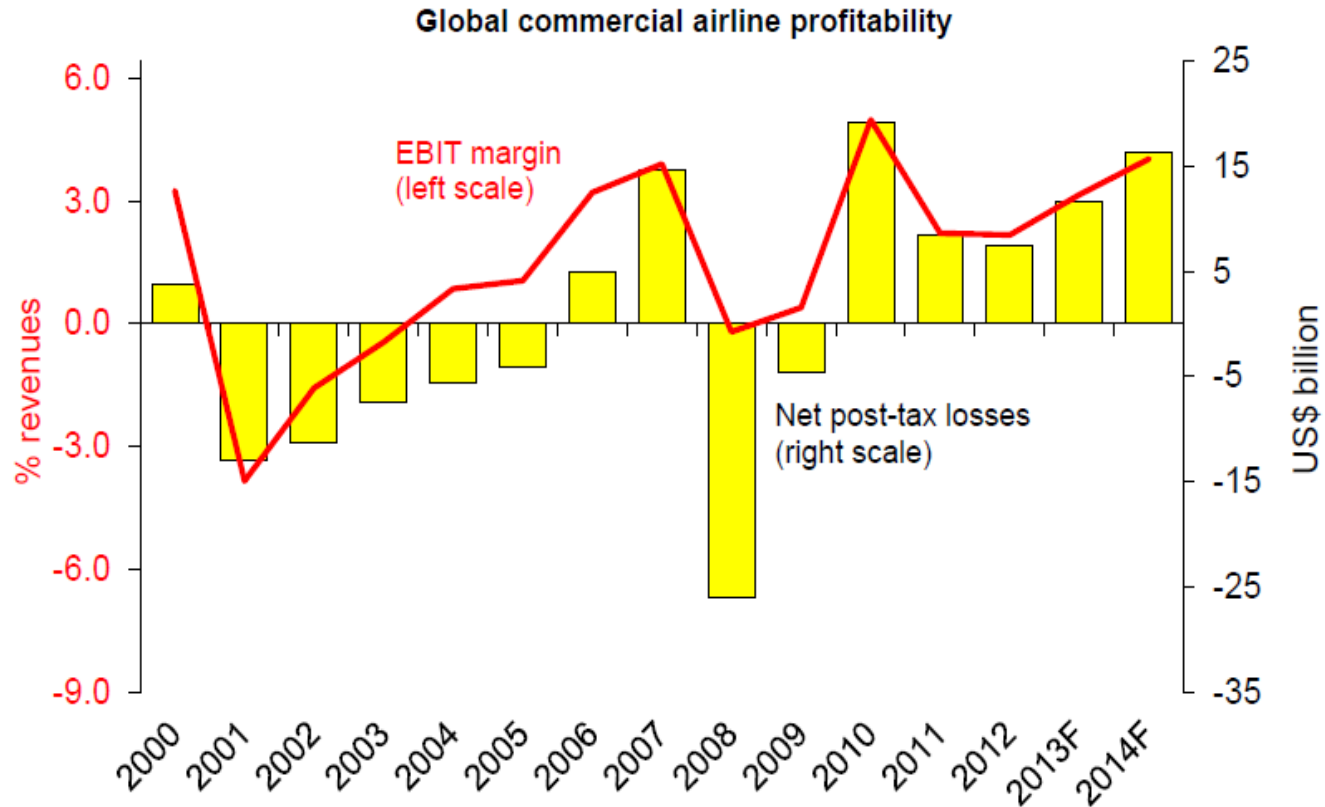
Source: IATA & KQ

	Net Profits,USD billion				
	2010	2011	2012	2013F	2014F
Global	19.2	8.4	7.4	11.7	16.4
Regions					
North America	4.2	1.7	2.3	4.9	6.3
Europe	1.9	0.4	0.4	1.7	3.1
Asia Pacific	11.1	5.0	4.0	3.1	3.6
Middle East	0.9	1.0	1.0	1.6	2.1
Latin America	1.0	0.2	(0.2)	0.6	1.1
Africa	0.1	0.0	(0.1)	(0.1)	0.1

IATA forecasts improved profits in 2013 and 2014

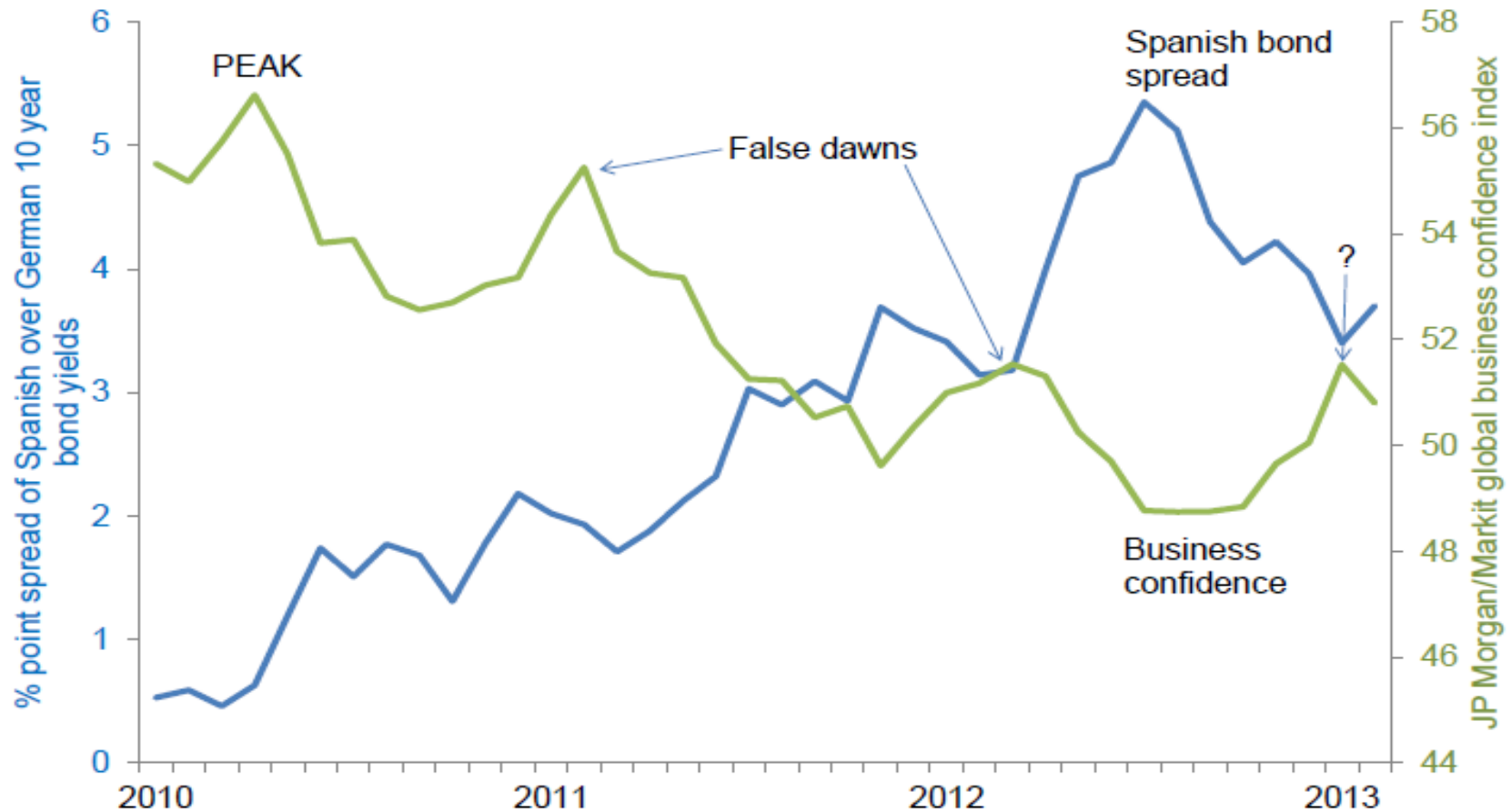
Source: IATA website

Airline profits forecast to improve in 2013/14



Source:
ICAO (history),
IATA (forecast)

Business confidence and the Eurozone crisis



Business confidence ups and downs are mirrored by the optimism and pessimism over the Eurozone, measured here by the spread of Spanish bond yields over German bonds. (Spanish low economic performance, German symbol of stability in Europe)

- **KQ Half Year Business Review**

Category	Fleet Type	Seats	2013	2012
Wide body				
	Boeing 777-200	322	4	4
	Boeing 767-300	216	6	6
Narrow body				
	Boeing 737-800	145	5	5
	Boeing 737-700	116	4	4
	Boeing 737-300	116	4	6
	Embraer 190	96	14	7
	Embraer 170	72	5	5
Total Fleet			42	37
Total Seats			5,941	5,503
Freighter				
	Boeing 747-400		1	1
	Boeing 737-300		2	-
Total Fleet			45	38

Routes launched in the Year

- **Livingstone**
- **Abu Dhabi**
- **Blantyre**

Corporate Social Responsibility



KShs 2.5m for for the Building of Classrooms at Ongora Primary School in Siaya County

Financial Results

Consolidated Income Statement

KShs Mil.	2013	2012	Var	Var %
Turnover	54,337	49,832	4,505	9.0
Direct Operating Costs	(37,265)	(39,877)	(2,612)	6.6
Fleet Ownership Costs	(5,954)	(5,345)	(609)	(11.4)
Gross Profit	11,119	4,610	6,509	141.2
Overheads	(9,380)	(10,143)	763	7.5)
Operating Profit / (Loss)	1,739	(5,533)	7,272	131.4
Operating Margin %	3.2%	(11.1%)		14.3%
Net Finance Revenue/Cost	(726)	131	(857)	(654.2)
Realized gain on fuel derivatives	216	(85)	301	354.1
Other (Losses)/Gains	(681)	(1,101)	(420)	(38.2)
(Loss)/Profit Before Tax	548	(6,589)	7,137	108.3
Taxation	(164)	1,801	(1,965)	109.1)
Profit /(Loss) after Tax	384	(4,788)	5,171	108.1
Profit / (Loss) After Tax Margin	0.7%	(9.6%)		10.3%

Statement of Financial Position

KShs Mil	Actual <u>Sep-13</u>	Actual <u>Mar-13</u>	Var to <u>PY</u>	Var % to <u>PY</u>
ASSETS				
Property, plant and equipment	75,514	71,502	4,012	5.6%
Intangible assets	1,721	2,029	(308)	(15.2%)
Prepaid operating lease rentals	1,235	1,235	0	>100.0%
Aircraft deposits	27,944	19,095	8,849	46.3%
Others	183	201	(18)	(9.0%)
	106,597	94,062	12,535	13.3%
Current Assets				
Inventories	2,420	2,532	(112)	(4.4%)
Trade and Other Receivables	13,103	10,413	2,690	25.8%
Current income tax recoverable	1,049	1,060	(11)	(1.0%)
Fuel derivatives	616	210	406	193.3%
Bank and Cash Balances	13,140	14,393	(1,253)	(8.7%)
	30,328	28,608	1,720	6.0%
TOTAL ASSETS	136,925	122,670	14,255	11.6%

Statement of Financial Position

<u>KShs Mil</u>	<u>Actual</u> <u>Sep-13</u>	<u>Actual</u> <u>Mar-13</u>	<u>Var to</u> <u>PY</u>	<u>Var % to</u> <u>PY</u>
EQUITY AND LIABILITIES				
Equity and liabilities				
Capital and reserves				
Share capital	7,482	7,482	-	0.0%
Share Premium	8,670	8,670	-	0.0%
Reserves	15,139	15,003	136	0.9%
Minority interests	50	54	(4)	(7.4%)
Total equity	31,341	31,209	132	0.4%
Non-current liabilities				
Fuel derivatives	222	-	222	>100%
Borrowings	39,019	31,421	7,598	24.2%
Deferred tax liability	6,340	6,372	(32)	(0.5%)
Deferred income	1,897	1,984	(87)	(4.4%)
Finance lease obligations	-	843	(843)	(100.0%)
Total Non- Current Liabilities	47,478	40,620	6,858	16.9%
Current liabilities				
Sales in advance of carriage	11,407	9,087	2,320	25.5%
Finance Lease Obligations	960	212	748	352.8%
Trade and other payables	11,234	10,824	410	3.8%
Deferred income	174	174	-	0.0%
Borrowings	34,331	30,544	3,787	12.4%
Total Current Liabilities	58,106	50,841	7,265	14.3%
Total Equity and Liabilities	136,925	122,670	14,255	11.6%

Statement of Cash Flows

Year to date	Actual	Actual	Var to	Var % to
KShs Mil	<u>Sep-13</u>	<u>Sep-12</u>	<u>PY</u>	<u>PY</u>
Profit / (loss) before tax	548	(6,589)	7,137	(108.3%)
Non operational items	3,760	2,813	947	33.6%
Depreciation & amortisation	3,318	2,601	717	27.6%
Others	442	212	230	108.1%
Movt in working capital	152	4,158	(4,006)	(96.3%)
Operating activities	4,460	383	4,077	1,065.1%
Income taxes paid	(78)	(155)	77	(49.7%)
Net Cash from operating activities	4,382	228	4,154	1,823.6%
Investing Activities				
Capex expenditure incl intangibles	(6,484)	(6,544)	60	(0.9%)
Deferred expenditure	(1)	(85)	84	(98.8%)
Disposal proceeds	25	8	17	212.5%
Deposit refunds	-	50	(50)	(100.0%)
Aircraft deposits paid	(9,631)	(6,513)	(3,118)	47.9%
Net cash used in investing activities	(16,091)	(13,084)	(3,007)	23.0%
Financing Activities				
Rights issue, net of costs	-	13,803	(13,803)	100.0%
Loans raised	16,761	8,623	8,138	94.4%
Repayment of L.T loans	(6,200)	(2,436)	(3,764)	154.5%
Repayment of finance lease obligations	(105)	(100)	(5)	5.0%
Net cash generated from financing Activities	10,456	19,890	(9,434)	(47.4%)
(Decrease)/increase in cash and cash equiv	(1,253)	7,034	(8,287)	(84.9%)
Cash & Cash equiv at beginning of period	14,393	6,840	7,553	90.6%
Cash & Cash equiv at end of period	13,140	13,874	(734)	(5.3%)