

KENYA AIRWAYS LIMITED
SUMMARY AUDITED GROUP RESULTS
FOR THE YEAR ENDED 31 MARCH 2013

SUMMARY CONSOLIDATED INCOME STATEMENT

	31 Mar 2013	31 Mar 2012
	KShs M	KShs M
Revenue	98,860	107,897
Direct costs	(77,225)	(77,217)
Fleet ownership costs	(11,178)	(9,970)
Overheads	(19,469)	(19,404)
	(107,872)	(106,591)
Operating (loss) / profit	(9,012)	1,306
Operating margin (%)	(9.1%)	1.2%
Finance costs	(1,907)	(1,341)
Finance income	1,421	244
Realised gain on fuel derivatives	602	2,508
Other costs	(1,930)	(571)
(Loss)/profit before income tax	(10,826)	2,146
Income tax credit/(expense)	2,962	(486)
(Loss)/profit after tax	(7,864)	1,660
Net profit margin (%)	(8.0%)	1.5%
(Loss)/earnings per share (KShs)	(6.35)	3.58

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 Mar 2013 KShs M	31 Mar 2012 KShs M
(Loss)/profit for the year	(7,864)	1,660
Other comprehensive income/(loss)		
(Loss)/gain on hedged exchange differences on borrowings	(188)	415
Loss on hedged fuel contracts	(1,208)	(1,115)
Deferred taxation on hedges	419	210
Share of other comprehensive income of associate	-	(597)
Surplus on revaluation of property, plant and equipment	5,082	-
Deferred taxation on revaluation reserve	(1,525)	-
Total other comprehensive income /(loss)	2,580	(1,087)
Total comprehensive (loss)/income for the year	(5,284)	573

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 Mar 2013 KShs M	31 Mar 2012 KShs M
ASSETS		
Non-current assets		
Property, plant and equipment	71,502	49,373
Intangible assets	2,029	1,423
Prepaid operating lease rentals	1,235	5
Aircraft deposits	19,095	4,364
Others	201	434
	94,062	55,599
Current assets		
Inventories	2,532	2,683
Trade and other receivables	10,413	10,219
Current income tax recoverable	1,060	764
Fuel derivatives	210	1,327
Bank and cash balances	14,393	6,840
	28,608	21,833
TOTAL ASSETS	122,670	77,432
EQUITY AND LIABILITIES		
Equity attributable to owners	31,155	22,962
Non-controlling interest	54	61
Total equity	31,209	23,023
Non - current liabilities		
Borrowings	31,421	19,154
Deferred tax liability	6,372	8,318
Deferred income	1,984	2,158
Finance lease obligations	843	1,023
	40,620	30,653
Current liabilities		
Sales in advance of carriage	9,087	6,628
Finance lease obligations	212	199
Trade and other payables	10,824	9,040
Deferred income	174	174
Borrowings	30,544	7,715
	50,841	23,756
TOTAL EQUITY AND LIABILITIES	122,670	77,432

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
Year ended 31 March 2012						
At 1 April 2011	2,308		20,089	693	53	23,143
Comprehensive income						
Profit for the year	-	-	1,652	-	8	1,660
Other comprehensive loss			(1,087)			(1,087)
Total comprehensive income	-	-	565	-	8	573
Transactions with owners						
Dividend:						
Final for 2011 paid	-	-	-	(693)	-	(693)
Proposed for 2012	-	-	(374)	374	-	-
Total transactions with owners	-	-	(374)	(319)	-	(693)
At 31 March 2012	2,308	-	20,280	374	61	23,023
Year ended 31 March 2013						
As at 1 April 2012	2,308	-	20,280	374	61	23,023
Comprehensive income						
Loss for the year	-	-	(7,857)	-	(7)	(7,864)
Other comprehensive income	-	-	2,580	-	-	2,580
Total comprehensive income	-	-	(5,277)	-	(7)	(5,284)
Transactions with owners						
Issue of additional share capital	5,174	8,670	-	-	-	13,844
Dividend:						
Final for 2012 paid	-	-	-	(374)	-	(374)
Total transactions with owners	5,174	8,670	-	(374)	-	13,470
At 31 March 2013	7,482	8,670	15,003	-	54	31,209

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	31-Mar-13 KShs M	31-Mar-12 KShs M
Cashflows from operating activities		
Cash generated from operations	334	5,639
Interest received	1,421	244
Interest paid	(1,907)	(1,341)
Income tax paid	(385)	(164)
Net cash generated (used in)/from operating activities	(537)	4,378
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,221)	(3,258)
Proceeds of disposal of property and equipment	17	188
Purchase of intangible assets	(235)	(326)
Deposit refunds received	50	318
Deposits paid for aircraft purchases	(16,989)	(2,053)
Deferred expenditure	(88)	(94)
Boeing subsidy received	-	100
Net cash used in investing activities	(39,466)	(5,125)
Cash flows from financing activities		
Proceeds from rights issue, net of issue costs	13,844	-
Borrowings received	42,659	5,207
Repayment of borrowings	(8,371)	(3,954)
Repayment of finance lease obligations	(202)	(227)
Dividend's paid to Company's shareholders	(374)	(693)
Proceeds of maturity of short term deposits maturing over 90 days	-	2,204
Net cash generated from financing activities	47,556	2,537
Net increase in cash and cash equivalents	7,553	1,790
Cash and cash equiv at beginning of year	6,840	5,050
Cash and cash equivalents at end of year	14,393	6,840

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS OF KENYA AIRWAYS LIMITED

The accompanying summary Group financial statements, which comprise the summary consolidated statement of financial position at 31 March 2013, the summary consolidated income statement, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and the summary consolidated statement of cash flows for the year then ended are derived from the audited financial statements of Kenya Airways Limited for the year ended 31 March 2013. We expressed an unmodified audit opinion on those financial statements in our report dated 13 June 2013.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and in the manner required by the Kenyan Companies Act applied in preparation of the audited financial statements of Kenya Airways Limited. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Kenya Airways Limited.

Directors' responsibility for the Summary Financial Statements

The directors are responsible for the preparation and presentation of the summary of the audited Group financial statements in accordance with the Company's Articles of Association.

Auditor's responsibility

Our responsibility is to express an opinion on the summary Group financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the summary Group financial statements derived from the audited Group financial statements of Kenya Airways Limited for the year ended 31 March 2013 are consistent, in all material respects, with those Group financial statements.

Certified Public Accountants
Nairobi
13 June 2013

COMMENTARY

The financial year 2012-2013 was characterised by harsh economic and geopolitical conditions that adversely impacted on the performance of Kenya Airways. Commercial aviation worldwide was negatively affected by the sustained underperformance of the European economy as well as volatility in fuel prices.

Although the larger African markets remained buoyant, Kenya witnessed constricted passenger traffic. The causal factor for this lull was the advisories issued against travel to the country by key market sources in the West due to fears of retaliatory attacks from the Al-Shabbab terror group, together with the unpredictable electioneering process.

In spite of the adversities mentioned above, Kenya Airways expanded its footprint into Delhi and Kilimanjaro during the first half of the year, and later re-opened Eldoret in October. However, in a bid to minimise losses the airline cut back capacity offered to Europe and suspended operations into Muscat, Jeddah and N'Djamena.

The group achieved a turnover of KShs 98.9 billion, down from KShs 107.9 billion realized last year. This decline is largely attributed to constrained passenger traffic together with immense pressure exerted on yields. This resulted in KShs 7.9 billion loss after tax compared to 2011-2012 profit of KShs 1.6 billion.

REVENUE

Passenger

The capacity put in the market place at 13,937 million Available Seat Kilometres (ASK) was flat compared to prior year. Passenger traffic declined by 3.6% to 9,579 million. Revenue Passenger Kilometres (RPK) on account of reduced passengers particularly those originating from Europe. Unprecedented competitive pressures drove passenger yields down, with the network average declining by 1.3% against last year.

Passenger revenues at KShs 85.1 billion declined from KShs 95.2 billion achieved last year primarily due to depressed passenger loads, network-wide pressure on yields and stronger Kenya Shilling in the year.

The passenger traffic growth trends in Middle East & Asia, Far East and Africa regions remained positive due to increased capacity made possible by either offering additional frequencies or operating larger aircraft. Additional uplifts to and from the Middle East and Asia was stimulated by the introduction of Delhi in India together with three additional weekly frequencies into both Mumbai and Dubai. The Far East destinations benefited from the operations of the larger B777 aircraft compared to the B767 which has 33% less capacity operated in the previous year.

Traffic within Africa grew due to increased capacity. Additional frequencies were introduced to Juba; more wide body aircraft were flown into Kinshasa; and two extra weekly flights were scheduled to Dakar via Abidjan. The capacity offered into Europe was reduced by 22% compared to last year in order to minimise losses occasioned by low seat occupancy levels.

Passengers transported within Kenya remained at last year's levels despite the loss of traffic from major feeder markets in Europe. This is mainly attributable to increased point to point travel within Kenya.

Cargo

Total cargo tonnage grew by 17.8% compared to last year on account of the introduction of B747 freighter operations between China and Nigeria. Further growths within the network were driven by increased belly capacity offered by additional wide body services. The achieved yields however reduced by 2.6% against last year due to shift in sales focus to market the extra capacity availed.

Exchange rate

The Kenya Shillings strengthened against the US Dollar with the average exchange rate for the year closing on KShs 85.02 per US Dollar against a prior year average of KShs 88.58 per US Dollar. This shrunk the turnover reported in Kenya Shilling terms by KShs 4 Billion given that a larger portion of revenues are US Dollar denominated. However, major operating cost elements denominated in US dollars, took some reprieve because of the strengthened Kenya shilling.

COSTS

Direct Operating Costs

Direct operating costs at KShs 77.2 billion remained largely unchanged compared to prior year. Fuel cost at 38.5% of total operating costs remains our largest operating component compared to 38.2% last year. The average cost of jet fuel per gallon in US cents went up by 5% compared to last year.

Overheads

Overheads at KShs 19.5 billion were at par with prior year, despite the inclusion of KShs 826 million staff rationalization cost. Management has undertaken stringent cost containment measures that have also seen non-employee related costs reduced by 5% in the year.

PROSPECTS

IATA latest forecasts indicate that global aviation industry is expected to achieve net profits of USD 10.6 billion in 2013, albeit with a lot of caution on the performance of Europe. Further, our focus markets of Africa, Asia and Pacific all indicate positive trends compared to the previous year.

DIVIDEND

The Directors do not recommend payment of a dividend.

ANNUAL GENERAL MEETING

The audited financial statements will be presented to the shareholders at the Annual General Meeting to be held on Thursday 26 September 2013 at the Bomas of Kenya, off Langata Road, Nairobi.

The Board and management of Kenya Airways have taken solid steps to address the losses made in the year. The second half results, though still negative, are much better than those of the first six months.

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
13 June 2013**

**Evanson Mwaniki
Chairman**