KENYA AIRWAYS LIMITED

SUMMARY AUDITED GROUP RESULTS
FOR THE YEAR ENDED 31 MARCH 2016

SUMMARY CONSOLIDATED INCOME STATEMENT

	31 Mar 2016 KShs M	31 Mar 2015 KShs M
Revenue	116,158	110,161
Direct costs	(67,861)	(76,059)
Fleet ownership costs	(29,578)	(25,932)
Overheads	(22,812)	(24,503)
	(120,251)	**(126,494)**
Operating loss	**(4,093)**	**(16,333)**
Operating margin (%)	**(3.5%)**	**(14.8%)**
Finance costs	(7,047)	(4,734)
Finance income	8	153
Losses on fuel derivatives	(4,155)	(7,452)
Other costs	(10,812)	(1,346)
Loss before income tax	**(26,099)**	**(29,712)**
Income tax (charge)/credit	(126)	3,969
Loss after tax	**(26,225)**	**(25,743)**
Net profit margin (%)	**(22.6%)**	**(23.4%)**
Loss per share (KShs)	**(17.53)**	**(17.21)**

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 Mar 2016 KShs M	31 Mar 2015 KShs M
Loss for the year	(26,225)	(25,743)
Other comprehensive income		
Loss on hedged exchange differences	(7,180)	(5,192)
Gain/(loss) on hedged fuel contracts	1,761	(2,830)
Revaluation of leasehold land, property and equipment	1,940	-
Deferred taxation on hedges	-	(427)
Total other comprehensive income	**(3,479)**	**(8,449)**
Total comprehensive income for the year	**(29,704)**	**(34,192)**

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 Mar 2016 KShs M	31 Mar 2015 KShs M
ASSETS		
Non-current assets		
Property and equipment	120,871	125,422
Intangible assets	802	1,163
Prepaid operating lease rentals	2,015	1,237
Aircraft deposits	2,177	10,391
Others	2,840	2,798
	128,705	**141,011**
Current assets		
Inventories	1,922	1,897
Trade and other receivables	15,084	14,819
Current income tax recoverable	1,218	1,222
Assets held for sale	6,659	19,847
Bank and cash balances	4,827	3,267
	29,710	**41,052**
TOTAL ASSETS	**158,415**	**182,063**
EQUITY AND LIABILITIES		
Equity attributable to owners	(35,718)	(6,009)
Non-controlling interest	51	46
Total equity	**(35,667)**	**(5,963)**
Non - current liabilities		
Loans and borrowings	113,216	104,175
Deferred tax liability	2,264	1,487
Others	5,126	1,724
	120,606	**107,386**
Current liabilities		
Sales in advance of carriage	13,004	11,270
Fuel derivatives	3,163	6,928
Trade and other payables	24,040	17,131
Loans and borrowings	29,316	43,609
Others	3,953	1,702
	73,476	**80,640**
TOTAL EQUITY AND LIABILITIES	**158,415**	**182,063**

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital KShs M	Share premium KShs M	Reserves KShs M	Non controlling Interest KShs M	Total Equity KShs M
Year ended 31 March 2016					
At 1 April 2015	**7,482**	**8,670**	**(22,161)**	**46**	**(5,963)**
Comprehensive income					
Loss for the year	-	-	(26,230)	5	(26,225)
Other comprehensive income			(3,479)	-	(3,479)
Total comprehensive income	**-**	**-**	**(29,709)**	**5**	**(29,704)**
				-	
At 31 March 2016	**7,482**	**8,670**	**(51,870)**	**51**	**(35,667)**
Year ended 31 March 2015					
As at 1 April 2014	**7,482**	**8,670**	**12,034**	**43**	**28,229**
Comprehensive income					
Loss for the year	-	-	(25,746)	3	(25,743)
Other comprehensive income	-	-	(8,449)	-	(8,449)
Total comprehensive income	**-**	**-**	**(34,195)**	**3**	**(34,192)**
At 31 March 2015	**7,482**	**8,670**	**(22,161)**	**46**	**(5,963)**

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	31-Mar-16 KShs M	31-Mar-15 KShs M
Cashflows from operating activities		
Cash generated from operations	13,404	5,904
Interest received	8	153
Interest paid	(6,893)	(4,734)
Income tax paid	(157)	(109)
Net cash generated from operating activities	**6,362**	**1,214**
Cash flows from investing activities		
Purchase of property and equipment	(561)	(75,551)
Proceeds from disposal of property and equipment	7,215	4
Deposits paid / refunds received	(525)	88
Other	(414)	(1,307)
Net cash from /(used in) investing activities	**5,715**	**(76,766)**
Cash flows from financing activities		
Borrowings received	24,213	101,533
Repayment of borrowings / lease obligations	(34,730)	(33,932)
Net cash (used in) /generated from financing activities	**(10,517)**	**67,601**
Net increase / (decrease) in cash and cash equivalents	**1,560**	**(7,951)**
Cash and cash equiv at beginning of year	**3,267**	**11,218**
Cash and cash equivalents at end of year	**4,827**	**3,267**

KQ reduces operating loss by 75 per cent in FY 2015/2016, turnaround strategy bearing fruit

- ***Significant operating improvements***
  - ***Passenger numbers increased to 4.23 million, despite a reduction in Available Seat Kilometres (ASK)***
  - ***Cabin factor up five per cent***
  - ***Revenue grows by five per cent to Kshs 116 billion***
  - ***Operating costs reduced by five per cent***
- ***Gross profit significantly improved, while reducing overall losses***
  - ***Gross profit improved 42 per cent***
  - ***Operating margin improved by 11 percentage points***
  - ***Reduction in operating loss from Kshs 16 billion in FY14/15 to Kshs 4 billion in FY15/16***
  - ***Excluding one off impacts, break even achieved in the year at operating profit***
  - ***The loss before tax reduced by 12 per cent from Kshs 30 billion to Kshs 26 billion***
- ***Continued implementation of turnaround strategy through Operation Pride***
- ***KQ now reviewing long-term options in relation to its capital structure in order to underpin its turnaround strategy***
- ***Key stakeholders, including the Government of Kenya and KLM, remain supportive of the company's efforts.***

Kenya Airways Limited (**KQ**) today reaffirmed its progress towards recovery after it recorded a 75 per cent reduction in operating loss from Kshs 16.3 billion in 2015 to Kshs 4.1 billion as per its group financial statements for the year to 31 March 2016. The operating loss improvement by Kshs 12.2 billion was underpinned by a growth in cabin factor to 68.3 percent, with an increase in passenger numbers from 4.18 million to 4.23 million, a reduction in direct operating costs, overheads and fuel, and an increase in fleet costs. The improvement was unfortunately negated by a KShs 9 billion impact of foreign exchange losses, increased borrowing costs and unwinding fuel hedges. The group incurred a loss before tax of KShs 26 billion compared to KShs 30 billion the prior year, an improvement by KShs 4 billion, or 12 per cent.

REVENUE AND CAPACITY

Revenues grew 5%, capacity down 4%.

The airline offered to the market a capacity of 14,744 million measured in Available Seat Kilometres (ASKs) representing a year on year reduction of 4%, part of the strategy to tighten capacity, while capacity uptake improved by 3%. During the period under review, the number of passengers carried grew by 1.2% to 4.23 million despite the cut back in capacity, resulting in a growth in cabin factor of 5% to 68.3%. Passenger related revenues for this period grew by 5% to KShs 95 billion. Cargo revenue reduced 9% with a reduction in available cargo capacity resulting in a volume reduction of 10%. Other revenues increased by Kshs 2.5 billion which included the proceeds from sale of slots in London.

COSTS

Direct operating and fleet costs

The rationalisation of operations coupled with the respite in fuel prices influenced the reduction in total direct operating costs by KShs 8 billion to KShs 68 billion. Fleet ownership costs at KShs 29 billion increased by KShs 4 billion compared to prior year. This increase reflects both the full year impact of the aircrafts purchased or leased over the last 2 years, as well as onerous lease provision for aircraft sold or sub leased.

Overheads
Overheads at KShs 23 billion decreased by KShs 2 billion compared to prior year, driven by the concerted efforts by management to reduce and contain costs.

OPERATING RESULTS
The Group's operating loss improved from Kshs 16.3 billion to Kshs 4.1 billion, a swing of Kshs 12.2 billion. Despite this improvement in operating loss, the group incurred a loss before tax of KShs 26 billion compared to KShs 30 billion in the prior year, an improvement by KShs 4 billion, 12 per cent, and a loss after tax of Kshs 26 billion, similar to last year. It is worth stating that the quality of the results and loss is different this year as reflected above. Three significant items negatively impacted the financials. The US dollar strengthened significantly against the Kenya shilling (12.9% from to KShs 89.0 per US Dollar in the prior year to an average of KShs 100.5 per US Dollar this year) and other currencies resulting in an increase in foreign exchange loss of KShs 9.7 billion. The group's cost of borrowing increased in the financial year incurring an additional KShs 2.3 billion in interest expense. In addition, the movement in international oil prices during the year unfavourably impacted the Group's fuel hedges resulting into an additional KShs 5.1 billion in realised fuel hedges losses. However, the company registered an improvement in the mark to market valuation of fuel hedges of Kshs 2.6 billion in the year.

Important to note is the fact that excluding one-off impacts related to asset sales, compensation for late delivery of new aircraft, write-offs, impairments and provisions, the group broke-even at operating loss level, an improvement of KShs 11,139 million while loss before tax improved by KShs 2,513 million..

AUDITORS' REPORT
The company's auditors, KPMG have issued an unqualified audit opinion with an emphasis of matter drawing attention to the loss of Kshs 26 billion for the year (2015-Kshs 26 billion) and the fact that the company's total liabilities exceeded its total assets as at 31 March 2016. This is similar to the audit opinion issued for 2015 financial statements.

OUTLOOK
Going forward, the main focus of the company will be to build on the gains made in the airline's turnaround strategy, Operation Pride. Operation Pride's main planks are closing the profitability gap, refocusing the business model, as well as creating a sustainable financial structure. After extensive internal review of alternatives, KQ has reviewed the options in relation to its capital structure in order to ensure the financial flexibility, stability, and sustainability that is commensurate with the turnaround strategy. The aim is to place Kenya Airways on a stronger footing and provide a stable base for long-term growth. The capital structure optimisation processes are not expected to have a negative impact on the airline's passengers and other customers, who will continue to receive the same high-quality of service.

The Government of Kenya and KLM, in their capacity as major investors in Kenya Airways have indicated their continued strong support of the Company's operational and capital structure optimisation process, and are closely involved throughout the transaction process and intend to remain major stakeholders in the Company over the long term.

The Board considers that the achievement of the above measures will safeguard and turn around the prospects of the airline.

On behalf of the Board of Directors, I take this opportunity to express my sincere appreciation to our customers, the Government of Kenya, shareholders, management, staff, suppliers and other stakeholders for their continued support to Kenya Airways.

Ambassador Dennis Awori
Chairman
20 July 2016