

Un-audited Interim Results
For the six months ended 30th September 2009

	Six Months to 30-Sep-09 KShs M	Six Months to 30-Sep-08 KShs M	Variance %
Turnover: Passenger	30,045	29,643	1.4
Cargo and Mail	2,595	3,084	(15.9)
Handling	627	547	14.6
Other	221	792	(72.1)
Total revenue	33,488	34,066	(1.7)
Direct costs	(21,709)	(24,462)	11.3
Fleet ownership costs	(4,768)	(3,690)	(29.2)
Overheads	(6,849)	(5,738)	(19.4)
Total expenses	(33,326)	(33,890)	1.7
Operating profit	162	176	(8.0)
Operating Margin(%)	0.5%	0.5%	0.0%
Finance costs	(775)	(731)	(6.0)
Other gains and (losses)	100	149	(32.9)
Share of results in associate	16	27	(40.7)
Net gains on fuel derivatives	1,726	1,430	20.7
Profit before tax	1,229	1,051	16.9
Taxation	(369)	(315)	(17.1)
Profit for the period	860	736	16.8
Net Margin(%)	2.6%	2.2%	0.4%
Earnings per share (KShs)	1.84	1.59	15.7
Other comprehensive income/(loss):			
Cash flow hedges	1,919	(2,930)	
Deferred tax on cash flow hedges	(576)	879	
Other comprehensive income/(loss) for the period, net of tax	1,343	(2,051)	
Total comprehensive income/(loss) for the period	2,203	(1,315)	

COMMENTARY

The global economic melt down that started last year continued to adversely impact the airline's performance over the first half of the financial year to 30th September 2009. Although the Kenyan market is now recovering from the post election violence, the political climate remains volatile. These results were also impacted by the strike called by the airline's unionisable staff. The strike occurred in August which is traditionally the highest peak in KQ traffic seasons. These adverse effects were partly mitigated by new traffic generated in September on the successful launch of new destinations namely N'dola, and Gaborone. Kenya realised a marginal recovery in the tourism industry although the airline passenger traffic dropped by 1.9% on prior year.

The Board announces that during the first half of the year, Kenya Airways achieved an operating profit of KShs 162m down from KShs 176m in the prior year. The net profit after tax of KShs 860m was slightly above prior year's net profit after tax of KShs 736m. The net profit margin for the same period improved marginally from 2.2% last year to the 2.6% realised this year. This performance by Kenya Airways is better than many other Airlines that have posted losses during the same period.

REVENUES

Passenger

The capacity measured in terms of Available Seat Kilometres (ASKs) increased by 6.4% whilst the traffic measured in Revenue Passenger Kilometres (RPKs) dropped by 4.7%, an indication of the challenges mentioned above. Consequently, the overall Cabin Factor dropped to 66.1% from 73.8% in the prior period. The passenger yield in US cents dropped by 8.2% on prior year, but improved by 12.0% when translated into Kenya Shillings, primarily due to the weaker Shilling in the period.

Areas of passenger traffic growth included North Africa at 4.4% due to increased deployment of larger B737-800 versus the B737-700 in prior year. Traffic growth in Eastern Africa registered 3.1% due to more direct flights to Kigali, Bujumbura and improved Mayotte operations.

European traffic improved marginally by 1.1% on prior year whereas capacity increased by 15%. The Far East region suffered the highest traffic reduction of 33% compared to prior year due to the closure of Dubai-Guangzhou route. Middle East and Asia passenger traffic declined 10.7% due to reduced demand prompting tactical cut-backs in capacity to manage costs.

Domestic traffic in Kenya grew marginally by 3.9% mainly on the Mombasa route. The Kisumu route was suspended as a result of the on-going expansion of the runway.

Cargo

Cargo volumes reduced by 14.8% on prior year. The yield also reduced from USD 1.56/kg to USD 1.26/kg giving a decline of 19.2%. When translated into Kenya Shilling the yield decline was marginally down 1.5% to prior year due to the weaker Shilling over the period. Cargo growth in tonnes of 32.0% and 17.3% were achieved in West & Central Africa and Northern Africa, respectively, mainly as a result of increased frequencies.

Regions with significant drop in cargo uplifts were East Africa (44.7%), Far East (30.2%), Southern Africa (30.0%), Europe (7.6%), Middle East & Asia (7.3%) and Domestic (18.5%).

Exchange rate

The average exchange rate for the period was KShs 77.97 per US\$ which was higher than prior year average of KShs 63.96 per US\$. 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 reduced by KShs 5.7bn or 39.6% over the period compared to prior year. This significant reduction was primarily driven by lower jet fuel prices that realised a total reduction on costs by KShs 9.1bn or 63.6%. Fuel cost represented 24.2% of total operating costs, a reduction from 39.7% in the prior year. Other direct operating costs were largely impacted by the exchange rate on translation to Kenya Shillings.

Overheads

The overheads increase of KShs 1.1b or 19.4% over prior year was largely driven by the union staff pay award of KShs 618m. The balance of KShs 493m or 8.6% was additional costs in support of the realised growth in capacity as well as recruitment and training costs of additional pilots to support future growth.

PROSPECTS

The aviation industry outlook remains fragile, with losses from commercial airlines worldwide expected to continue into 2010 albeit at lower levels than previous year. IATA, the global industry body forecasts that world airlines will make a combined loss of USD 11b in 2009, but the outlook for 2010 indicates this loss will reduce to USD 3.8b.

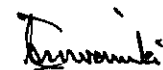
The profit after tax compares favourably with the prior year's reported profits. The Board remains optimistic that the Company's performance will continue to improve throughout the second half of the year to 31 March 2010. The Company continues to strategically focus on improving its operational integrity, through investment in staff training, improvement of systems and fleet modernisation.

The Company recognises the challenge of new and increased levels of competition and intends to continue investing in developing an even more competitive product. It is also committed to maintaining the improved on-time performance to meet and exceed customer expectations.

The global economic recovery is underway but at an un-even pace. The developed economies are picking up slower than the developing economies. The predicted limited worldwide air traffic recovery requires that Kenya Airways continues to match capacity to demand. Management and the Board will monitor this on a regular basis and take appropriate action.

The Board takes this opportunity to thank all the staff, management, suppliers and customers who have contributed to its continued growth.

By order of the Board
30th October 2009



Evanson Mwaniki
Chairman