

For the year ended 31st March 2008

	Year to 31 st Mar-08 KShs m	Year to 31 st Mar-07 KShs m	% Variance
Turnover: Passenger	51,642	50,447	2.4
Cargo	5,395	5,756	(6.2)
Handling	1,052	1,139	(7.6)
Other	2,382	1,450	64.3
Total Revenues	60,471	58,792	2.9
Direct Expenditure - Fuel	15,623	15,887	1.7
- Other	28,301	25,448	(11.2)
Overheads	9,968	9,818	(1.5)
Total Expenses	53,892	51,153	(5.4)
Operating profit	6,579	7,639	(13.9)
Operating Margin (%)	10.9%	13.0%	(2.1)%
Net Interest cost	(1,129)	(1,145)	1.3
(Loss) on Exchange	(56)	(775)	92.8
Other Non-Operational Items	119	256	(53.7)
Profit before tax and minorities	5,513	5,975	(7.7)
Taxation	(1,644)	(1,877)	12.4
Profit after tax	3,869	4,098	(5.6)
Net Profit Margin (%)	6.4%	7.0%	(0.6)%
Earnings per Share before Tax (KShs)	11.93	12.93	(7.7)%
Earnings per Share after Tax (KShs)	8.37	8.87	(5.6)%

Commentary:

The Board announces that Kenya Airways achieved a profit after tax of Ksh 3,869m in the financial year ended 31st March 2008, being 5.6% below the prior year's result of KShs 4,098m, with a net margin of 6.4% compared to 7.0% in the prior year.

The marginal decline in profitability was achieved despite the challenges of reduced carrying in the last quarter of the year due to the post election crisis. The company achieved significant cost savings by reducing capacity operated to mitigate much of the revenue shortfall. The above, together with an increase in competition, lowered the average aircraft seat occupancy to 70.4% compared to 73.6% realised in the prior year.

The Company was able to conserve its cash resources and actually had slightly higher cash and short term investments of KSh. 12.24bn at 31st March 2008 compared with KSh. 12.18bn at the previous year end. Thus it was able to maintain its normal credit terms with trade suppliers at an average of 25 days and has had no need to draw down on any of its borrowing facilities.

During the year, one of the Company's B737-800s crashed shortly after take-off from Douala on 5th May 2007. There were 105 passengers and nine crew members on board. Sadly, all perished in the accident.

The accident investigation is ongoing under the auspices of the Cameroon civil aviation authorities. The Company has cooperated fully with the Investigators and awaits release of the report.

The claim in connection with the hull of the aircraft was concluded within three weeks of the accident with a direct payment to the aircraft's lessors. The Company has been fully supported by its insurers on reimbursement of costs arising from the accident

The Company is fully conversant with its legal obligations with regard to compensation to the families and is properly insured in this respect. Negotiations with the next of kin and their lawyers are ongoing and a number of full and final settlements have already been concluded.

Revenues

Passenger

The passenger carryings in the year were at a record of 2.8m reflecting growth of 6% over the prior year with capacity in terms of ASKs increasing by 8%. The passenger yield in US Cents increased 4.6% over the prior year, however it declined by 1.9% when translated in Kenya Shillings due to the 6.1% weaker US Dollar. Europe carryings dropped by 8%, mainly due to reduction in fourth quarter. Mid-East routes to Mumbai and Dubai also dropped by 8% in the year, while the Far East to Bangkok, Hong Kong and Guangzhou recorded growth of 7%. Strong passenger growth was experienced in West and Central Africa 24%, East Africa 16%, Southern Africa 13% and Northern Africa 10%. Kenyan domestic network dropped by 3% on prior year's level due to the election crisis.

Cargo

Cargo volumes experienced a growth of 2.7% to 62,596 tonnes, due to operation of similar fleet size to the prior year as there was no major belly space growth. The gains in volumes were reduced by cargo yield decline of 2.8%, while the strengthening KShs to the USD further worsened the cargo revenue shortfall on last year to 6%.

Costs

On average, operating costs were up on last year by 5.4% largely in line with the increased activity although the fuel cost was contained at 2% below the prior year's level primarily due to favourable fuel hedging contracts entered into early in 2007 and the impact of the weaker dollar. In addition, the results are also impacted by adjustments of some overheads and also the write back of contingency provisions.

Prospects

The airline continues to expand, with one more Embraer 170 regional jet due for delivery in September this year and three B737-800's for delivery between August and November 2008. One of the B737-800s will replace the aircraft lost in the accident last year whilst the other two are for expansion. All these are short-haul jets and are part of the airline's strategy of developing underserved regional Africa markets. In the meantime the two Saab aircraft have been withdrawn from service and are in the process of being sold.

The Company has also recently been advised by Boeing that there will be a significant delay in the delivery of the nine B787s, originally due for delivery in 2010 to 2012, now delayed in the region of two years. Accordingly, the Company is studying the situation with Boeing.

Finally, the Board is of the view that whilst there are opportunities for further growth in the business, it is especially mindful of the difficult outlook for the industry as a whole, primarily because of the current credit crisis in the developed economies as well as the recent significant increases in fuel prices, which as yet do not show any signs of falling. Both these factors could significantly affect the Company's growth plans.

Dividend

In view of the level of profitability achieved in the year, the Board recommends an unchanged first and final dividend for the year of KShs 1.75 per share, for approval by the shareholders at the Annual General Meeting on Friday 26th September 2008. This represents a total dividend payment of KShs 808m.

Director

The Board is pleased to announce the appointment of Abdulrazaq Adan Ali to the Board of Directors in place of Dr. Gerrishon Ikiara who has resigned today, having served on the Board for the last five years. The Board wishes to take this opportunity to thank Dr. Ikiara for his much valued contribution.

By order of the Board
29th May 2008

EVANSON MWANIKI
Chairman