

## PRESS STATEMENT

### **Kenya Airways Returns to Profitability.**

.....Recording an Operating Profit of Kshs 900Million compared to a loss of Kshs 4.1Billion last year, driven by a strong recovery strategy, Operation Pride

- **Operating Highlights:**
  - Passenger numbers grew 5.4 %to 4.5 million
  - Cabin factor up 4 %to 72.3 percent
  - An increase of 5.3% in hours flown despite a 4% reduction in Available Seat Kilometres (ASKs)
  - Yield down 8% driven by market capacity pressure, fuel and currency
  
- **Financial Highlights:**
  - Turnover lower by 8.5 percent, mix impact of higher passenger numbers, capacity reduction on cargo and lower yield
  - Direct operating costs lower
  - Fleet costs lower by 47.5 %with fleet rationalisation
  - Overheads up due to one-off impact of restructuring costs
  - Gross profit up 35.7 per cent
  - Operating profit of KShs 0.9 billion, a 122 %swing from an operating loss of KShs 4.1 billion; and
  - Loss after tax reduced by 61 % to KShs 10.2 billion, from KShs 26.2 billion.
  
- **Operating Margin improves by Kshs 5Billion to Kshs 900M:**
  - Excluding one offs, adjusted operating profit is Kshs 4.4Billion compared to a breakeven last year
  - Operating margin of 1% compared to -3.5% last year

**Nairobi 25<sup>th</sup> May 2017....**Kenya Airways PLC today reaffirmed its continuing recovery returning to profitability after it recorded a KShs 900 Million operating profit for the year 2016/17 compared to an operating loss of KShs 4.1 billion in the prior period, a 122 %swing.

The improvement in operating performance was underpinned by growth in cabin factor of 4 %during the year, with an increase in passenger numbers and lower operating costs in line with the recovery strategy 'Operation Pride'.

The Group's loss after tax dropped sharply to KShs 10.2 billion compared to a loss of KShs 26.2 billion reported prior year, an improvement of KShs 16 billion.

#### **Turnover**

The Group's turnover reduced by 8.5 %due to reduction in capacity (ASKs) by 4 percent, and the mix effect of a 5.4 % increase in passenger numbers, which was however diluted by the combination of the drop in Yield per Revenue Passenger Kilometre (Yield/RPK), the negative exchange rate impact and market pressure from increased capacity by competitors.

In addition, cargo volumes declined due to phasing out of Boeing 777 and entry of Boeing 787. This led to reduction in capacity offered into the market resulting in constraining the space available to uplift cargo within the network. This resulted in a 15 % dip in loads uplifted to 57 Kilo Tonnes. The average rate per kilogramme uplifted also reduced by 5.3 % in line with market pressures.

## **Costs**

The rationalisation of operations resulted in a reduction of total direct operating costs by KShs 2,505million to KShs 65,356million. Fleet ownership costs at KShs 15,524million decreased by KShs 14,054million compared to prior year.

Overheads however went up by 7.4 % compared to prior year, mainly due to the one-off impact of restructuring costs

Kenya Airways CEO Mbuvi Ngunze said: “We are seeing the first results of our investment in the turnaround. I had always said this was a marathon. There is a fundamental shift in our business. Kenya Airways remains resilient despite the operating market challenges managing to achieve improved results.”

## **Operation Pride**

The airline’s turnaround strategy, ‘Operation Pride’ continues to focus on three main priorities – returning to profitability through revenue enhancement and cost containment, refocusing and resizing the business and model, and enhancing partnerships, as well as restructuring the capital of the company. The results of these priorities are currently being realised.

“We have already fully implemented 342 initiatives that are delivering value. The changes made have so far resulted for example in more competitive pricing, better rates from critical suppliers, improved connectivity at the hub leading to an increase of 13% in intra Africa traffic year on year amongst numerous other gains”, he added.

“Operation Pride is now our way of doing business. We are using the methodology we established in our everyday business objectives and strategy. The routines we established as part of Operation Pride are now embedded and have become our business culture,” said Mr Ngunze.

“Today, we operate a leaner and more efficient airline and I salute the over 4000 employees for their dedication and hard work.”

## **Capital Optimisation**

The airline, in July last year announced a capital optimization plan. The plan whose objectives are to reduce the overall debt of the business and improve liquidity is designed to place Kenya Airways on a stronger long-term financial and operational footing for growth.

“As part of the process, the Company has engaged all its financial stakeholders on an ongoing basis to ensure full understanding and alignment with the Company’s objectives and to seek their support in the balance sheet restructuring” said the Chairman Mr Michael Joseph.

## **Outlook**

The optimisation process will have no impact on the airline’s passengers and other customers, who will continue to receive the same high quality of service. The new winter schedule, which comes into effect on October 30<sup>th</sup>, will see the airline continue investing in Africa by introducing 30 additional flight frequencies to existing destinations.

On June 1<sup>st</sup> Mr Sebastian Mikosz will take over as the CEO and Managing Director of Kenya Airways. The outgoing CEO and Managing Director Mr Ngunze who has been at the helm for the last two and a half years quoting from one of Theodore Roosevelt’s famous speeches excerpts the Man in the Arena says as he bows out “It is not the critic who counts...or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without errors and shortcoming; but who does actually strive to do the deeds. If he fails, at least fails while daring...”

**SUMMARY AUDITED GROUP RESULTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**SUMMARY CONSOLIDATED INCOME STATEMENT**

|  | <b>31 Mar 2017</b> | <b>31 Mar 2016</b> |
|--|--------------------|--------------------|
|  | <b>KShs M</b>      | <b>KShs M2</b>     |
| Revenue  | 106,277            | 116,158            |
| Operating costs                                  | (105,380)          | (120,251)          |
| <b>Operating profit /(loss)</b>                  | <b>897</b>         | <b>(4,093)</b>     |
| <b>Operating margin (%)</b>                      | <b>0.84%</b>       | <b>-3.52%</b>      |
| Other costs                                      | (11,099)           | (22,006)           |
| <b>Loss before income tax</b>                    | <b>(10,202)</b>    | <b>(26,099)</b>    |
| Income tax charge                                | (5)                | (126)              |
| <b>Loss after tax</b>                            | <b>(10,207)</b>    | <b>(26,225)</b>    |
| Other comprehensive income / (loss) for the year | 959                | (3,479)            |
| <b>Total comprehensive loss for the year</b>     | <b>(9,248)</b>     | <b>(29,704)</b>    |
| <b>Loss per share (KShs)</b>                     | <b>(6.82)</b>      | <b>(17.53)</b>     |

**SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

|                                     | <b>31 Mar 2017</b> | <b>31 Mar 2016</b> |
|-------------------------------------|--------------------|--------------------|
|                                     | <b>KShs M</b>      | <b>KShs M2</b>     |
| <b>ASSETS</b>                       |                    |                    |
| Non-current assets                  | 119,397            | 125,975            |
| Current assets                      | 26,747             | 29,710             |
| <b>Total Assets</b>                 | <b>146,144</b>     | <b>155,685</b>     |
| <b>EQUITY &amp; LIABILITIES</b>     |                    |                    |
| Equity attributable to owners       | (44,964)           | (35,718)           |
| Non-controlling interest            | 49                 | 51                 |
|                                     | <b>(44,915)</b>    | <b>(35,667)</b>    |
| Non - Current Liabilities           | 119,758            | 118,410            |
| Current liabilities                 | 71,301             | 72,942             |
|                                     | <b>191,059</b>     | <b>191,352</b>     |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>146,144</b>     | <b>155,685</b>     |

**SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

|                                   | Share capital<br>KShs M | Share<br>premium KShs<br>M | Reserves<br>KShs M | Non<br>controlling<br>Interest KShs<br>M | Total Equity<br>KShs M |
|-----------------------------------|-------------------------|----------------------------|--------------------|--|------------------------|
| <b>At 1 April 2016</b>            | <b>7,482</b>            | <b>8,670</b>               | <b>(51,870)</b>    | <b>51</b>                                | <b>(35,667)</b>        |
| Comprehensive income              |                         |                            |                    |  |                        |
| Loss for the year                 | -                       | -                          | (10,205)           | (2)                                      | (10,207)               |
| Other comprehensive income        |                         |                            | 959                | -  | 959                    |
| <b>Total comprehensive loss</b>   | <b>-</b>                | <b>-</b>                   | <b>(9,246)</b>     | <b>(2)</b>                               | <b>(9,248)</b>         |
| <b>At 31 March 2017</b>           | <b>7,482</b>            | <b>8,670</b>               | <b>(61,116)</b>    | <b>49</b>                                | <b>(44,915)</b>        |
| <b>As at 1 April 2015</b>         | <b>7,482</b>            | <b>8,670</b>               | <b>(22,161)</b>    | <b>46</b>                                | <b>(5,963)</b>         |
| Comprehensive income              |                         |                            |                    |  |                        |
| Loss for the year                 | -                       | -                          | (26,230)           | 5  | (26,225)               |
| Other comprehensive income        | -                       | -                          | (3,479)            | -  | (3,479)                |
| <b>Total comprehensive income</b> | <b>-</b>                | <b>-</b>                   | <b>(29,709)</b>    | <b>5</b>                                 | <b>(29,704)</b>        |
| <b>At 31 March 2016</b>           | <b>7,482</b>            | <b>8,670</b>               | <b>(51,870)</b>    | <b>51</b>                                | <b>(35,667)</b>        |

**SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS**

|   | 31-Mar-17    | 31-Mar-16    |
|---|--------------|--------------|
|   | KShs M       | KShs M       |
| <b>Cashflows from operating activities</b>                      |              |              |
| Cash generated from operations                                  | 13,431       | 13,404       |
| Interest received   | 62           | 8            |
| Interest paid   | (7,392)      | (6,893)      |
| Income tax paid   | (156)        | (157)        |
| <b>Net cash generated from operating activities</b>             | <b>5,945</b> | <b>6,362</b> |
| Cash flows from investing activities                            | 615          | 5,715        |
| Cash flows from financing activities                            | (2,210)      | (10,517)     |
| <b>Net increase / (decrease) in cash &amp; cash equivalents</b> | <b>4,350</b> | <b>1,560</b> |
| <b>Cash and cash equiv at beginning of year</b>                 | <b>4,827</b> | <b>3,267</b> |
| <b>Cash and cash equivalents at end of year</b>                 | <b>9,177</b> | <b>4,827</b> |

ENDS...

**About Kenya Airways**

Kenya Airways, a member of the Sky Team Alliance, is a leading African airline flying to 53 destinations worldwide, 42 of which are in Africa and carries over three million passengers annually. It continues to modernize its fleet with its 36 aircraft being some of the youngest in Africa. This includes its flagship B787 Dreamliner aircrafts. The on-board service is renowned and the lie-flat business class seat on the wide-body aircraft is consistently voted among the world's top 10. Kenya Airways takes pride for being in the forefront of connecting Africa to the World and the World to Africa through its hub at the new ultra-modern Terminal 1A at the Jomo Kenyatta International Airport in Nairobi. Kenya Airways celebrated 40 years of operations in January 2017 while KQ Cargo was named African Cargo Airline of the year 2017. For more information, please visit [www.kenya-airways.com](http://www.kenya-airways.com)

For further information call our 24HR Contact Center: +254 20 327 4747 or visit [www.kenya-airways.com](http://www.kenya-airways.com), **Twitter:**@KenyaAirways,, **Facebook:** KenyaAirways, **Instagram:** OfficialKenyaAirways