KENYA AIRWAYS PLC

SUMMARY UNAUDITED GROUP RESULTS FOR THE PERIOD ENDED 30 JUNE 2023

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	30 June 2023 KShs M	30 June 2022 KShs M
Total income	75,097	48,104
Operating costs	(70,480)	(51,400)
Forex losses	(3,619)	(1,713)
Total Operating costs	(74,099)	(53,113)
Operating profit/(loss)	**998**	**(5,009)**
Forex losses	(15,316)	(398)
Finance costs	(7,492)	(4,562)
Interest income	114	107
Loss before income tax	**(21,696)**	**(9,861)**
Income tax expense	(7)	(24)
Loss for the period	**(21,703)**	**(9,885)**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Loss on hedge exchange differences-Borrowings	(2,087)	(3,166)
Loss on hedge exchange differences-Lease liabilities	(1,337)	(1,928)
Other comprehensive loss for the period net of tax	(3,424)	(5,094)
Total comprehensive loss for the period	**(25,127)**	**(14,979)**
Loss for the period is attributable to:		
Owners of the company	(21,717)	(9,891)
Non-controlling interest	14	6
	(21,703)	(9,885)
Total comprehensive loss is attributable to:		
Owners of the company	(25,141)	(14,985)
Non-controlling interest	14	6
Total comprehensive loss for the period	**(25,127)**	**(14,979)**
EBITDAR	**11,053**	**3,753**
Basic loss per share(Kshs)	(3.73)	(1.70)

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital KShs M	Share premium KShs M	Mandatory Convertible Note KShs M	Treasury Shares KShs M	Other reserves KShs M	Reserves KShs M	Non controlling Interest KShs M	Total Equity KShs M
As at 1 January 2022	**5,824**	**49,223**	**9,630**	**(142)**	**(15,601)**	**(132,333)**	**62**	**(83,337)**
Loss for the year	-	-	-	-	-	(38,252)	(12)	(38,264)
Other comprehensive loss for the year	-	-	-	-	(10,834)	-	-	(10,834)
Reclassified to Profit or Loss	-	-	-	-	22,593	-	-	22,593
Revaluation Surplus-Net	-	-	-	-	1,752	-	-	1,752
At 31 December 2022	**5,824**	**49,223**	**9,630**	**(142)**	**(2,090)**	**(170,585)**	**50**	**(108,090)**
As at 1 January 2023	**5,824**	**49,223**	**9,630**	**(142)**	**(2,090)**	**(170,585)**	**50**	**(108,090)**
Loss for the period	-	-	-	-	-	(21,717)	14	(21,703)
Other comprehensive loss for the period	-	-	-	-	(3,424)	-	-	(3,424)
At 30 June 2023	**5,824**	**49,223**	**9,630**	**(142)**	**(5,514)**	**(192,302)**	**64**	**(133,217)**

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2023 KShs M	31 December 2022 KShs M
Assets		
Non-current assets	119,938	127,241
Current assets	48,382	41,671
TOTAL ASSETS	**168,320**	**168,912**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	5,824	5,824
Share premium	49,223	49,223
Mandatory convertible note	9,630	9,630
Treasury shares	(142)	(142)
Reserves	(197,817)	(172,675)
Equity attributable to owners	**(133,282)**	**(108,140)**
Non-controlling interest	64	50
TOTAL EQUITY	**(133,217)**	**(108,090)**
Liabilities		
Non - current liabilities	176,755	159,728
Current liabilities	124,782	117,274
	301,537	277,002
TOTAL EQUITY AND LIABILITIES	**168,320**	**168,912**

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	30 June 2023 KShs M	30 June 2022 KShs M
Cashflows from operating activities		
Cash generated from operations	14,450	7,313
Interest received	114	107
Interest paid	(4,831)	(1,949)
Income tax paid	(26)	(27)
Net cash flows generated from operating activities	**9,707**	**5,444**
Cash flows from investing activities		
Purchase of Property and equipment and intangible assets	(2,743)	(1,814)
Proceeds from disposal of property and equipment	7	4
Aircraft deposits paid	(63)	(5,702)
Net cash flows used from investing activities	**(2,799)**	**(7,512)**
Cash flows from financing activities		
Borrowings received	9,362	11,398
Repayments of borrowings	(10,928)	(573)
Lease payments	(7,042)	(4,965)
Payment of deferred borrowing costs	(31)	(15)
Net cash flows (used)/generated in financing activities	**(8,639)**	**5,845**
(Decrease)/Increase in cash and cash equivalents	**(1,731)**	**3,777**
Cash and cash equivalents at beginning of period	**9,633**	**6,095**
Cash and cash equivalents at end of period	**7,902**	**9,872**

The summarized consolidated financial statements of Kenya Airways Plc have been prepared as per the requirements of the Capital Markets (Securities) (Public Offers, Listings and Disclosures) Regulation, 2002 ("the Regulations") as applicable to summary financial statements.

COMMENTARY

KQ reports an operating profit of KShs 998 million, a 120% improvement from the operating loss reported in a similar period in the previous year

Significant operating improvements:
- Turnaround from an operating loss of KShs 5 billion to an operating profit of KShs 998 million.
- Passenger numbers increased by 43% to 2.3 million
- Available Seat Kilometres (ASKs) increased by 56% to 6,878 million.
- Cabin factor up by 7.7% to 76.1%
- Revenue grew by 56% to KShs 75 billion
- Gross profit increased by 131%
- Earnings before interest, tax, depreciation, amortization and rentals (EBITDAR) margin grew by 7%

Kenya Airways PLC (KQ) reaffirmed its progress towards recovery after it recorded a 120% improvement in operating profit from a loss of KShs 5 billion reported in 2022 to a profit of KShs 998 million in 2023. These exceptional figures underscore the airline's outstanding performance during the period and offer encouraging indications of ongoing recovery within the air transportation sector. This also affirms that the airline business is operationally viable and that all efforts put in by management to return the airline to profitability are bearing fruit.

The operating improvement was underpinned by a growth in cabin factor to 76.1%, with an increase in passenger numbers by 43%. This improvement was unfortunately negated by KShs 18.9 billion impact on foreign exchange losses on monetary items, loans and leases giving rise to a loss before tax of KShs 22 billion compared to KShs 10 billion recorded in the prior period.

Industry overview

During the first half of the year 2023, the Aviation industry experienced several positive developments on its path to recovery. China lifted COVID-19 travel restrictions boosting passenger demand. Cargo revenues remained above pre-pandemic levels even though volumes were low. On the cost side, Jet fuel prices, although still high, moderated over the first half of the year. However, with airlines making profits of just US$ 2.25 per passenger on average, repairing damaged balance sheets majorly because of the Covid-19 impact and providing investors with sustainable returns on their capital will continue to be a challenge for many airlines.

Africa remains a difficult market to operate in, with economic, infrastructure and connectivity challenges impacting the industry performance. Nonetheless, despite these challenges, there is still robust demand for air travel in the region which underpins the continued move towards a return to overall industry profitability.

Economy Impact

The industry continued to experience a series of macro-economic challenges. These include but are not limited to, global supply chain challenges, tight labor markets as well as high inflation levels. The ability of airlines to maintain and deploy existing fleets has been directly impacted by unavailability of aircraft parts. In addition, during the Covid-19 pandemic period, many airlines laid off large numbers of skilled employees and these have proved difficult to replace in the short-term leading to labor shortages. In the year 2022, the Russian-Ukraine war led to a surge in inflation rates with many countries reaching double digit levels. Inflation is expected to remain at historically high levels for the better part of the year 2023, impacting airline input costs. According to IATA, Global GDP growth has slowed sharply from over 6% in 2021 to just below 3% in 2023. Economic uncertainties have, however, not dampened the passengers' desire to travel.

Forex Impact

Kenya continues to experience a tight period of forex demand coupled with reduced liquidity in the interbank foreign exchange market and a local currency depreciation. Most of the Airline's financial transactions are in major foreign currencies and a devaluation of the Kenya Shilling negatively impacts the airline's financials. The airline further recorded forex losses mainly because of the delayed novation of guaranteed dollar loans as part of the ongoing financial restructuring program of the airline. The total forex losses reported in the period amounts to KShs 18.9 billion compared to KShs 2.1 billion reported same period in the previous year.

Revenue and Capacity

The Airline offered to the market a capacity of 6,878 million measured in Available Seat Kilometers (ASKs) up from 4,412 million offered in the prior period. This represents 86% of the capacity deployed in the pre-pandemic period. The uptake of this capacity measured in Revenue Passenger Kilometers (RPKs) improved by 74%. The Group's total revenue increased by 56% to close at KShs 75 billion. This is mainly attributable to a 43% growth in passenger numbers to only 4% below the pre-pandemic levels which is quite a commendable achievement.

Costs

The Group reported a 40% increment in total operating costs. This is mainly attributed to increased operations as the Airline bounced back from the Covid-19 impact. Fleet ownership costs went up by 15% due to early lease termination costs of B777-300 as part of the turnaround strategy.
Overheads increased by 21% due to foreign currency losses caused by devaluation of the Kenya Shilling against major world currencies, especially the US Dollar.

Company focus

During the period, the company's main focus was improved customer experience, operational excellence as well as cash conservation. Some of the projects implemented during the period include but not limited to:
- Asante rewards;- Africa's most awaited loyalty program which has given us a edge in appreciating and rewarding customers for their loyalty
- KQ revamped website:- this is the first phase of the revamp making the website more user friendly, fast and with improved functionalities
- On Time Performance (OTP):- this has risen to a high of 77% from an average of a low of 58% at the beginning of the year

The company has exploited opportunities of raising the much-needed revenue through passenger charters and ramped up its scheduled operations. Other initiatives undertaken by the management include partnerships with other airlines, lease rentals renegotiations and other cost reduction measures.

Outlook

According to IATA's May 2023 passenger polling data, the future for the airline industry seems optimistic. Kenya Airways will continue to focus on recovery through implementation of the turnaround initiatives. Continuous improvement of operations, network optimization, improvement of customer experience and service delivery remain key in enabling the airline grow its market share in a highly competitive environment. Further, we see a promising trend in forward bookings for the second half of the year. It all starts with a robust summer peak, particularly in July and August, where our load factors are exceeding those of the same period last year by 5%. Along with the above stated focus, in the near term, the focus is on completing the capital restructuring plan whose main objectives are to reduce the Group's financial leverage, and increase liquidity to ensure the company can operate at normalized levels. The aim is to place Kenya Airways on a stronger footing and provide a stable base for long-term growth. The company will continue its focus on improving service quality.

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

Michael Joseph
Chairman
29th August 2023

Kenya Airways
The Pride of Africa
SKYTEAM