

KENYA AIRWAYS PLC
SUMMARY AUDITED GROUP RESULTS
FOR THE YEAR ENDED 31 December 2022

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	31 December 2022	31 December
	KShs M	2021 KShs M
Total income	116,787	70,221
Total operating costs	(122,403)	(77,024)
Operating loss	(5,616)	(6,803)
Other costs	(32,893)	(9,387)
Interest income	194	162
Loss before income tax	(38,315)	(16,028)
Income tax credit	51	150
Loss for the year	(38,264)	(15,878)
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Gain on property revaluation	2,503	-
Deferred tax on revaluation	(751)	-
	1,752	-
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange losses on Cashflow Hedges	(10,834)	(4,759)
Reclassification to profit or loss	22,593	1,465
	11,759	(3,294)
Other comprehensive gain/(Loss) for the year net of tax	13,511	(3,294)
Total comprehensive loss for the year	(24,753)	(19,172)
Loss for the year is attributable to:		
Owners of the company	(38,252)	(15,882)
Non-controlling interest	(12)	4
Loss for the year	(38,264)	(15,878)
Total comprehensive loss is attributable to:		
Owners of the company	(24,741)	(19,176)
Non-controlling interest	(12)	4
Total comprehensive loss for the year	(24,753)	(19,172)
Basic loss per share(Kshs)	(6.57)	(2.73)

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2022	31 December 2021
	KShs M	KShs M
Assets		
Non-current assets	127,241	129,870
Current assets	41,671	25,685
TOTAL ASSETS	168,912	155,555
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	(172,675)	(147,934)
Equity attributable to owners	(108,140)	(83,399)
Non-controlling interest	50	62
TOTAL EQUITY	(108,090)	(83,337)
Liabilities		
Non - current liabilities	159,728	157,927
Current liabilities	117,274	80,965
	277,002	238,892
TOTAL EQUITY AND LIABILITIES	168,912	155,555

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 2021	5,824	49,223	9,630	(142)	(12,307)	(116,451)	58	(64,165)
Loss for the year	-	-	-	-	-	(15,882)	4	(15,878)
Other comprehensive loss for the year	-	-	-	-	(4,759)	-	-	(4,759)
Reclassified to Profit or Loss	-	-	-	-	1,465	-	-	1,465
At 31 December 2021	5,824	49,223	9,630	(142)	(15,601)	(132,333)	62	(83,337)
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)

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	31 December 2022	31 December 2021
	KShs'M	KShs'M
Cashflows from operating activities		
Cash generated from operations	15,782	8,029
Interest received	194	162
Interest paid	(5,528)	(3,217)
Income tax paid	(82)	(65)
Net cash generated from operating activities	10,366	4,909
Cash flows from investing activities		
Purchase of Property and equipment and intangible assets	(3,470)	(2,363)
Proceeds from disposal of property and equipment	6	18
Aircraft deposits	(4,109)	(295)
Aircraft deposits refunds received	3,240	1,057
Net cash used from investing activities	(4,333)	(1,583)
Cash flows from financing activities		
Proceeds from borrowings	26,393	14,000
Repayments of borrowings	(5,836)	(4,072)
Lease payments	(23,005)	(14,814)
Commitment and commission fees paid during the year	(47)	(73)
Net cash used in financing activities	(2,495)	(4,959)
Increase/(Decrease) in cash and cash equivalents	3,538	(1,633)
Cash and cash equivalents at beginning of year	6,095	7,728
Cash and cash equivalents at end of year	9,633	6,095

The summarised 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.

The summarised financial statements are not a substitute to reading the full set of financial statements available on the company website.

COMMENTARY

Industry overview

During the year 2022, global air passenger traffic growth gained momentum as governments lifted COVID-19 travel restrictions. Global passenger traffic grew from 41.7% of 2019 levels in 2021 to 68.5% in 2022. As a result, passenger load factors for 2022 were only 3.9 percentage points (ppts) below the load factors achieved before the pandemic in 2019. However, according to IATA, Africa's passenger traffic was weaker than in other regions due to the impact of the pandemic on developing economies. Consequently, passenger numbers to and from the continent will recover slower than in other regions surpassing pre-crisis levels only in 2025.

Economy Impact

The global economy continues to endure the consequences caused by the war between Russia and Ukraine one year on. This war generated the biggest energy price shock since the 1970s, along with more inflation and economic uncertainties. The aviation sector which was still recovering from the COVID-19 pandemic when the war broke out was not spared either. Efforts to bounce back have been curtailed by air restrictions and sanctions imposed both by and against Russia. This led to rerouting of flights or cancellations, higher ticket prices, increase in fuel costs among other issues.

Foreign Currency Impact

Like many countries, Kenya is experiencing a tight period of forex demand coupled with reduced liquidity in the interbank foreign exchange market and a local currency depreciation. Most of Kenya Airways' financial transactions are in major foreign currencies. For that reason, the devaluation of the Kenya Shilling negatively impacts the airline's financials. The airline further recorded forex losses mainly because of the novation of guaranteed dollar loans as part of the ongoing financial restructuring program of the airline. This loss alone amounts to Ksh. 18 billion.

Capacity Deployment

Capacity deployed measured in Available Seat Kilometres (ASKs) increased by 75%, closing at 10,303 million compared to 5,900 million reported in 2021. This remains 38% lower than pre-pandemic levels. The cabin factor levels are however close to the pre-pandemic levels, with the airline achieving a cabin factor of 74.5% in 2022 compared to 60.8% in the previous period and 75% in 2019.

Revenues:

The Group's total revenue during the year increased by 66% to Kshs 117 billion which is a commendable achievement as it is only 5% below the pre-pandemic levels.

The Group uplifted a total of 3.7 million passengers during the year, a 68% increase compared to the prior year but 28% lower than in 2019. The cargo business uplift increased by 3.5% year on year to 65,955 tonnes.

Costs:

The Group saw an increase of 59% in total operating costs for the year, with direct operating costs increasing by 94% mainly due to increased operations as well as huge global fuel prices increases throughout the year. Fuel costs increased by 160% year on year. Fuel alone accounts for 53% of direct operating costs. The fleet ownership costs were 6% higher than previous year caused by the

provision for early aircraft returns. Overheads increased by 30% due to foreign currency losses driven by the weakening of the Kenya Shilling against major world currencies. The financing costs had a one-time adverse effect of Ksh 18 billion on the financials due to a release of foreign currency hedges on borrowings arising from loan novation.

Results

Based on the above revenue and cost dynamics, the Group recorded a loss before tax of Ksh 38.3 billion compared to Ksh 16 billion reported in the prior year. The Group operating loss improved by 19% to report a loss of Kshs 5.6 billion.

However, without the significant events of 2022, which included an increase of fuel cost by 160% year on year due the spike in fuel prices, the financing costs referred to above and the impact of the devaluation of the Kenya Shilling against major world currencies, the airline would have achieved a break-even profit before tax and reported a profit of Kshs 13 billion at operating level. This means that the airline is a viable business and that the initiatives put in place by Management are bearing fruit.

Overall, Kenya Airways Management and staff made tremendous efforts in 2022 to improve both our service levels and revenues and focused on cost reductions by undertaking key initiatives. The Board is extremely proud of the results and sustained efforts by the whole KQ team which resulted in a significant improvement in the operating performance and augers well for the future profitability of the airline.

Looking ahead

In the past three years, aviation has had its fair share of turbulence. Air traffic demand surged during 2022. ICAO forecasts that air passenger demand in 2023 will rapidly recover to pre-pandemic levels on most routes by the first quarter and that growth of 3% on estimate on 2019 figures will be achieved by year end. Looking further ahead, airlines are expected to return to operating profitability in the last quarter of 2023, following three consecutive years of losses.

The results of the restructuring plan as well as the transformation initiatives undertaken by the management and staff of Kenya Airways are bearing fruit.

The Board and Management continue to remain focused and committed towards undertaking several key strategic initiatives to help the company become profitable by 2024.

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, the management, staff, suppliers, and other stakeholders for their continued support.



Michael Joseph
CHAIRMAN

27th March 2023