Kenya Airways Limited Audited Accounts for the year ended 31st March 2007

		Year to 31st Mar-07 KShs m	Year to 31st Mar-06 KShs m	% Variance
Turnover:	Passenger	50,447	45,266	11.5
	Cargo	5,756	5,453	5.6
	Handling	1,139	1,171	(2.8)
	Other	1,450	914	58.6
Total Revenues		**58,792**	**52,804**	**11.3**
Direct Expenditure - Fuel		15,887	13,221	(20.2)
- Other		25,448	22,231	(14.5)
Overheads		9,818	9,496	(3.4)
Total Expenses		**51,153**	**44,948**	**(13.8)**
Operating profit		**7,639**	**7,856**	**(2.8)**
Operating Margin (%)		**13.0%**	**14.9%**	**(1.9)%**
Net Financial Expenses		(1,145)	(1,219)	6.1
(Loss) on Exchange (1)		(775)	(191)	(305.8)
Other Non-Operational Items (2)		256	514	(50.2)
Profit before tax and minorities		**5,975**	**6,960**	**(14.2)**
Taxation		(1,877)	(2,131)	11.9
Profit after tax		**4,098**	**4,829**	**(15.1)**
Net Profit Margin (%)		**7.0%**	**9.2%**	**(2.2)%**
Earnings per Share before Tax (KShs)		**12.93**	**15.06**	**(14.2)%**
Earnings per Share after Tax (KShs)		**8.87**	**10.45**	**(15.1)%**

(1) Loss on Exchange is mainly due to the impact of the depreciating US$ to the Ksh on the US$ denominated deposits.

(2) Includes other income and share of associate's profit.

Commentary:
The Board announces that Kenya Airways has maintained strong profitability in the financial year ended 31st March 2007 with revenues up 11% despite increased competition, higher fuel prices and the adverse impact of a weaker US Dollar in the year.

The airline achieved a profit after tax of Ksh 4,098m, being 15.1% below the prior year's result of KShs 4,829m, with an Operating Margin of 13.0% compared to 14.9% in the prior year. The principal cause of this was a significant increase in competition, resulting in a reduction in aircraft utilisation from a cabin factor of 74.2% to 73.6%.

Revenues

Passenger
The passenger carryings in the year were at a record of 2.6m reflecting growth of 9% over the prior year with capacity in terms of ASKs increasing by 13.7%. The passenger yield in US Cents remained similar to the prior year, however they declined by 3.8% when translated in Kenya Shillings due to the weaker US Dollar. This issue alone resulted in revenues being some KSh. 1.4bn (2.3%) less than would otherwise have been reported. Europe carryings grew by 5%, mainly due to the introduction of Paris operations and a 2% increase on the remaining European routes. Strong passenger growth of 69% was experienced in the Asia following increased operations to Guangzhou. West and Central Africa business grew at 17%, including new destinations introduced during the year namely, Monrovia in Liberia, Cotonou in Benin and Freetown in Sierra Leone. All other African regions experienced increased passenger growth, Southern Africa 13%, North Africa 12% and East Africa 9%. Middle-East and the Kenyan domestic network remained similar to prior year's level.

Cargo
Cargo volumes experienced a growth of 11%, mainly due to increased cargo space available on the B777s and the increased deployment of the B767 in Africa, with yields declining at a rate of 3% due increasing competition

Costs

The high global fuel prices adversely impacted the year's result as fuel unit costs increased by 12% (KSh. 1.4bn), partly mitigated by a 4% movement in the KShs/US$ exchange rate. In addition, the results are also impacted by a one-off adjustment of KSh. 207m to the depreciation charge in the year related to amortising the cost of aircraft components that have shorter lives than the corresponding airframe. Further, due to an increase in workload at the hangar, it was necessary to temporarily outsource major aircraft checks at an additional cost of some KSh. 158m.

Prospects

The airline continues to expand, with two Embraer E170 regional jets due for delivery within the next two months. Whilst these aircraft will replace the two existing turbo-prop aircraft, they together with a third delivery next year are the initial phase in the airlines strategy of developing underserved regional Africa markets. The Board is cautiously optimistic that further growth in the business can be achieved, subject to unforeseeable issues such as further increases in fuel prices. It also acknowledges that continued efforts to reduce cost per available seat is key to achieving appropriate levels of profitability in the face of continuing increases in competition. In addition it has decided to replace the B737-800 aircraft lost in the recent incident as soon as a suitable aircraft is available. In the meantime, the Company will retain the two Saab aircraft that were otherwise planned to be sold later this year.

Dividend

In view of the level of profitability achieved in the year, the Board recommends a first and final dividend for the year of KShs 1.75 per share, for approval by the shareholders at the Annual General Meeting. This represents a total dividend payment of KShs 809m.

Subject to the above at the Annual General Meeting, to be held on Friday 24 August 2007 at 11:00 a.m., the Register of Members will close at 4:30 p.m. that day and will be closed on Monday 27th August 2007 for the purpose of preparation of the dividend cheques. It is anticipated that these will be paid on or around 28 September 2007 to ordinary shareholders on the register at the close of business on 24 August 2007.

The address of the Share Registrars is Custody & Registrars Services Limited, Bank House - 1st Floor, Moi Avenue, PO Box 8484-00100, Nairobi.

KQ 507
The Board wishes to take this opportunity to express its great sorrow to the families, relatives and friends of the 114 passengers and crew who lost their lives on flight KQ 507 on the night of 4th May, 2007. The Company continues to provide appropriate assistance and comfort to them during their time of grief.

By order of the Board — **EVANSON MWANIKI**
29th May 2007 — **Chairman**

Kenya Airways
The Pride of Africa