



PRESS RELEASE:

KQ registers improved revenue and forecasts sustainable recovery in 2024

- *The Group's total revenue in 2022 increased 66% to KES 117 billion.*
- *A total of 3.7 million passengers were uplifted in 2022 registering a 68% increase compared to 2021.*
- *Direct operating costs increased by 93%, mainly driven by increased operations.*
- *The devaluation of world currencies against the dollar, abnormal fuel cost increase of 160% and forex losses due to the ongoing financial restructuring program impacted financial performance.*

Nairobi, 27 March 2023 – Kenya's National carrier, Kenya Airways PLC (KQ), has released its Full Year financial results for the year ending December 31st 2022 at a virtual investor briefing. The Group's revenue stood at KES 117 billion, a 66% increase from the previous year. This is 5% below the pre-pandemic reported revenue, indicative of the Groups projected recovery by 2024.

The growth in revenue was driven by a significant increase in passenger numbers which grew by 68% to 3.7million passengers, and over 65,000 tonnes, a 3.5% increase in cargo tonnage. The deployed capacity in Available Seat Kilometers (ASKs) increased by 75%, closing the year 2022 at 10.3 billion compared to 5.9 billion reported for the same period in 2021. As a result, passenger load factors for 2022 were only 3.9 percentage points below the load factors achieved before the pandemic in 2019.

Speaking at the investor briefing, Michael Joseph, Chairman of Kenya Airways, said that global air passenger traffic gained momentum and recovered substantially as governments lifted covid-19 travel restrictions and passengers grasped the opportunity to resume travel, which was reflective of KQ's performance.

"In 2022, KQs operations were impacted positively by pent-up travel demand, the removal of travel restrictions and KQs efforts to increase frequencies across its network resulting in a strong and sustained recovery in performance compared to a similar period in the prior year. As a result, global passenger traffic recovered from 41.7% of 2019 levels in 2021 to 68.5% in 2022. "said Mr Joseph.

In 2022, despite the opening up of markets post-COVID, the aviation operating environment was affected by fuel costs that increased by 160% year on year, deterioration of the dollar and its effect on direct operating costs and global geo political issues. The tight forex demand had a significant impact on Kenya Airways' financial transactions which are mainly carried out in the major foreign currencies specifically the devaluation of the Kenya Shilling.

According to Group Managing Director and CEO Allan Kilavuka, the airline would have reported a profit at operating level notwithstanding the impact of the aforementioned challenges that included the devaluation of the Kenya Shilling against major currencies.

"The airline recorded forex losses occasioned by the restructuring of the guaranteed Government of Kenya loans as part of the ongoing financial restructuring program, negatively impacting the income statement by Kes. 26.4 billion. If you remove the impact of the forex losses and the abnormal fuel cost increase at 160%, we would have made an operating profit. We are on course to turn around the business by 2024. We are confident that this will be achievable with the support we are getting from



our customers, our employees, our principal shareholder the Government of Kenya and other stakeholders." said Mr Kilavuka.

Speaking at the same event, Kenya Airways Group CFO, Ms Hellen Mathuka, said the devaluation of the shilling and abnormal increase in fuel cost increased the cost of operations, negatively impacting overall financial results.

"Our overheads increased by 31% due to foreign currency losses driven by the weakening of Kenya shilling against major world currencies and the abnormally high cost of aviation fuel during the year. As a result, the Group's total operating costs increased by 59%, with direct operating costs increasing by 93%, mainly driven by increased operations and a huge increase of 160% in the cost of global fuel prices throughout the year. In addition, the fleet ownership costs increased by 6% driven by the provision for early aircraft returns." said Ms Mathuka.

According to Mr Kilavuka, KQ is addressing legacy issues to turn the airline around. The specific areas include:

1. **Debt restructures:** This process is ongoing and includes restructuring the government-guaranteed debt. As a result, there is a charged finance cost of 18 billion in our 2022 income statement.
2. **Reducing the high cost of operations:** The process to reduce operational costs by 10% by 2024 is at 60% completion rate.
3. **Lease cost reduction:** So far, 22% of lease cost reductions, approximately KES 4 billion, have been negotiated. The full benefits are to be realized in 2023.
4. **Operational excellence:** improving our reliability and on-time arrivals and departures is ongoing.
5. **Customer excellence:** Implementation of several customer-facing initiatives to ensure that the end-end customer journey is memorable is ongoing.
6. **Employee experience:** Enhancing employees' productivity is ongoing as they are the most important asset and play a critical role in KQ's transformation journey.
7. **Diversification:** Over the next 5 years, KQ will continue to diversify its revenue streams. The target is to grow the cargo business to contribute 20%, up from 10% today.

According to the International Air Transport Association (IATA), a return to profitability is expected for the global airline industry in 2023 as airlines continue to cut losses stemming from the effects of the COVID-19 pandemic on their business in 2022. As a result, in 2023, airlines are expected to post a small net profit of \$4.7 billion—a 0.6% net profit margin. It is the first profit since 2019 when industry net profits were \$26.4 billion (3.1% net profit margin).

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About Kenya Airways:

Kenya Airways, a member of the Sky Team Alliance, is a leading African airline flying to 42 destinations worldwide, 35 of which are in Africa. Before the COVID pandemic, the airline carried a record number of over five million passengers in 2019. Our fleet comprises wide-body Boeing aircraft, including our flagship B787 Dreamliner and narrow-body Embraer E190 aircraft. Our onboard service is renowned, and the lie-flat business class seat on the wide-body aircraft is consistently voted among the world's top 10. In addition, Kenya Airways takes pride in being at 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.

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