

Unaudited Interim Results
For the six months ended 30th September 2006

	Six Months to 30-Sep-06 KSh. Million	Six Months to 30-Sep-05 KSh. Million	% Variance
Turnover: Passenger	24,237	21,895	10.7
Cargo and Mail	2,812	2,477	13.5
Handling	541	587	(7.8)
Other	876	382	129.1
Total Revenue	28,466	25,341	12.3
Direct Expenditure	19,803	17,165	(15.4)
Overheads	4,572	4,095	(11.6)
Total Expenses -Fuel	7,648	6,054	(26.3)
- Other	16,727	15,206	(10.0)
Operating Profit	4,091	4,081	0.2
Operating Margin (%)	14.4%	16.1%	(1.7)
Net Finance Expenses	(592)	(613)	3.4
(Loss) on Foreign Exchange (1)	(155)	(320)	51.6
Other Non-Operational Items (2)	126	39	223.1
Profit before Tax	3,470	3,187	8.9
Taxation	(1,041)	(956)	(8.9)
Profit after Tax	2,429	2,231	8.9
Net Profit Margin (%)	8.5%	8.8%	(0.3)
Earnings per share before tax (KShs)	7.52	6.90	8.9
Earnings per share after tax (KShs)	5.26	4.83	8.9

(1) Loss on Foreign Exchange is mainly due to the impact of the depreciating USD to the KES on the USD denominated deposits.

(2) Share of associate's profit.

Commentary:

The Board is pleased to announce that Kenya Airways has sustained profitable growth in the first half of the 2006/07 financial year over the same period in 2005/06.

Profit after tax for the period reviewed ended at KShs 2,429m compared to KShs 2,231m during the corresponding period last year, an increase of 8.9%.

Passenger Traffic

Overall, passenger traffic for the first half increased to 1.3m, up from the prior year's 1.2m, a growth of 7%. Areas of high growth included Middle East, Asia & Far East with 14% due to an additional destination of Guangzhou via Dubai. Southern Africa growth of 16% is mainly driven by a positive response to capacity increase on Lubumbashi, Harare, Lilongwe and the new destination Maputo. West and Central Africa growth of 15% is mainly attributed to Bamako, Dakar, Douala, Kinshasa and the new route Free Town. Northern Africa growth at 13% was mainly driven by Istanbul, Djibouti, Khartoum and Cairo operations. Growth on Europe was 4%, East Africa 3% while Kenya remained largely unchanged as there was no significant new operation in this region. The overall seat occupancy dropped by 1.4% to 75.2% compared to prior year's level of 76.6%.

Passenger Yields

Growth in yields were realised in Kenya by 7% and West and Central Africa by 2%. East Africa and Southern Africa remained flat at close to prior year's level. Europe dropped by 2%, Middle East, Asia & Far East dropped by 5% and Northern Africa by 8%. Overall, yields declined by 2% partly due to a greater proportion of long haul route expansion with its normally lower yields than short haul.

Cargo

Overall, tonnage grew by 15% and yields increased by 3% across the network.

Costs

Global fuel prices during the period under review averaged over 22% higher than the corresponding period last year but the impact of this was reduced to 16% (in USD terms) as a consequence of the Company's hedging programme. The fuel cost, net of hedging benefit, was 26% above prior year driven largely by price increase of 15% and increased consumption in US gallons of 13% in line with the increased capacity offered. This was partly mitigated by a 4% appreciation of the Kenya Shilling to the US\$.

The increase in overheads was 11.6% due mainly to increased level of operations but remained stable at 16% of revenue. Lower finance costs are due to increased interest income on increased cash balances, partly offset by the additional financing costs of the two new Boeing 777s delivered part way through the first half of 2005/06.

Prospects

Whilst the Board remains optimistic that the Company will continue to grow during the remainder of the financial year, the cost of jet fuel and security remain the greatest threats to profitability, with increasing levels of competition in the region continuing to be a challenge to achieving attractive yields.

Nevertheless, the Company is committed to continued expansion with new routes starting to Paris on 26th October 2006 and Mayotte/Comoros on 16th November 2006. Additionally, a fourth new Boeing 777 is due for delivery in February 2007 to facilitate further expansion on existing routes and the Board have decided to replace the current fleet of two Saab aircraft with regional jets.

The Board would like to take this opportunity to thank all the staff, management, suppliers and loyal customers who have contributed to this continued growth.

By order of the Board
26th October 2006

E. Mwaniki
Chairman of the Board