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(please refer to the Disclaimer set out in this Notice for further details)

**KENYA AIRWAYS LIMITED**  
("KQ or the "Company")

Incorporated in Kenya, Under the Companies Act (Cap. 486) Laws of Kenya  
(Registration Number C.28/2005)

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**PUBLIC NOTICE**

**DISCLOSURE OF THE TERMS OF THE RIGHTS ISSUE  
FOR KENYA AIRWAYS LIMITED**

*Capital Markets (Public Offers, Listing and Disclosures) Regulations, 2002*

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**1. INTRODUCTION**

On Monday 17th October, 2011, Kenya Airways Limited ("KQ" or the "Company") announced that its Board of Directors having considered and approved the funding requirements of KQ for its future expansion plans approved that part of such funding be raised by way of a rights issue to the existing shareholders of KQ (the "Rights Issue").

KQ having now received the requisite consent of its shareholders as well as all the relevant approvals from the primary regulator, the Capital Markets Authority ("CMA") and the primary exchange, the Nairobi Securities Exchange ("NSE") to the proposed Rights Issue, hereby announces that the major features of the Rights Issue are as set out below.

**2. COMMITMENTS FROM KEY SHAREHOLDERS**

The Board is delighted to confirm that it has received written commitments from the Government of Kenya and KLM (subject to certain conditions) that they will take up their full entitlement in the Rights Issue, representing 49 per cent of the transaction.

**3. TERMS OF THE RIGHTS ISSUE**

- ❖ KQ intends to raise Ksh 20,680,373,686/=, before expenses, by way of a renounceable Rights Issue of 1,477,169,549 new ordinary shares ("New Shares"), at a price of **Ksh 14.00** per KQ ordinary share ("**Rights Issue Offer Price**").
- ❖ The Rights Issue Offer Price represents a discount of 32.2 per cent to the Volume Weighted Average Price of KQ Ordinary Shares on the NSE for the past 90 trading days up to and including 29th February 2012, being the date the Board approved the Rights Issue terms.

- ❖ KQ shareholders will have the right to subscribe for sixteen (16) new ordinary share for every five (5) ordinary shares held on the register closure date (19th March, 2012) (“**Record Date**”).
- ❖ KQ shareholders who have Central Depository System (“**CDS**”) accounts will have their accounts credited with the applicable Entitlement and will receive a Provisional Allotment Letter (“**PAL**”) notifying them of the same.
- ❖ KQ shareholders who do not have CDS accounts will receive PALs notifying them of their Entitlement. Such KQ shareholders are advised that they will only be able to participate in the dealing/trading of their Entitlement Rights on the NSE once they have opened a CDS account credited with Entitlement.
- ❖ The New Shares when allotted, will rank pari passu with the existing issued ordinary shares of KQ shareholders in respect of the financial year ending 31<sup>st</sup> March, 2012.
- ❖ It is expected that admission of the New Shares on the Official List of the NSE will become effective and that dealings in the New Shares will commence, fully paid, at 10.00 a.m. on 12th June, 2012.

#### 4. KEY RIGHTS ISSUE DATES

KQ shareholders are advised to take note of the following salient dates in connection with the Rights Issue:-

Key Activity	Dates - 2012
Record Date (last date on which shares will trade cum-rights and eligible shareholders on the share register of KQ entitled to receive PALs will be determined)	3.00 p.m. on Monday 19th March
Distribution of Abridged Information Memorandum and PALs to shareholders of KQ	Wednesday 28th March
Launch (public presentation of the details of the Rights Issue as set out in the Information Memorandum)	Friday 30th March
Commencement in dealings in Nil-Paid Rights on the NSE	10.00 a.m. Monday 2nd April,
Last date for immobilisation of Entitlement at the CDSC for those shareholders who do not have CDS Accounts	3.00 p.m. Tuesday 10th April
Last date for renunciation (by way of private transfer)	3.00 p.m. Tuesday 10th April
Last date for dealing in Nil-Paid Rights	3.00 p.m. on Wednesday 18th April
Last date and time for acceptance and payment for the New Shares and Additional Shares	3.00 p.m. Friday 27th April

Press announcement of Rights Issue results	Wednesday 30th May
Update of KQ members Register	Tuesday 5th June
Electronic crediting of CDS Accounts with New Shares and/or dispatch of share certificates for the New Shares and/or refund cheques (applicable if applications are received in excess of the number of New Shares arising from the Rights Issue)	Thursday 7th June
Commencement of trading of New Shares at the NSE	10.00 a.m. Tuesday 12th June

## 5. DOCUMENTATION

The full particulars of the Rights Issue are set out in the Information Memorandum that will be available from Wednesday 28th March, 2012 on KQ's website and with all the Authorised Agents appointed by KQ for the Rights Issue (i.e. all licensed stock brokers and CDS agents in Kenya, Uganda and Tanzania), all branches of Kenya Commercial Bank Limited and Equity Bank Limited.

The summary or condensed version of the Information Memorandum is contained in an abridged Information Memorandum (the "**Abridged IM**") that will be posted to the qualifying shareholders of KQ together with the Provisional Allotment Letters from Wednesday 28th March, 2012.

The Information Memorandum will be presented to the public at the launch of the Rights Issue on Friday 30th March, 2012

## 6. TRANSACTION ADVISERS

CfC Stanbic Bank and CfC Stanbic Financial Services are acting as Lead Transaction Adviser and Citigroup Global Markets Limited will act as Global Co-ordinator and International Bookrunner.

## 7. UPDATE ON RECENT TRADING

On Thursday 26 January 2012, KQ published a profit warning in compliance with CMA regulations that a public company needs to make an announcement as soon as it determines that its profits are expected to be 25% or more below its earnings in the previous financial year. Since that announcement the business environment has not improved. Fuel prices have increased substantially, there have been political disturbances in some of the company's destination routes in Africa and the continued financial crisis in Europe has further affected the Company's operating performance. Consequently, while the Company remains confident that it will deliver a profit for the year ending 31<sup>st</sup> March 2012, it continues to expect that its earnings will come in well below the strong results reported the previous year.

**By Order of the Board  
Nairobi**

**Date: Monday 12th March, 2012**

## **Disclaimer:**

This announcement is for informational purposes only and is not intended to constitute, and may not be construed as, a public offering.

This announcement has been issued with the approval of the Capital Markets Authority pursuant to the Capital Markets (Public Offers, Listing and Disclosures) Regulations, 2002 as amended. As a matter of policy, the Capital Markets Authority assumes no responsibility for the correctness of the statements appearing in this announcement.

This announcement is an advertisement and not an information memorandum and investors should not subscribe for or purchase any Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters and/or Rights Shares referred to in this announcement except on the basis of information in the Information Memorandum which is expected to be published by KQ in connection with the Rights Issue. Copies of the Information Memorandum will, following publication, be available on KQ's website ([www.kenya-airways.com](http://www.kenya-airways.com)) to Investors in certain permissible jurisdictions, which excludes the United States, Australia, Canada and Japan and any other territory where it would be unlawful to make such information available.

This announcement does not constitute, or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of or issue, purchase, otherwise acquire or subscribe for, any security in the capital of KQ in any jurisdiction. Any decision to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of any Provisional Allotment Letter, Nil Paid Rights, the Fully Paid Rights or the Rights Shares should only be made on the basis of information contained in and incorporated by reference into the Information Memorandum which contains further details relating to KQ in general as well as a summary of the risk factors to which an investment in the Rights Shares is subject. Nothing in this announcement should be interpreted as a term or condition of the Rights Issue. Subject to certain exceptions, the Information Memorandum will not be available to shareholders located in the United States, Australia, Canada and Japan. This announcement is not directed to, or intended for distribution or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation which would require any registration or licensing within such jurisdiction.

Citi is acting as global co-ordinator and international bookrunner to KQ and for no-one else in connection with the Rights Issue and will not regard any other person (whether or not a recipient of this announcement) as its client in relation to the Rights Issue and will not be responsible to anyone other than KQ for providing the protections afforded to its clients or for providing advice in relation to the Rights Issue, the contents of this announcement and the accompanying documents or any matters or arrangements referred to herein or therein.

This announcement contains "forward-looking statements" relating to KQ's business. These forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "is expected to", "will", "will continue", "should", "would be", "seeks" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. These statements reflect the current views of KQ with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of KQ to be materially different from the future results, performance or achievements that may be expressed or implied by such forward-looking statements.

No statement in this announcement is intended as a profit forecast or profit estimate and no statement in this announcement should be interpreted to mean that earnings per ordinary share for the current of future financial years would necessarily match or exceed the historical published earnings per ordinary share. Prices and values of, and income from, shares may go down as well as up and an investor may not get back the amount invested. It should be noted that past performance is no guide to future performance. Persons needing advice should consult an independent financial adviser.

Neither the content of KQ's website (or any other website) nor the content of any website accessible from hyperlinks on KQ's website (or any other website) is incorporated into, or forms part of, this announcement.

### **No Offer in the United States**

The Nil Paid Rights, the Fully Paid Rights, the Rights Shares and the Provisional Allotment Letters have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights or the Rights Shares, or of the Provisional Allotment Letter, in the United States.

The Nil Paid Rights, the Fully Paid Rights and the Rights Shares (and, subsequently, the Provisional Allotment Letters) are being offered outside the United States only in accordance with the exemption from registration available under Regulation S under the Securities Act.

In particular, this announcement, the Information Memorandum, any enclosures and the Provisional Allotment Letter and any other such documents should not be distributed, forwarded to or transmitted in or into the United States (as defined in Regulation S under the Securities Act).

#### **No Offer in Australia, Canada or Japan**

The Nil Paid Rights, the Fully Paid Rights, the Rights Shares and the Provisional Allotment Letters have not been and will not be registered under the securities laws of Australia, Canada or Japan and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an applicable exemption from and in compliance with any applicable securities laws. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights or the Rights Shares, or of the Provisional Allotment Letter, in Australia, Canada or Japan.

In particular, this announcement, the Information Memorandum, any enclosures and the Provisional Allotment Letter and any other such documents should not be distributed, forwarded to or transmitted in or into the Australia, Canada or Japan.

#### **Notice to Prospective Investors in South Africa**

This announcement, the Information Memorandum, any appendixes or enclosures thereto, the Provisional Allotment Letters and the Rump Allocation Letters (the "Rights Offer Documentation") are only being distributed to, and is are only directed at persons in the Republic of South Africa who are either (i) shareholders of KQ (or persons who are related to shareholders of KQ, as the term "related" is defined in the Companies Act, 2008 (the "Act")) and/or (ii) institutional investors who fall into any of the categories outlined in Sections 99 6 (1) (ii) to (vii) of the Act (all such persons together being referred to as "Qualified Persons"). The Nil Paid Rights, the Fully Paid Rights, the Rights Shares and the Provisional Allocation Letter and Rump Allocation Letter will not and should not be offered, renounced, sold, transferred or delivered, directly or indirectly, to any one in the Republic of South Africa other than Qualified Persons, and will only be offered on a non-renounceable basis. The Rights Offer Documentation and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the Republic of South Africa other than a Qualified Person, and cannot be acted on or relied on by any person other than a Qualified Person. The Rights Offer Documentation does not, nor is it intended to, constitute a prospectus prepared and registered under the Act. Qualifying South African residents wishing to participate in the offer should be aware that they may be required to comply with South African exchange control requirements and should seek advice from a person properly qualified to advise them if they are in any doubt as to what this may involve. The obtaining of any exchange control consents that may be required in order to participate in the offer is the responsibility of the investor in question. **Notice to Prospective Investors in the European Economic Area**

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), the offer of Rights Shares described in this Information Memorandum may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the Rights Shares that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant member state at any time:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; or
- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of Rights Shares described in this Information Memorandum located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

For purposes of this provision, the expression an "offer to the public" in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

## Notice to Prospective Investors in the United Kingdom

This announcement and the Information Memorandum is only being distributed to, and is only directed at, persons in the United Kingdom that are (A) shareholders of KQ or (B) qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (“Qualified Investors”) that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This announcement and the Information Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant persons should not act or rely on this document or any of its contents.

## Notice to Prospective Investors in France

Neither this announcement nor any other offering material relating to the New Shares described in this announcement has been submitted to the clearance procedures of the Autorité des Marchés Financiers or by the competent authority of another member state of the European Economic Area and notified to the Autorité des Marchés Financiers. The New Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this announcement nor any other offering material relating to the New Shares has been or will be

- released, issued, distributed or caused to be released, issued or distributed to the public in France or
- used in connection with any offer for subscription or sale of the New Shares to the public in France.

Such offers, sales and distributions will be made in France only

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, Article L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier* or
- to investment services providers authorized to engage in portfolio management on behalf of third parties or
- in a transaction that, in accordance with article L.411-2-II-1<sup>o</sup>-or-2<sup>o</sup>-or 3<sup>o</sup> of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the Autorité des Marchés Financiers, does not constitute a public offer (*appel public à l'épargne*).

The New Shares may be resold directly or indirectly, only in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

## Notice to Prospective Investors in the Dubai International Finance Centre (“DIFC”)

This announcement and the Information Memorandum relate to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the “DFSA”). This announcement and the Information Memorandum are intended for distribution only to Persons of a type specified in those rules. They must not be delivered to, or relied on by, any other Person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this announcement and the Information Memorandum nor taken steps to verify the information set out in them, and has no responsibility for them. The securities to which this announcement and the Information Memorandum relate may be illiquid and/or subject to restrictions on their resale. Prospective investors of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this document, you should consult an authorised financial adviser. In relation to its use in the DIFC, this Information Memorandum is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the securities may not be offered or sold directly or indirectly to the public in the United Arab Emirates.