

**PUBLIC ANNOUNCEMENT
ACQUISITION BY THE GOVERNMENT OF THE REPUBLIC OF KENYA
OF EFFECTIVE CONTROL OVER 48.9% OF THE ORDINARY VOTING
SHARES IN THE CAPITAL OF KENYA AIRWAYS PLC**

Pursuant to Regulation 4(3) of The Capital Markets (Take-overs & Mergers) Regulations, 2002 (the "Take-overs Regulations"), the Government of the Republic Kenya ("GoK" or the "Government") hereby announces to the public that pursuant to a restructuring which Kenya Airways PLC ("KQ") is undergoing (the "Restructuring"), GoK shall acquire effective control in KQ and it shall make an application to the Capital Markets Authority (the "CMA") for exemption from the take-over requirements, in compliance with the Take-overs Regulations.

1. The Proposed Offeree

The proposed offeree is Kenya Airways PLC, a public limited liability company incorporated under the laws of Kenya (company number C.28/2005), listed on the Main Investment Market Segment of the Nairobi Securities Exchange Limited (the "NSE") of P. O. Box Number 19002 - 00501, Nairobi, Kenya and whose registered office is at Airport North Road, Embakasi, Kenya.

2. The Proposed Offeror

The proposed offeror is GoK, represented by the Cabinet Secretary to the National Treasury.

3. Current Shareholding by GoK in KQ

GoK owns 445,920,557 ordinary shares in KQ comprising 29.8% of the issued share capital of KQ.

4. Proposed Acquisition of Additional Shares of KQ by GoK

GoK has advanced loans to KQ in the amount of KES 4,224,000,000 and USD 197,295,194 and accrued interest thereon (together, the "GoK Loans").

As part of the Restructuring the GoK Loans will be converted into equity pursuant to agreements to be entered into between KQ and the Government setting out the terms and conditions of restructuring the GoK Loans. In addition, GoK will provide further credit support in the form of sovereign contingent guarantees. The debt conversion and the consideration for the issue of the sovereign guarantees by GoK will be effected through an issue of new ordinary shares of KQ credited as fully paid up. Details of the debt conversion with respect to a portion of the GoK Loans and subscription of shares in consideration of the issue of the sovereign guarantees are set out in a debt conversion and subscription agreement between GoK and KQ (the "Debt Conversion and Subscription Agreement").

The effect of the Debt Conversion and Subscription Agreement is the acquisition by GoK of an additional 19.1% of the ordinary voting shares in the capital of KQ (the "Proposed Acquisition") resulting in the increase of GoK's shareholding in the capital of KQ from 29.8% to 48.9% of the ordinary voting shares.

In addition to the acquisition of equity under the Debt Conversion and Subscription Agreement, the Government and KQ have entered into a zero coupon ordinary mandatorily convertible loan agreement in relation to settlement of the remaining portion of the GoK Loans (the "Zero Coupon Ordinary Mandatorily Convertible Loan Agreement"). The effect of the Zero Coupon Ordinary Mandatorily Convertible Loan Agreement is the issuance of ordinary shares to the Government at a future date in accordance with the terms of the Zero Coupon Ordinary Mandatorily Convertible Loan Agreement.

5. Application for Exemption from the requirement to make a Take-over Offer

GoK does **NOT** intend to make a take-over offer for KQ and has applied to the CMA in accordance with Regulation 4 of the Take-overs Regulations for an exemption from complying with the requirement to make a take-over offer on the grounds that the Restructuring:

- entails restructuring a listed company's share capital, in this instance KQ, in accordance with Regulation 5(2) (c) of the Take-over Regulations;
- entails an acquisition of a listed company in financial distress, in this instance KQ, in accordance with Regulation 5(2) (d) of the Take-over Regulations; and
- serves public interest in accordance with Regulation 5(2)(g) of the Take-overs Regulations.

6. Persons acting in concert

There are no persons acting in concert with the Government.

7. Debt Conversion and Subscription Agreement and Zero Coupon Ordinary Mandatorily Convertible Loan Agreement

GoK and KQ entered into the Debt Conversion and Subscription Agreement and the Zero Coupon Ordinary Mandatorily Convertible Loan Agreement. Completion of the Proposed Acquisition is subject to the conditions under the Debt Conversion and Subscription Agreement and the Zero Coupon Ordinary Mandatorily Convertible Loan Agreement having been met or waived as legally permissible and the Debt Conversion and Subscription Agreement being completed in accordance with its terms.

Dated 13th November, 2017



By order of the Cabinet Secretary, National Treasury
The Government of the Republic of Kenya