



Kingfisher Airlines Limited

(Formerly known as Deccan Aviation Limited)

Registered Office : The UB Group, UB Tower, Level 12, UB City, 24 Vittal Mallya Road, Bangalore - 560 001, India.



Unaudited Financial Results for the half year ended September 30, 2008

(Rs. in Lacs)

Particulars	Quarter ended September 30, 2008	Quarter ended September 30, 2007	Half Year ended September 30, 2008	Half Year ended September 30, 2007	Nine months ended March 31, 2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1. Income from Operations	132,264.23	44,520.70	272,030.41	94,834.74	144,139.49
2. Expenditure					
a. Employee Costs	21,860.88	8,022.46	42,617.91	15,320.25	25,469.39
b. Aircraft Lease Rental	28,759.47	11,364.93	53,760.45	21,947.50	35,473.25
c. Aircraft Fuel	82,258.43	28,346.97	171,003.22	54,480.76	88,929.63
d. Other Operating Expenses	58,112.23	21,844.97	121,426.90	44,423.12	68,511.45
e. Depreciation	3,291.12	600.94	6,492.92	1,169.11	1,828.07
f. Maintenance Rent reversed (Refer Note 5)	-	-	(52,622.59)	-	-
3. Loss from Operations before Interest and Exceptional Item (2-1)	62,017.70	25,659.57	70,548.40	42,506.00	76,072.30
4. Other Income	3,508.95	2,043.46	4,206.72	3,131.25	10,404.83
5. Loss before Interest and Exceptional Item (3 - 4)	58,508.75	23,616.11	66,441.68	39,374.75	65,667.47
6. Interest Expense	13,588.41	1,590.60	24,602.47	3,045.99	5,037.50
7. Loss after Interest but before Exceptional Item (5 + 6)	72,097.16	25,206.71	91,044.15	42,420.74	70,704.97
8. Exceptional Item	-	-	-	-	2,445.99
9. Loss from Ordinary Activities before Tax (7 - 8)	72,097.16	25,206.71	91,044.15	42,420.74	68,258.98
10. Tax Expense					
- Current Tax	-	-	-	-	-
- Deferred Tax Asset	(24,065.22)	-	(27,559.62)	-	(49,800.27)
- Fringe Benefit Tax	293.39	111.11	627.72	205.26	354.90
11. Loss from Ordinary Activities after Tax (9 + 10)	48,325.33	25,317.82	64,112.25	42,626.00	18,813.61
12. Paid-up Equity Share Capital	26,590.89	13,563.18	26,590.89	13,563.18	13,579.85
13. Reserves	NA	NA	NA	NA	6,307.38
14. Earnings per Share - Basic and Diluted					
- Before exceptional items	(32.11)	(18.68)	(50.81)	(36.71)	(14.85)
- After exceptional items	(32.11)	(18.68)	(50.81)	(36.71)	(13.87)
15. Public Shareholding					
- Number of Shares	89,690,958	113,469,298	89,690,958	113,469,298	44,884,110
- Percentage of Shareholding	33.73%	83.66%	33.73%	83.66%	33.05%

Notes:

- The above financial results have been reviewed by the Audit Committee and taken on record by the Board of Directors at their meeting held on October 31, 2008 and have been subject to a limited review by the Statutory Auditors of the Company.
- During the period under review, the Company operated in a single business segment i.e. of providing scheduled and unscheduled air transport services and there are no other primary reportable segments.

The company has started its international operations in September 2008. However the transaction value of these operations does not exceed 10% of the transaction value of the total operations of the company and hence no disclosure is made.
- a) During the period under review the Company has allotted 7,320 equity shares of Rs.10/- each respectively, on exercise of employee stock options at an exercise price of Rs. 65/- per share.

b) In terms of the said Scheme, 130,033,350 Equity Shares of Rs 10/- each of the Company have been allotted to the shareholders of Kingfisher Training and Aviation Services Ltd (formerly known as Kingfisher Airlines Limited) (referred to as KTASL), in the ratio of 3 Equity Shares for every 7 Equity Shares held by them in KTASL and 9,700,000 6% Redeemable Non Cumulative Preference Shares of Rs 100/- each have been allotted to the Preference Shareholder of KTASL in the ratio of 1 Preference Share for every Preference Share held by them in KTASL.

c) Consequently, as on date, the Paid-up Capital of the Company stands at Rs. 3,629,088,830 comprising of 265,908,883 Equity Shares of Rs 10/- each and 9,700,000 6% Redeemable Non Cumulative Preference Shares of Rs 100/- each.

d) The Board of Directors of the Company are yet to finalize the Employees Stock Option Plan in respect of the employees of the commercial airline division undertaking of KTASL, pursuant to paragraph 11.1 of the Scheme.
- Since the certified copy of the Order of the honorable High Court of Karnataka sanctioning the Scheme was received only in the second quarter of the current financial year, the harmonization of the accounting policies of the Commercial Airline Division Undertaking of KTASL and the Company is yet to be completed.

The above matters will be dealt with while finalising the annual financial statements of the company for the financial year 2008-09.

5. On re-examination of the accounting treatment given to maintenance rent payable to lessors in respect of aircrafts taken on operating lease and based on expert opinion, such amounts which were hitherto charged off to revenue as and when they fell due for payment in terms of relevant agreements have been treated during the period as recoverable deposits, to be adjusted as and when relevant expenditure reimbursable from the relevant lessors are incurred and/or the agreements are terminated. The Company's revised accounting treatment is fortified by the fact that certain lessors have accepted stand by letters of credit issued by the Company's bankers in lieu of payment of maintenance rent and have also agreed to refund/ adjust the amounts already paid. Consequently, amounts paid to lessors up to March 31, 2008 (net of expenses reimbursed wherever applicable) have been debited to deposits refundable. But for the said change in accounting treatment, the loss for the quarter would have been more by Rs. 2,034,736,617.
6. Deferred Tax Asset is recognized on account of unabsorbed depreciation and business losses for the periods ended September 30, 2008 (6 Months) and March 31, 2008 (9 months) amount to Rs. 2,755,961,930 and Rs. 4,984,997,384, on the basis of business plan prepared by the management and certain future receivables arising out of contractual obligations. Further, the Company has taken over deferred tax asset of Rs. 6,123,561,344 from KTASL pursuant to the Scheme. The management is of the opinion that there is a virtual certainty supported by convincing evidence against which such deferred tax will be realized.
7. The Statutory Auditors of the Company have qualified their audit report on the financial statements for the period ended March 31, 2008 regarding the treatment of certain subsidies provided to the Company by one of its suppliers in conjunction with lease of aircrafts on operating lease basis taken during the 15 months ended June 30, 2006. As a result, the loss for the current quarter is overstated by Rs. 119 lakhs.
8. During the period under review the Company, after obtaining requisite permissions / approvals have commenced international operations on 3rd September, 2008 on the Bangalore - London Sector.
9. Consequent to the said Scheme becoming effective and in terms of the Scheme and as approved by the Registrar of Companies, Kamataka, the name of the Company, has been changed from Deccan Aviation Limited to Kingfisher Airlines Limited with effect from 5th September, 2008.
10. Subsequent to the period under review, pursuant to and in terms of the Composite Scheme of Arrangement under sections 391 to 394 and other applicable provisions of the Companies Act, 1956, sanctioned by the honourable High Court of Kamataka, vide its Order dated June 16, 2008 ("the Scheme"), the Commercial Airline Division Undertaking of Kingfisher Training and Aviation Services Limited ("KTASL") (previously known as Kingfisher Airlines Limited) was demerged and transferred to the Company on a going concern basis with effect from April 1, 2008.

The financial results published above include the working results of the Commercial Airline Division Undertaking of the said KTASL. Accordingly, the corresponding figures for the previous quarter (three months ended September 30, 2007) and the period ended March 31, 2008 are not comparable.

11. 9 investor complaints from investors received and disposed off during the quarter ended September 30, 2008. There were no investor complaints outstanding at the beginning or at the end of the quarter.
12. The details of the deployment of Net IPO proceeds are as stated below:-

Particulars	Utilisation as	Actuals as on
	projected in the Prospectus (Rs lacs)	30th September 2008 (Rs lacs)
Setting up a training centre	6,567	-
Setting up a hangar facility for basic and medium level maintenance checks at Chennai	4,002	1,145
Setting up Infrastructure at airports	1,708	825
Market Development Initiatives	4,522	2,307
Debt Repayment	13,275	6,069
General Corporate Purposes	4,195	22,439
Issue Expenses	2,059	2,078
Total	36,328	34,863

Out of the IPO proceeds of Rs. 36,328 lacs, a sum of Rs. 21,721 lacs has been utilised for the stated purposes as detailed above. Of the balance amount of Rs 14,607 lacs, a sum of Rs 1,465 lacs has been earmarked for utilisation towards Market Development Initiatives and the balance of Rs 13,142 lacs has been transferred to the head General Corporate Purposes as of 31st March, 2008 as approved by the Board of Directors and communicated to Stock Exchanges.

Mumbai
October 31, 2008

By Authority of the Board



Capt. G R Gopinath

VICE-CHAIRMAN

**KINGFISHER AIRLINES LIMITED – COMMENTARY ON THE
RESULTS FOR THE HALF YEAR ENDED 30TH SEPTEMBER, 2008.**

The Aviation Industry is going through a challenging phase globally, driven primarily by spiraling fuel costs, which hit an un-precedent USD 147 per barrel in July 2008. The Indian industry was hit more adversely due to the cumulative impact of Customs Duty and Sales Tax on account of this sharp increase in international fuel prices. The average price of ATF in the six month period from April to September 2008 increased by about 60%. The impact on Kingfisher Airlines alone was to the tune of Rs.640 Crores.

The industry was constrained to pass on at least a part of this cost push in the form of Fuel Surcharge resulting in an average 55% increase in the end price paid by the travelling public.

This increase in fares coupled with the lean season between June and September resulted in a drop in traffic and corresponding low capacity utilization for the industry as a whole. The period saw Kingfisher's seat factor dropping in line with the industry by about 6%.

Apart from the increase in the average ticket value, the Company has initiated a number of steps to mitigate and manage costs. *Key Measures Include:*

- 1) Network alignment consequent to the merger of Kingfisher and Deccan:
The capacity deployed has been brought down by about 4% and further reductions are planned.
- 2) Two aircrafts have already been returned to Lessors with no additional cost, and the Company is in discussion for the return of a further eight aircraft. The impact of this capacity contraction will be visible during the second half of the Financial Year.
- 3) The Company has deferred its international roll-out plans apart from one flight operating between Bangalore and London. Consequent, to this decision taken in the light of the global economic environment and the near recession conditions prevalent in much of the Western world, there will be reduced deployment of wide-body aircraft in the near term.

- 4) The merger of the two operating airlines into one corporate entity has also enabled savings on operating costs such as Engineering and Ground Handling, Insurance and Catering. Employee costs have also been addressed through an integrated organization which enabled the Company to terminate the contracts of most expatriate staff and impose a hiring freeze on new appointments.

Despite the challenging environment, the Company has managed to significantly improve its topline performance.

- The unit revenues have increased by over 33% between H1 FY09 and H1 FY08.
- The Average Ticket Value has improved by 55% over the same period.
- The absolute revenues have increased by 33% despite a capacity reduction of 4%.

The recent discussion between Kingfisher Airlines and Jet Airways is expected to help both carriers to significantly rationalize and reduce costs by offering a unique high product quality with improved standards of service to its consumers.

The two airlines will be able to derive maximum synergies by working together and thereby offer best possible fares for the benefit of the end users i.e., the travelling customer. The scope of this discussion is expected to include the following on the operational and cost aspect.

- Joint fuel management to reduce fuel expenses
- Common ground handling of the highest quality
- Common Global Distribution system platform
- Cross utilization of crew on similar aircraft types and commonality of training as also of the technical resources, subject to DGCA approval.

Areas covered on the revenues and revenue related operational aspects are:

- Code-shares on both domestic and international flights subject to DGCA approval
- Interline/Special Prorate agreements to leverage the joint network deploying 189 aircraft offering 927 domestic and 82 International flights daily.

- Joint Network rationalization and synergies
- Cross selling of flight inventories
- Reciprocity in Jet Privilege and King Club frequent flier programs

The softening of the fuel prices has resulted in an improvement in the Company's performance in September 2008 (fuel prices reduced by 15.5%). The further expected drop in fuel prices will help the Company in the second half of the year.