

KENYA ELECTRICITY GENERATING COMPANY LIMITED
UNAUDITED INCOME STATEMENT
SIX MONTHS ENDED 31 DECEMBER 2009

The Board of Directors is pleased to announce unaudited trading results of the Company for six months ending 31st December 2009 as follows:

	Unaudited six months 31 Dec 2009 KShs'000	Audited six months 31 Dec 2008 KShs'000
Revenue		
Electricity Revenue	4,390,490	5,415,690
Energy-related Income	<u>981,701</u>	<u>503,447</u>
Total Revenue	<u>5,372,191</u>	<u>5,919,137</u>
Operating Expenses	<u>(4,214,460)</u>	<u>(4,351,325)</u>
Gross Profit	1,157,731	1,567,812
Interest Income	264,760	317,642
Other Income	<u>91,890</u>	<u>110,909</u>
Operating Profit	1,514,381	1,996,363
Financing Costs-net	<u>(362,696)</u>	<u>(428,311)</u>
Profit before tax	1,151,685	1,568,052
Taxation	<u>(287,921)</u>	<u>(491,052)</u>
Profit after tax	<u>863,764</u>	<u>1,077,000</u>
Earnings per share - Basic and diluted (KShs)	<u>0.39</u>	<u>0.49</u>

Performance

I am pleased to report KenGen's results for the six (6) months to 31 December 2009. The Company's main storage dams continued to experience low inflows due to poor hydrology caused by adverse weather conditions. This negatively impacted the hydro-generation capacity in the main Tana cascade. Poor hydrology contributed to unit sales declining from 2,294 million kilowatt hours during the half year period to December 2008 to 1,573 million kilowatt hours during the period to December 2009, a decrease of 31%. This resulted in capacity charge adjustment under the Power Purchase Agreement (PPA) which stipulates the minimum energy from each cascade. The hydro-generation capacity available was below the level stipulated in the PPA leading to adjustment of revenue. The financial results for the half year therefore declined from Kshs.1,568 million during the half year period to December 2008 to Kshs.1,152 million during the period to December 2009.

The good rains experienced in the second quarter to December 2009 has increased the water levels in the dams and thereby expected to increase production and reduce the adjustment in revenue from hydro- generation in the next half year to the end of June 2010. The water inflow into the main Masinga Dam has increased significantly leading to dam level increase from a low of 1,022m at the beginning of the second quarter to a high of 1,044.6m at the end of December 2009 and is expected to rise towards the full dam level.

Dividend

The Board of Directors of KenGen does not recommend payment of interim dividend.

Future Outlook

We expect improved generation from hydro plants during the second half of the year. The Company is on course in pursuing its Good to Great (G2G) Strategy. We expect to commission Tana 20MW and Olkaria II Unit 3-35MW plants financed by both the Public Infrastructure Bond Offer (PIBO) funds and other sources of funds during the second half of the financial year. Work on Kipevu III 120MW commenced in November 2009. Contract for Kindaruma Unit 3 and Rehabilitation of Unit 1 and 2 totalling 32MW was signed in January 2010. The Company focus is on Green Energy especially geothermal generation where we anticipate generating 75MW using the mobile Well Head Technology and implementation of 280MW from Olkaria I and Olkaria IV plants. The Company also expects to continue exploiting wind resources and will implement additional 17MW in wind during the next one year. We will continue putting all the necessary resources in place to drive the implementation of all our G2G Horizon I and II Projects in order to meet the emerging growth in electricity demand.

BY ORDER OF THE BOARD

EDWARD NJOROGE
MANAGING DIRECTOR & CEO

25 February 2010