KenGen
Kenya Electricity Generating Company Ltd.

KENYA ELECTRICITY GENERATING COMPANY LIMITED
UNAUDITED INCOME STATEMENT
FOR SIX MONTHS ENDED 31 DECEMBER 2010

The Board of Directors is pleased to announce unaudited trading results of the Company for six months ending 31st December 2010 as follows:

	Unaudited six months 31 Dec 2010 KShs'000	Audited six months 31 Dec 2009 KShs'000
Revenue		
Electricity Revenue	6,341,243	4,390,490
Energy - related income	261,038	981,701
Total Revenue	**6,602,281**	**5,372,191**
Operating Expenses	(5,001,809)	(4,214,459)
Gross Profit	**1,600,472**	**1,157,732**
Interest income	138,645	264,760
Other Income	204,225	91,890
Operating Profit	**1,943,342**	**1,514,382**
Financing costs-Net	(663,195)	(362,696)
Profit before tax	**1,280,147**	**1,151,684**
Taxation	(384,044)	(287,921)
Profit after tax	**896,103**	**863,763**
Earnings per share - Basic and diluted (KShs)	0.41	0.39

PERFORMANCE

I am pleased to report KenGen's results for the six (6) months to 31 December 2010. The Company experienced improved hydrology due to El Nino related weather conditions. This impacted positively on the hydro generation capacity in the main Tana cascade. The financial results for the half year therefore showed an increased pre-tax profit of 11% from Kshs.1,152 million in December 2009 to Kshs.1,280 million in December 2010.

Electricity Revenue increased from Shs.4.4 billion to Shs.6.3 billion (43%) due to improved hydrology and commissioning of Olkaria II Unit 3. Other Energy related revenue decreased from Shs.981m to Shs.261m due to lower revenue from Emergency Power and Forex pass through to KPLC. Operating expenses increased from Shs.4.2 billion to Shs.5.0 billion (19%) mainly due to increased depreciation on commissioning of Olkaria II Unit 3, Kiambere and Scada. Finance cost increased by 73% due to interest on EIB and AFD loans received during the period. Tax increase is due to higher revenue and tax rate increase from 25% to 30% after completion of the five year post-IPO listing period.

The new PPA with KPLC which provides for capacity and energy charge impacted the Company's earnings favourably and we will continue to ensure high plant availability at all times to safeguard the agreed capacity availability. Improved hydrology and additional capacity at Olkaria contributed to unit sales increase from 1,573 million Kilowatt hours in December 2009 to 2,525 million kilowatt hours in December 2010 an increase of 61%.

DIVIDEND

The Board of Directors of KenGen do not recommend payment of an interim dividend.

FUTURE OUTLOOK

The good rains experienced in 2nd quarter to December 2010 increased the water levels in the dams and therefore we anticipate normal production from hydro generation in the next half year ending 30th June 2011.

The Company is on course in implementing its G2G Strategy. We expect to commission Kipevu III 120 MW and Well Head Technology 5 MW in March 2011. Tana 20 MW has been completed and is ready for commissioning. Relocation of Gas Turbine from Kipevu to Embakasi is expected to be complete by March 2011 and will stabilize voltage in Nairobi. Work on Kindaruma Unit 3 and rehabilitation of Units 1 and 2 (2x20 MW) is on- going. Work on Sangoro 20 MW is also progressing well.

Our major focus is on geothermal generation. We anticipate generating 75 MW from Well Head Technology by 2012 and 280 MW from Olkaria I & IV plants by 2013. We have secured necessary financial commitments of US$1.3 billion for these projects from GoK, AFD, World Bank, KFW, JICA and PIBO Funds. We will therefore be able to implement all the projects in order to meet the growth in demand.

BY ORDER OF THE BOARD

EDWARD NJOROGE, EBS
MANAGING DIRECTOR & CEO

28th February 2011