

THE AUDITED RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

The Board of Directors are pleased to announce the audited results for the financial year ended 30 June 2012.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	30 June 2012	30 June 2011
	KShs' million	KShs' million
Electricity Revenue	15,999	14,389
Operating expenses	(10,266)	(10,014)
Operating profit	5,733	4,375
Interest Income	952	549
Other Income	485	284
Other (losses) and gains	(153)	440
Finance costs-Net	(2,972)	(1,997)
Profit before Tax	4,045	3,651
Tax	(1,223)	(1,571)
Net profit for the year	2,822	2,080
Net (loss)/gains on revaluation of treasury bonds	(909)	(587)
Cumulative gain reclassified from equity on disposal of treasury bonds	(53)	(46)
Other comprehensive income	(962)	(633)
Total comprehensive income	1,860	1,447
Earnings per share		
-Basic and Diluted(Kshs.)	1.28	0.94
Dividend per share		
Final proposed(Kshs.)	0.60	0.50

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	30 June 2012	30 June 2011
	KShs'million	KShs'million
ASSETS		
Property, Plant and Equip.	120,665	116,786
Other Noncurrent assets	20,192	24,668
Current assets	22,288	19,539
	163,145	160,993
EQUITY AND LIABILITIES		
Share capital	5,496	5,496
Reserves	63,365	62,823
Non-Current liabilities	77,964	80,318
Proposed Dividends	1,319	1,099
Current liabilities	15,001	11,257
	163,145	160,993

CONDENSED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	30 June 2012	30 June 2011
	KShs' million	KShs' million
Balance at 1 July	3,116	21,331
Net cash generated from operating activities	3,050	4,511
Net cash used in investing activities	(8,635)	(22,396)
Net cash generated from / (used in) financing activities	2,905	(330)
Balance at June	436	3,116

PERFORMANCE OVERVIEW

I am happy to report the Company's results for another successful trading year 2011/2012, in which our financial performance improved. The results were commendable in view of many economic challenges experienced during the period in which the rate of inflation went up from 12% to 20% per annum in November 2011, high interest rates, high fuel prices and depreciation of Kenya Shilling. Despite these challenges, the Company registered continued growth in revenues arising from increased capacity as a result of newly commissioned power plants.

OPERATIONS

We installed plants with additional capacity of 52.5MW during the year following completion of Sang'oro Hydro - 21MW, Kindaruma Hydro Unit 3 - 24MW, Eburru Geothermal - 2.5MW and Geothermal Pilot Wellhead - 5MW. Installed capacity therefore increased from 1,180.7MW to 1,233.2MW.

Units sold increased by 9.2% from 4,933Gwhrs to 5,386Gwhrs during the year under review. This was mainly boosted by generation from Kipevu III with a capacity of 120MW and Tana Hydro redevelopment with 20MW which were commissioned in March and April 2011 and were in operation for the full year.

RESULTS

Overall, revenue grew by 15% from KShs. 15,222 million in 2011 to KShs. 17,436 million in 2012. The increase is attributable to improvements in all sources of revenue namely electricity revenue, interest income and other incomes.

Electricity revenue rose from KShs. 14,389 million to KShs. 15,999 million, an increase of KShs. 1,610 million or 11.2% mainly due to increase in contracted capacity and units sold from new plants.

Operating costs rose marginally from KShs. 10,014 million in 2011 to KShs. 10,266 million in 2012, an increase of KShs. 252million or 2.5%.

Interest expenses rose from KShs. 1,997 million in 2011 to KShs. 2,972 million in 2012, an increase of 48.3% mainly due to interest on borrowing for Public Infrastructure Bond (PIB) projects commissioned to date namely Kiambere, Tana, Kipevu III, Sangoro, Kindaruma Unit 3, Geothermal Wellhead and Eburru. Before commissioning the related interest was being capitalized.

Profit before tax rose by 11% from KShs. 3,651 million to KShs. 4,045 million, mainly due to increased Electricity revenue, interest income and cost containment.

Our assets base increased from KShs. 160,993 million to KShs. 163,145 million mainly due to increase in property, plant and equipment as a result of investment in new power plants, namely Sang'oro, Kindaruma Unit 3, Geothermal Wellhead, Eburru, Olkaria I & IV power plants and drilling rigs.

Non-current liabilities reduced from KShs. 80,318 million to KShs. 77,964 million mainly due to repayment of loans including first instalment of PIB and reduction in retirement benefits liability due to closure of Defined Benefit Scheme (DBS) on 31st December 2011 for staff aged below 45 years as at that date and commencement of a Defined Contribution Scheme (DCS) with effect from 1st January 2012 for the same group and increase of normal retirement age from 55years to 60years. Current liabilities increased from KShs. 11,257 million to KShs. 15,001 million, as a result of increase in PIB instalment payable within the coming year.

CASH FLOWS

Cash and cash equivalents amount decreased from KShs. 3,116 million to KShs. 436 million, a decline of KShs. 2,680 million. This is attributed to payment of start up costs for Olkaria I & IV 280MW project pending effectivity of credit by financiers. Reimbursement is expected during the second quarter of 2012/13.

DIVIDEND

The Board of Directors is recommending for approval by the shareholders a final dividend of KShs. 0.60 per ordinary share, an increase of 20%.

FUTURE OUTLOOK

Our Vision is to provide 3000MW of safe, reliable, affordable and cleaner power by 2018 in line with Vision 2030. We are on track to achieve this vision.

His Excellency The President of the Republic of Kenya recently officiated the ground breaking ceremony for our Vision 2030 flagship project, the Olkaria I and IV 280MW project; the largest single Geothermal project in the world. The project will be commissioned in 2014.

We expect to commence The Government of Spain financed 13.6MW and the Government of Belgium financed 6.8MW Ngong wind projects

in second quarter of 2012 and commission the projects by 2013. Further, we have undertaken feasibility studies for additional capacities in the areas of wind, thermal (both gas and coal) and solar.

Following the successful commissioning of the 5MW pilot Geothermal Wellhead, we plan to install additional 65MW by 2014.

In addition, we have completed optimisation study for additional 560MW in Olkaria and have commenced discussions for financing with potential partners and expect to commence implementation in 2013. The Government has received US\$386 million financing commitment for drilling 80 wells in Olkaria from EXIM Bank of China towards the 560MW Geothermal Power Project.

In a bid to fast track geothermal drilling and development, we have also acquired two electric land drilling rigs which will be used in supplementing the drilling of wells for the 560MW geothermal power project. This major undertaking will not only provide adequate power supply to the country but also spur economic and social growth in line with our Vision 2030 aspirations.

We are confident that with the continued support from Government, development partners and other industry stakeholders, KenGen is set to meet the power demand required to drive Vision 2030.

CLOSURE OF REGISTER AND DATE OF PAYMENT

The Register of Members will be closed on Thursday, 6th and Friday 7th December 2012.

If approved, the dividend will be paid, less withholding tax where applicable on or about Thursday, 31st January 2013 to the shareholders whose names appear in the Register of Members at the close of business on Wednesday, 5th December 2012.

ANNUAL GENERAL MEETING

The Sixtieth Annual General Meeting of the Company is scheduled to be held on Wednesday, 28th November 2012 at 11.00 a.m. at the Kasarani Gymnasium, Thika Road, Nairobi.

BY ORDER OF THE BOARD

EDWARD NJOROGE, EBS
MANAGING DIRECTOR & CEO
26th September 2012