KenGen
Kenya Electricity
Generating Company PLC

AUDITED RESULTS FOR THE YEAR ENDED 30TH JUNE 2021

Overview

The Board of Directors of Kenya Electricity Generating Company PLC (KenGen) are pleased to announce the Audited Financial Results for the year ended 30th June 2021.

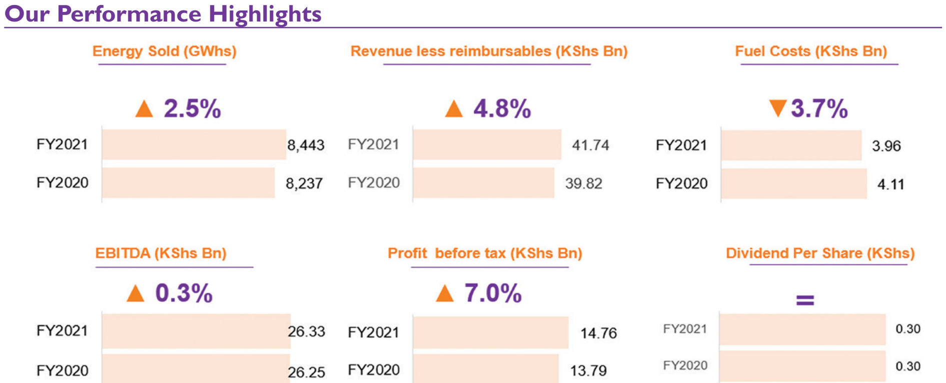
KenGen 83.3MW Olkaria I Unit 6 geothermal power plant - under construction

KenGen honored its promise to provide reliable and competitively priced electric energy to the nation amidst the challenges brought about by the COVID-19 pandemic. This meant that we powered hospitals, lit homes and kept businesses running with uninterrupted supply of electric energy as they all dealt with the ravaging effects of the pandemic. Indeed, this was a tough year not only for Kenyans and local businesses, but for the entire global community. The unprecedented COVID-19 pandemic disrupted our lives and businesses adversely. Thankfully, with the lifting of the COVID-19 related restrictions, the economy is steadily recovering and in the energy sector, we have seen a rise in demand for power with the latest highest peak demand standing at 1,999MW.

As a company, we remained dedicated to ensuring business continuity and alignment to our strategic aspirations. Our Business Continuity Plan and the Disaster Risk Management Framework ensured that we maintained strategic focus on lowering tariffs, fast-tracking completion of the 83.3MW Olkaria I Unit 6 geothermal power plant, in pursuit of growing the company's renewable energy portfolio that contributes to the climate action agenda.

Our business fundamentals are strong and contributed to a 7% increase in the Profit Before Tax from KShs. 13.79 billion to KShs. 14.76 billion. It is important to note that as a result of the reversal of the government tax relief COVID-19 measures on the corporate tax rate from 25% back to 30%, there was a substantial impact on our profit after tax. In spite of the challenging times, KenGen remained strong recording a steady performance and demonstrating sound financial position which reaffirms the company's promise and commitment to continual business growth and maximization of shareholder value.

Our Performance Highlights



Regulatory Developments

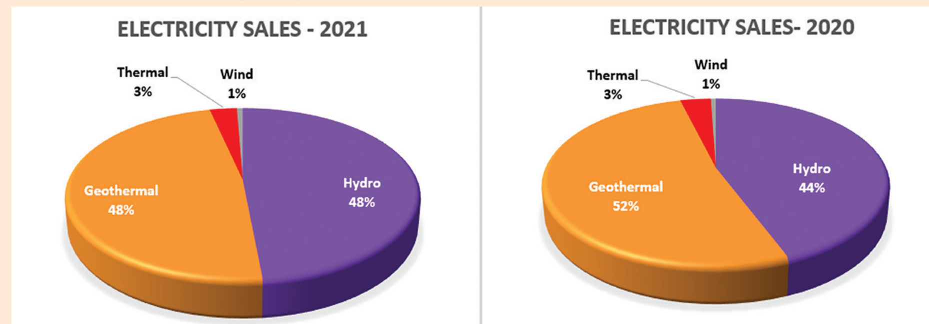
During the year under review, KenGen along with other energy sector players, participated in the formulation of regulations which once gazetted will help operationalise the Energy Act, 2019. We are exploring the new opportunities presented by the Act.

Operational Overview

In year 2021, we were blessed with favourable hydrology. In line with KenGen's affordability agenda to lower the cost of electricity to the consumers, we prudently prioritised dispatch of competitively priced hydro generation.

The Company benefited from a full year operation of the 172.3MW Olkaria V geothermal power plant whose construction was completed in November 2019, resulting in a 12% displacement of thermal generation. Overall, there was a growth of 2.5% in unit sales from 8,237GWh in 2020 to 8,443GWh in 2021.

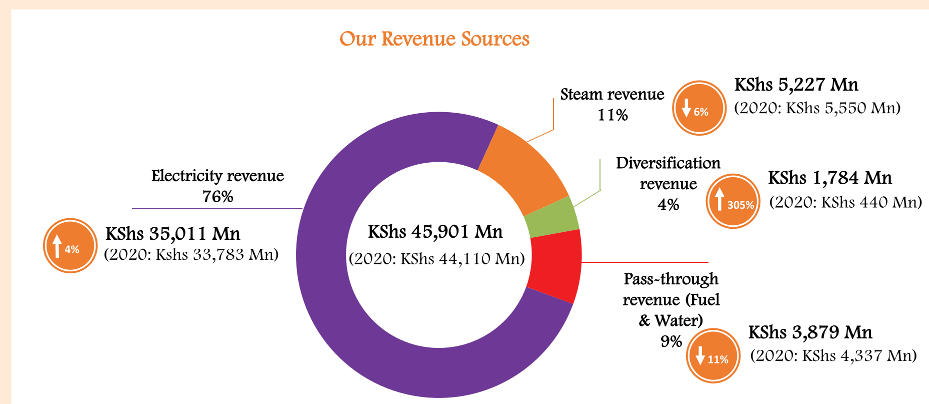
Electricity Unit Sales (GWh)



8,443 GWh   8,237 GWh

Financial Performance

Revenue increased by 4.06% from KShs. 44,110 million in 2020 to KShs. 45,901 million in 2021. This was mainly attributed to revenues from geothermal, hydro generation and diversification venture at Tulu Moye in Ethiopia. The ongoing geothermal drilling services in Tulu Moye contributed KShs 1,784 million compared to KShs 440 million in the previous year.



Reimbursable Expenses comprise of fuel costs and water charge expenses used in generation of electricity. Reimbursable expenses decreased by 3.0% from KShs 4,288 million to KShs 4,160 million attributable to reduced dispatch from the thermal power plants because of enhanced hydro generation.

Other Income increased from KShs 473 million in 2020 to KShs 495 million in 2021 mainly due to insurance compensation for various eligible claims.

Other Gains-Net forex and fair valuation of financial assets relate to foreign exchange valuations and fair value measurements of financial assets. The amount decreased by 82.4% from KShs 6,383 million to KShs 1,125 million during the period, mainly attributable to fair value gain on financial asset through profit or loss as a result of stability of the Shilling against other major currencies.

Depreciation and Amortisation declined from KShs 12,030 million in 2020 to KShs 11,520 million in 2021,reflecting the impact of the 45MW Olkaria I geothermal power plant that is now fully depreciated. The plant however continues to generate electricity and plans are underway for its rehabilitation.

Operating Expenses increased by 18% from KShs 10,884 million to KShs 12,877 million mainly attributable to cost of drilling operations in Ethiopia, operation and maintenance costs of power plants and Corporate Social Investment(CSI) such as the construction of the Naivasha Level 5 County Referral Hospital among others.

Steam Expenses are incurred in respect to supply of steam used in generation of power from third party owned wells. The costs declined from KShs 3,161 million to KShs 3,029 million due to lower dispatch from the power plants utilizing steam from these wells.

Finance income increased by 31% from KShs 1,431 million in 2020 to KShs 1,880 million in 2021 attributable to interest on delayed payment of receivables and interest earned by investing funds arising from deferred payment of on-lent loans under moratorium and Debt Service Suspension Initiative (DSSI).

Finance costs decreased by 63% from KShs 8,244 million to KShs 3,053 million. This is attributable to a stable Kenya Shilling, hence lower foreign exchange loss on foreign currency denominated borrowings of KShs 702 million during the year compared to KShs 5,965 million in the previous year.

Profitability: During the financial year ended 30th June 2021, business performance continued on the upward trend as evidenced by the growth in profit before tax and sustained stable business fundamentals. Profit before tax grew by 7% from KShs 13,790 million in 2020 to KShs 14,762 million in 2021. Profit after tax however declined from KShs 18,377 million in FY2020 to KShs 1,188 million owing to reversal of COVID-19 mitigation tax measures put in place by the Government. The corporate tax rate was reduced from 30% to 25% in FY2020 but reversed back to 30% in FY2021 resulting in a tax expense of 8,794 million on deferred tax compared with a credit of KShs 8,145 million in the previous year. This contributed significantly to the high tax expense of Kshs 13,574 million compared to previous year tax credit of Kshs 4,587 million.

Outlook

In the year ahead, we aim to deliver Olkaria I Unit 6 geothermal power plant, which will add 83.3MW to the national grid. KenGen will continue to progress the milestones towards the commencement of the Olkaria VI , Olkaria VII Geothermal power plant and the 45MW Olkaria I Rehabilitation projects. We are on course with our diversification program for other revenue streams including drilling services, consultancies, Carbon Credits and the Geothermal Training Centre.

Dividend

The Board is pleased to recommend a first and final dividend of KShs 0.30 for the year 2021 (2020: KShs 0.30) per ordinary share which amounts to KShs 1,978 million (2020: KShs 1,978 million).

Annual General Meeting

The Annual General Meeting (AGM) of the Company will be held virtually on Thursday, 16th December 2021.

Closure of Register and Date of Payment

The Directors propose to recommend to Members at the forthcoming Annual General Meeting (AGM) of a first and final dividend of KShs 0.30 per ordinary share held for the year 2021.

If approved at the aforementioned AGM, the dividend will be paid, less withholding tax where applicable on or about Thursday, 10th February 2022 to the shareholders whose names appear in the Register of Members at the close of business on Thursday, 16th December 2021. The register will be closed on Friday, 17th December 2021 and Monday, 20th December 2021, both dates inclusive.

Appreciation

Finally, we wish to thank the Government of Kenya, Board of Directors, our shareholders, KenGen employees, development partners and all other stakeholders whose contributions in the year enabled the Company to achieve its mandate of supply of affordable electricity to the economy and record a steady business performance. We look forward to working closely with you and capitalise on opportunities ahead.

By Order of the Board

REBECCA MIANO, MBS
MANAGING DIRECTOR & CEO

30 October 2021

Summary Statement of Profit or Loss and Other Comprehensive Income for the year ending 30th June 2021

	30 June 2021	30 June 2020
	KShs Million	KShs Million
Revenue	45,901	44,110
Reimbursable expenses (Fuel and water costs)	(4,160)	(4,288)
Revenue less reimbursable expenses	**41,741**	**39,822**
Other income	495	473
Other (losses)/gains-net forex and fair valuation of financial assets	1,125	6,383
	43,361	**46,678**
Depreciation & amortization	(11,520)	(12,030)
Operating expenses	(12,877)	(10,884)
Steam Costs	(3,029)	(3,161)
Operating Profit	**15,935**	**20,603**
Finance income	1,881	1,431
Finance costs	(3,053)	(8,244)
Profit Before Tax	**14,762**	**13,790**
Income tax expense	(13,574)	4,587
Profit After Tax	**1,188**	**18,377**
Other Comprehensive Income	(205)	(375)
Total comprehensive income	**983**	**18,002**
Basic and diluted earnings per share (KShs)	**0.18**	**2.79**
Dividend per share (KShs)	**0.30**	**0.30**

Summary Statement of Financial Position as at 30 June 2021

	30 June 2021	30 June 2020
	KShs Million	KShs Million
ASSETS		
Property, plant and equipment	356,135	352,430
Other non-current Assets	25,704	26,459
Current assets	43,819	34,038
	425,658	**412,927**
EQUITY AND LIABILITIES		
Share capital	16,488	16,488
Share premium	22,151	22,151
Reserves and retained earnings	171,684	172,680
Non-current liabilities	194,939	184,552
Current liabilities	20,396	17,056
	425,658	**412,927**

Summary Statement of Changes in Equity for the year ended 30 June 2021

	Share capital & Share Premium	Other reserves	Retained earnings	Total Equity
	KShs Million			
As at 1 July 2019	**38,639**	**69,697**	**86,629**	**194,965**
Total comprehensive for the year	-	(375)	18,377	18,002
Transfer of excess depreciation	-	(2,781)	2,781	-
Deferred tax on excess depreciation	-	696	(696)	-
Dividends declared to equity holders	-	-	(1,649)	(1,649)
As at 30 June 2020	**38,639**	**67,236**	**105,443**	**211,318**
Total comprehensive for the year	-	(205)	1,188	983
Transfer of excess depreciation	-	(2,828)	2,828	-
Deferred tax on excess depreciation	-	848	(848)	-
Dividends declared to equity holders	-	-	(1,978)	(1,978)
As at 30 June 2021	**38,639**	**65,051**	**106,333**	**210,323**

Summary Statement of Cash Flows for the year ended 30 June 2021

	30 June 2021	30 June 2020
	KShs Million	KShs Million
Balance at 1 July	5,374	9,324
Net cash generated from operating activities	27,443	17,857
Net cash used in investing activities	(15,023)	(17,528)
Net cash (used in)/generated from financing activities	(4,052)	(4,373)
Effects of exchange rate changes on cash and cash equivalents	117	94
Balance at June	**13,859**	**5,374**