KenGen
Energy for the nation

THE AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2018

The Board of Directors of the Kenya Electricity Generating Company PLC (KenGen) is pleased to announce the financial results for the year ended 30th June 2018.

Condensed statement of profit or loss and other comprehensive income for the year ending 30th June 2018

	30 June 2018 KShs Million	30 June 2017 (Restated)[1] KShs Million
Revenue	45,290	43,432
Reimbursable expenses (Fuel and water costs)	(9,406)	(8,979)
Revenue less reimbursable expenses	**35,884**	**34,453**
Other income	275	553
Other (losses)/gains-net	(1,050)	343
	35,109	**35,349**
Depreciation & amortisation	(10,148)	(9,244)
Expenses	(9,970)	(9,764)
Steam Costs	(3,549)	(2,796)
Operating Profit	**11,442**	**13,545**
Finance income	3,341	1,333
Finance costs	(3,037)	(3,417)
Profit Before Tax	**11,746**	**11,461**
Income tax expense	(3,855)	(2,455)
Profit After Tax	**7,891**	**9,006**
Other Comprehensive Income	(623)	(528)
Total comprehensive income	**7,268**	**8,478**
Basic and diluted earnings per share (KShs)	**1.20**	**1.37**
Dividend per share (KShs) (proposed)	**0.40**	-

Condensed statement of financial position as at 30 June 2018

	30 June 2018 KShs Million	30 June 2017 (Restated)[1] KShs Million	30 June 2016 (Restated)[1] KShs Million
ASSETS			
Property, plant and equipment	328,082	323,843	320,933
Other non-current Assets	19,859	23,248	23,889
Current assets	31,412	29,639	21,916
	379,353	**376,730**	**366,738**
EQUITY AND LIABILITIES			
Share capital	16,488	16,488	15,610
Share premium	22,151	22,151	21,056
Reserves and retained earnings	151,465	144,198	135,719
Non-current liabilities	168,370	173,800	176,163
Current liabilities	20,879	20,093	18,190
	379,353	**376,730**	**366,738**

[1]The financial statements have been restated to account for the foreign exchange differences recoverable from Kenya Power as a derivative in line with International Accounting Standard (IAS) 39, to account separately for fuel and water revenues and costs and to reflect the application of an asset ceiling on the retirement benefits obligation asset in line with the requirements of IAS 19(R) and the Retirement Benefits Act and Regulations.

Condensed statement of cash flows for the year ended 30 June 2018

	30 June 2018 KShs Million	30 June 2017 KShs Million
Balance at 1 July	7,831	6,756
Net cash generated from operating activities	17,510	13,201
Net cash used in investing activities	(14,843)	(13,074)
Net cash (used in)/generated from financing activities	(7,144)	946
Effects of exchange rate changes on cash and cash equivalents	29	2
Balance at June	**3,383**	**7,831**

Performance Review

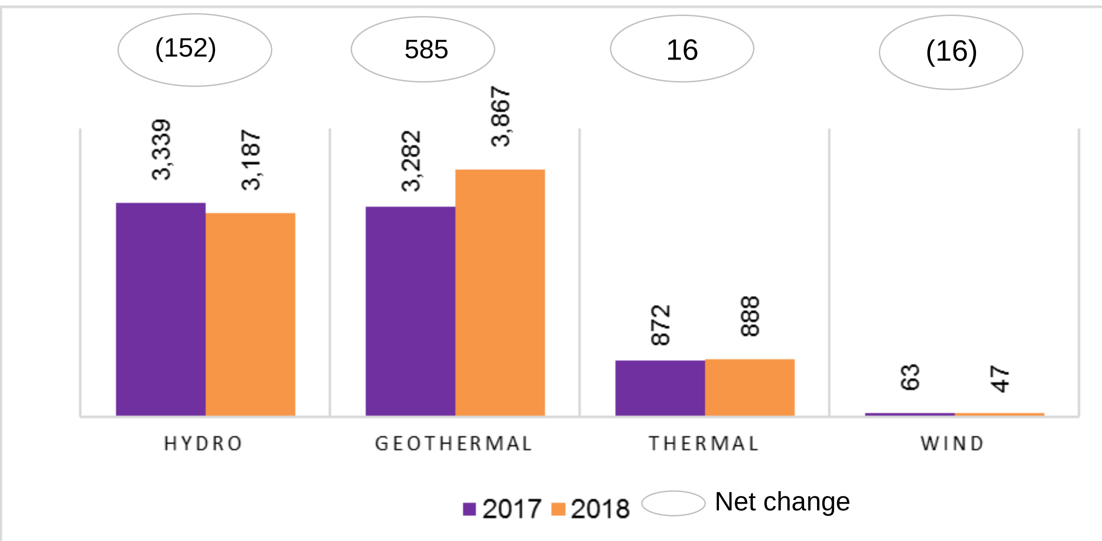
KenGen continued to demonstrate resilience despite a challenging operating environment, pointing to the fact that our strategic execution is strong enough to grow the business going forward. In the period under review, we maintained a good performance which enabled us to provide reliable, safe, quality and competitively priced electricity in line with our mandate.

During the year, our energy sales increased by 6% from 7,556 GWh in 2017 to 7,989 GWh despite a persistent drought which affected water levels in our reservoirs in the first three quarters of the year. However, heavy rains experienced in the last quarter of the year led to increased water inflows in our hydro dams with Masinga peaking at 1,057.75 meters above sea level, the highest in 20 years.

In addition, our strategic diversification with a focus on geothermal further ensured a reliable supply of energy, thus mitigating KenGen's hydro generation deficit.

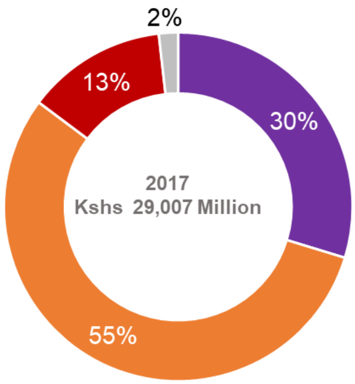
In the period under review, we supplied energy from the following primary sources:

Electricity Unit Sales (GWhs)



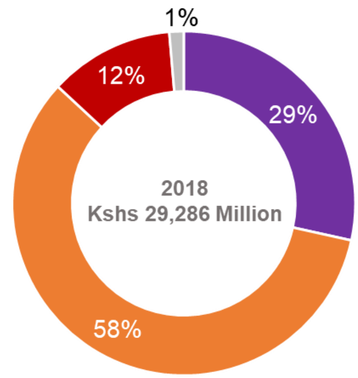
The total revenue increased by 4% from Kshs 43,432 million in the previous period to Kshs 45,290 million for the period ended 30 June 2018, driven by a 20% growth in steam revenue which increased from Kshs 5,189 million in 2017 to Kshs 6,222 million.

Electricity revenue contribution from our diverse generation sources



Revenue in KShs Millions

2017	Legend	2018
8,621	Hydro	8,332
16,102	Geothermal	17,112
3,764	Thermal	3,447
520	Wind	395
29,007	**Total**	**29,286**



Electricity revenue from geothermal power plants increased by 6% from Kshs 16,102 million in the previous year to Kshs 17,112 million. This reflects the success of our strategy focused on Geothermal generation.

Revenue net of reimbursable expenses increased by 4% from Kshs 34,452 million in year ending 30 June 2017 to Kshs 35,884 million for the period ended 30 June 2018.

Profit before tax rose by 2% to Kshs 11,746 million compared to Kshs 11,461 million reported in the previous year. The improvement in profit before tax is mainly because of an increase in net finance income.

The tax expense for the year was Kshs 3,855 million compared to Kshs 2,455 million for the previous year. The prior year's tax expense was lower largely due to the effect of tax incentive (investment deduction) granted on commissioning of the new geothermal wellhead plants. Therefore, the profit after tax is Kshs 7,891 million compared to Kshs 9,006 million last year.

Future Outlook

We are glad to report that, though trade receivables from Kenya Power stood at Kshs 21,883 million as at 30 June 2018, at the time of releasing the results (post balance sheet), Kshs 18,573 million had been received thereby reducing the trade receivables to Kshs 3,310 million.

We are committed to maintaining investor and shareholder confidence in our business growth through capital-intensive investments in power generation projects. As is evident in our results, we continue to register positive operating cash results despite large investments in capacity expansion that is focused on geothermal. It is through such investments targeting supply of the country's base load requirements that are focused on reinforcing the foundation for future steady revenues and earnings to shareholders.

In line with our current revamped Horizon II strategy, we intend to increase our generation capacity on a planned and continuous basis in sync with market requirements. In the coming year, we are committed to deliver 165.4 MW Olkaria V geothermal project whose implementation is currently at an advanced stage. The implementation of 83.3 MW Olkaria I Unit 6 geothermal project has commenced with planned commissioning in early 2021. The balance of the project pipeline drawn from wind, solar and geothermal sources for a total 476

MW are at various stages of preparation for implementation in line with the country's updated Least Cost Power Development Plan (2017-2037).

Dividend

The Board of Directors is recommending a final dividend of Kshs 0.40 (2017: Kshs Nil) per share which amounts to Kshs 2,638 Million (2017:Kshs Nil) for the year.

Closure of Register and Date of Payment

The Register of Members will be closed from Friday, 7th December 2018 to Monday, 10th December 2018, both dates inclusive.

If approved at the Annual General Meeting by shareholders, the dividend will be paid on or about Thursday, 7th February 2019 to members whose names appear in the Register as at the close of business on 6th December 2018.

Gratitude to Stakeholders

We would like to thank all our stakeholders, particularly shareholders and the Government of Kenya for continued support which has not only bolstered KenGen's development agenda but also enabled it to access concessionary funding for power infrastructure development. We also wish to recognize our development partners who continue to strengthen our partnerships through financial support which has ensured we remain on course to deliver both our project pipeline and promise to Kenyans. Lastly, we thank all KenGen employees for their dedication and invaluable contribution to the Company's successes.

BY ORDER OF THE BOARD

REBECCA MIANO (MRS), OGW
MANAGING DIRECTOR & CEO

26 October 2018