

## THE UNAUDITED RESULTS FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016

The Board of Directors is pleased to announce the financial results for the six months period ended 31 December 2016.

### CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2016

	31 Dec 2016 (Unaudited) Kshs' mil	31 Dec 2015 (Unaudited) Kshs' mil
<b>REVENUE</b>		
Electricity revenue	14,676	14,757
Steam revenue	2,465	2,514
Steam revenue-Arrears	-	1,613
Other income	598	1,141
	<b>17,739</b>	<b>20,025</b>
<b>EXPENSES</b>		
Operating expenses	(4,392)	(4,141)
Steam Costs	(1,279)	(1,648)
<b>EBITDA</b>	<b>12,068</b>	<b>14,236</b>
Depreciation & Amortisation	(4,529)	(4,519)
<b>EBIT</b>	<b>7,539</b>	<b>9,717</b>
Interest income	632	289
Finance costs	(1,605)	(1,622)
<b>PROFIT BEFORE TAX</b>	<b>6,566</b>	<b>8,384</b>
Tax expense	(1,941)	(2,716)
<b>PROFIT FOR THE PERIOD</b>	<b>4,625</b>	<b>5,668</b>
Other Comprehensive Income	2	(15)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>4,627</b>	<b>5,653</b>
<b>EARNINGS PER SHARE</b>		
- Basic (Shs.)	<b>2.10</b>	<b>2.58</b>
- Diluted (Shs.)	<b>0.74</b>	<b>0.91</b>

### CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	31 Dec 2016 (Unaudited) Kshs' mil	30 June 2016 (audited) Kshs' mil
<b>ASSETS</b>		
Property, Plant and Equipment	322,091	320,933
Other Non-current Assets	19,162	24,400
Current Assets	22,224	21,916
	<b>363,477</b>	<b>367,249</b>
<b>EQUITY AND LIABILITIES</b>		
Share Capital	15,610	15,610
Share Premium	21,056	21,056
Reserves and retained earnings	140,703	136,077
Non-Current Liabilities	167,913	176,316
Current Liabilities	18,195	18,190
	<b>363,477</b>	<b>367,249</b>

### CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	31 Dec 2016 Kshs' mil	31 Dec 2015 Kshs' mil
Balance at 1 July	6,756	3,292
Net cash generated from operating activities	6,994	10,836
Net cash used in investing activities	(5,954)	(12,238)
Net cash generated from financing activities	(1,251)	674
<b>Balance at 31<sup>st</sup> December</b>	<b>6,545</b>	<b>2,564</b>

#### Basis of Preparations

The condensed financial statements for the six-months period ended 31 December 2016 have been prepared in accordance with the International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the company's audited financial statements for the year ended 30 June 2016.

#### Performance review

##### Total Revenue

The Company earned Kshs 17,739 million during the period compared to Kshs 20,025 million in the previous comparison period. This was mainly due to lower revenue from steam and commercial drilling services.

##### Electricity Revenue

Electricity sales revenues which comprise capacity, energy and recoverable forex decreased from Kshs 14,757 million to Kshs 14,676 million compared to similar period of the previous year.

Table 1: Summary of Electricity Revenue

	Dec 2016 Kshs'mil	Dec 2015 Kshs'mil
Capacity revenue	10,863	10,456
Energy revenue	3,613	3,892
Recoverable Forex adjustments	200	409
<b>Total</b>	<b>14,676</b>	<b>14,757</b>

There was growth in capacity revenue attributable to improved availability of power plants. Energy revenue decreased due to the decommissioning of Garissa and Lamu Power Stations in April and May 2016 respectively, expiry of the Power Purchase Agreement for Embakasi Gas Turbine in November 2016 and scheduled statutory inspections in some power plants.

Table 2: Capacity and Energy Revenue by source

	Capacity		Energy	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
	Kshs 'mil		Kshs 'mil	
Hydro	3,918	3,840	668	750
Geothermal	5,225	5,036	2,477	2,631
Thermal	1,720	1,580	229	272
Wind	-	-	239	239
<b>Total</b>	<b>10,863</b>	<b>10,456</b>	<b>3,613</b>	<b>3,892</b>

#### Steam Revenue

Steam revenue decreased to Kshs 2,465 million compared to Kshs 4,127 million in the same period in the previous year due to transmission constraints in the dispatch of Wellhead Units. The previous year amount included arrears of Kshs 1,613 million following the signing of steam resources and maintenance agreement in September 2015.

Table 3: Breakdown of Steam Revenue

	Dec 2016 Kshs 'mil	Dec 2015 Kshs 'mil
Steam resource maintenance services	2,012	2,256
Steam revenue-arrears	-	1,613
Steam sales	453	258
<b>Total</b>	<b>2,465</b>	<b>4,127</b>

#### Other Income

Other income declined to Kshs 598 million in December 2016 compared to Kshs 1,141 million in the previous period. This is attributable to decrease in revenue from commercial drilling services and insurance compensation. Miscellaneous income increased mainly due to Carbon Credits earnings of Kshs 57 million and net fuel surplus. Other gains increased due to exchange gains from revaluation of bank balances.

Table 4: Breakdown of Other Income

	Dec 2016 Kshs 'mil	Dec 2015 Kshs 'mil
Commercial drilling services	-	617
Insurance compensation	184	296
Miscellaneous income	205	85
Other gains	209	143
<b>Total</b>	<b>598</b>	<b>1,141</b>

#### Operating Expenses

Operating expenses increased to Kshs 4,392 million compared to Kshs 4,141 million in the previous year due to operational factors. Steam costs declined to Kshs 1,278 million due to lower dispatch from Wellhead Units as a result of transmission line constraints. Depreciation and amortisation expenses remained largely at the same level as the previous year.

#### Finance Income/Expense

There was improvement in interest income which increased from Kshs 289 million in December 2015 to Kshs 632 million in December 2016 mainly attributable to investment of funds raised during the Rights Issue in June 2016. The funds are awaiting the implementation of projects in the pipeline. During the period under review, the shilling appreciated by 12% against the yen, resulting in decline in financing costs.

#### Profitability

The results for the period were impacted by the decommissioning of Garissa, Lamu and Embakasi Gas Turbine Thermal power Plants and non-receipt of revenue from commercial drilling services. Consequently, the Earnings Before Interest, Taxes, Depreciation & Amortisation (EBITDA) decreased to Kshs 12,068 million, Profit Before Tax (PBT) decreased to Kshs 6,566 million while the Profit After Tax (PAT) dropped to Kshs 4,625 million.

#### Dividends

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

#### Going Forward

The performance for the remaining period to 30 June 2017 is expected to improve following the completion of the evacuation line for the Wellheads and fixing of machine breakdowns which affected some power plants. The commencement of the Construction of 158MW Olkaria V is expected to take place in the third quarter of 2016/17 financial year.

KenGen is committed to ensuring that resources are put in place to drive the implementation of its strategy in order to meet the growth in demand for electricity and enhance returns for its shareholders.

#### BY ORDER OF THE BOARD

**ENG. ALBERT MUGO, MBS**  
MANAGING DIRECTOR & CEO

28 February 2017