KenGen
Kenya Electricity
Generating Company PLC

THE AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019

The Board of Directors of the Kenya Electricity Generating Company PLC (KenGen) is pleased to announce the financial results for the year ended 30 June 2019. Further to our press release dated 27 February 2020 on the half year results and full year unaudited results for the year ended 30 June 2019, the results are now audited following the appointment of the Auditor-General. This is therefore a repeat publication of the same results.

Condensed statement of profit or loss and other comprehensive income for the year ending 30 June 2019

	30 June 2019 KShs Million	30 June 2018 KShs Million
Revenue	45,966	45,290
Reimbursable expenses (Fuel and water costs)	(10,192)	(9,406)
Revenue less reimbursable expenses	**35,774**	**35,884**
Other income	619	275
Other (losses)/gains-net	3,179	(1,050)
	39,572	**35,109**
Depreciation & amortisation	(10,360)	(10,148)
Operating expenses	(10,571)	(9,970)
Steam Costs	(3,357)	(3,549)
Operating Profit	**15,284**	**11,442**
Finance income	1,423	3,341
Finance costs	(5,054)	(3,037)
Profit Before Tax	**11,653**	**11,746**
Income tax expense	(3,769)	(3,855)
Profit After Tax	**7,884**	**7,891**
Other Comprehensive Income	(62)	(623)
Total comprehensive income	**7,822**	**7,268**
Basic and diluted earnings per share (KShs)	**1.20**	**1.20**
Dividend per share (KShs)	**0.25**	**0.40**

Condensed statement of financial position as at 30 June 2019

	30 June 2019 KShs Million	30 June 2018 KShs Million
ASSETS		
Property, plant and equipment	346,737	328,082
Other non-current Assets	21,056	19,859
Current assets	33,629	31,412
	401,422	**379,353**
EQUITY AND LIABILITIES		
Share capital	16,488	16,488
Share premium	22,151	22,151
Reserves and retained earnings	156,326	151,465
Non-current liabilities	180,860	168,370
Current liabilities	25,597	20,879
	401,422	**379,353**

Condensed statement of cash flows for the year ended 30 June 2019

	30 June 2019 KShs Million	30 June 2018 KShs Million
Balance at 1 July	3,383	7,831
Net cash generated from operating activities	30,585	17,510
Net cash used in investing activities	(28,808)	(14,843)
Net cash (used in)/generated from financing activities	4,094	(7,144)
Effects of exchange rate changes on cash and cash equivalents	70	29
Balance at June	**9,324**	**3,383**

Performance Review

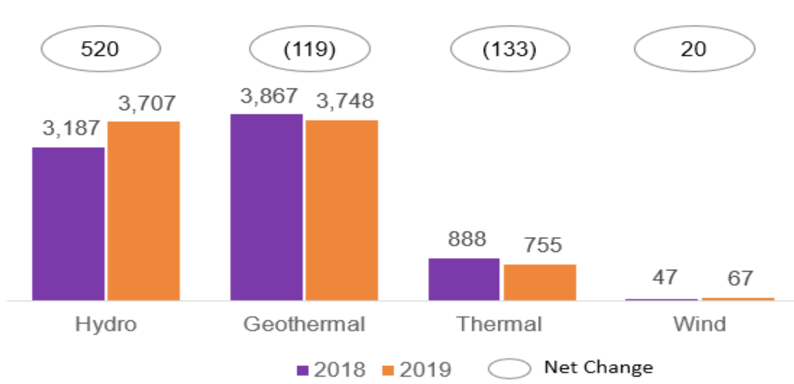
During the period, the business remained resilient despite challenging economic conditions in the country and the world.

Energy sales grew from 7,989 GWh in 2018 to 8,277 GWh despite the dilution of our market share due to new market entrants. This translated into relatively level total revenue at KShs 45,966 million, up by 1.5% from KShs 45,290 million in 2018. The performance is attributable to enhanced capacity revenues from hydro and thermal installations.

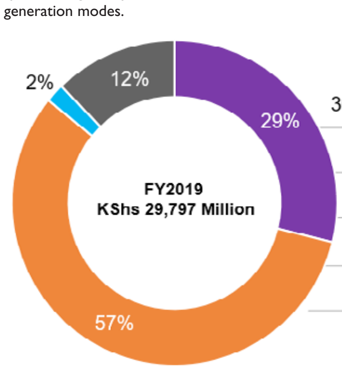
During the period, no power plant was commissioned, and the Company could not benefit from tax credits that would normally be realized from commissioning of new power plants. The 165.4 MW Olkaria V geothermal plant was under construction during the year. It was completed and connected to the national grid in November 2019.

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

Unit sales (GWhs)

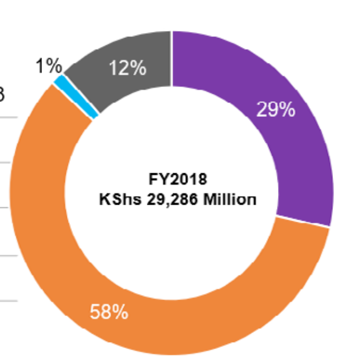


Electricity revenue grew by 1.7% from KShs 29,286 million in 2018 to KShs 29,797 for the period ended 30 June 2019. The charts below outline revenue contribution from the various generation modes.



Electricity Revenue (KShs Millions)

30-June-19	Legend	30-Jun-18
8,610	Hydro	8,332
16,976	Geothermal	17,112
558	Wind	395
3,653	Thermal	3,447
29,797	**Total**	**29,286**



Steam revenue, however, declined by 5.6% from KShs 6,222 million in 2018 to KShs 5,872 million in 2019 owing to reduced geothermal dispatch. Consequently, revenue net of reimbursable expenses declined marginally from KShs 35,884 million in the year ending 30 June 2018 to KShs 35,774 million for the period ended 30 June 2019.

Other income increased from KShs 275 million to KShs 619 million compared to previous year, driven by consultancy services, insurance compensation and tax refund.

Other gains/(losses) relate to foreign exchange valuations and fair value measurements of financial assets. The amount increased from a loss of KShs 1,050 million in 2018 to a gain of KShs 3,179 million in 2019, mainly attributable to fair value gain on a financial asset through profit or loss attributed to weakening of the Shilling against major currencies.

During the year, the Company capitalized new assets amounting to KShs 3,065 million which generated additional depreciation expenses, resulting in an increase from KShs 10,147 million to KShs 10,360 million charge to the income statement.

Operating expenses increased from KShs 9,970 million to KShs 10,571 million, due plant operation and maintenance and provisions arising from the adoption of IFRS 9.

Steam costs are incurred in respect to steam supply to geothermal plants. The costs declined from KShs 3,549 million to KShs 3,357 million due to lower dispatch from geothermal wells connected to Olkaria I AU, Olkaria IV and Wellheads.

Finance income declined from KShs 3,341 million in 2018 to KShs 1,423 million in 2019 due to a foreign exchange gain of KShs 1,848 million recognised in the previous year. Finance expenses increased from KShs 3,037 million to KShs, 5,054 million as a result of a foreign exchange loss.

Profit before tax declined from KShs 11,745 million to KShs 11,654 million while profit after tax dropped marginally from KShs 7,891 million to KShs 7,884 million.

Future Outlook

KenGen will continue to implement the Revamped Horizon III Good-to-Great (G2G) Strategy.

The Company progressed the capacity expansion projects totalling 439MW, all of which are sourced from sustainable geothermal resources.

Implementation of Olkaria I Unit 6 is progressing well, and the plant is scheduled to bring to the grid 83.3MW by 2021. Contract processes for the 140MW Olkaria VI plant and Olkaria I Rehabilitation (from 45MW to 51MW) are at advanced stages. The implementation of these projects will ensure the Company's continued growth in line with the demand for competitively priced, safe, reliable, and quality electric energy in the Eastern Africa Region.

On diversification, the Company has developed new business lines. These include, among others consultancy and drilling services. We have secured various contracts in Kenya and Ethiopia for geoscientific studies and drilling of geothermal wells. We are also progressing with the development of an energy park, operationalization of a materials testing laboratory and an electronic instruments calibration centre among other business lines.

We are also pursuing our next model for growth through partnerships and collaborations with the private sector and other development partners and agencies.

The Tax Laws (Amendment) Act, 2020 re-introduced compensating tax on distribution of dividends by power producers effective from 25th April 2020.

The medium term macro-economic environment is projected to be difficult, exuberated by the economic shocks arising from the Covid-19 pandemic. KenGen recognizes that the ongoing Covid-19 pandemic may have an impact on its business. The short-term impact of COVID-19 on the Company's performance is likely to be reflected in the 2019/2020 earnings. However, in the long term, the current conditions present opportunities to diversify as the economy recovers from the crisis. The Company remains financially robust with the Directors' reiterating their commitment and confidence in the Company's ability to continue navigating the COVID-19 with the associated macro and socio-economic challenges.

Dividend

The Board is recommending a final dividend of KShs 0.25 for the year (2018: KShs 0.40) for every ordinary share of KShs 2.50 which amounts to KShs 1,649 million for the year (2018: KShs 2,638 million).

Annual General Meeting

The Annual General Meeting of the Company will be held on Thursday, 22nd October 2020.

Closure of Register and Date of Payment

The Directors propose to recommend to Members at the forthcoming Annual General Meeting payment of a first and final dividend for the year ended 30th June 2019 of Kshs. 0.25 per ordinary share held.

If approved at the Annual General Meeting as aforesaid, the dividend will be paid on or about **Thursday, 17th December 2020** to Members whose names appear in the Company's Register as at the close of business **on Thursday, 22nd October 2020.**

To facilitate payment of the dividend, the Register of Members will remain closed **from Friday, 23rd October 2020 to Monday, 26th October 2020,** both days inclusive.

Gratitude to Stakeholders

We would like to thank all our stakeholders, particularly 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.

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.), MBS

MANAGING DIRECTOR & CEO

31 August 2020