PRESS RELEASE

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Kenya Power records 53% increase in pre-tax profits

Kenya Power half-year pre-tax profits for the period July to December 2014 rose by 52% to Shs.6.408 billion shillings from Shs.4.19 billion recorded compared to a similar period in the previous financial year.

The Company's Managing Director and Chief Executive Officer, Dr. Ben Chumo, said that growth in the half-year trading results was due to increased sales as a result of improved power supply and increase connectivity buoyed by tariff increase effected last year.

"Our electricity revenue (excluding foreign exchange surcharge and fuel recovery) grew to Shs.37.6 billion from Shs.26.92 billion recorded in the previous review period due to rise in unit sales and improvement in average yield," said Dr. Chumo.

He said power purchase costs (excluding fuel and foreign exchange costs) increased from Shs.13.7 billion to Shs.20.04 billion due to absorption of additional generation capacity and increase in energy charges. "We increased our power purchase units to 4,320 GWh from 4,093 GWh in a similar period under review."

"Due to the lower than expected rainfall received in the short rain period of October to December, hydro generation was affected resulting in the use of additional power from thermal generation. This saw the fuel cost, which is a pass-through component, increased by Shs.889 million to Shs17.15 billion for the period under review. However, the overall cost which would have been higher was mitigated by increase in geothermal generation," he said.

Dr. Chumo said the Company has been undertaking a countrywide network upgrade and expansion to enhance distribution and connectivity.

"This capital intensive work resulted in an increase in expense costs to Shs10.45 billion from Shs.9.7 billion incurred the previous period. The implementation of power system upgrade projects to improve the quality of service to customers is in line with growth of the business in general," he added.

As a result of the performance, the Directors of the Company have proposed an interim dividend of Shs.0.20 shillings for each ordinary share payable on 29th May 2015.

"Going forward we anticipate robust growth as we continue to implement our business strategy focused on a total upgrade and expansion of the network to enable us evacuate additional power being generated from various sources. With improved supply network we expect to sell more units of power, connect more Kenyans both commercial and domestic and hence better returns in the future," he concluded.

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For more information, contact:

Kenya Power Corporate Communications Dept.

Tel. 3201628/39/47

E-mail communications@kenyapower.co.ke