

THE KENYA POWER & LIGHTING COMPANY LIMITED
UNAUDITED TRADING RESULTS FOR SIX MONTHS ENDING 31 DECEMBER 2008

The Directors are pleased to announce the unaudited trading results of the Company for six months ending 31 December 2008 as follows:

UNAUDITED TRADING RESULTS FOR SIX MONTHS ENDING 31 DECEMBER 2008

	31.12.2008 Shs.Million	31.12.2007 Shs.Million
Revenue:		
Electricity Sales	18,608	12,089
Fuel Cost Recoveries	17,409	7,311
Foreign Exchange Surcharge	515	347
Other Revenue	398	363
Total Revenue	36,930	20,110
Operating Expenditure:		
Power Purchase Costs (Non-Fuel)	9,305	6,148
Fuel Costs	18,075	7,555
Transmission & Distribution Costs	6,959	4,704
Total Operating Costs	34,339	18,407
Operating Profit	2,591	1,703
Net Financing Cost	(400)	(229)
Profit Before Tax	2,191	1,474
Deferred Tax	(726)	(519)
Profit After Tax	1,465	955
Earnings per Share – Basic and Diluted	Shs.18.51	Shs.12.07
Dividend per Share	Shs.2.00	Shs.1.00

BALANCE SHEET AS AT 31 DECEMBER 2008

	31.12.2008 Shs.Million	31.12.2007 Shs.Million
Non-current assets		
Land, property and equipment	42,686	32,515
Non-current intangible assets	-	4
	<u>42,686</u>	<u>32,519</u>
Working Capital		
Current assets	19,902	22,055
Current liabilities	(17,708)	(21,495)
Net Working Capital	<u>2,194</u>	<u>560</u>
Total Net Assets	<u>44,880</u>	<u>33,079</u>
Shareholders' equity	25,178	23,084
Non-current liabilities	19,702	9,995
Total Equity and Non-Current Liabilities	<u>44,880</u>	<u>33,079</u>

CASH FLOW STATEMENT FOR THE SIX MONTHS ENDING 31 DECEMBER 2008

	31.12.2008 Shs.Million	31.12.2007 Shs.Million
Cash generated from operating activities	6,345	966
Net cash used in investing activities	(4,719)	(5,084)
Net cash used in financing activities	970	3,966
(Decrease)/increase in cash and cash equivalents	2,596	(152)
Cash and cash equivalents at 1 st July	756	3,593
Cash and cash equivalents at 31 st Dec	<u>3,352</u>	<u>3,441</u>

REVIEW OF TRADING RESULTS

The Company recorded a pre-tax profit of Shs.2,191 million during the period under review, compared to Shs.1,474 million realized the same period the previous year, an increase of 49%. Electricity revenue increased to Shs.18,608 million from Shs.12,089 million recorded in the same period the previous year, chiefly due to increase in retail tariffs from 1st July 2008.

Foreign exchange surcharge increased by Shs.168 million from Shs.347 million during the previous period to Shs.515 million due to depreciation of the Kenya Shilling against world hard currencies. Other revenue increased marginally by Shs.35 million from Shs.363 million the previous period to Shs.398 million.

The non-fuel power purchase costs rose by Shs.3,157 million to Shs.9,305 million from Shs.6,148 million the previous period mainly as a result of increase in bulk tariff in respect of power purchases incurred by the Company. Fuel cost, which is a pass-through component, increased by Shs.10,520 million to Shs.18,075 million from Shs.7,555 million. The increase was attributable to high fuel prices in the international market as well as increased generation from fuel based plants occasioned by poor hydrology which resulted in reduction of units generated from the hydro power plants. For the same reasons, fuel cost recovered from customers increased by 138% from Shs.7,311 million to Shs.17,409 million during the period under review.

Transmission and distribution costs increased by Shs.2,255 million to Shs.6,959 million from Shs.4,704 million incurred the previous period. The increase during the period was mainly attributable to additional provision for bad and doubtful debts, increase in depreciation and staff costs.

Net financing cost increased by Shs.171 million to Shs.400 million from Shs.229 million the previous period. The increase is attributable to enhanced borrowing to finance operational activities.

Taxation

The Company recorded a net after tax profit of Shs.1,465 million for the period compared to Shs.955 million realized the previous period after taking into account a deferred tax charge of Shs.726 million.

Dividend

The Directors are pleased to announce an interim dividend of Shs.2.00 per ordinary share. The interim dividend will be paid on or about 30th April, 2009 to Ordinary Shareholders on the register at close of business on 19th March, 2009.

The Register of Members will be closed for one day only on 20th March, 2009 to facilitate processing of the dividend.

Balance Sheet

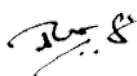
During the period, there was marked increase in both the fixed asset values and the non-current liabilities, each rising by about Shs.10 billion. This was due to increased investment in the electricity network and the procurement of medium term debt in place of short term loans.

FUTURE PROSPECTS

Despite the challenges arising from the national and international economic crisis, we are optimistic that demand for electricity will continue to grow. In this regard, we shall continue to pursue strategies for expanding our customer base and investing in modern and innovative technologies to improve our customer service and revenue collection. Some of these initiatives include connection of about 200,000 additional customers annually, introduction of prepaid metering, installation of automatic meter reading and continued investment in the electricity network in order to improve the quality of power supply.

We are confident of continued business growth in the foreseeable future.

BY ORDER OF THE BOARD



ENG. JOSEPH K. NJOROGE, MBS
MANAGING DIRECTOR & CEO



**The Kenya Power & Lighting
Co. Ltd.**

24 February 2009