



## >> CHAIRMAN'S STATEMENT



KPC continues to undertake projects that are critical in assisting the Kenya Government achieve its Big Four agenda, since fuel is a key enabler for each of the four focus pillars; universal healthcare, food security, manufacturing and affordable housing.

During the year under review, KPC continued with its transformation journey from a pipeline and storage infrastructure company into Africa's premier oil and gas player by laying the foundation for its diversification and expansion into both maritime transport and crude oil exports. This marks a significant milestone towards the achievement of our 2015/25 10-year Corporate Strategic Plan ('Vision 2025'), which aims at transforming KPC into a world-class diversified oil & gas company.

To ensure that it retains and expands its domestic and regional markets, KPC undertook a comprehensive feasibility study and Preliminary Engineering Design for devolvement of pipeline network to the counties. The scope of the assignment covered,

among others, market mapping in various regions that are economically endowed but are currently not served by the existing pipeline network. KPC is now studying the report with a view to mapping out which economically potential counties to which the pipeline can be extended.

KPC is also playing a key role in Early Oil Pilot Scheme (EOPS) by receiving and storing in 3 refurbished tanks at KPRL this crude oil from Turkana. In addition to refurbishing these three tanks, which have a total capacity of 42.9 million litres, KPC also modified the Kipevu Jetty's import equipment to allow for its use for exports and installed a steam boiler for the heating of tanks and pipelines in readiness for export.

To ensure that it retains and expands its domestic and regional markets, KPC undertook a comprehensive feasibility study and Preliminary Engineering Design for devolvement of pipeline network to the counties.

JOHN NGUMI

## >> MANAGING DIRECTOR'S STATEMENT



Kenya Pipeline Company (KPC) has registered another year of incredible financial performance in line with her long standing corporate history.

HUDSON K. ANDAMBI, OGW  
AG. MANAGING DIRECTOR

KPC transformation plan is anchored on the government's Big 4 agenda and guided by KPC's 10-year Corporate Strategic Plan ('Vision 2025') which aims at transforming KPC into a world-class diversified oil & gas company.

Once again, Kenya Pipeline Company (KPC) has registered another year of incredible financial performance in line with her long standing corporate history. As the region's premier petroleum and gas pipeline, KPC hosts some of the region's most vital and strategic infrastructure. The company currently has a combined asset base of Kshs **136 billion**, ranking it among the largest firms in the region. This is a 6% increase from the previous year because of the coming on board of Line 5, Kisumu oil jetty and the additional storage tanks in Nairobi terminal.

### FINANCIAL PERFORMANCE

The Company posted an 8% increase in Pre-Tax Profit of **KES 12.4 billion** for the financial year ended 30th June 2018 compared to **KES 11.5 billion** achieved in the previous financial year. The higher profitability is mainly attributable to increase in throughput volume especially in the domestic market and prudent cost management. The Company's cash reserves went down by 30% to KES 5.3 billion compared to KES 7.5 billion at the end of the previous year. This was as a result of the repayment of principal and interest on the Line 5 loan, funding for the construction of the Kisumu oil jetty and the 4 additional storage tanks in Nairobi terminal increasing storage capacity from 100M litres to 236M litres.

### KEY CAPITAL PROJECTS

The period under review saw the Company complete some of the key capital projects whose status is given below:

- Replacement of the Mombasa-Nairobi Pipeline (Line 5):** This is a 20-inch diameter pipeline which will replace the existing 14-inch diameter pipeline. Billed as Kenya's second largest infrastructural undertaking designed to meet projected petroleum demand up to the year 2044, Line 5 was completed on 30th June 2018.
- Construction of the Kisumu Oil Jetty:** This project was completed and handed over to KPC on 28th February 2018. Once it begins commercial

operations, the jetty will enable KPC to export fuel to Uganda and onward to Rwanda, Burundi and South Sudan. This will take away about 120 petroleum trucks from the road.

- Construction of Additional Storage Tanks at Nairobi Terminal:** This project, which was completed on 30th June 2018, involved construction of additional tanks to provide sufficient capacity for receipt of higher volumes of Automotive Gas Oil (AGO), Motor Spirit Premium (MSP) and Jet A-1 products. Now operational, the project is expected to enhance operational flexibility, capacity of product receipt and evacuation in Nairobi with the coming on board of the new Mombasa-Nairobi pipeline.

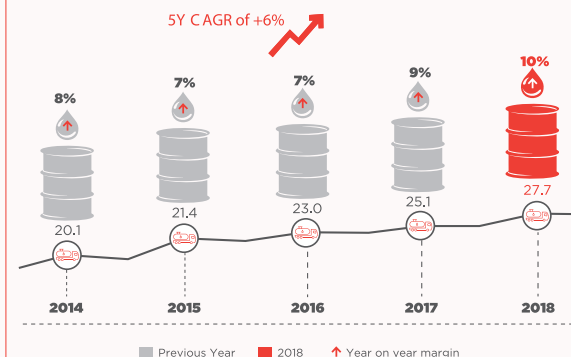
Besides the above projects, the Company was also involved in the following critical initiatives during the FY 2017/18.

- Operationalization of Bottom Loading Arms in Eldoret:** During the year under review, KPC began operating the new additional truck loading facilities at Eldoret depot to cope with the rising demand for petroleum products in the Great Lakes Region. Loading time reduced by 50% and therefore reducing congestion of trucks hence enhancing safety around the depot.
- Leasing of Kenya Petroleum Oil Refineries Limited (KPRL):** Following the close of negotiations between the Ministry of Energy and Petroleum, KPC and KPRL on acquisition of the KPRL facilities by KPC, government took the decision to have KPC let the facilities as opposed to acquisition.

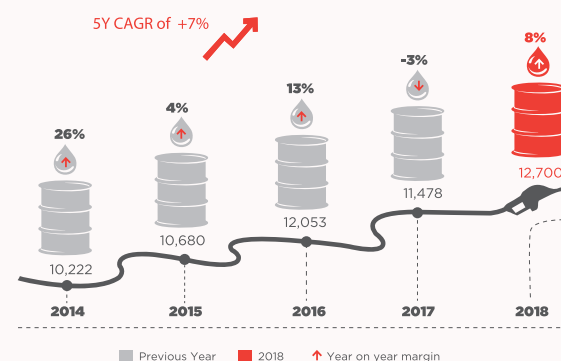
From the foregoing, it is evident that KPC is gearing up towards a brighter future with these key investments. Our key focus is on the expansion of our pipeline network and expansion of our storage capacity to meet both local and regional demand. All our investments are anchored on Vision 2030 and guided by KPC's 10-year Corporate Strategic Plan, dubbed *Vision 2025*, which aims at transforming KPC into a world-class diversified oil & gas company.

# 2018 Performance

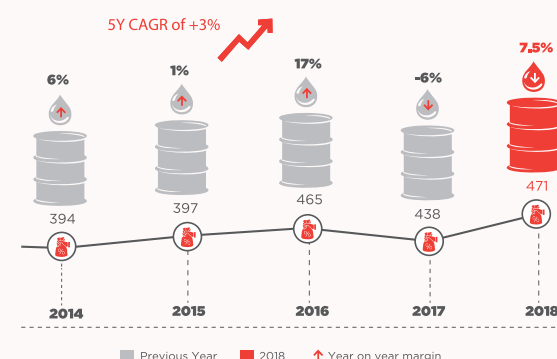
## Throughput Revenue (In Kshs. Millions)



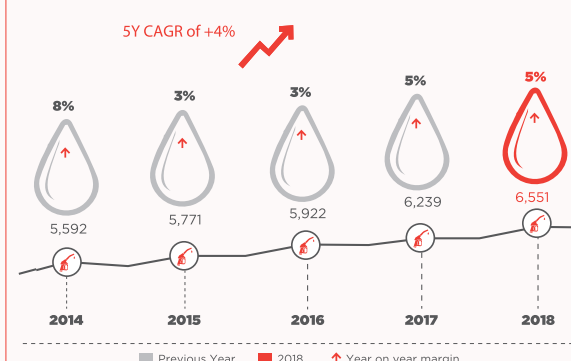
## Profit Before Taxation (In Kshs. Millions)



## Earnings Per Share (In Kshs. Millions)



## Throughput (In 000s m3)



## 2018 Taxes Paid (Kshs. Millions)

