QUESTIONS FROM SHAREHOLDERS

INVESTOR RELATIONS

1. **What does the future hold for me as a shareholder given the scandals that have continued to bedevil the Company?**

   We would like to assure our shareholders, and indeed all our stakeholders that the Company is addressing some of the issues that have impacted the company including integrity issues and corporate performance.

2. **What is the management doing to seal loopholes of revenue leakages as reported in the media?**

   As a Company, we have identified certain key priority areas as the anchors of our turn-around strategy namely: growth in sales increased revenue collection; improvement of system efficiency and cost management. These priority areas are underpinned by entrenching a customer focused culture which will be achieved by among other things, addressing the following issues: billing; outages and connectivity.

   To address the issue of revenue collection, the business has increased its field presence by introducing a county based business structure, which devolves accountability and performance to the smallest business unit. Further to this, we are also hiring the services of debt collectors. To complement these efforts, we have deployed the use of mobile technology through the USSD platform *977#, and MyPower App to make it easier for our customers to pay their bills and engage with us. This is in addition to the deployment of smart meters which allow remote access to customer meters for billing and inspection purposes.

3. **What are the drivers behind the increase in electricity sales?**

   Domestic customers' consumption increased by 2.6% due to new customers connected and increased sensitization on use of electricity.

   Small Commercial category grew by 2.3% due to deliberate focus on SME customers by the Company.

   Commercial and Industrial category registered the highest growth in unit sales of 4.2% due to an increase in production capacity/ consumption by key customers. Further, customers embraced the time of use tariff (TOU). On average over 35% benefited from the TOU tariff.

4. **What are your sales and revenue forecast for the next full year?**

   Unit sales are projected to grow marginally by at least 3% given the impact of the Covid-19 pandemic.

5. **What strategies has KP put in place to grow sales units in the near- and long-term future?**

   Increased connectivity targeting premium customers by accelerating their applications and connections.

   Launch of Know Your Meter (KYM) and installation inspection campaigns which involve mass inspection of customer meters, identification of illegal connections and tampering of meters and taking corrective action.

   Installation of smart meters to eliminate meter tampering and by pass.

   Reduction on unserved energy, through the introduction of the live line maintenance teams.

   Modernization and automation of the grid network for supply reliability and network self-healing.

6. **What led to a dip in forex adjustment at a time when the shilling is weak to the dollar?**

   The decrease is mainly due to the review of the foreign exchange base rates in the July 2018 tariff structure bringing them closer to the market exchange rate.

7. **Other operating income dropped by 6.45%, what led to the drop? What constitutes other income? What are you doing on business diversification for new revenue streams?**
   Other income refers to income from sources other than electricity such as fibre optic leases, amortization of capital contributions, rental income and reconnection fees.

   The decrease in other operating income is mainly attributable to reduced revenue from amortisation of capital contribution and transmission line maintenance by Shs. 398 million and Shs. 133 million respectively.

8. **Increased connections are not matching with revenue, which could eventually lead to system losses for the company. How will management address this and what is the root cause of stagnating revenues with increased connections?**

   Majority of the new connections are for domestic rural customers under the last mile program. The consumption of these customers is on average about 6 units per month which explains the low revenues.

   The Company is undertaking customer awareness and education to promote the use of electricity aimed at driving demand.

9. **What is the main reason for the decline in net profits and share price yet there is growing demand for electricity?**

   The main reasons for the decline in profits are:

   - Increased power purchase costs
   - Increase in finance cost
   - A drop in system efficiency (Increase in losses)
   - Non reflective retail tariff
   - Foreign currency fluctuation.

10. What recovery plan is the Company banking on?

As mentioned above, the company is aggressively pursuing a turn-around strategy that is underpinned by increased sales; revenue growth; enhancing system efficiency and cost management. To this end, we have rolled out a number of initiatives to address this which include:

1. To drive revenue growth, we have deployed a robust revenue collection initiative that is buttressed by an increased field presence and the use of technology.
2. The implementation of stringent cost management measures.
3. We are also renegotiating and rescheduling some of our loan obligations.
4. To increase sales, we have reviewed our processes and introduced the use of technology in order to accelerate connectivity and enhance the customer's experience.
5. To tackle system losses, we have stepped up meter inspections and increased the adoption of smart meters. We are also, in partnership with law enforcement agencies, cracking down on those abetting electricity theft.
6. Improving staff productivity: All management staff are on performance contracts and the performance measurement mechanism for other staff is being deployed. To drive the entrenchment of a performance culture within the organisation, we are conducting a culture audit which will be followed by the roll-out of a culture change initiative.

11. How much is the dividend per share this year?

The Company has not declared any dividend for the year ended 30th June 2019

12. What channels does the Company use to pay dividends to shareholders?

KPLC pays dividends through Mpesa, EFT or cheque. Shareholders are encouraged to contact 0711031264, 0711031277, 0711031220, 0711031267 or shares@kplc.co.ke to register for any of these options.

13. I bought my KPLC shares through Coop bank many years ago and I have never received any dividends. What could be wrong?

The last dividend was paid on 31st January 2018. Please get in touch with us through 0711031264, 0711031277, 0711031220, 0711031267 or shares@kplc.co.ke in case you require further clarification.

14. What gifts is the Company offering to shareholders this year?

Unfortunately, due to the effects of Covid-19, we are not in a position to hold a physical annual general meeting and as such we will not be offering any gifts to shareholders.

31. For issues relating to blackouts, how have you handled the transformer issues and the ever degrading 11 & 66 lines especially in Nairobi and rural areas.

We have rolled out a project to address transformer failures in all regions across the country. This will involve identification and recovery of illegal lines that overload transformers, load balancing and uprating some of the transformers.

The 66kV network is experiencing challenges due to increase in load. However, the Company is implementing projects that are meant to address this challenge. For instance, in Nairobi, we recently commissioned a 220/66kV substation that will boost the Nairobi Ring project.

Extension of 11kV feeders to cater for accelerated connection of primary schools across the country contributed to the low quality supply. However, corrective measures are being undertaken to address this problem.

32. You are asking for a tariff increase at a time when many Kenyans are facing tough economic times and can barely get by; equally, the cost of power is already prohibitive, and is in-fact contributing to Kenya losing her attractiveness as an investment destination. Why can't you deploy an alternative strategy that doesn't include making the cost of power more expensive?

The Energy Act, 2019 puts the mandate of reviewing electricity tariff on EPRA. Pursuant to the requirement of the Act and existing tariff review policy, such reviews are done after expiry of the tariff control period (after every 3 years) and or such period as determined by EPRA. Kenya Power buys and sells electricity.

Overtime new generation capacity has come in and this comes with costs that need to be factored in the retail prices. These costs include generation, transmission and distribution costs. On its part, KPLC is working on a cost reduction strategy towards reducing its cost of doing business. As more customers come on board, the economies of scale then will automatically reduce price per unit especially in our current situation where supply is surpassing demand growth.