



QUESTIONS FROM SHAREHOLDERS

- 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 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.

4. 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:

- 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.
- The implementation of stringent cost management measures.
- We are also renegotiating and rescheduling some of our loan obligations.
- 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.
- 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.
- 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.

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

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

6. 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.

7. 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.

8. When and how do the residents of Kiburuti village, Wanjohi Ward of Kipipiri Constituency in Nyandarua benefit from the Last Mile Project?

The Last-Mile Connectivity Project is being executed in phases. We shall include the residents of Kiburuti Village in the upcoming phases as the funds are availed by the Government.

9. 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.

10. What is the Company doing to address the rising debt?

The Company is addressing the rising debt by:

- Constantly engaging with customers through various channels to prompt them to pay their bills.
- We have introduced a USSD platform, *977# and a mobile app MyPower app, through which customers can query their bills and make payment conveniently.
- We have also received the support of the National Treasury in pushing for the payment of electricity bills by GOK establishments, parastatals and water companies.
- We are also hiring the services of debt collectors to complement internal revenue collection activities.
- As an organisation, we are in the business of keeping the lights on, however, when all engagements fail, we will disconnect unpaid accounts in order to trigger payment.

11. Why has the Company issued a profit warning for three years in a row and what measures are being undertaken to reverse this trend?

A profit warning is issued by a listed entity when the projected earnings are anticipated to be lower than those in the preceding published financial statements by more than 25%. This is in accordance to the listing rules under the CMA Act.

KPLC's performance has declined over the past 3 years due to among other factors; slow growth in demand against an increase in supply, increase in system losses due to rapid grid expansion, high finance costs on project debt for investments that are not generating a commensurate return due to subdued demand growth, and pricing tariffs aimed at cushioning the low income earners.

Measures currently under implementation to stem the declining performance are;

- Increased focus on revenue, and sales growth buoyed by rigorous cost management measures;
- Reengineering business processes by leveraging technology, e.g. Live Line Maintenance to ensure minimal outage even during maintenance, smart metering to increase accuracy and efficiency in billing and reducing system losses;
- Enhanced collaboration within the sector by optimising infrastructure and aligning investments;
- Restructuring electricity pricing across customer categories;
- Diversification to expand revenue streams by growing other business lines such as the provision of fibre, and energy training and consultancy through the Company's Institute of Energy Studies and Research.

12. Is the Company considering diversifying to other sources of income?

KPLC operates in a regulated sector hence the need to diversify into other non-regulated sectors/businesses. KPLC has already and is continually increasing its fibre business with increasing coverage and partnerships with the National and County Government.

Our Institute of Energy and Research is diversifying the course offerings towards professional courses and developing the consultancy business.

KPLC is also working towards the commercialization of the KPLC garage and the meter laboratory to offers services to other companies and individuals as well as developing a water bottling facility.

13. What is the impact of IFRS 9 on the numbers?

IFRS 9 has resulted in an increase in provisions from KShs. 14 billion in 2018 to KShs. 20 billion, as a result of use of expected credit loss model in place of the incurred loss model applied under the old accounting standard IAS 39.

14. A lot of your loans and purchases are denominated in foreign currencies. Given the performance of the shilling against the dollar this year, what impact are you expecting and what mitigations are you putting in place?

Since the tariff structure allows the Company to recover from customers any realized losses resulting from currency exchange variations or refund them gains from such variations where the exchange rates fall below those assumed in the tariffs approval, KPLC is considering recognizing unrealized variations in the Statement of Financial Position (Balance Sheet) as a deferred asset or liability depending on the exchange rate ruling at the close of the financial period until the same is realized and reallocated for recovery from customers.

15. What investments have been made in the network? And why are we not seeing the results of the same?

Since the tariff structure allows the Company to recover from customers any realized losses resulting from currency exchange variations or refund them gains from such variations where the exchange rates fall below those assumed in the tariffs approval, KPLC is considering recognizing unrealized variations in the Statement of Financial Position (Balance Sheet) as a deferred asset or liability depending on the exchange rate ruling at the close of the financial period until the same is realized and reallocated for recovery from customers.

16. 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.

17. You had mentioned that staff were abetting electricity theft. What is the company doing to address this?

All cases where staff were involved have been investigated and deterrent disciplinary actions taken on all those culpable including dismissal, arrest and prosecution. Surveillance has been enhanced in conjunction with DCI and other security agencies to sustain the fight.

18. Your staff are very slow in responding to customer issues and are in some cases, rude. In fact, for many Kenyans, we wish we had an alternative power distributor. What are you doing to change this?

We have reviewed the Company's organizational structure to have County as a profit center and focus of business operations to bring services closer to our customers improve operational efficiency and supervision. The structure provides for staff accountability across the various sectors and zones established.

We are strengthening our complaint resolution mechanisms by introducing new channels where customers can raise complaints. Recently, we introduced a USSD code *977# through which customers can file complaints about our services and misconduct by our staff.

At the same time, the code is a self-service platform that empowers our customers to access our services conveniently.

19. You mention in the report that you have made investments in the network, yet many Kenyans are sometimes left in the dark, for days or even months, because of the unavailability of transformers. What is being done to address this now and in the future?

We are cognizant of instances where our customers have experienced prolonged outages because of transformer failure. We have awarded tenders for supply of new transformers to bridge the gaps. We have also awarded a tender to three local contractors for repair services of faulty transformers.

20. What is the impact of electricity theft on the business and what are you doing to address this?

Electricity theft leads to increased commercial losses which impacts negatively on the Company's bottom line.

Some of the key activities being done to address electricity theft include;

- Enhanced Installation inspection to identify any metering anomalies, e.g. unmetered supplies, bypasses, meter tampering and promptly normalizing and recovering the lost revenue.
- Prompt replacement of faulty meters either reported by customers, identified during inspection or identified during meter reading.
- Installation of Smart Meters for all Large Power customers and SMEs to provide alerts when there is any attempt to tamper with the meter.
- Metering of all feeders, regional boundaries and county boundaries and analysing the feeder data to identify areas of high losses and take corrective action.

21. One of the reasons electricity theft is rampant is because of the high cost of connectivity, and even in cases where customers pay, the time taken to get connected to the grid is often too long. What measures are you putting in place to address this conclusively?

In order to ensure timely connection of customers, we have deployed Business Development Officers in every County. These officers have been tasked with managing new applications by walking with the customers from the inception of application process up to the time the customer is connected to the grid.

This new arrangement will ensure that the customer is updated at every stage of the application process and that the applications are monitored for timely connections.

In addition, customers can now make connection application online and track the same to ensure timely connection.

To address the high cost of connection, the government has initiated the Last Mile Connectivity Program aimed at covering the cost of network construction with Kenyans meeting the cost of connection only at a rate of KShs. 15,000 which can be paid in instalments over 2 years.