Kenya Power

THE KENYA POWER AND LIGHTING PLC

103RD AGM ON 29TH NOVEMBER 2024

QUESTIONS FROM SHAREHOLDERS 2023/2024

No.	Questions and Answers
1.	**Is the Company paying a dividend for the year ended 30th June 2024?** Yes, the Company has declared a first and final dividend of KShs 0.70 per ordinary share for the year ended 30th June 2024 to shareholders registered in the books of the Company at the close of business on 2nd December 2024. If the dividend is approved by the Shareholders, it will be paid on or about 31st January 2025.
2.	**Can I receive my Dividend by MPESA?** Yes, the Company pays Dividend by MPESA, EFT and other preferred method by our shareholders. Please get in touch with your stock broker or investment bank by 2nd December 2024 to register your MPESA, EFT or other preferred dividend payment method.
3.	**I never receive any dividends. What could be the problem?** Please note that the last dividend payment was for the year ended 30th June 2017 which was paid on 31st January 2018. However, if you were a shareholder then, and did not receive it, please get in touch with us through 0711031264, 0711031277, 0711031220, 0711031267 or shares@kplc.co.ke.
4.	**How is Kenya Power positioning itself from a competitive standpoint following a government bill to liberalize the electricity distribution market by Q1'25 and should we expect to see a repeat in stellar growth in revenue following increased new customers or was that just a one-time event?** The open-access draft regulations are currently under public consultation, and if approved, they will allow private firms to sell electricity directly to consumers. In response to this anticipated market liberalization, Kenya Power is repositioning itself through strategic initiatives such as grid modernization, enhanced service delivery, digital transformation, revenue diversification, improved operational efficiency, and other customer retention strategies. These measures are expected to drive growth in sales revenue moving forward, ensuring Kenya Power remains competitive in the evolving energy landscape.

Kenya Power

No.	Questions and Answers
5.	**Where does Kenya Power's efficiency stand as of 2024? The last publicly available data as of 30th June 2022 states that it is at 77.57%.** Efficiency stood at 76.8% as at 30th June 2024
6.	**What strategies does Kenya Power have in place to improve its Working Capital Position, what is its debt reduction plan and its view on how the interest income is likely to affect bottom line considering that the one time KES strengthening is unlikely to repeat itself?** The Company has been in a negative working capital position over the past eight years, during this period consistent improvement has been achieved in reducing the net liability position a low of negative KShs 74.85 billion as at June 2020 to negative KShs 27.44 billion at the end of the year under review, achieved through optimisation of our financial resources. We are actively pursuing initiatives to reduce market-based debt through innovative funding options and strategic financing partnerships. These include leveraging result-based financing models, such as the World Bank's GREEN Resilient Financing, to ensure that borrowed funds are utilized efficiently to achieve targeted outcomes. While interest income has not been a major contributor to our bottom line, we remain committed to maximizing its potential where possible to enhance financial performance.
7.	**As part of KPC's revenue diversification strategy the company talked about leasing over 7,000 km of overhead fibre optic installed across 44 countries. With the rise in internet consumption across the region, how has this line item contributed to the company's topline and what is the company's outlook on fibre cables as an income generating asset?** Our fiber leasing business continues to demonstrate steady growth, with revenues increasing by 16% to KShs 940 million during the reporting period, up from KShs 812 million in the previous year. To address the growing demand from dark fiber customers and support internal requirements, the Company is expanding its network by installing an additional 657 kilometers of high-capacity fiber cable, connecting Nairobi to all regions and counties.
8.	**What strategies does the company have in place to ensure it sustains cost of sales efficiency particularly from power purchases considering that the purchases are done in foreign exchange currency and we do not anticipate significant strengthening in the future?**

Kenya Power

No.	Questions and Answers
	Kenya Power is implementing several strategies to sustain cost-of-sales efficiency. These include diversifying the energy mix by increasing reliance on renewable sources, improving grid infrastructure to enhance reliability, and reducing system losses. The Company is also driving energy demand growth through electrification programs like the Last Mile Connectivity initiative. Additionally, it is renegotiating existing Power Purchase Agreements (PPAs) and ensuring that new agreements include terms designed to mitigate currency-related risks.
9.	**Question on Declared Dividend of 0.70 per share - First of all congratulations for a good performance of the Company in the financial year ending June 2024. Given that shareholders have not earned dividends for the last 6 years, it is not clear why the Board of Directors elected to declare such a small dividend noting the huge profits made by the company. Please explain.** 1. In line with its dividend policy, the Company made the following key considerations in determining the amount of dividends to be paid; 2. The financial performance of the company (part of this relates to unrealized gains which are not distributable as dividends) 3. The investment requirements to implement strategy and secure the company's financial sustainability 4. Working capital position (still negative) and cash availability so as not to borrow to pay dividend.
10.	**Question on Retained Earnings - How does the company management intend to use the retained earnings in this financial year to enhance system efficiency, reduce loss of electricity due to vandalism and theft of infrastructure, curb illegal connections, improve decayed infrastructure, and connect more people to the grid etc. When will you ever stop telling potential customers that you have no meters, no transformers, etc?** The Company experienced shortages of meters and transformers for the year ended 30th June 2023 due to procurement related litigations. However, the situation improved in the second half of the year after the resolution of these cases. As a result, we connected 447,251 new customers during the year under review, supported by the enhanced availability of critical materials. Looking ahead, the Company is committed on a growth strategy through balanced allocation with the objective of availing optimum resources to effectively serve our customers, secure revenues and leverage on high impact investments to drive our shareholder value proposition.
11.	**Has the Company received approval to use commercial Banks rates used in buying foreign currencies as opposed to CBK rate when determining the forex adjustments to be recovered from the customers? I note that the difference**

No.	Questions and Answers
	between commercial rates and CBK rates contributed significantly to realised forex losses in the past. The approval is yet to be obtained but the Company has engaged and sensitized all the stakeholders in this matter, we expect to get the approval in due cause.
12.	**Audited Reports- Currency risk -What is the reference exchange rates for the key/large foreign currency denominated loans used in determining forex gains/losses** The reference rate in terms of recognition in the financial statements is the CBK rate at the reporting date (30 June of the financial year), the company undertakes revaluation of its foreign currency obligations in line with IAS 21.
13.	**Kindly clarify why the Company did not pay out dividends equivalent to 80% of its net profit after tax as directed by the National Treasury Circular of March 2024 to all Commercial State Corporations .Was the company exempted from this directive and for how long.** KPLC is a listed entity with the government owning 50.1%, it has a dividend policy which requires consideration of key factors in determination of the amount of dividends to be paid, these include; 1. The financial performance of the company (part of this relates to unrealized gains which are not distributable as dividends) 2. The investment requirements to implement strategy and secure the company's financial sustainability 3. Working capital position (still negative) and cash availability so as not to borrow to pay dividend.
14.	**Will the shareholders be always at the mercy of the shilling to dollar variations for us to earn dividends?** No, shareholders will not be entirely at the mercy of fluctuations in the dollar for dividends. In addition to strengthening of the Kenya Shilling against the world currencies, our earnings was performance was largely driven by a 21 percent increase in revenue to KShs 231.12 billion, mainly attributed to new connections and increased manufacturing activity. Looking forward, we are committed to enhancing the Company's performance through sustainable growth initiatives outlined in our Five-Year Corporate Strategic Plan (2023/24–2027/28). These measures aim to ensure consistent returns to shareholders regardless of currency fluctuations.

Kenya Power

No.	Questions and Answers
15.	**What's KPLC's stand on ending its distribution monopoly**? In response to this anticipated market liberalization, Kenya Power is repositioning itself through strategic initiatives such as grid modernization, enhanced service delivery, digital transformation, revenue diversification, improved operational efficiency, and other customer retention strategies. These measures are expected to drive growth in sales revenue moving forward, ensuring Kenya Power remains competitive in the evolving energy landscape.
16.	**You disclose earnings per share of KES 15.41 but only paid out a dividend of 70 cents. How do you justify this to shareholders? When may we expect significant dividends, if ever?** In line with its dividend policy, the Company made the following key considerations in determining the amount of dividends to be paid; 1. The financial performance of the company (part of this relates to unrealized gains which are not distributable as dividends) 2. The investment requirements to implement strategy and secure the company's financial sustainability 3. Working capital position (still negative) and cash availability so as not to borrow to pay dividend.
17.	**When is the asset transfer to Ketraco going to be effected? We have heard 'soon' for several years. Can we please get a more specific and realistic timeline for this to happen? Despite having agreed that the companys' debt will be addressed as part of the transfer, why are you still paying off the loan even as you delay the asset transfer, which would ultimately resolve the debt issue?** The valuation of the identified transmission assets is in progress, with the transfer to KETRACO expected to be completed by 30 June 2024. Until the transfer is finalized, Kenya Power will retain responsibility for the on-lent loans and ensure they are serviced as they become due.
18.	**After the announcement of results, the CFO in a televised interview mentioned that you would be approaching the capital markets soon. Please give more details about what he was referring to.** As a listed entity the company is open to sourcing funds through Capital Markets to fund its investment projects as per its strategic plan, to do this it is important to inspire investor confidence through improved business performance and sustainable growth strategies. The company has not set the specific timeline for when it will approach the capital markets and there are several factors that will inform this decision including; the share price performance, the required capital outlay for strategic investments among others.