

THE KENYA POWER & LIGHTING COMPANY LIMITED PROPOSED SHARE CAPITAL RESTRUCTURING

PUBLIC ANNOUNCEMENT

On 19th November 2009, the Board of Directors of the Kenya Power & Lighting Company Limited (KPLC) announced the Company's intention to restructure its capital base. Since then, KPLC has worked on the modalities of implementing the programme and, on 6th October 2010, the Directors resolved to recommend to the shareholders the following steps aimed at strengthening the Company's capital structure:

- a) redemption of the 794,962,491 7.85% Redeemable Non- Cumulative Preference Shares owned by the Government (the "RPS") by issue of 76,622,891 new ordinary shares, to be created for the purpose, of K.Shs 20/= each to the Government;
- b) carry out a share split of the shares of KPLC such that every one ordinary share of KShs 20/= each will be split into eight ordinary shares of K.Shs 2.50/= each; and
- c) floatation of a rights issue of 488,630,245 new ordinary shares of K.Shs 2.50/= each such that existing KPLC shareholders will be entitled to purchase 20 new ordinary shares of K.Shs 2.50 each for every 51 ordinary shares of K.Shs 2.50 each held at a price to be determined by KPLC shortly. The Government has undertaken to renounce all its rights under the rights issue offer in order to mitigate any short term dilutive impact of the redemption of the RPS on the holders of ordinary shares in KPLC. KPLC will also enter into underwriting arrangements for a significant portion of the rights under the rights issue offer.

All the above measures are subject to receiving all regulatory and shareholder approvals upon which they are expected to be implemented before the end of 2010.

It is envisaged that the above capital base restructuring measures, when implemented, will have the following positive effects on KPLC:

- create an equitable position amongst shareholders (Ordinary & Preference);
- eliminate the fixed dividend burden of the RPS;
- strengthen KPLC's balance sheet to enable the Company raise funds;
- enhance market liquidity of the shares giving rise to better price discovery; and
- raise funds for investment.

Further details of the above exercise are currently being finalised and will be communicated to KPLC shareholders in due course.

The shareholders of KPLC and the public are advised to exercise caution when dealing in the shares of KPLC.

By order of the Board



ENG. JOSEPH NJOROGE, MBS
MANAGING DIRECTOR & CEO
6th October 2010



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