



Kenya Electricity Generating Company Limited
 (“KenGen” or “the Company”)

**The Capital Markets Act and
 The Capital Markets (Securities)(Public Offers, Listing and Disclosures) Regulations, 2002**

SHAREHOLDERS’ CIRCULAR ON THE ALLOTMENT OF OFFER SHARES TO THE PUBLIC INVESTMENT CORPORATION SOC LIMITED

1. Introduction/Background

Reference is made to the KenGen rights issue, wherein the Company offered 4,396,722,912 New Shares at a ratio of two (2) for one (1) at an Offer Price of KES 6.55 (“**Rights Issue**”) aimed at raising KES 28.8 billion. The results as indicated below were made through a public announcement on 30th June 2016:

| | |
|--|-------------------|
| Total number of New Shares Offered | 4,396,722,912 |
| Total value of New Shares Offered (KES) | 28,798,535,073.60 |
| Total number of New Shares taken up* | 4,045,512,323 |
| Total value of New Shares taken up (KES) | 26,498,105,715.65 |
| Total Subscription Performance Rate | 92.01% |
| Number of Untaken New Shares | 351,210,589 |

*All applicants received 100% allocation of the New Shares applied for.

At the Annual General Meeting held on 16th December 2015 the Shareholders of the Company approved the Rights Issue, and passed a resolution authorizing the Board of Directors to dispose of shares not taken up by any shareholders at a price and on terms that the Board consider expedient.

Subsequently, at its meeting held on February 22, 2017 KenGen’s Board of Directors passed a resolution and entered into an agreement (“**Subscription Agreement**” or “**SA**”) to allot 351,210,589 ordinary shares that were left untaken following the Rights Issue (“**Offer Shares**”) at a price of KES 6.55, in line with the Rights Issue price, to the Public Investment Corporation SOC Limited, acting in its capacity as the authorised representative of the Government Employees Pension Fund (“**PIC**”). The Board considers the allotment to PIC as an appropriate action for the following reasons:

- It would enable the Company to raise the additional KES 2,300,429,358 that had been anticipated from the Rights Issue. This sum would be used towards the Company’s goal to part finance the new geothermal and wind power projects that form part of its 720MW development plan;
- On conclusion of the Rights Issue, the Government of Kenya’s (“GOK”) shareholding in the Company increased marginally from 70% to 74%. However, by offering the Offer Shares to PIC, GOK’s shareholding would be diluted down back to 70%;
- PIC is a long-term and desirable investor, who would provide stability to the Company’s share and support its long-term objectives. More details on PIC are provided below.

In light of the aforementioned, the GOK via its letter dated January 16, 2017 has given its support for the proposed allotment of the Offer Shares to PIC.

2. Details of the Proposed Issue

KenGen is allotting 351,210,589 Offer Shares to PIC at the Rights Issue Offer Price of KES 6.55, as per a Subscription Agreement entered into between KenGen and PIC dated 22 February 2017. This allotment will result in an overall dilution of 5.33% to the current shareholders of the Company. As per the terms of the agreement, PIC shall not have any board representation as a result of this allocation. However, PIC may choose to nominate a Director for appointment to the Board, subject to the provisions of the Articles of Association and to all applicable laws and regulations.

Basis for Setting the Offer Share Price

Since the Offer Shares that are available to PIC are a result of the Rights Issue, the parties agreed on setting the price of the Offer Shares at the Rights Issue price of KES 6.55 taking into consideration the following:

- That the Offer Shares had been offered first to the shareholders of the Company who had taken them up at the Rights Issue price of KES 6.55;
- That the Rights Issue price was at a premium to the market price;
- That PIC was looking to being a committed long-term shareholder of the Company.

The current share structure of the Company as at 20 March 2017 prior to the proposed issue of the Offer Shares is:

| Names | No. of Shares | Percentage (%) |
|---|----------------------|----------------|
| Cabinet Secretary - The National Treasury | 4,615,424,088 | 73.93% |
| Stanbic Nominees Limited | 186,776,700 | 2.99% |
| Kenya Commercial Bank Nominees Limited A/C 915A | 76,637,446 | 1.23% |
| Stanbic Nominees Limited* | 72,906,300 | 1.17% |
| Standard Chartered Nominees Resd A/C KE11443 | 65,634,994 | 1.05% |
| Standard Chartered Nominees Resd A/C KE11450 | 64,702,437 | 1.04% |
| Standard Chartered Nominees Resd A/C KE11401 | 59,767,480 | 0.96% |
| Standard Chartered Nominees Non-Resd A/C 9287P | 54,000,000 | 0.86% |
| Standard Chartered Nominees Ltd A/C KE002339 | 50,000,000 | 0.80% |
| Standard Chartered Nominees Non-Resd A/C 9626 | 26,000,000 | 0.42% |
| Other Shareholders | 971,462,305 | 15.56% |
| Total | 6,243,311,750 | 100% |

*As at March 20, 2017 PIC had bought an additional 12,200,100 shares, bringing their total holding to 85,106,400 (equivalent to 1.36% shareholding)

On allotment of the proposed Offer Shares, assuming all else equal, the share structure of the Company will be:

| Names | No. of Shares | Percentage (%) |
|---|----------------------|----------------|
| Cabinet Secretary - The National Treasury | 4,615,424,088 | 69.99% |
| Stanbic Nominees Limited* | 424,116,889 | 6.43% |
| Stanbic Nominees Limited | 186,776,700 | 2.83% |
| Kenya Commercial Bank Nominees Limited A/C 915A | 76,637,446 | 1.16% |
| Standard Chartered Nominees Resd A/C KE11443 | 65,634,994 | 1.00% |
| Standard Chartered Nominees Resd A/C KE11450 | 64,702,437 | 0.98% |
| Standard Chartered Nominees Resd A/C KE11401 | 59,767,480 | 0.91% |
| Standard Chartered Nominees Non-Resd A/C 9287P | 54,000,000 | 0.82% |
| Standard Chartered Nominees Ltd A/C KE002339 | 50,000,000 | 0.76% |
| Standard Chartered Nominees Non-Resd A/C 9626 | 26,000,000 | 0.39% |
| Other Shareholders | 971,462,305 | 14.73% |
| Total | 6,594,522,339 | 100% |

*With the additional shares bought from the market (as above), PIC’s total holding on allotment, assuming all else equal would be 436,316,989 shares (equivalent to 6.62% shareholding)

3. KenGen Overview

KenGen is the largest power producer in Kenya and East Africa, with an installed capacity of 1,630MW and commands a market share of 69% and 80% of national energy consumption as at 30 June 2016. KenGen was established in 1954 and was listed on the Nairobi Securities Exchange in May 2006.

KenGen’s corporate vision is to remain the market leader in the provision of reliable, quality, safe and competitively priced electricity. KenGen is also the largest geothermal power producer in Kenya, ranking Kenya 7th globally in geothermal installed capacity and number one in Africa. KenGen is the only company in Kenya to earn carbon asset funds under the Clean Development Mechanism and is the largest wind power producer in East Africa.

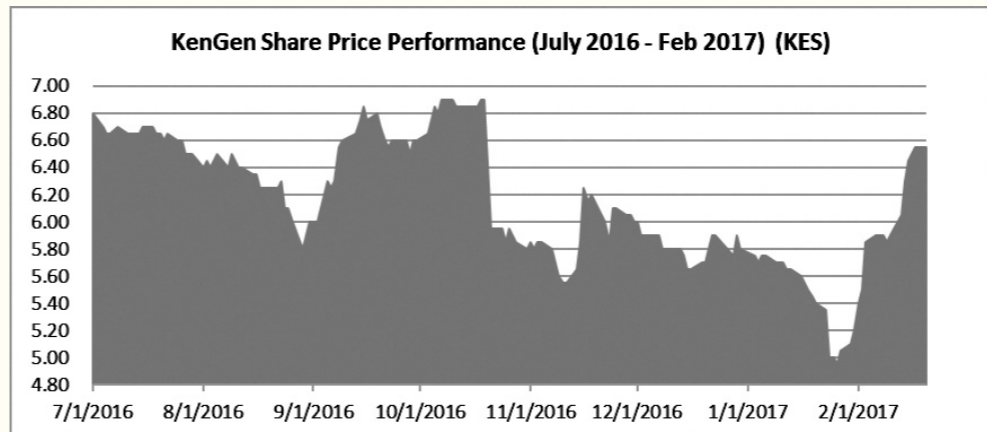
The Company is propelled by the Good-to-Great (G2G) Transformation to a “Great Company” through the creation of sustainable value from “One Generation” to the “Next Generation”. As a result, KenGen is able to generate competitively priced electric energy using skilled and motivated human resource and state-of-the-art technology in line with the core values of professionalism, integrity, safety culture and team spirit.

The current Board of Directors of KenGen are:

| NAME | POSITION ON KenGen BOARD |
|------------------------------|--|
| Mr. Joshua Choge, MBS | Independent Non-Executive Chairman |
| Eng. Albert Mugo, MBS | Managing Director and Chief Executive Officer |
| Mr. Henry Rotich, EGH | Non-Executive Director |
| Eng. Dr. Joseph Njoroge, CBS | Non-Executive Director |
| Mrs. Dorcas Kombo | Non-Executive Director |
| Mrs. Ziporah Ndegwa | Independent Non-Executive Director |
| Dr. Musa Arusei | Independent Non-Executive Director |
| Mr. Kairu Bacia | Independent Non-Executive Director |
| Mr. Joseph Sitati | Independent Non-Executive Director |
| Mr. Maurice Nduranu | Independent Non-Executive Director |
| Mrs. Phyllis Kemunto Wakiaga | Independent Non-Executive Director |
| Mr. Humphrey Muhu | Alternate Director to Cabinet Secretary – The National Treasury |
| Mr. William Mbaka | Alternate Director to Principal Secretary – Ministry of Energy and Petroleum |

Share price performance

The following is the performance of KenGen’s shares on the NSE since the Rights Issue in June 2016:



| Month | Low (KES) | High (KES) | VWAP (KES) |
|--|-----------|------------|------------|
| July | 6.50 | 6.80 | 6.64 |
| August | 5.80 | 6.50 | 6.27 |
| September | 6.00 | 6.85 | 6.53 |
| October | 5.80 | 6.90 | 6.51 |
| November | 5.55 | 6.25 | 5.90 |
| December | 5.65 | 6.00 | 5.82 |
| January | 4.95 | 5.75 | 5.45 |
| February (as at 22nd February 2017) | 5.40 | 6.60 | 6.08 |
| Average | 6.15 | | |
| Last day of trading before the cautionary announcement | | | |
| February 22, 2017 | | | KES 6.55 |

4. Public Investment Corporation (PIC)¹

The Public Investment Corporation (“PIC”) is a public asset management firm wholly-owned by the South African Government. It is a world-class asset management company with a 100-year reputation of delivering excellent results.

Founded in 1911 as the Public Debt Commissioners, the organisation was renamed the Public Investment Commissioners in 1984 and became the Public Investment Corporation (PIC) in 2005. This was following the promulgation of the Public Investment Corporation Act, 2004 (Act 23 of 2004), which came into effect on 1 April 2005. This transformed the PIC into a modern asset management company. The PIC is a registered financial services provider in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002) (FAIS). It is regulated by the Financial Services Board (FSB), with the South African Government as the sole shareholder, represented by the Minister of Finance.

The PIC provides asset management services to public sector entities. PIC’s clients include pension funds, provident funds, social security and guardian funds. Although the PIC operates predominantly in South Africa, it has a mandate to invest offshore and in the rest of the African continent. In compliance with the FAIS Act, the PIC concluded FSB-approved mandates with each of its clients and invests clients’ funds in line with specified investment objectives and risk parameters.

The PIC can be classified as one of the most influential organisations in the South African economy as it is the largest asset manager in terms of Assets under Management (AuM). Moreover, the PIC has a strong focus on making investments that exceed its clients’ benchmark returns, whilst contributing positively to the development of the economy. **PIC Vision:** To be the leader in developmental investing for sustainable financial prosperity for our stakeholders.

PIC Mission: To be a key player, not only in the region, but also on the African continent, who consistently delivers on client mandates through direct investing for economic transformation, robust risk management, strategic partnerships, and resource mobilisation.

It is one of the largest and most successful asset managers on the African continent, with total assets under management valued at ZAR 1.857 trillion (or approximately USD 133.7 billion) as at 31 March 2016. PIC is the single largest investor on the Johannesburg Stock Exchange (“JSE”), with investments accounting for c. 112% of the JSE’s market capitalization, and also invests in other types of securities such as fixed income, properties, etc. PIC’s clients are mostly public sector entities including the Government Employees Pension Fund (“GEPPF”) which is responsible for 88.2% of the PIC’s funds. Other clients include Unemployment Insurance Fund (6.7%), Compensation Commissioner Fund (1.9%), Compensation Commissioner Pension Fund (0.9%), Associated Institutions Pension Fund (0.7%) and other clients with smaller portfolios (1.6%).

4.1. Investment and Strategy Mandate

- As part of its Vision 2030 and renewed investment strategy, the PIC has a policy of seeking select major investments in Sub Saharan Africa to support the development of key and priority local industries and economies.
- The PIC intends to accelerate investments in the rest of the African continent and other frontier markets.
- The key investment theme during this period leading to Vision 2030 will be “integration, partnerships and scaling”.
- In September 2010, the GEPPF revised its mandate allowing for 10% of its assets under management (“AUM”) be invested outside South Africa. Of this amount, 5% of AUM or c. \$6bn will be invested in Africa (excluding South Africa).

¹ PIC Integrated Annual Report 2016

4.2. Key Holdings

- The PIC’s portfolio companies in South Africa include top brands such as MTN Group, Sasol, Standard Bank Group, FirstRand Limited, ABSA Group, Old Mutual Plc, Nedbank Group, Remgro, Shoprite and RMB Holdings, Imperial Holdings and SAB Miller, to name a few.
- On the rest of the African continent to date, the PIC has made two notable investments in Africa into Dangote Cement and Ecobank Transnational Inc, the holding company for Ecobank.

4.3. Directors and Management

PIC’s Board of Directors currently comprises of thirteen (13) members, ten (10) of whom are independent and non-executive, the non-executive chairman and two (2) are executive directors i.e. the Chief Executive Officer and the Chief Financial Officer. The Board is mandated with a dual role:

- to provide guidance and consult with management regarding strategic and operational direction of the company; and
- to provide oversight and monitor the company’s performance and reduce agency costs.

The Board is assisted in its function by nine (9) Board Committees.

The current members of PIC’s Board of Directors² are:

| NAME | POSITION ON PIC BOARD |
|------------------------|--|
| Mr. Mcebisi Jonas | Chairperson, Independent Non-Executive Director |
| Mr. Roshan Morar | Deputy Chairperson, Independent Non-Executive Director |
| Dr. Daniel Matjila | Chief Executive Officer, Executive Director |
| Ms. Matshupo More | Chief Financial Officer, Executive Director |
| Ms. Sandra Beswick | Independent Non-Executive Director |
| Mr. Trueman Goba | Independent Non-Executive Director |
| Ms. Dudu Hlatshwayo | Independent Non-Executive Director |
| Dr. Claudia Manning | Independent Non-Executive Director |
| Mr. Patrick Mngconkola | Independent Non-Executive Director |
| Mr. Pitsi Moloto | Independent Non-Executive Director |
| Ms. Tantaswa Nyoka | Independent Non-Executive Director |
| Ms. Lindiwe Toyi | Independent Non-Executive Director |
| Ms. Sibusisiwe Zulu | Independent Non-Executive Director |

The members of PIC’s Senior Management are:

| NAME | POSITION |
|--------------------|---|
| Dr. Daniel Matjila | Chief Executive Officer, Executive Director |
| Ms. Matshupo More | Chief Financial Officer, Executive Director |
| Mr. Vuyani Hako | Executive Head: Properties |
| Mr. Koketso Mabe | Executive Head: Private Equity and Structured Investment Products |
| Mr. Fidelis Madavo | Executive Head: Listed Investments |
| Mr. Paul Magula | Executive Head: Risk Management |
| Mr. Ernest Nesane | Executive Head: Legal Counsel, Governance, and Compliance |
| Mr. Roy Rajdhar | Executive Head: Developmental Investments |
| Mr. Vuyokazi Menye | Executive Head: Information Technology |
| Mr. Chris Pholwane | Executive Head: Human Resources |

² PIC website (www.pic.gov.za)

5. Documents Available for Inspection

Copies of the following documents will be made available for inspection at KenGen’s registered offices:

- The Cautionary Announcement published on 23 February 2017;
- KenGen’s Board Resolution;
- KenGen’s Shareholder Resolution;
- PIC’s Integrated Annual Report 2016;
- Letter of Offer from PIC to take up the Offer Shares;
- The Subscription Agreement between KenGen and the PIC;
- Letter of Support from GoK;
- Letter of approval of the Shareholder’s Circular from the Capital Markets Authority;
- Letter of approval for listing the Offer Shares from the Nairobi Securities Exchange.

6. Directors’ Declaration

This Circular has been approved by the Directors of the company all of whom jointly and severally accept responsibility for the accuracy of the information given and confirm that after making all reasonable inquiries and to the best of their knowledge and belief, there are no facts the omission of which would make any statement herein misleading.

**JOSHUA CHOGE, MBS
 CHAIRMAN OF THE BOARD**

**ALBERT MUGO, MBS
 MANAGING DIRECTOR & CEO**

22nd March 2017