

Corporate Briefing

March 2021



Introduction

Operational & Financial Performance

Business and Key Projects Update

- **Business Update & Future Outlook**
- **Generation**
- **Transmission**
- **Distribution**

Financing Update

Corporate Social Responsibility

Positive Developments in Power Sector

Key Challenges / Issues

Conclusion

FY 2020 proved to be challenging for the country on account of outbreak of COVID-19 and lockdown situation, power sector was no exception to it, however, first half of FY 2021 has shown improvements with improved economic activity

Introduction

- In FY 2020, with the outbreak of COVID-19 pandemic and lock-down situation in the country, business sector in Pakistan including the Power Sector observed slow economic and business activity – **GDP growth FY 20: -0.4%; expected growth FY 21: 1.5%**
- Consequently, KE's operational performance was also impacted as detailed in next slides. The impact due to COVID coupled with increased finance cost due to stuck up GoP receivables led to a reported loss in FY 2020
- However, first half of FY 2021 has shown improvement and growth with ease down in lock down situation in the country and improved economic activity. Further, PKR 31 Billion cash release out of Tariff Differential Claims (TDC) receivable from the GoP has been received in Q4 of FY 20 and HY 21. Additionally, finance cost in HY FY 21 reduced due to reduced borrowing rate. These coupled with operational improvements, has helped turn around KE back into profits
- KE remains engaged with GoP and NEPRA for resolution of receivable and payable issues as well as for timely tariff adjustments
- To prepare for summer, work is in full swing for rehabilitation of NTDC's Jamshoro interconnection line which will enable KE to draw upto 1100MW of power from national grid and first unit (450 MW) of its 900 MW plant by May 2021 – both are critical to manage projected power demand during summer of 2021

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Operational Performance

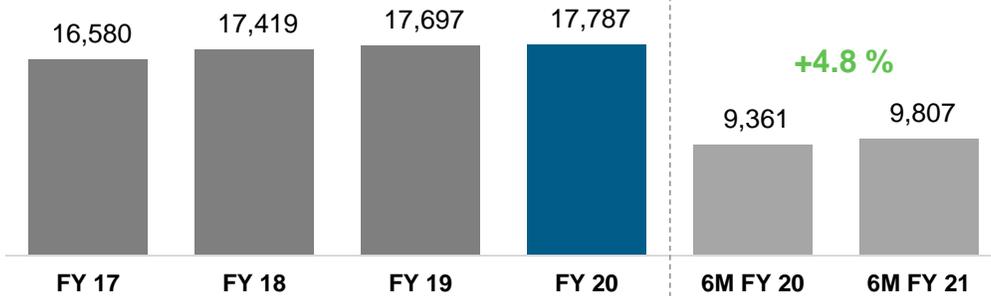


KE continued towards its growth trajectory, with improvements in all major operational areas. COVID scenario impacted our growth trajectory in FY 20, which is now showing improvement in FY21

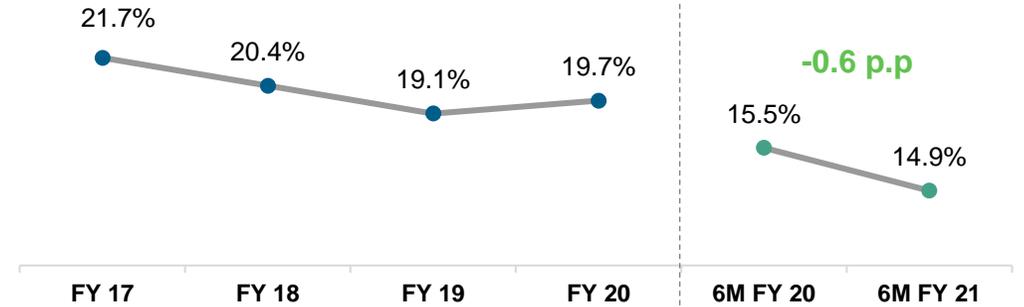
Operational Performance

Sent-out (GWh)

CAGR of 2.4% for FY 17 to FY 20

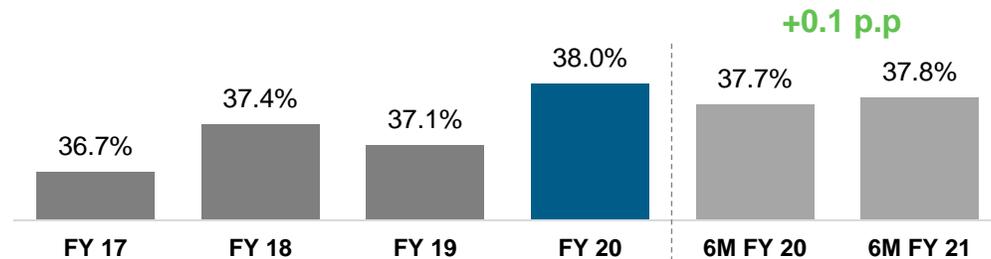


T&D (%)



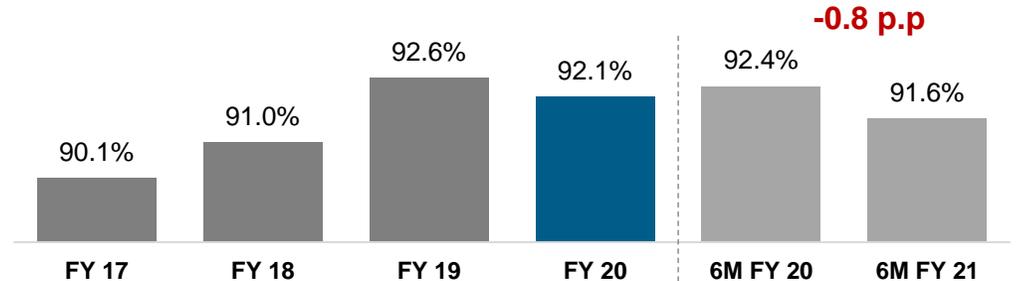
Generation Efficiency (%)

Generation Efficiency will further improve with the addition of BQPS III 900 MW RLNG Plant



Recovery Ratio (%)

Reduction in recoveries is due to the outbreak of COVID19



Improvements after Impact of COVID-19

First half of FY 21 has shown improvement in majority of the key areas, which is expected to continue in remaining FY 21 on the back of improved macroeconomic environment

Improvements in key operational indicators

Sent-out Growth

(GWh)

Variance over comparative period LY	
9M FY 20	+2.3%
3M FY 20	-3.5%
Full Year FY 20	+0.5%
6M FY 21	+4.8%

- **FY20: Significant decline in units sent-out in last quarter**, which is peak demand season, was witnessed due to limited operations / closure of industrial and commercial activities during lockdown period
- **6M FY21: first Half of FY 21 has shown a healthy growth** in units sent-out on the back of easing of COVID-19 restrictions and improved economic activity

T&D Loss

(%)

Variance over comparative period LY	
9M FY 20	-2.1 pp
3M FY 20	+7.4 pp
Full Year FY 20	+0.6 pp
6M FY 21	-0.6 pp

- **FY20: Significant drop in consumption of low loss consumers** while corresponding increase in consumption of high loss / very high loss consumers due to load-shed exemption & inability to carry-out theft detection activities, resulted in increased T&D losses
- **6M FY21: T&D loss has shown improvement in Q2 FY 21** on the back of easing of COVID-19 restrictions and improved economic activity

Recovery Ratio

(%)

Variance over comparative period LY	
9M FY 20	+1.4 pp
3M FY 20	-5.3 pp
Full Year FY 20	-0.5 pp
6M FY 21	-0.8 pp

- **FY 20:** To comply with Government directives, **relief was provided to consumers**. Further, recovery drives were also halted due to the outbreak of COVID-19 and lockdown situation in the country, resulting in reduced recoveries
- **6M FY21:** Recovery drives are picking up pace & **recoveries have started to show improvement from Q2 FY 21 (improvement of 2% against Q2 LY)**

Financial Performance

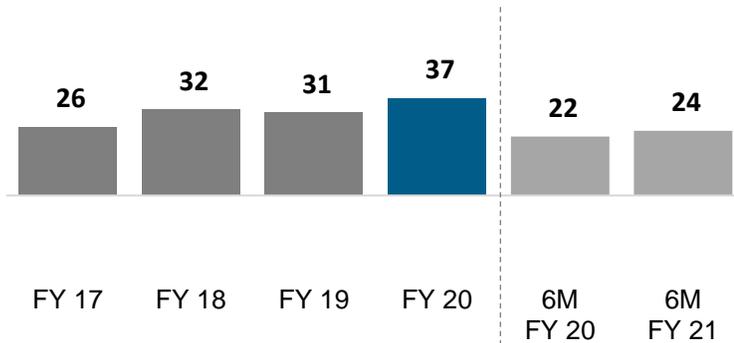


COVID-19 outbreak resulted in decreased financial performance in FY 20, however, subsequently with the recovery in the economic condition in the country, first half of FY 21 has shown significant improvement in key financials

Financial Highlights

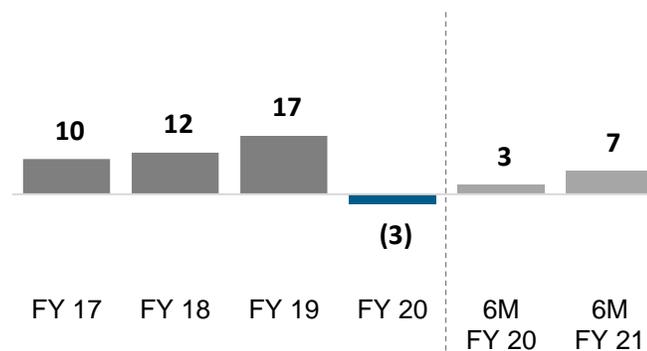
EBITDA

PKR Billion



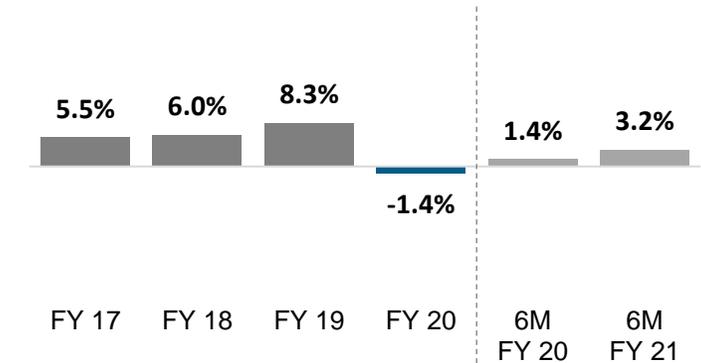
Net Profit / (Loss)

PKR Billion



Return on Invested Equity

%



Impact of COVID-19 on operational improvement

- Significant decline in sent-out in the last quarter of FY 20 & complying with government's directives to provide relief to consumers, resulted in deterioration of financial performance in second half of FY 20

Improved operational performance resulting in improved financials

- First half of FY 21 has shown improvement in key financials against the comparative period last year mainly due to increase in units sent out by 4.8% and decline in T&D loss by 0.6% points resulting in net increase of units billed by 5.5%

Reduction in Finance Cost on the back of decrease average borrowing rate

- Finance cost in first half of FY 21 decreased by **PKR 2.5 Bn** against comparative period last year mainly due to decrease in average borrowing rate by 5.7%, resulting in improved profitability in the first half of FY 21

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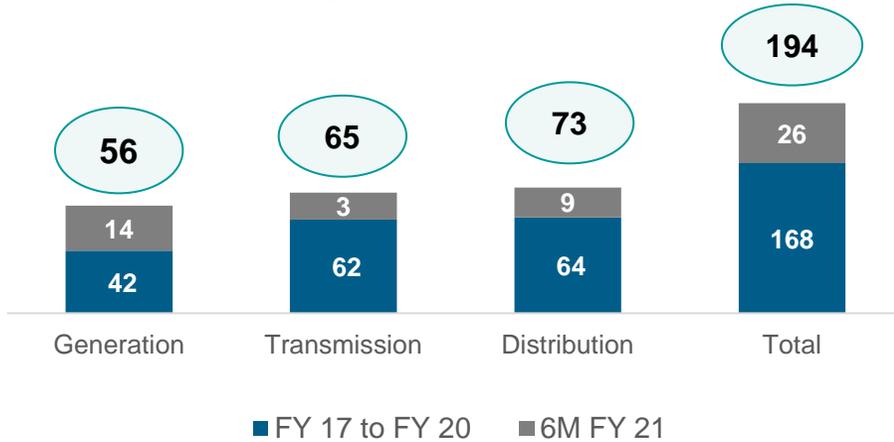
Conclusion

Business Update

Over the last four years, various initiatives were undertaken across the energy value chain to enhance capacity, improve reliability of the network along with targeted loss reduction

Business Update & Operational Improvements

Capex (PKR Bn)



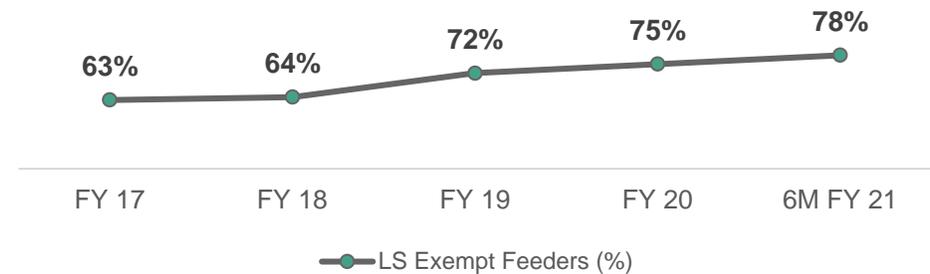
Operational Improvements

	FY 17 to FY 20	HY FY 21
Power Trafos added	30	2
Transmission MVAs added	1,253	79
Distribution MVAs added	1,614	80+
Feeders Added	366	15+
New Connection added	1,136	200+
PMTs added	5,500+	150+
PMTs converted to ABC	7,600+	800+

KE's Network

1,900+	6,400+	8,000+
No. of Feeders	Transmission MVAs	Distribution MVAs
70	29,000+	169
No. of Grids	No. of PMTs	No. of Power Trafos

Reduction in Load Shed



Future Plans & Initiatives



Planned initiatives of over PKR 260 Billion across the value chain in FY 21 to FY 23, subject to regulatory approvals – would enable KE to unlock key value drivers under the MYT along with benefitting consumers and the economy at large

Initiatives across the value chain

Generation

- **900 MW RLNG Plant** – would significantly improve KE’s overall **fleet efficiency from 38% in FY 2020 to over 48% in FY 2023** and enable KE to phase away from old units of BQPS I which primarily run on furnace oil
- **350 MW of renewable** projects¹
- Planned projects would help diversify KE’s fuel mix as well

Transmission

- Capacity enhancement and improved network reliability
- **Completion of TP 1000** project – further capacity enhancement
- Setting up of **500kV and 220 kV grid stations** and related interconnection works for off-take of additional power of upto **1,400 MW from National Grid**, subject to approvals
- In addition to the above, planned initiatives include **4 grid stations, over 300 MVAs** and around **200 km of Transmission lines**

Distribution

- Capacity enhancement through addition of around **200 feeders & 3,500 PMTs**
- Aggressive roll out of ABC conversion – all high loss PMTs to be converted to ABC by 2023 – **significant reduction in losses**
- Load-shed exemption to increase from **75% in FY 20 to around 93% by FY 23**
- Targeted recovery drives / campaigns to engage defaulting consumers and **improve recovery levels**
- Initiatives to enhance safety – includes **c. PKR 9.5 Bn** on account of rain emergency mitigation measures for long-term

Enhancement in network reliability

Reduction in load-shed

Improvement & automation of Processes

Industrial growth fueling economic prosperity

1. Under planning stage

Demand-Supply Outlook

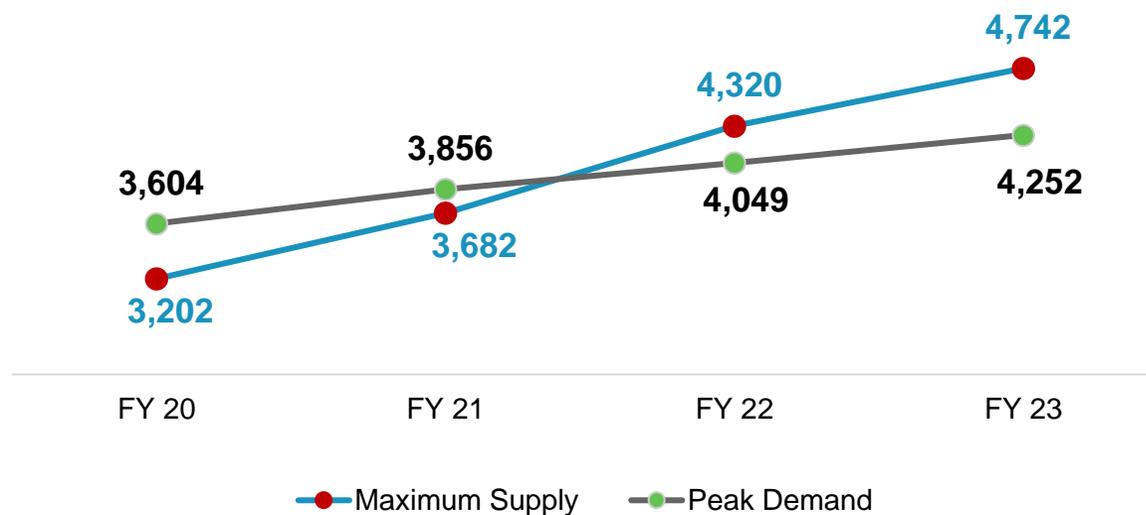


With the planned initiatives, KE would enter into a power surplus situation by FY 2022 in its service area

Outlook in KE's Network (FY 2021 – FY 2023)

- Due to factors beyond KE's control, KE's planned projects including 900 MW and 700 MW coal plant were delayed
- In view of the projected growth in power demand which will be further supplemented by reforms such as industrial support package and policy shifts aimed to bring back captive plants to the grid, KE is actively pursuing the following supply options to manage the demand growth:
 - KE's own 900 MW RLNG based BQPS-III power plant
 - Interim arrangement of additional 450 MW from existing interconnections (National Grid)
 - Long-term additional supply of 1,400 MW from the National Grid
 - Renewable projects of 350 MW¹
- As KE operates under a cost-plus tariff, KE as part of its mid-term review petition has requested for investments related to setting up of new grids and interconnections for off-take of additional supply from the National Grid

Demand-Supply MW



Year	FY 20	FY 21	FY 22	FY 23
Surplus/Deficit	(402)	(174)	271	490

With these planned projects, KE is expected to reach a power surplus scenario by 2022

Note: Demand-supply projections are based on Management's best estimates which may be subject to revisions due to changes in macroeconomic factors or any other factor beyond KE's control, hence timelines for planned additions may be adjusted accordingly
 1. Under planning stage

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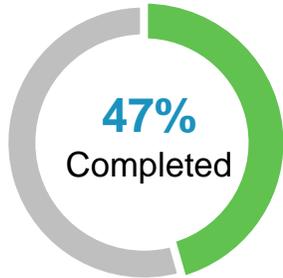
Key Challenges / Issues

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900 MW BQPS III RLNG Project

To manage the projected growth in power demand, KE is pursuing its 900 MW RLNG project on fast-track basis with Unit 1 to be energized in summer 2021

Status Update



- Civil structure of critical systems like Main Power building, Central Control Building etc. has been completed while Finishing works of KTPS & Landhi Grid GIS building is in progress
- Discussions at advanced stages to refine the Gas Supply Agreement (GSA) draft for RLNG supply from PLL – GoP’s guidance is required on some key items
- **Project Completion by Winter 2021**



*Addition of 900 MW BQPS III Power Plant would result in **significant improvement in KE's fleet efficiency & reliability** – necessary approvals / finalization of agreements would be required to ensure timely completion*

900 MW BQPS III RLNG Project

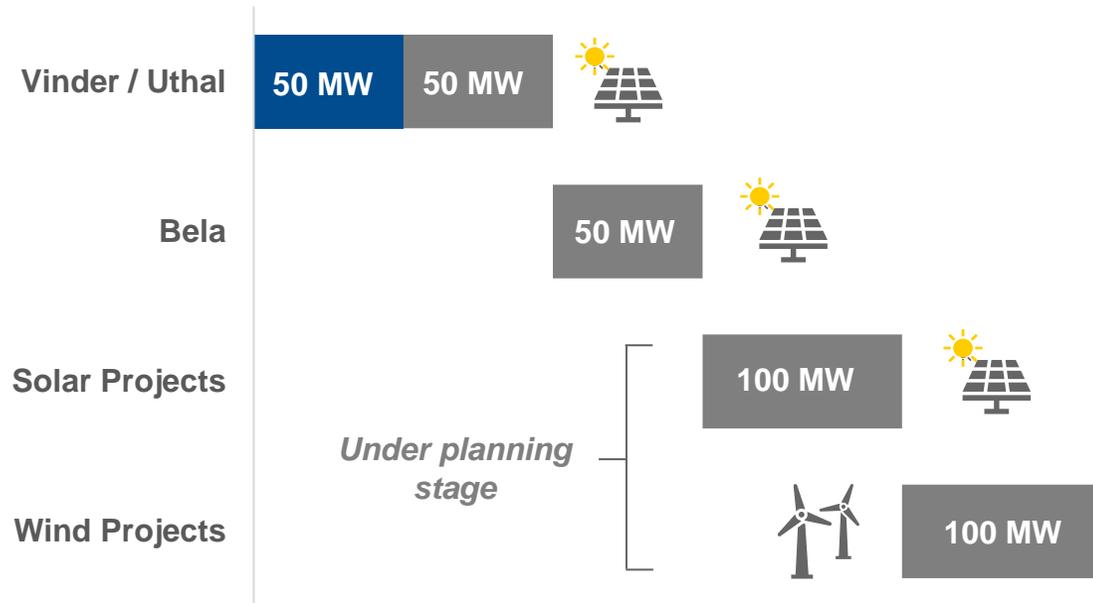


Renewable Energy Landscape

KE with the objective of diversifying its fuel & power mix, plans to off-take power from various renewable projects having installed capacity of 350 MW

Key Updates – Renewables

Renewables Projects – 350 MW to be added by 2023



150 MW Solar Projects – Vinder, Uthal & Bela

- Shortlisted 250 acres land for each 50 MW project and requested GoB for allocation of land
- Projects to be developed in partnership with a developer
- Competitive Bidding Process to shortlist **best fit partner** to lead the development of the projects
- Expected submission of request for proposal to NEPRA: **March 2021**



350 MW to be added in the Renewables Energy Landscape – **150MW HUVB** (50MW each in Vinder, Uthal & Bela), **100MW Solar Projects** (2 x 50MW in Gharo) & **100MW Wind** (2 x 50MW in Dhabeji)

The company has taken initiatives to diversify to new revenue streams in the different businesses

Diversifying into Distributed Generation & Electric Vehicles Market

K-Solar: KE's Distributed Generation Company

- Distributed Generation Company has been incorporated and will be **starting operations within FY 21**
- KE shareholders & Board of Directors have **approved equity investment** worth **PKR 275 Million** and extended **PKR 100 Million** worth corporate guarantee lines for K-Solar

K-Solar would be **partnering** with:

- Financing Partners
- Technology Companies

The company to focus on:

- Karachi territory in early years to leverage on KE's strengths
- Industrial customers as primary segment of customers

Electric Vehicles (EV) Market

- KE has an optimistic view on the Electric Vehicles (EV) market and sees it as a **great opportunity** to serve customers of Karachi in the segment of mobility
- Being a vertically integrated utility, the company sees it has an important role to facilitate the birth and growth of the EV market in country
- In January 2021, **KE and Shell Pakistan entered a MOU to jointly deploy EV chargers at 3 Shell fuel stations**

KE is also open to collaborate with other partners in the market

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Targeted investments in the Transmission Network towards capacity enhancement and improved grid reliability

Planned Projects for FY 21 to FY 23

Planned Projects

○ TP – 1000 Project

- Project is over 90% completed
- Remaining works to be completed within 2021

○ Off-take of Additional Power from National Grid

- Off-take additional power of upto 1,400 MW from National Grid
 - 220kV Dhabeji Grid
 - 500kV KKI Grid

○ Initiatives under TP-2 Project / PID

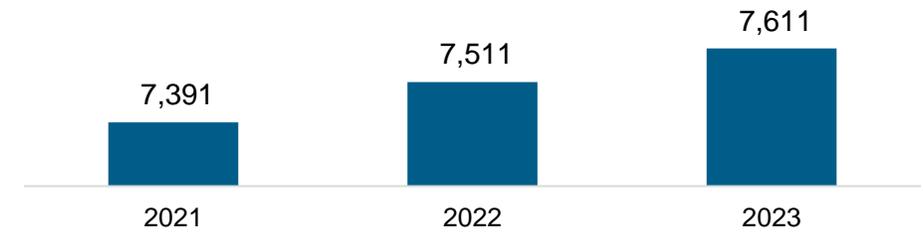
- Grid enhancement works and Addition of Transmission line bays
- Rehabilitation of existing transmission circuits

○ HUVB Grids & Lines

- Rehabilitation of existing transmission lines from Hub-Chowki to Bela
- Enhancement of grids including upgradation from 66 kV to 132 kV level

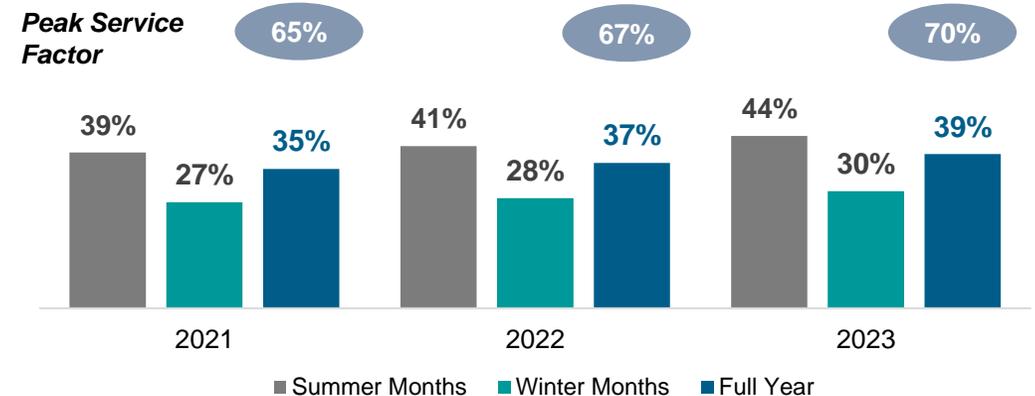
Planned initiatives will enable KE to move to N-1 contingency by 2023 along with optimum capacity utilization

Transmission Capacity (MVAs)¹



Capacity Utilization

Summer Months: March to October
Winter Months: November to February



Additional 450 MW through Existing Interconnections

Feasibility study for cross-trip scheme has been approved by NTDC and rehabilitation works on 220kV KDA-Jamshoro circuits are being undertaken by NTDC – KE is in active engagements for the same

Update on 450 MW through Existing Interconnections



Technical Feasibility Study for Cross-Trip

Study completed and report was shared with NTDC – approved by NTDC as well



Procurement & Rehabilitation Works

100% hardware handed over to NTDC – restringing commenced by NTDC and expected completion by March 2021



Installation of Optical Ground wire

Installation of optical ground wire has been completed

Completed Milestones – Implementation of Cross-Trip Scheme

Procurement of smart relays

Integration of alarm on SCADA

Installation of relays and implementation of scheme

Commissioning of redundant tele protection scheme

Final Testing & Activation of the Scheme – Target Completion in March 2021 & evacuation from April 2021

KE is in active engagement with the stakeholders in order to ensure timely completion of the works

Additional Supply of 1,400 MW from National Grid

Construction works on 220kV Dhabeji Grid and Transmission lines have started and finalization of contractual arrangements for off-take of additional 1,400 MW from National Grid is in advanced stages

Additional Supply from National Grid through 220kV Dhabeji Grid & 500kV KKI Grid

**1,400
MW**
Additional Supply
from National
Grid through

220kV
Dhabeji Grid

&

500kV
KKI Grid

Update on 220kV Dhabeji Grid

- Contract has been awarded
- Design works for grid and Transmission line have been started

Update on 500kV KKI Grid

- Load flow study & short circuit study completed; stability run study in process
- Tender notice for Grid and Transmission line issued
- Bid submission process has been completed – Contract award expected in April 2021

- CCoE gave its principle approval for offtake of additional power supply from the national grid in June 2020
- Discussions on finalization of contractual modalities with CPPA and NTDC are in advanced stages
- Required grids and interconnection works are being pursued on expeditious basis
- Additional offtake of power supply from the National Grid to start from summer FY 21 and complete offtake of 1400 MW is expected from summer 2023

KE remains in continuous discussions with relevant stakeholders including GoP to ensure the additional supply from the National Grid in order to keep up with the growing power demand

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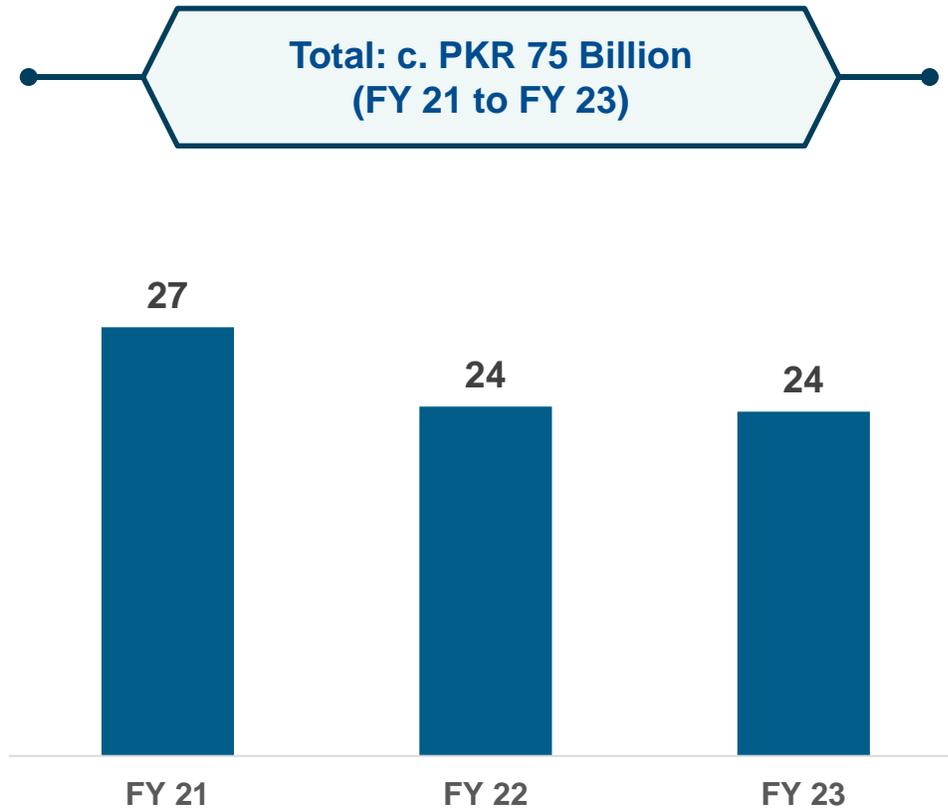
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Distribution

Continued and targeted investments planned across the distribution segment to achieve increased sent-out growth, reduced T&D losses and improved recovery levels from all consumer segments

Planned Capex & Initiatives



Loss Reduction

- Targeted ABC roll out – all PMTs to be converted to ABC
- No mains scheme, FMRs, MNCVs

Growth

- Over 1,000 MW of new connections
- Addition of around 200 feeders and 3,500 PMTs

Maintenance

- Shift towards proactive CM & PM approach
- Asset Based Maintenance
- Prevent failure and control downtime
- Reliable system and enhanced Quality

Safety & Protection

- Earthing and Grounding
- Installation / Replacement of Protection Equipment
- Replacement of bare conductor with covered conductor
- Electrification of hazardous areas
- Multilayer protection

Technology

- Real time monitoring from feeder to PMT level
- Further segmentation of LS at PMT level
- Technical loss calculation via CYMDIST/AMR
- SAIFI / SAIDI Automation

Project Sarbulandi & Loss Reduction



KE is focused on continuous improvements – representing focus and commitment towards the city and its people to provide uninterrupted electricity by implementation of loss reduction initiatives

Key Achievements & Planned Initiatives

Project Sarbulandi

Project focused towards network upgradation and complete installation of ABCs – elimination of commercial losses and ensuring safe supply of electricity

Flagship Initiative – Part of KE’s c. PKR 24 Bn loss reduction investment for FY 17 to FY 23

**Covering 12 Areas
Impacting 10 Million Lives**

**Average Load-shed Reduction:
4 Hours**

Success Stories

covering areas of Korangi, Nazimabad, Surjani-I, Landhi, Liaquatbad, Orangi-II

No. of Lives Impacted

1 Million

No of Feeders converted to downward category

64

Planned Additions in Distribution Network FY 21 to FY 23

3,500+
PMTs Additions

190+
Feeders Additions

870+ MVAs
Capacity Addition

ABC Implementation – No. of PMTs

Aerial Bundled Cable (ABC) implementation began in 2014 and has continued to date, significantly contributing towards loss reduction

10,500
FY 14 to FY 20

2,500+
FY 21 to FY 23

All high loss PMTs to be converted to ABC by 2023

Key Safety & Technology Initiatives



Focused on bringing technological brilliance & safety to its network, targeted technology improvements and safety initiatives are planned for the future

Recovery & Safety Initiatives

Safety & Rain Emergency Mitigation Plan

- Project serves to build **reliability and resilience across Distribution network** from feeder to meter level to reduce interruptions, improve power quality and safety aspects
- Project covers **technical solutions**, including but not limited to, RMU Foundation Raising, Substation Renovation, OCB to VCB Replacement and Improvement of Ground Level Substation Resilience
- In phase 1, project will result in improved resilience on **38 critical feeders**

Technology Initiatives

Customer Centric Technology Initiatives



Real Time Payment

Real time payment processing and recon in system

Under Implementation Process



Paperless Bill

Opt-in solution to receive bill on their email addresses
KE Consumers will have the option to receive monthly bills electronically and explicitly opt out of receiving paper bill



Self Service E-Kiosk

Initiated one window operation for the acceptance of Bill payments and NC payments at Bank Booths operative at 15 IBC premises



Internet Payment Gateway (IPG)

With HBL Website/ Live App + any other payment platform

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Key Financing Initiatives

Investors and lenders have shown continued trust and confidence in the company's fundamentals, enabling KE to make the planned investments on accelerated basis and further the positive trajectory of operational improvements

Key Financing Initiatives



- **Debt Financing for USD 650 Million project is being done** through a combination of local & foreign loans
- Foreign loans will be backed by **Export Credit Agency (ECA) insurance cover**:
 - Euler Hermes has already approved for providing cover for German component
 - Sinasure cover for the Chinese component is in advanced stages



KE SUKUK

**KE SUKUK OF
PKR 25,000 MILLION
OVERSUBSCRIBED**

A BIG THANK YOU FROM THE K-ELECTRIC MANAGEMENT

for the trust and confidence displayed by our investors, partner banks, consultant, SECP and Pakistan Stock Exchange that enabled KE to achieve this historical milestone.

Structuring Agents: HBL, NBP
Shariah Structuring Advisor: HBL
Consultant & Market Maker: ARIF HABIB LIMITED
Transaction Legal Counsel: HAIDERMOTA ADVOCATES & CO.
Issuer's Legal Counsel: MCI, MDHISIN TAYEBALLY & CO.
Trustee/Investment Agent: pakbrunei

- **Largest ever listed Sukuk** in Pakistan's private sector issued in Aug 2020 – IPO portion was over-subscribed by **almost 2.5 times**
- Sukuk **rated AA+ (Double A Plus)** by VIS Credit Rating Company Limited

Issuances of Islamic Commercial Papers (ICP)

- Continued support of capital market to KE's ICP Program – has enabled the Company to maintain a diversified debt portfolio
- Till date, KE has successfully signed **13 Islamic Commercial Papers (ICP) issues** amounting to **PKR 71.3 Billion** including the **largest ever privately placed ICP** of PKR 10 Billion

Press Release, VIS Credit Rating Company Limited, April 16, 2020

"VIS Credit Rating Company Ltd. has reaffirmed KE's entity rating at 'AA/A-1+' (Double A/A One Plus). Outlook on the assigned ratings is 'Stable'."

Press Release, The Pakistan Credit Rating Agency Limited, June 29, 2020

"The Pakistan Credit Rating Agency Ltd has maintained the entity rating of long-term at 'AA' (Double A) and of short-term at 'A1+' for K-Electric Limited (KE). Outlook on the assigned ratings is 'Stable'."

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KE is committed on its social responsibility and community engagement initiatives are carried out in underprivileged communities through installation of ABC and low-cost subsidized meter connections

Social Investment Program & Roshni Baji Project – Uplifting & Outreaching the Community

Social Investment Program

- **Empower through Power** – provide lifeline organizations of Karachi free or subsidized electricity
- Impact on over **5 Million individuals** through this program and various other projects with our partners
- **Focus on health and education** – enabling lifeline organizations of Karachi to focus efforts on capacity building



16 Partners



KE Roshni Baji Project – Women Neighborhood Ambassador Program

- Creating **livelihood opportunities** for women – Participants receive a basic stipend thus empowering participating women from day one
- **Capacity building** by provision of a STEM skill-based training
- Safety awareness
- Encourage consumers to convert to legal connection
- Create female resource pipeline for Energy Sector



Community Uplift and Environmental Initiatives

Community development and uplift is an integral part of KE's community transformation efforts

Key Community & Environmental Initiatives



Collaboration with community



Schools renovations



Clean-up drive



Eye-care camps



Healthcare camps



Water purification plants



Reclaiming public spaces – parks & grounds



Sports engagements



400,000+ Trees including mangroves across Karachi in the last 3 years



5 Schools renovated



25,000+ Patients treated at health camps



15 Water purification plants in Karachi



384 Communities engaged
3 Million+ Persons impacted



2 Parks
10 Green zones
2 Sports ground



All **eye care and healthcare camps** also cover care up to tertiary level

Community Outreach

KE remains committed to its community – bringing in change through its community outreach program

Community Outreach Initiatives (Jul 2020 to Jan 2021)

Baldia Primary School, Landhi

B.F. Cabral School, Lyari

Pir Ji Achan Park, Liaquatabad

Football Ground, Orangi



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Positive Developments in Pakistan Power Sector

Policy reforms are underway to address key power sector issues including circular debt and other structural weaknesses – improvement of ecosystem and system performance will definitely fuel economic growth led by domestic and export-led businesses

Challenges

Measures



Low
Grid Utilization

Increased Grid Utilization

- Policy shift to ban new gas connections and disconnect supplies from captive plants to existing industrial consumers –captive consumers to come on grid
- Industrial support package on incremental consumption – increase grid utilization



Tariff Setting &
Cross Subsidy

Gradual Elimination of Cross-subsidy

- Revision of PKR 1.95/kWh in consumer-end tariff – expected to result in reduction in cross-subsidy and accumulation of circular debt
- Gradual elimination of cross subsidization – targeted subsidies planned through government schemes



Transition
towards
Open Markets

Competitive Trading Bilateral Contracts Market (CTBCM) Model

- Envisages introduction of a competitive wholesale electricity market
- However, to ensure a level playing field protecting interest of all stakeholders while encouraging competition, it is important to have a sustainable framework addressing key policy and regulatory matters such as stranded costs and cross-subsidy

Potential for Further Value Improvement through a Strategic Investor



In addition to KE's robust investment plan of over PKR 260 Billion across the energy value chain, an aggressive, strategic investor, Capex plan would further improve Karachi's power infrastructure

Strategic Investment – Potential Impact

- An aggressive investment plan, would be an opportunity for Karachi's power sector to reach new levels of excellence
- A strategic investor with **technical expertise** would, among other operational improvements, leverage its strengths to bring **technological advancements across the power value chain**, benefiting the consumers and economy at large
- Shanghai Electric Power (SEP) signed a Definitive Agreement to acquire 66.4% stake in the company in October 2016, subject to receipt of government and regulatory approvals and has presented such a plan to the GoP
- SEP is one of the largest electric power companies in Shanghai and is committed to developing the power sector worldwide through operations in over 20 countries outside of China
- SEP is a subsidiary of the State Power Investment Corporation of China (SPIC), one of China's big 4 generation companies with installed capacity of over 142,700 MW and also has operations in over 43 countries globally
- SPIC is an active participant in the development of Pakistan's power sector and is a key CPEC investor involved in a wide variety of projects

"... SEP will leverage its own strengths as a strategic investor and further realize K-Electric's potential to provide better services to the people of Pakistan and the Government of Pakistan."

Wang Yundan, Chairman SEP

An aggressive investment plan along with KE's planned initiatives would result in greater positive impact for KE's customers and Karachi, while also facilitating economic growth in Karachi and Pakistan

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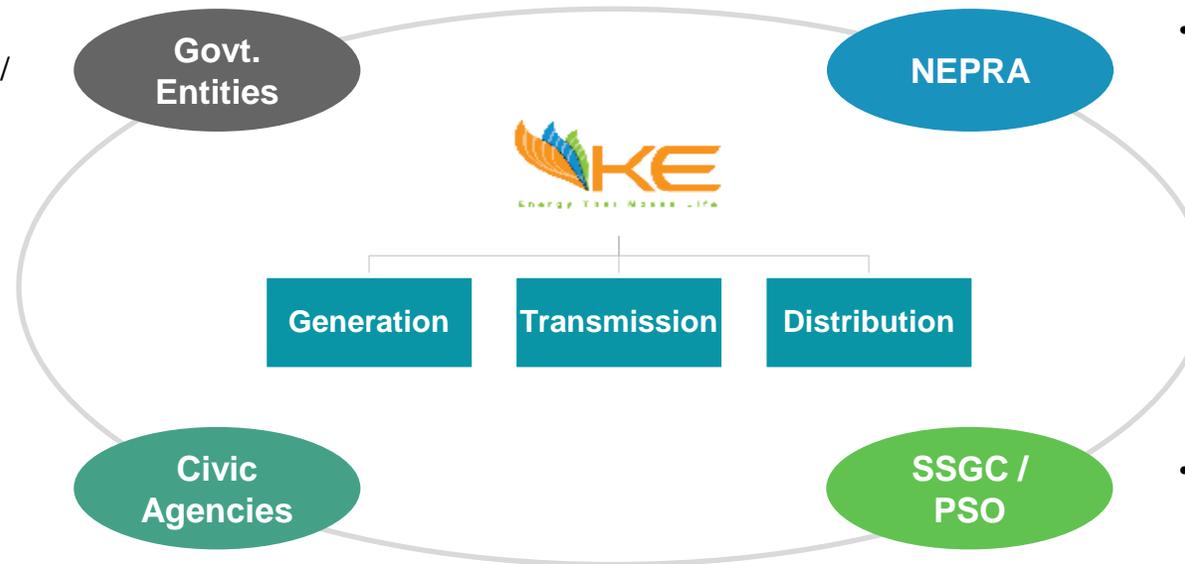
Key Challenges & Issues

Though KE is a private company, there is interdependency with other stakeholders for execution of planned initiatives and operational performance

Key Challenges / Issues

- Payment of dues including Tariff Differential Claims (TDC)
- Tariff notification
- Approvals for additional power / fuel supply
- Payment of energy dues

- Right of Way approvals
- Civic infrastructure / planning
- Maintain law & order



- Tariff setting
- Regulatory approvals / determinations
- Investment / Regulatory certainty

- Adequate fuel supply and gas pressure for optimum utilization of KE's plants

Delivery of smooth supply of power to end-consumers is dependent upon timely decision making and support from all stakeholders

Key Regulatory Challenges / Issues

KE remains in close coordination with the regulator for timely and effective resolution of KE's outstanding issues including mid-term review request under the determined MYT, pending tariff variations and write-off claims

Mid-term Review mechanism under the Determined MYT

- Mid-term review request filed in March 2020, followed by NEPRA's proceedings including a public hearing in September 2020
- Increase in base tariff of **PKR 1.21 / kWh** requested on account of below :
 - Revision of investment plan from c. PKR 299 billion (allowed) to **c. PKR 448 billion** due to (i) increase in scope of projects and routine capex, and (ii) significant rupee devaluation
 - Revision in indexation of exchange rate on allowed RoE to account for rupee devaluation
 - Impact of working capital due to significant receivables from Govt. entities and other factors including COVID-19 impacts

Requests in MTR are critical for:

- Timely execution of investment plan
- Elimination of demand and supply gap by off taking additional supply from national grid (setting up of 500 kV grid stations) and BQPS III power plant.
- Improving the safety and network reliability through investment in system
- Improving efficiency and network performance
- Recovery of genuine business costs incurred by KE and to ensure business viability and sustainability

Pending Tariff Variations and write off claims

- Since notification of MYT in May 2019, KE is regularly filing its requests of monthly and quarterly tariff variations, including claims for actual write offs as allowed under the MYT
- Currently, monthly variations since July 2019 and quarterly tariff variations since April 2019 are pending with NEPRA for determination, along with write off claims for FY 2017 to 2020
 - *Public hearings have been conducted for pending variations and verifications upto June 2020 have been completed by NEPRA*

Impact of Delays in Determination of Tariff Variations:

- Delays in determination of these tariff variations is significantly impacting the working capital position of the company
- Payments to fuel suppliers and IPPs are to be made timely and the differential has to be covered through borrowings
- Variations of TDC to be filed based on pending quarterly tariff determinations (July 2019 to January 2021), including write off claims for FY 17 to 20 and pending Heat Rate determinations - **c. PKR 148 billion**

KE is in constant engagement with NEPRA for timely decisions on the above matters and is confident that these requests will be allowed by NEPRA – will help in provision of reliable supply to consumers along with sustainable operations of the Company

Receivables from Govt Entities & Departments



Delays in release of payments from relevant authorities and growing receivables from government entities impacts the working capital position of the company for which continuous engagement with relevant stakeholders is being done

Receivables & Payables – Government Entities / Departments (December 2020)¹

Receivables from Government Entities PKR Billion			Payables to Government Entities PKR Billion		
Tariff Differential Claims ²	218		NTDC / CPPA – G	172	
KWSB “Strategic Customer”	29	—	SSGC	14	—
Government of Sindh (GoS)	12		Other Federal & Provincial Entities	11	
Other Federal & Provincial Entities	15				
Total Receivables	274		Total Payables	197	

Net Receivable to KE
c. PKR 77 Billion

Resolution & Disputes

- KE is in continuous engagement with relevant stakeholders for a fair and expedient resolution to the issue of receivables and payables, including any mark-up
- Delays in release of TDC & energy dues of strategic customers incl. KWSB by GoP resulted in consequential delays in payments to NTDC / CPPA – G & SSGC
- Monthly payments are being received against KWSB dues since January 2016. Further, execution of a Power Supply Agreement with GoS guarantee around KWSB dues is in advanced stages

1. Balances on principal basis

2. Includes pending tariff variations

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The Journey Continues

With the ongoing developments / investments in KE's network and necessary support from the government entities, KE is confident in serving its customers in a reliable and efficient way

Moving Forward



Capacity Additions
through investments
across the value chain



Diversification
towards Renewables
Energy Landscape



Operational Efficiencies with
system automation /
improvements



Enhanced Safety
through Public
Prevention Plans &
safety drives



Economic Prosperity through
Industrial growth &
reliable power supply

Aligned with the mission of **brightening lives by building the capacity to deliver uninterrupted, safe and affordable power to Karachiites**, KE will continue to make investments across the value chain, enabling the company to improve operationally whilst progressing on the value creation curve through innovation and technological advancements

Thank You

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