CORPORATE BRIEFING SESSION

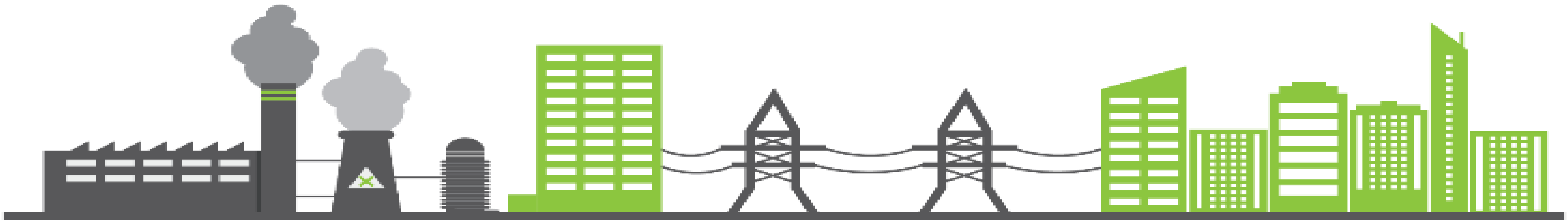
17th November 2023

Table of content

KE Overview

KE’s Presence Across the Value Chain

KE is the only vertically integrated power utility in Pakistan, a customer base of more than **3.5 million customers**, and **peak demand of over 3,650 MW**



Generation

Installed generation capacity of own plants: **2,817 MW[1]**.

Acquire **1,600+ MW** via external sources

Transmission

6,965 MVAs Capacity, **71** Grids, **181** Power Trafos, and **1,354 km** of lines

Distribution

8,808 MVAs capacity, **2,068** feeders, **31,261** Distribution Trafos and **10,891km** HT lines

As the only vertically integrated power utility in the country, KE is required to plan for its entire value chain – to ensure sustainability and reliability of power supply to the consumers

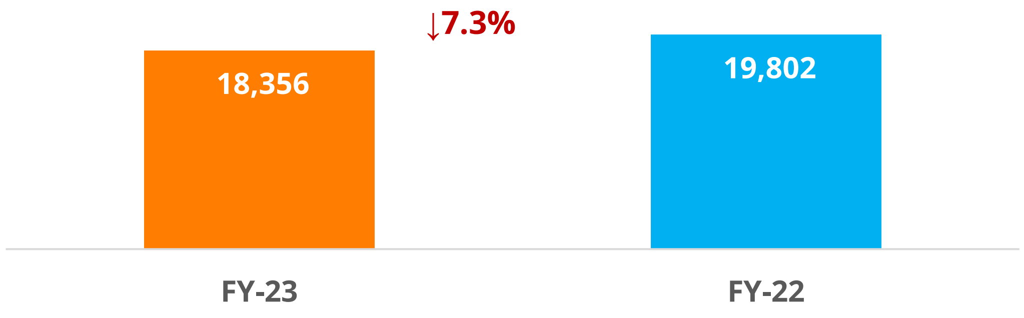
(1) As per Generation License
MW = Mega-watts; MVAs = Mega-volt Amperes; PMT = Pole Mounted Transformer; HT = High Tension

Table of content

Operational Performance

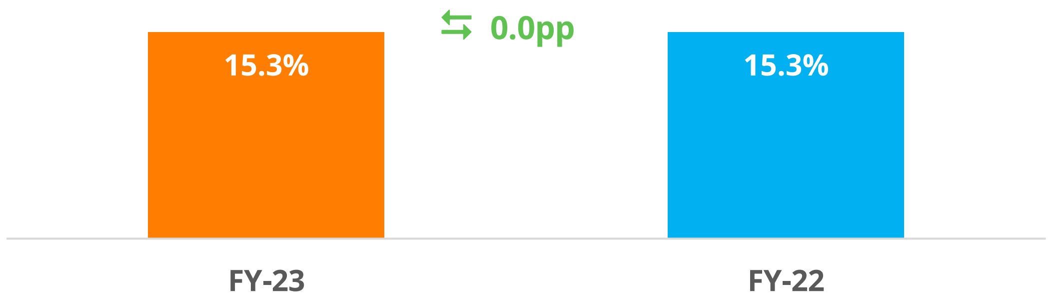
Operational Performance

Sent-out (GWh)



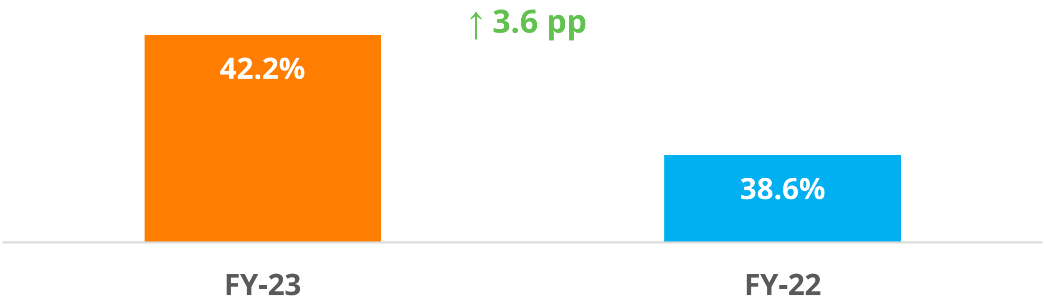
The Company's operations were significantly affected by factors including surging inflation, policy rate hike, and economic contraction, leading to a notable 7.3% reduction in units sent-out.

T&D (%)



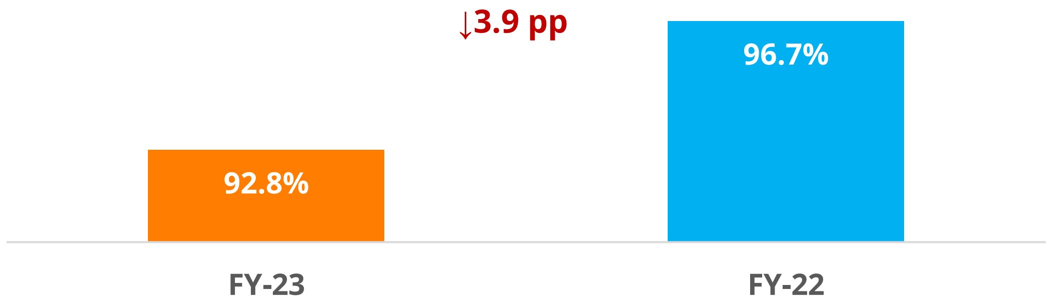
Despite extreme macro-economic issues which led to reduction in industrial sent-out and increased instances of power theft, the Company was able to maintain its T&D loss in FY-23.

Generation Efficiency (%)



Addition of 900 MW BQPS-III has significantly improved KE's generation fleet efficiency

Recovery Ratio (%)

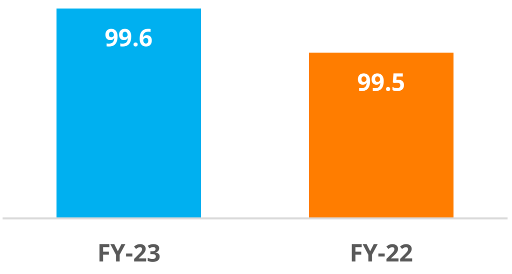


Significant increase in effective consumer-end tariffs by 42% in FY23, fuel cost adjustments and high inflationary pressures are the factors that adversely affected customers' ability to pay, resulting in a decline in the recovery ratio by 3.9% in FY 2023

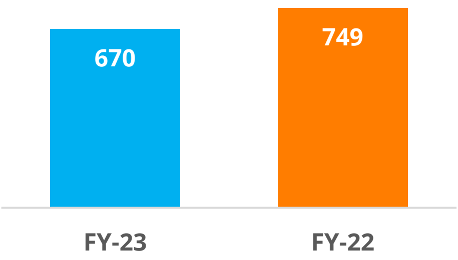
Operational Performance - Generation

KE continued to operate generation machines prudently during the year resulting in improvements in generation efficiency, reliability and forced outages.

Reliability (%)



Forced Outage No.



- During FY 2023, both Unit 1 and Unit 2, **(450 MW each)** of KE's **900 MW** RLNG-fired power plant, BQPS-III were successfully commissioned and commercial operations of the respective units were declared during the 3rd and 4th quarter of FY 2023.
- KE intends to commission both units of BQPS-III on HSD fuel during FY 2024 to mitigate any fuel supply issues.

KE's Generation Fleet

Bin Qasim Power Station 1 (BQPS-I)

Capacity(1,3)	840 MW (4 units)
GDC(2,3)	733 MW
Year	1983 – 1997
Fuel	FO / Gas / RLNG

Bin Qasim Power Station 2 (BQPS-II)

Capacity(1)	573 MW (3 units, 1ST)
GDC(2)	526 MW
Year	2012
Fuel	Gas / RLNG

Korangi CCPP

Capacity(1)	248 MW (4 units, 2ST)
GDC(2)	227 MW
Year	2008 – 09
Fuel	Gas / RLNG / HSD

GE Jenbacher SITE & GE Jenbacher Korangi

Capacity(1)	215 MW (64 units, 2ST)
GDC(2)	192 MW
Year	2009/2016
Fuel	Gas / RLNG

Bin Qasim Power Station 3 (BQPS-III)

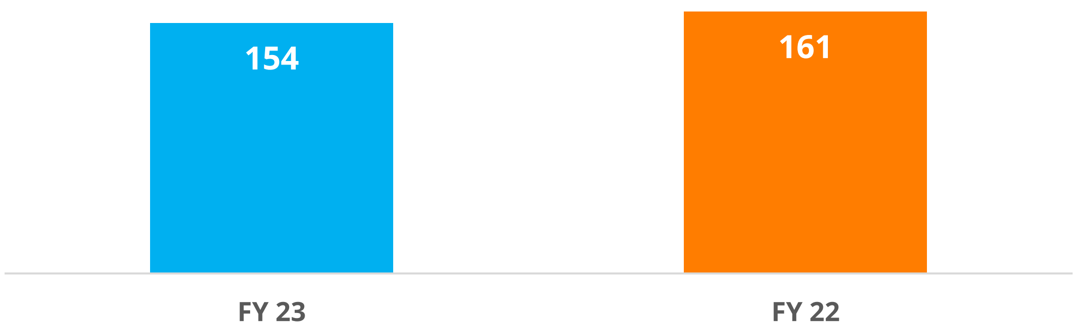
Capacity(1)	942 MW (2 units, 2ST)
GDC(2,4)	918 MW
Year	2023
Fuel	RLNG / HSD

(1) Installed capacity are as per Generation License.
(2) GDC: Gross Dependable Capacity (as at Sep FY-24)
(3) Generation License of BQPS I Unit – 1 and Unit – 2 expired on 30th September. K-Electric has requested NEPRA for extension of Generation License.
(4) BQPS 3 Unit-1 and Unit-2 GDC will be updated to 459.81 MW, and 463.50 MW respectively, as per Performance test results once they are approved by NEPRA.

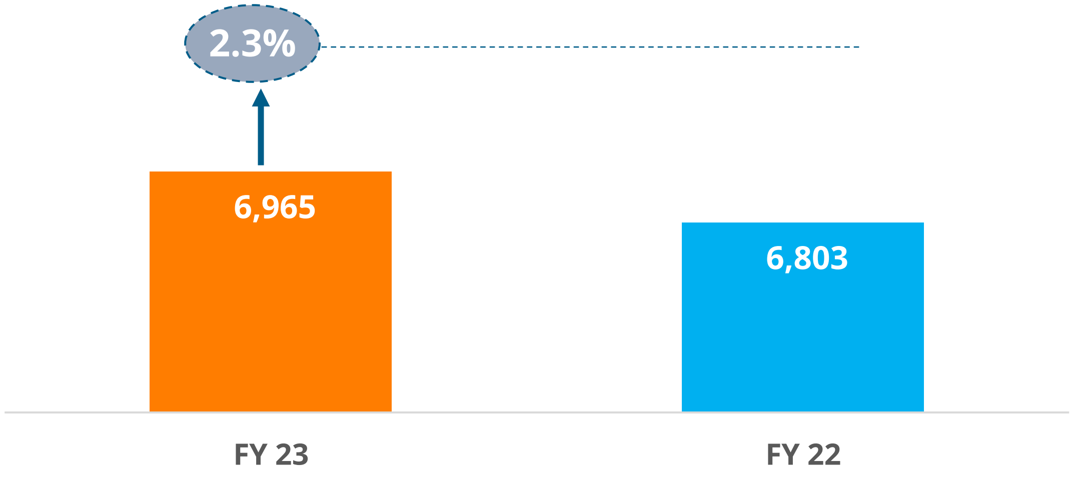
Operational Performance - Transmission

Increased transmission network reliability through addition of 10 new grid stations and c. 106 km of EHT lines, while also rehabilitating over 450 km of old EHT lines – as a result, 2,328 MVAs of transmission capacity has been added since FY12.

Reduction in Trafo / Grid Equipment Trips



Transmission Capacity (MVAs)



System Reliability and Capacity Enhancements

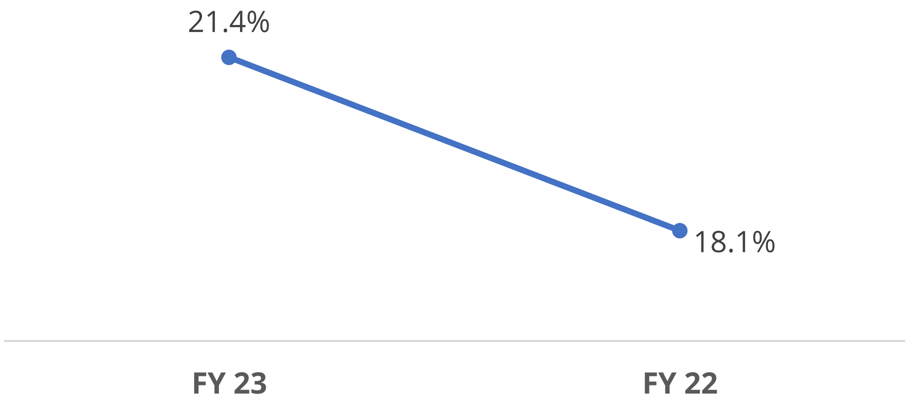
- **61%** reduction in **transformer & grid equipment trips** from FY12 to FY23
- **Over 450 km** of old circuit length rehabilitated
- **Increase** of around **106 km** in EHT lines since FY12
- KE has sufficient transmission capacity to serve the power demand and has various planned initiatives for capacity enhancement and improved network reliability

EHT = Extra High Tension

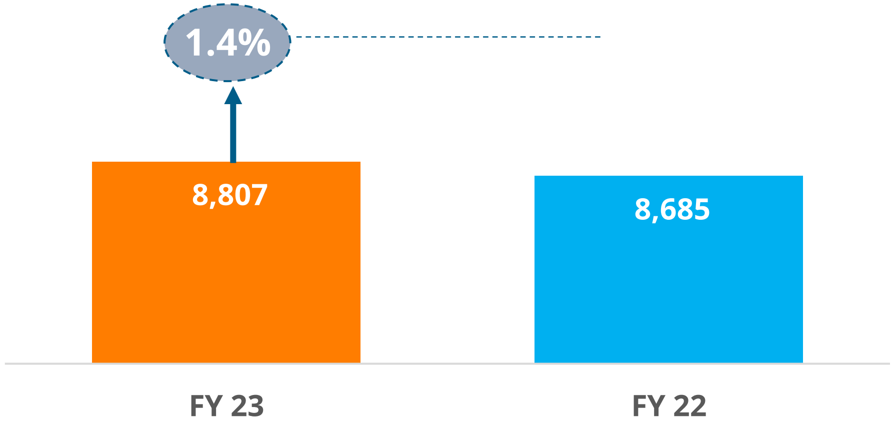
Operational Performance - Distribution

Despite challenging macro economic conditions, decreasing customer propensity to pay and decreasing industrial sent-out, KE was able to successfully achieved NEPRAs T&D loss benchmark of 15.3% in FY 2023.

AT&C Losses



Distribution Capacity (MVAs)



Other Operational Improvements

- KE's company-wide recovery ratio deteriorated to **92.8% in FY23** from **96.7% in FY22**. The recovery got adversely impacted owing to increase in consumer tariff, high FCA, imposition of taxes and current economic conditions. However, **targeted recovery drives and campaigns** are in place to maintain recovery ratio in FY 24.
- Strenuous efforts coupled with convenient **rebate plans under HumQadam** to facilitate chronic consumers and structure their behavior towards bill payments.
- **Dedicated governance gangs** to target HL/VHL Feeders across the organization.
- Focus on **improved customer experience and implementation of New and Re-engineered Processes**
- **Technological advancements** for better network visibility and to enable targeted investments
- Diligent efforts to curb illegal electricity theft under which were conducted resulting in removal of c. **99,500 Kgs** of Kunda successfully in FY23.

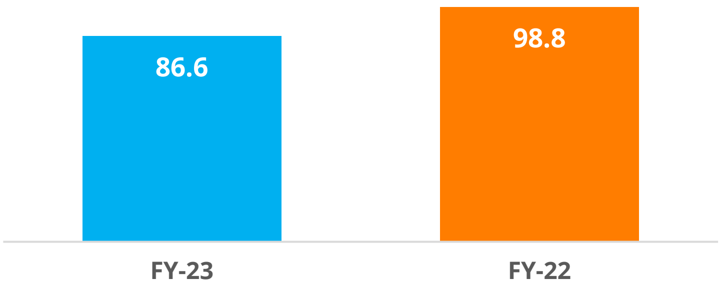
T&D Loss = Transmission & Distribution Loss

Table of content

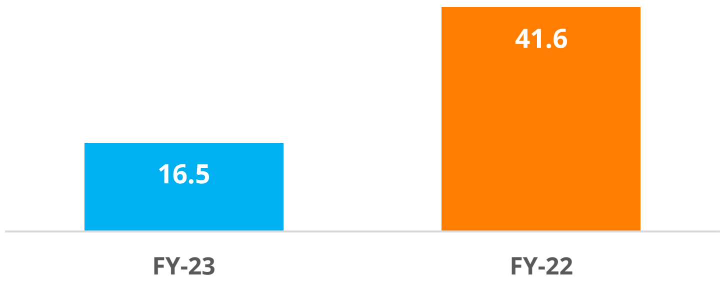
Financial Performance

Financial Highlights

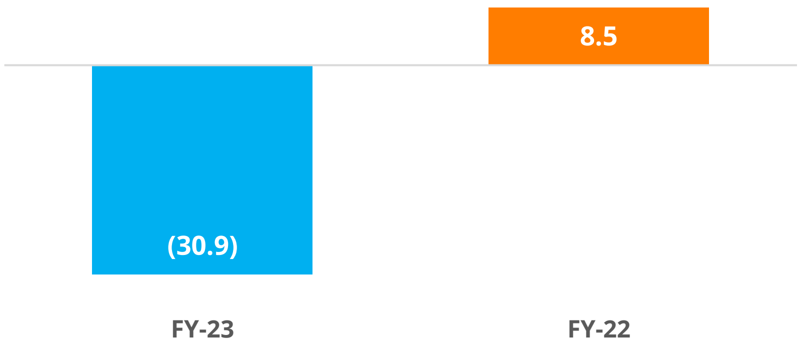
Contribution Margin
PKR Billion



EBITDA
PKR Billion



Net Profit / (Loss)
PKR Billion



Reasons for Major Variations (FY23 vs FY22)

- The economic crisis stemming from sociopolitical and macroeconomic challenges has had a profound impact on economic activities within the country, resultantly the company has experienced a 7.3% decrease in units sent-out. Under the MYT 2017-2023, the company doesn't receive any tariff adjustments for variation from benchmark set by NEPRA including units sent-out. The decrease in units sent-out has significantly dampened the contribution margin, resulting in a substantial decline of Rs. PKR 12.2 Bn.

- The impairment loss has increased by Rs. 6.3 billion due to high inflation, increase in consumer tariff and deteriorating economic conditions which significantly impacted customers' ability to meet their payment obligations.

- Substantial increase in exchange loss by PKR 4.38 billion as compared to last year owing to significant devaluation of Pakistani Rupee. However, an increase in other income on bank deposits, late payment surcharges and TDRs was observed.

- Finance cost saw a significant rise as compared to last year amounting to Rs. 19.4 billion. This increase was primarily due to the Company's weighted average borrowing costs surging from 10.6% to 18.6%. Additionally, the Company's overall borrowing increased by 9.4%.

- Taxation income for the year increased by Rs. 8.6 billion primarily driven by deferred tax income resulting from the revaluation of PPE along with prior tax income stemming from favorable financial outcomes.

Table of content

Key Challenges / Issues

To overcome the challenges faced, KE is making efforts to mitigate them through effective engagement with all key stakeholders

Challenges		Mitigants
Adjustments in sustainable Tariff for key Uncontrollable Factors	MYT 2017-2023 did not allow for pass-through of increased cost and sent-out adjustment	Working diligently for renewal of tariff with an aim to obtain a **sustainable cost reflective tariff with robust adjustment mechanism** which is timely determined
Reduction in Demand and recovery challenges due to macro-economic Factors	Power demand lower than projected particularly from industrial segment due to various macro-economic factors including unprecedent inflation and consumer tariff increase. Further, Significant increase in consumer-end tariffs, fuel cost adjustments and high inflationary pressures have adversely affected customers' ability to pay resulting in a decline in the recovery ratio.	**Targeted recovery drives** and **campaigns** are in place to maintain / improve recovery ratio. Tariff to be **adjusted based on actual growth/mix**.
Receivables / Payables – Government Entities	As of September 2023, KE is to receive **PKR 36 Billion** on net principal basis from Government entities and departments	Engagement with Government Entities for release of net receivables. **Mediation Agreement initialed** for resolution of disputes around historic dues, will be executed after approval from the Cabinet
Execution of Forward-Looking Contracts	**Agreements** for off-take from National Grid and to streamline the process for filing and release of monthly TDS claims pursued	**Agreements for supply of power from National Grid and TDS Agreement initialed**. Summary to moved for approval of the Cabinet, after which the agreements will be executed
Non-provision of Local Gas Supply to KE	**During FY 2023, KE was provided with 8 MMCFD of local gas supply** – due to non-provision of local gas, KE has to resort to expensive sources of generation	In addition to engagements for supply of local gas, KE also plans to add **1,282 MW of renewables** by 2030 to diversify its fuel mix. **RFPs of 640 MW** submitted for NEPRA Approval

Multi Year Tariff and Investment Plan 2023

- KE was awarded an integrated MYT by NEPRA for a control period of 7 years that expired in June 2023
- Keeping in view learnings of the MYT 2017-2023 and the ongoing changes in power sector, KE is endeavoring for separate tariff determination for each business segment for the period post June 2023.
- KE's Generation petition for the remaining life of Generation plants and investment plan and performance KPIs for Transmission and Distribution segment for the next control period are in advanced stages of finalization by NEPRA
- After approval of investment plan, tariff determinations for transmission, distribution, and supply segment will be submitted to NEPRA.
- Financial statements for the quarter ending 30 September 2023 cannot be finalized in the absence of approved tariff determination. The Company remains engaged with NEPRA for earliest determination.

Investment Plan Highlights

- The plan incorporates an investment of **PKR 484 billion** and aims to achieve:
  - 30% growth in customers
  - 30% increase in our share of renewables and
  - 30% reduction in power outages
  - 2.3% reduction in Distribution loss
- We intend on achieving this through:
  - A total planned addition of **2,272 Generation capacity** including 1,282 MW of renewable energy (wind, hydel and solar)
  - Addition of **13 grids** and **450 km** transmission lines
  - Addition of **444 feeders**
  - Addition of **7,606 distribution trafos**
  - Innovations in distribution: Advanced Distribution Management System, Geographical Information Systems (GIS) Mobile workforce Management and Advanced Analytics and Artificial Intelligence

New Multi Year Tariff - Improvements

New Multi-Year Tariff is key for sustainable development of power infrastructure of Karachi

New Multi-Year Tariff envisages improvements on various fronts, which will help the Company continue the investment journey in the interest of consumers

1. Keeping in view learnings from previous MYT and KE has filed **separate tariffs** **for each business i.e. generation, Transmission, Distribution & Supply**
2. **National Electric power policy** envisages **recovery loss allowance** component based on improvement curve of the recovery ratio through a set procedure, which will ultimately help in timely cost recoupment and cash flows.
3. Tariff for generation plants includes **capacity payments** & energy payments which will ensure adequate cost recovery of both variable and fixed costs and allow participation in Open Markets and Central Despatch.
4. **CAPEX** targets divided into **controllable and non-controllable**.
5. Consistent with other power sector entities **Indexation** mechanism for variation in **KIBOR /LIBOR/ SOFR / Exchange Rates** and adjustment mechanism for actualization of sent out units.

The tariff features explained above are subject to regulatory approvals

Table of content

ESG Highlights

SUSTAINABLE DEVELOPMENT GOALS

Saylani Electricity Support Fund	210 Beneficiaries
KHI Awards	9 Million Lives Impacted
Water Purification Plants	50,000 People benefited
Health Camps	6,000 Patients Treated
Roshni Baji	200,000 Households reached
School Safety Campaign	57,000 Children reached
Business Facilitation Camps	48,000 Customers Facilitated
Repurposing Materials	15 Million Worth of donations
Plantation	100,000 Mangroves
KE - Akhuwat Endowment Fund	66 Beneficiaries
GuarantCo	Partnering with Grantors and Lenders
Emergency Response	3.9 Million worth Medical supplies donated

Our Alignment to SDGs

6,000
Patients treated through Health Camps

57,000
Children impacted through school safety program

200,000
Households impacted through Roshni Baji program

50,000
People benefitted with 05 water filtration plants

202 MW
PV injected into the system through Net Metering

USD 4.1 Bn
Invested since privatization

7/11+
Innovation Challenge Top 10 participants recognized by NEPRA

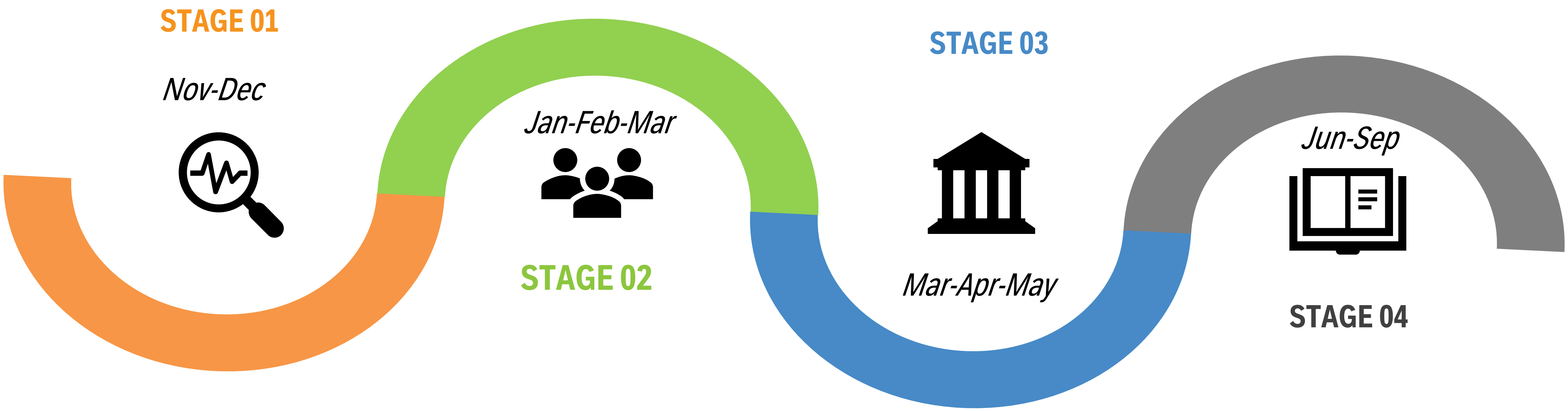
Committed to achieving
1:1
Gender pay gap

50,000
Advocacy on safe & Sustainable cities

PKR 15 M
Worth material repurposed

100,000
Mangroves Plantation

ESG Framework Journey



Benchmarking and Gap analysis

1. Benchmarking conducted against 10 local and international companies
2. Gap analysis completed along GRI Indicators, Material Topics and Targets

Materiality Assessment and Stakeholder Engagement

1. Conducted CXOs interviews
2. ESG Employee survey developed and rolled-out
3. Focus Group preparations for stakeholders
4. Analyze data
5. Develop Materiality Matrix

ESG Roadmap

1. ESG Council Formation
2. Development and alignment of Roadmap (ESG objectives, KPIs)

a) Engage with verticals
b) Establish systems

Implementing ESG Roadmap Across KE and Streamlining Processes

1. Implement ESG Roadmap
2. Begin data collection
3. Analyze and collect content for reporting
4. Identify and prepare narrative to showcase progress made on ESG

Table of content

Awards

Awards & Certifications

- Global Compact Network Pakistan awards K-Electric a Recognition Shield for its **Sustainable Development Goals (SDG) initiatives** at the SDGs Summit Pakistan 2023.
- KE won **Community Impact Award** at 12th CSR Summit
- KE won runner up award at the CFA for the **Best ESG Reporting 2022**
- SAFA BPA Award 2021 – Gold for the category of “**Power and Energy Sector**”
- **HSE Excellence Awards** 2022 by NEPRA.
- PIDG **Safety Award** 2022 by GuarantCo. Ltd.
- SDC supply chain **Pros to Know** award.
- Diamonds **Employer recognition** award by Employer’s Federation Pakistan and International Labor Organization.
- Silver Award at NEPRA **CSR** Awards Ceremony

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. However, support from government and regulatory authorities remain critical for the execution of the planned investment.

THANK YOU