KE Presentation

April 2016



Pakistan Country Overview

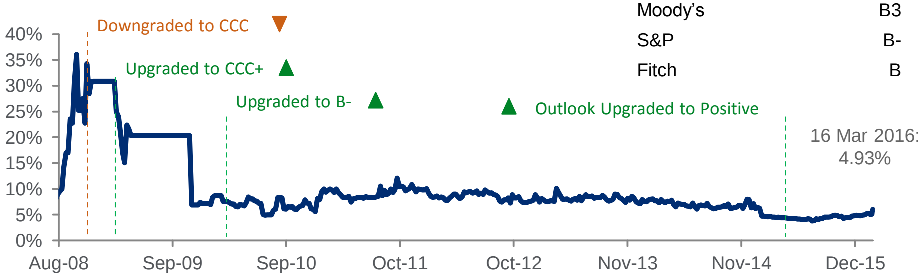
Country Overview

Demographics (mn)	FY15
Population	189
– 15 to 64 years	*63%*
Labor Force	63
Urban Population	73

Macro	FY15
GDP growth	5.5%
Real GDP PPP(1) (US$ bn)	860
Real GDP PPP(1) / capita (US$)	2,740
Ratings(2) / Outlook	B- / Positive

Sovereign Ratings(2) and CDS Levels

Rating Agency	Rating
Moody's	B3
S&P	B-
Fitch	B



Benchmarking Against Select Emerging Markets

				
Real GDP Growth (FY 15)	5.5%	(3.7%)	7.3	3.9
FX Change(3) (YoY)	(2.8)%	(10.1)%	(6.1)%	(9.3)%
Debt / GDP (FY 15)	57.2%	71.5%	51.2%	34.6%
Industrial Production Growth (FY 15)	4.2%	(6.0%)	5.5%	2.0%

Significant Progress in Recent Months

1 Improving Monetary and Fiscal Situation

- Low oil price levels are expected to save Pakistan US$5-6bn in oil imports annually
- Current account balance (as % of GDP) is expected to improve from (2.6%) in 2014 to (1.5%) in 2017
- Budget deficit (as % of GDP) is expected to improve from (5.5%) in 2014 to (4.4%) in 2017

2 Stabilizing Currency and Record FX reserves

- Pakistani rupee has remained relatively stable over the last year
- Improvement in country's current account position should allow Pakistani rupee to maintain its value against US$
- FX reserves have continued to grow strongly, reaching a record high of c. US$21bn in Jan 2016

3 Sustained Investor Interest

- Foreign investors invested more than US$2.3bn(4) in Pakistan's equity markets in 2014
- China has committed US$46bn in investments on transport and energy projects

4 Positive Perception of Government Initiatives

- Lower CDS spread and improved rating outlook from stable to positive
- The Government's privatisation programme continued strongly during 2015 including the US$1.0bn secondary placement of Habib Bank Limited
- 10th tranche of Pakistan's loan program, amounting to US$0.5bn approved by IMF

> "Economic growth gradually increased from 3.7 percent in fiscal year (FY) 2012/13 to 4.2 percent in FY2014/15. Monetary and financial sector policies have remained prudent in recent years, and the banking system remains sound. Inflation has declined significantly, helped in part by low international commodity prices."

IMF Statement on Pakistan (January 12, 2016)

Source: Pakistan Ministry of Finance, EIU, Bloomberg, Oanda, Factset.
Note: (1) Real GDP in PPP US$ at 2005 prices. (2) S&P ratings. (3) Local currency against US$ as of March 18, 2016. Negative % reflects local currency depreciation. (4) Bloomberg.

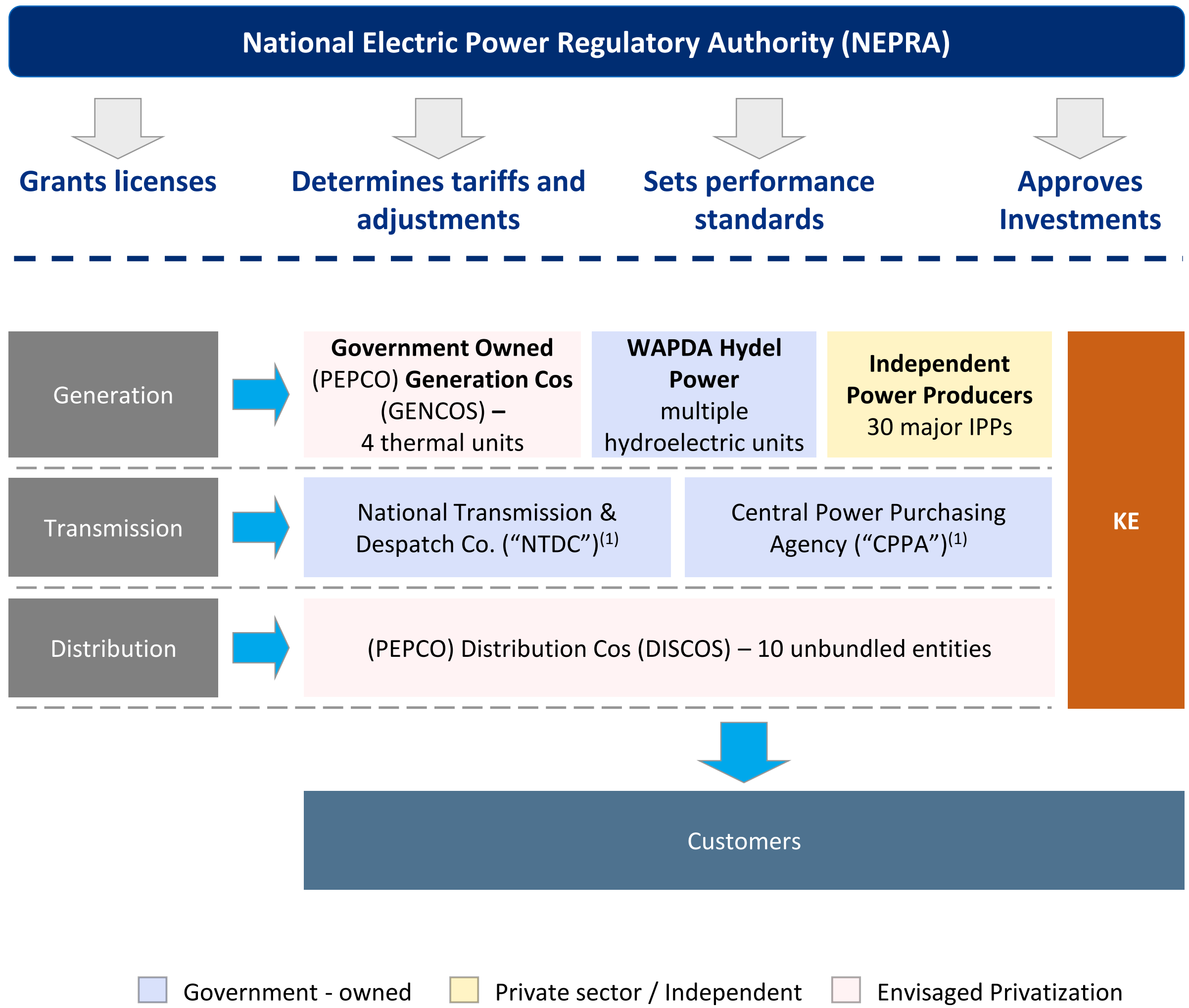
Pakistan Power Sector Structure

Government of Pakistan has restructured the sector through privatization and unbundling. 9 distribution companies and 4 generation companies are still in the privatization pipeline

Key Highlights

- Historically the power sector consisted of two vertically-integrated utilities, WAPDA and KE
  - KE privatized in November 2005
  - WAPDA unbundled into 10 DISCOs, 4 GENCOs, 1 transmission company and a hydroelectric utility
    - 4 GENCOs and 9 DISCOs are in the privatization pipeline
- NEPRA is responsible for:
  - Granting licenses
  - Determining tariffs and adjustments
  - Setting performance standards
  - Approving investment programs across the power industry
- Ministry of Water and Power ("MoWP") responsible for supervision of and coordination between national power organizations and power players as well as policy formulation

Current Electricity Sector Overview



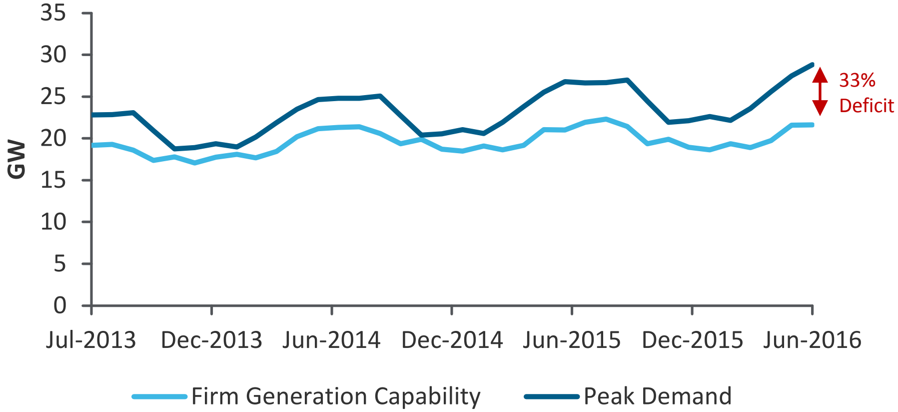
Note: (1) GoP owned transmission entity and designated system operator. CPPA has been recently carved out of NTDC and focuses on administrative aspects such as payments and settlement of power dues between GENCOs, DISCOs and NTDC while also monitoring circular debt.

Pakistan Power Sector: Need for Investment

Pakistan is a power deficit market which requires significant investment to meet growing demand.

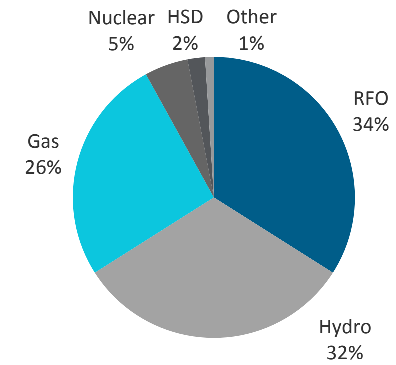
An Acute Energy Shortage …

Chronic underutilisation of capacity leading to energy deficit of more than 6GW



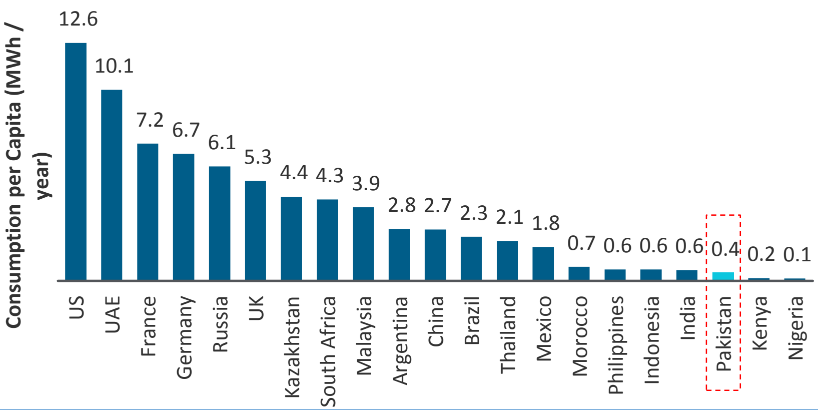
… Fuelled by an Expensive Generation Mix …

Pakistan's generation mix is heavily skewed towards imported residual fuel-oil (RFO); RFO based generation is relatively expensive and has strained FX reserves and fiscal balances over the years



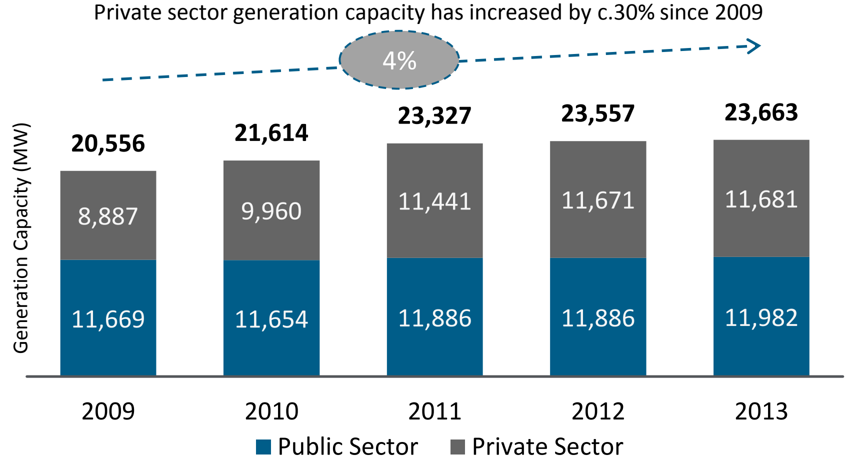
… Provides an Opportunity to Increase Consumption…

Due to the energy shortage, Pakistan has among the lowest consumption per capita



…Through Increasing Private Sector Investment

Private sector generation capacity has increased by c.30% since 2009



Pakistan Power Sector: Reform Underway

Circular debt has historically clogged capacity and stifled liquidity in the power sector; given recent oil price decline, rate of circular debt is expected to decline significantly, which should help the economy. Moreover, government has also undertaken measures addressing structural issues

Challenges

- **Circular Debt Clogging Capacity**
- **Unsustainable Fuel Mix**
- **Tariff Subsidies Straining Fiscal Reserves**
- **Capacity Deficit**
- **Weak Corporate Governance of ex-WAPDA Entities**

Policy Goals / Measures

Sustainable Capacity

- Large infrastructure projects (Diamer-Basha, etc) to ensure energy independence
- Shift power mix to low cost sources (coal, hydel, gas, etc)
- Engage multilaterals

Structural Changes

- Overhaul of structural and regulatory aspects of NEPRA, OGRA and MoWP
- Tariff subsidies phased out; to be completely eliminated for most consumers
- Outsource collection to improve cash flows; independent auditors to ensure transparency

Efficiency

- Allocation of gas to efficient generation sources
- Introduction of technology (smart meters, etc)
- Minimize line losses through upgrading transmission network
- Performance based contracts with DISCOs
- Privatization or O&M based leasing of GENCOs

Positive Outlook

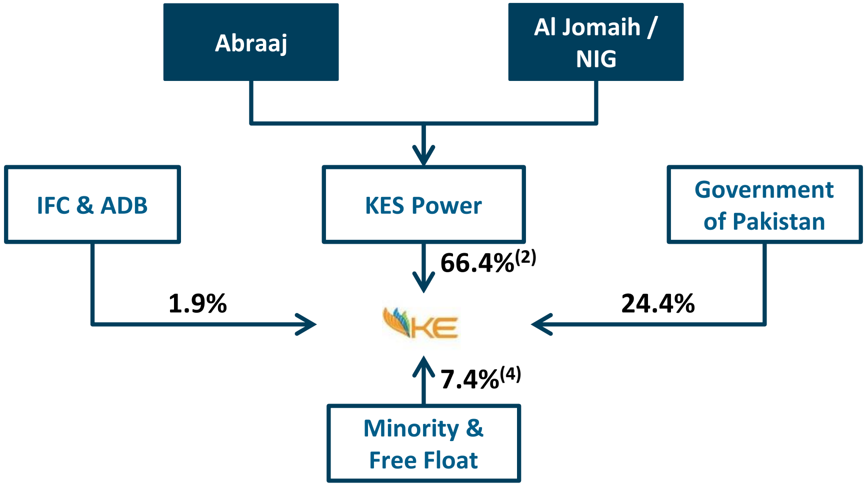
- **Increasing foreign investment; (agreements with Chinese and ME investors, multi-laterals etc.) –** *China recently committed US$46 billion*
- **Low cost generation in pipeline**
- **Reduction in power outages**
- **Frequent tariff adjustment preventing build-up of receivables / easing fiscal pressure**
- **Privatization of state owned companies**
- **Positive reviews by IMF / ADB committed US$1.5bn**
- **Low Oil Price Environment**

KE Overview

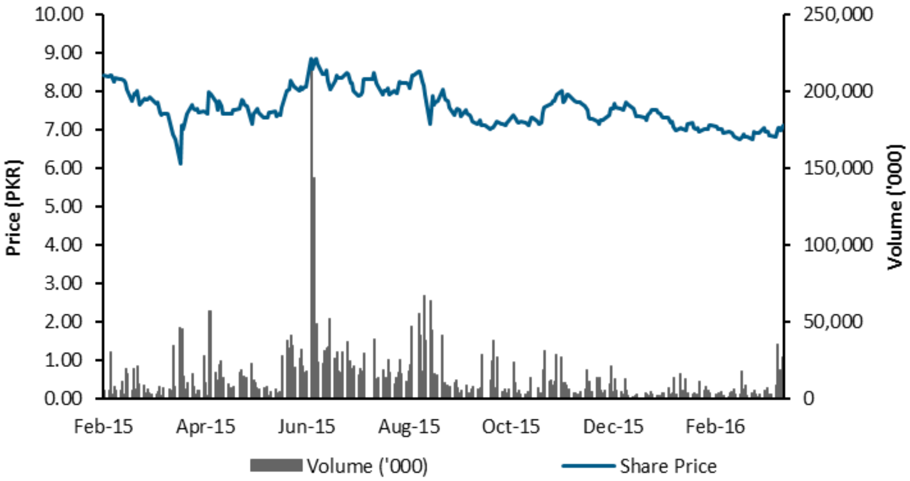
KE Background

- Incorporated in 1913, K-Electric ("KE" or "Company") (formerly known as Karachi Electric Supply Company) is a publicly listed fully integrated power utility involved in generation, transmission and distribution
- KE was privatized in 2005
- Abraaj acquired a controlling stake[(1)] in KES Power ("KESP"), currently the 66.4%[(2)] shareholder of KE, from Al Jomaih Group and National Industries Group through a commitment to inject equity into the Company
  - The transaction closed in April / May 2009
- International Finance Corporation ("IFC") and Asian Development Bank ("ADB") converted US$50mn (US$25mn each) of long-term loan into equity in December 2012 – Validating the investment case and success of the turnaround strategy
- KE's share price has grown by 178% over the past 5 years
- The stock's liquidity has also increased over the past few years (ADTV in March 2016 increased by c.8x compared to March 2013)

Current Ownership Structure[(3)]



Historic Share Price and Volume



Note: (1) Initial acquisition of 50.0% stake which was subsequently increased to 52.3%. (2) Initial shareholding of KES Power was 71.5% and gradually increased to 72.8% following multiple rights share issues over the last several years (a number of minority shareholders did not subscribe to the rights issue which KES Power underwrote). Upon IFC & ADB's conversion, the stake of KES Power decreased to 69.2%, which was then reduced to 66.4% following an accelerated equity offering in February 2015. (3) Total shareholding may not total to 100% due to rounding. (4) Minorities and Free Float represent c.7.4%%.

KE: Key Value Drivers

1. Strategic Importance of Karachi
2. Business Overview
3. Operational Outperformance
4. Robust Financial Performance
5. Opportunity to Further Enhance Operational Efficiency
6. Experienced Management
7. Favorable Government Policy

① Strategic Importance of Karachi

The city of Karachi is essential to Pakistan's economy and drives much of the country's economic growth. As the city's sole electricity provider, KE is of strategic importance to the municipality and the country

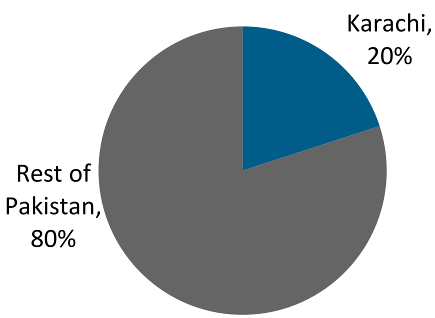
Karachi's Importance to Pakistan

- Karachi is the commercial hub and the gateway of Pakistan
- Home to Pakistan's largest stock exchange, making it the financial centre of Pakistan
- c. 90% of the head offices of the banks, financial institutions and multinationals operate from Karachi
- 40% of large scale manufacturing employment is in Karachi

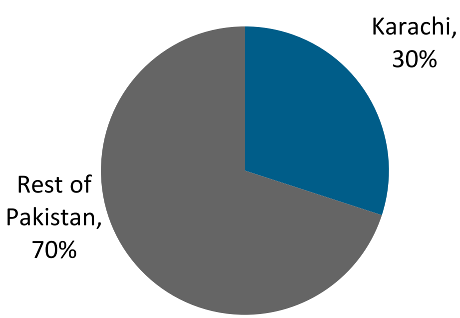
Strategic Location

Karachi's Contribution to Pakistan's Economy

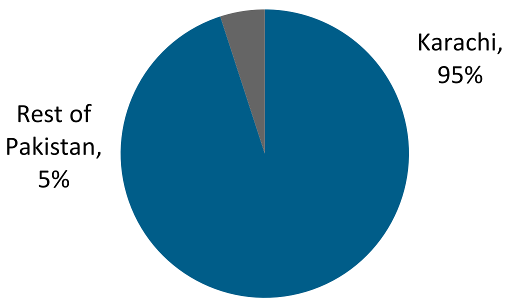
Gross Domestic Product



National Manufacturing



Foreign Trade Handled

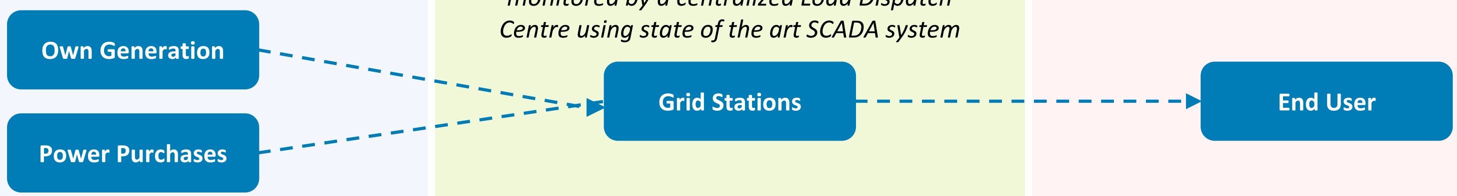


Source: Asian Development Bank.

Business Overview

KE is the only remaining vertically integrated power utility in Pakistan with exclusive licensing rights for Karachi and a customer base of 2.5mn

Presence Across the Entire Power Value Chain



Generation

Generation Capacity:	MW
KE Internal	2,247[1]
IPPs and others	366
NTDC (National Grid)	650

Generation Assets as % of Fixed Assets 61%

Transmission

Capacity:

64 grid stations

133 power transformers

Network of 220, 132, and 66 kV circuits

1,249 KM of overhead and underground cables

Transmission Assets as % of Fixed Assets 21%

Distribution

Capacity:

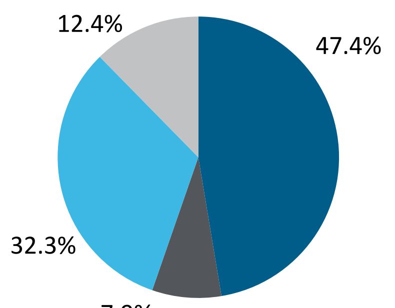
KE coverage area: 6,500 sq km

11 kV distribution capacity of 6,661 MVA through 21,817 PMTs and sub stations

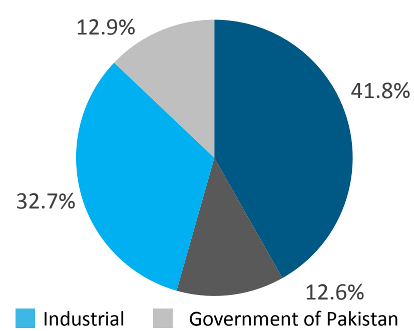
Distribution Assets as % of Fixed Assets 16%

A Diversified Customer Base...

Customer Breakdown by Consumption (GWh)

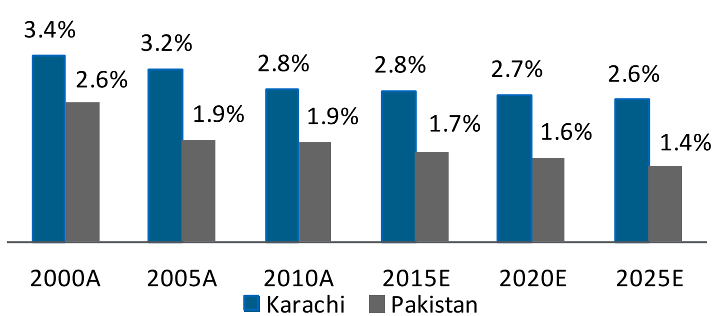


Revenue Breakdown



...With Strong Growth Prospects

Karachi 5-year Population CAGR vs. Pakistan



Source: United Nations' Department of Economic and Social Affairs, World Urbanization Prospects, the 2011 Revision. (1) NEPRA has issued a generation license for the coal conversion project of two units at BQPS 1 (420 MW) to be leased out as an IPP on the effective COD date.

② Overview of Generation Capacity

Total installed capacity of over 2,247 MW with nearly 45% of KE's capacity being less than 6 years old

❶ Bin Qasim Power Station 1 (BQPS 1)

Capacity	1,260 MW (6 units)(1)
GDC	920 MW (5 units)(2)
Year	1983 – 1997
Fuel	HFO / Gas(3)
Efficiency	32%
Supplier	Hitachi, Ansaldo – Steam Turbines

Major rehabilitation in the last 5 years – resulting in recovery of 50 MW and improvement in efficiency

❷ Korangi CCPP

Capacity	247 MW (4 units, 2ST)
GDC	215 MW
Year	2008-09
Fuel	Gas
Efficiency	45%
Supplier	General Electric – LM 6000 GT

A case of a successful turnaround by the management – conversion to combined cycle has been completed

"Largest & Most Efficient Combined Cycle Power Plant in Pakistan"

"Best Fast Track Project (Silver Award)" and "Best Plant in the Region" by Asian Power Magazine

❸ Bin Qasim Power Station 2 CCPP (BQPS 2)

Capacity	560 MW (3 units)
GDC	517 MW
Year	2012
Fuel	Gas
Efficiency	45%
Supplier	General Electric – Frame 9E GT

❹ GE Jenbacher SITE & GE Jenbacher Korangi

Capacity	180 MW (64 units)
GDC	176 MW
Year	2009
Fuel	Gas
Efficiency	36%(4)
Supplier	GE Jenbacher – Gas Engines

Notes: Data as of June 2015. Efficiencies are indicative and subject to variation. KE applied to NEPRA for the decommissioning of Korangi Thermal Power Station. Approval was received in Q1 2015.
(1) NEPRA has issued a generation license for the coal conversion project of two units at BQPS 1 (420 MW) to be leased out as an IPP on the effective COD date. (2) Unit IV is not currently functioning and will start operations upon completion of the coal conversion project. (3) Post completion of the coal conversion project, coal will be also be a source of fuel for the two units being converted in this phase. (4) To be enhanced upon completion of the conversion of 2 open cycle engine-plants to combined cycle in 2016.

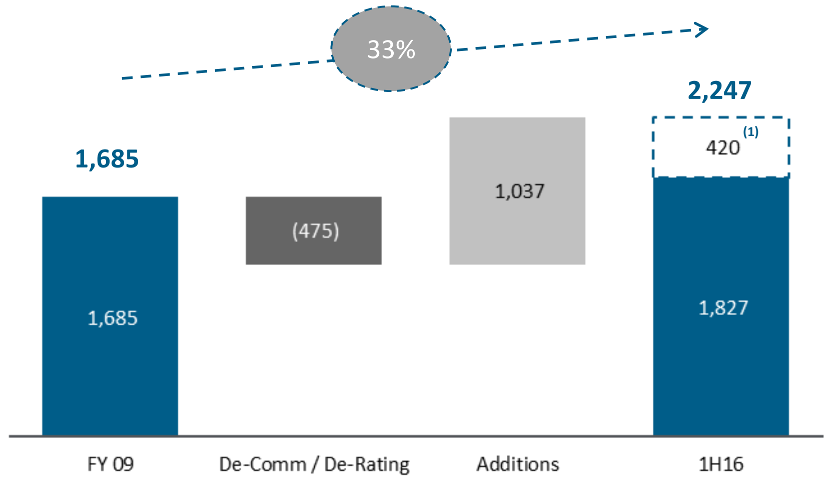
③ Operational Outperformance – Generation

Installed generation capacity has been enhanced by over 1,000 MW and overall efficiency has improved from 30.4% in FY 09 to 37.3% in 1H16 – significantly contributing to the financial turnaround and outperformance

Capacity Enhancement

- c. 1,037 MW increase in installed generation capacity since 2009
- Capacity added through completion of 4 major projects
  - 247 MW CCPP Korangi
  - 180 MW GEJB Korangi and SITE
  - 50 MW BQPS-1 rehabilitation
  - 560 MW BQPS-2
- Upon completion of the current projects, capacity will increase by 20 MW and is expected to increase efficiency by an additional 2-3%

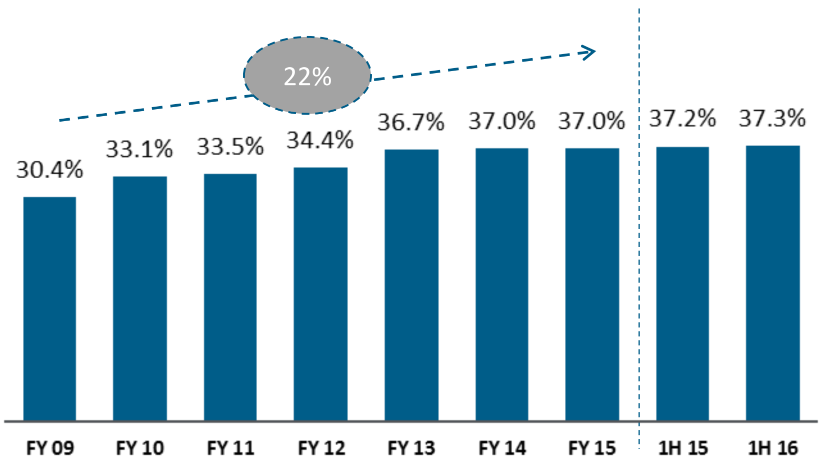
KE Capacity (MW)



Improvement in Fleet Efficiency

- 22% efficiency gain between FY 09 and FY 15
  - Highest ever fleet efficiency of 40.3% achieved in February 2014 (FY 14)
- Major overhaul of three units and annual maintenance of BQPS
- Addition of modern plants has increased efficiency
  - 10% increase with the addition of GEJB and 220 MW CCPP in H1 2010 vs. H1 2008
  - Further 12% increase due to continuous operation of BQPS-2 in H1 2013

Average Fleet Efficiency (%)



Note: KE's fiscal year ends on June 30. (1) NEPRA has issued a generation license for the coal conversion project of two units at BQPS 1 (420 MW) to be leased out as an IPP on the effective COD date.

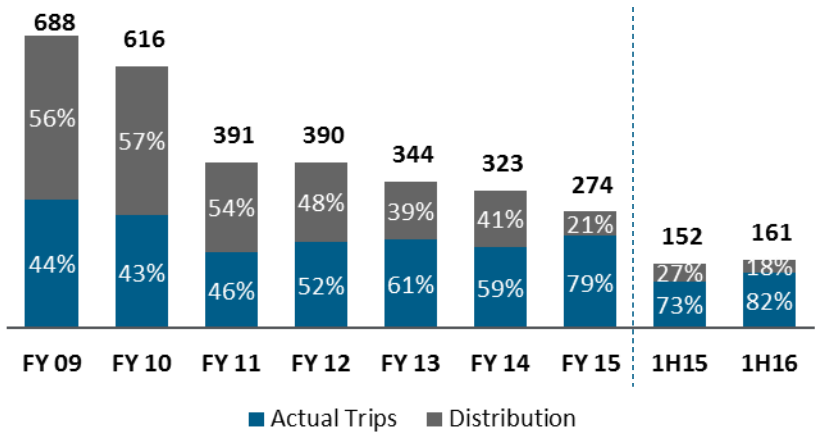
③ Operational Outperformance – Transmission

Increased reliability in transmission network through the addition of 12 new grid stations and 63km of new EHT[1] lines, while also rehabilitating 189km of old EHT line, resulting in an increased transmission capacity of 768 MVA

Power Transformers Reliability

- 60% reduction in transformer tripping in FY 15 vs. FY 09
- 85% less transformer trips on 11 KV distribution network during FY 15 vs. FY 09
- Significant fault response improvement
- Significant transmission losses reduced by 2.6 percentage points coming down from over 4% in 2008 to c. 1.4% in June 2015
  - 189 kilometers of circuit length have been rehabilitated
  - 63 kilometers of new EHT lines have been installed

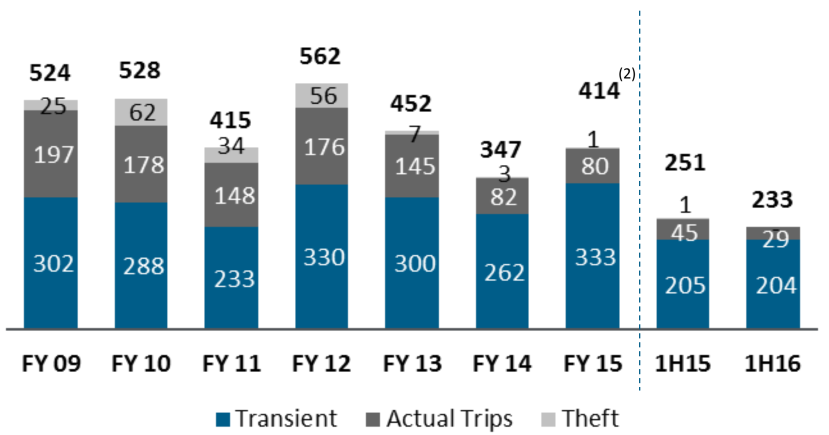
Transformer Trips



Transmission Lines Reliability

- 21% reduction in transmission line trips in FY 15 vs. FY 09
- 96% decrease in theft in FY 15 vs. FY 09
- 59% reduction in actual trips in FY 15 vs. FY 09

EHT Line Trips



Note: (1) Extra High Tension. (2) Increase in EHT tripping is mainly due to high humidity; KE's fiscal year ends on June 30.

③ Operational Outperformance – Distribution

FY 15 T&D losses stood at 23.7%, representing a c. 12.2 percentage point decline since 2009

Key Initiatives

Re-organization & Creation of IBCs

- Organization restructured to deliver business objectives
- Built modern customer services centres and offices
- Implemented a performance-based incentive program
- Load shed based on losses and recovery rates
  - Preferential treatment given to industrial and strategic customers

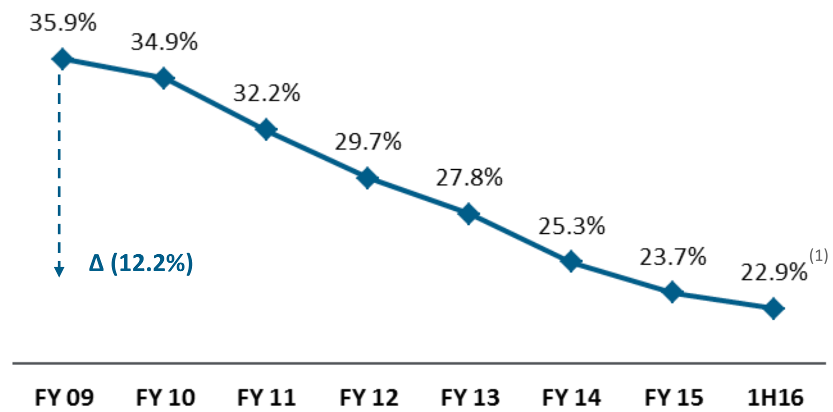
Implementation of New and Re-engineered Processes

- State of the art billing and CRM system rolled out (SAP IS-U)
- Energy measurement system put in place for better network visibility
- Enhanced call centres
- ISO Certification
- Mobile Meter Reading
- E-Bill Payment Automation

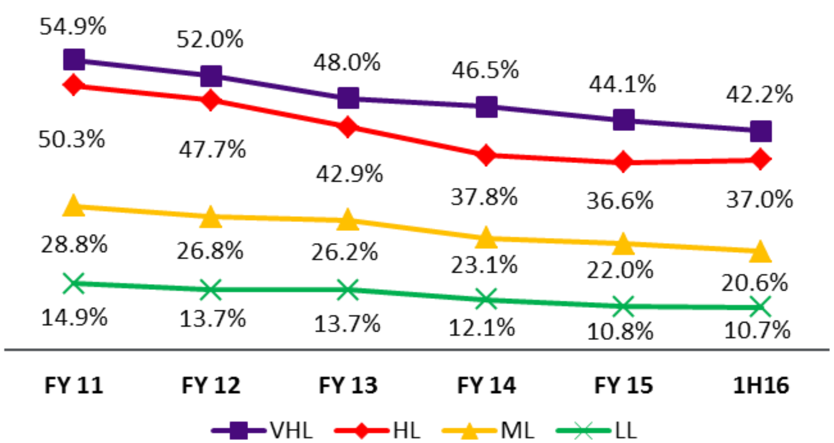
Capex Solutions

- Replacing electro-mechanical meters with electrostatic meters
- Use of aerial bundled cables
- Smart grid initiative
- BUSBAR execution on Multi Stories
- Technical Loss Reduction

T&D Losses (%) – Rolling Average



Distribution Losses (%) by Segment – Rolling Average



Note: KE's fiscal year ends on June 30. (1) Based on 12-month rolling average. For the half Jul-Dec 2015 losses stood at 22.9% compared to 23.8% the same period the previous year

3 Operational Outperformance – HR Restructuring

Enhanced workforce effectiveness through creation of a performance-driven culture and workforce optimization (reduction of head count by approximately 7,000)

KE Initiatives:

Rightsizing ✓

- Promotion of **3,500 Non-Management to Management cadre** followed by regularization of 5,700 contractual staff
- System of excess overtime payments halted
- **Voluntary Separation Scheme** costing PKR 6.0 billion (**US$ 67 million**) for 4,459 non-core staff
- Successful outsourcing of non-core positions despite resistance and violence faced

Accountability ✓

- Implementation of **disciplinary committee** for the first time in January 2010
- **1,372 employees dismissed** / terminated across all cadres due to corruption, theft and misconduct

Management Change ✓

- **Roll out of "AZM" Change Management Program** – sessions held for over 10,000 employees to bridge junior employee and senior management communication gap
- One of the **largest organizational development initiatives** carried out by a private sector organization in Pakistan
- **Fresh Blood Infusion philosophy** now taking shape through **Graduate Trainee Program** (GTP) and **Technical Apprentice training programs –** 35 resources staffed across mid-to-senior management levels and 284 staffed at lower management levels. As a result the **average age of the lower management is now 27.8 years down from 46.1 years**

Performance Monitoring ✓

- **Successfully completed seventh round of Annual Performance Appraisal through the Bell Curve** evaluation system for management and staff; Appraisal processes now paper-less, with online submissions increasing system and time efficiency
- "Variable Yearly Performance Reward Matrix" implemented
- Results: **Visibility** on employee capability and contribution; **Filtration** of incompetent workforce; Appropriate **career development** and growth for high potential candidates

Learning and Organization Development ✓

- Standardized and structural learning interventions through "AZM" Learning Institute and **largest management trainee program in the country**
- Induction and training of 927 management trainees, trainee engineers, trainee accountants since 2008
- Targeted training interventions launched catering to unique organizational needs – **'Handling Difficult Situations Program'** designed for field employees who face mobs and violence; and exclusively designed **Management Development Program** for managers who are expected to deliver in KE's unique environment

④ Robust Financial Performance: Underpinned by a Multi Year Tariff Structure

The current MYT structure is a performance based / efficiency driven tariff whereby KE can increase its returns by beating inherent efficiency benchmarks incorporated into the tariff structure

Background and Components of Current Tariff Structure

- In preparation for privatization of KE in 2002-2003, the **Company requested NEPRA to grant a MYT which will provide clarity, predictability and stability to the tariff regime** – *necessary for private sector investment*
- In consultation with the World Bank and other multilaterals, the MYT was established by NEPRA in September 2002 (and renewed in 2009 at the time of Abraaj investment)
- The performance based MYT established by NEPRA in September 2002 is **essentially a "CPI-X" price cap on the internal costs of KE while external costs are considered on a pass through basis**
- Under the current tariff structure, investors generate returns by beating the inherent efficiency benchmarks assumed within the base tariff

Components of KE's Tariff

All external costs are pass through + Cap on internal costs of KE

Base Tariff + **Periodic Cost Variation Adjustments** + **Annual O&M CPI Adjustment** = **Determined Tariff**

Base Tariff

1. Actual Power Purchase cost from IPPs
2. KE's tariff, based on :
   - Cost of Fuel
   - O&M costs
   - Depreciation

2a. KE's tariff allowed on NEPRA approved benchmarks
   - Fleet efficiencies (Heat rates)
   - T&D losses

Periodic Cost Variation Adjustments

1. Fuel Surcharge Adjustment ("FSA")
   - Monthly adjustment for variation in fuel cost for own power generation + power purchased from IPPs
2. Quarterly adjustments for
   - T&D losses on FSA
   - O&M cost adjustment on power purchased from IPPs

Annual O&M CPI Adjustment

1. Annual CPI minus X adjustment for KE's O&M costs (generation + transmission + distribution). X ranges between 2%-3%.

Determined Tariff

To be received by KE

−

Tariff Subsidy

To be paid by GoP on behalf of the Consumers

=

Consumer Tariff

To be paid by the Consumers

Value Unlocked

Value in exceeding NEPRA approved efficiency benchmarks

1. Improvement in fleet efficiency (heat rates) of individual plants and /or improvement in overall average fleet efficiency through addition of new plants
2. T&D losses

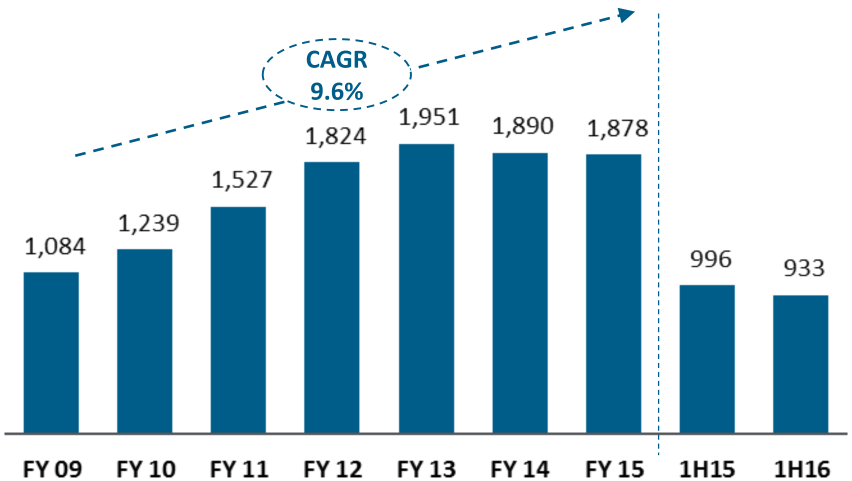
1. Reduction in actual O&M costs incurred
2. Optimization of sales mix

Source: NEPRA.

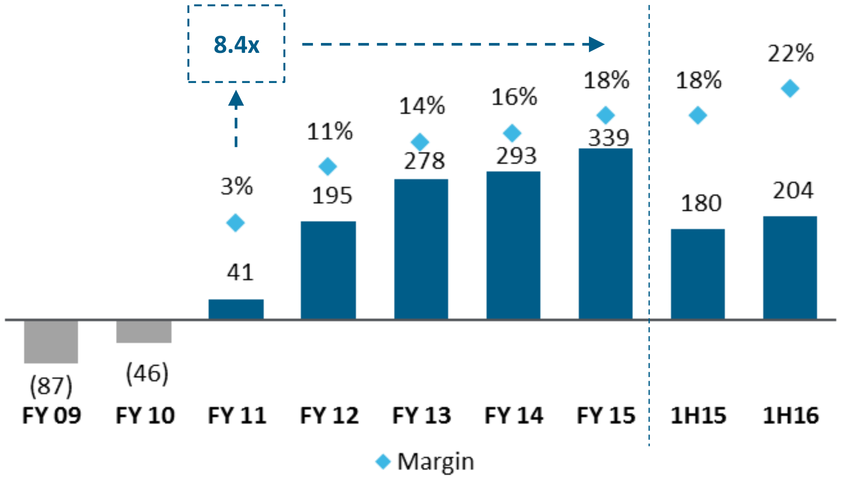
④ Robust Financial Performance

KE revenue increased at a CAGR of 9.6% between FY09 and FY15 on the back of decreasing T&D losses, increasing average revenue per unit billed and decreasing fuel price environment. KE achieved positive operating profitability in FY11 and net profitability in FY12

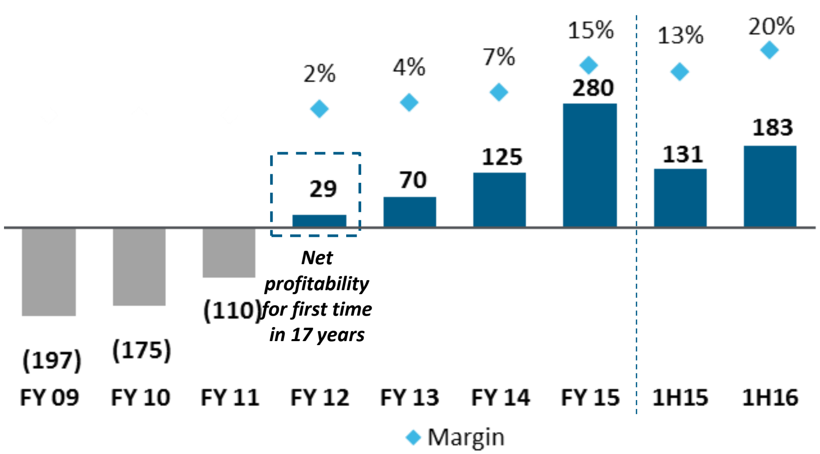
Revenue (US$mn)



EBITDA (US$mn)



Net Income (US$mn)



Comments

- Strong revenue growth since FY 09 on the back of reduction in T&D losses
  - Re-organization & creation of IBCs
  - Implementation of new and re-engineered processes
  - Piloting capex solutions (smart grid, aerial bundled cables etc.)
- Return to operating profitability in FY 11 following KE turnaround
  - Introduction of modern and more efficient plants
- The effect to the bottom line has also been consistent with net income increasing 9.7x between FY 12 and FY 15
- In PKR terms the revenue decreased by (3.8%) over the last period (1H16 vs. 1H15). The (6.3%) decrease in US$ revenues is on account of local currency depreciation to the dollar
  - The average exchange rate for the half-year ending December 2014 was PKR:US$ 101.13; the average exchange rate for the half-year ending December 2015 was PKR:US$ 103.88

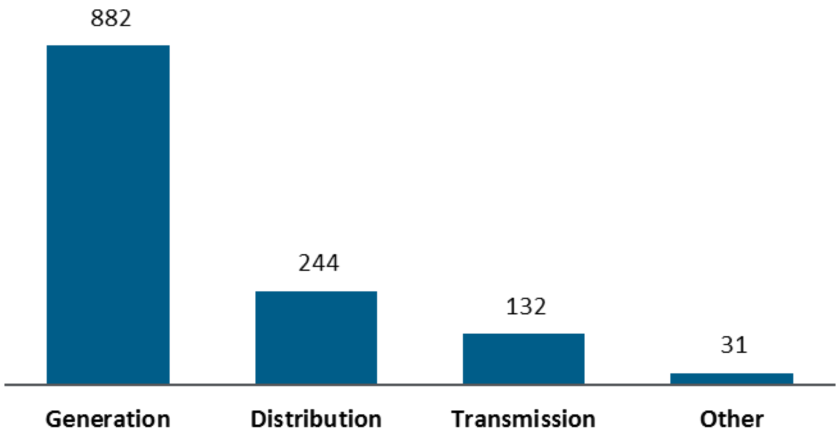
Note: KE's fiscal year ends on June 30. US$ figures converted based on period daily average PKR:US$ exchange rate as sourced by Oanda.

4 Robust Financial Performance (Cont'd)

Significant capital expenditures over the last 6 years have allowed KE to achieve its objective to increase generation capacity and improve T&D infrastructure. Return to profitability has accelerated KE's deleveraging pace

Total Capex (US$mn)

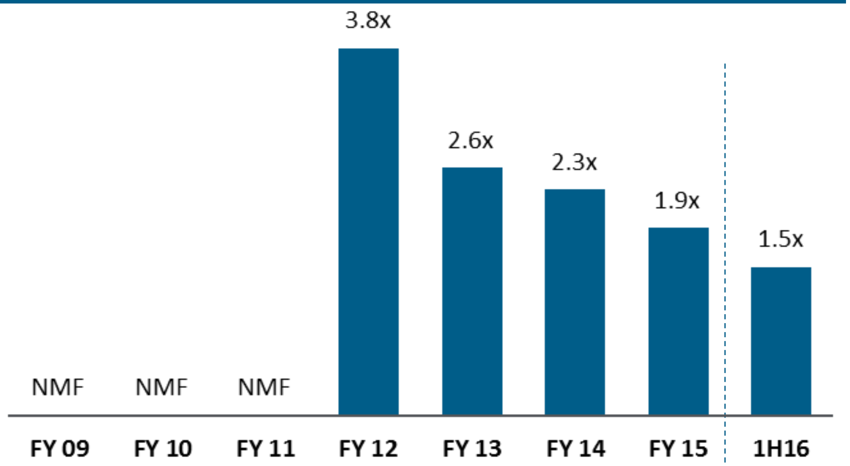
Total of US$ 1,289mn invested in capex since 2009



Comments

- Over US$ 1 billion invested across the business since 2009
- Going forward, capex plan includes:
  - New generation projects
  - Transmission infrastructure enhancement
  - Distribution capex for network maintenance and expansion

Leverage (Net Debt/EBITDA)[1]



Comments

- Strong balance sheet with the significant leverage capacity
- De-leveraging driven by increasing cash flow generation and return to operating profitability
- Sukok offering of US$ 220 million used to pre-pay expensive foreign debt of US$ 113 million and reducing the cost of debt through improved pricing, extended maturity profile and less stringent financial covenants
- OPIC financing of US$ 250 million secured for new capex initiatives with focus on the transmission enhancement
- Today, the business plan is fully-funded with significant leverage potential and internal cash-flow generation capacity

Note: KE's fiscal year ends on June 30. US$ figures converted based on period daily average PKR:US$ exchange rate as sourced by Oanda.
(1) PKR-based leverage ratios. LTM EBITDA used in 1H16.

5 Opportunity to Further Enhance Operational Efficiency

Key Transmission & Distribution Initiatives

1	**1,000 MVA transmission enhancement (Phase 1)**	▪ 1,000 MVA transmission enhancement and rehabilitation project. Contracts finalized with Siemens Germany and Shanghai Electric, China. Estimated Cost of the project **US$ 400 million** ▪ Eight new grid stations comprising 220kV and 132kV grid stations and addition of ten new 220 kV and 132 kV transmission lines ▪ Addition of 31 transformers and 400+ 11 KV Feeders to cater the grid growth ▪ Financing secured through ECA backed facilities from China and Germany, OPIC and local banks
2	**Distribution initiatives**	▪ Smart Grid Project which will allow remote management of smart meters at customer premises and transformers ▪ Installation of Aerial Bundle Cable (ABC) on High Loss Transformers to control theft ▪ Transformer / feeder technical loss reduction project. ▪ Estimated investment in distribution infrastructure US$ 350 million

Key Generation Initiatives In Place

1	**250 MW Dual Fuel Embedded Generation**	▪ A dual fuel power plant at Kornagi Complex with c. 253 MW of gross capacity. The project is strategically being implemented in the north-west quadrant of the grid to provide stability to the 132 kV network ▪ Target financial close in H1 2017 with an 18 month construction period ▪ Efficiency for simple cycle is expected to be 42% with an additional 3% when converted to combined cycle
2	**700 MW IPP Coal Project**	▪ China Datang Overseas Investment Company participating in this project through a Joint Development Agreement. ▪ KE has signed an accord with China Machinery Engineering Corporation (CMEC) for the project. ▪ Land required for the project has already been acquired ▪ Estimated cost of the project is **US$ 1 billion** and expected COD is June 2020.
3	**420 MW Coal Conversion Project at BQPS-1**	▪ Conversion of 420 MW of existing furnace oil units into coal-fired plants – estimated cost of the project is **US$ 400 million -** Structured as an IPP
4	**LNG – 450 MW**	▪ 450 MW LNG power plant with Engro, with expected COD Jul 2019
5	**Conversion of Operational Open Cycle Plants**	▪ Conversion of 2 existing open cycle plants (220 MW and 180 MW GE JB) to combined cycle adding additional 47 MW to be completed by April 2016 – **US$ 100 million**
6	**Other IPPs**	▪ KE is also planning to contract electricity from additional IPPs to boost external generation; potential IPPs include Nooriabad (104 MW) and Fauji (56 MW) expected COD 2016 / 2017

6 Experienced Management

Highly experienced team with deep industry knowledge and a strong track record

Waqar Siddique
Chairman and Director KE Board

- Over 33 years of experience across operations, risk management and governance
- Serves on various management committees for The Abraaj Group

Tayyab Tareen
Chief Executive Officer Exec. Director KE Board

- 22 years experience including CFO of Coca-Cola Pakistan, UAE and Oman
- KE CFO / CSO for 4 years
- ICAEW qualified accountant

Dale Sinkler
Chief G&T Officer

- 25 years experience including and CEO of AES Lalpir and Co-Founder of O&M Solutions
- Associated since 2009

Syed Moonis A. Alvi
Chief Financial Officer

- 11 years with Industrial Conglomerate lastly as Group Director Treasury
- With KE since 2008
- 8 years with KPMG & ICAP Chartered Accountant

Eram Hasan
Chief Supply Chain Officer

- 23 years of international general management experience with Coca-Cola, Unilever & Alcoa USA
- In this role since 2010
- MBA (HBS) & MSc. (MIT)

Asif Saad
Chief Operating Officer Distribution

- 28 years of diverse experience in chemical and manufacturing including, Dawood Hercules, Lotte Chemical and ICI Pakistan
- In this role since 2016

Muhammad Shoaib Baig
Chief People Officer

- 18 years of experience in international HR
- Previously Chief Human Resource Officer and Vice President at Telenor Pakistan
- Trained with INSEAD and Babson College; Engineering from University of Leeds

Syed Fakhar Ahmed
Chief Marketing & Communication Officer

- 18 years of diversified experience
- Previously Head of CSV & Special Project for Nestle in Greater China Region
- MBA in Marketing and MA in Political Science

Amir Zafar
Chief HSEQ & Special Projects

- 30 years of diversified experience
- Previously Senior Vice President-Quality Assurance – Pakistan International Airlines
- Master's in Engineering Management

7 Favorable Government Policy

The GoP has set-forth an investor friendly policy to "build a power generation capacity that can meet Pakistan's energy needs in a sustainable manner"

Key Incentives to Invest in Pakistan's Power Sector

One-window Facilitator and Investor-friendly Policy

- The Private Power & Infrastructure Board ("PPIB") acts as a one-window facilitator for private power generation projects above 50 MW
- The policy offers an attractive set of fiscal and financial incentives to the private sector

Multi-year & Long-term Tariff

- Typically, a long-term tariff determined by the regulator is contracted with the power purchaser
- IPPs, thus, are not subject to market risk for their output

Commitment to Increase Private Sector Participation

- c.50% of Pakistan's current generation capacity is in the private sector
- Major divestments of public sector entities have been made to increase private sector participation

Standardized Security Package

- Standardized and bankable project agreements are available upfront
  - Implementation Agreement
  - Power Purchase Agreement
  - Water Use Agreement

Transparent Regulatory Environment

- NEPRA is in charge with regulating the power sector in Pakistan
- Considerable progress towards the development of the regulatory regime and future market design for the power sector

Tax Exemptions

- Exemption from income tax, turnover tax and withholding tax on import is available to power generation projects

GoP Guarantee and Protection

- Performance obligations of the power purchaser and the provinces are guaranteed
- Protection of sponsors and lenders in case of termination of the project under specific circumstances

Pass-through of Fuel and Other Costs

- Specific costs are passed on to the power purchaser
  - Variations in fuel prices
  - Taxes and duties over and above the tariff determined by NEPRA
- Various components of the tariff are indexed for any variation in the PKR and US$ FX rates

Recognition of KE's Turnaround Success

KE's transformational turnaround success has been recognized by local and international institutions

2016: Best Presented Annual Report Award 2014

by the South Asian Federation of Accountants (SAFA)

Certificate of Excellence
Corporate Social Responsibility Awards 2015

2014: FT / IFC Transformational Business Award for Project Finance - Energy

FT/IFC Transformational Business Conference & Awards 2014

2014: CSR Corporate Social Responsibility

Certificate of Excellence

2012: Level 'A' Rating from Global Reporting Initiative

KE becomes the first organization in Pakistan to achieve such a rating for an integrated report

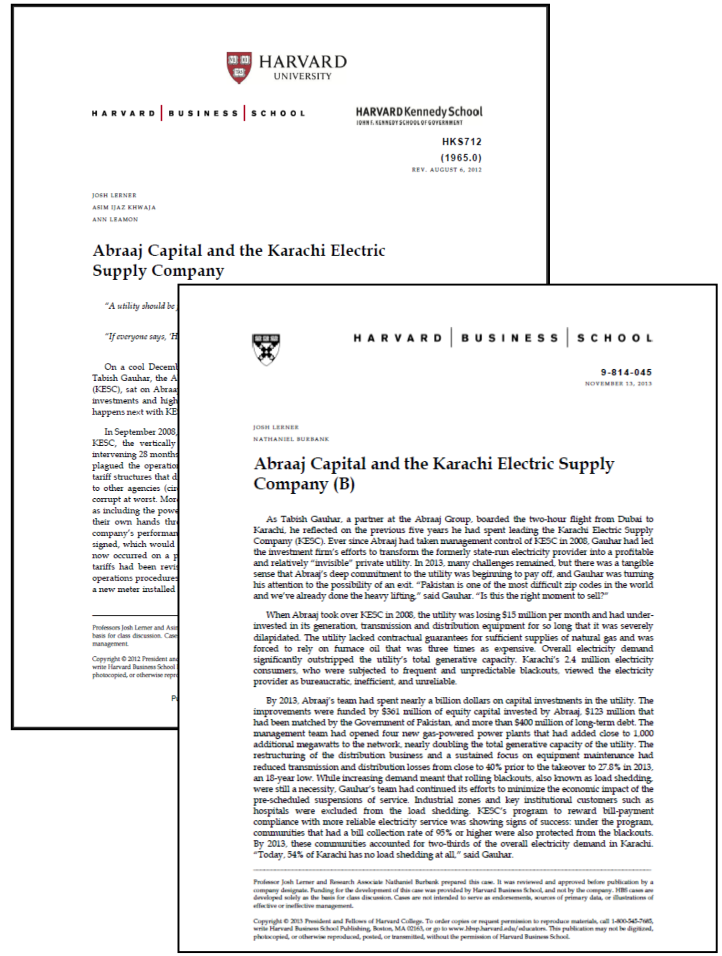
2009-2013, 2015: Multiple Environmental and Fire Safety Awards

Fire Safety Award 2011, 2012, 2013

Environment Excellence Award 2009, 2010, 2011, 2012, 2013, 2015

2012 & 2013: Harvard Business School Case Studies

Published 2 case studies highlighting KE's turnaround story



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JOSH LERNER

ASIM IJAZ KHWAJA

ANN LEAMON

Abraaj Capital and the Karachi Electric Supply Company

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9-814-045

NOVEMBER 13, 2013

JOSH LERNER

NATHANIEL BURBANK

Abraaj Capital and the Karachi Electric Supply Company (B)

As Tabish Gauhar, a partner at the Abraaj Group, boarded the two-hour flight from Dubai to Karachi, he reflected on the previous five years he had spent leading the Karachi Electric Supply Company (KESC). Ever since Abraaj had taken management control of KESC in 2008, Gauhar had led the investment firm's efforts to transform the formerly state-run electricity provider into a profitable and relatively "invisible" private utility. In 2013, many challenges remained, but there was a tangible sense that Abraaj's deep commitment to the utility was beginning to pay off, and Gauhar was turning his attention to the possibility of an exit. "Pakistan is one of the most difficult zip codes in the world and we've already done the heavy lifting," said Gauhar. "Is this the right moment to sell?"

When Abraaj took over KESC in 2008, the utility was losing $15 million per month and had under-invested in its generation, transmission and distribution equipment for so long that it was severely dilapidated. The utility lacked contractual guarantees for sufficient supplies of natural gas and was forced to rely on furnace oil that was three times as expensive. Overall electricity demand significantly outstripped the utility's total generative capacity. Karachi's 2.4 million electricity consumers, who were subjected to frequent and unpredictable blackouts, viewed the electricity provider as bureaucratic, inefficient, and unreliable.

By 2013, Abraaj's team had spent nearly a billion dollars on capital investments in the utility. The improvements were funded by $361 million of equity capital invested by Abraaj, $123 million that had been matched by the Government of Pakistan, and more than $400 million of long-term debt. The management team had opened four new gas-powered power plants that had added close to 1,000 additional megawatts to the network, nearly doubling the total generative capacity of the utility. The restructuring of the distribution business and a sustained focus on equipment maintenance had reduced transmission and distribution losses from close to 40% prior to the takeover to 27.8% in 2013, an 18-year low. While increasing demand meant that rolling blackouts, also known as load shedding, were still a necessity, Gauhar's team had continued its efforts to minimize the economic impact of the pre-scheduled suspensions of service. Industrial zones and key institutional customers such as hospitals were excluded from the load shedding. KESC's program to reward bill-payment compliance with more reliable electricity service was showing signs of success: under the program, communities that had a bill collection rate of 95% or higher were also protected from the blackouts. By 2013, these communities accounted for two-thirds of the overall electricity demand in Karachi. "Today, 54% of Karachi has no load shedding at all," said Gauhar.

Professor Josh Lerner and Research Associate Nathaniel Burbank prepared this case. It was reviewed and approved before publication by a company designate. Funding for the development of this case was provided by Harvard Business School, and not by the company. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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