



Firm value based on comparable transactions is in the range of US \$ 400 million to \$ 550 million

Project background

- FESCO was established in 1998 to take over the properties, assets, obligations and liabilities of WAPDA's Faisalabad Area Electricity Board (FAEB)
- It was incorporated as a public limited company under Pakistan Companies Ordinance 1984 and commenced commercial operations in July 1998
- FESCO distributes and supplies electricity to about 2.7mm customers within defined geographical areas around Faisalabad with a population of over 17.2mm under a Distribution License granted by National Electric Power Regulatory Authority (NEPRA) pursuant to the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (NEPRA Act)
- Geographical service area of FESCO comprises Faisalabad, Sargodha, Mianwali, Khushab, Jhang, Bhakker, T.T Singh and Chiniot districts." (From the FESCO Website)
- FESCO amongst the short listed companies under a new Privatisation Policy modeled around the concept of Public-Private Partnerships

Financial summary (US\$ mm)

Fiscal year ending June 30,	2007	2008	2009
Sales	458	495	713
Gross profit	23	(51)	60
EBIT	(8)	(84)	0
<i>Margin (%)</i>	<i>(1.6%)</i>	<i>(17%)</i>	<i>0.0%</i>
EBITDA	4	(73)	6
<i>Margin (%)</i>	<i>0.8%</i>	<i>(14.7%)</i>	<i>0.8%</i>
Net income	(14)	(100)	11
<i>Margin (%)</i>	<i>(3%)</i>	<i>(20%)</i>	<i>1.5%</i>
Shareholders equity	29	(71)	(15)
Total assets	470	486	606

Source: FESCO annual report 2008 and Unaudited report 2009

US\$ 1 = PKR 83.00

Material agreements

Contract	Description
Electricity Supply Agreement ("ESA")	<ul style="list-style-type: none"> Signed with WAPDA in 1998, then replaced by National Transmission and Dispatch Limited Company (NTDC) as party to the ESA Determines the terms for purchase of electricity NTDC
Business Transfer Agreement ("BTA")	<ul style="list-style-type: none"> BTA and Supplementary BTA between WAPDA and FESCO regulating the transfer of assets from WAPDA to FESCO and the issuance of shares and debt instruments by FESCO to WAPDA
Operation & Development Agreement ("ODA")	<ul style="list-style-type: none"> Entered into between WAPDA and FESCO in 1998, provides for the provision by WAPDA to FESCO of operation and development services
Lending Agreements	<ul style="list-style-type: none"> Lending Agreements with National Bank of Pakistan, Bank Al Falah Ltd and Askari Bank Limited

Shareholding pattern

- FESCO is a public unlisted company
- 100% shares are held by the Government of Pakistan
- Of the total number of issued shares, one share is held by each of the seven Directors on the Board of Directors of FESCO and the remaining 993 shares are held in the name of the President of Pakistan



Faisalabad Electric Supply Company Limited ("FESCO") (cont'd)



Overview

Technical overview	<ul style="list-style-type: none"> FESCO has 50 grid stations of 132 KV capacity, 28 grid stations of 66 KV capacity and 10 private grid stations The HT line is measured at 36,416 kilometers including transmission lines of 66 and 132 KV FESCO LT system has 69,002 distribution transformers with 4,282 MVA capacity
Cost efficient	<ul style="list-style-type: none"> Distribution losses of 11.1% (for 132 KV and below)
Electricity output	<p>During the financial year 2007-08:</p> <ul style="list-style-type: none"> 8,578mm KWh sold 158,478 new connections installed 267 MVA capacity added to distribution transformers
Future plans	<ul style="list-style-type: none"> Reduction in distribution losses to 10.7% 166,150 new connections 450 MVA capacity distribution transformer capacity enhancement PKR 55,000mm revenue target
Tax	<ul style="list-style-type: none"> Profits of the company chargeable to tax at the rate of 35%
Tariff	<ul style="list-style-type: none"> Monthly adjustments to the Power Purchase Price (PPP) The monthly PPP adjustment is a function of the actual PPP purchased, the reference PPP(5.4496) and target losses (11.23% for 2008-09)

Source: FESCO annual report 2008

Capitalization¹

Share capital and reserves (mm)	PKR	(1,207)
Share capital and reserves (mm)	USD	(14.5)
Net debt (mm)	PKR	6,487
Net debt (mm)	USD	78

Source: FESCO unaudited report 2009
¹ US\$1= PKR 83.00

Customer base and revenue by customer type

- Industrial customers constitute 1% of FESCO's customer base but generate 42% of its revenue stream
- Domestic customers constitute 87% of FESCO's customer base and generate 37% of its revenue stream

