



شركة كهرباء مزون ش.م.ع.م
Mazoon Electricity Company S.A.O.C

إحدى شركات مجموعة نماء
Member of Nama Group

Investor Presentation

June 2022

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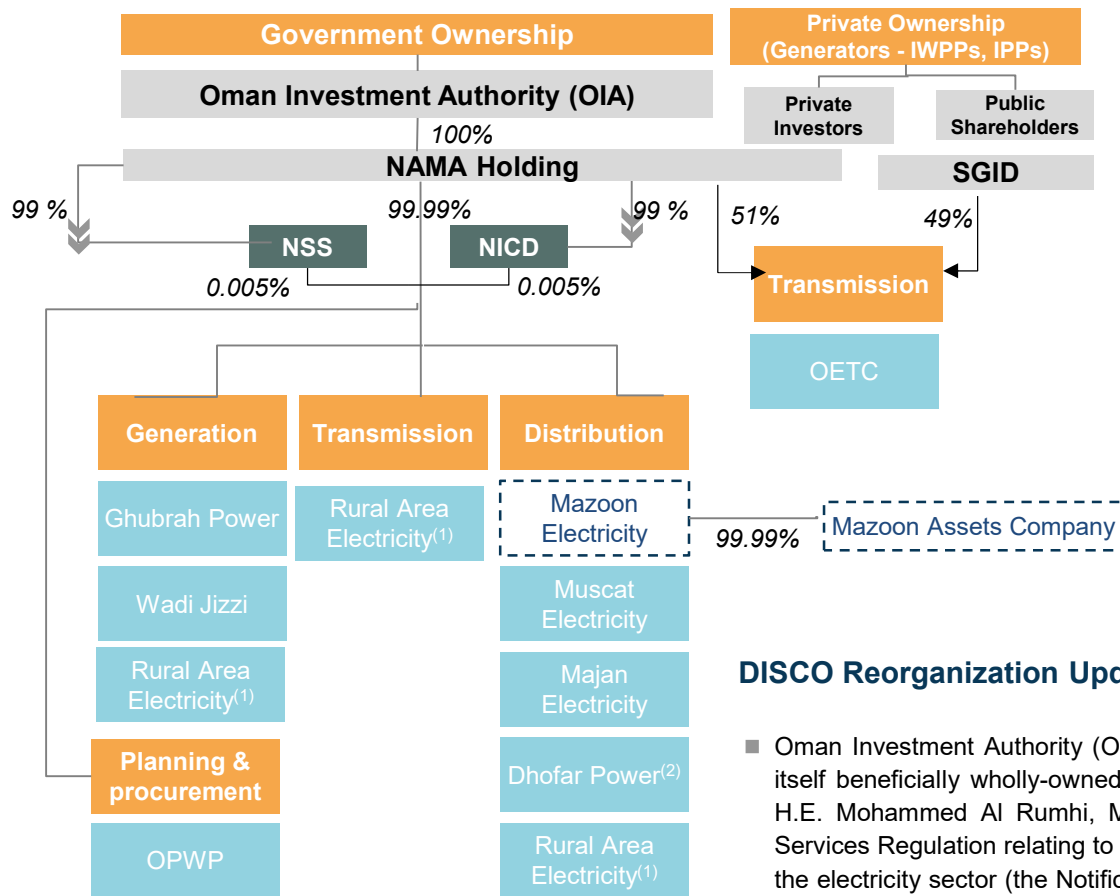
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Mazoon's Role in the Omani Utilities Sector

Current Structure of the Omani Utilities Sector



Overview

- Mazoon commenced its commercial operations in 2005, and exclusively undertakes regulated distribution and supply of electricity in Dakhilyah, North Sharqiya, South Sharqiya and South Al Batinah governorates
- Mazoon operates under a transparent and supportive regulatory system, which implements price controls through Authority for Public Services Regulation ("APSR")
- Functions and duties of Mazoon as a licensed distribution system operator and supplier as per the Sector Law mainly include;
 - to finance, operate, maintain, develop and expand the Distribution System comprising of 33KV, 11KV and LT network, in a safe manner and in accordance with the relevant performance Security Standards
 - to meet all reasonable demand for the Supply of electricity to premises located within its Authorised Area and
 - to arrange for the meter reading and to submit bills to customers and to collect amounts due to it in accordance with the conditions of its license.

DISCO Reorganization Update

- Oman Investment Authority (OIA), (the ultimate owner of the shareholding interest in the MZEC, with OIA itself beneficially wholly-owned by the Government of the Sultanate of Oman), has received a letter from H.E. Mohammed Al Rumhi, Minister of Energy and Minerals and Chairman of the Authority for Public Services Regulation relating to initiatives aimed at reducing the operational costs and increasing efficiency in the electricity sector (the Notification). The Notification sets out, in very broad terms, plans to reorganise the distribution and supply companies in Oman, with the exception of the Dhofar Governorate and in this regard stipulates (unofficial translation): "combining the distribution and supply companies into two companies (a supply company and another distribution in all governorates of the Sultanate except for the Governorate of Dhofar) to enhance efficiency and reduce operational and administrative costs" (DISCO Reorganisation)

¹ Rural Areas Electricity Company ("RAECO") is one company present in all three business lines

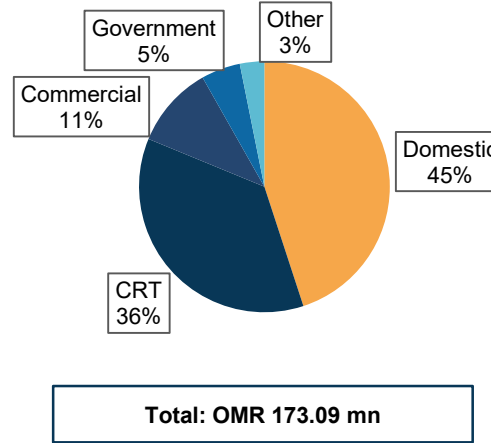


Operational Highlights of Mazoon Electricity Company

Operational Highlights

- Mazoon owns and operates the electricity distribution network below 132 KV down to the customer's point of supply, which includes the 33 kV, 11 kV and the low voltage distribution networks and intermediate primary distribution substations
- In order to further reduce network losses, ensure reliable and safe operations, meet Oman's growing needs for electricity and connecting new customers, in particular in tourist and industrial areas, Mazoon estimates its capital expenditure will be financed through borrowings in the international and domestic capital and loan markets and through retained earnings

Distribution of Electricity Gross Revenue Breakdown by Customer Type (YE2021)

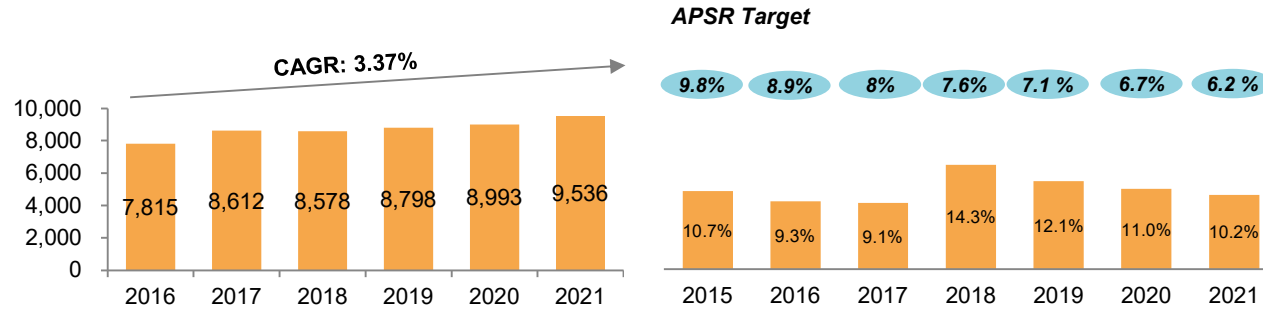


Distribution Network

YE 2021	#No.
33/11 KV substation	305
11/0.433 KV substation	22,136
33/11 KV transformer	581
33/0.433 KV transformer	39
11/0.433 KV transformer	22,467

YE 2021	KM
33 KV network overhead line	4,582
33 KV network underground cable	2,089
11 KV network overhead line	10,029
11 KV network underground cable	5,142
0.433 KV network overhead line	10,222
0.433 KV network underground cable	12,265

Total Regulated Units Supplied (GWh)



¹ Other includes agriculture / fisheries, hotels / tourism and industrial customers
 Note : : RUD for the half year ended 30 June 2022 is 4,537 GWH (YTD June 2021 4,502 GWH)



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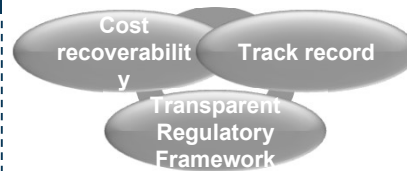
Oman Benefits from a Robust and Stable Regulatory Regime for the Power and Water Sector

Stability of Direct & Indirect Subsidies

- Total subsidy support from MoF for the electricity sector was OMR 558 million in 2021 (MZEC 205mn)
- Article 18 of the Sector Law provides that MoF will provide annual subsidies to licensed electricity suppliers
- Solid regulatory track record of over 15 years

Ultimate Financial Undertaking of MoF

- Ultimately owned by the Government
- Article 67 of the Sector Law provides that the MoF will secure the availability of adequate finance to borrowing subsidiaries (as long as borrowing subsidiaries are 100% owned by the government)



Transparent Framework

- Transparent Formula and methodology with an independent regulator
- Stable track record since initiation (established 2004) by sector law
- By the license, 80% of recoverable revenue is fixed as per formula and 20% dependent on customer account for PCR IV.

Capital Spending Regulated by AER

- APSR's price-control framework in place since 2005
 - Provides for recovery of capex, opex and adequate return on capital
 - Capex preapproved by APSR reducing risk of aggressive capital expansion plans
 - Penalties/incentive mechanism imposed for monitoring performance

Regulated Activities Mandated by Law

- Mazoon's operations are subject to Government supervision and regulation and the terms of the distribution and supply licence granted to it by the APSR pursuant to the Sector Law to undertake the regulated activities of distribution and supply within the north-east corner of Oman

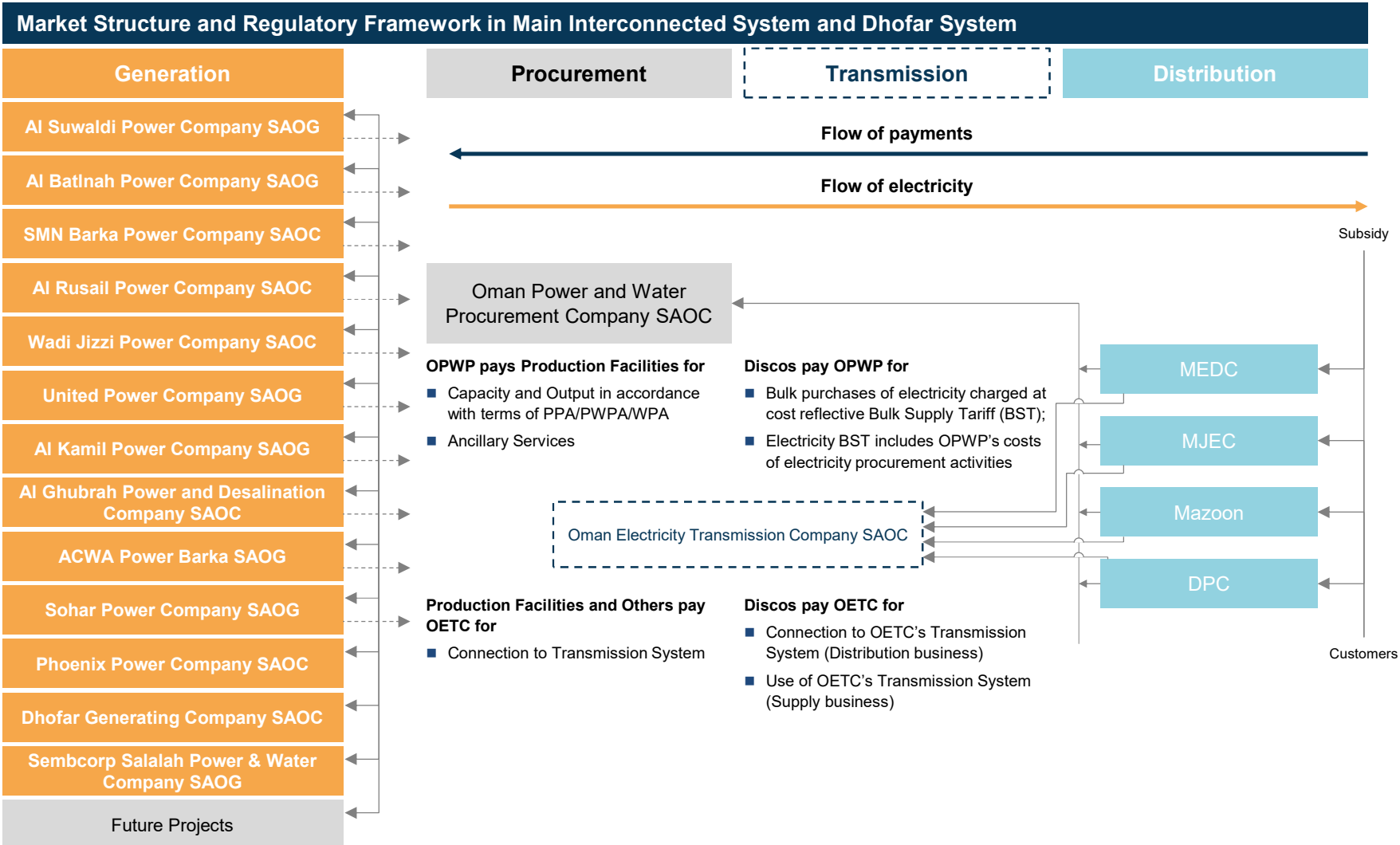
The Sector Law provides:

- The regulatory framework for the 'single buyer' industry structure of the electricity and related water sector in Oman, under which each of power generation/water desalination, electricity transmission and electricity distribution and supply is required to be operated separately (and regulated accordingly), with a single entity responsible for procuring that the generation capacity meets the anticipated demand for electricity
- Establishment of an industry regulator, the Authority for Public Services Regulation, Oman, with functions, powers and duties for the grant, monitoring, modification and enforcement of licences for regulated activities in order to regulate the sector
- The entitlement of Supply Companies (including Mazoon) to charge customer tariffs approved by the Council of Ministers
- A statutory mechanism for the calculation by APSR and payment to Distribution and Supply Companies (including Mazoon) of subsidy, to the extent that revenue to which it is entitled based on customer tariffs) is less than the Maximum Allowed Revenue which it is entitled to earn according to the arrangements for regulation of its revenue established under its licence
- Provisions that contemplate APSR reporting over time on the readiness of Oman's electricity market for the potential further liberalisation of the market, including the possible introduction of supply competition
- The basis for the transfer of relevant assets and liabilities of the MHEW to a number of successor companies (the Transfer Scheme)

Source: Company information



Overview of Oman Electricity Flows and Cash Flows

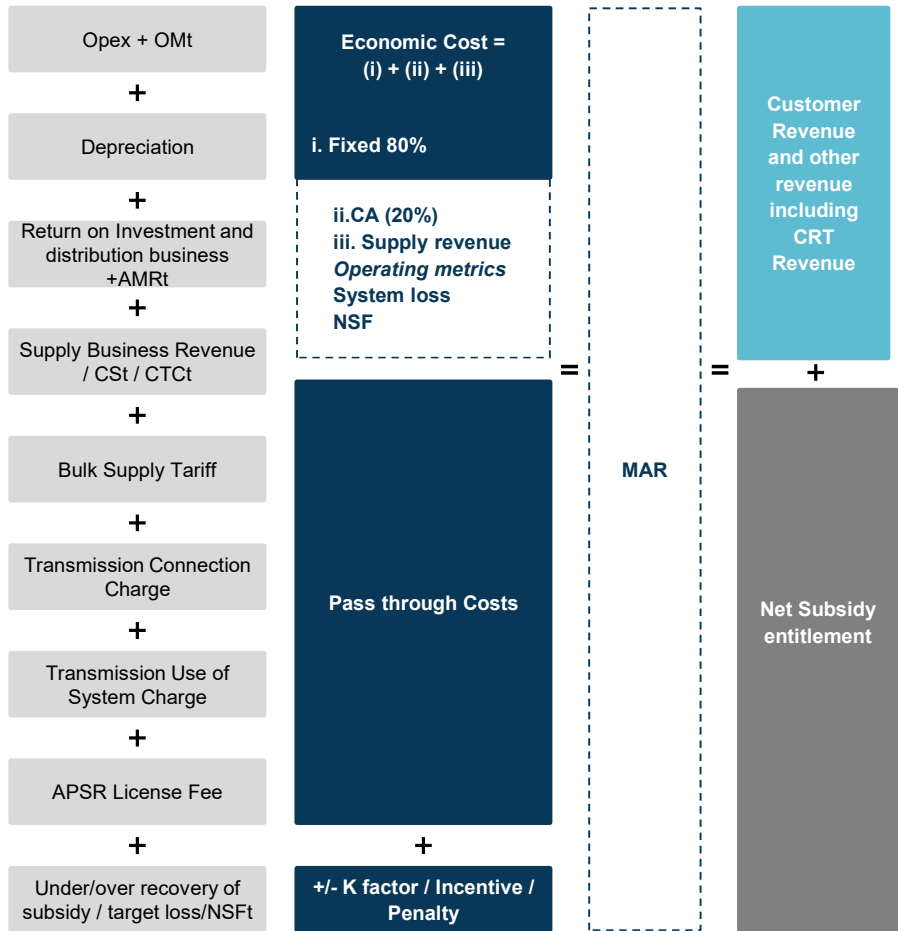


All intra sector transactions: (i) regulated (ii) cost reflective (no direct subsidy)
 RAECO is not included in this framework as it is part of Rural Area Electricity Systems and is a vertically integrated company

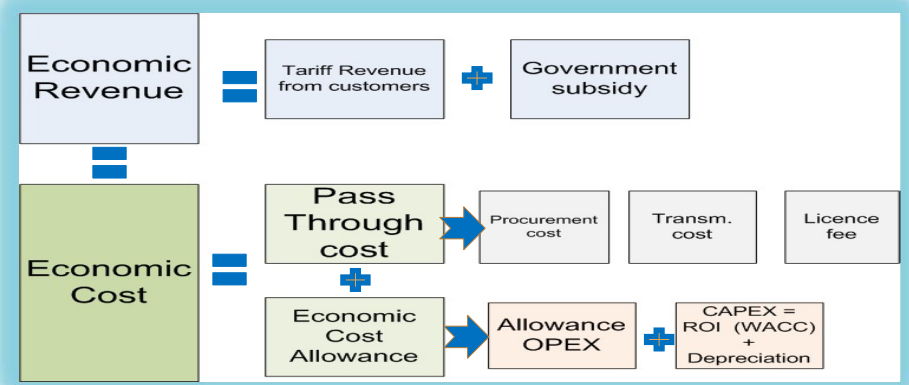


Price Control Overview

Build-up of Maximum Allowed Revenue (MAR)



MAR Realization



- The APSR notifies Mazoon of its calculation of these values in the first year of the price control period and recalculates these values for subsequent years using the consumer price index and efficiency factor. The net present value of the cash outflows and the supply margin in the supply business are recovered based on expected customer accounts during the price control period.
- In addition, the APSR has introduced two schemes to encourage improvements in customer performance: guaranteed standards of service and customer satisfaction incentives.
- Moreover, the power purchase costs paid to OPWP, transmission connection charges and transmission use of systems charges paid to OETC and the licence fee paid to the AER are recoverable as pass-through costs as part of the MAR. The MAR is also adjusted to reflect performance incentives / penalties.
- Cost reflective tariff (CRT) was introduced on January 1st, 2017 for large industrial, commercial and Government customers who consume over 150 MWh annually
- Introduction of Cost Reflective Tariff in Regulatory Framework is Cash Flow Neutral as MAR Remains Unchanged but Revenues from Customers Increase and Subsidy Reduces
- Apart from the reduction in subsidy burden CRT is expected to aid in achieving balanced demand for power, smoothen the peak demand profile and accordingly help in rationalising procurement of new generation capacity

Notes: Opex: Operating Expenses, WACC: Weighted Average Cost of Capital, CA: Customer Accounts, RUD: Regulated Units Distributed, NSF: Network Security Factor

MAR = MADR + MASR



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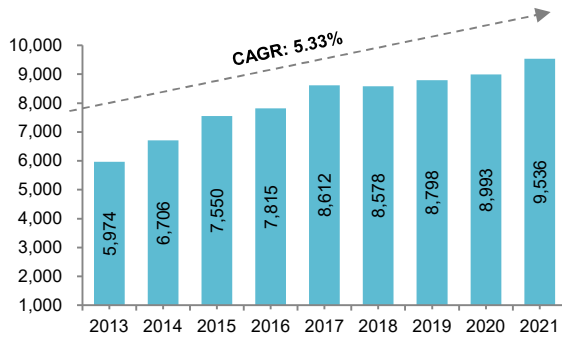


Operational & Financial Highlights

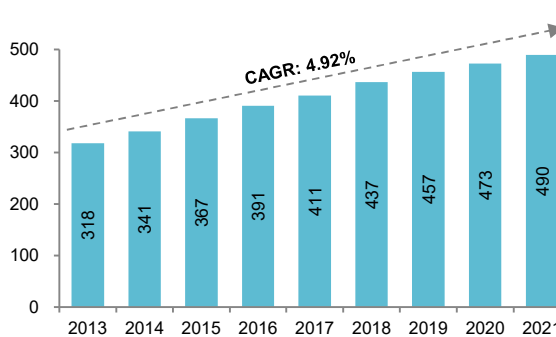
Consistent Track Record of Operational & Financial Performance

Operational Performance

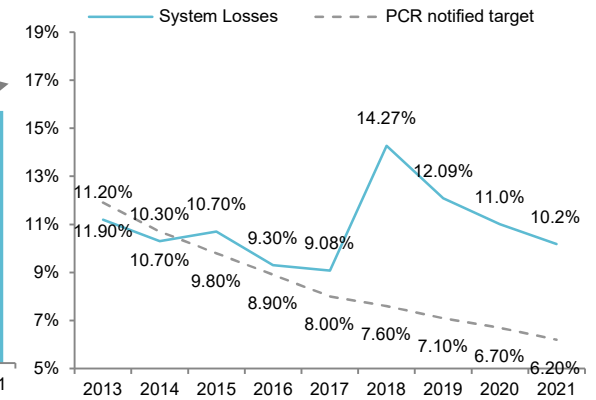
Total Units Supplied (GWh)



Customer Accounts ('000)

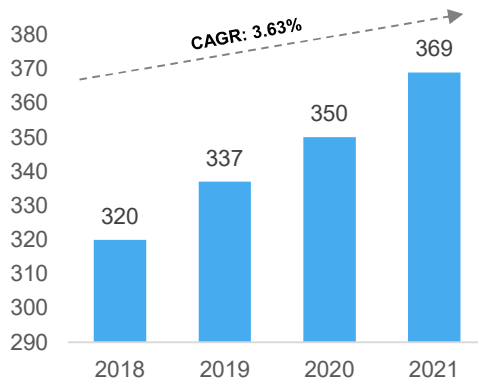


Distribution System Losses (%)

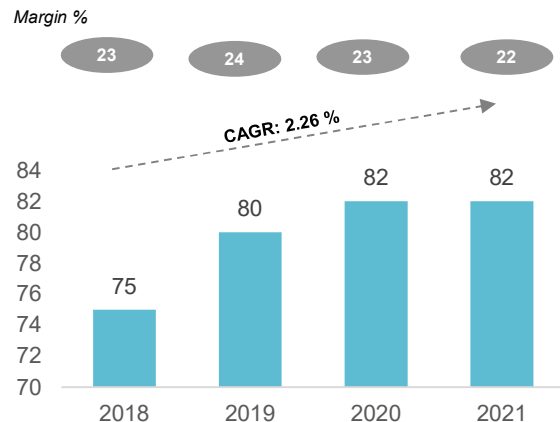


Financial Performance

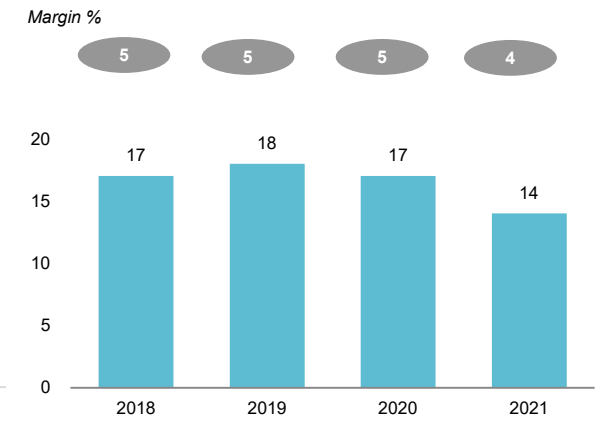
Revenues (RO'mn)



EBITDA (RO'mn)



Net Income (RO'mn)



Source: Company Information

• Certain 2020 numbers were updated pursuant to the Restatement of Financials in 2021

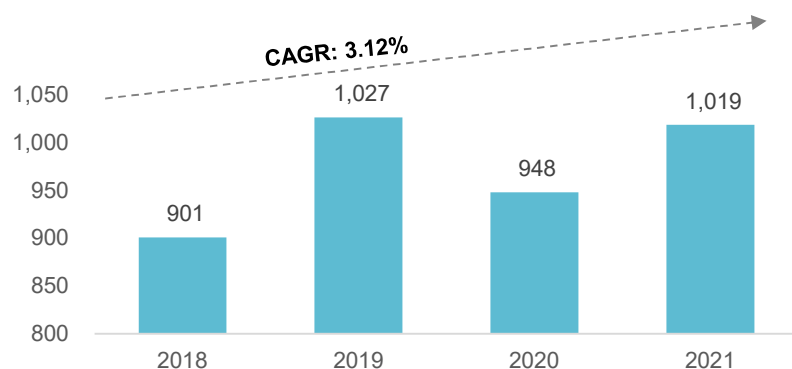
• For the half year ended 30 June 2022 : Revenue 188mn / EBITDA 39mn / Net Income 3mn / Customer account 496,115 / Units Supplied 4,537 GWh



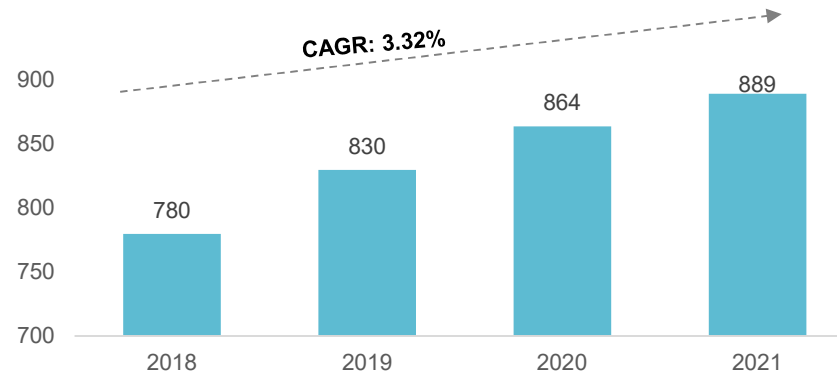
Financial Highlights – Balance Sheet

Despite the large capex program, Mazoon maintains a conservative funding strategy utilizing its equity base and cash flows

Total Assets (RO' mn)

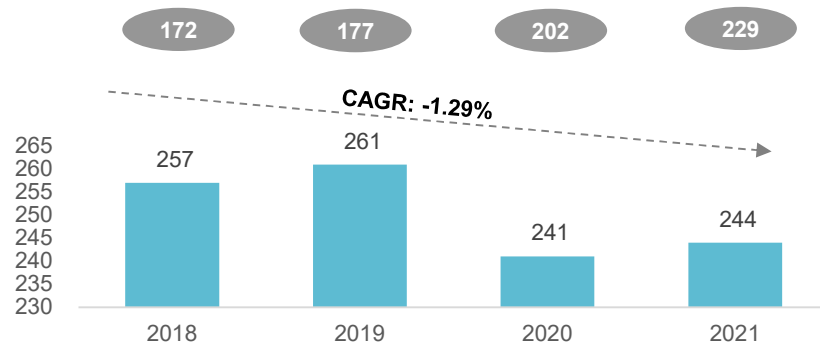


Net PP&E (RO'mn)



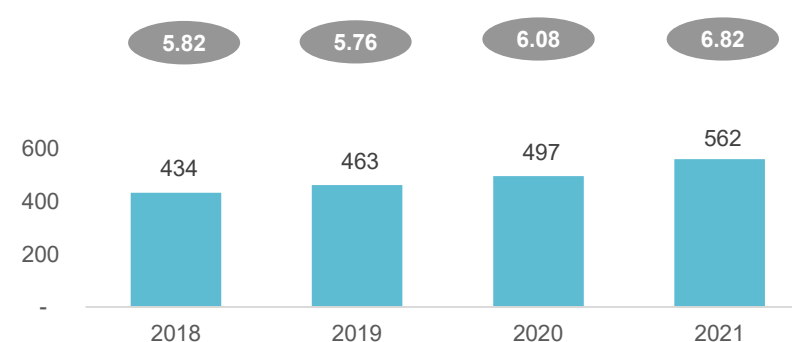
Total Equity (RO'mn)

Net Debt / Equity¹ (%)



Net Debt (RO'mn)

Net Debt / EBITDA X:



Source: Company Information

¹ Equity is total equity; debt is long term and short term borrowings and intercompany borrowings

• Certain 2020 numbers were updated pursuant to the Restatement of Financials in 2021

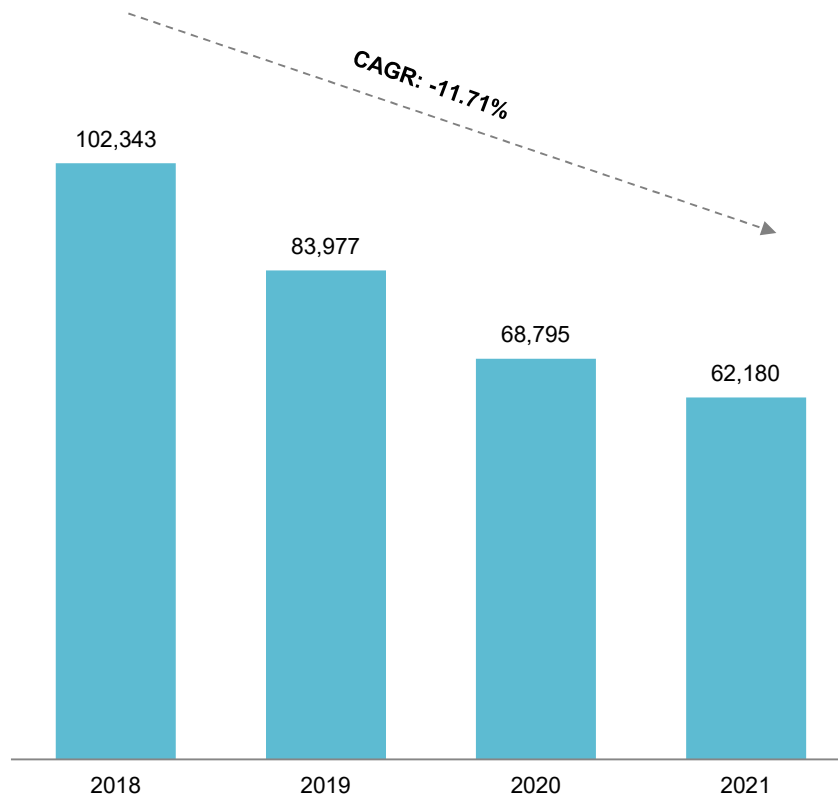
• For the half year ended 30 June 2022 : Total Assets 1,061mn / Net PPE 911mn / Total Equity 250 / Net Debt 549mn

• The company had restated the financials for the year 2020 pertaining to changes in accounting policy relating to IFRS 15 on Installation and Connection Revenue. This had led to reduction in the retained earning part of the equity.



Capital Expenditure Program

Historical CAPEX (RO 000)



Source: Company Information

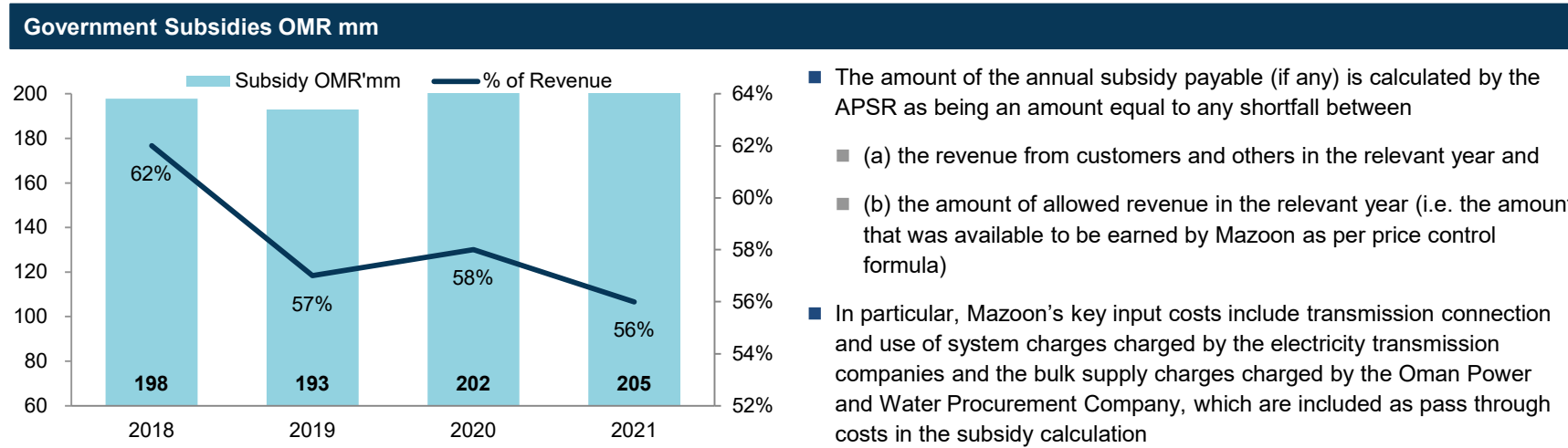
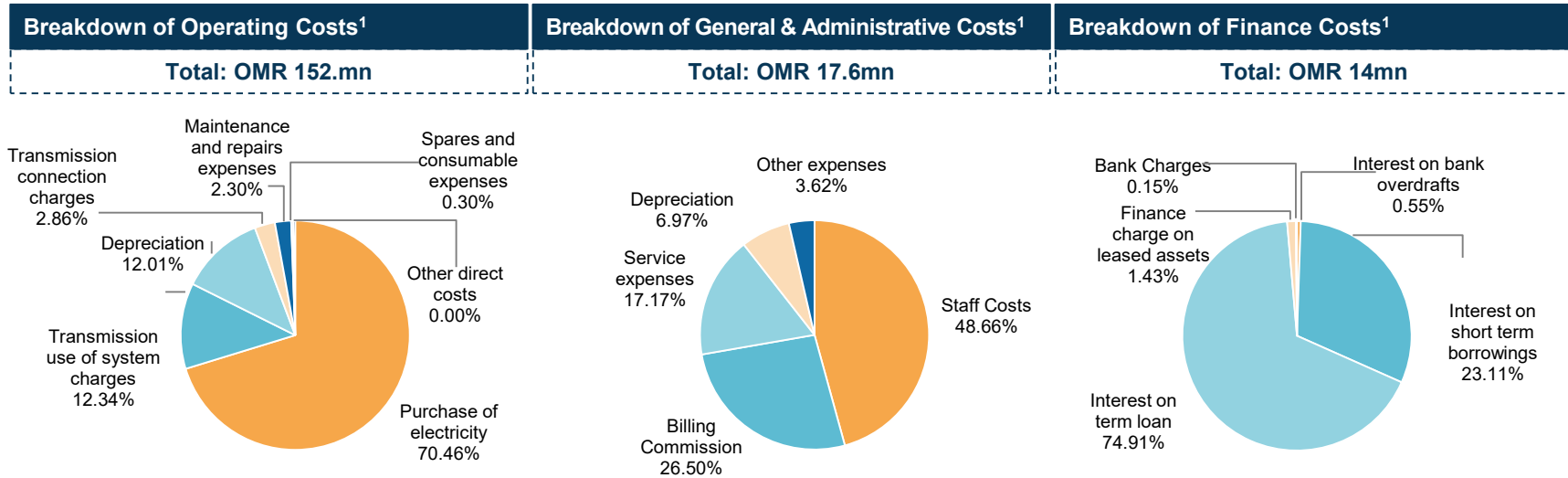
Capex for the half year ended 30 June 2022 is RO 41mn

Summary of Capital Expenditure

- Based on the current price control proposals, Mazoon is authorised to make cash capital expenditure at OMR 247 million for 2022 through 2025 (calculated at 2020 prices).
- The distribution network system of the Company comprises of network at various voltage levels; 33 KV, 11 KV & 0.433 KV and consisting of 33/11 KV primary substations, 11/0.433 KV distribution substations and 33/0.433 KV substations and the cables and overhead lines at these voltage levels
- 33 KV investments are mainly driven by the growth in demand and distribution system security standards requirements as identified in the distribution system capability statements produced and submitted to Authority every year
- LT and 11 KV load related capital expenditure mainly include Customer Extensions costs
- Common assets include buildings, vehicles, IT systems & computers and equipment /investments towards strategies implementation and system losses reductions
- The funding requirements to meet the capital expenditure program are expected to be met partly out of the internal cash accruals including retained earnings and the balance from borrowing



Other Indicators of Performance



¹ Figures reported are for the half year ended 30 June 2022

Note : Total subsidy for 2022 is OMR 185mn / During the half year period ended 30 June 2022 OMR 91mn received as subsidy.



Key Business Highlights for Mazoon

1	Monopoly Position	<ul style="list-style-type: none">■ Enjoys monopoly position in distribution and supply sectors of Oman's electricity value chain in its license area■ One of the largest electricity distribution company in Oman by geographical area and number of customers, providing electricity to customers in the authorized area of around 75,000 KM² in four Governorates
2	100% Government Ownership	<ul style="list-style-type: none">■ 100% government ownership, with direct and indirect support mandated by law■ Two of the five members of the board of directors of Mazoon are Government officials
3	Transparent and Supportive Regulatory System	<ul style="list-style-type: none">■ Robust regulatory framework through the Sector Law and 16 year history of price control regime■ Quasi-monopolistic electricity distributor and supplier in its authorized area
4	Stable distribution and supply activities with low operating risk	<ul style="list-style-type: none">■ Mazoon's electricity distribution and supply activities are stable and comprise relatively simple operations and management believes Mazoon's business is characterised by and subject to low operating risks■ Due to the nature of its operations, Mazoon is exposed to limited commodity and foreign exchange risks
5	Strong and stable financial position	<ul style="list-style-type: none">■ Mazoon believes that it has a solid and stable financial position and capital structure■ Reflecting its natural monopoly and government ownership, Mazoon's revenue has grown at a compound annual growth rate of 4 per cent between 2018 and 2021
6	Experienced Management Team	<ul style="list-style-type: none">■ Mazoon's senior management team who are responsible for operations consists of experienced people with a proven record in the electricity sector.■ Mazoon is focussed on recruiting professionally qualified executives with strong managerial and commercial expertise



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Income Statement

(OMR 000's)	As at 31 December			Six Months Ended 30 June 2022
	2019	2020 (Restated)	2021	
Revenue	337,248	350,126	369,217	188,116
Operating costs	(267,704)	(281,311)	(299,213)	(152,230)
Gross profit	69,544	68,815	70,004	35,886
General and administrative expenses	(26,034)	(27,157)	(28,499)	(17,996)
Other income	3,539	4,169	3,171	1,493
Profit from operations	47,049	45,827	44,676	19,383
Finance income	92	242	47	39
Finance costs	(23,800)	(23,611)	(26,469)	(13,988)
Profit before tax	23,341	22,458	18,254	5,434
Taxation	(5,739)	(4,704)	(4,714)	(2,067)
Profit for the year / period	17,602	17,754	13,540	3,367
Fair value loss arising during the year / period on cash flow hedge – net of tax	(2,997)	(2,910)	2,715	4,255
Total comprehensive income for the year / period	14,605	14,844	16,255	7,622

Source: Company Information

* Certain 2020 numbers were updated pursuant to the Restatement of Financials in 2021



Balance Sheet

(OMR 000's)	Year ended 31 December			Six Months Ended 30 June 2022
	2019	2020 Restated	2021	
ASSETS				
Non-current assets				
Property, plant and equipment	831,199	864,254	889,452	911,104
IFRS 16 Lease Assets	5,704	5,312	4,925	4,724
Intangible Assets	-	610	433	303
Investment in Subsidiary	500	500	500	500
Other Asset	24,371	-	-	-
Derivatives	-	-	-	1,427
Total Non-current Assets	861,774	870,676	895,310	918,058
Current assets				
Inventories	1,552	1,532	1,144	1,411
Government subsidy receivable	85,739	8,000	4,940	4,941
Trade and other receivables	46,853	63,998	109,783	128,840
Other current assets	5,946	-	-	-
Short term deposits	-	-	-	-
Cash and cash equivalents	25,248	4,184	7,868	7,658
Total current assets	165,338	77,714	123,735	142,850
Total assets	1,027,112	948,390	1,019,045	1,060,908
EQUITY				
Capital and reserves				
Share capital	150,000	150,000	150,000	150,000
Legal reserve	50,000	50,000	50,000	50,000
General reserve	17,929	17,009	19,717	19,717
Cash flow hedge reserve	(1,737)	(4,647)	(1,932)	1,213
Retained earnings	44,485	28,802	26,135	29,502
Total equity	260,677	241,164	243,920	250,432
LIABILITIES				
Non-current liabilities				
Term loan – non- current portion	151,150	132,452	113,735	104,615
Long term borrowings-sukuk	191,610	191,724	191,838	191,894
Lease Liability	5,285	5,048	4,905	4,704
Deferred tax liability	45,046	45,899	51,172	53,794
Deferred revenue	49,896	58,891	62,007	64,372
Derivatives	2,044	5,467	2,273	-
Provisions	1,260	1,097	847	861
Total non-current liabilities	446,291	440,578	426,777	420,240
Current liabilities				
Trade and other payables	181,114	96,585	88,901	135,061
Term loan – current portion	18,918	18,938	18,718	18,718
Short-term borrowings	107,375	141,200	236,300	231,300
Bank overdrafts	8,948	6,672	452	1,180
Deferred revenue – current portion	2,225	2,258	3,203	3,203
Lease Liability	934	914	774	774
Provision for current tax	600	81	-	-
Total current liabilities	320,144	266,648	348,348	390,236
Total liabilities	766,435	707,226	775,125	810,476
Total equity and liabilities	1,027,112	948,390	1,019,045	1,060,908

Source: Company Information

* Certain 2020 numbers were updated pursuant to the Restatement of Financials in 2021



Cash Flow Statement

(OMR 000's)	Year ended 31 December			Six Months Ended
	2019	2020	2021	30 June 2022
Net cash from operating activities	87,425	70,720	36,183	68,262
Net cash used in investing activities	(79,389)	(69,063)	(62,250)	(40,990)
Net cash from financing activities	10,785	(20,445)	35,971	(28,210)
Net change in cash and cash equivalents	18,821	(18,788)	9,904	(938)
Cash and cash equivalents at the beginning of the year	(2,521)	16,300	(2,488)	7,415
Cash and cash equivalents at the end of the year/period	16,300	(2,488)	7,416	6,477



Key Ratios

	Year ended 31 December			Six Months Ended 30 June 2022
	2019	2020 Restated	2021	
EBIT ¹ (OMR'000)	47,049	45,827	44,676	19,383
EBITDA ² (OMR'000)	80,415	81,753	82,393	39,048
EBITDA ⁴ margin	23.84%	23.35%	22.32%	20.76%
EBIT ³ margin	13.95%	13.09%	12.10%	10.30%
Net income ⁵ margin	5.22%	4.97%	3.67%	1.79%
Interest coverage ratio ⁶	1.98x	1.94x	1.69x	1.39x
Debt Service coverage ratio	1.80x	1.70x	1.50x	1.58x
Net debt ⁷ / EBITDA	5.76x	6.08x	6.82x	-
Net debt ⁷ / equity ⁸	177%	202%	229%	221%
Current assets / current liabilities	0.52x	0.29x	0.36x	0.37x

(1) "EBIT" is profit for the year/period before finance income, finance costs, and taxation.

(2) "EBITDA" is profit for the year/period before finance income, finance costs, taxation, depreciation and amortisation of intangible assets.

(3) "EBIT margin" is EBIT divided by total revenue.

(4) "EBITDA margin" is EBITDA divided by total revenue.

(5) "Net income margin" is profit for the year/period divided by revenue.

(6) "Interest coverage ratio" is EBIT divided by finance costs, which include interest on borrowing including overdraft, bank charges, amortisation of transaction costs and finance charges on lease.

(7) "Net debt" is term loan (current and non-current), short-term borrowings, amounts due to Holding Company, bank overdrafts and finance lease (current and non-current) less cash and cash equivalents.

(8) "Equity" is total equity excluding hedging reserve.



THANK YOU

