ANALYST BRIEFING

1Q FY 2017

Security Analyst Briefing
FY 2016

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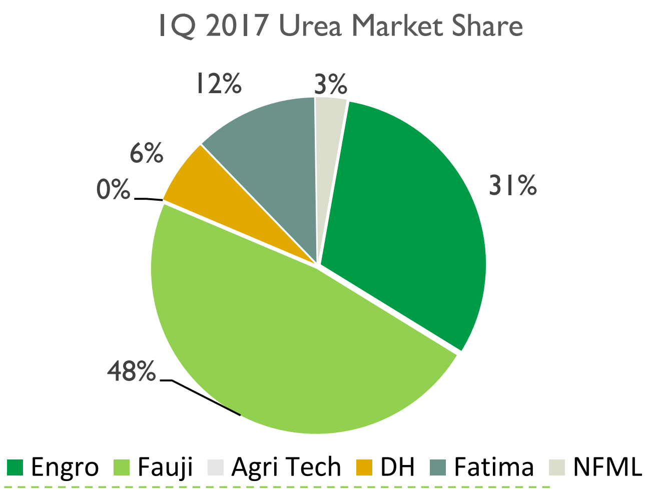
UREA MARKET ENVIRONMENT

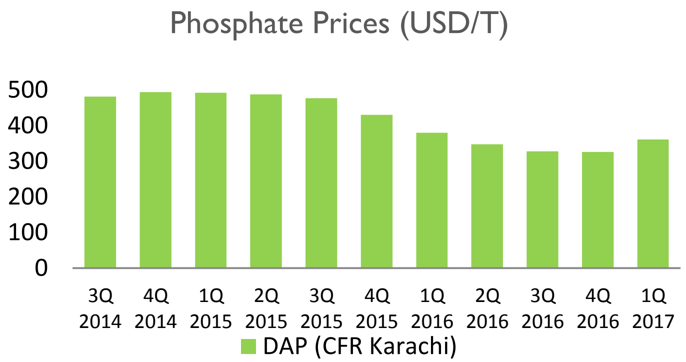
- Industry urea sales clocked in at 868 KT vs. 767 KT in 1Q 2016, i.e. ~13% increase from corresponding period
- Improvement in offtakes is mainly due to subsidized urea prices vs. 1Q 2016. Similarly, demand for Rabi season increased by 19% with the actual sales at 2,881 KT vs. 2,426 KT in previous Rabi season
- Industry production for 1Q 2017 stood at 1,389 KT vs. 1,411 KT in 1Q 2016, mainly due to outage at EFERT's Enven Plant
- EFERT 1Q 2017 sales were 269 KT, market share in branded urea remained in line with our production share at 32%. Last year our market share was 37% vs. our production of 36%
- Market share and sales were lower vs. last year due to higher avails of other producers (mainly LNG based producers)
- Further, the Company successfully exported 31KT of Urea during 1Q
- On the international front, urea price remained around USD 250/ton which dropped to USD 230/ton in the last week of March. Urea prices dropped as producers opted to dispose off inventories at lower netbacks rather than holding on in expectation of market recovery

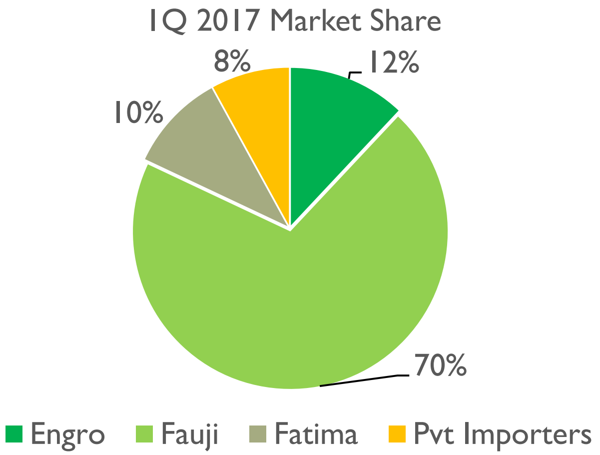
Urea Industry (KT)	FY 1Q 2017	FY 1Q 2016	Change
Opening Inv.	1,049	561	
Production	1,389	1,411	-1.6%
Exports	31	0	
Sales	869	767	13%
Closing Inv.	1,532	1,205	



PHOSPHATES MARKET ENVIRONMENT

- 1Q 2017 industry sales stood at 311 KT compared to 241 KT in 1Q2016, an increase of 29%YoY
- Higher industry sales were due to continuation of subsidy on phosphates & lower local prices vs same period last year
- There were limited international avails in 1Q due to production cuts by Chinese producers who managed to increase netbacks from USD 320 / T FOB to USD 385 / MT FOB by focusing on domestic sales
- Moreover, local DAP prices remained at the December 2016 levels at around PKR 2,300/Bag despite increase in international dap prices due to the pricing cap by the Punjab government. Resultantly, there were negligible imports by the industry in 1Q.
- Therefore, FFBL, which produces DAP locally, benefitted from this, taking away market share from Engro and other private importers
- Company sales during the year stood at 37 KT vs 65 KT during 1Q 2016. Engro DAP market share was 12% vs. 27% last year (due to limited import avails as explained above)
- Subsequently, Punjab government has agreed to remove any pricing cap, with Engro Ex-KHI price increasing to PKR 2,450/bag effective April 18 , which is an increase of PKR 150/bag
- International DAP price is expected to remain stable in 2Q due to high Indian demand





ZARKHEZ MARKET ENVIRONMENT

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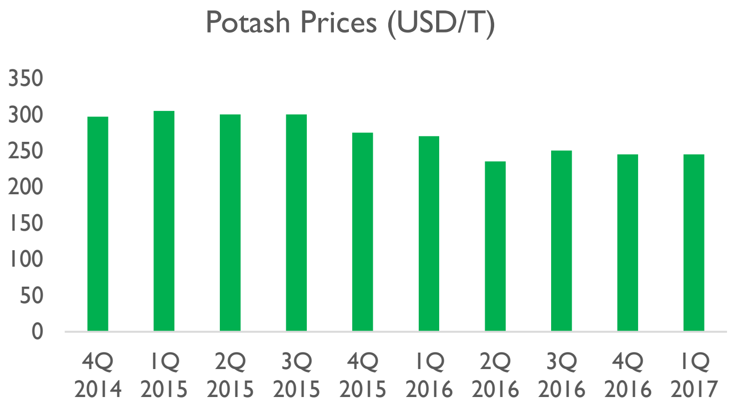
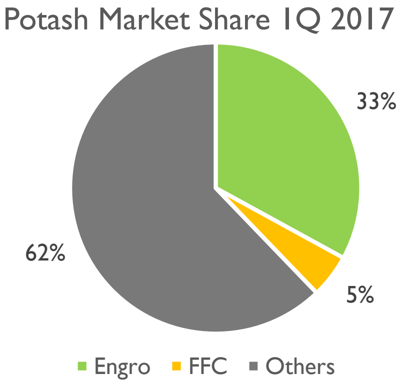
- Potash industry in 1Q 2017 increased to 14KT vs. 7KT in 1Q 2016, buoyed by lower potash prices vs last year (MOP prices were USD 250/T in 2017 vs USD 300/T in 1Q 2016)
- Market share of Engro (Zarkhez & straight potash) was at 33% vs. last year at 49%. Lower market share was a result of aggressive sales by private importers at low margins
- Total ZBU sales for 1Q 2017 stood at 31 KT vs 1Q 2016 sales of 18 KT
- Within ZBU, Zarkhez sales stood at 17 KT. Straight potash fertilizers sales stood at 3KT, NP sales stood at 11 KT
- In lieu of the improved sales, production during 1Q stood at 25 KT vs 17 KT last year
- Sales were higher vs. last year mainly due to increase in potash market





BUSINESS HIGHLIGHTS

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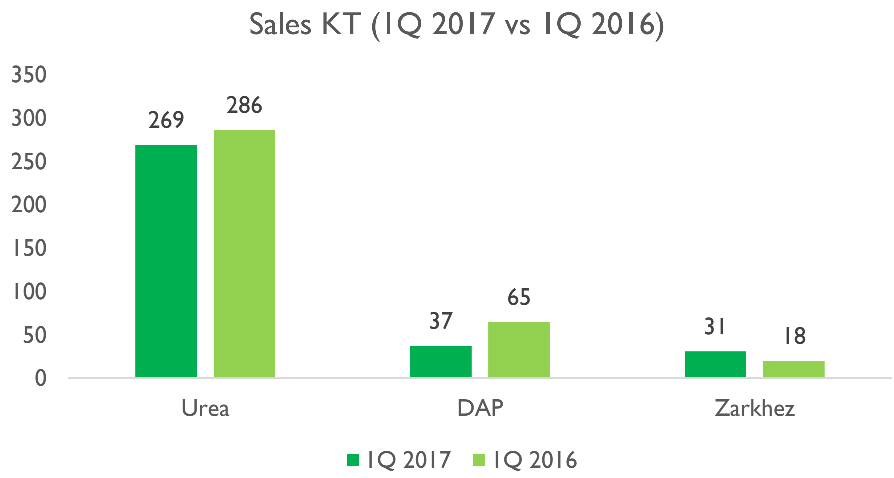
- For 1Q 2017, the Company has declared a Profit after tax of PKR 1,538 million, a decrease of 23% over PKR 2,121 million earned in 1Q 2016
- The lower profitability was primarily due to lower fertilizer offtake and lower prevailing prices amid the industry oversupply situation
- Sales revenue for the Company was PKR 10,063 million for 1Q 2017, lower by 14% as compared to the previous year (PKR 11,879 million)
- Decrease in sales revenue is primarily due to lower fertilizer prices and lower fertilizer offtakes
- Finance cost was lower at PKR 687 M than last year (PKR 753 M) as a direct consequence loan repayments, lower benchmark interest rates and re-pricing of various long term loans. However, this was partially offset by higher working capital needs due to excess inventory

PKR M	1Q 2017	1Q 2016
Total Revenue	10,064	11,871
Gross Profit	3,515	4,213
Finance Cost	(687)	(753)
Profit / (Loss) After Tax	**1,637**	**2,121**



UPDATES & OUTLOOK

Updates

- EFERT is in discussion with Mari for finalization of term sheet of 26 MMSCFD for its old Plant
- Further, the Company continues to withhold GIDC on all non-concessionary gases in lieu of the interim order of the High Court in October 2016, in line with the industry practice.
- Moreover, GIDC on concessionary is a separate matter, and EFERT is not making any payments or accruing for GIDC on concessionary gas in line with its legal stance

Outlook

- Domestic urea market is expected to improve in the coming months as demand picks up in Kharif season
- Further, the expected exports during 2Q would provide some relief to the manufacturers. The fertilizer industry is in talks with the government for extension of deadline for exports from April 28, 2017 to June 30, 2017, and it is expected that the extension will be received soon
- Moving on to the international market, with global markets being under pressure, urea prices are expected to remain soft in 2017.
- International DAP prices are expected to remain stable in 2Q led by Indian demand.

THANK YOU
Q & A