Analyst Briefing
1H 2015
Business Results
Domestic urea production rose by 7% vs 1H 2014; led by better capacity utilization

Overall urea sales rose sharply by 12% attributed to the following

- Spillover sales from last year increasing 1Q sales
- Dealer demand in anticipation of possible price increases

Local prices remained stable at PKR 1,813/bag given stable domestic gas prices

Int’l urea prices remained stable though slightly low during the period

The gap between international and domestic urea prices still remains at a comfortable level
Urea market shares are broadly unchanged from last year

Benefit passed on by local urea producers to the farmers in 1H 2015 is PKR ~11 B

* Source: NFDC Reports
International DAP prices (CFR Karachi) have remained relatively stable since Dec 2014, around the USD 490/ton mark

Total DAP off take grew by 20% vs 1H 2014 primarily due to low base effect of 2014 sales that were dampened due to expectation of subsidy

EFERT imported 111KT of DAP during the 1H 2015 and recorded sales of 105KT

* Source: NFDC Reports
MOP pricing remained stable since December 2014.

The Potash market grew by 22% YoY due to slightly lower prices and direct marketing of MOP in the industry.

Zarkhez volumes stood stable at 29 KT vs 29 KT in 1H 2014 as the company focused on maintaining it as a premium product.

NP volumes stood at 35 KT vs 20 KT in 1H 2014 with a focus on maintaining a wide product offering.

* Source: NFDC Reports
Gas Update

- Gas for both plants has remained available continuously and is likely to remain so until 31st December 2015.

- Implementation of compressors for Guddu has been completed and subsequently Guddu has been able to increase its power output substantially.

- Subsequent to the enactment of the GIDC Act 2015, the company has challenged the applicability on retrospective GIDC and concessionary gas contracts in the courts.

- However, on the request of the government, and without compromising on the legal standing, the company has paid the complete accrued GIDC amount subsequent to period end.

- The company has also started paying GIDC on current billing excluding concessionary gas.
**BUSINESS HIGHLIGHTS**

- EFERT 1H 2015 standalone PAT stood at **PKR 7.1 B** vs PKR 3.4 B in 1H 2014

- The company announced a cash dividend of PKR 1.50 per share

- Better financial performance is attributed to
  - Higher sales of urea by 93 KT
  - Concessionary gas pricing
  - Integration of DAP business
  - Lower financial charges
  - One off impacts

- Post shareholder approval Engro Fertilizer’s Limited completed the acquisition of 100% shares of Engro Eximp (Pvt) Limited

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**Engro Fertilizers Standalone (PKR M)**

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<thead>
<tr>
<th></th>
<th>1H 2015</th>
<th>1H 2014</th>
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</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>38,059</td>
<td>27,657</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>14,090</td>
<td>9,873</td>
</tr>
<tr>
<td>Finance Cost</td>
<td>(2,396)</td>
<td>(3,113)</td>
</tr>
<tr>
<td>PAT</td>
<td>7,116</td>
<td>3,375</td>
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<tr>
<td>EPS (PKR)</td>
<td>5.35</td>
<td>2.61</td>
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**Sales (KT)**

<table>
<thead>
<tr>
<th></th>
<th>1H 2015</th>
<th>1H 2014</th>
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<tbody>
<tr>
<td>Urea</td>
<td>934</td>
<td>841</td>
</tr>
<tr>
<td>Zarkhez / NP</td>
<td>64</td>
<td>48</td>
</tr>
<tr>
<td>DAP</td>
<td>105</td>
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## One Off Impacts

<table>
<thead>
<tr>
<th>Engro Fertilizers Standalone</th>
<th>PAT Impact (PKR M)</th>
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<tbody>
<tr>
<td>Expense booked against Guddu compressors (Pre-Tax PKR 925M)</td>
<td>(577)</td>
</tr>
<tr>
<td>Reduction in Tax Rates from 33% to 30% as per Finance Act</td>
<td>1,165</td>
</tr>
<tr>
<td>Super Tax Imposition on 2014 Profits as per Finance Act</td>
<td>(357)</td>
</tr>
<tr>
<td>Tax Charge related to IFC Conversion</td>
<td>(548)</td>
</tr>
<tr>
<td>Recoup-ability of Minimum Tax due to better profitability</td>
<td>341</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24</strong></td>
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OUTLOOK

- Production is expected to remain stable during the rest of the year given continued availability of gas for both plants.

- The company continues to negotiate with the government for availability of gas for both plants beyond 2015.

- Given current urea demand supply situation, it is likely that additional imports by the government would be required to bridge the gap between local production and farmer demand during the Rabi season.

- DAP volumes are expected to rise in second half in line with industry seasonality. International DAP prices are also expected to slightly firm up in the coming months.

- The company is launching a farmer connect program with an aim to improve farm productivity of small to medium growers through their capacity building.

- The company continues to explore opportunities both within the country and abroad to expand its business within the Agri Input space.
Q & A
Thank You