BUSINESS HIGHLIGHTS

- For 1H 2020, EFERT’s Profit After Tax (PAT) stood at PKR 4,457M vs 1H 2019 PAT of PKR 7,184M.
- Lower profitability and gross profit was largely attributable to price reduction along with lower offtake in view of overall urea industry reduction.

<table>
<thead>
<tr>
<th>PKR M</th>
<th>1H 2020</th>
<th>1H 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>40,702</td>
<td>50,642</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>14,025</td>
<td>16,115</td>
</tr>
<tr>
<td>Profit / (Loss) After Tax</td>
<td>4,457</td>
<td>7,184</td>
</tr>
</tbody>
</table>

Sales KT (2020 vs 2019)

- SFB: 100 (2020) vs 126 (2019)
UREA MARKET ENVIRONMENT

➢ Urea industry sales for 1H 2020 clocked in at 2,646 KT, down by 8% vs 2,878 KT in 1H 2019. The decrease was owing to (i) uncertainty created by subsidy announcement; (ii) locust attack; & (iii) market disruption due to covid-19

➢ Industry inventory est. at ~ 438KT at the end of 1H 2020 which is 2.4 times than the inventory at June 2019

➢ EFERT market share stood at 32% in 1H 2020 vs 31% in 1H 2019. EFERT 1H sales were 847 KT compared to 887 KT in 1H 2019, down by 4.5% owing to the overall market decline.

➢ Industry urea production based on indigenous gas for 1H 2020 stood at 2,908 KT VS 2,513 KT during the same period last year –led by EFERT with record high half yearly production. (total urea production including RLNG plants was 2.90 MT in 1H 2019)

➢ On the international front, urea prices are currently at USD 237/T (Landed eqv. of PKR 2,710/bag). Local urea prices are currently at PKR 1,643/bag for EFERT translating into a cost advantage in excess of PKR 1000/bag for the farmers

<table>
<thead>
<tr>
<th>Urea Industry (KT)</th>
<th>1H 2020</th>
<th>1H 2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Inv.</td>
<td>197</td>
<td>183</td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td>2,908</td>
<td>2,905</td>
<td>0%</td>
</tr>
<tr>
<td>Imports</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>2,646</td>
<td>2,878</td>
<td>-8%</td>
</tr>
<tr>
<td>Closing Inv.</td>
<td>442</td>
<td>181</td>
<td></td>
</tr>
</tbody>
</table>

Market Share 1H 2020

- Engro: 32%
- Fauji: 58%
- Fatimafert: 1%
- Fatima: 1%
- Agri Tech: 0%
- NFML: 0%
PHOSPHATES MARKET ENVIRONMENT

- 1H 2020 industry sales stood at 551KT vs 643KT in 1H 2019 (down 14%). This negative change is attributed to the subsidy announcement coupled with logistical challenges across the value chain, posted by COVID-19 market shutdowns.

- EFERT’s market share for 1H 2020 clocked at 22% vs 31% LY and sales of 119KT during 1H 2020 vs 198KT in 1H 2019. This is attributable to retrospective price decreases and capitalization of Urea price differential by the competition.

- Industry inventory stands at 561KT vs. 516KT as at June 2020.

- International DAP prices have slightly risen from USD 325/T in Q1 2020 to USD 328/T by the end of 1H 2020, as the global phosphates market recovered.

SFB MARKET ENVIRONMENT

- The overall potash market stood at 18KT in 1H 2020 vs 20.7KT in 1H 2019 due to intermittent rains reducing the size of maize area and delayed purchase/application by farmers on rice & cotton due to subsidy rumors and anticipation of relief in the

- EFERT managed to maintain Potash market share in a shrinking market (67% vs. 66% in 1H 2019). This was an outcome of proactive strategy to engage institutional clients.

- Total sales for SFB (Zarkhez, Engro NP, MOP/SOP/AS) stood at 100KT in 1H 2020 vs sales of 126KT 1H 2019.
Industry Challenges

1H BOD 2020
FERTILIZER SECTOR KEY ISSUES – DEALER REGISTRATION

- Recently, through budgetary measures, tax regulations have been implemented in sales tax and income tax laws, seeking to increase cost of doing business of manufacturers in case of sales to unregistered persons in sales tax.
- Fertilizer industry operates with simple value chain where dealers operate on very limited margin of 2%-3% of sale price
- 90% of industry dealers are filers for income tax purposes but are not registered in sales tax.

Sales tax registration of Fertilizer Dealer is detrimental for his own business leading to increased costs for farmers and the overall national food security of Pakistan!!

For sale to unregistered dealer, First Dealer’s input sales tax per bag is disallowed:
- If sales are in excess of Rs. 100M p.a. / Rs. 10M per month, to one dealer; or
- First dealer is unable to provide CNIC/NTN of Unregistered Dealer

A registered dealer is required to withhold 4%-4.5% from any payment made to the First Dealer which is non-adjustable for the First Dealer.
Business Challenges: Subsidy and GIDC

Fertilizer industry continues to face challenges in the form of prior subsidy even though the subsidy given on fertilizers was timely passed on to farmers whereas the government is yet to pay back the subsidy (Industry - PKR 20 B, Efert PKR 6.5 B)

<table>
<thead>
<tr>
<th>Subsidy ageing</th>
<th>PKR B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 2 years</td>
<td>2.4</td>
</tr>
<tr>
<td>2 - 3 years</td>
<td>3.6</td>
</tr>
<tr>
<td>More than 3 years</td>
<td>0.5</td>
</tr>
</tbody>
</table>

EFert Subsidy Receivable  6.5

- **GIDC: Amendment Ordinance was signed by the President on August 29, 2019 which was based on the following principles:**
  - 50% waiver in outstanding GIDC payables up to 31st December 2018
  - 50% reduction in prospective GIDC Feed and Fuel rate
  - No GIDC on concessionary gas going forward
  - Retrospective settlement of the new plants that are on ‘concessionary price gas’ was not catered to in the proposed GIDC settlement

- **However, the Government withdrew the GIDC Amendment Ordinance 2019 and the matter is now in Supreme Court.**
Special Items For Discussion

1. Benefit passed on to farmers
2. Adequacy of Indigenous gas-based production
3. Excess Urea Capacity- Potential for opportunistic exports
4. EFERT- Purpose of Being
5. EFERT-Doing good while doing well
The industry has passed almost **3.4x benefit to farmers** in terms of lower urea prices versus benefit received in the form of subsidized gas prices.

**Comparison of international urea prices Vs local Urea prices- PKR/Bag**

**Gas Subsidy by GoP (PKR B)**

**Benefit passed on by Fertilizer Industry (PKR B)**

*Gas subsidy by GOP is delta of average Fertilizer Policy Feed prices and industry gas prices net off all income taxes paid during these years*

***Benefit passed on by the industry is the delta between Local urea prices and international urea prices multiplied by average urea offtake*
Indigenous gas-based Urea sufficient to meet demand

- Agronomic demand for urea would be around 5.8 MT in 2020 if the demand follows last 5-year average.
- Natural Disasters in the past have resulted in approximately 5% reduction in Urea Sales.
- Following the trend, the demand with a 5% reduction would be around 5.5 MT in 2020.
- Opening industry inventory in 2020: ~200KT and channel inventory at start of the year: ~400KT may result in further dip in urea sales.
- Indigenous gas-based production of 5.8MT along with excess opening inventory would be more than adequate to meet domestic demand.

At the run rate of 2,908 KT for 1H 2020, yearly production would be more than 5.8 MT.

*With improved gas availability, EFERT is on track to produce in excess of 2.2MT in 2020.*
Operating LNG Based Plants: Significant Financial Burden on Economy

Benefits of operating LNG Plants

- Government to avoid Take or Pay hit and utilize imported LNG to create Economic value
- Employment Generated
- Optimal use of RLNG on take or pay for Fertilizer production vs alternate use in power where significant distribution losses occur

Govern recently announced 3 months LNG based operations

<table>
<thead>
<tr>
<th>At Production of 210KT</th>
<th>Current 3 month Avg</th>
<th>USD 40 Crude</th>
<th>USD 50 Crude</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Deficit PKR M</td>
<td>1,989</td>
<td>2,335</td>
<td>3,692</td>
</tr>
<tr>
<td>Forex Outflow USD M</td>
<td>41</td>
<td>43</td>
<td>51</td>
</tr>
</tbody>
</table>

Burden on Gov’t to Operate LNG Plants

- Balance of Payment Burden
  - USD 163 M* (PKR 27 B)
    - FOREX outflow on import of LNG

- Fiscal Deficit Burden
  - USD 48 M* (PKR 8 B)
    - Subsidy on imported urea and urea produced from LNG

Overall Burden

- USD 211 M (PKR 35 B)
  - Total burden to operate LNG plants

* Based on 3-month average LNG price with crude assumed at USD 41/bbl for next 2 months. Assuming year long LNG plants operations: Financial charges on this deficit burden will be on top of this.
Urea Exports: Immediate Solution to Alleviate Increasing Burden of LNG Imports

Urea exports could potentially alleviate the burden of operating LNG plants

Exports of surplus Urea can potentially generate USD 384M (PKR 64B)*

Potential Government Income Tax Revenue** of USD 74M (PKR 12B)

This can be achieved without making any additional investments. Creating other avenues of exports will take time, significant investments and initial forex outflow

* Urea export price is 349 USD/ton
** Corporate Income Tax 29% on Urea Export Profitability based on Fertilizer Policy gas
Urea Exports: RLNG should be used to allow exports

- **Urea Export price /ton**: USD 240
- **RLNG cost per ton (USD 2.2/mmBTU * 30 index)**: USD 66
- **Additional Value created per ton**: USD 174

Exports at current spot RLNG cost can create FX benefit of almost **3.6 times** over RLNG gas cost.

*RNG gas cost taken at spot cargo for August delivery of USD 2.2/mmBTU without incidentals*
Urea has the potential to be the single top exporter

Urea exports will generate significant foreign inflow and could become the top exporter without any additional investment

*At 5 year high CFR of USD 349/T
EFERT - Our Reason for Being
a promise of growth

we grow taste
40%
potato crop fields served

we grow nutrition
1/3rd wheat crop served
37%
rice crop served

we grow prosperity
PKR 5 Bn
PA Y 2011
PKR 17 Bn
PA Y 2018

we grow sustainability
USD 600 Mn
annual import substitution

we grow possibilities

we grow fashion
40%
cotton crops served

we grow possibilities

crop protection
2x peak vol. of cartap vs competition
5x pace of growth vs competition

agri-logistics
4x 3rd largest fleet in 3 years
790
first growth by 2021
we grow hope & dreams
100k+ patients treated since 2005

150+ beneficiaries impacted in 1 month

520 students enrolled

2,500+ alumni to date

1,500 students enrolled

100k+ patients treated since 2005

artificial limbs program

snake-bite centre

sahara school

katcha schools

technical training college
together we grow Pakistan
Hamqadam is an initiative launched in December 2018 aimed to support subsistence level farmers by providing them with interest-free in-kind loans at below market value.

- NGOs affiliated with Pakistan Poverty Alleviation Fund (PPAF) have been engaged to aid EFERT in field execution, and to facilitate recoveries as well.
- The project has now grown to over thousand farmers from a couple hundred since inception.
- PPAF has now requested us to enter a long-term MOU spanning 3 years for the project.
Donation- To Combat COVID-19 in Pakistan

Focus on 4 Verticals

1. Prevention: Testing / Diagnostics
2. Protecting frontline staff
3. Patient care and facilities
4. Livelihoods and sustenance

- Contributed PKR 66.5 M in April to the Indus Hospital to expand COVID 19 testing capacity across Sindh
- Contributed PKR 20 M in May to Shaukat Khanam Memorial Hospital to launch COVID 19 testing interventions across Southern Punjab.
Awards & Recognition-1H 2020

35th Corporate Excellence awards held by Management Association of Pakistan

'International Safety Award Merit’ & “Country Best Joint Award’

Green Leaf Runner-Up Award

Quality Award 2019

8 Green Office Awards in the various categories

EFERT won Amir S. Chinoy trophy for being ranked as the best company in Pakistan in the Industrial sector. This achievement marks our return to this podium after 26 years.

The Company has been recognized by British Safety Council with “International Safety Award Merit” & “Country Best Joint Award” in regards with HSE related efforts

IFA - International Fertilizers Association, awarded the Company with “Green Leaf Runner-Up Award” in recognition of its outstanding performance in Safety, Health and Environment in fertilizer production

The Company’s analytical laboratory in Daharki won Quality Award 2019 conferred by Laboratory Quality Services International, SGS, USA, in recognition of its commitment to continuous quality improvement.

The Company’s head office and manufacturing facilities were conferred with 8 Awards: Reduction of Carbon Emissions, Energy Conservation, Paper Decrement and Waste Reduction, Best coordinator, most innovative recycling, highest audit score, carbon offsetting, massive tree plantation drive and best-ever energy & water conservation projects.

Our journey is full of achievements
Ensuring Food Security in Pakistan through business continuity amid Covid-19
Continuous Operations to ensure food security in Pakistan....

Preventing spread of infection in control rooms by undertaking relevant safety and hygiene protocols
Supporting Communities to fight Covid-19

EFERT distributing food to 1500 families in the plant’s vicinity

Fumigation/Disinfecting of nearby villages and Daharki City

Holding awareness campaigns on COVID-19 and installing hand wash stations

Disinfection tunnel installed outside Deputy Commissioner’s office
THANK YOU

Q & A