Analyst Briefing
FY 2012 Business Results
## Financial Highlights FY 2012

### Revenue

<table>
<thead>
<tr>
<th>Rs. Million</th>
<th>FY 2012</th>
<th>FY 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engro Fertilizers</td>
<td>30,912</td>
<td>31,353</td>
</tr>
<tr>
<td>Engro Foods</td>
<td>40,867</td>
<td>29,859</td>
</tr>
<tr>
<td>Engro Polymer</td>
<td>19,742</td>
<td>16,376</td>
</tr>
<tr>
<td>Engro Powergen</td>
<td>11,666</td>
<td>8,338</td>
</tr>
<tr>
<td>Engro Eximp</td>
<td>20,977</td>
<td>26,103</td>
</tr>
<tr>
<td>Engro Vopak</td>
<td>2,376</td>
<td>2,286</td>
</tr>
<tr>
<td>Engro Corporation (Consolidated)</td>
<td>125,151</td>
<td>114,612</td>
</tr>
</tbody>
</table>

### PAT

<table>
<thead>
<tr>
<th>Rs. Million</th>
<th>FY 2012</th>
<th>FY 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engro Fertilizers</td>
<td>(2,935)</td>
<td>4,588</td>
</tr>
<tr>
<td>Engro Foods</td>
<td>2,595</td>
<td>891</td>
</tr>
<tr>
<td>Engro Polymer</td>
<td>77</td>
<td>(706)</td>
</tr>
<tr>
<td>Engro Powergen</td>
<td>2,035</td>
<td>1,718</td>
</tr>
<tr>
<td>Engro Eximp</td>
<td>(426)</td>
<td>858</td>
</tr>
<tr>
<td>Engro Vopak</td>
<td>1,488</td>
<td>3,484</td>
</tr>
<tr>
<td>Engro Corporation* (Consolidated)</td>
<td>1,333</td>
<td>8,060</td>
</tr>
</tbody>
</table>

*Engro Share, also includes Engro Corp standalone and Engro Foods Canada results*
Fertilizer Business
Urea Industry (million Tons) | FY 2012 | FY 2011
--- | --- | ---
Production | 4.2 | 4.9
Imports | 1.4 | 1.0
Sales | 5.2 | 5.9

Overall industry sales dropped from 5.9 mn tons in 2011 to 5.2 m tons in 2012 mainly due to poor crop economics, floods/untimely rains, significant channel inventory and price decrease expectations in 4Q.

- Domestically produced urea market share declined from 83% last year to 79% mainly due lower production.
- International urea price increased from USD 425/ton CFR Karachi-level at the beginning of the year to USD 554/ton in mid-2012 and decreased to $400-435/ton during 2H 2012.
- Current landed equivalent of international urea price is ~ Rs. 2,700/bag (USD 470/ton CFR Khi) ex. GST vs. domestic price of Rs. 1,440/bag ex. GST.
- In Jan. 2012, Rs.197/mmbtu GIDC was imposed on feed gas (highest of all sectors) and Net Rs.50/mmbtu GIDC was imposed on fuel gas.
- Company suffered a loss due to lower production and partial gas cost (GIDC) pass-through (Rs. 340mn provisioning for minimum turnover tax as per accounting standards).

Impact of gas curtailment Rs 72 bn

Benefit to Farmer from Domestic Supply - Rs. 86 bn

- Cost to Govt. - import subsidy
- Cost to farmer - higher urea price

Government 83
Fertilizer Producers
**Urea Business Highlights**

**Urea**

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Production</strong></td>
<td>974</td>
<td>953</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>1279</td>
<td>1279</td>
</tr>
</tbody>
</table>

- 4Q was the first profitable quarter of the year (PAT = 22mn) made possible through sale of 353kt of urea due to:
  - The conversion of Enven to Mari
  - Higher industry off-take due to the start of the Rabi season
  - Increase in wheat support price from Rs.1,050/40Kg to Rs.1,200/40Kg

**Zarkhez**

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2011</th>
</tr>
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<tbody>
<tr>
<td><strong>Revenue (Rs. Bn)</strong></td>
<td>3.7</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>PAT (Rs. Mn)</strong></td>
<td>(149)</td>
<td>414</td>
</tr>
</tbody>
</table>

- Potash nutrient industry declined from 27kt last year to 20 kt in 2012 due to poor crop economics
- Engro’s market share declined from 49% to 40% due to availability of straight potash at discounted prices
- NP industry increased from 333kt last year to 454kt in 2012 due to promotional campaigns by competition

*Including transfers to Zarkhez*
Outlook

- ECC has approved summary of long-term gas supply – implementation expected by mid-2014
- Required CAPEX will be shared by the gas supply companies and fertilizer companies (fertilizer companies’ share is significantly lower than estimated earlier)
- Companies are negotiating GSAs with gas suppliers and tolling charges with gas distributors
- Engro Fertilizer continues to pursue additional gas in the short-term until long-term summary is implemented
- Engro has deferred one payment for most of its long term debt due in the 2nd half of 2012. Post conversion of Enven to Mari, Engro has re-engaged with lenders

<table>
<thead>
<tr>
<th>Gas Field</th>
<th>Gas (MMSCFD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kunnar Pasaki Deep - KPD (Additional)</td>
<td>130</td>
</tr>
<tr>
<td>Mari Field (Additional)</td>
<td>22</td>
</tr>
<tr>
<td>Bahu (New Find)</td>
<td>15</td>
</tr>
<tr>
<td>Reti Maru (New Find)</td>
<td>10</td>
</tr>
<tr>
<td>Makori East (TAL Block) (New Find)</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>202</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company</th>
<th>Gas (MMSCFD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engro</td>
<td>79</td>
</tr>
<tr>
<td>Dawood Hercules</td>
<td>40</td>
</tr>
<tr>
<td>Pakarab Fertilizer</td>
<td>58</td>
</tr>
<tr>
<td>Agritech</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>202</strong></td>
</tr>
</tbody>
</table>
Phosphate Business Highlights

- Poor crop economics and high inventory with dealers were the major reasons for stagnation in industry sales.
- International market prices remained almost flat between USD 584 and 600 per ton during January-December 2012, limiting any opportunity for trading gains.

Engro phosphates sales were 262 kT in FY 2012 vs. 336 kT in FY 2011, achieving a market share of 22% vs. 29% in 2011.

Lower market share resulted primarily from EXIMP’s decision of not matching lower competitor prices allowing the competitor to liquidate its excess inventory.

PAT includes a one-time benefit of Rs. 358 mn due to change in tax regime.

*PAT does not include micronutrients
Rice Business
39kT of finished rice equivalent were sold during FY 2012 (25kT local market and 14kt exports)

- Revenues are higher than last year, but were limited by lower than capacity production. Plant operations were curtailed during the paddy season last year, resulting in lower paddy procurement for sale in 2012
- Contribution margins were hit by high labor and energy costs
- International basmati prices were lower in 1H 2012 due to carryover stocks from India; Basmati prices picked up in 2H 2012 and Pakistani basmati traded at a premium to Indian basmati
- Plant issues were addressed by third quarter 2012 and during the paddy season starting in October 2012 the procurement team in line with the company’s plans made the highest ever procurement of paddy by a single entity in the history of Pakistan for processing in 2013
- Loss figure includes Rs.395 mn of one-time income from deferred tax asset recognition
Foods Business
**Foods Business Highlights**

**Total UHT Dairy Industry growth of 11%**

<table>
<thead>
<tr>
<th>Market Share as at 31st Dec' 12</th>
<th>Market Share as at 31st Dec' 11</th>
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</thead>
<tbody>
<tr>
<td>49% 51% 56%</td>
<td>44%</td>
</tr>
</tbody>
</table>

- **Engro Foods**: 49%
- **Rest of the UHT dairy market (incl. Nestle, Haleeb and others)**: 51%

**Engro Foods**

- FY 2012: PKR 40.9 bn
- FY 2011: PKR 30.4 bn
- PKR 2.6 bn
- PKR 0.8 bn

**Dairy & Juices**

- Total UHT dairy industry grew by 11% from 2011 to 2012; Engro’s ambient dairy volumes increased by 25%
- Engro’s UHT dairy market share increased from 44% in 2011 to 51% in 2012
- Specialized tea creamers (STC) industry grew by 25% in 2012 vs. last year, with Engro’s market share increasing to 67% vs. 62% last year
**Ice Cream Industry declined by 6%**

Market Share as at 31st Dec' 12

- Omore: 25%
- Rest of the branded Ice-cream market (incl. Walls and others): 75%

Market Share as at 31st Dec' 11

- Omore: 24%
- Rest of the branded Ice-cream market (incl. Walls and others): 76%

**Ice Cream**

- Ice Cream industry sales volumes declined by 6.3% in FY 2012 vs. last year mainly due to extended power outages.
- However, Omoré sales volume only decreased by 2.7%. Resultantly, Omoré market share increased to 25% in FY 2012 from 24% in FY 2011.
- Sales revenue for Omoré was Rs. 2.8 Bn vs. Rs. 2.6 Bn during FY 2011.
Foods Business Highlights – Cont.

Nara Farm

- Milk Yield per cow per day has improved to 18.0 litres during FY 2012 Vs 15.4 litres for FY 2011
- Losses reduced to Rs. 21 million in FY 2012 vs. a loss of Rs. 107 million in 2011, due to better yields and improved utilization of farm housing capacity

Engro Foods Canada

- The Canada Foods business registered a revenue of CAD$11 Mn and a loss after tax of CAD$2.4 Mn in FY 2012 vs. a revenue of CAD$ 5.3 Mn and a loss after tax of CAD$ 1.2 Mn during the 8 months post acquisition in 2011
- The business continues to grow as Engro enters new markets like groceries (rice, flatbread and others)
- New launch listings
  - Loblaws - flatbread, Kababs, Pizzas, Deli
  - Sobeys - Rice, Deli, Kababs
  - Walmart - Kababs, Deli
As a result of reliability-enhancement measures, the business continued its strong operational performance in 2012 with the VCM plant operating at full integrated capacity.

Ethylene prices remained higher in 2012 due to sanctions on Iran – ($1,128/ton avg 2012) and subsequent lack of cargoes from there and associated geo-political tensions and hence profitability was limited.

Vinyl prices remained on the lower side in 2012 mainly due to slowing growth in emerging economies led by China and India and the Euro-zone (PVC $981/ton and VCM $869/ton avg. 2012).

PVC & VCM export margins remained on the lower side due to slow demand and high Ethylene prices, however caustic prices were higher compared to last year (Rs. 47,188/ton in 2012 vs 36,894/ton in 2011).

PVC domestic demand grew by 7% in 2012.

Pro-active strategy to curtail scrap imports led to significant reduction in scrap imports, by 16kt, compared to last year.
Energy and Power Business
## Energy & Power Business Highlights

### Revenue (Rs. Bn) vs. FY 2012

<table>
<thead>
<tr>
<th></th>
<th>FY 2011</th>
<th>FY 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01</td>
<td>8.4</td>
<td>11.7</td>
</tr>
</tbody>
</table>

### PAT (Rs. Mn) vs. FY 2012

<table>
<thead>
<tr>
<th></th>
<th>FY 2011</th>
<th>FY 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01</td>
<td>1,784</td>
<td>2,101</td>
</tr>
</tbody>
</table>

- **Net Electrical Output**: 1,766 GWh vs. 1,657 GWh in 2011
- **Profit after tax**: higher than last year mainly due to better gas-efficiency and higher interest income (interest income on PEPCO receivables net of interest expense on SNGPL payables)
- **Total over-due receivables**: Rs. 7.2 bn, whereas total SNGPL payables stood at Rs. 3.5 bn
Energy & Power Business Highlights

Thar Coal Mining Project Update

On the Thar Coal Project, Sindh Engro Coal Mining Company (SECMC) and Thar Coal Energy Board (TCEB) managed to secure a landmark decision by the Prime Minister on the Thar Coal project which entailed:

• All conversion of existing oil-based power plants should be based on Thar Coal specification and new coal based power projects should also be designed on Thar Coal specification

• Coal off-take agreement between GENCO and SECMC for supply of coal for existing Jamshoro power plant as well as new 600 MW power plant at Jamshoro be finalized; and

• Sovereign guarantee for financing the debt portion of Thar Block II mining project amounting to USD 600-700 million shall be provided by the Government of Pakistan

Subsequently, discussion being held with GoP & ADB on blending Thar coal with imported coal for power plants
Chemical Storage & Terminal Business
**Storage & Terminal Business Highlights**

- In 2011, there was a one-time tax reversal of Rs. 2,018 mn. Operational profit in 2012 was slightly higher than 2011 mainly due to higher volumes of chemicals handled.

- Lotte PPTA contract renewed for five years period effective November 25, 2012 with guaranteed volume of 340KT.

- The company continued its efforts to position itself for the short and long-term LNG imports business at Port Qasim through Engro Vopak and Elengy Terminal Pakistan Limited (ETPL):
  - Engro has participated in a bid to set up LNG import terminal for supply of 400 mmscfd RLNG
Thank You