



## EFOODS | RFC | FREQUENTLY ASKED QUESTIONS

### 1. Why FrieslandCampina? Why 51% and why now?

Engro Foods is our most daring investment made to date, and one we are most proud of. It is Engro's first consumer facing company, it is the "Pakistani MNC", it is a company that has changed the lives of 30,000 farmers and elevated the delights of 11 million customers.

We love Engro foods not only for what it does but more so for what it represents - affordable nutrition made widely available in Pakistan. While Engro Foods has delivered commercial and financial success, we believe the war against adulteration and malnutrition is far from over. We also believe that this is a war we must win within the next 10 years in order to ensure a healthy Pakistan.

FrieslandCampina is a dairy cooperative owned by 19,000 farmers. It has a global presence and a state of the art Research and Development facility. FrieslandCampina has a track record of solving the nutrition challenge in frontier markets (<https://www.frieslandcampina.com/>) and partnering with management teams across the world (<http://www.alaskamilk.com/>). Engro and FrieslandCampina have discussed avenues of collaboration to varying degrees in the last few years. During this period we have grown to understand one another and more importantly trust one another.

At its core the Engro family is a meritocracy and believes in the best owner principle. We have debated at length with our friends at FrieslandCampina on which entity will be best positioned to solve the nutrition challenge in Pakistan and we concluded that it will surely be a team effort. However, there has to be one captain of the ship who is firmly in charge. We cannot think of a better organisation to steer the ship than FrieslandCampina, thus it is a matter of great privilege that the 5th largest dairy company in the world understands our culture and is willing to be our thought partner.

We believe the dairy industry in Pakistan is at a tipping point. We believe there will be a mass conversation from loose to packaged milk. During this critical period we the owners of Engro Foods want to be armed with the best capability to fight against adulteration and malnutrition.

### 2. Will ECorp exit from the food industry eventually?

The intent of the transaction is not divestment for exit but the creation of a potential strategic partnership that we believe will benefit Efoods and create value for its shareholders. This potential partnership will enable Engro Foods to leverage the global expertise of RFC and for them to tap into the immense potential of the Pakistani dairy industry on the back of platform that Engro Foods has created in the last decade.



**3. Why is sale price at a discount to market?**

Engro's perspective on this transaction is that this is a strategic partnership and not a sale of stake to exit the business. Hence, we are not only looking at the value that we receive today, but value that will be created for all shareholders as a result of transaction, for years to come. We

believe that this is a very good deal for our shareholders, employees and most importantly, our customers.

**4. What does Ecorp plan to do with the money it will raise from this and Efert transaction?**

The matter is under consideration and any capital allocation decision will be in line with Engro's strategy and aimed at creating sustainable long-term shareholder value.

**5. What is the transaction structure?**

Subject to relevant regulatory approvals, the structure of the transaction will entail FrieslandCampina acquiring a 51 per cent stake in Engro Foods, jointly with co-investors IFC and FMO, through a Dutch entity. FrieslandCampina will hold approximately 80%, and IFC and FMO the remaining shares of this entity. Jointly with IFC and FMO, FrieslandCampina will place a tender offer ("MTO") on the Pakistan Stock Exchange, as per regulatory requirements, for at least 50% of the outstanding shares from public shareholders (6.5%). The actual number of purchased shares will be deducted from the number of shares acquired from Engro Corporation.

**6. How will this deal impact the position of Efoods in the dairy market?**

We believe that this partnership will have transform Efoods into the market leader in overall dairy segment. On one hand, Efoods brings heavily entrenched presence across the milk collection landscape, nationwide ambient & frozen distribution and household brands. On the other, with experience built over a 140 years, RFC brings expertise in operational excellence, access to world class innovation and R&D, a rich product portfolio in multiple formats and experience in successfully operating in similar markets in Asia and Africa.

The combination of the two will (i) create further value from the existing business of Efoods through synergies and (ii) enable the company to actively expand its product portfolio into different formats and value added/high margin products to cater to consumers across socio-economic background and age groups.

**7. What will be the role of Ecorp in the new structure?**

Depending on the result of the MTO, ECorp will continue to be the second largest shareholder of Engro Foods with significant ownership of between 36%-43% of the company. Hence, it will continue to play a critical role as a significant shareholder in this joint venture.



**8. What is the expected timeline for the deal?**

The transaction is still subject to approval by ECorp shareholders as well as the relevant regulatory authorities, followed by the MTO. Based on this, the transaction is expected to close by the end of 2016.

**9. Will the Company continue to be listed on stock exchange?**

Yes, the Company will continue to be listed at PSX.

**10. What is the proposed board structure?**

The board structure will be in line with the CCG requirements and in accordance with the shareholding structure in the company, whereby RFC will hold a majority, followed by significant representation from ECorp and an independent member.

**11. What are the expected changes in Efoods current portfolio / long term strategy? Will the current business segments, ice cream and Farm continue?**

As of now, we understand that the current operations will continue as is. In addition, we see this as an opportunity to diversify our product portfolio enabling the Pakistani consumers to have access to a wider range of value added nutritious products.

**12. How will this deal have an implication on the geographical expansion of Efoods?**

The size of investment that a global company like RFC is making in Pakistan is a manifestation of the immense potential in the local market. Hence, the initial focus will be to increase offerings in this market by offering value added and nutritious dairy products to wide spectrum of consumers.

**13. What will happen to the “Engro Foods” brand?**

The brand “Engro Foods” is highly valued in Pakistan. Consumers relate to it as the force behind megabrands, Olpers and Tarang. While these matters need to be firmed up, FrieslandCampina has cultivated a deep appreciation of this brand and our future together is expected to leverage the “Engro Foods” brand strength.

**14. What’s in it for customers and other stakeholders?**

We believe that a potential partnership will be a win-win for all stakeholders. Our employees will gain access to RFC’s deep knowledge of value-added dairy products, while our customers will continue to enjoy our current products and will have more choices as we expand our product portfolio. The fact that RFC is a co-operative which is farmer held is a great source of comfort because it will allow us to work with our value chains to bring about improvements and efficiencies for the benefit of all our stakeholders.



**15. What is the product range of RFC?**

RFC produces and sells consumer dairy and juice products such as milk, dairy-based beverages, infant nutrition, cheese, desserts, still drinks, nectars and juices in more than 100 countries worldwide

**16. What will be the likely growth trajectory from this move?**

Given the synergistic value that the partnership brings, we foresee accelerated innovations resulting in long term sustainable growth for Engro foods.

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