ANALYST BRIEFING

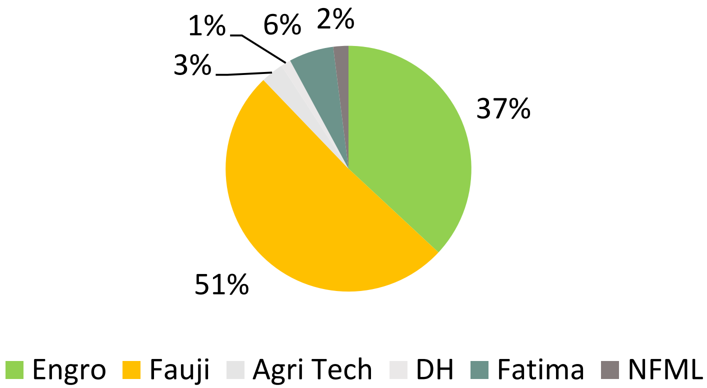
1Q 2016

UREA MARKET ENVIRONMENT

- Urea offtake has been at record low for 1Q2016 where industry urea sales clocked in at 767KT, down 49% vs 1,510KT in 1Q2015
- This has been mainly due to poor crop economics, low international prices and subsidy rumors on urea
- Demand for Rabi season declined by 20% with the actual sales at 2,426 KT vs. 3,043 KT in previous season
- However, on ground consumption may have been ~2,700 KT as channel inventory was minimized by dealers due to expectation of price reduction
- Considering depressed crop economics and weak demand, the government should act swiftly to improve farmer economics by reducing input costs – which should be mainly abolishing GST
- Domestic urea production rose by 192KT (16%) vs 1Q2015 to 1,411KT; led by better capacity utilization of plants on Mari Network and LNG availability
- As a result of depressed demand and higher production, industry urea inventory at the end of 1Q2016 stands at ~1,200 KT compared to 561 KT at the end of 2015
- Domestic Urea prices have stabilized at PKR 1,818/bag (DTP) towards the end of the quarter. International Urea prices have also shown some stability with current CFR around USD 230/ton equivalent to ~ PKR 1,730/bag

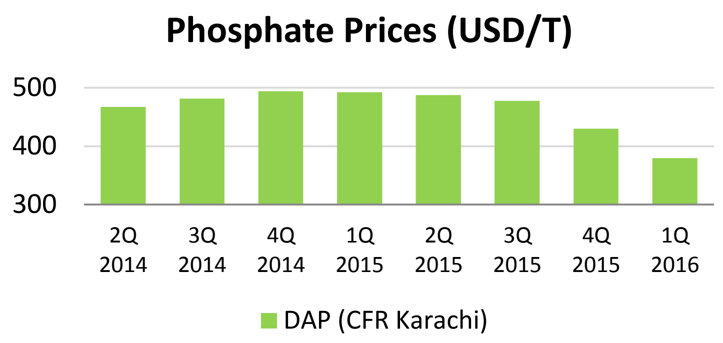
Urea Industry (MT)	1Q 2016	1Q 2015	Change
Opening Inventory	0.6	0.2	
Production	1.4	1.2	16%
Imports	0.0	0.3	
Sales	0.8	1.5	(49%)
Closing Inventory	1.2	0.2	

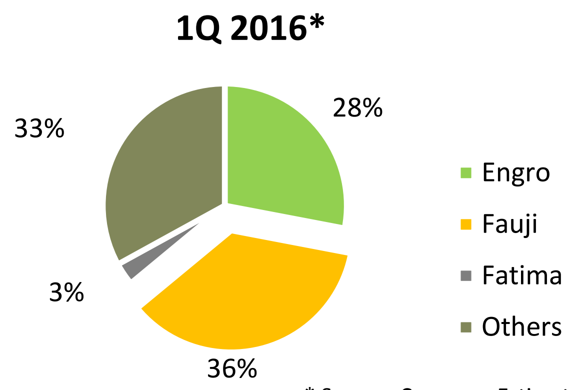
1Q 2016



PHOSPHATES MARKET ENVIRONMENT

- Local industry sales were at 236KT vs. 186KT last year (growth of 27%) mainly due to softening of phosphate prices and subsidy on phosphates
- EFERT sold 65 KT of DAP in 1Q2016 vs. 36 KT in 1Q 2015 which also resulted in an improved market share of 28% vs. 19% last year
- Sales were higher than 1Q2015 due to aggressive marketing strategy and increase in industry size
- International DAP prices declined by USD 50/Ton during 1Q2016 to USD 350/Ton (CFR Pakistan)
- EFERT is currently selling DAP at PKR 2,600/bag, passing on the benefit of low international prices and competition to farmers
- Phosphates prices continued their bearish trend in 2016 due to a number of factors: continuation of inventory glut, volatility in the Chinese commodity markets, continuing weakness in key currencies, and steady reduction in energy and raw material prices

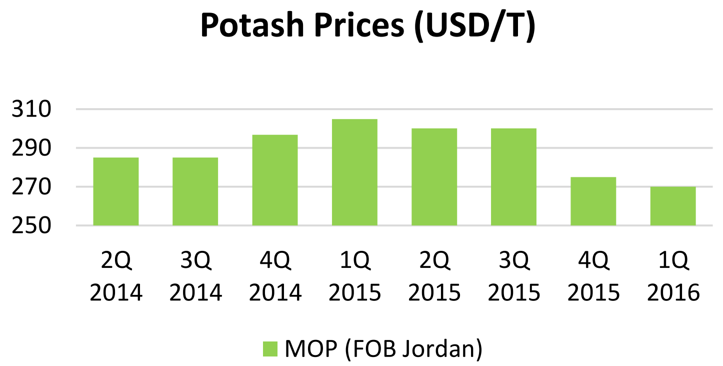


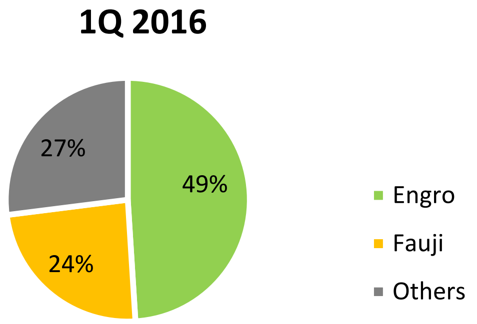


* Source: Company Estimates

ZARKHEZ MARKET ENVIRONMENT

- Potash industry in 2016 declined by 9% YoY due to poor crop economics and availability of cheaper straight fertilizers
- However, the market share of Zarkhez increased to 49% (43% in 1Q 2015) contributing to a lower than industry decline in actual sales volumes
- Total ZBU sales for 1Q2016 stood at 18KT vs sale of 28KT in 1Q 2015
- Sales were severely impacted due to carry over of inventories by dealers from previous year and declining straight fertilizer prices





* Source: Company Estimates

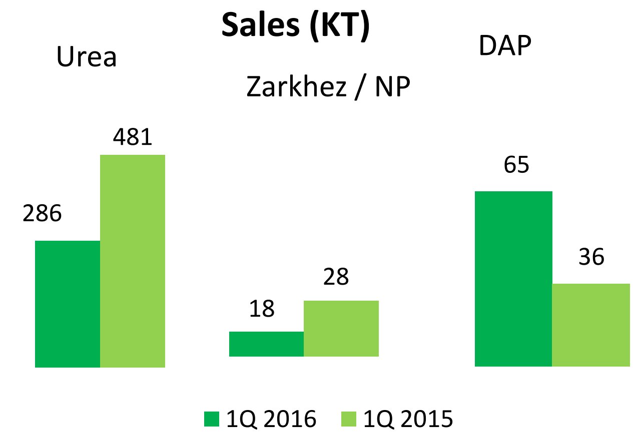
GAS UPDATE

- On February 22, 2016, ECC permanently reallocated 60 MMSCFD gas back to the fertilizer sector (in line with the original curtailment). EFERT's share is 12.5 MMSCFD out of the 60 MMSCFD
- EFERT is in discussion with relevant quarters for allocation of surplus gas to ensure continued two plant operations
- The company is paying GIDC on current billing excluding concessionary gas
- For GIDC on concessionary gas, the Company obtained stay order in 2015 and therefore no GIDC is being paid or accrued for concessionary gas supplied to the new urea plant
- GIDC on concessionary gas is in direct contravention with the Fertilizer Policy and our Gas supply contracts on the basis of which we invested USD 1.1 Billion to expand our fertilizer manufacturing capacity

BUSINESS HIGHLIGHTS

- EFERT 1Q 2016 PAT stood at PKR 2.1 B vs PKR 3.1 B in 1Q 2015
- 1Q2016 urea production stood at 514 KT, compared to 486 KT in 1Q 2015 mainly due to better gas availability
- However, due to poor crop economics, sales remained lower at 286 KT vs. 481 KT in 1Q 2015 in line with the industry trend
- Financial performance of the Company is impacted mainly due to depressed volumetric sales
- Financial charges continue to decline mainly due to debt servicing, rate reduction and repricing/ refinancing of loans

Engro Fertilizers Standalone (PKR M)	**1Q 2016**	**1Q 2015**
Revenue	12,605	17,673
Gross Profit	4,938	6,770
Finance Cost	(751)	(1,262)
PAT	2,121	3,059
EPS (PKR)	1.59	2.30



OUTLOOK

engrofertilizers

- Local urea demand is likely to pick up due to Kharif season for which the industry is supplied with adequate inventory
- Given the better gas availability due to additional gas from Mari and LNG, the industry will continue to remain in a long supply situation
- The company continues to negotiate with the government for a long term allocation of surplus gas for Base plant

THANK YOU
Q & A