




# connecting Pakistan for a better tomorrow

First Quarter Accounts 2018



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## Engro's investments in agriculture, foods, energy and petrochemicals are designed to take advantage of Pakistan's economic needs.

### About Us

Engro Corporation Limited is one of Pakistan's largest conglomerates with the company's business portfolio spanning across sectors including chemical fertilizers, PVC resin, a bulk liquid chemical terminal, foods, power generation and commodity trade. At Engro, our ambition is to become the premier Pakistani enterprise with a global reach.

The management team at Engro is responsible for conceptualizing and articulating goals that bring our people together in pursuit of our objectives. It leads the company with a firm commitment to the values and spirit of Engro. In our journey to become a profitable, growth-oriented and sustainable company, our management structure has evolved to create a more transparent and accessible organization.

Our growth is driven by our people. Our culture is dynamic and energetic, with emphasis on our core values and loyalty of our employees. Our work environment promotes leadership, integrity, teamwork, diversity and excellence.

### Our History

Today, Engro is one of Pakistan's most progressive, growth oriented organizations, managed under a holding structure that works towards better managing and oversight of subsidiaries and affiliates that are part of Engro's capital investments in Pakistan.

The company is also defined by its history, which reflects a rich legacy of innovation and growth. The seeds for the company were sown following the discovery of the Mari gas field by Esso / Mobil in 1957. Esso proposed the establishment of a urea plant, and the Esso Pakistan Fertilizer Company Limited was established in 1965 and began production in 1968. At US \$43 million with an annual production capacity of 173,000 tons, this was the single largest foreign investment by a multinational corporation in Pakistan at the time. As the nation's first fertilizer brand, the company also pioneered the education of farmers in Pakistan, helping to modernize traditional farming practices to boost farm yields, directly impacting the quality of life for farmers and the nation.

In 1978, Esso was renamed Exxon globally, and the company became Exxon Chemical Pakistan Limited. The business continued to prosper as it relentlessly pursued productivity gains and strived to attain professional excellence.

In 1991, following a decision by Exxon to divest its fertilizer business on a global basis, the employees of Exxon Chemical Pakistan Limited decided to buy out Exxon's share. This was, and perhaps still is, the most successful employee buy-out in the corporate history of Pakistan. Renamed Engro Chemical Pakistan Limited, the company continued to go from strength to strength, reflected in its consistent financial performance, growth and diversification.

In 2009 a decision was made to demerge the fertilizer business into an independent operating company to ensure undivided focus on the business's expansion and growth. In the best interests of a multi category business, expansion strategy and growth vision, the management decided that the various businesses would be better served if the company was converted to a holding company; Engro Corporation Limited.

From its inception as Esso Pakistan Fertilizer Company Limited in 1965 to Engro Corporation Limited in 2010, Engro has come a long way and will continue working towards its vision of becoming a premier Pakistani company with a global reach.

### Engro Corporation Limited

Engro Corporation Limited is a holding company, created following the conversion of Engro Chemical Pakistan Limited on January 1, 2010. Engro Corp is one of Pakistan's largest conglomerates with the company's business portfolio spanning across sectors including chemical fertilizers, PVC resin, bulk liquid terminal, LNG terminal, foods processing and power generation.

### Engro Fertilizers Limited

Engro Fertilizers Limited is a 56% owned subsidiary of Engro Corporation – is a premier fertilizer manufacturing and marketing company having a portfolio of fertilizer products with significant focus on balanced crop nutrition and increased yield. As one of the 50 largest fertilizer manufacturers of the world we have close to 5 decades of operations as a world class facility with a wide range of fertilizer brands, besides urea, which include some of the most trusted brand names by Pakistani farmers. These include brands like Engro Zarkhez, Zingro, Engro DAP and Envy amongst others.

### Engro Foods Limited

Engro Foods Limited is an 40% owned associated company engaged in the manufacturing, processing and marketing of dairy products, frozen desserts and fruit drinks. The business owns two milk processing plants in Sukkur and Sahiwal and operates a dairy farm in Nara, Sindh. In its continued efforts to 'elevate consumer delight worldwide', the business has established several brands that have already become household names in Pakistan such as Olper's (UHT milk, low-fat milk, cream, desi ghee, lassi and flavored drinks), Omoré (frozen desserts), Tarang (tea whitener) and Dairy Omung (UHT dairy liquid and dessert cream).

### Engro Polymer & Chemicals Limited

Engro Polymer & Chemicals Limited - a 56% owned subsidiary of Engro – is the only fully integrated chlor-vinyl chemical complex in Pakistan and produces poly-vinyl chloride, caustic soda, sodium hypochlorite, hydrochloric acid and other chlorine by-products. The business was setup as a state-of-the-art plant in 1997, as a 50:50 joint venture, with Mitsubishi and Asahi Glass with Asahi subsequently divesting its shareholding in 2006.

### Engro Eximp Agri Products (Private) Limited

Engro Eximp Agriproducts is a wholly owned subsidiary of the holding company and it manages the procurement, processing and marketing of rice. The company owns and operates a state-of-the-art paddy processing plant near Muridke and has an installed capacity of 144KT.

### Engro Powergen Limited

Engro Powergen Limited is a wholly owned subsidiary of Engro Corporation and it owns and operates Engro Powergen Qadirpur Limited, a 224 megawatt power plant and the group's first initiative in the power sector of Pakistan. Engro Powergen Qadirpur Limited was listed on the Karachi Stock Exchange in October 2014 where 25% of the shares were offered to the public. As of now Engro Powergen Qadirpur Limited is 69% owned by Engro Powergen whereas the remainder is owned by International Finance Corporation (IFC) and employees.

Engro Powergen Limited is also involved in the Thar Coal project. The project envisages a coal mine under Sindh Engro Coal Mining Company (SECMC) and development of

two 330 MW mine mouth power plants under Engro Powergen Thar Limited (EPTL) in the first phase. SECMC is a joint venture company formed in 2009 between the Government of Sindh (GoS) and Engro PowerGen Limited (EPL) & Affiliates. SECMC's shareholders include Government of Sindh, Engro Powergen Ltd, Thal Limited, Habib Bank Ltd, CMEC Thar Mining Investment Limited, Huolinhe Open Pit Coal Investment Company Limited and Hub Power Company Limited (HUBCO). The Sindh Coal Authority has awarded a 95.5 square kilometer area of the coalfield, known as Block II, to SECMC for exploration and development of coal deposits. Within this block, there is an estimated amount of exploitable lignite coal reserves of 1.57 billion tons. In 2010, SECMC completed the Bankable Feasibility Study (BFS) for Thar Block II Coal Mining Project by engaging internationally renowned Consultants such as RWE-Germany, Sinocoal-China, SRK-UK and HBP Pakistan, meeting all national / international standards. The first phase of the Project is underway, as financial close of both the power and mining projects was achieved during first half 2016.

### Engro Vopak Terminal Limited

Engro Vopak is a joint venture with Royal Vopak of the Netherlands – the world's largest bulk liquid chemical handling company. The business is engaged in handling, storage and regasification of liquid & gaseous chemicals, Liquefied Petroleum Gas (LPG), petrochemicals and bio-fuels. Engro Vopak's terminal is Pakistan's first cryogenic facility that handles 70% of all liquid chemical imports into Pakistan including Paraxylene (PX), Acetic Acid (AA), Vinyl Chloride Monomer (VCM), Ethylene Dichloride (EDC), Mono Ethylene Glycol (MEG), Ethylene along with Phosphoric Acid (PA) imports, which are pumped directly to customer's facilities.

### Elengy Terminal Pakistan Limited

Elengy Terminal Pakistan Limited (ETPL) is an 80% owned subsidiary of Engro Corporation. The company won the contract to handle liquefied natural gas (LNG) and thereafter acquired FSRU vessel on lease from a US-based company - Excelerate Energy. Engro Elengy Terminal Limited, a wholly owned subsidiary of ETPL, set up the first state of the art LNG terminal, at Port Qasim. The terminal – which is also one of the most cost efficient terminals in the region – has the capacity for regasification of up to 600 mmcf/d.

## Directors' Report

The Directors of Engro Corporation Limited are pleased to submit their quarterly report along with the condensed interim un-audited financial statements of the Company for the first quarter ended March 31, 2018.

On a consolidated basis, the revenue for the first quarter of 2018 was PKR 33,525 million-49% higher against PKR 22,499 million for similar period last year. Increase was primarily driven by improved fertilizers and petrochemicals performance. The consolidated Profit-After-Tax (PAT) for the first quarter of 2018 was PKR 6,837 million – up by 62%, while PAT attributable to the shareholders increased to PKR 4,194 million from PKR 2,841 million during comparative period last year. On a standalone basis, the Company posted a PAT of PKR 3,146 million against PKR 5,300 million for similar period last year, translating into an EPS of PKR 6.01 per share (higher PAT in the previous period was on account of one-off dividend from Engro Foods). The Board is pleased to announce an interim cash dividend of PKR 5/ per share for the year ending December 31, 2018.

A brief review of significant business segments is as follows:

### Fertilizers

Fertilizer business revenues grew by 81% whilst its PAT for the current quarter more than doubled as compared to comparative period - up by 138% - and stood at PKR 3,889 million. Higher profitability was led by increased urea sales including exports as well as higher domestic prices on the back of reduced inventory levels.

### Petrochemicals

The business produced highest ever PVC during the quarter and recorded revenue growth of 28% over similar period last year. PAT for the current quarter was PKR 1,448 million against PKR 846 million for the comparative period. Primary drivers of profitability remained PVC domestic market growth, improved Caustic margins and operational efficiencies and supportive PVC prices in the international market.

### Coal Mining and Power Generation

Qadirpur Power Plant: The Plant dispatched a Net Electrical Output of 412 GwH to the national grid with a load factor of 89% compared to 98.3% during similar period last year. Decline in load factor was primarily due to

gas supplier's compressor issues which resulted in supply disruptions. The business posted a PAT of PKR 669 million for the current quarter as compared to PKR 668 million for the similar period last year. Receivable in respect of power off take remain at high level due to circular debt. This is a continuous challenge for the business and the power sector in general.

Thar Coal Mining Project: Project progress remained ahead of plan with approx. 82 M BCM of overburden (73% of total overburden volume) having been removed by the quarter-end. Approx. 26 million cubic meters of water has been discharged since full-scale dewatering operations began in April 2017.

Thar Power Generation Project: Development on all project fronts continues at a steady pace throughout the quarter. Engineering, Procurement and Construction progress is ahead of schedule and inspections of equipment at manufacturing facilities are progressing smoothly. The project is targeting 'first electron flow' from the power plant to the grid by end of 2018 subject to timely back feed supply from NTDC.

### Terminal Operations

Profitability of both LNG and chemicals terminals remained healthy for the current quarter. The LNG terminal handled 18 cargoes as compared to 16 cargoes during similar period last year. Chemicals terminal witnessed a volumetric decrease due to lower imports of products during the quarter.

### Near-Term Outlook

Engro Corporation will continue to explore investment opportunities across all sectors focusing on improving shareholder value by increasing and diversifying revenue and customer base, investment in new technology and efficiency enhancements.

### Fertilizers

Domestic urea market is expected to experience delayed off take in the Kharif season due to expected water shortage in early Kharif. However, total off-take is expected to remain stable, keeping prices around the same level going forward. International DAP prices are expected to remain range bound in 2Q18 led by Indian demand.

### Petrochemicals

International PVC and ethylene prices will remain reliant on global economic sentiment, supply and demand dynamics. Domestic market for PVC is expected to remain strong while the Caustic market is projected to remain stable. The business will continue to focus on optimizing and achieving operational excellence and concluding expansion projects safely, within budget and on schedule.

### Coal Mining and Power Generation

Engro remains on the forefront to help alleviate the energy crisis in the country. In partnership with the government, the Thar mining and power projects are expected to remain on track for completion by June 2019. Our Energy business segment continues to explore opportunities in the renewable energy sector.



Hussain Dawood  
Chairman

### Terminal Operations

The LNG terminal is positively playing its role in alleviating some of the energy shortage faced by the country. Chemical industry is expected to remain stable and the Engro Vopak terminal looks forward to retaining its market share, along with availing expansion opportunities in the LPG, chemicals and fuel distribution sectors.

### Acknowledgement

We would like to place on record our sincere appreciation for the commitment, dedication and innovative thinking put in by each member of the Engro family and are confident that they will continue to do so in the future. The Directors would also like to express their deep appreciation to our shareholders who have always shown their confidence in the Company.



Ghias Khan  
President and Chief Executive

## condensed interim balance sheet as at march 31, 2018

(Amounts in thousand)

	Note	(Unaudited) March 31, 2018 ------(Rupees)-----	(Audited) December 31, 2017 ------(Rupees)-----
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	490,046	464,128
Intangible assets		7,485	8,514
Long term investments	4	21,472,987	21,171,987
Long term loans and advances		46,857	32,425
Deferred taxation		11,880	9,878
		<u>22,029,256</u>	<u>21,686,932</u>
<b>Current assets</b>			
Loans, advances and prepayments	5	868,080	1,234,859
Other receivables	6	3,051,031	574,159
Accrued interest / mark-up		550,939	456,972
Short term investments		64,682,763	63,916,579
Cash and bank balances		353,566	810,916
		<u>69,506,380</u>	<u>66,993,485</u>
<b>TOTAL ASSETS</b>		<u><u>91,535,636</u></u>	<u><u>88,680,417</u></u>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Share capital		5,237,848	5,237,848
Share premium		13,068,232	13,068,232
General reserve		4,429,240	4,429,240
Remeasurement of post employment benefits - Actuarial loss		(12,656)	(12,656)
Unappropriated profit		63,806,537	60,660,171
<b>Total equity</b>		<u>86,529,201</u>	<u>83,382,835</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Retirement and other service benefit obligations		26,571	35,459
<b>Current liabilities</b>			
Trade and other payables		648,509	1,319,426
Provision		2,354,637	2,354,637
Taxes payable		702,109	274,696
Borrowings		995,644	994,841
Accrued interest / mark-up		29,589	64,358
Unclaimed dividends		249,376	254,165
		<u>4,979,864</u>	<u>5,262,123</u>
<b>Total liabilities</b>		<u>5,006,435</u>	<u>5,297,582</u>
<b>Contingencies and Commitments</b>			
	7		
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<u><u>91,535,636</u></u>	<u><u>88,680,417</u></u>

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.



Hussain Dawood  
Chairman



Hasnain Moochhala  
Chief Financial Officer



Ghias Khan  
President and Chief Executive

## condensed interim statement of comprehensive income (unaudited) for the three months ended march 31, 2018

(Amounts in thousand except for earnings per share)

	Note	March 31, 2018 ------(Rupees)-----	March 31, 2017 ------(Rupees)-----
Dividend income		2,777,361	5,254,040
Royalty income		218,291	133,257
		<u>2,995,652</u>	<u>5,387,297</u>
Administrative expenses		(203,951)	(145,635)
		<u>2,791,701</u>	<u>5,241,662</u>
Other income		1,007,105	1,050,651
Other operating expenses		(13)	(122)
Operating Profit		<u>3,798,793</u>	<u>6,292,191</u>
Finance cost		(34,980)	(133,693)
Profit before taxation		<u>3,763,813</u>	<u>6,158,498</u>
Taxation		(617,447)	(858,554)
<b>Total comprehensive Income for the period</b>		<u><u>3,146,366</u></u>	<u><u>5,299,944</u></u>
Earnings per share - basic and diluted	8	<u>6.01</u>	<u>10.12</u>

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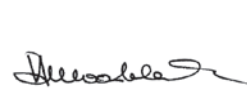
## condensed interim statement of changes in equity for the three months ended march 31, 2018


(Amounts in thousand)

	Capital reserve		Revenue reserves			Total
	Share capital	Share premium	General reserve	Remeasurement of post employment benefits - Actuarial gain/(loss)	Unappropriated profit	
	------(Rupees)-----					
<b>Balance as at January 01, 2017 (audited)</b>	5,237,848	13,068,232	4,429,240	(2,262)	61,307,059	84,040,117
Total comprehensive income for the three months ended March 31, 2017	-	-	-	-	5,299,944	5,299,944
<b>Balance as at March 31, 2017 (unaudited)</b>	5,237,848	13,068,232	4,429,240	(2,262)	66,607,003	89,340,061
Total comprehensive income for the nine months ended December 31, 2017	-	-	-	(10,394)	6,100,220	6,089,826
<b>Transactions with owners</b>						
Final cash dividend for the year ended December 31, 2016 @ Rs. 4.00 per share	-	-	-	-	(2,095,138)	(2,095,138)
Interim cash dividends for the year ended December 31, 2017:						
- 1st interim @ Rs.5.00 per share	-	-	-	-	(2,618,924)	(2,618,924)
- 2nd interim @ Rs.7.00 per share	-	-	-	-	(3,666,495)	(3,666,495)
- 3rd interim @ Rs.7.00 per share	-	-	-	-	(3,666,495)	(3,666,495)
	-	-	-	-	(12,047,052)	(12,047,052)
<b>Balance as at December 31, 2017 (audited)</b>	5,237,848	13,068,232	4,429,240	(12,656)	60,660,171	83,382,835
Total comprehensive income for the three months ended March 31, 2018	-	-	-	-	3,146,366	3,146,366
<b>Balance as at March 31, 2018 (unaudited)</b>	5,237,848	13,068,232	4,429,240	(12,656)	63,806,537	86,529,201

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

  
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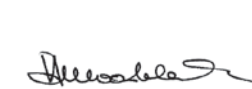
## condensed interim statement of cash flows (unaudited) for the three months ended march 31, 2018


(Amounts in thousand)

	Note	March 31,	March 31,
		2018	2017
------(Rupees)-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash utilized in operations	9	(1,114,059)	(851,422)
Royalty received		201,318	154,743
Taxes paid		(192,036)	(170,019)
Retirement and other service benefits paid		(37,268)	(20,604)
Long term loans and advances - net		70,237	(18,455)
Net cash utilized in operating activities		(1,071,808)	(905,757)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends received		584,940	315,000
Income on deposits / other financial assets including income earned on subordinated loan to subsidiaries		830,883	878,147
Issuance of TFCs by subsidiary company		-	(3,560,000)
Investment in shares of subsidiary company		(301,000)	-
Loan disbursed to subsidiary companies		-	(600,000)
Repayment of loan by subsidiary companies		296,542	3,560,000
Purchase of Treasury bills		(796,337)	(24,368,318)
Proceeds from sale of Treasury bills		7,736,047	15,682,258
Purchases of property, plant and equipment (PPE)		(39,323)	(48,161)
Sale proceeds on disposal of PPE		80	167
Net cash generated from / (utilized in) investing activities		8,311,833	(8,140,907)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of financial charges		(68,946)	(264,154)
Unclaimed dividends		(4,789)	23,981
Net cash utilized in financing activities		(73,735)	(240,173)
Net increase / (decrease) in cash and cash equivalents		7,166,290	(9,286,837)
Cash and cash equivalents at beginning of the year		35,986,713	24,213,198
Cash and cash equivalents at end of the period	10	43,153,003	14,926,361

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

  
Hussain Dawood  
Chairman

  
Hasnain Moochhala  
Chief Financial Officer

  
Ghias Khan  
President and Chief Executive

# notes to the condensed interim financial information for the three months ended march 31, 2018

(amounts in thousand)

## 1 LEGAL STATUS AND OPERATIONS

Engro Corporation Limited (the Company), is a public listed company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Limited. The Company is a subsidiary of Dawood Hercules Corporation Limited (the Parent Company). The principal activity of the Company, is to manage investments in subsidiary companies, associated companies and joint venture, engaged in fertilizers, PVC resin manufacturing and marketing, food, energy, LNG and chemical terminal and storage businesses. The Company's registered office is situated at 7th & 8th floors, The Harbour Front Building, HC # 3, Block 4, Marine Drive, Clifton, Karachi.

## 2 BASIS OF PREPARATION

2.1 This condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standards (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017: and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 The significant accounting policies adopted in the preparation of this interim condensed financial information are the same as those applied in the preparation of audited annual published financial statements of the Company for the year ended December 31, 2017.

2.3 The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

2.4 During the preparation of this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to financial statements of the Company for the year ended December 31, 2017.

## 3. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited) March 31, 2018	(Audited) December 31, 2017
	------(Rupees)-----	
Operating assets (note 3.1)	153,428	166,742
Capital work in progress (note 3.2)	336,618	297,386
	<u>490,046</u>	<u>464,128</u>

3.1 Additions to operating assets during the period / year amounted to Rs. 108 (December 31, 2017: Rs. 112,164). Operating assets costing Rs. 296 (December 31, 2017: Rs. 1,412) having a net book value of Rs. 93 (December 31, 2017: Rs. 984), were disposed off during the period / year for Rs. 80 (December 31, 2017: Rs. 444).

3.2 This mainly represents advance paid to suppliers.

## 4 LONG TERM INVESTMENTS

During the period, the Company has made an equity investment of Rs. 301,000 through subscription of 130,000 right shares of Rs. 10 each, in Engro Infiniti (Private) Limited, a wholly owned subsidiary.

## 5 LOANS, ADVANCES AND PREPAYMENTS

During 2016, the Company extended a subordinated loan of Rs 296,542 (December 31, 2017: Rs 296,542) to Elengy Terminal Pakistan Limited (ETPL), a subsidiary company. The loan carried markup payable on quarterly basis equal to 3 months KIBOR plus a margin of 3.5% per annum. During the period, entire loan was repaid by ETPL.

## 6 OTHER RECEIVABLES

This includes an amount of Rs. 2,254,119 (December 31, 2017: Nil) and Rs. 298,242 (December 31, 2017: Nil) on account of dividend receivable from subsidiary companies, Engro Fertilizers Limited and Engro Polymer & Chemicals Limited, respectively.

## 7 CONTINGENCIES AND COMMITMENTS

Significant changes in the status of contingencies and commitments since December 31, 2017 are as follows:

### 7.1 Contingencies

- During 2016, the Company pledged shares of Engro Fertilizers Limited and Engro Foods Limited against the Standby Letters of Credit (Equity SBLCs) provided by Engro Energy Limited (previously Engro Powergen Limited), a subsidiary company, through National Bank of Pakistan for its equity commitments in favour of the Intercreditor Agent (Habib Bank Limited) and the Project Companies (Sindh Engro Coal Mining Company Limited (SECMC), its associated company, and Engro Powergen Thar (Private) Limited (EPTL), its subsidiary company). Subsequent to equity injections / submission of equity SBLC by sponsors, the amount of Equity SBLCs have been reduced to USD 12,599 (2017: USD 14,027) and USD 26,509 (2017: USD 36,619) (in PKR equivalent) related to SECMC and EPTL respectively. Equity SBLCs expire on earlier of (i) four years after the issuance of SBLCs i.e. March 21, 2020; and (ii) fulfillment of sponsor obligations under Sponsor Support Agreements.
- In respect of Engro Elengy Terminal (Private) Limited, a subsidiary company, the Company had issued Corporate and Performance guarantees amounting to USD 20,700 and USD 10,000 respectively. These guarantees were secured against the shares of Engro Fertilizers Limited and Engro Foods Limited. During the period, these securities have been replaced by Treasury Bills.

### 7.2 Commitments

	(Unaudited) March 31, 2018	(Audited) December 31, 2017
	------(Rupees)-----	
Commitments in respect of capital expenditure	128,442	146,732

## 8 EARNINGS PER SHARE

	3 months ended March 31, 2018	3 months ended March 31, 2017
	------(Rupees)-----	
Profit for the period	<u>3,146,366</u>	<u>5,299,944</u>
	(Number of shares)	
Weighted average number of ordinary shares	<u>523,785</u>	<u>523,785</u>

(Amounts in thousand)

	3 months ended March 31, 2018	3 months ended March 31, 2017
	------(Rupees)-----	
<b>9 CASH UTILIZED IN OPERATIONS</b>		
Profit before taxation	3,763,813	6,158,498
Adjustment for non-cash charges and other items:		
Depreciation	13,312	8,037
Amortization	1,029	1,028
loss on disposal of property, plant and equipment	13	-
Provision for retirement and other service benefits	28,378	13,045
Income on deposits / other financial assets	(1,007,105)	(1,050,651)
Dividend income	(2,777,361)	(5,254,040)
Royalty income	(218,291)	(133,257)
Financial charges	34,980	133,693
Working capital changes (note 9.1)	(952,828)	(727,775)
	<u>(1,114,059)</u>	<u>(851,422)</u>
<b>9.1 Working capital changes</b>		
(Increase) / decrease in current assets		
- Loans, advances, deposits and prepayments	(14,432)	14,172
- Other receivables (net)	<u>(267,478)</u>	<u>(46,921)</u>
	(281,911)	(32,749)
Decrease in current liabilities		
- Trade and other payables including other service benefits (net)	(670,917)	(695,026)
	<u>(952,828)</u>	<u>(727,775)</u>
<b>10 CASH AND CASH EQUIVALENTS</b>		
Short term investments	42,799,438	14,318,815
Cash and bank balances	353,566	607,546
	<u>43,153,003</u>	<u>14,926,361</u>

## 11 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 11.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

There have been no changes in the risk management policies of the Company during the period, consequently this condensed interim financial information does not include all the financial risk management information and disclosures required in the annual financial statements.

### 11.2 Fair value estimation

The carrying value of all financial assets and liabilities reflected in this condensed interim financial information approximate their fair values.

The table below analyses financial instruments carried at fair value by valuation method. The different level have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Treasury Bills / Pakistan Investment Bonds	-	60,691,749	-	60,691,749
Financial assets held to maturity				
- Fixed income placement	-	36,500	-	36,500
Available for sale				
- Term finance certificates	-	3,954,514	-	3,954,514
There were no transfers amongst the levels during the period. Further, there were no changes in the valuation techniques during the period.				
<b>11.3 Valuation techniques used to derive Level 2 fair values</b>				
Level 2 fair valued instruments comprise treasury bills which are valued using discounted cash flow model.				
<b>12 TRANSACTIONS WITH RELATED PARTIES</b>				
Related parties comprise subsidiaries, joint venture companies, other companies with common directors, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in this condensed interim financial statement, are as follows:				
			3 months ended March 31, 2018	3 months ended March 31, 2017
			------(Rupees)-----	
<b>Parent Company</b>				
Reimbursements of expense			6,890	-
<b>Subsidiary companies</b>				
Purchases and services			251,865	165,692
Mark up from subsidiaries			12,208	81,120
Disbursement of loan			-	600,000
Repayment of loan by subsidiary companies			296,542	3,560,000
Investment			301,000	-
Issuance of TFCs by subsidiary company			-	3,560,000
Unwinding of discount on TFCs			82,254	75,621
Dividend receivable			2,552,361	1,878,280
Royalty Income, net of sales tax			218,291	133,257
Reimbursements			118,278	102,319
Service fees against Corporate Guarantees			2,725	2,582
<b>Associated companies</b>				
Purchases and services			55,290	65,467
Dividend receivable			-	3,060,759
Interest on deposit			6	4
Reimbursement to associated companies			5,717	6,460
Bank charges			8	11
<b>Joint venture</b>				
Services rendered			10,720	1,252
Dividend received			225,000	315,000
Reimbursement to Joint Venture company			873	991
<b>Others</b>				
Remuneration of key management personnel			95,464	61,586
Reimbursements to key management personnel			296	316
Profit on Term Finance Certificates			9,784	9,618
Retirement Benefits			19,889	10,538



### 13 NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

**13.1** The Board of Directors of Engro Foods Limited, an associated undertaking, in its meeting held on February 9, 2018 has proposed a final cash dividend of Rs. 0.40 per share for the year ended December 31, 2017, amounting to Rs. 306,638 of which the proportionate share of the Company amounts to Rs. 122,430 for approval of the members at the Annual General Meeting (AGM) to be held on April 26, 2018. The effect of this has not been incorporated in this condensed interim financial information.

**13.2** The Board of Directors in its meeting held on February 21, 2018 had proposed a final cash dividend of Rs. 2.00 per share for the year ended December 31, 2017 amounting to Rs. 1,047,570 for approval of the members at the Annual General Meeting (AGM) to be held on April 24, 2018. The effect of this has not been incorporated in this condensed interim financial information.

**13.3** The Board of Directors in its meeting held on April 23, 2018 has approved an interim cash dividend of Rs 5.00 per share for the year ending December 31, 2018. This condensed interim financial information does not reflect the dividend payable.

### 14 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, the effect of which is not material.

### 15 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue on April 23, 2018 by the Board of Directors of the Company.



**Hussain Dawood**  
Chairman

**Hasnain Moochhala**  
Chief Financial Officer

**Ghias Khan**  
President and Chief Executive



consolidated condensed  
interim financial information.

## consolidated condensed interim balance sheet as at march 31, 2018

(Amounts in thousand)	Note	(Unaudited) March 31, 2018 ------(Rupees)-----	(Audited) December 31, 2017 ------(Rupees)-----
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	162,874,295	157,355,119
Intangible assets		246,048	252,852
Long term investments		32,393,592	32,195,681
Deferred taxation		14,511	23,765
Long term loans and advances and other receivables		6,582,857	6,809,735
		<u>202,111,303</u>	<u>196,637,152</u>
<b>Current assets</b>			
Stores, spares and loose tools		7,912,437	7,638,801
Stock-in-trade		13,128,216	13,065,877
Trade debts		11,252,116	13,641,538
Loans, advances, deposits and prepayments		2,088,425	2,012,582
Other receivables		11,300,187	10,899,951
Accrued income		605,003	528,242
Taxes recoverable		-	92,881
Derivative financial asset		18,300	-
Short term investments		67,434,212	69,878,637
Cash and bank balances		9,421,359	9,557,587
		<u>123,160,255</u>	<u>127,316,096</u>
<b>TOTAL ASSETS</b>		<u><u>325,271,558</u></u>	<u><u>323,953,248</u></u>

(Amounts in thousand)	Note	(Unaudited) March 31, 2018 ------(Rupees)-----	(Audited) December 31, 2017 ------(Rupees)-----
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		5,237,848	5,237,848
Share premium		13,068,232	13,068,232
Revaluation reserve on business combination		30,734	33,284
Maintenance reserve		156,301	156,301
Exchange revaluation reserve		137,990	82,112
Hedging reserve		(56,034)	(68,921)
General reserve		4,429,240	4,429,240
Unappropriated profit		112,774,760	108,586,694
Remeasurement of post-employment benefits		(69,056)	(69,056)
		<u>130,472,167</u>	<u>126,217,886</u>
		<u>135,710,015</u>	<u>131,455,734</u>
Non-controlling Interest	6	40,143,402	39,618,743
		<u>175,853,417</u>	<u>171,074,477</u>
<b>Total Equity</b>			
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	7	83,552,325	78,350,858
Deferred taxation		11,151,687	10,682,715
Deferred liabilities		113,990	224,263
		<u>94,818,002</u>	<u>89,257,836</u>
<b>Current liabilities</b>			
Trade and other payables		38,500,540	39,262,131
Accrued interest / mark-up		2,107,541	1,461,114
Current portion of :			
- borrowings		6,301,833	12,392,265
- deferred liabilities		77,537	103,235
Taxes payable		2,099,686	-
Short term borrowings		5,186,822	10,085,382
Unclaimed dividends		326,180	316,808
		<u>54,600,139</u>	<u>63,620,935</u>
		<u>149,418,141</u>	<u>152,878,771</u>
<b>Total Liabilities</b>			
<b>Contingencies and Commitments</b>	8		
		<u>325,271,558</u>	<u>323,953,248</u>
<b>TOTAL EQUITY AND LIABILITIES</b>			

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.



**Hussain Dawood**  
Chairman



**Hasnain Moochhala**  
Chief Financial Officer



**Ghias Khan**  
President and Chief Executive

## consolidated condensed interim profit and loss account (unaudited) for the three months ended march 31, 2018

(Amounts in thousand except for earnings per share)

	Note	March 31, 2018 ------(Rupees)-----	March 31, 2017 -----
Revenue		33,524,875	22,499,336
Cost of revenue		(21,966,894)	(15,787,043)
<b>Gross profit</b>		<b>11,557,981</b>	<b>6,712,293</b>
Selling and distribution expenses		(1,839,444)	(1,480,888)
Administrative expenses		(883,906)	(732,431)
		8,834,631	4,498,974
Other income	9	2,639,711	2,392,986
Other operating expenses		(597,643)	(289,223)
Finance cost		(1,223,125)	(1,315,517)
Share of income from joint venture and associates		416,051	450,364
<b>Profit before taxation</b>		<b>10,069,625</b>	<b>5,737,584</b>
Taxation		(3,232,263)	(1,518,589)
Profit for the period		<u>6,837,362</u>	<u>4,218,995</u>
Profit attributable to:			
- Owners of the Holding Company		4,193,652	2,840,969
- Non-controlling interest		2,643,710	1,378,026
		<u>6,837,362</u>	<u>4,218,995</u>
Earnings per share - basic and diluted	10	8.01	5.42
		8.01	5.42

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.



**Hussain Dawood**  
Chairman



**Hasnain Moochhala**  
Chief Financial Officer



**Ghias Khan**  
President and Chief Executive

## Consolidated Condensed Interim Statement of Comprehensive Income (Unaudited) for the Three Months Ended March 31, 2018

(Amounts in thousand)

	Note	March 31, 2018 ------(Rupees)-----	March 31, 2017 -----
<b>Profit for the period</b>		<b>6,837,362</b>	<b>4,218,995</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
<b>Hedging reserve - cash flow hedges</b>			
Gains/(Losses) arising during the period		18,300	(10,459)
Reclassification adjustments for losses included in profit or loss		407	2,428
Adjustments for amounts transferred to initial carrying amount of hedged items		-	10,183
		18,707	2,152
Revaluation reserve on business combination		(5,250)	(5,250)
Exchange differences on translation of foreign operations		82,333	7,083
		95,790	3,985
<b>Income tax relating to:</b>			
- Hedging reserve - cash flow hedges		-	(368)
- Revaluation reserve on business combination		1,680	1,680
		1,680	1,312
Other comprehensive income for the period, net of tax		97,470	5,297
<b>Total comprehensive income for the period</b>		<b>6,934,832</b>	<b>4,224,292</b>
Total comprehensive income attributable to:			
- Owners of the Holding Company		4,259,867	2,843,807
- Non-controlling interest		2,674,965	1,380,485
		<u>6,934,832</u>	<u>4,224,292</u>

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.



**Hussain Dawood**  
Chairman



**Hasnain Moochhala**  
Chief Financial Officer



**Ghias Khan**  
President and Chief Executive

# consolidated condensed interim statement of changes in equity for the three months ended march 31, 2018

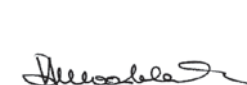
(Amounts in thousand)

	Attributable to owners of the Holding Company					Revenue reserves						
	Share capital	Capital reserves				Hedging reserve	General reserve	Un-appropriated profit	Remeasurement of post employment benefits - Actuarial gain / (loss)	Sub total	Non-controlling interest	Total
		Share premium	Revaluation reserve on business combination	Maintenance reserve	Exchange revaluation reserve							
	-(Rupees)-					-(Rupees)-						
<b>Balance as at January 1, 2017 (audited)</b>	5,237,848	13,068,232	43,486	156,301	15,767	(83,397)	4,429,240	111,008,100	(38,154)	133,837,423	35,253,333	169,090,756
<b>Total comprehensive income for the three months ended March 31, 2017 (unaudited)</b>												
Profit for the period	-	-	-	-	-	-	-	2,840,969	-	2,840,969	1,378,026	4,218,995
Other comprehensive income	-	-	(2,550)	-	4,268	1,120	-	-	-	2,838	2,459	5,297
	-	-	(2,550)	-	4,268	1,120	-	2,840,969	-	2,843,807	1,380,485	4,224,292
<b>Transactions with owners</b>												
Share issued to IFC by subsidiary company	-	-	-	-	-	-	-	161,600	-	161,600	134,793	296,393
Dividend by subsidiary allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	(1,611,096)	(1,611,096)
	-	-	-	-	-	-	-	161,600	-	161,600	(1,476,303)	(1,314,703)
<b>Balance as at March 31, 2017 (unaudited)</b>	5,237,848	13,068,232	40,936	156,301	20,035	(82,277)	4,429,240	114,010,669	(38,154)	136,842,830	35,157,515	172,000,345
<b>Total comprehensive income for the nine months ended December 31, 2017 (audited)</b>												
Profit for the period	-	-	-	-	-	-	-	6,566,116	-	6,566,116	5,504,636	12,070,752
Other comprehensive income	-	-	(7,652)	-	62,077	13,356	-	(161)	(30,902)	36,718	31,925	68,643
	-	-	(7,652)	-	62,077	13,356	-	6,565,955	(30,902)	6,602,834	5,536,561	12,139,395
<b>Transactions with owners</b>												
Share issued to IFC by subsidiary company	-	-	-	-	-	-	-	60,001	-	60,001	(60,001)	-
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	(4,189,131)	(4,189,131)
Final cash dividend for the year ended December 31, 2016 @ Rs.4.00 per share	-	-	-	-	-	-	-	(2,095,140)	-	(2,095,140)	-	(2,095,140)
First Interim cash dividends for the year ended December 31, 2017 @ Rs.5.00 per share	-	-	-	-	-	-	-	(2,618,925)	-	(2,618,925)	-	(2,618,925)
Second interim cash dividend for the year ended December 31, 2017 @ Rs.7.00 per share	-	-	-	-	-	-	-	(3,666,494)	-	(3,666,494)	-	(3,666,494)
Third interim cash dividend for the year ended December 31, 2017 @ Rs.7.00 per share	-	-	-	-	-	-	-	(3,666,494)	-	(3,666,494)	-	(3,666,494)
Shares issued during the period and shares issuance cost accounted for as a deduction from equity	-	-	-	-	-	-	-	(2,878)	-	(2,878)	563,025	560,147
Advance against issue of share capital	-	-	-	-	-	-	-	-	-	-	2,111,264	2,111,264
Preference shares issued	-	-	-	-	-	-	-	-	-	-	499,510	499,510
	-	-	-	-	-	-	-	(11,989,930)	-	(11,989,930)	(1,075,333)	(13,065,263)
<b>Balance as at December 31, 2017 (audited)</b>	5,237,848	13,068,232	33,284	156,301	82,112	(68,921)	4,429,240	108,586,694	(69,056)	131,455,734	39,618,743	171,074,477
<b>Total comprehensive income for the three months ended March 31, 2018 (unaudited)</b>												
Profit for the period	-	-	-	-	-	-	-	4,193,652	-	4,193,652	2,643,710	6,837,362
Other comprehensive income	-	-	(2,550)	-	55,878	12,887	-	-	-	66,215	31,255	97,470
	-	-	(2,550)	-	55,878	12,887	-	4,193,652	-	4,259,867	2,674,965	6,934,832
<b>Transactions with owners</b>												
Dividend by subsidiary allocable to Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	(2,135,437)	(2,135,437)
Share issuance cost	-	-	-	-	-	-	-	(5,586)	-	(5,586)	(14,869)	(20,455)
	-	-	-	-	-	-	-	(5,586)	-	(5,586)	(2,150,306)	(2,155,892)
<b>Balance as at March 31, 2018 (unaudited)</b>	5,237,848	13,068,232	30,734	156,301	137,990	(56,034)	4,429,240	112,774,760	(69,056)	135,710,015	40,143,402	175,853,417

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.



**Hussain Dawood**  
Chairman



**Hussain Mochhala**  
Chief Financial Officer



**Ghias Khan**  
President and Chief Executive

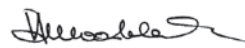
## consolidated condensed interim statement of cash flows (unaudited) for the three months ended march 31, 2018

(Amounts in thousand)	Note	March 31, 2018	March 31, 2017
------(Rupees)-----			
<b>Cash flows from operating activities</b>			
Cash generated from operations	11	10,643,526	4,202,652
Retirement and other service benefits paid		(124,277)	(66,438)
Finance cost paid		(1,304,737)	(1,258,112)
Taxes paid		(626,521)	(261,806)
Long term loans and advances - net		20,156	(46,224)
Net cash generated from operating activities		8,608,147	2,570,072
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment (PPE) and biological assets		(4,618,124)	(2,047,649)
Sale proceeds on disposal of PPE and biological assets		803	21,638
Income on deposits / other financial assets		1,020,311	793,352
Purchase of Treasury bills - net		6,939,710	(8,686,060)
Dividends received		225,000	315,000
Net cash generated from / (utilized in) investing activities		3,567,700	(9,603,719)
<b>Cash flows from financing activities</b>			
Proceeds from / repayment of borrowings - net		(2,887,646)	(1,090,000)
Repayment of short term finance		-	(1,100,000)
Share issuance cost		(20,455)	-
Unclaimed dividends		(10,128)	23,981
Dividends paid		-	(321)
Net cash utilized in financing activities		(2,918,229)	(2,166,340)
Net increase / (decrease) in cash and cash equivalents		9,257,618	(9,199,987)
Cash and cash equivalents at beginning of the year		43,876,320	28,479,540
Cash and cash equivalents at end of the period	12	53,133,938	19,279,553

The annexed notes 1 to 19 form an integral part of this consolidated condensed interim financial information.



**Hussain Dawood**  
Chairman



**Hasnain Moochhala**  
Chief Financial Officer



**Ghias Khan**  
President and Chief Executive

## notes to the consolidated condensed interim financial information (unaudited) for the three months ended march 31, 2018

### 1. LEGAL STATUS AND OPERATIONS

Engro Corporation Limited (the Holding Company), is a public listed company incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Limited. The Holding Company is a subsidiary of Dawood Hercules Corporation Limited (the Parent Company). The principal activity of the Holding Company, is to manage investments in subsidiary companies, associated companies and joint venture, engaged in fertilizers, PVC resin manufacturing and marketing, food, energy, LNG and chemical terminal and storage businesses. The Holding Company's registered office is situated at 7th & 8th floors, The Harbour Front Building, HC # 3, Block 4, Marine Drive, Clifton, Karachi.

#### 1.1 The "Group" consists of:

**Holding Company** - Engro Corporation Limited

**Subsidiary companies:** Companies in which the Holding Company owns over 50% of voting rights, or companies directly controlled by the Holding Company:

	%age of direct holding	
	March 31, 2018	December 31, 2017
- Engro Energy Limited (Formerly Engro Powergen Limited)	100	100
- Engro Eximp Agriproducts (Private) Limited	100	100
- Elengy Terminal Pakistan Limited	80	80
- Engro Fertilizers Limited	56.27	56.27
- Engro Polymer and Chemicals Limited	56.19	56.19
- Engro Infiniti (Private) Limited (note 1.1.1)	100	100

#### Joint Venture Company:

- Engro Vopak Terminal Limited	50	50
--------------------------------	----	----

#### Associated Company:

- Engro Foods Limited	39.9	39.9
-----------------------	------	------

#### 1.1.1 Engro Infiniti (Private) Limited

During the period, the Holding Company has made an equity investment of Rs. 301,000 through subscription of 130,000 right shares of Rs. 10 each, in Engro Infiniti (Private) Limited.

### 2. BASIS FOR PREPARATION

2.1 This consolidated condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standards (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 The preparation of this consolidated condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.



2.3 During the preparation of this consolidated condensed interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that apply to the consolidated financial statements of the Group for the year ended December 31, 2017.

2.4 These consolidated condensed interim financial information is presented in Pakistan Rupees, which is the Holding Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income, except where such gains and losses are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such gains and losses are capitalized as part of the cost of that asset.

### 3. BASIS OF CONSOLIDATION

The condensed interim financial information of the subsidiary companies has been consolidated on a line by line basis. The carrying value of investments held by the Holding Company is eliminated against the subsidiaries' share capital and pre-acquisition reserves.

Non-controlling interest has been presented as a separate item in this consolidated condensed interim financial information. All material intercompany balances and transactions have been eliminated.

The Group's interest in jointly controlled and associated entities, Engro Vopak Terminal Limited, Sindh Engro Coal Mining Company Limited, GEL Utility Limited and Engro Foods Limited has been accounted for using the equity method.

### 4. ACCOUNTING POLICIES

4.1 The significant accounting policies adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of audited annual consolidated financial statements of the Group for the year ended December 31, 2017.

4.2 Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

There are certain new International Financial Reporting Standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2018. These are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations and are, therefore, not disclosed in this consolidated condensed interim financial information.

### 5. PROPERTY, PLANT AND EQUIPMENT

Operating assets, at net book value  
Capital work in progress - Expansion and other projects  
Capital spares and standby equipments

	Unaudited March 31, 2018	Audited December 31, 2017
	------(Rupees)-----	
Operating assets, at net book value	103,022,054	102,952,156
Capital work in progress - Expansion and other projects	58,466,453	52,994,469
Capital spares and standby equipments	1,385,788	1,408,494
	<u>162,874,295</u>	<u>157,355,119</u>

5.1 Additions to operating assets during the period are as follows:

	Unaudited March 31, 2018	Audited December 31, 2017
	------(Rupees)-----	
Land	-	6,200
Plant and machinery	1,755,684	3,328,195
Building and civil works including pipelines	26,318	216,218
Furniture, fixture and equipment	32,866	339,367
Catalyst	-	8,978
Vehicles	34,621	178,171
	<u>1,849,489</u>	<u>4,077,129</u>

5.2 During the period, assets costing Rs. 1,930 (December 31, 2017: Rs. 899,452), having net book value of Rs. 93 (December 31, 2017: Rs. 39,961) were disposed / written-off.

### 6. NON CONTROLLING INTEREST

Last year, Engro Powergen Thar (Private) Limited, a subsidiary company, received Rs. 3,228,494 from sponsors as advance against issue of shares. During the period, consequent to completion of the requisite legal formalities, ordinary and preference share capital amounting to Rs. 1,112,770 and Rs. 990,000, respectively, have been issued and allotted in favour of non controlling interest.

### 7. BORROWINGS

7.1 During the period, Engro Fertilizers Limited, a subsidiary company, has fully repaid four of its long terms loans, aggregating to Rs. 6,200,000.

7.2 During the period, Engro Powergen Thar (Private) Limited, a subsidiary company, has made further draw downs aggregating to Rs. 1,893,750 and USD 18,952.

### 8. CONTINGENCIES AND COMMITMENTS

#### 8.1 Contingencies

Significant changes in the status of contingencies since December 31, 2017 are mentioned below :

8.1.1 During 2016, the Holding Company pledged shares of Engro Fertilizers Limited and Engro Foods Limited against the Standby Letters of Credit (Equity SBLCs) provided by Engro Energy Limited (previously Engro Powergen Limited), through National Bank of Pakistan for its equity commitments in favour of the Intercreditor Agent (Habib Bank Limited) and the Project Companies (Sindh Engro Coal Mining Company Limited (SECMC), its associated company, and Engro Powergen Thar (Private) Limited (EPTL), its subsidiary company). Subsequent to equity injections / submission of equity SBLC by sponsors, the amount of Equity SBLCs have been reduced to USD 12,599 (2017: USD 14,027) and USD 26,509 (2017: USD 36,619) (in PKR equivalent) related to SECMC and EPTL respectively. Equity SBLCs expire on earlier of (i) four years after the issuance of SBLCs i.e. March 21, 2020; and (ii) fulfillment of sponsor obligations under Sponsor Support Agreements.

8.1.2 In respect of Engro Elengy Terminal (Private) Limited, the Holding Company had issued Corporate and Performance guarantees amounting to USD 20,700 and USD 10,000 respectively. These guarantees were secured against the shares of Engro Fertilizers Limited and Engro Foods Limited. During the period, these securities have been replaced by Treasury Bills.

8.1.3 On February 09, 2018 Engro Energy Limited, furnished 7 bank guarantees amounting to Rs. 5,530 each, expiring on February 8, 2020, to Baluchistan Power Development Board (BPDB). These were issued to acquire LOIs / development rights for 50MW x 7 project sites located in Kuchlak, Khuzdar and Punjgur areas of Baluchistan.

#### 8.2 Commitments

8.2.1 Commitments in respect of capital expenditure contracted but not incurred amount to Rs. 46,642,251 (2017: Rs. 45,297,632).

8.2.2 Other commitments in respect of subsidiary companies amounts to Rs. 3,479,883 (2017: Rs. 2,943,637).

### 9. OTHER INCOME

This includes income from sales under Government Subsidy amounting to Rs. 991,628 (March 31, 2017: Rs. 1,125,023).

(Amounts in thousand)

## 10. EARNINGS PER SHARE - BASIC AND DILUTED

Three months ended  
March 31,      March 31,  
2018              2017  
------(Rupees)-----

There is no dilutive effect on the basic earnings per share of the Group, which is based on:

Profit after taxation (attributable to the owners of the Holding Company)	4,193,652	2,840,969
	(Number in thousands)	
Weighted average number of ordinary shares	523,785	523,785

## 11. CASH GENERATED FROM OPERATIONS

Three months ended  
March 31,      March 31,  
2018              2017  
------(Rupees)-----

Profit before taxation	10,069,625	5,737,584
Adjustment for non-cash charges and other items:		
Depreciation and amortization	1,853,363	1,837,609
Gain on disposal / write off of property, plant and equipment	(529)	(16,366)
Provision for retirement and other service benefits	57,091	(1,300)
Income on deposits / other financial assets	(1,082,307)	(951,964)
Share of income from joint venture and associated companies	(416,051)	(450,364)
Finance cost	1,190,334	1,279,307
Foreign currency translations	354,242	3,775
Working capital changes (note 11.1)	(1,382,242)	(3,235,629)
	<u>10,643,526</u>	<u>4,202,652</u>

### 11.1 Working capital changes

Increase / (decrease) in current assets		
- Stores spares and loose tools	(288,452)	(238,208)
- Stock-in-trade	(39,574)	(2,859,993)
- Trade debts	2,390,040	4,515,334
- Loans, advances, deposits and prepayments	79,483	(241,218)
- Other receivables - net	(623,986)	(1,271,772)
	<u>1,517,511</u>	<u>(95,857)</u>
Decrease in current liabilities		
- Trade and other payables including other service benefits - net	(2,899,753)	(3,139,772)
	<u>(1,382,242)</u>	<u>(3,235,629)</u>

## 12. CASH AND CASH EQUIVALENTS

Cash and bank balances	9,421,359	6,630,082
Short term investments	48,899,401	18,158,514
Short term borrowings	(5,186,822)	(5,509,043)
	<u>53,133,938</u>	<u>19,279,553</u>

## 13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 13.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

There have been no changes in the risk management policies of the Group during the period, consequently this condensed interim financial information does not include all the financial risk management information and disclosures required in the annual financial statements.

### 13.2 Fair value estimation

The carrying value of all financial assets and liabilities reflected in this condensed interim financial information approximate their fair values.

The table below analyses financial instruments carried at fair value by valuation method. The different level have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

	Level 1	Level 2	Level 3	Total
	-----Rupees-----			
<b>Assets</b>				
Financial assets at fair value through profit or loss	-	63,629,931	-	63,629,931
Financial assets held to maturity	-	3,730,232	-	3,730,232

There were no transfers amongst the levels during the period. Further, there were no changes in the valuation techniques during the period.

### 13.3 Valuation techniques used to derive Level 2 fair values

Level 2 fair valued instruments comprise short term investments and hedging derivatives which include forward exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are received from the contracting banks and financial institutions. Interest rate swaps are fair valued using mark to market rates received from the banks and financial institutions.

### 13.4 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the consolidated condensed interim financial information approximate their fair value.

## 14. TRANSACTIONS WITH RELATED PARTIES

Related party comprise subsidiaries, joint venture companies, associates, other companies with common directors, retirement benefit funds, directors and key management personnel. Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in this consolidated condensed interim financial information, are as follows:

(Amounts in thousand)

	<u>Three months ended</u>	
	March 31, 2018	March 31, 2017
	------(Rupees)-----	
<b>Parent Company</b>		
Reimbursements to Parent company	6,890	-
<b>Associated companies and joint ventures</b>		
Purchases and services	3,489,814	3,378,348
Dividends received	225,000	315,000
Dividends receivable	-	3,060,759
Payment of interest on TFCs and repayment of principal amount	-	2,652
Long term loan received	144,928	-
Share capital issued	2,102,770	-
Interest on borrowing	12,353	139,833
Reimbursement to associated companies	108,699	2,373
Interest on deposit	6	4
Bank charges	8	11
<b>Key Management Personnel</b>		
Remuneration paid to key management personnel / directors	293,266	256,903
Profit on Term Finance Certificates	9,784	9,618
Retirement benefits	148,043	120,585

#### 15. SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments.

Type of segments	Nature of business
Fertilizer	Manufacture, purchase and market fertilizers.
Polymer	Manufacture, market and sell Poly Vinyl Chloride (PVC), PVC compounds and related chemicals.
Food	Manufacture, process and sell dairy and other food products.
Power and mining	Includes Independent Power Projects (IPP)
Other operations	Includes chemical terminal & storage services.

	<u>Three months ended</u>	
	March 31, 2018	March 31, 2017
	------(Rupees)-----	
<b>Revenue</b>		
Fertilizer	18,218,879	10,063,731
Polymer	8,687,202	6,812,363
Food	957,923	297,186
Power and mining	2,856,578	2,984,439
Other operations	5,832,884	7,750,021
Elimination - net	(3,028,591)	(5,408,404)
Consolidated	<u>33,524,875</u>	<u>22,499,336</u>
<b>Profit after taxation</b>		
Fertilizer	3,889,595	1,637,514
Polymer	1,448,109	845,886
Food	126,348	82,526
Power and mining	426,173	556,035
Other operations	3,666,644	5,732,421
Elimination - net	(2,719,507)	(4,635,388)
Consolidated	<u>6,837,362</u>	<u>4,218,995</u>

#### Assets

	Unaudited March 31, 2018	Audited December 31, 2017
	------(Rupees)-----	
Fertilizer	103,495,441	111,816,249
Polymer	26,637,873	24,364,326
Food	31,370,036	31,112,561
Power and mining	89,206,239	82,494,582
Other operations	106,608,707	104,441,368
Elimination - net	(32,046,738)	(30,275,838)
Consolidated	<u>325,271,558</u>	<u>323,953,248</u>

#### 16. SEASONALITY

The Group's fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average fertilizer sales are more tilted towards Rabi season. The Group manages seasonality in the business through appropriate inventory management.

The Group's agri business is subject to seasonal fluctuation as majority of paddy / unprocessed rice is procured during the last quarter of the year which is the harvesting period for all rice varieties grown in Pakistan. However, rice is sold evenly throughout the year. The Group manages seasonality in the business through appropriate inventory management.

#### 17. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

**17.1** The Board of Directors of Engro Foods Limited, an associated undertaking, in its meeting held on February 9, 2018 has proposed a final cash dividend of Rs. 0.40 per share for the year ended December 31, 2017, amounting to Rs. 306,638 of which the proportionate share of the Holding Company amounts to Rs. 122,430 for approval of the members at the Annual General Meeting (AGM) to be held on April 26, 2018. The effect of this has not been incorporated in this consolidated condensed interim financial information.

**17.2** The Board of Directors of the Holding Company in its meeting held on February 21, 2018 had proposed a final cash dividend of Rs. 2.00 per share for the year ended December 31, 2017 amounting to Rs. 1,047,570 for approval of the members at the Annual General Meeting (AGM) to be held on April 24, 2018. The effect of this has not been incorporated in this consolidated condensed interim financial information.

**17.3** The Board of Directors of the Holding Company, in its meeting held on April 23, 2018 has approved an interim cash dividend of Rs. 5.00 per share for the year ending December 31, 2018. This condensed consolidated interim financial information does not reflect the dividend payable.

#### 18. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the consolidated condensed interim balance sheet has been compared with the balances of annual consolidated financial statements of preceding financial year, whereas the consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity and consolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material.

#### 19. DATE OF AUTHORISATION FOR ISSUE

This consolidated condensed interim financial information is authorized for issue on April 23, 2018 by the Board of Directors of the Holding Company.



**Hussain Dawood**  
Chairman



**Hasnain Moochhala**  
Chief Financial Officer



**Ghias Khan**  
President and Chief Executive

## ڈائریکٹر رپورٹ

اینگرو کارپوریشن لمیٹڈ کے ڈائریکٹر ز 31 مارچ 2018ء کو اختتام پذیر ہونے والی پہلی سہ ماہی کے عبوری غیر آڈٹ شدہ مالیاتی نتائج پیش کرنے پر مسرت محسوس کرتے ہیں۔

مجموعی بنیادوں پر 2018ء کی پہلی سہ ماہی کے اختتام پر کارپوریشن کی آمدن 33,525 ملین روپے رہی جبکہ گزشتہ سال کی پہلی سہ ماہی میں کارپوریشن کی آمدن 22,499 ملین روپے رہی تھی۔ یہ 49 فیصد اضافہ ہے، اس اضافے کی اہم وجوہات میں فریٹلائزر اور پیٹرو کیمیکلز کاروباروں میں اعلیٰ کارکردگی ہے۔ کمپنی نے پہلی سہ ماہی میں 62 فیصد اضافے کے ساتھ 6,837 ملین روپے کا مجموعی منافع بعد از ٹیکس حاصل کیا۔ جبکہ شیئر ہولڈرز کو دیئے جانے والا مجموعی منافع بعد از ٹیکس اسی مدت میں 4,194 ملین روپے رہا جبکہ گزشتہ سال کی پہلی سہ ماہی کے اختتام پر اینگرو کارپوریشن نے 2,841 ملین روپے کا منافع بعد از ٹیکس حاصل کیا تھا۔ اینگرو کارپوریشن کی کل آمدن مالی سال 2018ء کی پہلی سہ ماہی کے اختتام پر 3,146 ملین روپے رہی جبکہ گزشتہ سال کی اسی مدت میں کل آمدن 5,300 ملین روپے رہی، جس کی بنیاد پر آمدن فی شیئر 6.01 روپے ہو گئی۔ گزشتہ سال اینگرو فوڈز کی جانب سے دیئے جانے والے ڈیوڈنڈ کی وجہ سے آمدن فی شیئر بڑھ گئی تھی۔ بورڈ 31 دسمبر 2017ء کو اختتام پذیر ہونے والے مالی سال کے لئے 5 روپے کا عبوری کیش ڈیوڈنڈ دینے کا مسرت کے ساتھ اعلان کرتا ہے۔

اینگرو کارپوریشن کے اہم کاروباروں کی مختصراً کارکردگی مندرجہ ذیل ہے:

### فریٹلائزرز

فریٹلائزر کاروبار کی آمدن میں 81 فیصد اضافہ دیکھا گیا اور منافع بعد از ٹیکس موجودہ مالی سال کی پہلی سہ ماہی کے اختتام پر دو گنا سے بھی زیادہ ہو گیا۔ منافع بعد از ٹیکس 138 فیصد اضافے کے ساتھ 3,889 ملین روپے رہا۔ یوریا کی مقامی قیمت میں اضافہ و فروخت اور ایکسپورٹ میں اضافے کی وجہ سے انویسٹری کو کم کرنے میں معاونت ہوئی اور منافع بعد از ٹیکس میں بھی اضافہ ہوا۔

### پیٹرو کیمیکلز

زیر جائزہ سہ ماہی میں اینگرو پالیمرز اور کیمیکلز کاروبار نے سب سے زیادہ پی وی سی تیار کی اور آمدن میں گزشتہ سال کی پہلی سہ ماہی کے مقابلے 28 فیصد اضافہ دیکھا گیا۔ اسی مدت میں کاروبار کا منافع بعد از ٹیکس گزشتہ سال کی پہلی سہ ماہی میں حاصل کئے جانے والے نتائج 846 کے مقابلے بڑھ کر 1,448 ملین روپے ہو گیا۔ پی وی سی کی مقامی مارکیٹ میں نمو، کاسٹک کے مارجن میں بہتری، آپریشنل استعداد کار اور پی وی سی کی عالمی قیمتوں میں اضافے کی وجہ سے یہ کاروبار منافع بخش رہا۔

### کوئلہ کان کنی اور توانائی کے منصوبے

#### قادر پور پاور پلانٹ

اینگرو کے توانائی کے کاروباروں میں قادر پور نے 412 گریگا واٹ کی نیٹ الیکٹریکل آؤٹ پٹ قومی گرڈ میں شامل کی جس کا لوڈ فیکٹر 89 فیصد رہا جبکہ گزشتہ سال کی پہلی سہ ماہی میں قادر پور کا لوڈ فیکٹر 98.3 فیصد تھا۔ اس کی کمی کی وجہ گیس سپلائر کے کپیریسر سے جڑے معاملات تھے جس کی وجہ سے ترسیل میں رکاوٹیں حاصل رہیں۔ البتہ کاروبار نے 669 ملین روپے کا منافع بعد از ٹیکس رپورٹ کیا ہے جبکہ پچھلے سال کی اسی مدت میں کمپنی نے 668 ملین روپے کا منافع بعد از ٹیکس رپورٹ کیا تھا۔ کمپنی کی وصولیابی میں گردش قرضے کی وجہ سے مزید اضافہ ہوا۔ گردش قرضہ ملکی توانائی کے شعبے کے لئے ایک چیلنج کی صورت میں موجود ہے جس کا تدارک بہت ضروری ہے۔

### تھر کوئلہ کان کنی منصوبہ

تھر کوئلہ کان کنی منصوبہ اپنے شیڈول سے آگے ہے اور ترقیاتی کام تیزی سے جاری ہے۔ مالی سال کی پہلی سہ ماہی کے اختتام تک 82 فیصد ملبہ ہٹایا جا چکا ہے۔ اپریل 2017ء کو شروع ہونے والے ڈی واٹرنگ آپریشنز کے تحت تقریباً 26 ملین کیوبک میٹر پانی کا اخراج کیا جا چکا ہے۔

### تھر توانائی کے منصوبے

زیر جائزہ مدت میں بھی تھر میں قائم کئے جانے والے توانائی کے منصوبوں کی ترقی کا کام تسلسل سے جاری رہا۔ انجینئرنگ، افرادی قوت اور تعمیرات کے کام اپنے شیڈول سے آگے ہے اور مینوفیکچرنگ سائٹ پر موجود آلات کی جانچ پڑتال میں بھی برق رفتاری سے کام جاری ہے۔ پروجیکٹ نے 2018ء کے اختتام تک پاور پلانٹ سے قومی گرڈ این ٹی ڈی سی کو پہلا الیکٹران فلو کرنے کی منصوبہ بندی کر رکھی ہے۔

### ٹرمینل آپریشنز

مالی سال 2018ء کی پہلی سہ ماہی میں بھی ہمارے ایل این جی ٹرمینل اور کیمیکلز ٹرمینل کی کارکردگی بہتر رہی۔ ایل این جی ٹرمینل نے 18 کارگو ہینڈل کئے جبکہ گزشتہ سال کی اسی مدت میں 16 کارگو ہینڈل کئے گئے تھے۔ کیمیکلز ٹرمینل میں کم ہوتی درآمدات کے پیش نظر حجم میں کمی دیکھی گئی۔

### مستقبل قریب کا منظر نامہ

اینگرو کارپوریشن مستقبل میں بھی تمام سیکٹرز میں سرمایہ کاری کے نئے مواقع کی تلاش میں مصروف عمل رہے گی تاکہ سرمایہ کاروں کے لئے قدر میں اضافہ ممکن بنایا جاسکے۔ ہماری کوشش رہتی ہے کہ ہم آمدن کو متنوع کریں، نئی ٹیکنالوجی میں سرمایہ کاری کریں استعداد کار میں بھی اضافہ کریں اور صارفین کی بیس تیار کر سکیں۔

### فریٹلائزرز

خریف سیزن میں پانی کی کمی کی وجہ سے یہ توقع کی جا رہی ہے یوریا کی مقامی مارکیٹ میں فروخت پر اثر پڑ سکتا ہے۔ تاہم کل طلب اور فروخت مستحکم رہے گی اور قیمتوں میں بھی استحکام متوقع ہے۔ مالی سال 2018ء کی دوسرے سہ ماہی میں ڈی اے پی کی عالمی قیمتوں میں بھارتی طلب کی بنیاد پر مستحکم رہنے کی توقعات کی جا رہی ہیں۔



غیاث خان  
صدر اور چیف ایگزیکٹو

### پیٹرو کیمیکلز

پی وی سی اور آٹھلین کی عالمی قیمتوں پر عالمی اقتصادی صورت حال اور طلب اور رسد سے جڑے متفرق زاویے اثر انداز ہو سکتے ہیں۔ مقامی سطح پر پی وی سی اور کاسٹک کی قیمتوں میں استحکام متوقع ہے۔ کاروبار اپنی صلاحیتوں میں اضافے اور آپریشنل عمدگی کو برقرار رکھنے پر توجہ مرکوز رکھے گا اور اپنے منصوبے کے محفوظ پھیلاؤ کو بجٹ اور شیڈول کے مطابق کرے گا۔

### کوئلہ کان کنی اور توانائی کے منصوبے

اینگرو ملک میں جاری توانائی کے بحران کے خاتمے کے لئے کوشاں ہے۔ حکومت پاکستان اور حکومت سندھ کے ساتھ پارٹنرشپ میں اینگرو نے تھر میں کوئلے کی کان کنی اور توانائی کے منصوبوں کا آغاز کیا ہے جن پر ترقیاتی کام تیزی سے جاری ہے اور یہ منصوبے جون 2019ء میں مکمل کر لئے جائیں گے۔ اس کے علاوہ بھی ہمارا توانائی کا شعبہ نئے مواقعوں کی تلاش میں سرگرداں ہے۔

### ٹرمینل آپریشنز

ایل این جی ٹرمینل ملک میں جاری توانائی کے بحران کو کم کرنے میں اپنا بھرپور کردار ادا کر رہا ہے۔ کیمیکل صنعت کے مستحکم رہنے کی توقع کی جا رہی ہے اور اینگرو واپک ٹرمینل اپنا مارکیٹ شیئر برقرار رکھنے کی تگ و دو میں مصروف عمل ہے، ساتھ ہی ایل پی جی، کیمیکلز اور فیول کی ڈسٹری بیوشن جیسے مواقعوں پر اپنے کاروبار کو وسعت دے رہا ہے۔

### اعتراف

ہم اپنی اینگرو فیملی کے ہر رکن کا اُن کی محنت، جدوجہد اور جدت سے مزین سوچ کو ادارے کی بہتری کے لئے بروئے کار لانے پر دل کی گہرائیوں سے شکر ادا کرتے ہیں اور امید کرتے ہیں کہ وہ مستقبل میں بھی ایسا ہی کریں گے۔ کمپنی کے ڈائریکٹرز شیئر ہولڈرز کے کمپنی پر اعتماد کرنے پر بھی تمہہ دل سے مشکور ہیں۔



حسین داؤد  
چیئر مین