enabling excellence.

Third Quarter 2011 Accounts

engro corp

engro corp

Every day, Engro enables its brand of excellence to come alive through investments, innovation and inspiration.

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, industrial automation, 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 Fertilizer Limited

Engro Fertilizers Limited, a wholly owned Engro Corporation subsidiary, is one of the leading fertilizer manufacturing and marketing companies in the country. It is primarily engaged in the manufacturing and marketing of urea and NPK fertilizers. As an example of the synergies between Engro's business lines, Engro Eximp imports phosphate based fertilizers, which are distributed and marketed through Engro Fertilizer's network as an extension of Engro's overall fertilizer portfolio.

The business offers a wide variety of fertilizer brands, which include some of the most trusted brand names by Pakistani farmers. These include Engro Zorawar, a high-phosphate fertilizer developed for alkaline soils. Engro Zarkhez is a high-end blended fertilizer product that offers a unique balance of nutrients for a wide variety of crops. Zingro is an imported zinc micro nutrient, meant to overcome zinc deficiency in a diverse range of crops.

Engro Foods Limited

Engro Foods Limited is a wholly owned subsidiary engaged in the manufacture, processing and marketing of dairy products, ice cream and fruit juices. The business owns two milk processing plants in Sukkur and Sahiwal, operates a dairy farm in Nara and has completed construction of a rice processing facility in Muridke.

As an example of Engro's pursuit of excellence, the business has established several brands that have already become household names in Pakistan such as Olpers (milk), Omore (ice cream), Owsum (flavoured milk), Olpers Lite (low fat milk), Tarang (tea whitener) and Olfrute (fruit juice).

The business has also acquired Al Safa Halal, a meat processing company based in the Canada, and plans to enter the North American market for halal meat with its own brand.

Engro Polymer & Chemicals Limited

Engro Polymer & Chemicals Limited is a 56% owned subsidiary of the group and the only manufacturer of polyvinyl chloride (PVC) in the country, in addition to manufacturing and marketing caustic soda. The business's vinyl chloride monomer (VCM) plant began production in the first quarter of 2010 and was able to achieve commercial production capacity by September 2010, making the entire integrated facility fully operational. The firm produces 150,000 tonnes of PVC a year and markets its products under the name of “SABZ”.

Engro Vopak Terminal Limited

Engro Vopak Terminal Limited is a joint venture with Royal Vopak of the Netherlands, Engro owns 50% of Engro Vopak Terminal Limited, a business engaged in the handling and storage of chemicals and liquefied petroleum gas (LPG). In November 2010, the business completed 13 years of safe operations without a single employee losing a day's worth of work due to injury.

The business launched Pakistan's first cryogenic import facility for ethylene, in line with the group's overall motto of pursuing and enabling excellence.

Engro Powergen Limited

Engro Powergen owns and operates Engro Powergen Qadirpur Limited, a 220 megawatt power plant and the group's first initiative in the power sector of Pakistan, which is 10% directly owned by the holding company and 85% owned by Engro Powergen. The remainder is owned by the International Finance Corporation (IFC), a subsidiary of the World Bank.

In 2010, Engro Powergen's joint venture with the Sindh government, the Sindh Engro Coal Mining Company Limited, completed a detailed feasibility study (DFS) analysing the technical, social and environmental viability of the Thar coal mining project.

Engro Eximp Private Limited

Engro Eximp Limited is the group's commodity trading business that deals primarily in the import and trading of phosphate-based fertilizers for Engro Fertilizers Limited such as DAP, MAP, MOP and SOP, and also imports micro-nutrients like Zinc Sulphate, which it supplies as raw materials to Engro Fertilizer's Zarkhez plant for manufacturing blended fertilizers.

In addition, Eximp also manages the procurement, processing and export of rice to markets in the Middle East and the European Union. Over the past five years, Engro Eximp has become the single largest importer of phosphates and potash fertilizers in Pakistan.

Avanceon Limited

Avanceon Limited is a wholly owned subsidiary of the group that engages in automation and control engineering services. The business operates a UAE-based subsidiary out of the Jebel Ali Free Zone which, in turn, has a 70% stake in a US-based subsidiary.

directors' report

Third Quarter 2011 review for the Shareholders Engro Corporation Limited

On behalf of the Board of Directors of Engro Corporation Limited, we are pleased to present the unaudited group consolidated accounts for the nine months ended September 30, 2011.

Overview of Third Quarter 2011

Our consolidated revenue recorded an increase of 47 % and stood at Rs. 79 billion for the nine months ended September 30, 2011, as compared to Rs. 54 billion during the same period last year, while the Net profit (equitable to the equity holders of the holding company) increased to Rs. 5,590 million from Rs. 4,393 million. Higher profitability in Fertilizers, PowerGen and Foods, as well as reduced losses in Polymer, were partially offset by lower profits in Eximp due to initial losses in its Rice business.

Business Review

Fertilizers

Due to continuing gas curtailment, urea industry production was limited to 3.7 million tons during the nine months ended September 30, 2011, as compared to 3.8 million tons during the same period last year. This was despite Engro's additional capacity of 1.3 million tons per annum coming on stream. However, gas supplies to the SNGPL network based plants improved considerably in the third quarter of 2011, allowing fertilizer manufacturers based on the network to relatively operate consistently through most of this period. Although the gas supply remained substantially lower than the contracted quantity, the reduction in gas load shedding during third quarter 2011 contributed significantly in improving urea availability in the market resulting in market prices declining from approximately Rs.1800/bag at the beginning of the quarter to approximately Rs. 1500/bag by the end of the quarter. Market off-take for urea during the nine months ended September 30, 2011 was 4.1 million tons showing a decline of 2% over the same period last year. The decline was mainly due to product shortages created by curtailment of gas to domestic fertilizer manufacturers and the unavailability of timely urea imports.

Engro Fertilizer's urea sales were 954 Ktons during the nine months ended September 30, 2011, up by 48% from 645 Ktons for the same period in 2010, primarily due to production from the new plant. Consequently, Engro's urea market share improved to 23% in this nine month period, from 15% in the same period last year. The company's newly commissioned plant has operated smoothly since declaration of Commercial Operations on June 24, 2011. Barring two intervals spanning over 25 days when production of urea stopped due to gas outage, the plant operated at its expected level of performance and produced 234 Ktons till September 30, 2011.

Sales of the company manufactured blended fertilizers (Zarkhez and Engro NP) increased to 83 Ktons for the nine months, as compared to 66 Ktons during the same period last year. The increase is attributable to urea shortage and higher delta in absolute prices with phosphates. Similarly, production of blended fertilizers during the first nine months of 2011 increased to 90 Ktons from 72 Ktons produced in the corresponding period of the previous year.

The Company had lobbied at many forums with respect to the ongoing gas curtailment issue. The company has filed a case in the Honorable Sindh High Court against the Ministry of Petroleum and Natural Resources, Ministry of Industries, Government of Pakistan and Sui Northern Gas Pipelines Lines Limited against the suspensions and curtailment of its gas supply. The Court issued its judgment on October 18, 2011, directing SNGPL to supply a guaranteed quantity of 100 mmscfd gas to Engro's fertilizer plant strictly in accordance with its contract; the Ministry of Petroleum and Natural Resources, and the Ministry of Industries and Production, Government of Pakistan have also been directed to ensure that the commitment, assurance and guarantee held out for the supply of 100 mmscfd to Engro through SNGPL is honored.

Three separate writ petitions have been filed before the Lahore High Court against the supply of gas to the new urea plant from the SNGPL network. No Orders have been passed yet and the next hearing has been scheduled for November 21, 2011. The Company believes that there is little prospect of proving the veracity of the petitions.

The fertilizer business made net profit of Rs. 3,510 million for the nine months ended September 30, 2011, a 22 % growth over the profit of Rs. 2,879 million for the same period last year. The increase is due to higher productivity because of EnVen operations during 2011, as well as improved margins. The Company, through its operating cash flows, has retired Rs. 8.4 billion of debt, which takes care of almost all its project debt obligations for the current calendar year. With the commissioning of the project, the Company is now on track to deleverage its balance sheet.

The fertilizer trading business, managed by Engro Eximp, sold 204 Ktons of phosphatic fertilizers during the nine months ended September 30, 2011 versus 196 Ktons during the same period last year. Engro Eximp made a net profit of Rs. 632 million for the nine months as compared to a profit of Rs. 989 million for the same period last year. Fertilizer trading profits were in line with expectations and the decline in overall profits versus last year was due to higher initial losses in the rice business.

Energy & Power Generation

Engro Powergen Qadirpur Limited dispatched 414K MWh to the national grid during the third quarter of 2011. On the commercial side, a pre-admission hearing on the Company's tariff modification petition was held on August 9, 2011 at NEPRA's head-office in Islamabad. The decision on this hearing is awaited. Once the case is formally admitted for hearing, NEPRA would invite comments and participation from all stakeholders. Engro PowerGen declared a net profit of Rs. 1,239 million for the nine months ended, September 30, 2011, as compared to Rs. 377 million during the same period last year. The plant has been in operation throughout the nine months on this year, unlike the same period last year, when the plant was operational for only six months, which has primarily led to the difference in profits over the two years.

During 3Q 2011, meetings were held with the Chinese Contractors of Sindh Engro Coal Mining Company to finalize technical and commercial details of EPC proposal for mining and power projects, and a firm bid has been received.

Foods

Sales Revenue grew by 46% to reach Rs. 22 billion vs. Rs. 15 billion during the same period last year. The company posted a net profit after tax of Rs. 408 million as compared to a profit of Rs. 35 million in the same period last year.

Sales of the company's Dairy and Juice segment during the nine months ended, September 30, 2011 were Rs. 19.2 billion versus Rs.13.7 billion during the same period in 2010. Profit after tax increased by 84 % to Rs. 804 million from a profit of Rs. 436 million in the same period last year. Profit after tax to sales ratio improved to 4% during the nine months ended, September 30, 2011, from 3% during the same period in 2010.

Dairy volume grew by 20% versus the same period in 2010, translating into a revenue growth of 40%. The company introduced Dairy Omung as its offering in the budget conscious segment of the society, as well as extending Olper's variants line to include Badam Zafran and Rose flavors. Olfrute Juices & Nectars continued to introduce new flavors that are unique to the Pakistani market. The ice cream segment achieved a 45% volumetric growth over the corresponding period last year, with revenue growing by 64% to Rs. 2.2 billion during the nine months ended, September 30, 2011. The ice cream segment incurred a planned loss during the nine months, primarily due to continued investment in its brands and the cold chain infrastructure. The Dairy Farm at Nara produced 13,223 liters per day during the nine months.

The rice trading business, managed by Engro Eximp, exported 13,395 tons of rice during the nine months ended, September 30, 2011, as compared to 3,179 tons in the same period last year. The rice processing facility, which is owned and operated by Engro Foods Supply Chain, had achieved commercial production of milling line 1 for brown rice during the second quarter, and achieved commercial production of milling for white rice and parboiling during the third quarter of 2011.

The Board of Engro Foods Limited has decided to sell its 70% equity stake in Engro Foods Supply Chain (Private) Limited to Engro EXIMP (Private) Limited at its fair market value.

directors' report

Mr. Afnan Ahsan has taken over as the new Chief Executive Officer of Engro Foods Limited from Mr. Sarfaraz A. Rehman, who has left the company to pursue voluntary work for philanthropic causes with various organizations.

Petrochemicals

Domestic PVC sales increased to 82 Ktons during the nine months ended September 30, 2011, as compared to 74 Ktons in the corresponding period last year. The business's caustic soda sales during the nine months were 65 Ktons as compared to 58 Ktons in the corresponding period last year. The business also produced 5 Ktons of Sodium Hypochlorite in the quarter, all of which was sold to the domestic market. VCM production for the nine months was 57 Ktons as compared to 36 Ktons in the corresponding period last year. VCM production in the quarter was lower than capacity mainly due to planned outage taken on one of the VCM furnaces.

Engro Polymer was able to reduce its loss after tax to Rs. 440 million for the nine months ended September 30, 2011, compared to a loss of Rs. 762 million during the same period last year.

Chemical Storage & Terminal

Engro Vopak Terminal Limited posted a profit after tax of Rs. 781 million for the nine months ended September 30, 2011, as compared to a profit of Rs. 793 million during the same period last year. The Sindh High Court has granted an interim order to restrain parties for the implementation of the CCP order on EVTL's exclusivity clause in the Implementation Agreement with PQA and Lotte PPTA complaint on abuse of dominant position. The counsel for CCP has filed power of attorney and sought time to file reply.

Industrial Automation

Avanceon Limited posted a consolidated loss after tax of Rs. 128 million in the nine months ended September 30, 2011 as compared to a loss of Rs. 106 million during the same period last year.

Near Term Outlook

In the Fertilizers business, continuation of gas curtailment is expected to result in a requirement of around 950 Ktons of Urea imports for the Rabi 2011 - 12 (Oct - Mar) season. Failure to import this quantity in a timely manner will result in an acute shortage of fertilizer and may seriously affect farm output as well. The supply of gas to the new plant has again been disrupted from October 1, 2011 for an uncertain period necessitating a further price increase of Rs. 174/bag by the company. The farming community of Pakistan has been badly affected by the urea supply situation. Severe gas curtailment, including unscheduled and adhoc gas outages, have resulted in urea shortfall and a consequent spike in prices. This expected shortfall of urea and the massive increase in urea prices will translate into constrained food supplies at inflated prices. The Company is continuously engaging with various stakeholders in government to find a viable solution to the ongoing shortages faced by the fertilizer manufacturers. Until there is a permanent increase in the country's gas supply through import of LNG or alternative sources, fertilizer companies on the network are expected to continue to face gas shortages and forced outages during the foreseeable future.

In the Foods business, we continue to expect growth in all our business segments and are confident of delivering consolidated performance in 2011 as indicated at the time of the Company's public offering.

In the Polymer business, the VCM furnace under repair came on line on October 5, 2011 and extensive efforts are being directed to ensure sustainable operations at capacity.

The Power Generation and Chemical Storage terminal businesses are expected to perform smoothly in line with expectations during 4Q, 2011.

consolidated condensed interim balance sheet (unaudited) as at september 30, 2011

(Amounts in thousand)	Note	Unaudited September 30, 2011	Audited December 31, 2010
		--------------(Rupees)--------------	
ASSETS			
Non-current assets			
Property, plant and equipment	5	134,615,571	128,712,148
Exploration and evaluation expenditure		405,268	356,286
Biological assets		460,831	428,293
Intangible assets	6	1,277,598	877,323
Long term investments		477,523	514,505
Long term loans and advances		218,831	193,458
		137,455,622	131,082,013
Current assets			
Stores, spares and loose tools		6,089,042	4,910,941
Stock-in-trade		14,064,770	8,843,677
Trade debts		5,081,177	5,131,408
Deferred employee compensation expense		169	4,829
Derivative financial instruments		10,664	3,148
Loans, advances, deposits and prepayments		3,087,833	2,474,076
Other receivables		1,894,591	1,287,827
Taxes recoverable		3,318,812	2,494,314
Short term investments		7,285,326	4,426,188
Cash and bank balances		2,199,946	4,120,031
		43,032,330	33,696,439
TOTAL ASSETS		180,487,952	164,778,452

(Amounts in thousand)	Note	Unaudited September 30, 2011	Audited December 31, 2010
		--------------(Rupees)---------------	
EQUITY & LIABILITIES			
Equity			
Share capital	7	3,932,843	3,277,369
Share premium		10,550,061	10,550,061
Employees' share option compensation reserve		160,858	162,455
Hedging reserve		(657,111)	(927,438)
Revaluation reserve on business combination		97,046	104,698
Maintenance reserve		197,577	197,577
Exchange revaluation reserve		37,196	28,883
General reserve		4,429,240	4,429,240
Unappropriated profit		17,332,656	12,776,146
		32,147,523	27,321,622
		36,080,366	30,598,991
Non-controlling interest		4,029,054	3,516,024
Total Equity		40,109,420	34,115,015
Liabilities			
Non-current liabilities			
Borrowings	8	83,771,610	89,151,849
Derivative financial instruments		1,061,626	805,154
Obligations under finance lease		29,928	18,998
Deferred taxation		3,730,943	2,471,226
Employee housing subsidy		37,832	347,886
Deferred liabilities		157,666	117,279
		88,789,605	92,912,392
Current liabilities			
Trade and other payables		20,441,889	12,614,214
Accrued interest / mark-up		2,216,316	2,619,453
Current portion of:			
- borrowings		22,126,052	15,543,787
- obligations under finance lease		2,589	13,310
- deferred liabilities		34,771	23,047
Short term borrowings	9	5,460,400	5,715,775
Derivative financial instruments		443,994	1,040,829
Unclaimed dividends		862,916	180,630
		51,588,927	37,751,045
Total Liabilities		140,378,532	130,663,437
Contingencies and Commitments	10		
TOTAL EQUITY AND LIABILITIES		180,487,952	164,778,452

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

consolidated condensed interim profit and loss account (unaudited) for the nine months ended september 30, 2011

(Amounts in thousand except for earnings per share)

		Quarter ended		Nine Months ended	
		September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	Note	(Rupees)			
Net sales		32,739,507	19,844,590	78,823,838	53,569,116
Cost of sales		(23,246,787)	(15,723,392)	(56,290,329)	(40,164,833)
Gross Profit		9,492,720	4,121,198	22,533,509	13,404,283
Selling and administrative expenses		(2,712,090)	(1,998,623)	(7,254,674)	(5,727,551)
		6,780,630	2,122,575	15,278,835	7,676,732
Other operating income		429,051	245,269	1,027,673	861,385
		7,209,681	2,367,844	16,306,508	8,538,117
Other operating charges		(812,521)	(517,181)	(1,546,727)	(1,085,046)
Finance cost		(3,438,387)	(1,213,624)	(7,112,204)	(3,090,490)
		(4,250,908)	(1,730,805)	(8,658,931)	(4,175,536)
Share of income from joint venture		151,312	137,787	390,530	396,671
Profit before taxation		3,110,085	774,826	8,038,107	4,759,252
Taxation	11				
- Current		(1,036,926)	121,975	(1,440,940)	(1,036,596)
- Deferred		44,523	(35,541)	(1,163,697)	335,813
		(992,403)	86,434	(2,604,637)	(700,783)
Profit for the period		2,117,682	861,260	5,433,470	4,058,469
Profit attributable to:					
- Owners of the Holding Company		2,209,063	995,806	5,590,387	4,393,360
- Non-controlling interest		(91,381)	(134,546)	(156,917)	(334,891)
		2,117,682	861,260	5,433,470	4,058,469
			(Restated)		(Restated)
Earnings per share - basic and diluted	12	5.62	2.53	14.21	11.17

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.

Hussain Dawood Chairman	Asad Umar President and Chief Executive

consolidated condensed interim statement of comprehensive income (unaudited) for the nine months ended september 30, 2011

(Amounts in thousand except for earnings per share)

	Note	Quarter ended		Nine Months ended	
		September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
		(Rupees)			
Profit for the period		2,117,682	861,260	5,433,470	4,058,469
Other comprehensive income					
Hedging reserve - cash flow hedges					
Losses arising during the period		(218,449)	(272,425)	(719,993)	(1,745,124)
Less					
- Reclassification adjustments for losses included in profit and loss		90,448	16,669	164,277	56,446
- Adjustments for amounts transferred to initial carrying amount of hedged items		44,345	440,189	946,353	1,153,014
		(83,656)	184,433	390,637	(535,664)
Revaluation reserve on business combination		(5,494)	(5,494)	(16,480)	(16,480)
Exchange differences on translation of foreign operations		1,803	(4,104)	10,108	(5,531)
		(87,347)	174,835	384,265	(557,675)
Income tax relating to:					
Hedging reserve - cash flow hedges		29,973	(64,552)	(136,146)	187,483
Revaluation reserve on business combination		1,923	1,923	5,768	5,768
		31,896	(62,629)	(130,378)	193,251
Other comprehensive income for the period, net of tax		(55,451)	112,206	253,887	(364,424)
Total comprehensive income for the period		2,062,231	973,466	5,687,357	3,694,045
Total comprehensive income attributable to:					
- Owners of the Holding Company		2,165,749	1,131,472	5,861,377	4,082,897
- Non-controlling interest		(103,518)	(158,006)	(174,020)	(388,852)
		2,062,231	973,466	5,687,357	3,694,045

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

consolidated condensed interim statement of changes in equity for the nine months ended september 30, 2011

(Amounts in thousand)

	Attributable to owners of the Holding Company											
	Share capital	Share premium	Employee option compensation reserve	Hedging reserve	Revaluation reserve on business combination	Exchange revaluation reserve	Maintenance reserve	General reserve	Unappro- priated Profit	Sub total	Non controlling Interest	Total
Balance as at January 1, 2010 (audited)	2,979,426	10,550,061	318,242	(617,000)	114,900	(43,185)	-	4,429,240	8,387,520	26,119,204	3,225,191	29,344,395
Transactions with owners												
Final dividend for the year ended December 31, 2009 @ Rs 2 per share	-	-	-	-	-	-	-	-	(595,886)	(595,886)	-	(595,886)
Bonus shares issued during the period in the ratio of 1 share for every 10 shares held	297,943	-	-	-	-	-	-	-	(297,943)	-	-	-
1st interim dividend for the year ending December 31, 2010 @ Rs. 2 per share	-	-	-	-	-	-	-	-	(655,473)	(655,473)	-	(655,473)
Issue of shares by Subsidiary Company (Engro Polymer and Chemicals Limited)	-	-	-	-	-	-	-	-	-	-	626,926	626,926
Maintenance reserve created by Subsidiary Company (Engro Powergen Qadirpur Limited,)	-	-	-	-	-	-	119,710	-	(119,710)	-	-	-
Effect of changes in number of share options issued	-	-	(153,994)	-	-	-	-	-	-	153,994)	-	(153,994)
Vested options lapsed during the period	-	-	-	-	-	-	-	-	-	-	-	-
	297,943	-	(153,994)	-	-	-	119,710	-	(1,669,012)	(1,405,353)	626,926	(778,427)
Total comprehensive income for the nine months ended September 30, 2010												
Profit for the period	-	-	-	-	-	-	-	-	4,393,360	4,393,360	(334,891)	4,058,469
Other comprehensive income	-	-	-	(299,345)	(7,652)	(3,466)	-	-	-	(310,463)	(53,961)	(364,424)
	-	-	-	(299,345)	(7,652)	(3,466)	-	-	4,393,360	4,082,897	(388,852)	3,694,045
Balance as at September 30, 2010 (unaudited)	3,277,369	10,550,061	164,248	(916,345)	107,248	(46,651)	119,710	4,429,240	11,111,868	28,796,748	3,463,265	32,260,013
Transactions with owners												
Maintenance reserve created by Subsidiary Company (Engro Powergen Qadirpur Limited,)	-	-	-	-	-	-	77,867	-	(77,867)	-	-	-
2nd interim dividend for the year ending December 31, 2010 @ Rs. 2 per share	-	-	-	-	-	-	-	-	(655,473)	(655,473)	-	(655,473)
Effect of changes in number of share options issued	-	-	(864)	-	-	-	-	-	-	(864)	-	(864)
Vested options lapsed during the period	-	-	(929)	-	-	-	-	-	929	-	-	-
	-	-	(1,793)	-	-	-	77,867	-	(732,411)	(656,337)	-	(656,337)
Total comprehensive income for the three months ended December 31, 2010												
Profit for the period	-	-	-	-	-	-	-	-	2,396,689	2,396,689	(14,156)	2,382,533
Other comprehensive income	-	-	-	(11,093)	(2,550)	75,534	-	-	-	61,891	66,915	128,806
	-	-	-	(11,093)	(2,550)	75,534	-	-	2,396,689	2,458,580	52,759	2,511,339
Balance as at December 31, 2010 (audited)	3,277,369	10,550,061	162,455	(927,438)	104,698	28,883	197,577	4,429,240	12,776,146	30,598,991	3,516,024	34,115,015
Transactions with owners												
Issue of right shares by Engro Foods Limited	-	-	-	-	-	-	-	-	690,220	690,220	417,051	1,107,271
Partial disposal of Investment in Subsidiary Company (Engro Foods Limited)	-	-	-	-	-	-	-	-	-	-	270,000	270,000
Capital Gain on the partial disposal of Investment in Subsidiary Company (Engro Foods Limited)	-	-	-	-	-	-	-	-	371,823	371,823	-	371,823
Final dividend for the year ended December 31, 2010 @ Rs. 2 per share	-	-	-	-	-	-	-	-	(655,474)	(655,474)	-	(655,474)
Bonus shares issued during the period in the ratio of 1 shares for every 5 shares held	655,474	-	-	-	-	-	-	-	(655,474)	-	-	-
1st interim dividend for the year ending December 31, 2011 @ Rs. 2 per share	-	-	-	-	-	-	-	-	(786,569)	(786,569)	-	(786,569)
Vested options lapsed during the period	-	-	(1,597)	-	-	-	-	-	1,597	-	-	-
	655,474	-	(1,597)	-	-	-	-	-	(1,033,877)	(380,000)	687,051	307,051
Total comprehensive income for the nine months ended September 30, 2011												
Profit for the period	-	-	-	-	-	-	-	-	5,590,387	5,590,387	(156,917)	5,433,470
Other comprehensive income	-	-	-	270,327	(7,652)	8,313	-	-	-	270,988	(17,104)	253,884
	-	-	-	270,327	(7,652)	8,313	-	-	5,590,387	5,861,375	(174,021)	5,687,354
Balance as at September 30, 2011 (unaudited)	3,932,843	10,550,061	160,858	(657,111)	97,046	37,196	197,577	4,429,240	17,332,656	36,080,366	4,029,054	40,109,420

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

consolidated condensed interim statement of cash flows (unaudited) for the nine months ended september 30, 2011

(Amounts in thousand)

	Note	Nine months ended September 30, 2011	Nine months ended September 30, 2010
		--------------(Rupees)---------------	
Cash flows from operating activities			
Cash generated from / (utilized in) operations	13	18,760,796	(1,669,111)
Retirement & other service benefits paid		(264,089)	(188,438)
Financial charges paid		(10,777,295)	(2,496,162)
Taxes paid		(2,345,281)	(1,958,124)
Long term loans and advances - net		(46,934)	(82,416)
Net cash generated from / (utilized in) operating activities		5,327,197	(6,394,251)
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE) and biological assets		(7,138,448)	(17,379,898)
Sale proceeds on disposal of PPE		64,865	391,556
Income on deposits / other financial assets		1,087,930	437,869
Proceeds from disposal of long term Investments		675,000	
Dividends received		405,000	427,500
Net cash utilized in investing activities		(4,905,653)	(16,122,973)
Cash flows from financing activities			
Repayments of borrowings		(8,807,077)	(860,220)
Proceeds from borrowings - net		9,216,321	13,807,281
Obligations under finance lease - net		(10,245)	(4,328)
Proceeds from issuance of right shares		1,164,946	626,926
Dividends paid		(791,060)	(624,290)
Net cash generated from financing activities		772,885	12,945,369
Net increase / (decrease) in cash and cash equivalents		1,194,428	(9,571,855)
Cash and cash equivalents at beginning of the period		2,830,444	6,089,897
Cash and cash equivalents at end of the period	14	4,024,872	(3,481,958)

The annexed notes 1 to 20 form an integral part of this consolidated condensed interim financial information.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

notes to the consolidated condensed interim financial information (unaudited) for the nine months ended september 30, 2011

(Amounts in thousand)

1. Legal Status and Operations

1.1 Engro Corporation Limited (the Holding Company) is a public listed company incorporated in Pakistan under the Companies Ordinance, 1984 and its shares are quoted on Karachi, Lahore & Islamabad stock exchanges of Pakistan. The principal activity of the Holding Company is to manage investments in subsidiary companies and joint venture, which are engaged in fertilizers, PVC resin manufacturing and marketing, control and automation, food, energy, exploration 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.

1.2 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 controlled by the Holding Company:

	%age of direct holding	
	September 2011	December 2010
- Engro Fertilizers Limited	100	100
- Engro Foods Limited - note 1.3	89.97	100
- Engro Foods Netherlands B.V. - note 1.4	100	-
- Engro Eximp (Private) Limited - note 1.5	100	100
- Engro Management Services (Private) Limited	100	100
- Avanceon Limited	62.67	62.67
- Engro Polymer and Chemicals Limited	56.19	56.19
- Engro PowerGen Limited	100	100
Joint Venture Company:		
- Engro Vopak Terminal Limited	50	50

Associated Companies:

- Arabian Sea Country Club Limited
- Agrimall (Private) Limited - note 1.6

During the nine months ended September 30, 2011:

1.3
- Engro Foods Limited has issued 48,000,000 right shares which upon renunciation by the Holding Company were privately placed with institutional investors;
- the Holding Company has partially disposed off its share holding in Engro Foods Limited to the general public through Initial Public Offer (IPO) by offering 27,000,000 ordinary shares at an offer price of Rs. 25 per share.
- Engro Foods Supply Chain (Private) Limited (EFSCL), a subsidiary of Engro Foods Limited is in the process of setting up a rice processing plant in District Sheikhupura. EFSCL commissioned and started commercial production from drying unit of the rice processing plant from November 7, 2010. During the period, commercial production of milling unit on line 1 commenced on June 1, 2011 and milling unit of line 2 and parboiling commenced on July 01, 2011 for processing from paddy / unprocessed rice to finished brown rice.

(Amounts in thousand)

- Thee Board of Engro Foods Limited has decided to sell its 70% equity stake in Engro Foods Supply Chain (Private) Limited to Engro Eximp (Private) Limited at its fair market value.

1.4 The Holding Company has incorporated a wholly owned subsidiary, Engro Foods Netherlands B.V. in Netherlands through which it has acquired an existing brand of halal meat business known as 'Al Safa', engaged in supplying a variety of packaged halal foods across North America.

1.5 Engro Eximp (Private) Limited has set up a wholly owned offshore subsidiary company in JAFZA, Dubai under the name Engro EXIMP FZE for off-shore trading of fertilizers, sugar and palm oil. The Company will subscribe up to seventeen thousand nine hundred and eighty three (17,983) shares amounting to UAE dirhams seventeen million nine hundred eighty three thousand only over a period of time. As at September 30, 2011, the Company has invested AED 1,000 in the subsidiary and has paid Rs 8,550 in respect of various expenses including preliminary expenses for the formation and registration of the company.

1.6 During the period, the Holding Company has disposed off its entire shareholding in Agrimall (Private) Limited which was transferred to it at free of cost, at a consideration of Rupee one, through a Share Purchase Agreement dated April 7, 2011.

1.7 On April 27, 2011, the Holding Company's Board of Directors have resolved to offer its direct ten percent shareholding in Engro Powergen Qadirpur Limited, a subsidiary of Engro PowerGen Limited, i.e. 32,000,000 ordinary shares to general public and institutional investors through an offer for sale at an offer price which has not yet been finalized.

1.8 The condensed interim financial information of the subsidiary companies have 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 entity, Engro Vopak Terminal Limited has been accounted for using the equity method.

2. Basis for Preparation

This consolidated condensed interim financial information is unaudited and has been prepared in accordance with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting' and provisions and directives issued under the Companies Ordinance 1984 (the Ordinance). In case where the requirements differ, the provisions of or directives issued under the Ordinance have been followed.

This consolidated condensed interim financial information is being submitted to the shareholders in accordance with section 245 of the Ordinance and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2010.

3. Accounting Policies

3.1 The accounting policies and methods of computation adopted in the preparation of this consolidated condensed interim financial information are consistent with those applied in the preparation of the consolidated financial statements of the Holding Company for the year ended

(Amounts in thousand)

December 31, 2010, except for changes resulting from initial application of standards, amendments or an interpretation to existing standards as stated in note 3.2 which though adopted does not have any impact on this consolidated condensed interim financial information.

3.2 Following new standards, amendments to standards and interpretations are mandatory for the financial year beginning on or after January 1, 2011, but are either not currently relevant to the Group or do not have any significant effect on the Group's consolidated condensed interim financial information:

- IFRS 1 (Amendment), 'First time adoption, on financial instrument disclosures';
- IFRS 7 (Amendment), 'Financial instruments: Disclosures';
- IAS 1 (Amendment), 'Presentation of financial statements';
- IAS 24 (Revised), 'Related party disclosures';
- IAS 32 (Amendment), 'Financial instruments: Presentation on classification of rights issues';
- IAS 34 (Amendment), ‘Interim financial reporting’;
- IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement'; and
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'.

3.3 Following new standards, amendments and interpretations to published standards are not effective for the accounting period beginning January 1, 2011 and have not been early adopted by the Group:

- IFRS 7 (Amendment), 'Financial instruments: Disclosures';
- IFRS 9, 'Financial instruments';
- IFRS 10, 'Consolidated financial statements';
- IFRS 11, 'Joint arrangements';
- IFRS 12, 'Disclosure of interests in other entities';
- IFRS 13, 'Fair value measurements';
- IAS 1 (Amendment), 'Presentation of financial statements';
- IAS 12 (Amendment), 'Income taxes';
- IAS 19 (Revised), 'Employee benefits';
- IAS 27 (Revised), 'Separate financial statements'; and
- IAS 28 (Revised), 'Associates and joint ventures'.

4. Accounting Estimates

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.

During preparation of this consolidated condensed interim financial information, the significant judgments 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, 2010.

(Amounts in thousand)

5. Property, Plant and Equipment

	Unaudited September 30, 2011	Audited December 31, 2010
	------------(Rupees)	--------------
Operating assets, at net book value - notes 5.1 & 5.2	129,920,464	58,106,575
Capital work-in-progress		
- Expansion and other projects	3,546,653	69,528,996
- Capital spares	1,148,454	1,076,577
	134,615,571	128,712,148

5.1 Additions to operating assets, including transfers from capital work-in-progress during the period/year, were as follows:

	Unaudited September 30, 2011	Audited December 31, 2010
	------------(Rupees)	--------------
Freehold land	5,452	17,591
Leasehold land	2,808	86,791
Freehold building	2,041,855	3,213,225
Leasehold building	10,410	38,495
Pipelines	1,762	1,272,706
Plant & machinery	71,715,925	29,650,431
Catalyst	1,030,752	56,123
Furniture, fixture and equipment	159,023	213,675
Vehicles	204,858	482,110
	75,172,845	35,031,147

5.2 Engro Fertilizers Limited (the Subsidiary Company) declared commencement of commercial production effective June 24, 2011 of its Urea Expansion project "Enven Plant", adjacent to existing Daharki Plant. Accordingly, the Subsidiary Company has transferred costs related thereto aggregating to Rs. 71,395,335 to operating assets in the current period which is in addition to Rs.11,274,907 capitalized in previous years bringing the total current cost to Rs.82,670,243. The capacity of the Enven Plant is 1.3 million tons of urea per annum. Other ancillary cost transferred to operating assets during the current period includes borrowing costs amounting to Rs 13,942,555. The Subsidiary Company ceased capitalization of borrowing costs of the main Enven plants on April 30, 2011 (the date when substantially all the activities necessary to prepare the main Enven plants were completed i.e. physical construction) except for the borrowing cost on certain efficiency units which were completed during June 2011. Borrowing costs incurred subsequently have been expensed.

6. Intangible Assets

During the period, the Holding Company has formed a wholly-owned subsidiary in Netherlands through which it has purchased halal meat business ‘Al-Safa’ in Canada and USA. The purchase consideration in respect thereof included trademark (brand name), amounting to Rs. 416,779, which has been accounted for under IAS – 38 ‘Intangible Assets’, having indefinite useful life.

(Amounts in thousand)

7. Share Capital

7.1 Authorised capital

Unaudited September 30, 2011	Audited December 31, 2010		Unaudited September 30, 2011	Audited December 31, 2010
------------(Numbers)------------			------------(Rupees)------------	
450,000,000	350,000,000	Ordinary shares of Rs. 10 each - note 7.3	4,500,000	3,500,000

7.2 Movement in issued, subscribed and paid-up capital during the period/year

Unaudited September 30, 2011	Audited December 31, 2010		Unaudited September 30, 2011	Audited December 31, 2010
------------(Numbers)------------			------------(Rupees)------------	
327,736,819	297,942,563	As at January 1	3,277,369	2,979,426
65,547,364	29,794,256	Ordinary shares of Rs. 10 each issued during the period as fully paid bonus shares note 7.3	655,474	297,943
393,284,183	327,736,819		3,932,843	3,277,369

7.3 During the current period, the Holding Company:

- increased its authorized capital from Rs. 3,500,000 to Rs. 4,500,000; and
- issued bonus shares in the ratio of 1 share for every 5

8. Borrowings

	Unaudited September 30, 2011	Audited December 31, 2010
	------------(Rupees)--------------	
Long-term borrowings	105,897,661	104,695,636
Less: Current portion shown under current liabilities	(22,126,052)	(15,543,787)
	83,771,610	89,151,849

8.1 Engro Corporation Limited - the Holding Company

During the period, the Holding Company has issued Engro Rupiya Certificate II (in addition to Engro Rupiya Certificate I issued last year) to general public and received subscription money thereagainst amounting to Rs. 2,674,750 till Sep 30, 2011 (net of unamortized transaction cost of Rs. 80,070). The Certificates were available till September 30, 2011 on first come first serve basis. The profit is payable semi-annually

(Amounts in thousand)

at the fixed rate of 14.5% from the date of investment by the Certificate holders. The Certificates are issued for a tenure of three years and structured to redeem 100% of principal amount in the 36th month. The Certificate holder, however, may ask the Holding Company for early redemption at any time from the date of investment subject to service charge of 2% of the outstanding issue price.

The Certificates are secured by way of first ranking pari passu floating charge over all the present and future movable properties of the Holding Company except for present and future trade marks, copy rights and certain investment in subsidiary companies.

8.2 Engro Fertilizers Limited - Subsidiary Company

- The Subsidiary Company has began repayment of its long term finance facilities obtained for its urea expansion project.
- During the period, the subsidiary company listed its Privately Placed Term Finance Certificates (PPTFC 1 and PPTFC2) on the Karachi Stock Exchange under the symbol TFC 4 and TFC 5 respectively.
- On December 22, 2010, the subsidiary company and International Finance Corporation (IFC) entered into an amended agreement for further disbursement of US$ 30,000 over and above already disbursed amount of US$ 50,000. The amount has been fully disbursed as at September 30, 2011. The salient features of the Original Loan remain essentially the same. The additional loan of US$ 30,000 is divided into (i) 30% convertible loan on the shares of the subsidiary company at Rs. 41.67 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of the notices issued by IFC to exercise the conversion option and (ii) 70% non-convertible loan. The additional loan is repayable by September 15, 2017 in three equal installments and carries interest at six months LIBOR plus a spread of 6% or 10% depending on the listing status of the subsidiary company at various intervals. However, the management is confident that it will comply with the requirements of listing and avail the spread of 6% for the entire loan tenor.
- The maturity of loan facilities are upto 7 years and mark-up range from 1.00% to 2.40% over six month KIBOR and 1.3% over three month KIBOR for Rupee facilities, and 2.57% to 6.00% over six month LIBOR for USD facilities. These facilities, excluding the TFC 4 and TFC 5, IFC facility and bridge loans obtained in the year 2010, are secured by equitable mortgage upon immovable assets located at Daharki and hypothecation charge on fixed assets of the Subsidiary Company. The TFCs, IFC's facility and above-mentioned bridge loans are secured by a subordinated floating charge over all present and future fixed assets excluding land and buildings.

8.3 Engro Polymer and Chemicals Limited - Subsidiary Company

Under the terms of the agreements for long term borrowings from IFC and syndicates of banks, the subsidiary company is required to comply with certain debt covenants. As at September 30, 2011, all debt covenants have been complied with except for current ratio and debt service coverage ratio, for which waivers have been applied for.

8.4 Engro Foods Limited - Subsidiary Company

During the period, the subsidiary company has utilized loan facilities to the tune of Rs. 2,609,000 and repaid principal amount of Rs. 200,000.

8.5 Engro PowerGen Limited - Subsidiary Company

The subsidiary company entered into a financing agreement with consortium comprising of International Finance Corporation, DEG, FMO, Proparco, Swed Fund and OFID amounting to USD 144 million. The finances carry mark-up at the rate of six months LIBOR plus 3% payable semi-annually over a period of twelve years, whereas the principal is repayable in twenty semi-annual payments/installments commenced from December 15, 2010. As at September 30, 2011, the outstanding balance of the borrowing was USD 133.924 million.

The above finances are secured by an equitable mortgage upon the immovable property of the subsidiary company and the hypothecation charge against current and future assets of the subsidiary company, except receivable from NTDC in respect of Energy Purchase Price.

(Amounts in thousand)

9. Short Term Borrowings

9.1 The facilities for short term finance available to the Group from various banks amounts to Rs. 18,650,000 (December 31, 2010: Rs. 16,474,230) including Rs. 1,450,000 (December 31, 2010: Rs. 1,450,000) for bank guarantees interchangeable with short term finance. The rates of markup ranges from 13.97% to 15.29% (December 31, 2010: 12.83% to 15.19%) and all facilities are secured by floating charge upon all current and future moveable properties of the Group. The facilities of Avanceon Limited are secured by a corporate guarantee of the Holding Company of 62.67% of the total funded exposure alongwith personal guarantees of sponsoring directors.

9.2 During the period, Engro Eximp (Private) Limited has obtained funds under Export Refinance Facility (ERF) of the State Bank of Pakistan (SBP). The funds outstanding under the aforementioned facility amounts to Rs. 272,000 as at September 30, 2011 carrying markup at the current rate of 11% per annum. Moreover, Engro Eximp (Private) Limited has also obtained funds under eight FE-25 facilities as allowed by SBP vide its circular F.E. 25 dated 20th June 1998. Four of these facilities were retired during the period. The remaining four facilities, outstanding at the end of the period, totalled US$ 9,844 (PKR equivalent disbursed: Rs. 862,324) and carried mark-up at rates ranging from 2.85% to 3.29% per annum.

10. Contingencies and Commitments

Contingencies	Unaudited September 30, 2011	Audited December 31, 2010
	------------(Rupees)	--------------
10.1 Corporate Guarantees issued in favor of Subsidiary Companies:		
- Engro Fertilizers Limited - note 10.2	61,479,759	65,642,000
- Engro Powergen Qadirpur Limited - note 10.3	874,878	857,000
- Avanceon Limited	242,000	242,000

10.2 The Holding Company in addition to above has also issued a Corporate Guarantee to IFC for USD 80,000 under the Amended Agreement entered into by Engro Fertilizers Limited with IFC. As at September 30, 2011, the total amount of the facility has been drawn down by Engro Fertilizers Limited. Further, IFC has an option to convert a tranche of the disbursed loan amounting to USD 15,000, into ordinary shares of the Holding Company at Rs. 205 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of notices issued by IFC to exercise the conversion option. Such option is to be exercised within a period of no more than five years from the date of disbursement of loan (i.e. December 28, 2009).

10.3 Represents Corporate Guarantee amounting to USD 10,000 issued to Allied Bank Limited to open DSRA letter of credit in favour of the Engro Powergen Qadirpur Limited's senior long term lenders.

10.4 The Holding Company has furnished a bank guarantee amounting to USD 25 to Alternate Energy Development Board (AEDB) for the fulfillment of its obligations under letter of intent. The guarantee expires on September 29, 2012.

10.5 During the current period, the project completion support aggregating USD 15,400 provided to the lenders of Engro Powergen Qadirpur Limited has expired.

(Amounts in thousand)

10.6 Claims, including pending lawsuits, against Engro Fertilizers Limited not acknowledged as debts amounted to Rs. 36,018 (December 31, 2010: Rs. 36,018).

10.7 Last year, a lawsuit has been filed against Engro Foods Supply Chain (Private) Limited, a subsidiary of Engro Foods Limited, in the Civil Court, Sheikhupura by certain previous co-workers claiming pre-emptive rights over a portion of the land, acquired by Engro Foods Supply Chain (Private) Limited for construction of rice processing plant. Engro Foods Supply Chain (Private) Limited has filed its written statement thereagainst and the case will now come up for hearing. However, Engro Foods Supply Chain (Private) Limited, based on the opinion of legal advisor is confident that the matter will be decided in its favour and accordingly, the financial effect, if any, has not been considered in the preparation of this consolidated condensed interim financial information.

10.8 Bank guarantees of Rs. 4,031,948 (December 31, 2010: Rs. 3,830,939) have been issued in favour of third parties.

10.9 Post dated cheques have been issued by Avanceon Limited to Bank Islami Limited after maturity of forced PAD facility, JAFZA against Tenancy contract and to IGI Insurance Company Limited as security against insurance guarantee issued by them in favor of AES Lalpir, AES Pakgen and Nestle Limited for performance of contracts amounts to Rs. 31,034 (December 31, 2010: Rs. 10,003).

10.10 Engro Fertilizers Limited is contesting the penalty of Rs. 99,936 paid and expensed in 1997, imposed by the State Bank of Pakistan (SBP) for alleged late payment of foreign exchange risk cover fee on long term loans and has filed a suit in the High Court of Sindh. A partial refund of Rs. 62,618 was, however, recovered in 1999 from SBP and the recovery of the balance amount is dependent on the Court's decision.

10.11 Engro Fertilizers Limited had commenced two separate arbitration proceedings against the Government of Pakistan for non-payment of marketing incidentals relating to the years 1983-84 and 1985-86 respectively. The sole arbitrator in the second case has awarded the Group Rs. 47,800 whereas the award for the earlier years is awaited. The award for the second arbitration has not been recognised due to inherent uncertainties arising from its challenge in the High Court of Sindh.

10.12 Engro Fertilizers Limited has filed a constitutional petition in the High Court of Sindh, Karachi against the Ministry of Petroleum and Natural Resources, Ministry of Industries and Production and Sui Northern Gas Pipeline Company Limited for continuous supply of 100 MMCFD gas to the Enven Plant and to prohibit from suspending, discontinuing or curtailing the aforesaid supply. The honourable High Court of Sindh on May 31, 2011 has ordered that SNGPL should supply 80-100 MMCFD to the petitioner's new fertilizer plant. Aurguments of all sides have been heard and a final decision has been reserved.

10.13 All Pakistan Textile Processing Mills Association (APTMA), Shan Dying & Printing Industries (Private) Limited, Agritech Limited (Agritech) and 27 others have each contended, through separate proceedings filed before the Lahore High Court that the supply to Engro Fertilizers Limited's Enven Plant is premised on the output of Qadirpur gas field exceeding 500 MMCFD by 100 MMCFD and the Gas Sale and Purchase Agreement (GSA) dated April 11, 2007 with Sui Northern Gas Pipeline Limited (SNGPL) be declared void abinitio because the output of Qadirpur has infact decreased. Agritech has additionally alleged discrimination in that it is receiving less gas than the other fertilizer companies on the SNGPL system. However, no orders have been passed in these matters. Engro Fertilizers Limited has out rightly rejected these contentions, and is of the view that it has a strong case for the reasons that (i) 100 MMCFD gas has been allocated to Engro Fertilizers Limited through a transparent international competitive bidding process held by the Government of Pakistan, and upon payment of valuable license fee; (ii) GSA which guarantees uninterrupted supply of gas to the expansion plant, with right to first 100 MMCFD gas production from the Qadirpur field; and (iii) both the Company (Engro Fertilizers Limited) and gas field (Qadirpur) are in Sindh. Also, neither the gas

(Amounts in thousand)

allocation by Government nor the GSA predicates the gas supply upon Qadirpur field producing 100 MMCFD over and above 500 MMCFD. Further, the management of Engro Fertilizers Limited, as confirmed by the legal advisor, consider the chances of the petitions being allowed to be remote.

Commitments	Unaudited September 30, 2011	Audited December 31, 2010
	------------(Rupees)	--------------
10.14 Property, plant & equipment	1,019,713	2,446,137
10.15 Letter of credits other than for capital expenditure	683,399	143,732
10.16 Commitments in respect of letters of credit against import of fertilizers	3,610,405	-

10.17 Engro Polymer and Chemicals Limited has entered into operating lease arrangements with Al-Rahim Trading Terminal and Dawood Hercules Limited - a related party, for storage and handling of Ethylene Di Chloride and Caustic soda respectively. The total lease rentals due under these lease arrangements are payable in periodic monthly installments till July 31, 2019. The future aggregate lease payments under these agreements are as follows:

	Unaudited September 30, 2011	Audited December 31, 2010
	------------(Rupees)	--------------
Not later than 1 year	43,412	59,840
Later than 1 year and no later than 5 years	57,600	57,600
Later than 5 years	39,600	50,400
	140,612	167,840

10.18 As at September 30, 2011, Engro Eximp (Pvt) Ltd had 9 commitments outstanding against usance letters of credit with various banks. These commitments totaled US$ 61,334 of which the Company had hedged US$ 45,189 through obtaining forward import covers from the inter-bank treasury market.

10.19 Commitment in respect of investment for Rs 562,000 in Engro Polymer & Chemicals Ltd by way of subscription of right shares (approved from the Board on 14 Feb 2011 and by shareholders at the AGM held on 31 Mar 2011).

10.20 Avanceon LP(USA), a subsidiary of Avanceon Limited, is obligated under non-cancellable operating leases for computer and office equipment which expire at various dates.

10.21 The future lease commitments related to non-cancellable operating leases as of September 30, 2011 for various equipments are as follows:

(Amounts in thousand)

	Unaudited September 30, 2011	Audited December 31, 2010
	------------(Rupees)--------------	
Not later then 1 year	705	1,212
Later than 1 year and not later than 5 years	2,133	-
	2,838	1,212

11. Taxation

11.1 Engro Fertilizers Limited (the Subsidiary Company)

As a result of demerger, all pending tax issues of the Fertilizer Undertaking of the Holding Company have been transferred to Engro Fertilizers Limited. Major issues pending before the tax authorities are described below:

During the period, the tax department finalized the audit for the financial year 2009, and raised a demand of Rs. 1,110,862 (rectified to Rs 982,958), including adjustment of demand of Rs. 561,595 for financial year 2008 from the filed refund for the year and non-adjustment of assessed refund amounting to Rs. 443,554 relating to financial year 2007. The Subsidiary Company has filed an appeal with the Commissioner Inland Revenue (Appeals) who restrained the department from taking any coercive action unless the assessed refund of Rs. 443,554 is adjusted through a stay order. Subsequently, the demand has been partially adjusted against refunds arising on account of appeal effect orders for income/financial year 1995 to 2002 (discussed below).

The Holding Company in its tax return for financial years 2006 to 2008 (tax years 2007 to 2009) claimed the benefit of Group Relief under section 59B of the Income Tax Ordinance, 2001 (the Ordinance) on losses acquired for an equivalent cash consideration from its wholly owned subsidiary, Engro Foods Limited, amounting to Rs. 428,744, Rs. 622,103 and Rs. 450,000 respectively.

The tax department had raised demands of Rs. 476,479 (rectified to Rs. 406,644), Rs. 910,845 and Rs.1,670,814 for financial years 2006, 2007 and 2008 respectively, mainly on account of disallowance of Group Relief (in all three years), inter corporate dividend (in 2007 and 2008) and write down of inventories to net realisable value (in 2008) besides certain other issues. Uptill last year, the Holding Company had paid Rs. 170,000, Rs. 400,000 and Rs 600,000 for financial years 2006, 2007 and 2008 respectively. Stay by the High Court of Sindh for payment of balance amount for financial year 2006 was granted to the Holding Company pending decision of the appeal filed by the Holding Company before the Income Tax Appellate Tribunal (ITAT). However, for financial year 2007 the issue of Group Relief was decided by the Commissioner Inland Revenue (Appeals I) in Holding Company's favour against which the tax department filed an appeal with ITAT. The Holding Company had filed appeal with the Commissioner Inland Revenue (Appeals I) for financial year 2008 and stay by the Department for the payment of the balance amount was granted to the Holding Company for financial year 2008 till December 31, 2010. However, the tax department upon expiry of the stay period raised a payment demand of Rs. 509,218 (after adjustment of Rs 561,596 from filed refund of financial year 2009) on January 27, 2011, against which the management has requested the department to apply its refunds granted during the period against these demands.

During the period, appeal effect orders were received relating to financial / income years 1995 to 2002 which were decided in Subsidiary Company's favour at ITAT level. Appeal effects relating to financial years 2005, 2006 and 2007 are pending at the department level. The tax department has however, filed reference application against the ITAT decisions before the Sindh High Court, which is pending for hearing. The Subsidiary Company is confident that all pending issues, including the references filed by the department in High Court, will eventually be decided in its favour.

(Amounts in thousand)

11.2 Engro Polymer and Chemicals Limited (the Subsidiary Company)

11.2.1 The Deputy Commissioner Inland Revenue (DCIR) raised certain issues and thereafter through the order dated November 26, 2009 had raised a tax demand of Rs. 213,172. The demand so created comprised of the following: addition of trading liabilities of Rs. 47,582 under section 34(5) of the Income Tax Ordinance, 2001 (Ordinance); disallowance of provision for the retirement benefits of Rs. 5,899; interest free loans to employees and executives of Rs. 16,069; and disallowance of finance cost of Rs. 134,414. Further, the DCIR did not consider the brought forward losses amounting to Rs. 974,770. The aforementioned brought forward losses have been amended due to revision of returns as per the Appellate Tribunal Inland Revenue (ATIR) order as mentioned below.

The Subsidiary Company had filed an appeal against the aforesaid order before the Commissioner Inland Revenue Appeals [CIR(A)], and discharged the entire demand as follows: Adjustment against assessed refunds of Rs. 180,768 and paid balance of Rs. 32,404 'under protest'.

During the quarter ended September 30, 2011 the Subsidiary Company has received an appellate order of CIR(A) maintaining certain additions aggregating to Rs. 189,810 including finance cost relating to the expansion project amounting to Rs. 134,414. An appeal against the said appellate order has been filed before the ATIR. Department has also filed an appeal against the said appellate order challenging the actions of the CIR(A) in case of the remanding back the issue of interest free loans to employees and executives and directing the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007.

The management of the Subsidiary Company, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and consequently has not recognized the effects for the same in the condensed interim financial information.

11.2.2 The DCIR raised certain issues and thereafter through the order dated November 30, 2010 had raised a tax demand of Rs. 163,206. The demand so created comprised of the following: disallowance of finance cost of Rs. 457,282; additions of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance; disallowance of provision for the retirement benefits of Rs. 14,239; provision against receivable of Special Excise Duty of Rs. 36,689; and interest free loans to employees and executives at Rs. 20,599. Further, the DCIR did not consider the figure of net loss relating to local sales before WWF as per the revised return.

The entire demand of Rs. 163,206 was adjusted against the assessed tax refunds and an appeal had been filed by the Subsidiary Company before the CIR(A).

During the quarter ended September 30, 2011 the Subsidiary Company has received an appellate order of CIR(A) maintaining certain addition aggregating to Rs. 493,971 including disallowance of finance cost relating to the expansion project amounting to Rs. 457,282. An appeal against the said appellate order has been filed before the ATIR. Department has also filed an appeal against the said appellate order challenging the action of CIR(A) in case of remanding back the issue of interest free loans to employees and executives and deleting the addition on account of provision for the retirement benefits.

The management of the Subsidiary Company, based on the advice of its tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and consequently has not recognized the effects for the same in the condensed interim financial information.

(Amounts in thousand)

11.2.3 While finalizing the assessment the Taxation Officer had disallowed the First Year Allowance (FYA) claimed by the Subsidiary Company for the reason the Subsidiary Company had not met the criteria for claiming this allowance as required under the repealed Income Tax Ordinance, 1979. The Subsidiary Company had filed an appeal against the said disallowance before the CIR(A) and the same was decided in favor of the Subsidiary Company. The department, thereafter, filed second appeal before the ATIR. Although in case of assessment year 2001-2002 the similar issue was decided by the ATIR in the Subsidiary companys favor, in the subject assessment year the ATIR, depating from the previous view, has decided the matter against the Subsidiary company. i.e maintaining the disallowance of FYA amounting to Rs. 1,884,359.

This disallowance resulted in tax deductible timing differences, the effects of which had been duly recognized by revising the income tax returns for the tax years 2003 to 2007 and 2009. Due to the aforesaid revision, a tax liability of Rs. 86,767 has arised in tax year 2008 which has been settled by adjusting the recoupable minimum tax brought forward from prior years.

11.3 Engro Eximp (Private) Ltd (the Subsidiary Company)

During the year 2010, the tax department raised demands of Rs. 239,902 and Rs. 1,708,621 for financial years 2006 and 2008 respectively, mainly on the disallowance of subsidy received by the Subsidiary Company on imported phosphatic fertilizer from the Government of Pakistan as allowable expense. The Commissioner Inland Revenue, on the Subsidiary Company's appeal thereagainst, had set aside the aforementioned amended orders with the directions to the Additional Commissioner Inland Revenue for denovo proceedings.

The Additional Commissioner Inland Revenue has initiated the proceedings as directed, which are in progress. The Subsidiary Company is however confident that the above issue will be decided in its favour without any additional tax liability and as such has not made provision for the aforementioned demand in this consolidated condensed interim financial information.

11.4 Engro Foods Limited (the Subsidiary Company)

a) The Company in accordance with section 59 B (Group Relief) of the Income TaxOrdinance, 2001 has surrendered to the Holding Company, its tax losses amounting to Rs. 4,288,134 out of the total tax losses of Rs. 4,485,498 for the years ended December 31, 2006, 2007 and 2008 (Tax years 2007, 2008 and 2009) for cash consideration aggregating Rs. 1,500,847, being equivalent to tax benefit/effect thereof.

The Company has been designated as part of the Group of Engro Corporation Limitedby the Securities and Exchange Commission of Pakistan (SECP) through its letterdated February 26, 2010. Such designation was mandatory for availing Group taxrelief under section 59 B(2)(g) of the Ordinance and a requirement under the Group Companies Registration Regulations, 2008, (the Regulations) notified by SECP on December 31, 2008.

Further, the Appellate Tribunal, in respect of surrender of aforementioned tax losses by the Company to the Holding Company for the years ended December 31, 2006 and 2007, decided the appeals in favour of the Holding Company, whereby, allowing the surrender of tax losses by the Company to the Holding Company. The taxdepartment has filed reference application thereagainst before the Sindh High Court, which is pending for hearing. However, in any event, should the reference application be upheld and the losses are returned to the Company, it will only culminate into recognition of deferred income tax asset thereon with a corresponding liability to theHolding Company for refund of the consideration received. As such there will be no effect on the results of the Company.

(Amounts in thousand)

b) The Subsidiary Company's appeal against the order of Commissioner of Income Tax (CIT) for reduction of tax loss from Rs. 1,224,964 to Rs. 1,106,493 for the tax year 2007, is currently in the process of being heard. However, the Subsidiary Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and hence the deferred tax asset recognized on taxable losses has not been reduced by the effect of the aforementioned disallowance.

c) Last year, the Commissioner Inland Revenue raised a demand of Rs. 337,386 for tax year 2008 by disallowing the provision for gratuity, advances and stock written-off, repair and maintenance, provision for bonus, sales promotion and advertisement expenses. Further, in the aforementioned order the consideration receivable from the Holding Company, on surrender of tax loss has been added to income for the year. The Subsidiary Company has filed an appeal before the Commissioner Appeals and has received his order on September 16, 2011, where by Commissioner has withdrawn demand amounting to Rs. 222,357 in favour of the Subsidiary Company. The Subsidiary Company now intends to file appeal at ITAT level for the remainder amounts which have been remanded back / disallowed. However, the Subsidiary Company, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and hence the deferred tax asset recognized on taxable losses has not been reduced by the effect of the aforementioned disallowance.

12. Earnings Per Share

There is no dilutive effect on the basic earnings per share of the Company, after taking into the effect of options granted on Company's shares to (i) employees under the Employee Share Option Scheme (based on average annual market share price of 2011) and (ii) IFC loan.

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	----(Rupees)----			
Profit attributable to the owners of the Holding Company	2,209,063	995,806	5,590,387	4,393,360
	----(Number)----			
		(Restated)		(Restated)
Weighted average number of ordinary shares	393,284	393,284	393,284	393,284

(Amounts in thousand)

13. Cash Generated / (Utilized In) Operations

	Nine months ended	
	September 30, 2011	September 30, 2010
	------------(Rupees)--------------	
Profit before taxation	8,038,107	4,759,252
Adjustment for non-cash charges and other items:		
Depreciation and amortization	3,734,368	2,011,274
Profit on disposal of property, plant and equipment's	(16,124)	(314,132)
Provision for retirement and other service benefits	261,248	202,623
Depreciation on revaluation surplus arising on business combination	7,652	5,870
Income on deposits / other financial assets	(994,233)	(269,667)
Share of income from joint venture companies	(390,530)	(396,671)
Financial charges	7,112,204	3,090,490
Employees share compensation expense	(3,075)	(48,888)
Employees housing subsidy expense	8,814	76,192
Exchange loss on foreign currency loans	553,349	-
Working capital changes (note 13.1)	449,017	(10,785,454)
	18,760,796	(1,669,111)

13.1 Working capital changes

Increase in current assets		
- Stores spares and loose tools	(1,178,101)	(2,144,944)
- Stock-in-trade	(5,221,093)	(8,413,587)
- Trade debts	50,231	(768,166)
- Loans, advances, deposits and prepayments	(613,757)	(984,749)
- Other receivables (net)	(429,447)	(27,209)
	(7,392,167)	(12,338,655)
Increase in current liabilities		
- Trade and other payable including other service benefits (net)	7,841,184	1,553,201
	449,017	(10,785,454)

14. Cash and Cash Equivalents

Cash and bank balances	2,199,946	127,859
Short term investments	7,285,326	1,004,013
Short term borrowings	(5,460,400)	-
	4,024,872	1,131,872

(Amounts in thousand)

15. Transactions with Related Parties

15.1 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:

	Nine months ended	
	September 30, 2011	September 30, 2010
	------------(Rupees)--------------	
Associates and joint ventures		
Purchases and services	9,443,925	7,334,910
Services rendered / sale of goods	1,706,481	1,055,495
Retirement benefits	342,674	284,044
Dividends paid	276,313	288,781
Payment of interest on TFCs and repayment of principal amount	105,218	57,522
Right shares issued (including share premium)		
Donations	40,151	72,480
Investment in mutual funds	2,485,000	1,321,000
Redemption of investments in mutual funds	2,084,900	983,208
Others		
Remuneration paid to key management personnel / directors	438,060	448,889
Dividends paid	6,795	10,609
Balances due from		
- Joint Venture	112,500	90,185

16. 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	Includes Independent Power Projects (IPP)
Other operations	Includes engineering, automation, chemical terminal & storage and trading businesses.

(Amounts in thousand)	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	--------(Rupees)--------			
Revenue				
Fertilizer	16,387,853	8,217,817	36,216,031	22,694,366
Polymer	4,281,667	3,702,841	12,312,847	10,557,412
Food	9,508,872	5,490,664	23,247,600	15,020,002
Power	2,178,102	1,731,873	5,958,613	3,739,058
Other operations	383,012	701,395	1,088,746	1,558,278
Consolidated	32,739,507	19,844,590	78,823,838	53,569,116
Profit / (loss) after taxation				
Fertilizer	2,226,113	869,420	4,714,531	3,960,946
Polymer	(137,734)	(175,884)	(247,360)	(428,393)
Food	(419,960)	227,802	(236,904)	(58,443)
Power	468,693	(3,316)	1,173,183	352,931
Other operations	379,294	983,422	1,057,854	1,303,138
Elimination - net	(307,343)	(905,637)	(870,917)	(736,819)
Profit attributable to the owners of the Holding Company	2,209,063	995,806	5,590,387	4,393,360
Non-controlling interest	(91,381)	(134,546)	(156,917)	(334,891)
Profit for the period	2,117,682	861,260	5,433,470	4,058,469

	Unaudited September 30, 2011	Audited December 31, 2010
	------------(Rupees)--------------	
Assets		
Fertilizer	108,422,586	103,137,514
Polymer	23,647,166	24,157,962
Food	22,072,304	14,030,946
Power	19,997,640	19,075,691
Other operations	35,374,302	32,113,990
Elimination - net	(29,026,046)	(27,737,651)
Consolidated	180,487,952	164,778,452

(Amounts in thousand)

17. Seasonality

Fertilizer business of Engro Fertilizers Limited and Engro Eximp (Private) Limited 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, urea and phosphatic fertilizers sales are more tilted towards Rabi season. Engro Fertilizers Limited and Engro Eximp (Private) Limited manages seasonality in their businesses through appropriate inventory management.

The 'ice cream' and 'juice' business of Engro Foods Limited is subject to seasonal fluctuation, with demand of ice cream and juice products increasing in summer. Engro Foods Limited's dairy business is also subject to seasonal fluctuation due to lean and flush cycle of milk collection. Therefore, revenues and profits are not necessarily indicative of result to be expected for the full year.

Majority of paddy / unprocessed rice is procured by Engro Eximp (Private) Limited 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. Engro Eximp (Private) Limited manages seasonality in the business through appropriate inventory management.

18. Non-adjusting Event After Balance Sheet Date

The Board of Directors in its meeting held on October 31, 2011 has approved an interim cash dividend of Rs. 2.00 per share for the year ending December 31, 2011 (December 31, 2010: Rs. 2 per share final cash dividend and bonus issue in the ratio of 1 share for every 5 shares held i.e. 20% bonus). This condensed interim financial information does not reflect the dividend payable.

19. Date 0f Authorisation for Issue

This consolidated condensed interim financial information is authorized for issue on October 31, 2011 by the Board of Directors of the Holding Company.

20. Corresponding Figures

20.1 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 audited financial statements of preceding financial year, whereas, the consolidated condensed interim profit and loss account, the consolidated condensed interim statement of comprehensive income, the consolidated condensed interim statement of changes in equity and the consolidated condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

20.2 Corresponding figures have been rearranged and reclassified for better presentation, wherever necessary, for the purpose of comparison.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

condensed interim balance sheet (unaudited) as at september 30, 2011

(Amounts in thousand)

	Note	(Unaudited) September 30, 2011	(Audited) December 31, 2010
		--------------(Rupees)	---------------
Assets			
Non-Current Assets			
Property, plant and equipment	5	140,055	136,178
Long term investments	6	26,202,861	26,136,701
Long term loans and advances	7	3,015,904	1,623,514
		29,358,820	27,896,393
Current assets			
Loans, advances and prepayments	8	252,018	139,910
Other receivables		235,014	197,453
Short term investments		3,883,301	1,970,603
Cash and bank balances		365,209	806,584
		4,735,542	3,114,550
Investments classified as held for sale	6.2	320,000	-
Total Assets		34,414,362	31,010,943

(Amounts in thousand)

	Note	(Unaudited) September 30, 2011	(Audited) December 31, 2010
		--------------(Rupees)---------------	
Equity & Liabilities			
Equity			
Share capital	9	3,932,843	3,277,369
Share premium		10,550,061	10,550,061
Employees' share option compensation reserve	10	74,813	74,813
General reserve		4,429,240	4,429,240
Unappropriated profit		7,762,624	8,722,156
		22,816,738	23,776,270
Total Equity		26,749,581	27,053,639
Liabilities			
Non-current liabilities			
Deferred taxation		1,172	1,297
Retirement and other service benefits obligations		4,986	1,550
		6,158	2,847
Current liabilities			
Trade and other payables		215,254	267,044
Accrued interest / mark-up		110,097	65,000
Borrowings	11	6,420,321	3,384,536
Taxation		50,035	57,247
Unclaimed dividends		862,916	180,630
		7,658,623	3,954,457
Total Liabilities		7,664,781	3,957,304
Contingencies and Commitments	12		
TOTAL EQUITY & LIABILITIES		34,414,362	31,010,943

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

condensed interim statement of comprehensive income (unaudited) for the nine months ended september 30, 2011

(Amounts in thousand except for earnings per share)

	Note	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine Months ended September 30, 2011	Nine Months ended September 30, 2010
		--(Rupees)	--		
Dividend income		112,500	1,035,000	871,519	1,215,000
Royalty income		142,833	44,832	340,150	172,571
		255,333	1,079,832	1,211,669	1,387,571
Administrative expenses		(123,803)	(82,546)	(303,238)	(162,936)
		131,530	997,286	908,431	1,224,635
Other operating income		554,669	49,037	886,929	300,613
Other operating expenses		(9,048)	(21,702)	(25,503)	(32,319)
Operating Profit		677,151	1,024,621	1,769,857	1,492,929
Finance cost		(219,131)	(143)	(520,222)	(1,742)
Profit before taxation		458,020	1,024,478	1,249,635	1,491,187
Taxation					
- Current		(37,432)	785	(111,777)	(81,049)
- Deferred		(1,880)	(20,969)	125	(20,228)
		(39,312)	(20,184)	(111,652)	(101,277)
Profit for the period		418,708	1,004,294	1,137,983	1,389,910
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		418,708	1,004,294	1,137,983	1,389,910
			(Restated)		(Restated)
Earnings per share - basic and diluted	13	Rs. 1.06	Rs. 2.55	Rs. 2.89	Rs. 3.53

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

condensed interim statement of changes in equity (unaudited) for the nine months ended september 30, 2011

(Amounts in thousand)	Share capital	Share premium	Employees share option compensation reserve	Hedging reserve	General reserve	Unappropriated profit	Total
	----------------	----------------	----------------	(Rupees)	----------------	----------------	----------------
Balance as at January 1, 2010 (audited)	2,979,426	10,550,061	288,258	(609,719)	4,429,240	9,250,972	26,888,238
Transactions with owners							
Transfer of hedging reserve to Engro Fertilizers Limited	-	-	-	609,719	-	-	609,719
Final dividend for the year ended December 31, 2009 @ Rs. 2 per share	-	-	-	-	-	(595,886)	(595,886)
Bonus shares issued during the period in the ratio of 1 share for every 10 shares held	297,943	-	-	-	-	(297,943)	-
Effect of changes in number of share options issued	-	-	(211,140)	-	-	-	(211,140)
1st interim dividend for the year ending December 31, 2010 @ Rs. 2 per share	-	-	-	-	-	(655,473)	(655,473)
	297,943	-	(211,140)	-	-	(1,549,302)	(1,462,499)
	297,943	-	(211,140)	609,719	-	(1,549,302)	(852,780)
Total comprehensive income for the nine months ended September 30, 2010	-	-	-	-	-	1,389,910	1,389,910
Balance as at September 30, 2010 (unaudited)	3,277,369	10,550,061	77,118	-	4,429,240	9,091,580	27,425,368
Transactions with owners							
Effect of changes in number of share options issued	-	-	(2,305)	-	-	-	(2,305)
2nd interim dividend for the year ending December 31, 2010 @ Rs. 2 per share	-	-	-	-	-	(655,473)	(655,473)
	-	-	(2,305)	-	-	(655,473)	(657,778)
Total comprehensive income for the three months ended December 31, 2010	-	-	-	-	-	286,049	286,049
Balance as at December 31, 2010 (audited)	**3,277,369**	**10,550,061**	**74,813**	**-**	**4,429,240**	**8,722,156**	**27,053,639**
Transaction with owners							
Final dividend for the year ended December 31, 2010 @ Rs. 2 per share	-	-	-	-	-	(655,474)	(655,474)
Bonus shares issued during the period in the ratio of 1 share for every 5 shares held	655,474	-	-	-	-	(655,474)	-
1st interim dividend for the year ending December 31, 2011 @ Rs. 2 per share	-	-	-	-	-	(786,567)	(786,567)
	655,474	-	-	-	-	(2,097,515)	(1,442,041)
Total comprehensive income for the nine months ended September 30, 2011	- -	- -	- -	- -	- -	- 1,137,983	- 1,137,983
Balance as at September 30, 2011 (unaudited)	3,932,843	10,550,061	74,813	-	4,429,240	7,762,624	26,749,581

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

condensed interim statement of cash flows (unaudited) for the nine months ended september 30, 2011

(Amounts in thousand)

	Note	Nine Months ended September 30, 2011	Nine Months ended September 30, 2010
		------------(Rupees)------------	
Cash flows from operating activities			
Cash utilized in operations	14	(93,109)	(114,363)
Retirement and other service benefits paid		(27,776)	(15,512)
Taxes paid		(118,989)	(56,130)
Long term loans and advances - net		(13,049)	(1,226,919)
Net cash utilized in operating activities		(252,923)	(1,412,924)
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		(37,319)	(71,158)
Proceeds from disposal of PPE		1,875	3,727
Loan disbursed to Engro Fertilizers Limited		(1,500,000)	-
Long term investments		(656,160)	(2,052,100)
Proceeds from disposal of long term investments		675,000	-
Income on deposits / other financial assets including income earned on subordinated loan to subsidiaries		590,929	161,643
Dividends received		849,019	1,327,500
Net cash utilized in investing activities		(76,656)	(630,388)
Cash flows from financing activities			
Payment of financial charges		(442,085)	(1,742)
Proceeds from borrowings		3,002,743	300,000
Dividends paid		(759,756)	(624,290)
Net cash generated from / (utilized in) financing activities		1,800,902	(326,032)
Net increase / (decrease) in cash and cash equivalents		1,471,323	(2,369,344)
Cash and cash equivalents at beginning of the year		2,777,187	3,501,216
Cash and cash equivalents at end of the period	15	4,248,510	1,131,872

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

notes to the condensed interim financial information (unaudited) for the nine months ended september 30, 2011

(Amounts in thousand)

1. Legal Status and Operations

Engro Corporation Limited (the Company) is a public listed company incorporated in Pakistan under the Companies Ordinance, 1984 and its shares are quoted on Karachi, Lahore and Islamabad stock exchanges of Pakistan. The principal activity of the Company is to manage investments in subsidiary companies and joint venture, engaged in fertilizers, PVC resin manufacturing and marketing, control and automation, food, energy, exploration 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

This condensed interim financial information is unaudited and has been prepared in accordance with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting' and provisions and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where the requirements differ, the provisions or directives issued under the Ordinance have been followed. This condensed interim financial information is being submitted to the shareholders in accordance with section 245 of the Ordinance and should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2010.

3. Accounting Policies

3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the financial statements for the year ended December 31, 2010, except for changes resulting from initial application of standards, amendments or an interpretation to existing standards as stated in note 3.2 which though adopted does not have any impact on this condensed interim financial information.

3.2 Following new standards, amendments to standards and interpretations are mandatory for the financial year beginning on or after January 1, 2011, but are either not currently relevant to the Company or do not have any significant effect on the Company's financial information:

- IFRS 1 (Amendment), 'First time adoption, on financial instrument disclosures';
- IFRS 7 (Amendment), 'Financial instruments: Disclosures';
- IAS 1 (Amendment), 'Presentation of financial statements';
- IAS 24 (Revised), 'Related party disclosures';
- IAS 32 (Amendment), 'Financial instruments: Presentation on classification of rights issues';
- "IAS 34 (Amendment), ‘Interim financial reporting’;"
- IFRIC 4, 'Determining whether an agreement contains a lease';
- IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement'; and
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'

3.3 Following new standards, amendments and interpretations to published standards are not effective for the accounting period beginning January 1, 2011 and have not been early adopted by the Company:

- IFRS 7 (Amendment), 'Financial instruments: Disclosures';
- IFRS 9, 'Financial instruments';
- IFRS 10, 'Consolidated financial statements';
- IFRS 11, 'Joint arrangements';
- IFRS 12, 'Disclosure of interests in other entities';
- IFRS 13, 'Fair value measurements';
- IAS 1 (Amendment), 'Presentation of financial statements';
- IAS 12 (Amendment), 'Income taxes';
- IAS 19 (Revised), 'Employee benefits';

(Amounts in thousand)

- IAS 27 (Revised), 'Separate financial statements'; and
- IAS 28 (Revised), 'Associates and joint ventures'.

4. Accounting Estimates

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. 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, 2010.

5. Property, Plant and Equipment

	Unaudited September 30, 2011	Audited December 31, 2010
	--------------(Rupees)	---------------
Operating assets, at net book value (note 5.1)	114,311	117,083
Capital work in progress	25,744	19,095
	140,055	136,178

5.1 Additions to operating assets during the period / year amounted to Rs. 37,319 (December 31, 2010: Rs. 84,968). Operating assets costing Rs. 8,050 (December 31, 2010: Rs. 11,437), having a net book value of Rs. 2,178 (December 31, 2010: Rs. 4,191), were disposed off during the period / year for Rs. 1,875 (December 31, 2010: Rs. 4,477).

6. Long Term Investments

6.1 During the nine months ended September 30, 2011

6.1.1 Engro Eximp (Private) Limited has issued bonus shares to the Company at 134.3% i.e. 64,500,000 shares;

6.1.2 Engro Foods Limited has issued 48,000,000 right shares which upon renunciation by the Company were privately placed with institutional investors; and

6.1.3 the Company has partially disposed off its share holding in Engro Foods Limited to the general public through Initial Public Offer (IPO) by offering 27,000,000 ordinary shares at an offer price of Rs. 25 per share.

6.1.4 the Company has incorporated a wholly owned subsidiary, Engro Foods Netherlands B.V in Netherlands through which it has acquired an existing brand of halal meat business known as "Al-Safa", engaged in supplying a variety of packaged halal foods across North America.

6.1.5 the Company has disposed off its entire share holding in the paid-up capital of Agrimall (Pvt) Ltd, which was transferred free of cost to it, at a consideration of Rupee one through a Share Purchase Agreement.

(Amounts in thousand)

6.2 The Board of Directors of the Company have resolved to offer its direct ten percent shareholding in Engro Powergen Qadirpur Limited, i.e. 32,000,000 ordinary shares to general public and institutional investors through an offer for sale at an offer price which has not yet been finalized.

7. Long Term Loans and Advances

This includes Rs. 3,000,000 (December 31, 2010: Rs. 1,500,000) in respect of sub-ordinated loan provided to Engro Fertilizers Limited, a wholly owned subsidiary. The rate of markup charged on the loan is 17.1% (December 31, 2010: 15.5%). The loan is sub-ordinated to the facilities provided to the subsidiary by its banking creditors and is repayable in one lump sum instalment due on September 15, 2015.

8. Loans, Advances and Prepayments

The current period balance includes Rs. 241,318 sub-ordinated loan to Avanceon Limited, a subsidiary company. The loan carries mark-up at the rate of six months KIBOR plus a margin of 4% payable on quarterly basis. The loan is sub-ordinated to the facilities provided to the subsidiary by its banking creditors and is repayable in two installments due on October 23, 2011 and April 23, 2012 respectively. As at December 31, 2010, the first installment was classified under current assets and the other as long term.

9. Share Capital

9.1 Authorised Capital

(Unaudited) September 30, 2011	(Audited) December 31, 2010		(Unaudited) September 30, 2011	(Audited) December 31, 2010
---------(Number of shares)----------			---------------(Rupees)-------------	
450,000,000	350,000,000	Ordinary shares of Rs.10 each (note 9.3)	4,500,000	3,500,000

Issued, subscribed and paid-up capital

185,354,484	185,354,484	Ordinary Shares of Rs.10 each fully paid in cash	1,853,545	1,853,545
207,929,699	142,382,335	Ordinary shares of Rs.10 each issued as fully paid bonus shares	2,079,298	1,423,824
393,284,183	327,736,819		3,932,843	3,277,369

(Amounts in thousand)

9.2 Movement in issued, subscribed and paid-up capital during the period year

Unaudited September 30, 2011	Audited December 31, 2010		Unaudited September 30, 2011	Audited December 31, 2010
---Numbers---			---Rupees---	
327,736,819	297,942,563	At beginning of the period/year	3,277,369	2,979,426
65,547,364	27,794,256	Ordinary shares of Rs 10 each issued during the period as fully paid bonus shares (Note 9.3)	655,474	297,943
393,284,183	327,736,819		3,932,843	3,277,369

9.3 During the current period the Company:

- increased authorised capital from Rs. 3,500,000 to Rs. 4,500,000; and
- issued bonus shares in the ratio of 1 share for every 5 shares held.

9.4 Associated companies held 187,330,772 (December 31, 2010: 158,516,740) ordinary shares in the Company at period / year end.

10. Employee Share Option Scheme

10.1 Consequent to the bonus issue in the current period, the exercise price was adjusted to Rs. 155.70 from Rs. 186.84 per share. This change has been duly approved by the Securities and Exchange Commission of Pakistan (SECP). The aforementioned reduction in exercise price has no effect on the fair value of share options recognized in the financial statements.

11. Borrowings

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
	---(Rupees)---	
Engro Rupiya Certificate I (note 11.1)	3,775,040	3,384,536
Engro Rupiya Certificate II (note 11.2)	2,645,281	-
	6,420,321	3,384,536

11.1 Represents amount raised from general public against the issuance of Engro Rupiya Certificates I (net of unamortized transaction cost of Rs.174,387). The profit is payable semi-annually at the fixed rate of 14.5% from the date of investment by the Certificate holders. The Certificates are issued for a tenure of three years and are structured to redeem 0.1% of principal in five equal semi-annual installments in the first 30 months and the remaining 99.9% principal in 36th month from the date of issue. The Certificate holder, however, may ask the Company for early redemption at any time from the date of investment subject to service charge of 2% of the outstanding issue price.

11.2 During the current period, the Company has issued Engro Rupiya Certificate II to general public and received subscription money thereagainst amounting to Rs. 2,674,750 till Sep 30, 2011 (net of unamortized transaction cost of Rs. 80,070). The Certificates were available till September

(Amounts in thousand)

30, 2011 on first come first serve basis. The profit is payable semi-annually at the fixed rate of 14.5% from the date of investment by the Certificate holders. The Certificates are issued for a tenure of three years and are structured to redeem 100% of principal amount in the 36th month. The Certificate holder, however, may ask the Company for early redemption at any time from the date of investment subject to service charge of 2% of the outstanding issue price.

The Certificates are secured by way of first ranking pari passu floating charge over all the present and future movable properties of the Company except for present and future trade marks, copy rights and certain investment in subsidiary companies.

The IGI Investment Bank Limited has been appointed as Trustee in respect of these certificates.

12. Contingencies and Commitments

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
	---------------(Rupees)	-------------
12.1 Corporate Guarantees issued in favour of Subsidiary Companies:		
- Engro Fertilizers Limited (note 12.2)	61,479,759	65,642,000
- Engro Powergen Qadirpur Limited (note 12.4)	874,878	857,000
- Avanceon Limited	242,000	242,000

12.2 The Company in addition to above has also issued a Corporate Guarantee to International Finance Corporation (IFC) for USD 80,000 under the Amended Agreement entered into by the Subsidiary Company with IFC. As at June 30, 2011, the total amount of the facility has been drawn down by the Subsidiary Company. Further, IFC has an option to convert a tranche of the disbursed loan amounting to USD 15,000, into ordinary shares of the Company at Rs. 205 per ordinary share calculated at the dollar rupee exchange rate prevailing on the business day prior to the date of notices issued by IFC to exercise the conversion option. Such option is to be exercised within a period of no more than five years from the date of disbursement of loan (i.e. December 28, 2009).

The Company has also entered into an agreement with the Subsidiary Company that in the event IFC exercises the aforementioned conversion option, the IFC loan amount then outstanding against the Subsidiary Company would stand reduced by the conversion option amount and the Subsidiary Company would pay the rupee equivalent of the corresponding conversion amount to the Company which would simultaneously be given to Subsidiary Company as a subordinated loan, carrying mark-up payable by the Company for rupee finances of like maturities plus a margin of 1%. The effect of IFC conversion in substance would result in loan from the Company having the same repayment terms / dates as that of the extinguished loan of IFC i.e. three half yearly installments commencing from September 15, 2015.

12.3 During the current period, the project completion support aggregating USD 15,400 to the lenders of Engro Powergen Qadirpur Limited has expired.

12.4 Represents Corporate Guarantee amounting to USD 10,000 issued to Allied Bank Limited to open DSRA letter of credit in favour of the Subsidiary Company's senior long term lenders.

12.5 Commitment in respect of investment in Engro Polymer & Chemicals Ltd for Rs 562,000 by way of subscription of right shares (approved from the Board on 14 Feb 2011 and by shareholders at the AGM held on 31 Mar 2011).

(Amounts in thousand)

13. Earnings Per Share

There is no dilutive effect on the basic earnings per share of the Company, after taking into the effect of options granted on Company's shares to (i) employees under the Employee Share Option Scheme (based on average annual market share price of 2011) and (ii) IFC referred to in note 12.2.

	Quarter ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(Rupees)			
Profit after taxation	418,708	1,004,294	1,137,983	1,389,910
	Number			
		(Restated)		(Restated)
Weighted average number of ordinary shares (in thousand)	393,284	393,284	393,284	393,284

14. Cash Utilized in Operations

	NIne months ended	
	September 30, 2011	September 30, 2010
	(Rupees)	
Profit before taxation	1,249,635	1,491,187
Adjustment for non-cash charges and other items:		
Depreciation / amortization	31,266	12,075
Loss on disposal of property, plant and equipment	303	464
Provision for retirement and other service benefits	33,421	15,318
Income on deposits / other financial assets	(506,803)	(195,862)
Dividend income	(871,519)	(1,215,000)
Financial charges	520,222	1,742
Employee share compensation expense - net	-	(82,572)
Capital gain on long term investments	(371,823)	-
Working capital changes (note 14.1)	(177,811)	(141,715)
	(93,109)	(114,363)

(Amounts in thousand)	Nine months ended September 30, 2011	 September 30, 2010
	--------------(Rupees)---------------	
14.1 Working capital changes		
(Increase) / decrease in current assets		
- Loans, advances and prepayments	8,551	(19,654)
- Other receivables (net)	(134,572)	(999)
	(126,021)	(20,653)
Decrease in current liabilities		
- Trade and other payables	(51,790)	(121,062)
	(177,811)	(141,715)

15. Cash and Cash Equivalents

Cash and bank balances	365,209	127,859
Short term investments	3,883,301	1,004,013
	4,248,510	1,131,872

16. Transactions with Related Parties

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in this condensed interim financial information, are as follows:

	Nine months ended September 30, 2011	 September 30, 2010
	--------------(Rupees)---------------	
Subsidiary companies		
Purchases and services	8,923	-
Services rendered	136,921	115,529
Mark-up from subsidiaries	233,819	34,035
Disbursement of loan	15,000,000	1,200,000
Royalty income	344,752	172,571
Dividend received	444,019	-

(Amounts in thousand)

Associated companies		
Purchases and services	5,732	3,687
Retirement benefits	18,975	15,438
Dividend paid	276,313	288,781
Bonus shares issued	187,331	-
Donations	40,000	27,750
Investment in Mutual Funds	910,000	922,000
Redemption of investment in Mutual Funds	1,200,542	790,903
Joint ventures		
Services rendered	2,280	836
Dividend received	517,500	315,000
Others		
Dividend paid	6,795	10,609
Directors' fees	8,400	7,850
Remuneration of key management personnel	70,918	142,772

17. Non-Adjusting Events After Balance Sheet Date

The Board of Directors in its meeting held on October 31, 2011 has approved an interim cash dividend of Rs. 2.00 per share for the year ending December 31, 2011 (December 31, 2010: Rs. 2.00 per share final cash dividend and bonus issue in the ratio of 1 share for every 5 shares held i.e. 20% bonus). This condensed interim financial information does not reflect the dividend payable.

18. Date of Authorisation for Issue

This condensed interim financial information was authorised for issue on October 31, 2011, by the Board of Directors of the Company.

19. Corresponding Figures

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

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

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