



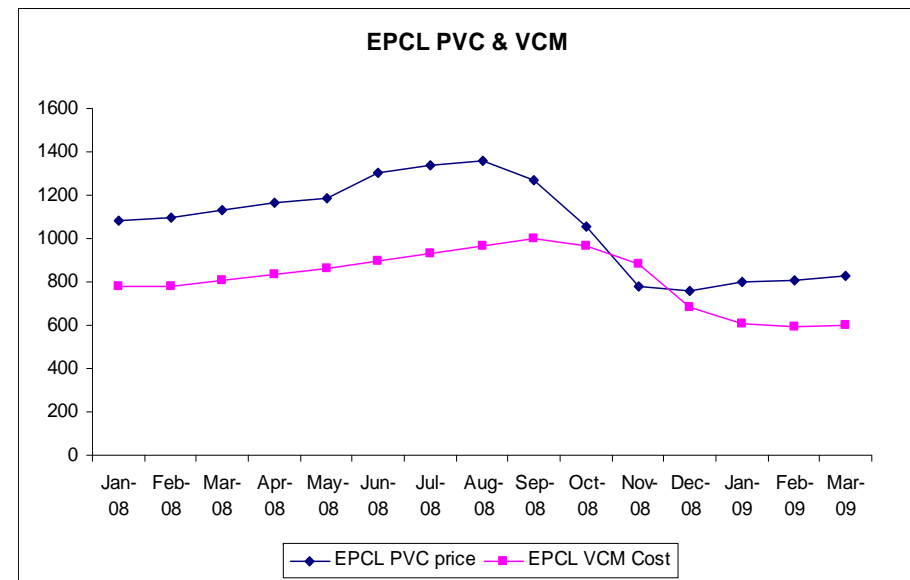
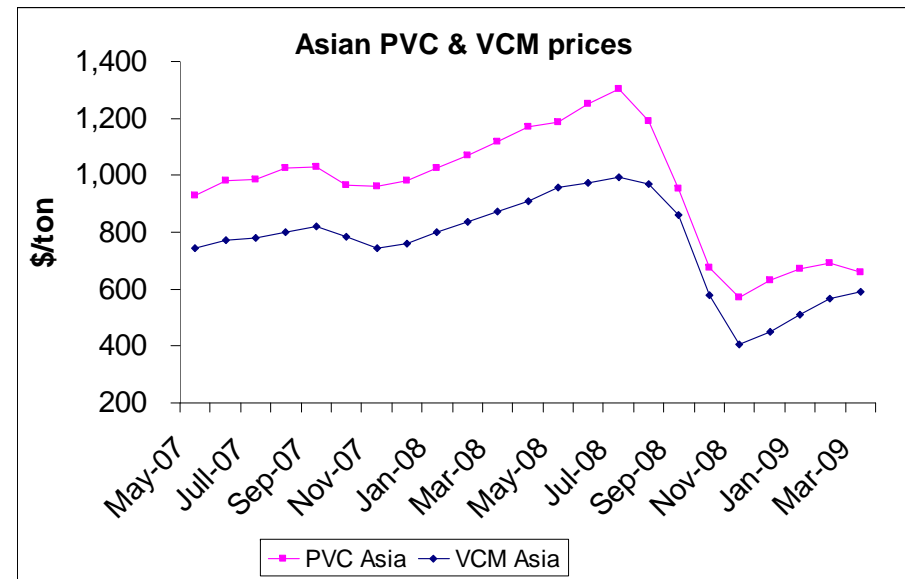
Engro Polymer and Chemicals Limited

1Q'09 Business Results

Fourth Analyst Briefing
May 5th, 2009

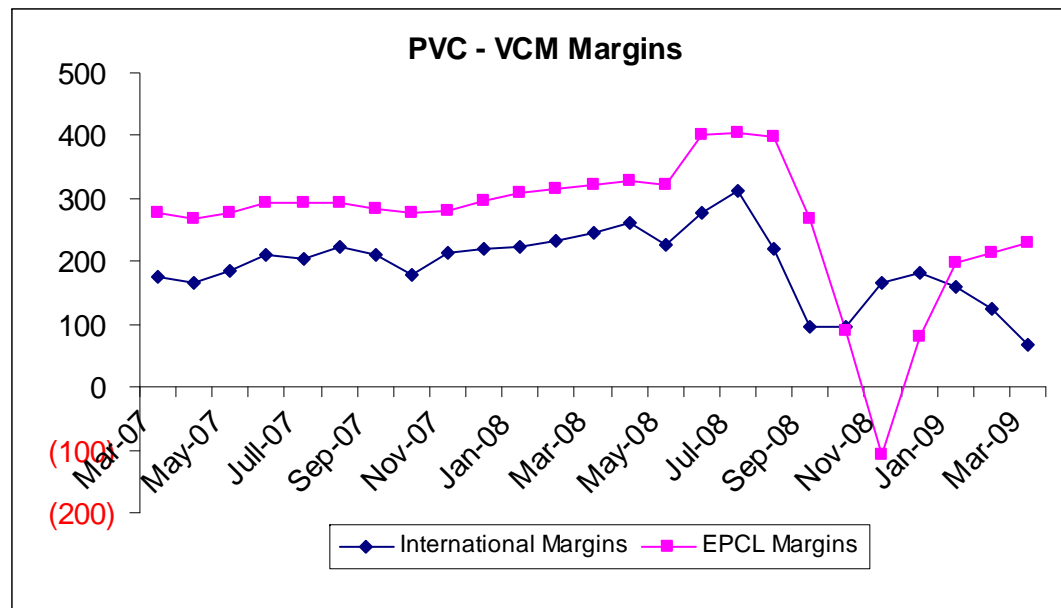
Market Environment

- International PVC and VCM prices stabilized during 1Q09
- However, the increase in VCM prices was greater than PVC prices as VCM supply remained tight.
- EPCL PVC prices also stabilized.
- Despite rising VCM prices, EPCL's VCM cost remained lower than international price due to our buying formula, linked with previous month's price.



PVC – VCM Margins

- International PVC – VCM margin declined from 4Q'08 as VCM price recovery was greater than PVC, due to high demand for VCM in international market
- EPCL PVC – VCM Margin improved during the first quarter due to improvement in international PVC prices and EPCL VCM buying formula, based on one month lag
- However, margins were lower as compared to 1Q'08 when economic conditions were favorable



Key Events

- Achieved 10.38M man-hrs without LWI. Plant operations remained safe and NEQS compliant
- PVC-2 Guarantee Test Run completed
- 1Q09 sales of 28.9 kt were highest for any quarter in company history
- 9.12 kt PVC resin exported during 1Q09
- Agreement signed with KESC to sell available surplus power

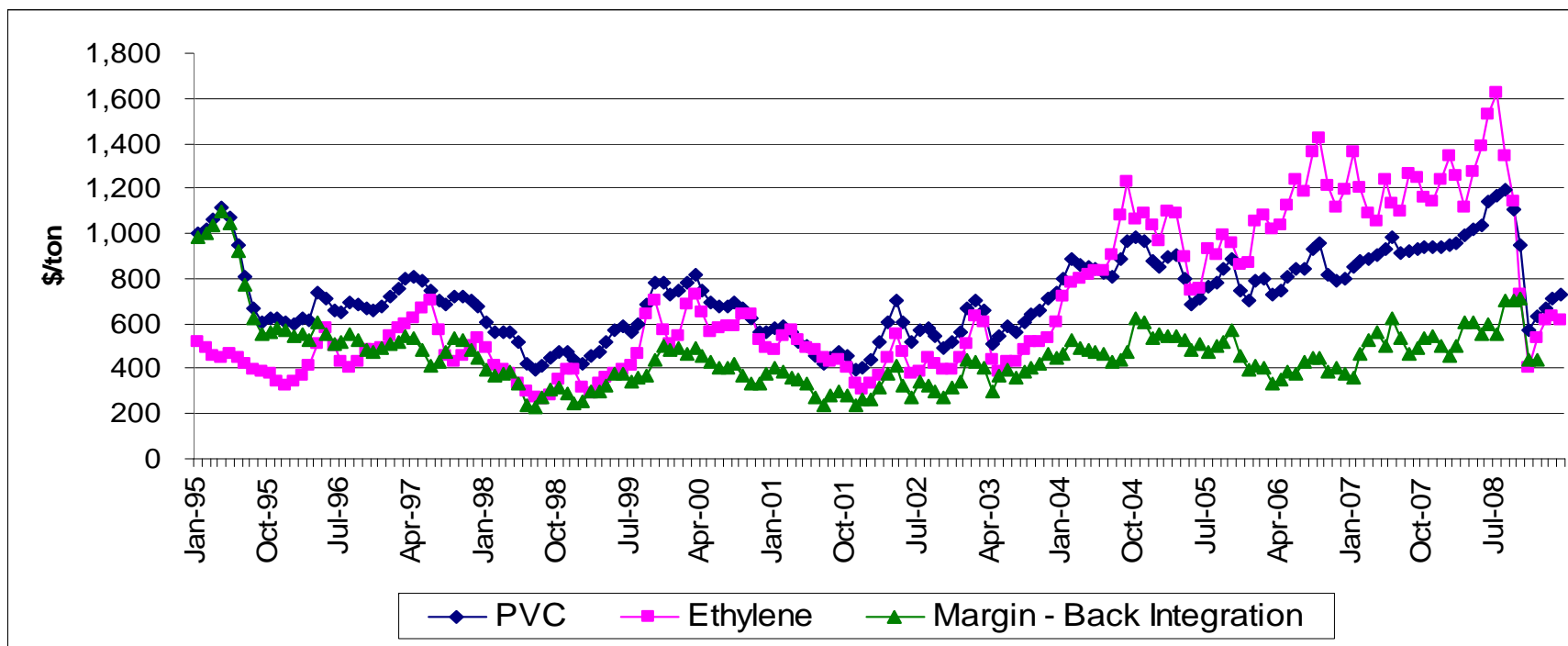
Operating Highlights – 2009

		1Q 2009	1Q 2008
Production	kT	26	26
Sales Volume – Domestic	kT	29	25
Sales Volume – Export	kT	9	1
EPCL PVC-VCM Margin	\$/ton	211	316

Financial Highlights – 2009 vs. 2008

Rs. 000	Quarter Ended March 31, 2009	Quarter Ended March 31, 2008	Explanation
Net Sales	2,379,287	1,895,335	+3.5kt domestic sales, + 7.9kt exports sales, 25% PKR devaluation partly offset by drop in USD prices
Cost of goods manufactured	(1,690,569)	(1,512,467)	Lower USD VCM price partly offset by devaluation. Increase on account of higher salaries and depreciation of new plant. Significant increase also attributable to higher gas price from Rs. 248/MMBTU to Rs. 340/MMBTU as well as higher gas consumption as gas turbine ran on lower load
Inventory Change	(604,224)	(20,542)	Inventory from last quarter used up in this quarter. In corresponding period, sales was almost equal to production whereas in this quarter, sales were 38kt against 26kt production
Cost of goods sold	<u>(2,294,793)</u>	<u>(1,533,009)</u>	
Gross Profit	84,494	362,326	
Distribution & Administration expenses	(79,698)	(68,373)	
Other operating expenses	(48,114)	(22,079)	Increase primarily due to exchange losses on import of raw material, revaluation of retention money and revaluation of foreign currency loan.
Other operating income	13,867	53,341	Due to reduction of Rs. 48 M in interest income on deposits.
Operating profit	<u>(56,955)</u>	<u>302,598</u>	
Finance Costs	(58,364)	(7,807)	Higher finance charges due to operationalisation of new PVC plant and finance costs pertaining to loans used to finance it. Remaining amount relates to running finance utilisation for increased working capital requirements.
Profit before taxation	(115,319)	294,791	
Taxation	40,362	(100,035)	Reversal of deferred tax liabilities as a result of increase in tax losses.
Profit for the year	<u>(74,957)</u>	<u>194,756</u>	
Earnings per share - basic and diluted (Rupees)	(0.14)	0.38	

Back Integration & Historical PVC-Ethylene Delta



Moving Averages	Project Assumptions	5 yr	3 yr	1 yr	Feb-09	Mar-09
(\$/ton)						
PVC	750	871	900	911	712	733
Ethylene	800	1,063	1,130	987	634	616
NaOH CIF	246	313	346	394	370	367
Domestic Margin	468	496	500	561	469	500

Outlook

- PVC demand in the domestic market expected to remain robust in 2Q'09
- Increase in load shedding may affect the capability of down stream processors
- PVC-VCM margins expected to be lower in 2Q'09 than 1Q'09
- Profit expected to remain under pressure due to tighter margins, higher fixed costs and financial charges till the integrated complex comes fully into production.
- Integrated site expected to be in operation by end of 2Q'09
- Sale of power to KESC is scheduled to start in 3Q'09