Engro Polymer and Chemicals Limited

4Q 2008 & 2008 Business Results

Third Analyst Briefing

February 10th 2009

Key Events

2008

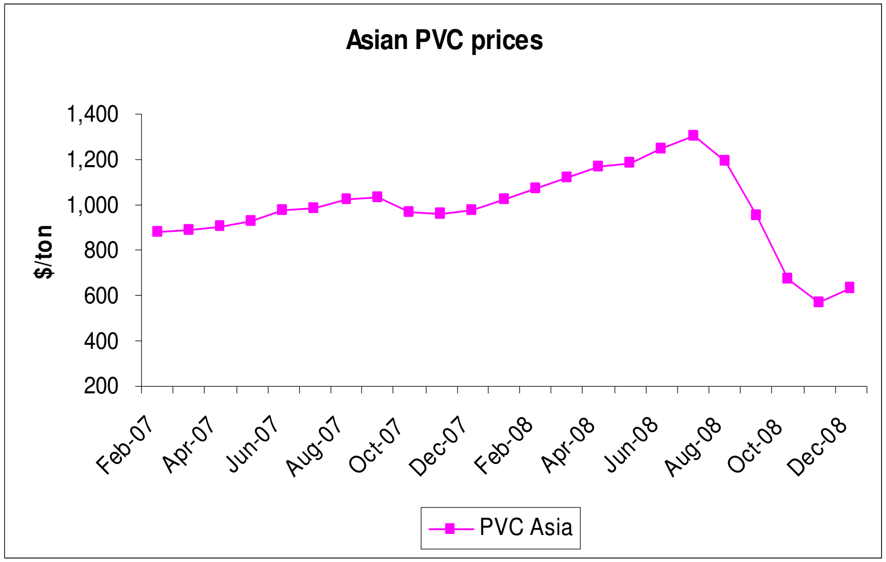
- 8.9 million man hours without a Lost Work Injury (LWI)
- Commercial production of additional 50kT of PVC from 1st January 2009
- Highest annual production for any year in 2008 (99 kT vs. 97 kT in 2006)
- Best ever domestic sales in 2008 (98kT vs. 94kT last year)
- Annual scrap import declined by 6% over last year

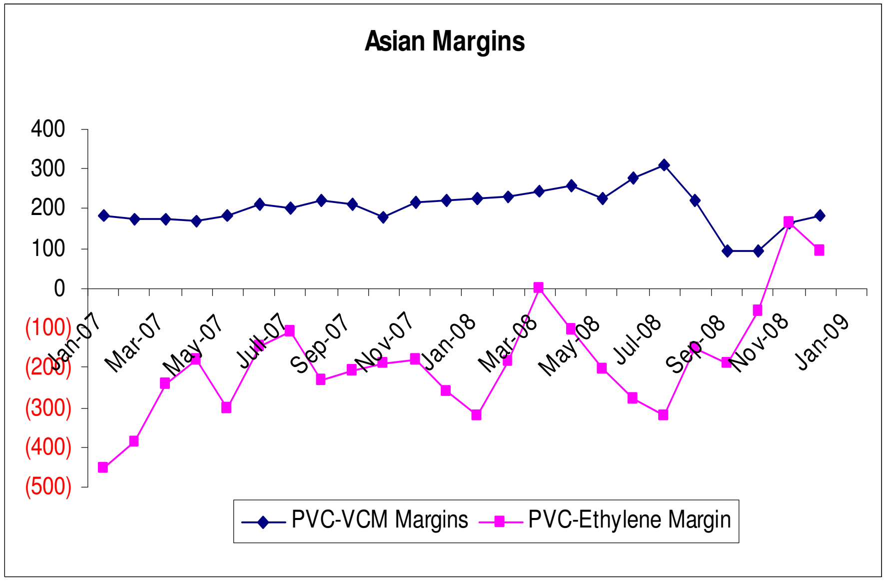
Fourth Quarter

- International PVC prices after bottoming out in November, averaged above $600/ton in December.
- Production for the quarter was 28 kT as compared to 27 kT last year.
- Domestic sales in 4Q08 dropped by 1% over last year

PVC Market Environment

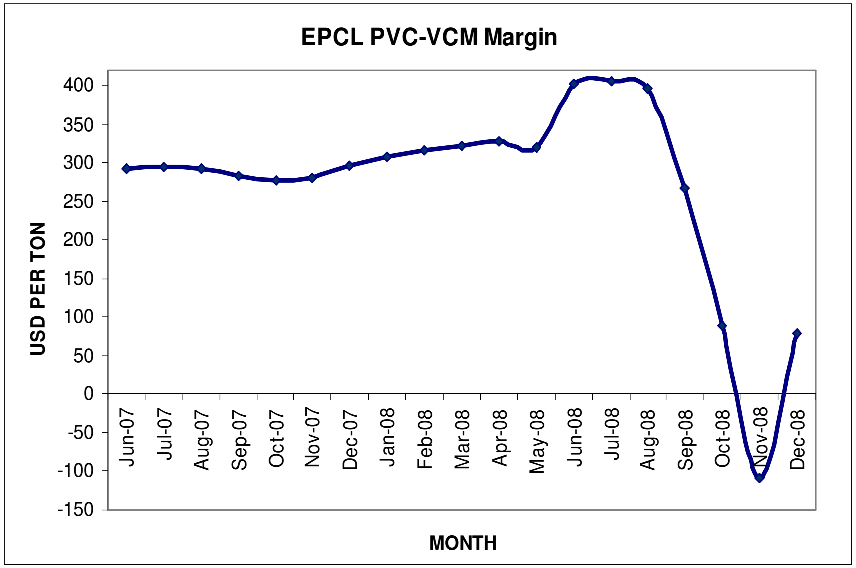
- Decreasing price trend continued into 4th qtr.
- Prices bottomed out in mid-November
- However, supply tightness in global markets and depleting inventories caused manufacturers to make higher offers towards the end of the year.
- PVC – Ethylene Margins, after remaining negative during the last two years became positive in Dec 08.

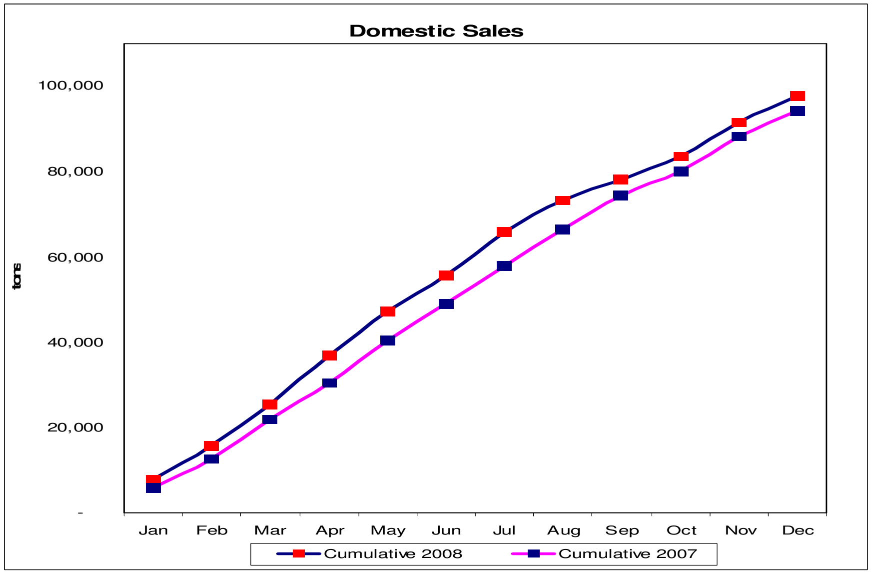




PVC Market Environment

- EPCL's PVC-VCM margin went into the red during Nov and improved in Dec after inventory write down.





- EPCL domestic sales for the fourth quarter were marginally lower than last year due to economic slow down and declining PVC prices.

- YoY domestic sales grew by 4% over last year.

Operating Highlights – 2008

		2008	2007
Production	kT	103	94
Sales Volume – Domestic	kT	98	94
Sales Volume – Export	kT	1	-
EPCL PVC-VCM Margin	$/ton	265	277

		Q4 2008	Q4 2007
Production	kT	28	27
Sales Volume – Domestic	kT	20	20
Sales Volume – Export	kT	-	-
EPCL PVC-VCM Margin	$/ton	(30)	284

Financial Highlights – 2008 vs. 2007

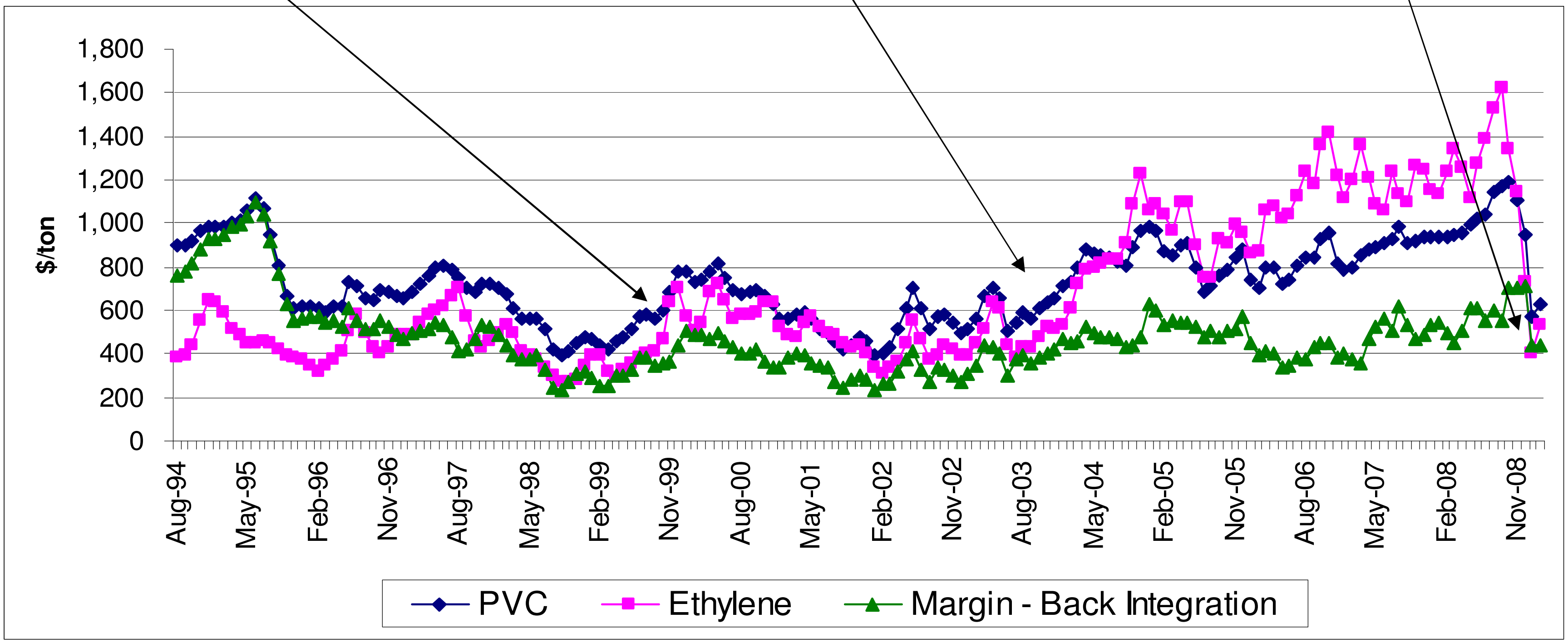
Rs. 000	**Year Ended December 31, 2008**	**Year Ended December 31, 2007**	**Explanation**
Net Sales	7,847,606	6,032,708	Positive variation due to: a) Domestic sales volume increased by 1,808 MT excluding additional export sale of 1,232 MT; b) Average price increased by $114 per ton.
Cost of goods sold	(6,736,218)	(5,074,530)	
Gross Profit	**1,111,388**	**958,178**	Impact of higher contribution margin due to favorable PVC-VCM margin and higher volume
Distribution & Administration expenses	(311,640)	(258,754)	
Other operating expenses	(289,828)	(70,026)	Variance includes: a) Rs.18M provision created against VCM custom duty currently under litigation; b) Rs. 210M loss from currency fluctuations on raw material imports and exchange loss on retention money; c) Workers profit participation fund and Workers Welfare Fund accrual decreased by Rs. 10M in the current period.
Other operating income	145,177	119,440	In second half of last year, the company received additional equity resulting in income from investment of surplus funds.
Operating profit	**492,057**	**617,226**	
Finance Costs	(33,529)	(41,409)	Decrease in mark due to repayment of long term finances and morahabas.
Profit before taxation	**458,528**	**575,817**	
Taxation	(105,243)	(154,241)	Lower tax due to: a) elimination of turnover tax in Finance Act, 2008; b) Borrowing cost on expansion loan capitalized but treated as expense for the purpose of tax calculation; c) unrealized exchange losses recognized during the year but deductible for tax purposes upon realization..
Profit for the year	**353,285**	**421,576**	
(Rupees)	0.68	1.64	
Dividend	252,896	373,800	

Back Integration & Historical PVC-Ethylene Delta

Margins more sensitive to absolute PVC price

Margins remain healthy in spite of low PVC-Ethylene delta

Low PVC prices squeezed Integrated margins



Moving Averages	Project Assumptions	5 yr	3 yr	1 yr	Nov-08	Dec-08
($/ton)						
PVC	750	878	910	1,032	570	630
Ethylene	800	1,070	1,194	1,296	404	536
NaOH CIF	246	281	320	374	394	392
Domestic Margin	468	483	477	535	437	439

2009 Outlook

- Pakistan's first integrated chemical complex to be ready by the end of 1H09, adding Caustic Soda, Sodium Hypochlorite & Hydrochloric acid to company product line.

- PVC prices and PVC –VCM margin expected to remain under pressure in 2009 due to expected weak demand on account of global economic crisis.

- Domestic PVC demand is expected to remain stagnant mainly because of the slowdown in construction industry. Activity in agricultural sector and conversion of scrap to resin expected to have positive impact on demand.

- Surplus production of PVC during 2009 due to enhancement of capacity to be exported.

Caustic Soda

- EPCL's location in the South provides it with freight advantage
- Lowest energy cost due to combined cycle power plant
- 100% value addition of Chlorine
- EPCL to provide its customers iron & contamination free product delivered just in time through its dedicated, theft proof vehicles.
- Competitive player in export market

THANK YOU