



Engro Chemical Pakistan Limited 2008 Business Results

Security Analysts' Briefing
January 23rd, 2009

A photograph of a cotton field with tall cotton plants and their characteristic fluffy bolls, set against a bright sky.

Urea Market Environment

- Market demand for Urea stood at 5.5 million tons for the full year 2008 , an increase of 12% over the same period last year (4.9 Million tons) despite major shortages.
- Increase is attributable to three major reasons:
 - Negative growth of 6.2% in 2007 over 2006.
 - Increase in area under BT Cotton (which requires greater application of fertilizer over conventional cotton varieties), &
 - Lower application of phosphatic fertilizer and related market uncertainties.
- Local production at 4.98 million tons was 5% higher for 2008 as compared to 4.76 million tons last year.
- Whereas the demand for Urea increased, the supply of urea got severely impacted due to late arrival of imports. Trade Corporation of Pakistan (TCP) imported 0.44 million tons. Most of this imported urea was sold through National Fertilizer Marketing Limited (NFML).

The title "Urea Market Environment, continued..." is written in a bold, italicized, dark blue font. It is positioned below a green horizontal bar and above a thin black horizontal line.

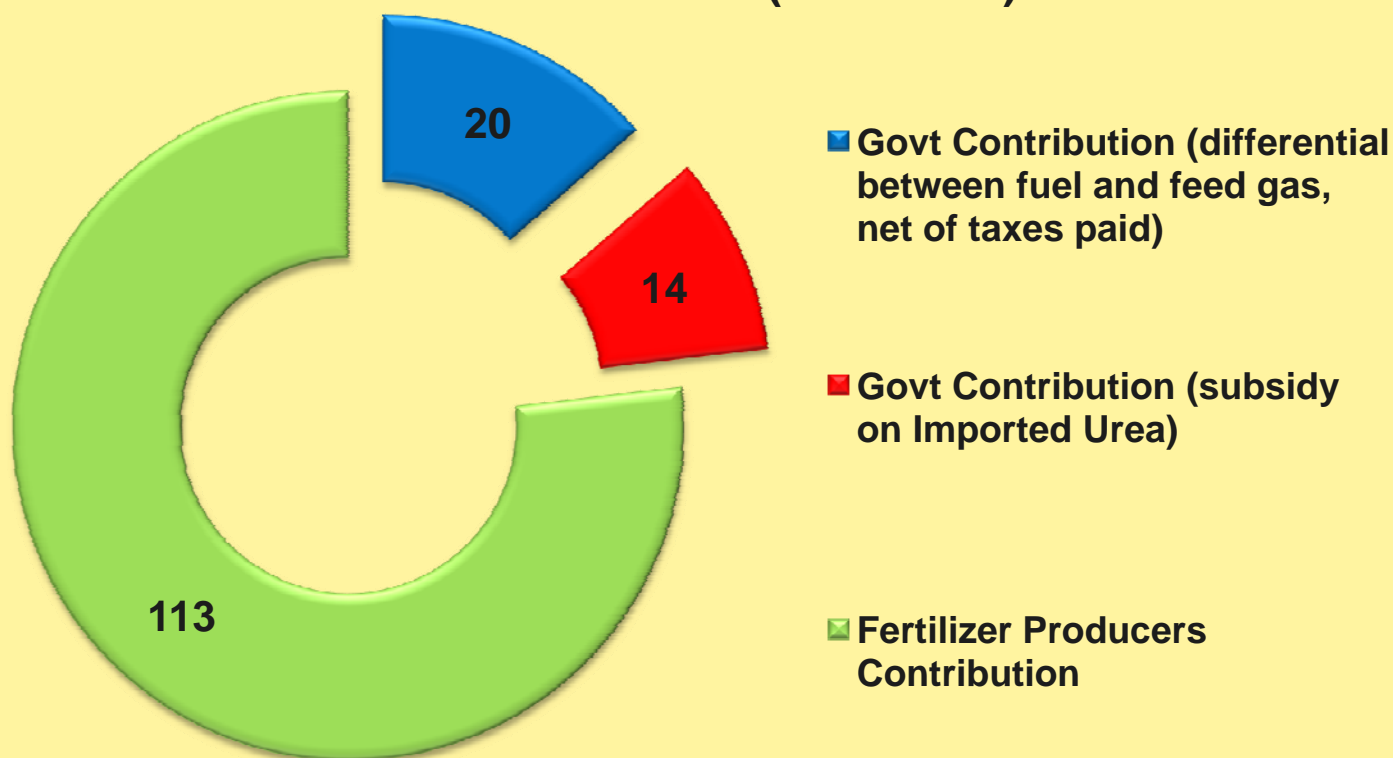
Urea Market Environment, continued...

- Shortage of Urea in the domestic market led to price flare up creating significant stress on the Industry, which worked in close coordination with Government at federal, provincial and district levels to manage the situation.
- International urea prices like other commodities fell sharply during the 4th qtr mainly due to the international economic downturn. The average landed price of imported urea was approximately Rs. 2,000 (\$ 560/ton) against the prevailing average domestic price of Rs. 605 per bag. Spot landed price of imported urea is approximately Rs 1,200 per bag.
- The fertilizer industry continues to make significant contribution to the agricultural economy, by keeping domestic prices substantially lower than international prices.

Urea Market Environment, continued...

- The industry provided a subsidy to farmers of approximately Rs. 113 Billion in 2008.

Total Benefit to Farmer (Rs Billion)



The title "Urea Industry Supply and Demand" is written in a bold, italicized, blue font. It is positioned below a green horizontal bar that spans the width of the slide.

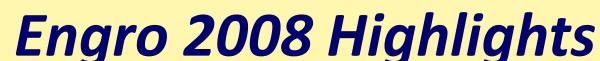
Volume kT	2008	2007
Opening Inventory	148	233
Production	4,980	4,745
Imports	440	99
Sales	5,500	4,913
Closing Inventory (Net)	44	148

The title "Phosphates Market Environment" is written in a bold, italicized, dark blue font. It is positioned below a green horizontal bar and above a thin black horizontal line. To the left of the title is a photograph of wheat stalks against a bright sky.

- In 2008, the global phosphatic fertilizer market suffered unprecedented volatility in price. From USD 750 per ton CFR Karachi at the start of the year, prices rose to USD 1,300 per ton CFR Karachi in June.
- The global economic slowdown, resulted in a sharp decline for fertilizer prices globally.
- Industry wide sales volume of phosphatic fertilizers decreased by 45% to 0.8 million tons as compared to 1.46 million tons last year.
- Industry demand remained unusually low due to the high Phosphate prices and delay in issuance of subsidy notification by the government.

Phosphates Market Environment, continued...

- Subsidy remained at Rs. 470/bag of DAP during the first half of the year. The government in the second half of the year increased the subsidy amount to Rs 2,200/bag.
- Despite a significant increase in the subsidy amount, local DAP prices went up from Rs 1,685 at the start of the year to Rs 3,050/bag at the end of the year due to the increase in global fertilizer prices.
- December International DAP and MAP price averaged around \$ 400 / ton.

The title "Engro 2008 Highlights" is written in a bold, italicized, blue font. It is positioned to the right of a vertical image of wheat stalks and above a thick green horizontal bar that spans the width of the slide.

Engro 2008 Highlights

Urea

- Engro Urea production during 2008: 995 kT vs. 954 kT in 2007.
- 2008 Engro Urea Sales including imported Urea at 1,061 kT, higher than 2007 by 14% due to higher industry demand as well as higher carryover inventory from last year.
- Fuel gas price was increased by 31% to Rs. 329.54/mbtu with effect from July 1, 2008. Feed gas price remained unchanged. GST not claimable effective June 10th, increased our raw material cost.
- Engro Urea weighted average NSR of Rs. 607/bag for 2008 was 13% higher vs. 2007.
- Going forward, we expect urea demand to remain strong in the backdrop of short supply sentiment which is expected to persist in the near term.

A photograph of a sugarcane field with tall stalks and green leaves, set against a bright sky with the sun visible.

Engro 2008 Highlights continued...

Zarkhez

- Zarkhez & NP production in 2008 was 98 kT, a 22% decrease over 2007 due to lower sales forecast as a result of uncertainty on phosphates subsidy and poor crop economics for sugarcane and potato , which absorb about 36% of Zarkhez sales.
- Sales volume was 89 kT in 2008 compared to 135 kT in 2007. A 34% decline due to lower market demand caused by higher product prices.

Phosphates

- Sales volume was 128 kT in 2008 compared to 514 kT for the same period last year, as a result of lower market demand.
- ECPL achieved a 16% market share in 2008. The drop in market share was a result of the industry dropping significantly, FFBL increasing their production share and new urea producing private importers (Fatima Fertilizers & Pak American Fertilizers) actively taking part in the market.

Engro Operating Highlights

Volume kT	2008	2007
Production		
Urea	995	954
Zarkhez	98	125
Sales		
Engro Urea*	1,040	874
Zarkhez**	89	135
Phosphates	128	514
Urea market share	19%	19%

* excluding 21 kT of Imported Urea for 2008, **including 20 kT NP

Engro Financial Highlights

Rs Million	2008	2007	
Sales	23,317	23,183	▪ + Higher Urea Sales
COGS	(17,121)	(18,263)	▪ Increase in margins
Gross Profit	6,197	4,920	• Higher dividend from EXIMP & EVTL
Selling and distribution expenses	(1,658)	(1,641)	
Financial/other charges (net)	(2,089)	(874)	• - Increase in financial charges
Other Income	2,754	1,831	
Profit before Tax	5,204	4,236	• Reduction in sales of purchased products
Tax	(964)	(1,081)	
PAT	4,240	3,155	

The title "Fertilizer Expansion Project" is written in a bold, italicized, dark blue font. It is positioned to the right of a vertical image showing a close-up of green wheat stalks against a bright sky. A thick green horizontal bar runs across the slide below the title.

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- Expansion project at Daharki site, into 21st month of execution, progressing well with overall EPC progress of 47%.
- Engineering phase is essentially over and the plant procurement phase has also crossed the half way mark.
- Project cost has increased to USD 1.05 billion because of increase in interest rates, devaluation of rupee and minor design changes to increase capacity.

Joint Venture & Subsidiary Highlights

Engro Vopak



- Profit after tax of Rs 490 million for 2008, versus Rs 487 million for the same period last year.
- Revenue for 2008 was Rs 1,177 million, an increase of 14% over last year.
- Engro's share of dividend amounted to Rs 247.5 million during 2008.



Engro Ploymer & Chemicals Ltd (Formerly Engro Asahi)

- Revenue during the year was Rs 7,848 million as against Rs 5,856 million last year
- Our share in the company is 56%.
- 2008 domestic sales volume at 98 kT versus 94 kT in 2007.
- EPCL plant expansion to increase current PVC production from 100 kT to 150 kT completed in December.
- New project of integrated facility with capability to manufacture EDC, VCM, Chlorine and Caustic soda is on track for completion in 2Q 2009.

Joint Venture & Subsidiary Highlights

AVANCEON (Formerly Engro Innovative)



- Increased revenue by 23% to Rs 1,635 million during the year.
- Posted net loss of Rs 109 million as against Rs 199 million, showing reduction in losses by 45%.

Engro Energy



- Qadirpur power project is progressing as per schedule.
- IFC has taken a 5% equity stake in the company after ECPL approval.
- EPC activities are progressing as per schedule and the project is on track to start commercial production by December 2009.

Joint Venture & Subsidiary Highlights

Engro Foods Ltd.



- Production in 2008 almost doubled over last year.
- EFL turnover was Rs 8,162 million versus Rs 3,619 million last year. An increase of 125%.
- EFL incurred a loss of Rs 554 million, due to its planned expansion and market development activities.
- The growth in milk collection network has kept pace with sales volumes, seeing a 65% volume increase over 2007.
- The network now comprises approximately 750 village milk collectors and 524 milk collection centers enabling EFL to touch the lives of over 70,000 farmers on a daily basis.
- Distribution network now stretches to over 140 towns serviced by the opening of an additional sales region and dedicated distributors.
- Ice cream project remains on track for 2009. The project is at the implementation level with a dedicated state-of-the-art production facility near completion at our Sahiwal plant.



THANK YOU