HALF YEAR 2009 REPORT TO THE SHAREHOLDERS
ENGRO CHEMICAL PAKISTAN LIMITED

On behalf of the Board of Directors of Engro Chemical Pakistan Limited, we are pleased to present the reviewed accounts for the half year ended on June 30, 2009.

PAKISTAN FERTILIZER MARKET

The market demand for urea, during the first half 2009 was 3 million tons, an increase of 13% over the same period last year (2.7 million tons). The increase is due to better farm economics for wheat which led to increased sowing and also improved Urea application. Domestic production for the first half 2009 was 2.4 million tons which was 4% lower as compared to 2.5 million tons during the same period last year.

International urea prices declined during the period. Current landed price of imported urea is approximately Rs. 1,280 per bag ($ 290/ton) as against the domestic price of Rs. 700 per bag. By keeping domestic prices substantially lower than international prices, the fertilizer industry provided benefit of approximately Rs. 18 billion to farmers.

Industry wide sale of Phosphatic fertilizers increased by over 100% to 0.45 million tons as compared to 0.22 million tons for the same period last year. Industry demand remained high due to the decrease in Phosphate prices.

COMPANY OPERATING PERFORMANCE

Urea sales were 419,000 tons, down by 26.5% for the same period last year, due to higher inventories carried forward during first quarter of 2008 and lower production during the current period. Our plant produced 436,000 tons during the first half 2009 against 502,000 tons during the same period last year as a result of a planned turnaround during the second quarter of 2009. This combined with Government's decision to distribute imported urea through National Fertilizer Marketing Limited, resulted in decline of our market share to 14% vs 21% last year.

The sale of company manufactured blended fertilizers (Zarkhez and Engro NP) was 43,500 tons vs 43,000 tons during same period last year. Reduction in sugar cane acreage and reduced availability of financing with sugar cane growers along with higher potash prices, caused a decrease in Zarkhez sales which reduced to 23,000 tons as compared to 30,000 tons during the same period last year. The Company however sold 20,500 tons of its Engro NP fertilizer vs 12,600 tons in the comparative period.

The Company's sale of imported phosphatic fertilizers, DAP and Zorawar, was 90,000 tons vs 30,000 tons for the same period last year as a result of higher market demand due to reduction in international market prices.

The net profit for the half year ended June 30, 2009 was Rs. 1,044 million as compared to a net profit of Rs. 1,556 million for the same period last year. The decrease in earnings is mainly attributable to higher financial charges and lower urea volumes, partially offset by higher phosphate sales.

NEAR TERM OUTLOOK

Urea demand is expected to remain strong in the backdrop of short supply sentiment which is expected to persist in the near term. Considerable urea imports will be required during Kharif to meet industry demand. Industry is however carrying enough inventories of Phosphatic fertilizers to cover Kharif demand.

Our joint venture and subsidiaries are expected to continue to meet shareholders expectation.

Hussain Dawood
Chairman

Asad Umar
President and Chief Executive

Karachi
July 28, 2009