

SAZGAR ENGINEERING WORKS LIMITED DIRECTORS' REVIEW

The directors of your Company are pleased to present their review on the affairs of the Company for the 2nd quarter and half year ended December 31, 2010:

Brief overview:

ALHAMDULILLAH, the half year results are showing a tremendous performance of your Company under the present business conditions. The company produced highest volume of Auto Rickshaws during this period. The market size of Auto Rickshaw is increasing and your company is making full efforts to avail this opportunity. The results so far are encouraging.

Financial Results:

During the 2nd quarter, the net sales has increased by 64.33% from Rs. 433.73 M to Rs. 712.74 M, gross profit by 61.99% from Rs. 47.92 M to Rs. 77.62 M and pre-tax profit by 105.44% from Rs. 20.14 M to Rs. 41.37 M compared with corresponding period of last year.

Cumulatively for six months, the net sales has increased by 46.86% from Rs. 810.39 M to Rs. 1.19 Billion, gross profit by 37.22% from Rs. 93.93 M to Rs. 128.89 M, and pre-tax profit by 47.51% from Rs. 46.08 M to profit of Rs. 67.97 M showing a substantial improvement in financial position of the Company compared with the corresponding period of last year.

Production:

During the 2nd quarter and cumulatively six months, the Company produced 4,648 & 7,599 units of CNG 4-stroke Auto Rickshaws whereas during the corresponding periods of last year, the production was 2,485 and 4,831 units respectively showing a substantial increase in production capacity utilization of the plant.

The production of wheel rims was 23,301 & 42,392 in 2nd quarter and cumulatively six months whereas the production of wheel rims during the same corresponding periods was 32,963 and 57,920 respectively. The decline in production was on account of decreased orders placed by the tractor assemblers.

Export Business:

The Company has received a positive response from the foreign buyers' of Auto Rickshaws and Tractor Wheel Rim. During the period company made exports to Sri Lanka and UAE.

Interim Cash Dividend:

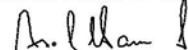
The directors of your company are pleased to declare an interim cash dividend of Re 1.00 per ordinary share i.e. 10%.

Future Outlook:

The Company is constantly improving the quality of product to remain ahead of the competition. Provided that the political, law & order and economic conditions of the country are not deteriorated further, good business volume is expected in the future periods by the Grace of Almighty Allah.

The directors would like to place on record their appreciation for the untiring efforts, teamwork and dedication shown by the company's employees during the period under review. They would also like to express their gratitude to the valued shareholders, customers, suppliers and financial institutions for their co-operation, constant support and trust reposed in your Company.

For and on behalf of the Board



Mian Asad Hameed
(Chief Executive)

Lahore
Dated: 22-02-2011