

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, 2011:

Brief overview:

The imposition of sales tax @ 16% on tractor industry has adversely affected the sales volume of tractor wheel rim business during the period under review. However, the Government of Pakistan has reduced the rate of sales tax from 16% to 5% subsequent to the period under review. This will help to revive the tractor and its allied industry.

On the other hand, there has been a rising trend in the sales volume of Auto Rickshaws by the Grace of Almighty Allah. The company has produced highest volume of Auto Rickshaws during this period. The management is working hard to encash the available market opportunities by introducing various models of Auto Rickshaw from time to time.

Financial Results:

ALHAMDULILLAH, the half year results are showing a healthier financial position of your Company under the present business conditions.

During the 2nd quarter, the net sales has increased by 2.33% from Rs. 712.74 M to Rs. 729.33 M, gross profit by 15.42% from Rs. 77.62 M to Rs. 89.59 M and pre-tax profit by 23.13% from Rs. 41.37 M to Rs. 50.94 M compared with corresponding period of last year.

Cumulatively for six months, the net sales has increased by 11.58% from Rs. 1,190.12 M to Rs. 1,327.95 M, gross profit by 26.06% from Rs. 128.89 M to Rs. 162.48 M, and pre-tax profit by 32.85% from Rs. 67.97 M to Rs. 90.31 M showing an 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 4,830 & 8,781 units of Auto Rickshaws whereas during the corresponding periods of last year, the production was 4,648 and 7,599 units respectively.

The production of wheel rims was 8,311 & 19,256 in 2nd quarter and cumulatively six months whereas the production of wheel rims during the same corresponding periods was 23,301 and 42,392 respectively.

Interim Cash Dividend:

The directors of your company are pleased to declare an interim cash dividend of Rs. 1.00 per ordinary share i.e. 10% for the period ended December 31, 2011 (December 31, 2010: 10%)

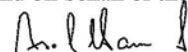
Future Outlook:

The political and economic conditions are not good in the country, if there is a further decline it may adversely affect the financial position of the company. Your company is making best efforts not only to maintain the existing volume of business but also to keep intact the growing momentum through innovation of products.

Further, due to resolution of sales tax issue, the tractor industry has come into a takeoff position, therefore, your company expects a large volume of orders of tractor wheel rims in the coming periods.

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: 10-02-2012