

DYNEA PAKISTAN LIMITED
Directors' Review
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

The directors take pleasure in presenting the un-audited accounts for the quarter ended September 30, 2008.

During the first quarter ended September 30, 2008, sales amounting to Rs. 321 million were generated as against sales of Rs. 266 million achieved during the corresponding period last year showing an improvement of 21%.

During the quarter, PKR remained under pressure against US \$ and the cost of imported materials went up which in turn affected our cost of production adversely. Due to marketing constraints, increase in cost of production could not be passed on fully to the customers and thus lesser gross and net margins were achieved during the quarter when compared with the results for the corresponding period last year.

Resin Division

Resin Division generated sales amounting to Rs. 194 million as against Rs. 141 million registered during same period last year showing an improvement of 37%. Improvement in sales was mainly attributed to improved volumes and increase in selling prices.

Aminoplast Division

Aminoplast Division generated sales amounting to Rs. 127.4 million as against Rs. 125.1 million achieved during same period last year showing a marginal growth of 2%.

Moulding operations are facing problems of over capacities in the indigenous market. Cut throat competition and price war amongst the indigenous manufacturers have adversely affected our sales volumes and have shrunk gross margins of the division.

Future Outlook

Persistent devaluation of PKR vs US \$, recession, continued load shedding, increase in electricity tariff, higher markup rates due to liquidity crunch are the main factors adversely affecting economic activities in the country. The situation is likely to continue in the near future. The operations, therefore, would remain under pressure during the remaining period of the current fiscal year.

Vend Fee and Permit Fee Case

After two favourable decisions of the Sindh High Court, the case is now pending for hearing and final decision with the honourable Supreme Court of Pakistan. In view of the merits of the case, the management is also expecting a favourable decision from the apex court.

Acknowledgement

The Management is committed to providing better services to its customers, to improve the working conditions for all employees and to give reasonable return to shareholders on their investment.

On behalf of the Board
Alireza M. Alladin
Chief Executive Officer

Karachi:
Dated: October 29, 2008