

WAH NOBEL CHEMICALS LIMITED**DIRECTORS' REPORT TO THE SHAREHOLDERS**

The Directors are pleased to present their report and the un-audited accounts of your Company for the 3rd quarter ended 31 March, 2003.

1. PERFORMANCE DURING THE PERIOD

Due to continued Middle East crises, invasion of Iraq, military and political situation in the sub-continent and Afghanistan and abnormal rise in the international prices of crude oil, the country's economy remained subdued during the quarter under review. The demand for the Company's products, therefore, showed no significant growth. On the other hand sharp rise in the price of Methanol, our basic raw material, put further pressure on the already strained margins. Due to cut throat competition, the bulk of the cost escalation was borne by the Company.

Despite numerous hurdles and unfavourable market conditions, the Company was able to achieve sales revenue of Rs.162.314 million as against Rs.180.532 million for the corresponding period of the year 2001-02. Net profit before tax amounted to Rs.24.007 million (2001-02: Rs.27.984 million).

The Company earned after tax profit of Rs.15.607 million as against Rs.18.384 million in the corresponding previous period.

Earning per share (EPS) amounted to Rs.2.08 (2001-02 – Rs.4.90). The EPS for the period has been worked out on the enhanced paid up capital of Rs.75 million as against Rs.37.500 million for the corresponding period of the year 2001-02. Subscription of Rs.37.500 million to the right shares, received in the last week of June 2002, have been utilised in the expansion project which would start commercial production in the year 2003-04 and have played no part in the earnings for the 3rd quarter under review.

2. **FUTURE PROSPECTS**

The Company feels that the present military and political situation in the Middle East, Afghanistan and the subcontinent would not let Pakistan economy come out of stagnation in the near future. It is, therefore, anticipated that the Company's operating performance during the last quarter of the year 2002-03 would be in line with the results achieved till 31 March, 2003.

3. **EXPANSION PROJECT**

The expansion project of doubling the plant capacity is being implemented according to the schedule. The new plant is expected to be ready for commission by the end of June 2003.

4. **LEVIES ON METHANOL**

We are pleased to inform the shareholders that the Sindh High Court has upheld the Company's petition challenging the legality of the Vend Fee and Permit Fee demanded by the Sindh Excise Department under the Sindh Abkari Act, 1878. The learned court has declared that Methanol is not liquor and not subject to the provisions of Sindh Abkari Act 1878. This landmark decision will go a long way in alleviating the problems of formaldehyde industry.

5. **ACKNOWLEDGEMENT**

The Directors wish to place on record their deep appreciation for the hard work, loyalty and devotion to duty by all the employees of the Company and thank all its valued customers for their continued patronage and support.

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Dated : 28.04.2003.

SYED KAUKAB MOHYUDDIN
CHIEF EXECUTIVE