COMPANY INFORMATION

▶ DIRECTORS	Lt Gen Syed Arif Hasan, HI(M), (Retired) Chairman
	Lt Gen Muhammad Akram, HI(M), (Retired) Chief Executive & Managing Director
	Lt Gen Munir Hafiez, HI(M), (Retired)
	Mr. Qaiser Javed
	Mr. Shabbir Hashmi
	Brig Aftab Ahmad, SI(M), (Retired)
	Brig Munawar Ahmed Rana, SI(M), (Retired)
	Mr. Istaqbal Mehdi
	Brig Ghazanfar Ali, SI(M), (Retired)
▶ SECRETARY	Brig Tariq Mahmood, SJ, SI(M), (Retired)
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▶ PLANTSITE	Bin Qasim, Karachi, Pakistan
▶ AUDITORS	KPMG Taseer Hadi & Co Chartered Accountants 6th Floor, State Life Building, Jinnah Avenue, Islamabad.
▶ LEGAL ADVISORS	Orr Dignam & Co Advocates, 3-A, Street 32, Sector F-8/1, Islamabad, Pakistan
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DIRECTORS' REVIEW

First Quarter 2006

Operational Highlights

The Board of Directors is pleased to present a brief overview of the operational and financial performance of the Company for the period ended March 31, 2006. One of the salient features of the Company's performance during the quarter under review is that the plant turnaround has commenced w.e.f. March 21st 2006, as planned to implement first phase of ammonia BMRE. Turnaround is progressing satisfactorily and as a result ammonia plant capacity is expected to increase by 2%.

Due to 27 days shutdown for BMRE/turnaround and gas curtailment in winter by Sui Southern Gas Company Limited, production of Ammonia, Granular Urea and DAP remained below as compared to the same period last year. However, Industry urea production of 1,183 kt during the quarter was higher by 6% , as compared to the same period last year. To narrow the gap between demand and supply in the country, 196 kt urea was imported as against 57 kt in the corresponding quarter of the last year.

Marketing Highlights

The urea market at the start of the year 2006, showed a healthy trend which was a continuation of high demand situation prevailing in the last quarter of the year 2005 due to better water availability and good commodity prices. Attractive urea market prices and speculation of short supplies had encouraged the fertilizer dealers to stock the product. Industry urea sale of 1,338 kt (inclusive of imported urea) during the quarter under review was 16 % higher than the sales in the same period last year. The industry urea inventory of 107 kt (inclusive of imported urea) as at March 31, 2006 was 245 % higher than the inventory on the same date last year.

Industry DAP inventory at the beginning of the year 2006 was 292 kt compared to 65 kt at the start of the year 2005. The industry DAP sales of 132 kt were 34 % higher than the sales in the same period last year. The industry DAP inventory of 286 kt as on March 31, 2006, was 201 % higher than the inventory on the same date last year.

Granular urea sales during the quarter at 133 kt were lower by 16% than the sales of same period last year. During the quarter, the Company also sold 32 kt of urea imported by the Government. The Company's share of urea market was 11% as compared to 14 % in the same period last year. The Granular urea inventory at the quarter end has reached a level of 4 kt because of higher demand. Sale prices of Granular urea have increased by 10 % over the prices in same period last year.

DAP sales stood at 60 kt which were 2% higher than the sales in the same period last year. The Company's share of DAP market was 45% compared to 60% in the same period last year. Sale prices of DAP have increased by 5 % over the prices in same period last year. However, the increase in cost of production of DAP is higher and as a result DAP margins have reduced.

Financial Highlights

The Company earned a gross profit of Rs. 758 million, as compared to Rs 878 million during the same period last year. The shortfall is mainly due to decrease in urea production, plant turnaround and lower production in the month of January 2006. The production cost increased by Rs 212 million mainly on account of increase in price of phosphoric acid by US$ 50 per ton, in fuel gas price by 22% and annual turnaround cost of Rs 45 million as compared to the same period last year. Consequently, the gross profit margin during the current quarter decreased by 7 % i.e, from 35% to 28%.

Distribution cost increased by Rs 45 million i.e, from Rs 272 million to Rs 317 million, mainly due to enhanced transportation costs as a result of increase in fuel costs.

Financial costs increased by Rs 49 million (from Rs 50 million to Rs 99 million) mainly due to increase in one year T bill rates as well as KIBOR rates and higher utilization of working capital lines, compared to the same period last year.

Other income increased by Rs 50 million i.e, Rs 87 million to Rs 137 million due to better treasury management and increase in profit rates, compared to the same period last year.

As a result of the above, profit after tax reduced by Rs 98 million (from Rs 375 million to Rs 277 million) i.e, by 5%, compared to the same period last year.

Future Outlook

International price of urea is expected to stay firm which is currently more than double the domestic price. The Country will remain in the import regime as domestic demand continues to grow and is more than the indigenous production. In order to address this shortfall, gas allocation to fertilizer industry is to be done on priority. The Government is requested to announce gas allocations for 1-2 urea plants urgently.

Balancing, Modernization, Revamping and Expansion

To maintain your Company's commitment to sustainable profit growth and enhancing shareholders' value, we are implementing a BMRE project of ammonia plant to increase its production capacity and efficiency. This project Insha-Allah will be completed in the second quarter of 2007, thereby

enhancing ammonia capacity to 123%, which in turn will increase urea capacity by 15% and DAP by 50% approximately. Work on expansion of DAP plant to 151% of its capacity has also started and the project is expected to be completed in 4th quarter 2007, Insha-Allah. To this end basic and detailed engineering contract with M/S Jacobs Engineering Inc of USA has been signed. In a nutshell, expansion activities are in full swing at the plant site. These projects are being financed out of Company's own resources.

Plant turn around has been successfully completed in April as planned and we have been able to achieve our objective of completing 40% ammonia BMRE activities. As a result we have been successful in demonstrating our ability to carry out this difficult undertaking.

Pakistan Maroc Phosphore S.A

Sixth Board of Directors meeting was held on 22 March 2006 at OCP Head Office in Casablanca, Morocco. The Board was briefed on the Project status. The Project is progressing according to schedule and within overall budget of MAD 2,030 million. Major targets in engineering and procurement have been achieved. Detailed engineering for sulphuric acid and phosphoric acid plants is in progress and all long delivery equipment have been ordered.

The project is expected to be completed on time and is likely to start commercial operations in 3rd quarter 2007.

For and on behalf of the Board

LtGen Syed Arif Hasan, HI(M) (Retd)
Chairman

Rawalpindi
24 April 2006