

DIRECTOR'S REVIEW

Operational Highlights

The Board of Directors is pleased to present a brief overview of the operational and financial performance of the Company for the quarter ended March 31, 2008.

With the grace of Almighty Allah, DAP plant revamp completed successfully and production resumed on March 12, 2008 i.e, seven days ahead of scheduled timeline despite disturbance in the country and thereto initial refusal of various foreign vendor servicemen including the Process Licensor M/s Jacob Engineering, USA.

The production of DAP is being increased gradually and ever-highest production of 2,041 tonnes per day i.e, 151% - post revamp was achieved on March 20, 2008. Tuning of operating parameters is continued to meet the target production of Ammonia, Urea and DAP.

Production of Urea at 162,507 tonnes is higher by 21%, whereas Ammonia and DAP at 96,984 tonnes and 26,128 tonnes are lower by 8% and 78%, respectively over the corresponding period of the last year due to gas curtailment and plant shutdown on account of revamping.



Marketing Highlights

Urea

During Jan-Mar 2008, industry Urea sales were estimated at 1,402 thousand tonnes i.e, 62% higher than 865 thousand tonnes sales for the same period of year 2007. Fertilizer marketing

companies increased Urea prices by Rs 42 per bag during the period under review. Rs 10 per bag were increased due to rise in fuel gas prices in January and the rest could be attributed to the balanced supply demand and to meet the overall impact of inflation.

DAP

DAP industry sales during Jan-Mar 2008 were estimated at 77 thousand tonnes i.e, 57% lower against 181 thousand tonnes sales of the same period in the last year. FFBL DAP plant remained closed during months of January - February and resumed production on March 12, 2008. The DAP production during the month was 26 thousand tonnes whereas, 164 thousand tonnes was imported during Jan-Mar 2008. DAP inventory by the end of March 2008 is estimated at 390 thousand tonnes, which is approximately 7 times higher, comparing 60 thousand tonnes closing inventory of March 2007.

FFBL Sales Performance

During Jan-Mar 2008 FFBL total sales including Sona Urea (G) and imported product were 171 thousand tonnes, showing an achievement of 192%. These were 61% higher comparing 106 thousand tonnes sales in the same period of year 2007. Sona DAP sales during Jan-Mar 2008 were 8 thousand tonnes showing an achievement of 89%. FFBL share in Urea and DAP markets remained 12% and 10%, respectively in the period.



Financial Highlights

The Company earned a gross profit of Rs 603 million which is 34% lesser than Rs 920 million earning during the same period of the last year. The decrease is mainly due to negligible DAP sales during the quarter under review as such the plant was shut down for BMR activities for nearly three months i.e, December 10, 2007 to March 12, 2008. However, the gross profit margin during the current period remained same at 30%.

Profit after tax decreased by Rs 212 million i.e, from Rs 374 million to Rs 162 million, which was 56% lower compared to the same period of the last year with a resultant decrease in earnings per share (EPS) from Rs 0.40 to Rs 0.17 as compared to the corresponding period.

Future Outlook

Pakistan Maroc Phosphore S.A, Morocco (PMP)

The Project has successfully been completed in record time and within 2,030 Million MAD as budgeted, despite phenomenal rise in materials cost during the last few years. Sulphuric acid and Phos acid (28% concentration) production commenced on 27 Mar 08 and 4 Apr 08, respectively. Production of marketable Phos acid i.e, 54% concentration started on 8 Apr 08. Build up in storage tanks is in progress, first shipment is expected by early May 08.



Foundation Power Company (Daharki) Limited (FPCDL)

Civil work is in progress. Equipment is being shipped as per schedule, so far six shipments have been received. Gas pipeline contractor has mobilized and completed the route

survey and 15 KM long pipeline is expected to complete by October 2008. Work on residential colony is also underway. The project operations are likely to commence by 3rd quarter 2009.

Investment in Fauji Cement Company Ltd

In order to meet growing demand of cement, Fauji Cement Company Limited is expanding existing operating capacity by 200% i.e, from 1.17 MTPA to 3.51 MTPA at an estimated cost of US\$240 million. The plant will be the biggest ever single line in Pakistan with the latest state of the art technology. FFBL has invested an amount of Rs 300 Million in this project to become a 2.7% ordinary shareholder. The plant is scheduled to start its commercial production by End March 2010, INSHAALLAH.

For and on behalf of the Board

Lt Gen Syed Arif Hasan, HI(M), (Retd)
Chairman

Rawalpindi
April 23, 2008