



Half Year Ended 30 June 2008

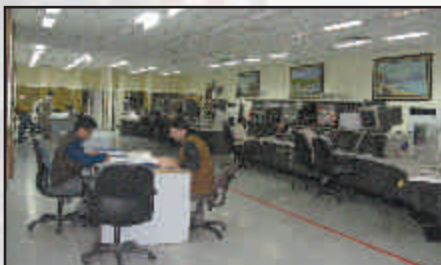
# DIRECTORS' REVIEW

## Operational Highlights

The Board of Directors is pleased to present a brief overview of the operational and financial performance of the Company for the half year ended June 30, 2008.

After successful completion of DAP plant revamp in Mar 2008, an ever highest production of 2,309 tonnes per day was achieved on Apr 26, 2008 which is 171% of plant name capacity of 1,350 tonnes per day. Plant however, operated at low load in the months of May and June due to variation in composition of acid being supplied. The acid quality is progressively improving per DAP plant requirement.

Production of Ammonia at 226 thousand tonnes and Urea at 334 thousand tonnes is higher by 80% and 112% respectively, over the corresponding period, whereas DAP production at 150 thousand tonnes is about the same level.



## Marketing Highlights

### Urea

Industry urea sales during Jan-Jun 2008 are expected to be at 2,692 thousand tonnes, i.e., 32% higher than the corresponding period sales of 2,032 thousand tonnes. The net increase in Urea prices is Rs 42 per bag during the period under review. Out of this, Rs 10 per bag were increased due to rise in fuel gas prices in January and the rest is attributed to the balanced supply demand and to meet the overall impact of inflation. This also includes the decrease of Rs 15 per bag in the month of June due to removal of GST by the GOP.

### DAP

During Jan-Jun 2008, DAP industry sales are 163 thousand tonnes i.e., 65% lower against 464 thousand tonnes sales of the corresponding period. This substantial decline in the off-take is mainly due to 100% increase in the domestic price of DAP during last six months. The current domestic DAP price (equivalent to around \$ 1,000/MT) is still at 30% discount to the existing international price of DAP (around \$ 1300/MT cfr Karachi).



Furthermore, an ambiguity on the issue of increase in DAP subsidy by GOP and expectation of reduction in DAP prices also affected the off-take. The Government, even though announced DAP subsidy of Rs 1,000 per bag in June 2008, has yet to finalize its implementation. As a consequence to low off-take, an adverse impact on upcoming Kharif crops such as rice and cotton cannot be ruled out. However, going forward, we expect the Government would take timely decisions on the issue of subsidy and its implementation alongwith announcement of wheat support price to ensure timely application of DAP by farmers and achieving the desired wheat production target in the upcoming Rabi season.

As a result of low off-take, industry is witnessing a significantly high DAP inventory of around 493 thousand tonnes (123 thousand tonnes of FFBL), as compared to 188 thousand tonnes in the corresponding period. This includes DAP imported last year at prices even lower than \$ 1,000/Metric Ton. However, the inventory alongwith FFBL expected production (Jul-Dec 2008) should cater for the Country's requirement for remaining Kharif and upcoming Rabi season.

### FFBL Sales Performance

FFBL total sales including Sona Urea (G) and imported product during Jan-Jun 2008 are 359 thousand tonnes with an achievement of 145% against target. This is 125% higher than the sales of corresponding period last year. Sona DAP sales during Jan-Jun 2008 are 37 thousand tonnes i.e, an achievement of 31% against target. FFBL share in Urea and DAP markets remained 13% and 23% respectively, during the period.



### Financial Highlights

The Company earned a gross profit of Rs 1,522 million which is Rs 861 million higher than Rs 661 million earned during the same period of the last year. The increase is mainly due to higher Urea sales during the period under review. Sales in the corresponding period were significantly lower due to shutdown of plants for Ammonia BMR activities. As a result

of higher sales, gross profit margin has increased by 60% i.e, from 16.78% to 26.8%.

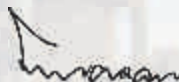
Profit after tax increased by Rs 184 million i.e, from Rs 534 million to Rs 718 million, an increase of 34% over the corresponding period. This translates into an EPS of Re 0.77 against Re 0.57 in the corresponding period.

#### Pakistan Maroc Phosphore S.A, Morocco (PMP)

Since the commencement of commercial production, Sulphuric acid and Phos acid plants are operating satisfactorily and about 94 thousand tonnes of Phos acid has been received at FFBL Plantsite.



For and on behalf of the Board



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

Rawalpindi  
July 17, 2008