



## DIRECTORS' REVIEW **Nine Months Period Ended September 30, 2007**

### Operational Highlights

The Board of Directors is pleased to present an overview of the operational and financial performance of the Company for the third quarter and nine months period ended September 30, 2007. By the grace of Almighty Allah and combined team efforts, Ammonia BMR has successfully been completed and highest ever daily production of 1,575 MT achieved representing 124% of the designed capacity. Plant operations are now smooth with their production at optimum levels.

During third quarter, production of ammonia at 121 KT was 2% lower than the output in the corresponding period. This decline was mainly due to SSGC gas curtailment to 70 MMSCFD from August 29 to September 7, 2007. Production of Granular urea at 157 KT remained lower by 7% against corresponding period. DAP production at 128 KT is higher by 8% due to higher capacity utilization against the same period of the last year.

Due to the implementation of second phase of Ammonia BMR in the second quarter and start up issues resulting in suspension of ammonia plant operations for 84 days, production for the period January-September 2007 at 247 KT, was 22% below the same period of the last year. Production of Granular urea and DAP was lower than the same period of the last year by 26% and 14% being at 314 KT and 279 KT respectively.

### Industry Marketing Highlights

Industry urea sales for the period January-September 2007 stood at 3,403 KT resulting in a 9% decline against the corresponding period whereas 5% urea prices were raised by all the marketing companies. Industry urea production at 3,492 KT was 1% lower than the same period of the last year.

During the nine months DAP production at 279 KT was 14% lower vis a vis the corresponding period due to the suspension of operations during the second quarter for Ammonia BMR. Due to exceptionally low off-take in the corresponding period, sales for the period stood at 767 KT, being 44% higher than the same period of the last year. During January-September 2007 DAP imports were 703 KT registering an increase of 40% over the corresponding period. It is expected that DAP arriving in October-November 2007 are sufficient to meet the requirement of the upcoming Rabi season.

### Sales Performance

Product availability remained limited due to the implementation of the second phase of Ammonia BMR in the second quarter. During the nine months period, total urea sales at 296 KT, including 16 KT imported urea, were 36% lower than the corresponding period. Resultantly, Company's share of urea market remained at 9% comparing 12% in the corresponding period of the last year.

DAP sales of the Company stood at 251 KT with a 33% market share against 40% share in the corresponding period.

#### Financial Highlights

DAP international prices continued to rise in the third quarter of year 2007. GoP, therefore, took a right decision to increase the subsidy of DAP from Rs. 400 to Rs. 470 per bag with effect from July 01, 2007. Due to increase in DAP prices and adjustment of GoP subsidy of Rs. 2,068 million against cost of sales, profit after tax for the quarter increased to Rs. 1,011 million against Rs. 335 million in the corresponding period of the last year. Earning per share has also improved to Rs. 1.08 from Rs. 0.36 for the third quarter.

Profit after tax for the nine months period ending September 30 2007 were Rs. 1,545 million with an EPS of Rs 1.65 i.e, 16% higher against the corresponding period.

#### Future Outlook

##### DAP Balancing, Modernization, Revamping and Expansion

DAP revamp Project is progressing satisfactorily and the equipment has started arriving at the plant site. Plant would be shut down for the revamp commencing with effect from November 27, 2007. Commissioning and start up is expected by mid March 2008.

##### Pakistan Maroc Phosphore S.A

The project is nearing completion. Fabrication, erection and installation activities are in full swing. Testing, commissioning and start up activities are expected by the end of year 2007.

##### Foundation Power Company (Daharki) Limited (FPCDL)

The security documents to include, the Gas Supply Agreement, Power Purchase Agreement and Implementation Agreement have been signed with the concerned agencies and the Financial close achieved. Notice to Proceed has been issued to the Engineering Procurement and Construction Contractor (EPC). The civil contractor is in the process of mobilization and orders for power plant equipment have been placed.



Rawalpindi  
October 18, 2007

For and on behalf of the Board

A handwritten signature in black ink, appearing to read 'Arif Hasan'.

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