



FERTILIZERS

Company Performance 2012



Domestic Fertilizer Market 2012

- The fertilizer market in 2012, exhibited a mixed trend.
- The Nitrogen market continued to decline for the third consecutive year

2012 (2011) MT Mil	National Capacity	Effective Production	National Demand
Nitrogen	6.8 (5.9)	4.6 (5.5)	5.7 (6.7)
Phosphate	1.3 (1.0)	1.0 (1.0)	1.6 (1.2)

- Urea off take further shrank by 12% in 2012 from 5.9 million tons to 5.2 million tons, due to lower acreage on BT cotton, higher prices of urea and weakening of cotton prices in midyear.
- Urea demand spurred by yearend following late announcement of support price increase for wheat by the government.
- Phosphate market for DAP increased by 7% over the previous year primarily due to increased volumes in the first half of 2012 -2013 Rabi season.
- International prices of fertilizer (DAP) stayed around USD 600 mark for most of the year.

Company Performance

The Sales in line with production in the nitrogenous fertilizers.

Prod/Sales MT (000)2012 (2011)	Nameplate Capacity	Actual Production	Sales
Nitrogen	920	713(782)	689 (845)
Phosphate	360	262(143)	295 (108)

- CAN sales at 350,000MT, down 12% compared to last year, impacted partially by the decline in the size of the nitrogen market and also by the late wheat sowing in almost all parts of the country and particularly in the cotton belt.
- Urea sales stood 338,500MT, down 24% over last year, mainly due to cheap imported Urea availability in the market.
- NP sales showed a significant growth of 273% over 2011 with 295,300MT. This was on the back of improved availability, a strong growth of our retail network, supported by an aggressive farmer promotion campaign and a focused technical service program in weak NP usage belts.
- Nitric acid business launched last year grew significantly by almost 250%, and Fatima Fertilizer is now the preferred supplier in the dairy and metallurgy sectors.

Brand Establishment – “Sarsabz”

The “Sarsabz” brand building strategy launched in 2011 continued with both product specific and portfolio communication throughout the year.

- Significant focus on NP growth during the year.
- Two successful farmer campaigns during Kharif and Rabi with positive impact on sales and brand recognition.
- Promotion of “Sarsabz” Urea to reinforce our message of providing nutrient solutions for all crops, at all stages and for all types of soils.
- Focused advertisement campaign on the channel to strengthen our position in the retail network, targeting the small dealer, whilst continuously growing the overall reach.



Financial Performance - 2012

The Company has announced its result for the year ended December 31, 2012 today. Major hallmark of the financial performance are as follows:

- ❖ Revenue of PKR 29.5 billion, 99% more than LY
- ❖ EBITDA of PKR 16.4 billion, 66% more than LY
- ❖ Net profit of PKR 6.11 billion, 49% more than LY
- ❖ EPS of 2.86 as compared to 1.90 of LY
- ❖ ROE 21% as compared to 15% LY
- ❖ ROA 8% as compared to 5% LY



Financial Performance - 2012

The Company improved and fortified its financial management system by placing various control systems and took advantage of both internal and external sources effectually which led the Company to take following measures:

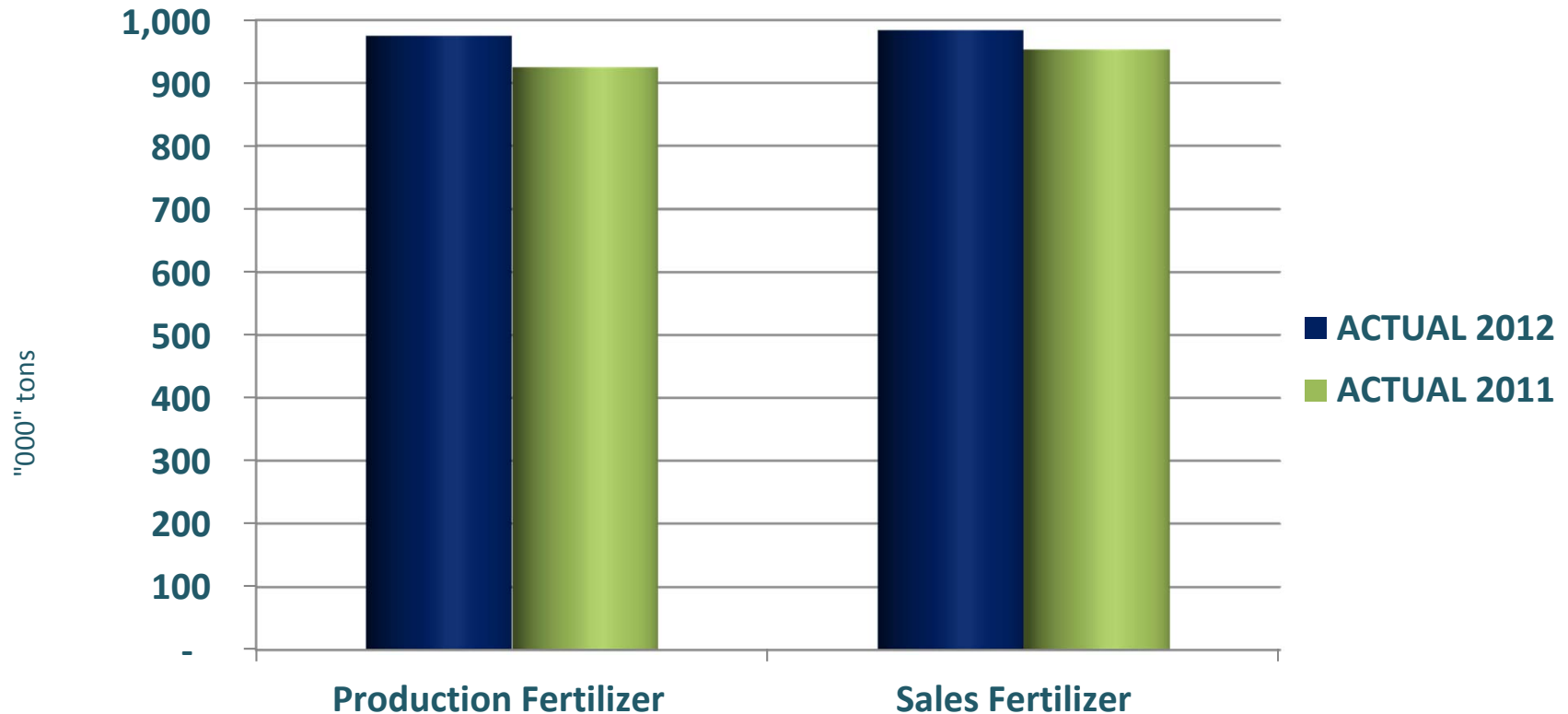
- ❖ Early repayment of PKR 10 billion expensive loans through PKR 6 billion loan at lower rates and internal fund generation
- ❖ Redemption of 50% Preference shares aggregating to PKR 2 billion
- ❖ Replacement of sub-ordinated loan of PKR 4.5 billion from and associated Company with syndicated loan arrangement
- ❖ Mark-up payment of PKR 6.5 billion
- ❖ Dividend payment to Ordinary shareholders of PKR 3 billion

Credit Rating

Company has also maintained its credit rating of A+ for long term and A1 for short term, reflecting a strong financial position of the Company.

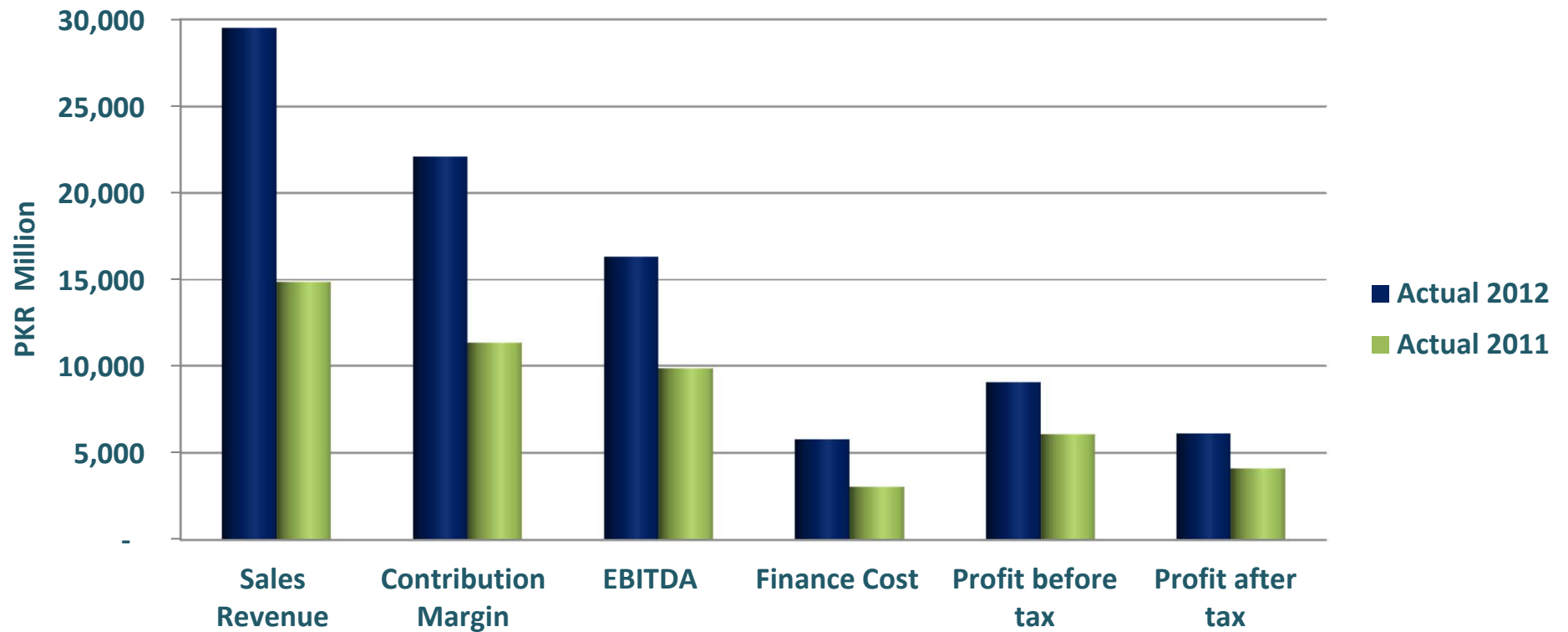
Summary

DESCRIPTION	2012	2011	VARIANCE % F/(UF)
Production & Sales	"000" MT		
Production Fertilizer	975	925	5
Sales Fertilizer	984	954	3



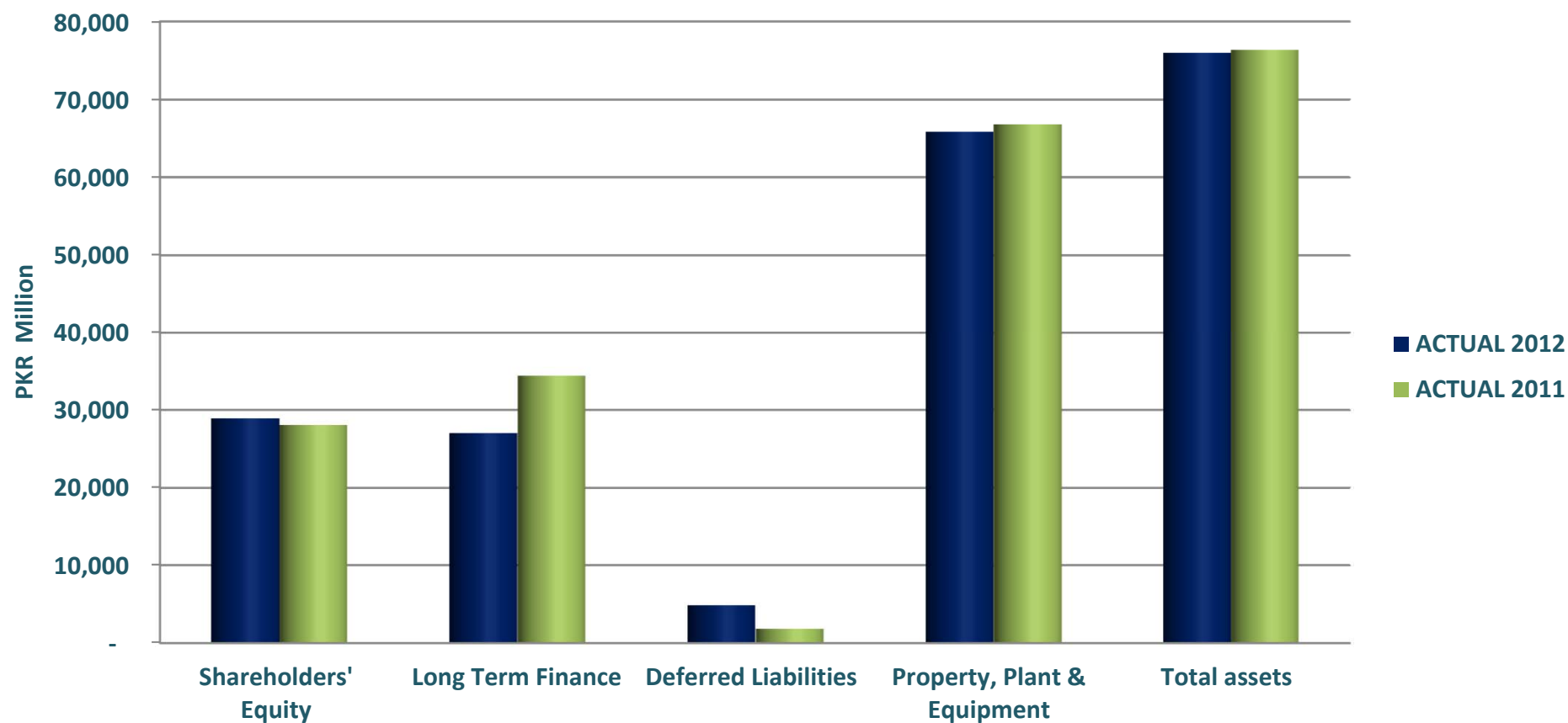
Profitability

DESCRIPTION	UM	2012	2011 (July to Dec)	VARIANCE % F/(UF
Income Statement				
Sales Revenue	"PKR Million"	29,519	14,833	99
Gross Margin		17,266	10,092	71
EBITDA		16,340	9,862	65
Finance Cost		5,774	3,063	89
Profit before tax		9,081	6,088	49
Profit after tax		6,111	4,117	48



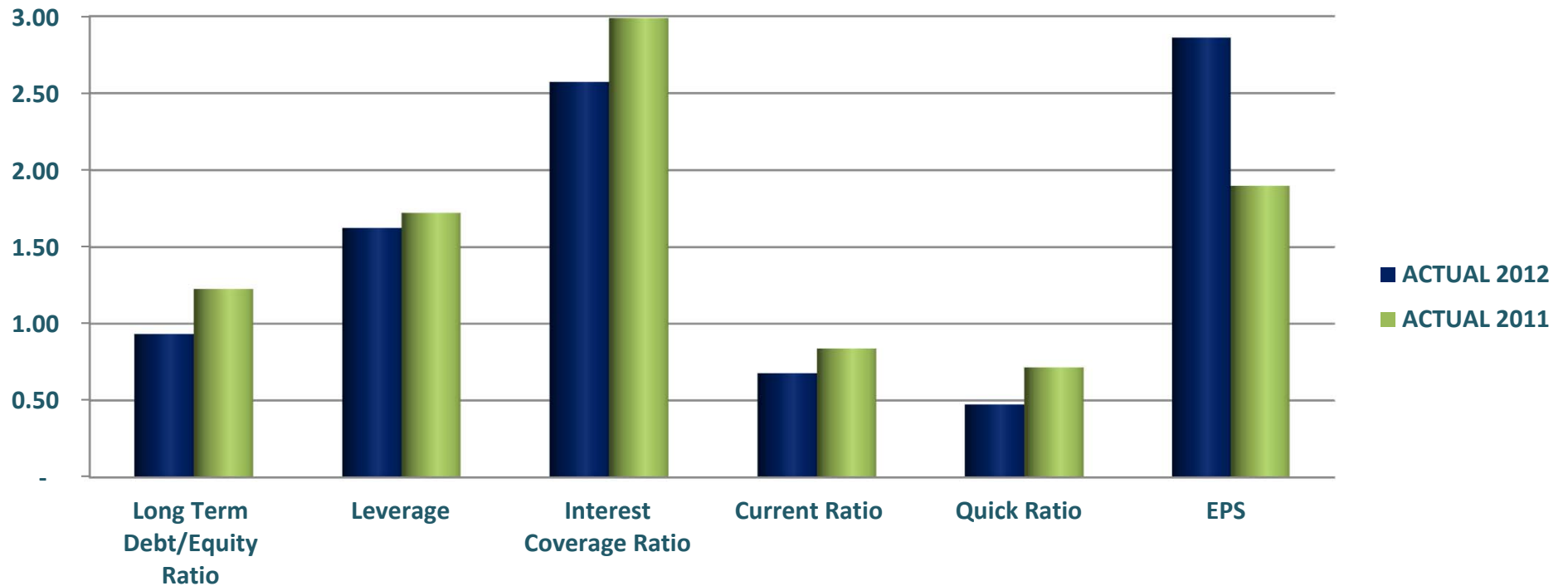
Equity, Debt & Assets

DESCRIPTION	UM	2012	2011
Balance Sheet			
Shareholders' Equity	"PKR Million"	28,950	28,055
Long Term Finance		27,024	34,457
Cash & Cash Equivalent		984	3,839
Property, Plant & Equipment		65,883	66,828
Total assets		76,005	76,347



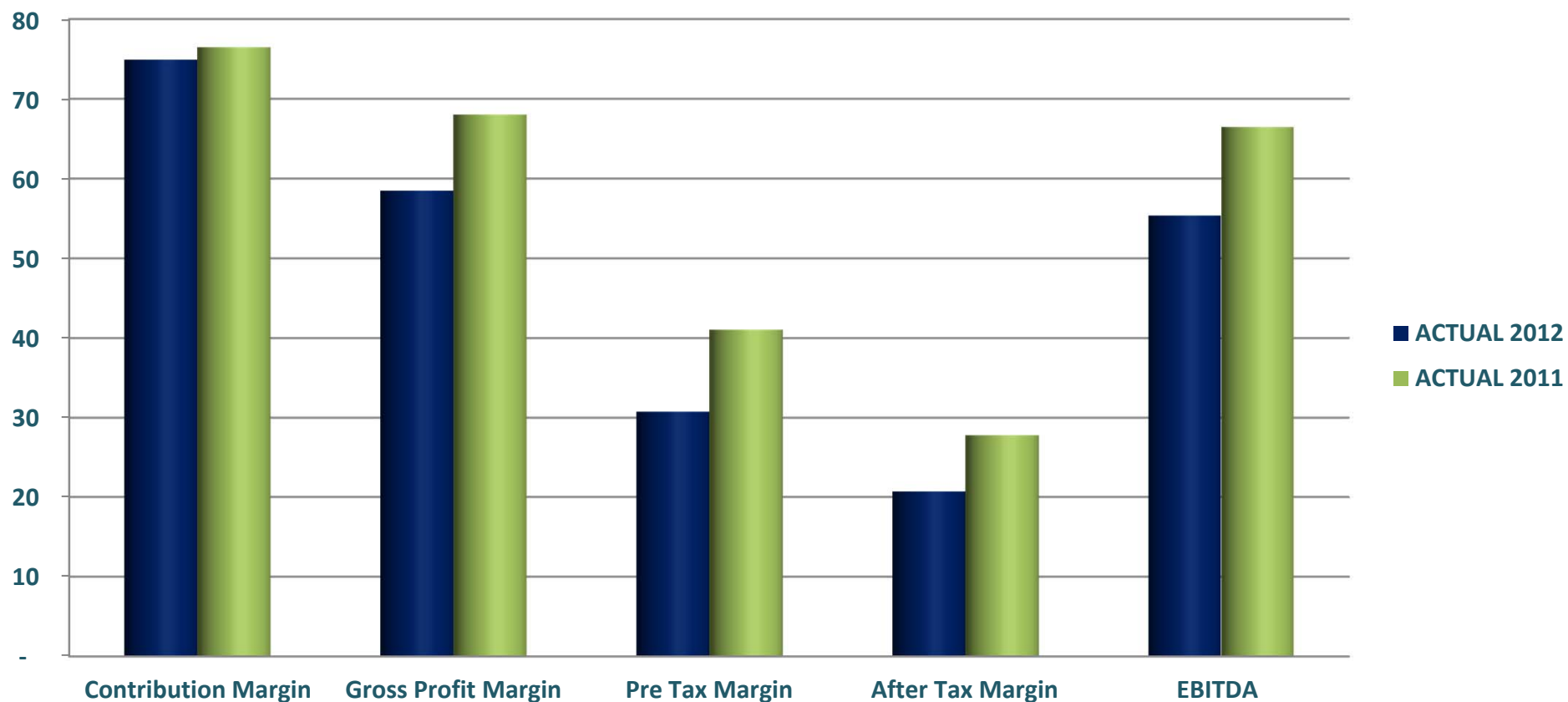
Ratios

DESCRIPTION	UM	2012	2011
Leverage			
Long Term Debt/Equity Ratio		51:49	57:43
Leverage	"Times"	1.63	1.72
Interest Coverage Ratio		2.57	2.99
Liquidity Ratios			
Current Ratio	"Times"	0.68	0.84
Quick Ratio		0.47	0.71
Valuation			
EPS	"PKR"	2.86	1.90



Profitability Ratios

DESCRIPTION	UM	2012	2011 (July to Dec)	VARIANCE % F/(UF)
Key Operating Ratios				
Contribution Margin	"%"	75	76	(1)
Gross Profit Margin		58	68	(15)
Pre Tax Margin		31	41	(25)
After Tax Margin		21	28	(25)
EBITDA %		55	66	(17)



RATIO ANALYSIS WITH COMPETITORS

		Based on 2012 Results		Based on September 2012 Results		
PROFITABILITY RATIOS	Unit	FATIMA	FFC	FFBL	PFL	ENGRO
Gross profit ratio	%	58.49	48.44	22.01	25.59	30.99
EBITDA/Sales	%	55.16	44.88	18.79	31.63	20.77
Net profit before tax ratio	%	30.76	41.74	10.69	0.43	(21.39)
Net profit after tax ratio	%	20.70	28.04	7.29	0.62	(15.42)
FINANCIAL PERFORMANCE RATIOS						
Return on equity	%	21.11	79.86	0.17	0.46	(18.90)
Return on capital employed	%	10.38	69.54	0.15	0.27	(4.69)
Return on total assets	%	8.04	34.23	0.05	0.07	(3.07)
Return on paid up share capital	%	29.10	163.80	2.28	0.88	(27.75)
OPERATING & LIQUIDITY RATIOS						
Current ratio		0.68	1.15	0.99	0.93	0.48
Quick ratio		0.47	1.14	0.77	0.82	0.32
Debt equity ratio		52 : 48	17 : 83	9 : 91	42 : 58	80 : 20
CAPITAL MARKET / STRUCTURE ANALYSIS						
Market price per share	Rs.	26.40	117.14	35.73	-	101.84
Book up value per share	Rs.	13.79	20.51	13.41	19.06	14.69
Earnings per share	Rs.	2.86	16.38	2.28	0.09	(2.78)
Price earning ratio	Times	9.23	7.15	15.67	0.00	(36.63)

Operational Performance - 2012

- Year 2012 was challenging but successful.
- Dehumidification Unit was successfully installed and commissioned at CAN Plant, enabling ~200 T/Day increase in plant throughput in humid summer season
- Reliability of NP plant has considerably improved
- As a result of major efforts, consistent improvement in HSE Performance was noticed. The yearend 'Total Recordable Injury Rate (TRIR) was 0.22.
- Company has launched an "Excellence plan" to achieve excellence in all areas of its operation
- The 'Integrated Management System' (IMS) certification by third party auditors is planned by end 2013
- Implementation of Clean Development Mechanism (CDM) project was completed. The verification report is submitted to UNFCCC and their certification is awaited

Operational Performance - 2012

Ammonia Plant Revamp for 1800 MT

- Revamp study for 1800 MT is now complete
- Basic Engineering contract for 1800 MT is being awarded. Detail Engineering contractors are also being engaged in parallel
- Revamp shall be executed in 2015
- In view of very attractive payback, Waste gas boiler project at Ammonia Plant is being done ahead of Revamp study and targeted to complete by Mid of 2014. This project will boost company profits by lowering Fuel gas bill significantly
- Numerous projects in hand to improve reliability and efficiency of the fertilizer complex, which shall be completed phase wise within next 2-3 years



Future Outlook

The industry will continue to grapple with the issues like:

- Gas curtailment in the next year also.
- This is likely to result in expensive imports again.
- Capacity within the country continuously lying idle.
- Continued decline in usage of nitrogenous fertilizer, which will eventually reduce yields raising the specter of food insecurity.

Earliest possible restoration of gas to the local industry will lead to:

- Reduction in prices
- Foreign exchange saving along with reduced burden of subsidy
- Enhanced usage of fertilizers to previous levels at least
- Yield improvement to counter food insecurity

The Company with its unique product portfolio and the growing awareness of the farming community is well placed to secure a strong foothold. The continuing marketing, channel, farmer services and logistics thrusts will drive differentiation and bolster our sales in 2013

Fertilizer - Opportunities for Growth are overseas.

Fatima Looking at a lucrative opportunity in Indiana State in USA.

- **US gas prices at \$ 3.5 to \$ 4.0 per mmbtu at historical lows.**
- **US imports half of its Nitrogen Fertilizer demand of 20 Million Tons.**
- **Established strong infrastructure and distribution systems**
- **High EBITDA of existing NA fertilizer companies**
- **The US fertilizer industry enjoys strong cash generation supported by business fundamentals resulting in decent dividend payouts.**

Gas rich African countries also offer an attractive alternative.

THANK YOU!