



INTERVIEW

CONTACT DETAILS:

Name	Mr. Hamad Al-Mrwany
Title	PR Manager
Company	Qatar Fertilizer Company SAQ ("QAFCO")
Telephone Number	(974) 422-8591
Fax Number	(974) 477-0119

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QUESTIONNAIRE FROM GULF INDUSTRY MAGAZINE

1) Who are the main shareholders of the company and how is the shareholding spread out?

Qatar Fertiliser Company ("QAFCO") was established pursuant to a Special Decree and was incorporated in 1969 in a Joint Venture Agreement between the Government of the State of Qatar and two foreign shareholders. The Government subsequently transferred its shares in QAFCO to Qatar Petroleum ("QP").

In 2003 under a second reorganization, QP transferred its shares to Industries Qatar ("IQ").

Ownership: At present, QAFCO is owned by IQ [75%] and Yara Netherland B.V. [25%].

2) What is the product/service range? Provide details of the production facilities and production in terms of volume for 2008, 2009, 1st-quarter 2010 and expectations in 2010. Describe the technical collaborations the company has entered into, the special aspects of production and quality-control measures.

With a sizable annual production capacity of 2.1 million MT/PA of ammonia and 2.9 million MT/PA of urea from 4 ammonia and 4 urea plants, QAFCO is the largest single site producer of both ammonia and urea. The addition of QAFCO V and QAFCO VI by 2011 and 2012 respectively, will increase the company's ammonia production capacity to 3.6 million MT/PAs and urea production to 5.5 million MT/PA.

Production Stated in MT'000

	2007	2008	2009	2010 (Q1)
Ammonia	2,189	2,183	2,202	519
Urea	2, 964	2,996	2, 998	691

Storage and handling facilities

To ensure the smooth loading and shipping of ammonia and urea to various export destinations, QAFCO operates two jetties and three berths with five ship loaders. These facilities enable three vessels to be loaded simultaneously with urea and ammonia.

QAFCO at present has 4 bulk halls with a total capacity of 390,000 MT to store granular and prilled urea. An elaborate HVAC system ensures proper storage of urea. The bulk halls are also equipped with an automatic urea reclaimer.

Quality, environment and safety

QAFCO has scrupulously adhered to the highest international standards of quality, safety and environmental protection. The company has three ISO Management System certifications: ISO 9001 : 2000, (Quality Management System), ISO 14001 : 2004 (Environment Management System), OHSAS 18001 : 2007.

3-a) Provide separate figures for total sales (value) and exports for 2008, 2009, 1st-quarter 2010 & 2010 (expected).

Sales (*in MT'000*)

	2008	2009	2010 (as on 31/Mar/2010)
Ammonia	451	509	127
Urea	3,102	2,918	699

Total sales (value) *(in QR Million)*

	2008	2009	2010 (as on 31/Mar/2010)
Ammonia	744	450	151
Urea (prilled)	1,738	861	232
Urea (granular)	3,620	1,983	536

3-b) What are the special features of 2010? How is demand rising within the country and the Gulf region? What are the expectations for 2010?

Strong demand drove up prices, resulting in higher prices being achieved for January and February 2010. Prices also rose due to good demand in Latin America and the anticipation of Indian buying. Middle East prices will continue to edge up because of limited quantities from ME producers.

Exports from marginal producers (such as from the former Soviet Union, and US suppliers) are projected to decrease until 2013 because of major export capacity additions entering the market in North Africa and Middle East. The level of oil and natural gas prices will still be the key issue which will affect future urea prices.

The urea market is expected to continue to exhibit a cyclical downtrend in future until 2013, before recovering and trending upwards from 2014 until 2018.

4) Where are its export markets and what efforts are being made to expand sales abroad? Describe achievements on the export front.

Export markets for ammonia

India, Australia, South Africa, Jordan, Morocco, Taiwan, China, and Indonesia were the buyers of ammonia from QAFCO. Of these, India continued to be bullish in its demand for ammonia, as it recorded 63 per cent of QAFCO ammonia exports. A noticeable absence from the ammonia export chart is the United States of America, which accounted for nearly 8 percent of QAFCO's ammonia exports in 2008. This was primarily due to the severe drop in demand from the agricultural sector and a significant 20 percent decrease in demand for ammonia from the US industrial sector. China, too, registered a significant decrease in ammonia imports due to decrease in demand from the agriculture and industrial sectors. New ammonia facilities also influenced overall ammonia imports to China. The year under review also saw new markets being added to the QAFCO export pie, notably, Morocco, which accounted for 6 percent of QAFCO exports.

In anticipating demand, QAFCO, in its efforts to consolidate and expand its product reach, signed many long-term marketing agreements. Notable among them were its long-term agreements with Kisan International Trading FZE and Paradeep Phosphates Limited (PPL) to supply 100,000 MT of ammonia per annum. Apart from this, a long term agreement was also signed with Deepak Fertiliser and Petrochemicals Corporation limited to supply 100,000 to 300,000 MT of ammonia per annum. QAFCO also signed an exclusive agreement with MCFL to supply 50,000 MT per annum of ammonia.

Continuing its good relations with African markets, QAFCO signed a long term agreement with Foskor (pty) Ltd South Africa to supply 40,000 MT of ammonia per annum. QAFCO also signed an agency agreement with Agora Hermes International Trading Pte Ltd (AHI) in order to promote the sale of QAFCO's ammonia in South Africa. Finally, QAFCO signed a Memorandum of Understanding with Sumitomo to supply ammonia to Madagascar.

Export markets for Urea

United States of America, Thailand, India, and Australia took the major share of urea exports. In terms of percentages, India and USA maintained their share of the export pie, while Thailand, Bangladesh and Pakistan showed an increase in urea imports.

Technical problems and natural gas shortage affected urea production capabilities of a few plants in Europe and Asia, with some plants even closing down. However, regions with easy access to natural gas compensated the overall urea shortage, and Qatar was one among them.

In an effort to explore, expand and consolidate markets in the farther reaches of the globe, QAFCO signed various agreements and MoUs. In Australia, QAFCO signed an agreement with CSBP Australia to supply 100,000 to 150,000 MT of urea to West Coast Australia. An agreement was also signed with Incitec Pivot to supply 150,000 MT of granular urea and 30,000 MT of prilled urea to Australia. In South Korea, QAFCO signed an agreement with S.K. Networks, Korea to supply 100,000 MT of granular urea to Namhae Chemicals Corporation, Korea.

Apart from these, QAFCO signed an agreement with Bangladesh Chemical Industries Corporation to supply 200,000 MT of bagged prilled urea to Bangladesh for one year. With this QAFCO would acquire 45 per cent market share in Bangladesh.

6) List major on-going projects/supplies/contracts (please give details of the cost, scope and delivery time). Also separately, list a few major projects/supplies/contracts that the company completed in recent years.

Urea 1 and Melamine projects

Towards the end of 2009 the Qatar Melamine project, with a total cost of around \$350 million, reached nearly 100% construction progress and commissioning activities are well underway with progress of more than 20%. This means that the Melamine plant, being owned by Qatar Melamine Company (i.e., 60% by QAFCO and 40% by Qatar Holding, a 100% QP subsidiary), with an annual capacity of 60,000 tonnes and based on Eurotecnica/ Italy technology, is nearing its completion and with a planned start-up in the first half of 2010.

As part of the Melamine project, the existing Urea-1 plant has already been revamped using technology from Urea Casale / Switzerland, and this part of the project was completed and taken over by QAFCO late August 2009. The cost of this project is about \$95 million, including \$40 million spent to resolve environmental commitments made to the Ministry of Environment in Qatar. It will be integrated with the Melamine plant, i.e. QAFCO's high quality urea will be used as the main feedstock to the Melamine plant, and off-gases will be supplied by the Melamine plant and re-processed in the Urea-1 plant.

QAFCO 5&6

QAFCO 5:

The project consists of two ammonia trains that will have a total daily production capacity of 4,600 tonnes of ammonia (2,300 each) and a urea plant with daily production capacity of 3,850 tonnes. Engineering, procurement and construction (EPC) contract for its \$3.2bn expansion was awarded on 15th Dec. 2007 to an Italian-South Korean consortium of Saipem and Hyundai Engineering & Construction Company.

The plant is expected to be on stream by the 2nd quarter of 2011.

QAFCO 6:

An Engineering, Procurement and Construction contract for the QAFCO-6 expansion project was signed in November 2009 between Qatar Fertilizer Company (QAFCO) and a consortium from the Italian company Saipem and the Korean company Hyundai Engineering & Construction Company.

The construction works will take 35 months and the completed project shall be over by the end of the 3rd quarter of 2012. Besides Saipem and Hyundai, who are the main contractors, a number of international and national construction companies will take part in the project construction as sub-contractors.

The EPC cost of the QAFCO-6 project will be around \$610 million. The contract covers the supply of licenses, engineering, procurement, construction and start-up of the plant.

When completed in 2012, the QAFCO-6 project will increase the company's annual production capacity of urea to 5.5 million MT - thus the project is expected to boost QAFCO's profitability and place it on a stronger footing as a key player in the global fertiliser market.

6) What subsidiaries and joint ventures does the company have?

Gulf Formaldehyde Company

Gulf Formaldehyde Company (S.A.Q) was incorporated on 3rd March 2003 as a Shareholder All Qatari Company in the State of Qatar. The company is engaged in the production and sale of Urea Formaldehyde Concentrate ("UFC").

The Shareholder and their shareholding interests in the company are as follows:

<u><i>Name of the shareholder</i></u>	<u><i>Interests</i></u>
Qatar Fertiliser Company Q.S.C.C.	70%
Qatar Industrial Manufacturing Company (S.A.Q)	15%
United Development Company P.S.C.	10%
Amwal Investment Company Q.S.C.C	5%

Qatar Melamine Company

Qatar Melamine Company was established following a Shareholders and Services agreement between Qatar Fertiliser Company and Qatar Holding to produce and sell melamine.

<u>Name of the shareholder</u>	<u>Interests</u>
Qatar Fertiliser Company Q.S.C.C.	60%
Qatar Holding	40%

7) What are the challenges and difficulties the company faces and what are the trends in the industry it is part of? How does it view prospects for the near term?

The global forecast for the next few decades calls for astonishing population growth, combined with a reduction in arable land. This is an opportunity in disguise for the chemical industry. There is a need to grow more per acre and therein lies the opportunity for QAFCO to do its bit towards sustainable development. In line with this, QAFCO plans to increase its production. QAFCO 5 and 6 are steps in that direction. With an abundance of natural resource, this is the time for QAFCO to push ahead and make the most of the opportunity.

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ABOUT QAFCO:

Qatar Fertiliser Company SAQ (“QAFCO”) is the world’s largest single site producer of urea and ammonia. It was incorporated in 1969 and is currently a joint venture between Industries Qatar QSC (“IQ”) [75%], Fertiliser Holdings AS (10%) and Yara Netherland BV (15%). QAFCO is engaged in the manufacture and sale of ammonia and urea, which are sold primarily in the Indian sub-continent, and urea formaldehyde condensate.