
Potash and Phosphate - Drivers and Trends

ABC 
Investments

P.O. Box 930059, Amman 11193, Jordan

Tel. + 962 (0) 6 5629300,

Fax. + 962 (0) 6 5682941

www.abci.com.jo

(A wholly owned subsidiary of ABC (Jordan))

Research Department

Tanya Khammash
Head of Research Department
tanyak@abci.com.jo

Zein Alkhas
Research Analyst
zeina@abci.com.jo

Brokerage

Tel. + 962 6 5629300 (ext. 301)

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1.0 EXECUTIVE SUMMARY

Year 2008 is proving to be another year of strong growth for the fertiliser industry. World production of phosphates and potash, two primary inputs into the fertiliser production process, continued to grow, reaching 172.1 million tonnes and 55.7 million tonnes respectively in 2007, compared to production levels of 144.1 million tonnes and 42.6 million tonnes back in year 2001.

Global production of potash and phosphate in 2007 reached 55.7 million tonnes and 172.1 million tonnes, respectively...

The demand for ever-increasing quantities of food, driven by a growing global population, coupled with a relatively “fixed” area of arable land, is necessitating the use of fertiliser to cope with the world grain shortage. Grain inventories have been deteriorating in recent years, and were expected to reach a 25-year low of 405 million tonnes in 2007/08, according to the Food and Agriculture Organisation of the United Nations (FAO). Moreover, the United Nations has estimated that by year 2050, the global population will have increased by a further 40% to reach in excess of 9 billion capita. The current and projected demand for food, unmatched by growth in supply, is pushing up prices of grains to unprecedented levels. To meet the challenges of the decline in inventories, and to take advantage of the favourable food prices, farmers are utilising fertilisers to boost production and maximise yields and profits. To this end, land is being harvested aggressively, and fertilisers are providing the means to do so.

The more fertile land across the globe is already under cultivation, posing a conundrum with the potential for crop land expansion being relatively limited. Less arable land tends to be lacking in the necessary nutrients, and/or has unsuitable conditions for agriculture. Therefore, intensive crop growing activities on the world’s arable land is taking place, leading to the land’s degradation and soil erosion. Each crop harvest removes nutrients from the soil, and fertilisers must be applied to replenish the nutrient-depleted lands.

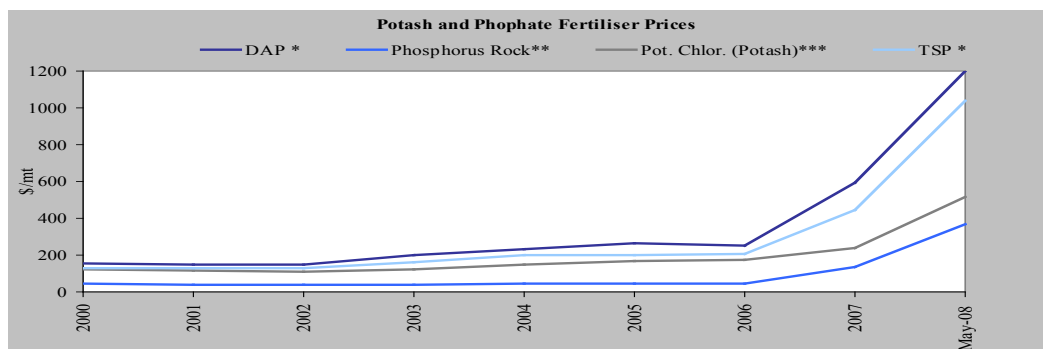
... driven by soaring demand for fertilisers to maximise arable land use...

Industrialisation of eastern countries, particularly China and India, and strong economic growth of these countries in recent years, has supported an increase in per capita food consumption. Rising incomes translates to demand for better diets, and as evident in recent years, shifts in palate-preferences towards protein-rich diets (meat and dairy). Protein diets are grain-intensive, with seven pounds of grain required to produce one pound of beef. This is stressing the already stretched global inventories of grain, applying further upward pressure on their prices, motivating farmers to produce more, necessitating additional fertiliser use.

... to support protein-rich diets

Moreover, the soaring oil prices of late, in parallel with growing awareness of the environmental effect of burning oil, has spawned an interest in the use of bio-fuels. Bio-fuels can help reduce the emission of greenhouse gases, and also provides an alternative to crude oil as an energy source, promoting energy supply stability. Bio-fuel production has trebled between 2000 and 2007, and is produced primarily from corn, sugar and vegetable oils, thereby having a significant impact on the food chain. Instead of grains being cultivated and produced as food, it is being processed instead to produce ethanol. Moreover, portions of the limited arable land available are being diverted to produce grains for bio-fuels, compounding the impact of the existing shortage of grains. These factors are all coming into play to hike up fertiliser prices.

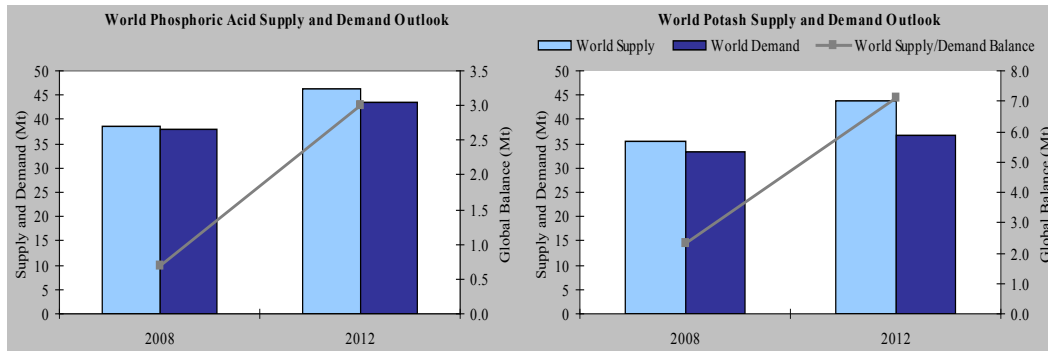
... and the growing bio-fuel industry



Source: World Bank Pink Sheets

The rising oil prices have had a double whammy effect on the fertiliser industry, first by raising the costs of producing fertilisers, and second, by escalating transportation costs. A more indirect repercussion of the oil price spike is that soaring domestic inflation led many food-producing countries to impose quotas, taxes and restrictions on exports of grains, causing further shortages and price increases of food in the international market.

Rising oil prices are hiking up production costs and freight expenses



Source: International Fertiliser Industry Association

The phosphate and potash markets are becoming increasingly tight in light of stronger than expected demand for fertilisers. This has been reflected in the stock performance of the shares of the Jordan Phosphate Mines (JOPH) and Arab Potash Company (APOT), which registered increases of 638.6% and 1824.4% in the 18 months ended June 30th 2008.

Strong industry performance was reflected in the stock prices of APOT and JOPH

Going forward, as existing mines increase output and expansion plans previously set into place begin to take effect, the tightness of the supply/demand balance of potash and phosphate will begin to ease. However, we do not anticipate a significant drop in prices for these two commodities in the short-to-medium term, due to the depletion of “cheaply extractable” sources of phosphate, the high barriers to entry to the market, the large costs on existing market players to set up new extraction mines and facilities, and the length of time before new mines become operational.

2.0 OVERVIEW OF POTASH AND PHOSPHATE

2.1 Potash

Potash refers to potassium compounds, the most common being potassium chloride. Potassium occurs naturally in nature, and is known to be the seventh most common element in the earth's crust. It is found everywhere in nature; in oceans soils, rocks and cells of plants and animals, and when added to plants' soils, potash helps improve plant quality and yields, as well as fight against plant stress and diseases. 95% of all potash production goes into agricultural sector usage, to be used as plant nutrients, mainly as fertilisers. Plants that are consumed as food require a large amount of potash, and need a certain amount of this specific nutrient to be able to complete their normal life cycle. Therefore, potash plays an important role in the plants physiological function such as photosynthesis, protein formation and water retention. The effect that potash has on plants cannot be achieved by other nutrients, and up until today, no commercial substitute has been found to replace the effect of potash fertilisers on plants.

2.1.1 World Production of Potash:

Potash is a mineral found in a few regions around the world, with only 12 countries producing it, and more than 150 countries consuming it. Canada is the world's largest producer of potash, followed by Russia and China.

Potash is produced in 12 countries..

In 2007, world potash production reached a record level of 55.7 million tonnes compared to 49.0 million tonnes in 2006. Canada contributed 34.3% to total production, while Jordan produced an annual average of 1.9 million tonnes over the period 2001 to 2007.

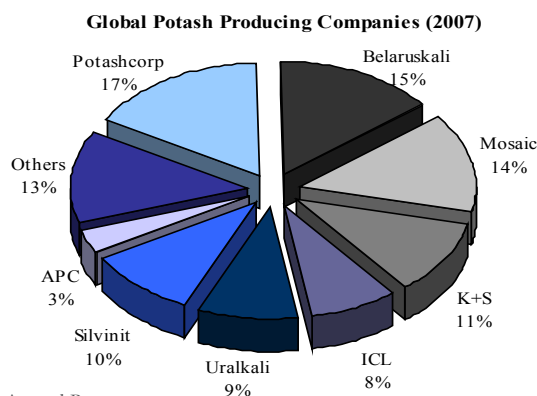
... and Canada is the main producer

World Potash Production (Million Tonnes)

Country	2001	2002	2003	2004	2005	2006	2007
Canada	13.5	14.1	15.1	16.6	17.3	14.0	19.1
Russia	13.2	13.7	14.8	17.0	18.6	17.2	18.7
Europe	8.0	7.5	7.8	7.8	7.7	7.4	7.3
Israel	2.9	3.2	3.3	3.5	3.7	3.5	3.3
China	0.6	0.7	1.0	2.0	2.5	2.7	3.1
Jordan	2.0	2.0	2.0	1.9	1.8	1.7	1.8
U. S. A	1.3	1.4	1.2	1.4	1.3	1.2	1.2
Brazil	1.1	1.2	1.2	1.3	1.2	1.3	1.2
Total	42.6	43.8	46.4	51.5	54.1	49.0	55.7

Source: Arab Potash Company Annual Reports

Potash production has been rising over the years, growing by a compounded annual growth rate (CAGR) of 4.6%. The world's largest potash producing companies are Potashcorp, Belaruskali, and Mosaic, which, combined, produced 45.2% of total potash production in 2007.



Primary producers of potash are Potashcorp, Belaruskali, and Mosaic

Source: Arab Potash Company Annual Reports

2.1.2 World Potash Consumption

Due to the rising demand for food, fibre, and feed, the potash market has been experiencing rapid growth in the last decade, with the largest consumers being those countries where nature has not provided them with the sub-soil resources of potash to meet their own country's requirements. China is the largest consumer, followed by India and Brazil.

China is the world's largest consumer of potash...

Asia accounted for 42.6% of global consumption, followed by North America, with 18.6%. Total consumption has been rising at a CAGR of 5.9%, surpassing the growth in production.

Potash World Consumption (Million Tonnes)

Country	2001	2002	2003	2004	2005	2006	2007
Asia	12.7	14.0	16.0	19.0	22.0	19.3	23.8
North America	9.5	9.1	9.7	10.4	9.6	9.0	10.4
Europe	8.7	8.6	8.6	9.1	8.7	7.8	7.9
Latin America	5.3	6.1	8.0	8.3	7.1	8.0	9.0
Middle East & Africa	1.2	1.2	1.3	1.7	1.7	1.9	2.0
Russia	2.3	2.3	2.1	2.0	2.4	2.6	2.8
Total	39.7	41.8	45.7	50.5	51.5	48.6	55.9

Source: Arab Potash Company Annual Reports

.. and Asia is the largest consumer in terms of continents, with consumption rising by 87% since 2001

2.2 Phosphate

Phosphate (or phosphorus) is an essential nutrient for plants and one of the main key ingredients in the production of fertilisers for use in agriculture. It helps plants utilise the sun's energy during photosynthesis, a process that could not take place if phosphate was lacking. Moreover, it also helps with seed development, as well as aiding in the more efficient utilisation of water. Deficiency of phosphorus in the soil is a major cause of limited crop yield.

Phosphorus deficiency leads to weak crop yields

Phosphate is a non-renewable resource which must be mined. It is found as a phosphate mineral, as phosphorus is highly reactive. Phosphate deposits exist all over the world, but they are not all considered to be mineable reserves. A U.S. geological survey report estimated that the phosphate reserves that are economically extractable amount to approximately 12.5 billion tonnes. Considering an annual consumption rate of 172.1 million tonnes, based on 2007 figures, this translates into mineable reserves for a further 73 years, without allowing for further consumption growth.

Economically extractable reserves of phosphate have been estimated at 12.5 billion tonnes

Phosphate Rock is the world's most important source of phosphorus, and it is estimated that around 90% of the global phosphate rock consumption is directed to the production of fertilisers to include superphosphate, triple superphosphate (TSP), and Diammonium Phosphate (DAP), all of which have a high percentage of phosphorus.

2.2.1 World Phosphate Production

Phosphate is produced in more than 40 countries, and its production has been rising over the years, reaching 172.1 million tonnes in 2007, with America being the world's leading producer of phosphate, followed by China and Morocco. These three countries combined contributed to 78% of total world production in 2007. East Asia showed the largest growth in phosphate production in absolute terms, soaring by 16.86 million tonnes since 2001, increasing from 40.50 million tonnes to 57.36 million tonnes in 2006.

Phosphate is produced in more than 40 countries

World Production of Phosphate Rock (Thousand Tonnes)

Country	2001	2002	2003	2004	2005	2006	2007
West Europe	767	800	799	838	823	858	N/A
East Europe & Central Asia	11,685	12,387	12,766	13,534	13,320	12,526	N/A
North America	32,484	37,205	35,046	36,392	36,404	30,999	N/A
Latin America	6,040	5,503	5,556	6,028	6,026	6,233	N/A
Africa	37,139	38,759	40,562	43,566	44,618	43,077	N/A
West Asia & Middle East	11,697	13,430	12,385	12,053	12,793	12,368	N/A
South Asia	987	1,279	1,291	1,405	1,402	1,603	N/A
East Asia	40,503	42,398	45,763	48,732	53,873	57,363	N/A
Oceania	2,766	2,769	2,888	2,777	2,868	2,574	N/A
Total	144,068	154,529	157,056	165,325	172,126	167,600	172,100

N/A Not Available

Source: Industrial Fertilisers Industry Association

Morocco is believed to have almost six times the phosphate reserves of the United States, despite its lower production levels. Going forward, this should position Morocco as a market leader in the mining of phosphate.

Morocco has 6 times the phosphate reserves of the U.S.

2.2.2 World Phosphate Consumption

Based on figures by the Industrial Fertilisers Industry Association, world consumption of phosphate is equivalent to supply. World demand for phosphate grew by 12% in 2007 to 172,100 thousand tonnes. The largest consumers of phosphate are East Asia and North America, claiming 56.5% of total consumption in 2006. Moreover, the consumption of East Asia grew by 7.3% in 2006 alone.

World Consumption of Phosphate Rock (Thousand Tonnes)

Country	2001	2002	2003	2004	2005	2006	2007
West Europe	8,195	7,797	7,429	7,402	7,068	6,432	N/A
Central Europe	2,425	2,584	2,664	2,872	2,893	2,872	N/A
East Europe & Central Asia	9,265	10,250	10,976	12,171	12,247	11,947	N/A
North America	35,128	39,851	37,428	38,901	39,028	33,420	N/A
Latin America	8,503	7,954	8,089	8,912	8,644	9,021	N/A
Africa	22,102	23,312	25,546	27,536	26,897	24,622	N/A
West Asia & Middle East	7,195	8,373	7,928	6,041	7,516	7,437	N/A
South Asia	6,478	6,657	5,332	6,701	6,831	7,363	N/A
East Asia	40,590	43,693	47,776	50,801	57,119	61,293	N/A
Oceania	4,164	4,058	3,888	3,988	3,865	3,171	N/A
Various	22	1	-	-	19	23	N/A
Total	144,068	154,530	157,057	165,325	172,126	167,600	172,100

N/A: Not Available

Source: Industrial Fertilisers Industry Association

Largest phosphate consumers are East Asia and North America

3.0 FERTILISERS

3.1 Fertiliser Demand

Just like humans need food to grow, plants need food to flourish and produce healthy crops; they need certain amounts of nutrients for proper growth and development. These nutrients can be found in substances such as fertilisers that are added to plant soil to improve growth and yield.

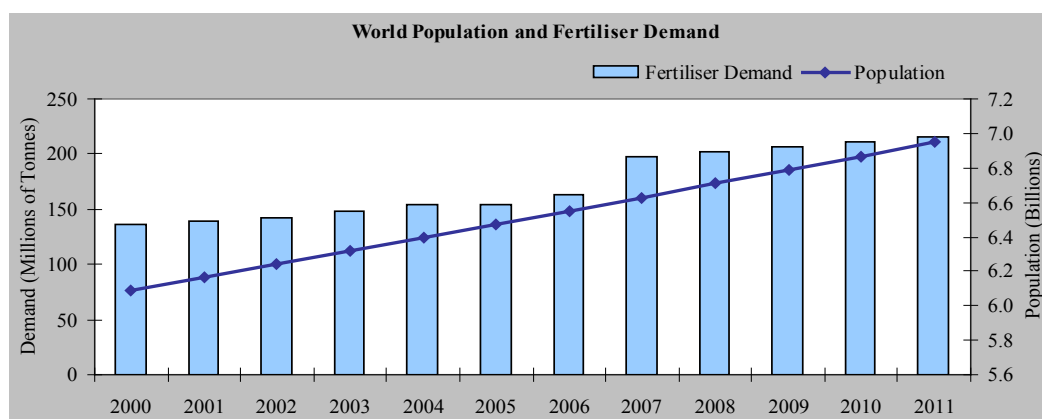
Fertilisers are made up of 14 nutrients, were the absence of any one of these nutrients in the soil can limit plant growth, even if other nutrients are present in sufficient quantities. The three main

nutrients plants need, which are also the primary components of fertilisers, are nitrogen, potash and phosphate.

The world needs fertilisers to feed its growing population; according to the Fertiliser Institute, fertilisers are responsible for 40 to 60 percent of world food supply, and it was estimated that without fertilisers the world would be short one-third of that supply. With the global population rising, and more humans anticipated to join the world, the demand for food will increase, applying further pressure on existing supply, and increasing the demand for, and use of, fertilisers.

Fertilisers help contribute to 40-60% of world food supply

The world's consumption of fertilisers has been increasing since 2000 and will continue to rise as long as the population is increasing and as long as people need food to survive. According to the International Fertiliser and Agriculture Association, the global consumption of fertilisers increased by 31% from 1996-2008 driven by a 56% increase in the developing countries, where a high percentage of the world population is located, and more food is needed.



Global fertiliser consumption increased 31% during the period 1996 and 2008

Source: IMF Statistics

3.2 Trends in Fertiliser Prices

While world fertiliser prices have been rising gradually since 2004, in 2007, the world witnessed an escalating phenomenon with prices reaching four digit figures. Demand for food crops, in addition to the increasing prices of energy and freight, were major drivers of the rise in prices. This increase in demand, particularly for industrialised countries, and the need to apply high levels of fertilisers to maximise grain harvests, forced prices upwards. According to the U.S. Department of Agriculture, the average prices paid by US farmers for the three major fertiliser nutrients reached their highest level in April of 2008.

Fertiliser prices began to skyrocket in 2007...

The reason behind the evident increase in world fertilisers prices is the demand surge that has been propelled by the rising food commodity prices, and the rush by farmers to boost their production. Some fertilisers' prices have trebled in the past year, hindering farmers' ability to purchase fertilisers in the same quantities, thereby reducing food output, pushing millions of poor people into a state of malnutrition, according to the UN World Food Programme.

Prices of fertilisers issued by the World Bank revealed that the average price of DAP fertiliser for the period January-May 2008 registered 283% higher than the annual average for 2006, while average phosphate rock prices soared by 551% over the same period.

Fertiliser Prices for the Period 2000 - May 2008

Fertilisers \$/mt	2000	2001	2002	2003	2004	2005	2006	2007	May 2008
DAP*	156.5	149.8	151.0	202.1	234.4	261.9	253.5	594	1,199.2

...reaching in excess of USD 1,000 per tonne for certain types of fertiliser

Fertilisers \$/mt	2000	2001	2002	2003	2004	2005	2006	2007	May 2008
Phosphate rock**	43.0	41.0	38.0	38.0	42.0	42.0	45.5	135.0	367.5
Potassium chloride (Potash)***	122.5	115.0	112.5	120.0	147.5	170.0	175.0	240.0	518.3
TSP*	129.0	131.0	131.5	162.9	202.0	201.0	205.5	446.9	1,037.0

* fob US
 ** fas Casablanca
 *** fob Vancouver
 Source: World Bank Pink Sheets

Meanwhile, average potash prices also rose, increasing by a lower average of 141% for the same period, while TSP prices reached a high of USD 1,037/mt in May 2008 compared to prices ranging between USD 200-206/mt back in 2006.

The hike in prices was exacerbated by the reactions of countries such as China, who, in April 2008, imposed a 135% tariff on exports of phosphate to retain as much fertiliser as possible for domestic use.

Price increases were exacerbated by actions of countries to inhibit phosphate exports

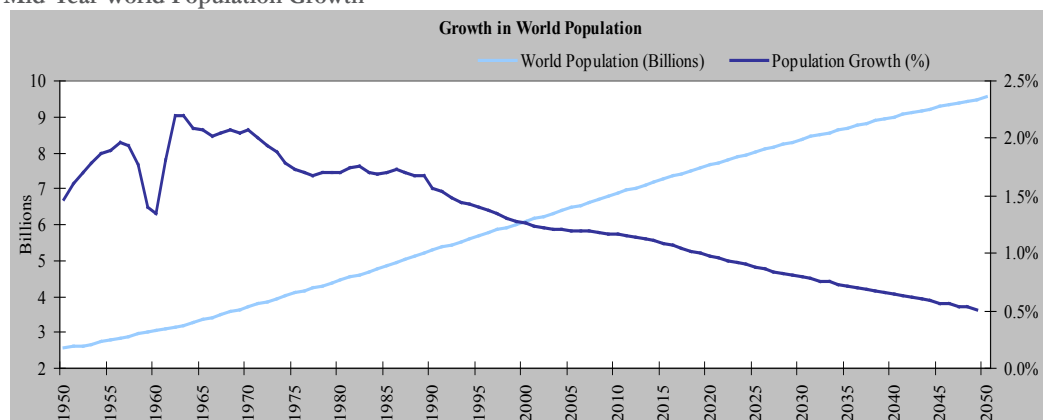
4.0 DRIVERS OF THE INDUSTRY

4.1 World Population

The world population has been rising steadily over the years to register at approximately 6.71 billion by mid-2008. The graph below illustrates that while the population has been rising, the rate of growth has been decelerating, falling from a compounded annual growth rate (CAGR) of 2.01% over the periods of 1970-1980 to 1.72% in 1980-1990 and 1.42% in 1990-2000. During the eight years up to mid-2008 the growth had declined further to 1.22%. However, despite this slow down in population growth, the United Nations has estimated that some 50-70 million people will be added to the global population each year, to reach a projected figure of 9.5 billion by mid-year 2050.

Decelerating but positive population growth is anticipated to lead to a global population of more than 9 billion by 2050...

Mid-Year World Population Growth

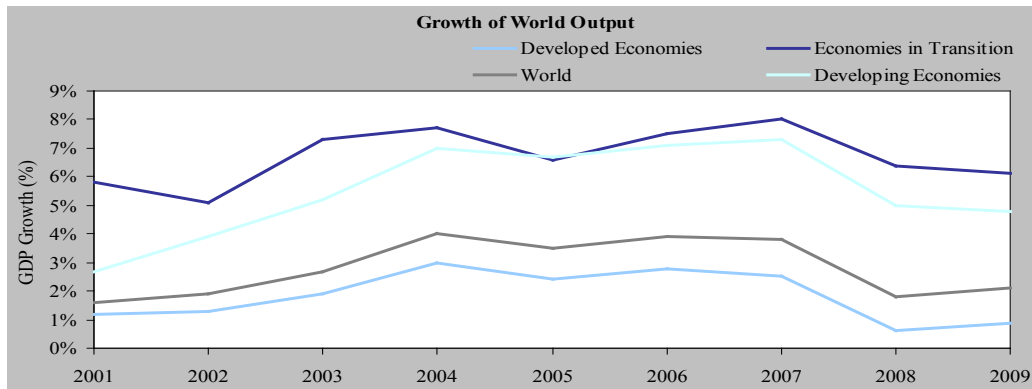


Source: U.S. Census Bureau

The increased mouths to feed necessitate greater food production, more intensive cultivation and aggressive yield-enhancing strategies. With a relatively fixed “arable land” area across the globe, farmers are having to be more efficient, utilising land as aggressively as possible to maximise output. This is driving a need for fertilisers, which not only enable land to be farmed intensively while remaining productive by replacing vital nutrients in the soil needed for plant growth, but also improves the quality and quantity of the produce, and aids in the utilisation of less-suitable soil in farming.

... driving the demand for food

4.2 Global GDP Growth



Source: UN-DESA

Global GDP expected to slow down in 2008, despite strong performance of many regions of the world in 2006 and 2007

Food consumption is correlated with GDP growth, with diets improving in countries that are experiencing economic expansions. Following an overall boom in the global economy, recent years have seen a deceleration in growth, with the world GDP growth declining from 4.0% in 2004 to 3.5% in 2005 before recovering slightly to 3.9% and 3.8% in 2006 and 2007, respectively. Economies in transition, meanwhile, have been experiencing strong economic booms, with annual growth in GDP registering at 7.5% in 2006 and 8.0% in 2007 (Source: UN/DESA). In recent years, the global economy has been facing serious challenges which are impacting on its growth negatively and slowing down its pace. The depreciation of the U.S. dollar versus other major currencies, alongside the credit crises in major developed countries triggered by the housing crash in the U.S., coupled with soaring oil and commodity prices, are all helping drive the economy into an unsteady state, with indications of an imminent global economic downturn.

The weakening of the U.S. economy that was evident in 2007 is expected to continue into 2008 with a mild recovery in 2009. Meanwhile, Japan and the Western Europe will both follow a downward trend in 2008 and 2009, despite the strong growth they both experienced in 2007.

Africa witnessed strong growth of 5.8% in 2007, driven by the strong global demand and high commodity prices. Growth performance varied throughout the region, where oil-exporting countries performed better than oil-importing countries. However, a slow down in the coming two years is also anticipated, and is attributable to the global impact of the U.S. economic recession and the global rise in inflation.

Asia's growth was exceptional, reaching 8.8% in 2007. However, due to the decline in China's exports as a result of the appreciation of its currency and the increase in its labour costs, reducing the competitiveness of its produce, Asia's economic growth is also anticipated to decelerate over the next couple of years. Pakistan and India's economic growth will also decelerate as a result of the slow down in the U.S., their main export market.

West Asia's economic growth is expected to fall as well, after reaching 5.2% in 2007, due to the increase in oil prices and the global slow down, which will impact on its economy.

4.3 Change in World Income and Diets

Increases in per capita income are reflected in a population's diet and the quality of foods purchased. More calories are consumed and shifts are made away from basic staples towards fruits, vegetables and meat products. Calorie consumption per capita has been rising over the years, from 2,358 kcal per day in 1965 to 2,803 kcal in 1998, and is expected to reach 3,050 kcal in 2030, according to the Food and Agriculture Organization of the United Nations (FAO). The industrialisation of

Calorie consumption per capita has risen by 18.9% from 1965 to 1998, and is expected to rise by a further 8.8% by year 2030.

many developing countries, particularly China and India, has brought about a shift towards better quality foods, with a robust demand for protein-rich diets. Total agricultural output has followed an average increase of 2.3% per annum, according to the FAO, with the majority of the growth coming from developing countries.

A report by the FAO revealed a five-fold increase in total meat production in developing countries between the years 1970 and 2005, reaching 147 million tonnes compared to 27 million tonnes, with expectations of global production rising by a further 50% by year 2030. However, in terms of per capita consumption of meat, consumption in developing countries increased by 150% from 1964-1999, and is expected to rise by an additional 43.9% by 2030. World consumption of meat, meanwhile, is expected to increase by 87.2% by 2030 compared to 1964.

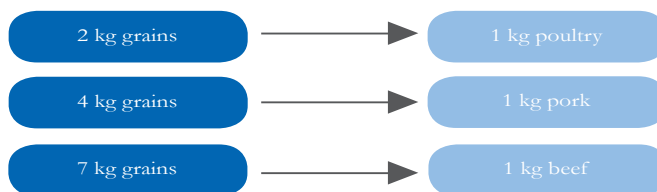
Meat production in developing countries has increased five fold between 1970 and 2005...

Per Capita Consumption of Livestock

Region	Meat (kg per year)			Milk (kg per year)		
	1964 - 1966	1997 - 1999	2030	1964 - 1966	1997 - 1999	2030
Industrialised countries	61.5	88.2	100.1	185.5	212.2	221
Developing countries	10.2	25.5	36.7	28	44.6	65.8
Transition countries	42.5	46.2	60.7	156.6	159.1	178.7
Sub-Saharan Africa	9.9	9.4	13.4	28.5	29.1	33.8
Near East and North Africa	11.9	21.2	35	68.6	72.3	89.9
Latin America and the Caribbean	31.7	53.8	76.6	80.1	110.2	139.8
South Asia	3.9	5.3	11.7	37	67.5	106.9
East Asia	8.7	37.7	58.5	3.6	10	17.8
World	24.2	36.4	45.3	73.9	78.1	89.5

Source: World Health Organization

This transformation in food preferences is dictating a growing allocation of grains towards animal feed, in order to keep up with demand. The grains allocated to feed accounts for a significant share of the world's total grains production, with several kilograms needed to produce each kilogram of meat.



... leading to an increase in the amount of grains consumed

The rising demand for livestock, hand-in-hand with a global shortage of grains, is further driving the demand for fertilisers.

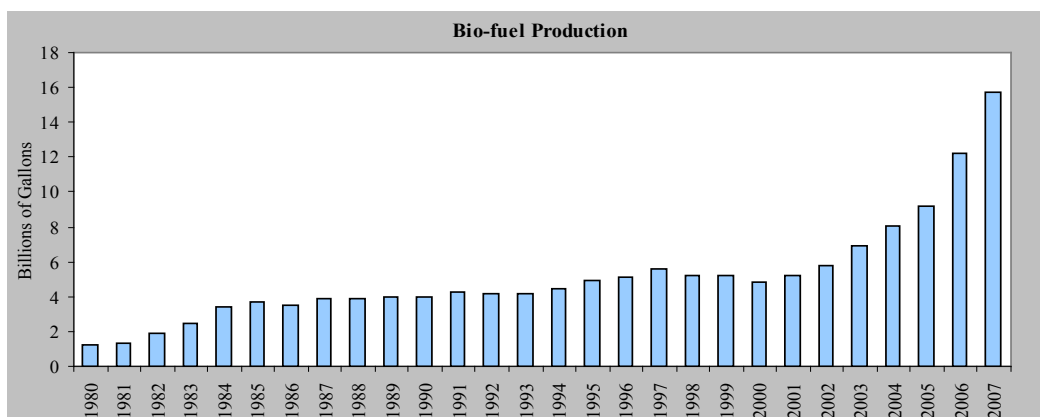
4.4 Alternative Energy Sources: Bio-fuels

The hikes in oil prices over the past few years, alongside growing awareness of the environmental impact of the continued oil usage, has triggered global action to find alternative sources of energy. One such source is the use of bio-fuels and ethanol, which are solid, liquid or gas fuels produced from grains, particularly corn and sugar cane.

The recent price hikes of oil has triggered a demand for alternative fuel sources...

Global production of bio-fuels tripled since 2000 reaching 16 billion gallons in 2007 compared to 4.8 billion, with 90% of its production concentrated in the USA, Brazil and the European Union. In 2007, around 3.2 billion bushels of U.S. corn was used to produce ethanol compared to the 1.6 billion used in 2005, which led to demand-pull inflation, driving up corn prices by 70% in the same year. This increase in commodity prices is spilling over to world-wide food prices, which, according to the International Monetary Fund, rose by 10% since 2006 due to the increase in corn prices.

... and bio-fuels are serving that purpose, with production tripling since year 2000 to reach 16 billion gallons in 2007



Source: US Department of Agriculture; FO Licht

The surging demand for bio-fuels has had a triple impact on the fertiliser industry; production of grains are being diverted away from food and animal feed purposes towards production of bio-fuels, therefore fertilisers must be used intensively to maximise the already lacking yields. The low grain inventories are hiking up food prices dramatically, while arable land with alternative uses is now being harvested for the purpose of producing grains for bio-fuel, further exacerbating the grain shortage.

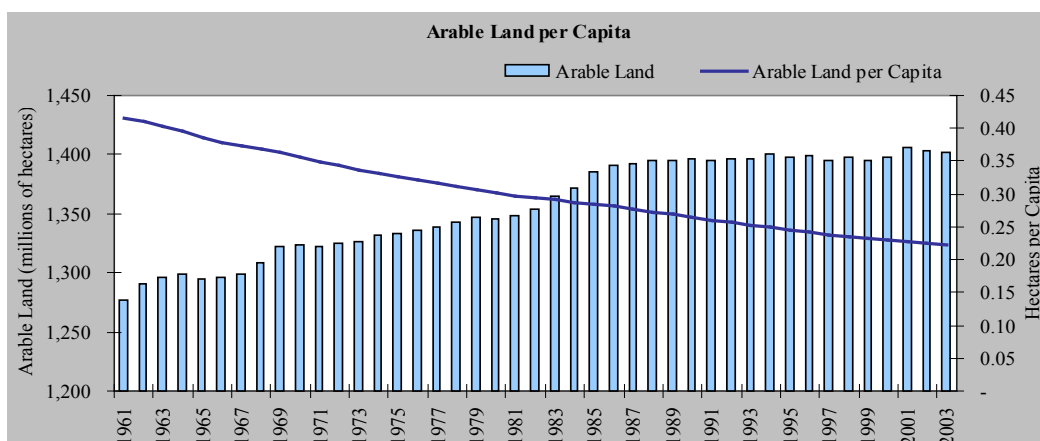
Estimates of the effect of bio-fuel production on global food prices vary dramatically, from as little as 3% according to the US Department of Agriculture, to 75% according to rumours of a secret World Bank report.

Estimates of the impact of bio-fuel production on fuel prices vary between 3% and 75%

4.5 Agricultural Land

With the increase in global population, urbanization, and the use of available land for housing and other developments, the amount of cultivated land has been declining at an average of 1% each year, rendering the expansion of global arable land limited. According to the Food and Agriculture Organization, the amount of cultivated land per capita is less than half of what it was in the 1950's. This decrease is applying pressure on farmers to increase their crops in order to keep up with the expanding population.

Cultivated land per capita has dropped by 1% per annum, on average



Source: FOAStat; ABCI Interpretation

In the meantime, since the area of available land around the world is fixed, with no ability to create more of it, the best available substitute for this limitation is to increase the yield obtained from each available unit of land, which requires farmers to provide their soils with more fertilisers, thereby acting as a further driver of the increase in fertiliser demand.

4.6 Supply of Grains

Food is essential for the continuity of life, therefore, demand for food moves hand-in-hand with population growth. Hence, as long as population maintains positive growth, then demand for food will continue to increase. An article by the World Bank claims that 90% of the food we consume is driven from fifteen plants and eight animals, and the grains wheat, rice, corn (maize), millet and sorghum provide around 70% of calories and almost 90% of protein consumed by the world population. Therefore, the world relies on increased amounts of grain crops to supply the constantly increasing demand for food, for which growth in supply of grains is struggling to keep up; the world consumption is outpacing production, and is therefore having a direct effect on global grain prices.

Population growth is leading to demand for grains exceeding the supply...

Annual Average Prices of Major Grains (USD/mt)

Grains	Jan-Dec 2006	Jan-Dec 2007	Jan-May 2008
Barley	\$116.6	\$172.3	\$225.3
Maize	\$121.9	\$163.7	\$230.2
Rice	\$304.9	\$326.4	\$654.3
Sorghum	\$122.9	\$162.7	\$226.9
Wheat	\$216.8	\$300.4	\$577.3

Source: World Bank Pink Sheets

The price of barley, which is used as food and livestock feed, has been rising since 2006 with an overall increase of 93% from January 2006 to May 2008, while maize prices increased by 88% over the same period due to the increased demand for ethanol and bio-fuels. The largest increases, however, were for wheat and rice, with hikes in prices of 166% and 115%, respectively.

... bringing about continuous increases in grain prices...

The elevating prices of grains has been mirrored in fertiliser prices, and with farmers directing their planting efforts to the crops that offer the highest return, supply/demand balances for the less profitable crops may be expected to widen, necessitating more and more fertiliser usage, pushing up fertiliser prices further. The other side of the coin is that, because prices of these basic grains are so much higher than other grains, intensive cultivation of them is taking place, which should lead to a production surplus in the short-to-medium term, which will ease pressure on their prices, and will redirect farmer attention to other grains of lower supply.

... which is mirrored in fertiliser prices

5.0 THE JORDANIAN MARKET FOR POTASH AND PHOSPHATE

Jordan is a country rich with phosphate and potash deposits, and these represent the Kingdom's primary natural resources. Total production of phosphate and potash in 2007 reached 5,541.4 thousand tonnes and 1,794.4 thousand tonnes respectively, as per the Central Bank of Jordan. Both minerals are used in the production of fertilisers, with Di-Ammonium Phosphate (DAP), Complex Fertiliser (NPK) and Potassium Sulphate being the three main fertilisers produced by Jordan. DAP fertiliser is exported to more than 25 countries, but mainly to India, Japan and Pakistan, while the Japanese market is the main exporter of the Jordanian NPK.

Phosphate and potash are Jordan's main natural resources

The soaring global demand for fertilisers has led to a rise in the export value of both phosphate and potash, and this effect has been compounded by the rise in their prices internationally. Phosphate exports increased to JD 138.32 million in 2007, up from JD 112.89 million the year prior and JD 90.81 million back in 2003. Its contribution to total exports, has, overall, been declining, to reach 4.3% in 2007 and 4.5% in 2008, based on January-April annualised figures, compared to 5.4% in 2003. Potash exports also increased, reaching JD 227.42 million in 2007 compared to JD 144.82 million in 2003. While its contribution to total exports were lower than average in 2006 and 2007, at the end of April 2008, the contribution made by potash to total exports reached

The value of phosphate exports from Jordan increased by 22.5% in 2007, while potash exports rose by 25.5% over the same period

8.8%. The rising prices of potash, in addition to plans by the Arab Potash Company to increase its production capacity from 1.9 million tonnes currently to 2.5 million tonnes next year, should see the contribution played by potash rise even further.

Exports of fertilisers experienced the largest increase, with JD 217.80 million of exports in 2007 compared to JD 151.47 million in 2006, registering a 43.7% increase.

Fertiliser exports increased by 43.7% in 2007, and their contribution to total exports increased to 6.8%

Mining Sector Exports

JD ('000)	2003	2004	2005	2006	2007	2008*
Phosphate	90,810	117,731	119,341	112,894	138,318	164,541
Contribution to total exports	5.42%	5.10%	4.64%	3.85%	4.35%	4.54%
Potash	144,832	163,505	196,138	181,242	227,420	317,970
Contribution to total exports	8.65%	7.09%	7.63%	6.19%	7.15%	8.78%
Fertilisers	73,661	123,760	122,521	151,468	217,800	234,153
Contribution to total exports	4.40%	5.37%	4.77%	5.17%	6.84%	6.46%
Total Exports	1,675,075	2,306,626	2,570,222	2,929,310	3,182,332	3,622,401

* Annualised based on April 2008 figures
Source: Central Bank of Jordan

Strikingly, the value added to GDP by the mining sector has been in constant decline since 2003, despite the soaring prices of the two minerals and fertilisers, dropping from JD 157 million in 2003 to JD 128 million in 2007. This drop is attributable to the continuous decline in production of these minerals since 2003, with phosphate production declining by 18.1% and potash declining by 8.5%.

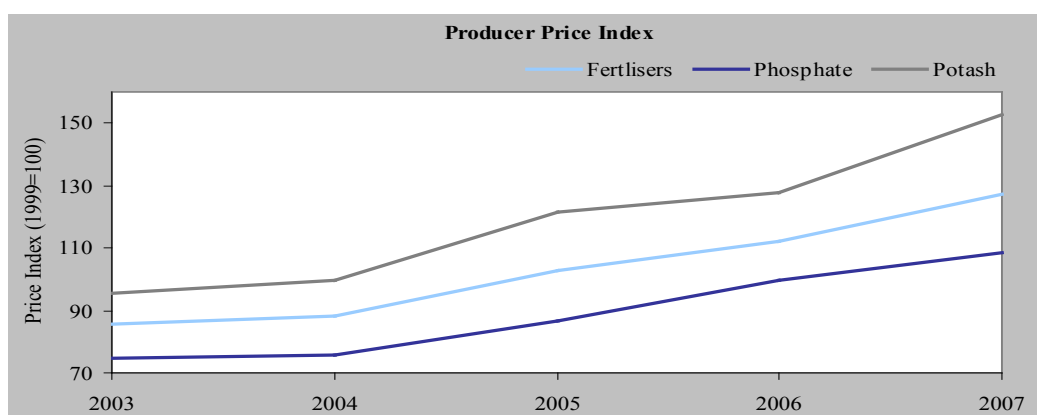
Value added to GDP at constant prices (in millions)

2003	2004	2005	2006	2007
JD 157	JD 152	JD 143	JD 130	JD 128

Source: Central Bank of Jordan

... but the mining sector value added declined by 18.5% since 2003

According to the Producer Price Index published by the Central Bank, production prices of all three commodities have been rising, with a compounded annual growth rate (CAGR) of 9.8% for phosphate, 12.5% for potash and 10.4% for fertilisers, over the period 2003 to 2007.



Source: Central Bank of Jordan

5.1 Arab Potash Company

5.1.1 Company Overview

The Arab Potash Company (APOT) is a major producer and exporter of the world's supply of potash, with production amounting to 1.8 million tonnes or 3.2% of the world's production in 2007. It has become a key supplier in Asia and the Mediterranean region while its main markets,

The Arab Potash Company supplies 3.2% of the global potash production

India, China, Malaysia, and Europe are expected to contribute to more than 75% of APOT's exports. With techniques of evaporation, deposition, harvesting and processing, APOT draws from the minerals of the Dead Sea to produce Potash. The Jordanian government has given a concession to the Company to exploit, manufacture, and market the mineral resources of the Dead Sea until year 2058.

APOT extracts its potash from the Dead Sea

Initially in 1976, the project required an investment of nearly USD 480 million, which was acquired through loans from international financial institutions and aid agencies as well as Arab development funds. Now, the capital of APOT is JD 83.32 million while total assets amount to JD 558.54 million. From the beginning of production in 1983 and until now, not only has APOT successfully marketed the three grades of Potash; standard, fine, and granular, but it has also diversified its sales and currently sells regularly in 30 countries.

APOT produces potash, saltpeter, and bromine, which have various applications, but the most important is their use as fertilisers. In recent years, there has been a surge in the global demand for potash to reach 55.7 million tonnes demanded in 2007, due to population growth, the increase of per capita income, the rise in the price of agricultural products, and the boom in production and consumption of bio-fuels as renewable energy. This increase in demand has put pressures on all potash-producing companies to expand and increase production. Expansionary plans led to the privatization of APOT in late 2003 separating the Company's main activities from the supporting ones, allowing for private sector investment and subsequently enhancing the Company's efficiency and competitiveness to meet the growing demand. Moreover, a project of production expansion has gone underway in 2005 to increase APOT's annual production by 450 thousand tonnes, partly to satisfy the increasing demand and partly to increase storage capacities.

APOT was privatised in 2003...

... and has been undergoing expansion plans since 2005

Other than its main activities, APOT has established subsidiary and affiliate companies to facilitate the operation, management and production of the main company. These include the APOT salt unit, the Arab Fertilisers & Chemicals Industries Ltd. (KEMAPCO), Nippon Jordan Fertilisers Company (NJFC), Numira, Jordan Magnesia Company and Jordan Bromine Company. Not only do these companies help in the potash productions and operations but many of them are concerned with other Dead Sea minerals.

APOT currently employs 1,933 employees distributed across its offices and sites. Moreover, the Company made great advancements in the information technology field in terms of planning and infrastructure. It has achieved many ISO awards due to its regulations of quality, environmental, and safety management.

In 2007, profits before tax and minority interests reached JD 167.6 million. The Company's future plans aim at producing no less than 1.9 million tonnes by the end of 2008 and selling all of the production. Also, it will follow up on its expansion project while renovating its corporate and organizational structure to match its plans. Finally, the Company plans to increase stockholder rights while strengthening its strategic position in global markets

5.1.2 Production and Marketing

In 2007, 1.80 million tonnes of potash were produced by APOT to meet rising local and global demand; a rise of 97,185 tonnes from 2006.

... and has been undergoing expansion plans since 2005

Production according to type / tonnes

Type	2006		2007	
	Amount Produced	Percentage	Amount Produced	Percentage
Standard	1,002,211	59.0%	1,017,458	56.6%

Type	2006		2007	
	Amount Produced	Percentage	Amount Produced	Percentage
Fine	577,333	34.0%	665,313	37.0%
Granular	78,020	4.6%	76,552	4.3%
Industrial	41,850	2.5%	37,276	2.1%
Total	1,699,414	100%	1,796,599	100%

The bulk of APOT's production consists of standard potash, and its production increased by 1.5% in 2007

The standard form of potash leads production since it is the most widely used globally. Marketing efforts and strategies have been made to market and distribute the industrial grade potash to the chemical industry in the region and worldwide; currently, it only accounts for 2.07% of total production. All of the 1.80 million tonnes produced in 2007 were sold, in addition to 59 thousand tonnes drawn from inventories, or, in this case, from reserves.

Sales according to type / tonnes

Type	2006	2007
Standard	1,014,942	1,009,882
Fine	521,630	71,9631
Granular	60,027	85,964
Industrial	39,814	40,129
Total	1,636,413	1,855,606

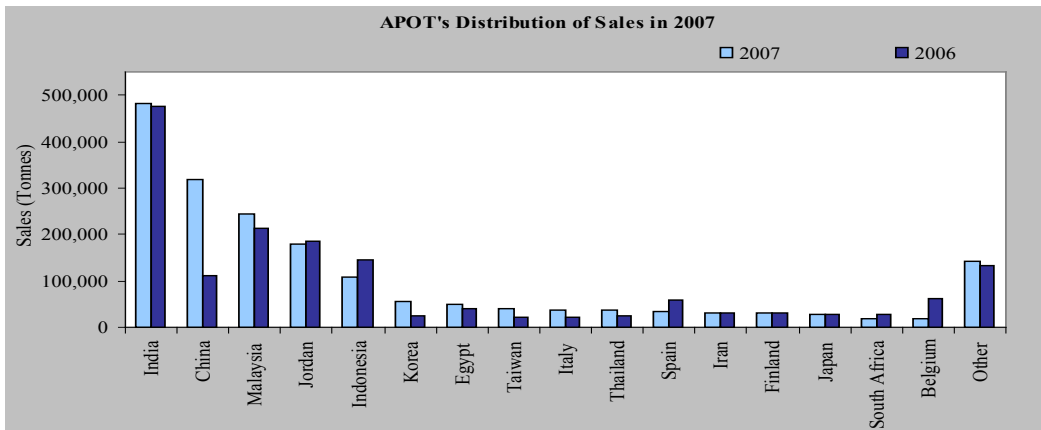
.. while the sales of the standard type dropped by 0.5% over the same period

Of the 1.86 million tonnes sold, 180.35 thousand tonnes (9.7%) were sold locally, while over 90% was exported. APOT has become a key supplier in Asia and the Mediterranean region mostly due to its geographical proximity to these regions. In 2004, the APOT inaugurated an office in Kuala Lumpur, its first overseas office, to monitor the sales operation to Malaysia and the South East Asian region, strengthening its position there. In addition, India, China, Malaysia and Europe, APOT's main markets, have witnessed over the past few years major restructuring in the fertiliser sector increasing their demand, and thus APOT continues to upgrade its services and updating its sales within these markets which are expected to continue contributing to more than 75% of APOT's exports. Other markets include Taiwan, Korea, Philippines, and Thailand which are efficiently serviced through contracts and local representatives.

Country	2006	2007
India	477,003	483,021
China	112,200	319,570
Malaysia	213,250	244,177
Jordan	186,865	180,345
Indonesia	144,625	108,204
Korea	24,020	55,000
Egypt	40,585	48,339
Taiwan	21,200	41,070
Italy	22,105	36,476
Thailand	25,500	35,700
Spain	57,580	32,473
Iran	31,500	31,500
Finland	30,000	30,690
Japan	28,300	28,800
South Africa	28,700	20,000
Belgium	60,520	18,020
Other	132,460	142,221
Total	1,636,413	1,855,606

India leads others in its imports from APC to account for 26% of APC's exports in 2007 since the

government of India subsidises fertilisers, which are thus highly demanded. China’s imports from APOT nearly tripled in 2007 following the finalisation of the long term agreement with SinoCom in 2006. Malaysia and South East Asian Region account for 20%-25% of APOT’s exports and this percentage is expected to rise due to forecasted growth in fertiliser production in the region. Europe, along with Africa, account for 9%. Exports to Europe fell in 2007 due to logistic difficulties and restructuring of the European market. Shipment takes place through the port of Aqaba where efforts are underway to increase the capacities of loading and storage facilities.



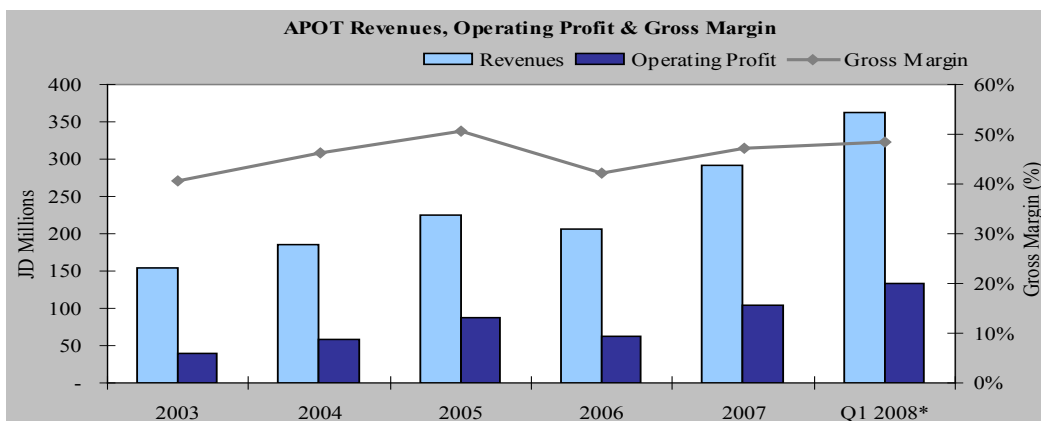
5.1.3 Key Financial Highlights

	2003	2004	2005	2006	2007	Q1 2008
Total Assets	342,994,000	368,831,000	414,548,000	400,421,000	543,224,000	558,540,000
Shareholders' Equity	214,592,000	231,375,000	257,852,000	267,717,000	388,961,000	418,281,000
Paid-Up Capital	83,318,000	83,318,000	83,318,000	83,318,000	83,318,000	83,318,000
Net Profit (Loss)	(55,919,000)	26,718,000	43,053,000	39,139,000	150,191,000	29,268,000
Sales	154,580,000	186,020,000	224,576,000	207,256,000	291,436,000	90,627,000
Gross Profit	62,667,000	86,013,000	113,422,000	87,129,000	137,126,000	43,830,000

APOT’s gross profit soared to JD 137.13 million in 2007, while its net profit almost quadrupled to JD 150.19 million

The Arab Potash Company financials reveal a steady growth, with total assets rising by 62.8% since 2003, equivalent to JD 215.55 million, despite no change in its paid up capital. The shareholders’ equity registered a compounded annual growth rate of 16.0% during the period 2003 to 2007, and continued to increase during the first the quarter of 2008 to reach JD 418.28 million.

Aside from year 2006, APOT’s revenues and operating profits have been following a rising trend, reaching JD 291.44 million in 2007, up 40.6% compared to the JD 207.26 million sales registered in 2006. In 2008, sales registered at JD 90.63 million at the end of the first quarter, giving annualised sales of JD 362.51 million.



In terms of profitability, the Company managed to turn around losses amounting to JD 55.92 million in 2003 to a profit of JD 26.72 million the following year. Profits remained impressive, but year 2007 steals the limelight, soaring to an outstanding JD 150.19 million. The JD 118.56 million increase in profits compared to the prior year is attributed mainly to the JD 40.30 million increase in operating profits, in addition to JD 29.69 million income from the Jordan Magnesia Company and KEMAPCO.

Key Ratios

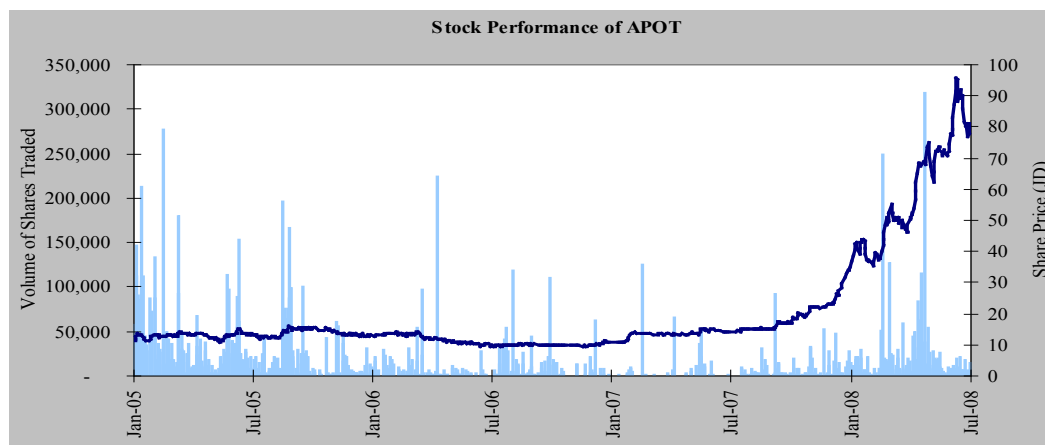
	2003	2004	2005	2006	2007	Q1 2008*
Earnings per Share (EPS)	(0.671)	0.321	0.517	0.470	1.803	1.405
Book Value (BV)	2.576	2.777	3.095	3.213	4.668	5.020
Current Ratio (%)	3.489	3.625	3.697	3.224	3.099	3.915
Return on Average Assets (ROAA)	-	7.5%	11.0%	9.6%	31.8%	21.3%
Return on Average Equity (ROAE)	-	12.0%	17.6%	14.9%	45.7%	29.0%

* Q1 2008 ratios are based on annualised net profits

The rise in profits reflected on the Company's key ratios, with its EPS rising to JD 1.80, while its ROAA and ROAE reached 31.8% and 45.7% respectively

The increase in profitability has been reflected in APOT's key financial ratios, with the earnings per share rising to an impressive JD 1.80 in 2007 compared to a loss of JD 0.67 in 2003, while the return on average assets and average equity registered strong growth in recent years, reaching 31.8% and 45.7% in 2007 respectively, and 21.3% and 29.0% in 2008 based on annualised returns.

5.1.4 Stock Performance



Since the start of 2005, the share price of the Arab Potash stock had been relatively stable, oscillating within a range of between JD 9 and JD 16. However, during the second half of 2007, the APOT stock began to ascend, ending the year at JD 34.89, more than treble its price at the start of the year. The share maintained a sharp climb to reach an all-time high of JD 99.00 on June 10th 2008, before receding to JD 81.25 as of June 30th 2008.

APOT's share price rocketed in 2008 reaching a high of JD 99.00 and ending the first half of the year at JD 81.25

Key Per Share Information

	2003	2004	2005	2006	2007	Q1 2008
Share Price (JD)	4.63	10.99	13	11	34.89	50.85
Price / Earnings (P/E) - times	(6.90)	34.27	25.16	23.42	19.36	36.19*
Price / Book Value (P/BV) - times	1.80	3.96	4.20	3.42	7.47	10.13

* Based on annualised earnings

5.2 Jordan Phosphate Mines

5.2.1 Company Overview

Jordan Phosphates Mines Company (JOPH) was established in 1949 as a private company, following the discovery of large reserves of phosphate in Jordan covering approximately 60 percent of the total area of Jordan. In 1953 it was registered as a public shareholder company. The Company operates in three mining locations; Al Hassa, Al Abiad, and Eshidiya Mines covering an estimated 1.47 billion tonnes of phosphate rock reserves. Phosphate rock is the ore that is treated to produce phosphate fertilisers which include DAP fertiliser, phosphoric acid, sulfuric acid, and aluminium fluoride.

JOPH was established in 1949 and operates in three mines

Open pit mining is the method used for the extraction of phosphate rock in Jordan. This method is used when the reserves are close to the surface where a huge pit is dug up to extract the rock; there is no need to build underground tunnels and thus the extraction method is of little cost. Converting the rock phosphate into fertilisers is what costs the Company due to the use of ammonia, sulfur, and aluminium hydroxide, all of which are experiencing soaring prices. This, coupled with rising transportation costs, is placing the Company in a position where it is finding it difficult to compete in the global market.

Nevertheless, net profit in 2007 was approximately JD 46 million, a remarkable rise of 187% in comparison with 2006. This was mostly due to the increase of phosphate-fertiliser prices and phosphate rock prices across the globe. Production and sale of phosphates rose by 11% from 2006 to reach 5.63 million tonnes, 3.6 million of which was exported to outside markets. Moreover, fertiliser production reached 644 thousand tonnes, of which 625 thousand was exported. This marks a comeback for the company in East Asian markets after a slump due to competition, and a reaffirmation of the Company's stance in its traditional markets.

JOPH has a strong research and development unit aimed at achieving diversification, growth and improvement of the Company's operations. Its central laboratory is accredited by the World Phosphate Institute in Florida. Through the Company's laboratories, phosphate is analysed and tested to ensure quality by using state of the art equipment. Furthermore, the Company ensures its appliance of environmental, safety, and health regulations to match those of the international standards. The Company currently employs 3,870 workers.

Concerning its future plans, JOPH aims at producing and selling around 6.2 million tonnes of phosphate and 650 thousand tonnes of fertilisers in 2008 with an increase in the sale of aluminium fluoride. In addition, it aims at expanding and diversifying its production while enlarging its mining operations to increase reserves. Accordingly, it has signed various agreements that aim at achieving these goals. With an investment of USD 570 million, JOPH signed an agreement with the Indian Farmers Fertiliser Cooperative Limited (IFFCO) to establish a phosphoric acid producing plant, JIFCO. Moreover, the Company signed an agreement with Bahrain's Venture Capital Bank and the Jordan Arab Fertilisers and Chemicals Company to build an industrial complex of USD 85 million, concerned with chemical and fertiliser production to encompass the establishment of several plants to reassert the Jordanian industrial base and to expand exports. Also, JOPH and the Tokyo-based Mitsubishi Corporation agreed to implement a USD 300 million project to be focused solely on phosphoric acid and sulfuric acid production. With these projects underway, JOPH expects that in the coming years, Jordan will be a leading producer and exporter of phosphoric acid and phosphate-fertilisers, efficiently utilizing its exclusive license, provided by the government, to mine and produce phosphate in Jordan.

JOPH plants to sell 6.2 million tonnes of phosphate and 650 thousand tonnes of fertiliser in 2008

5.2.2 Production and Marketing

The Jordan Phosphate Mines Company produced 5.55 tonnes of phosphate in 2007, gathered

from 4 different mining locations.

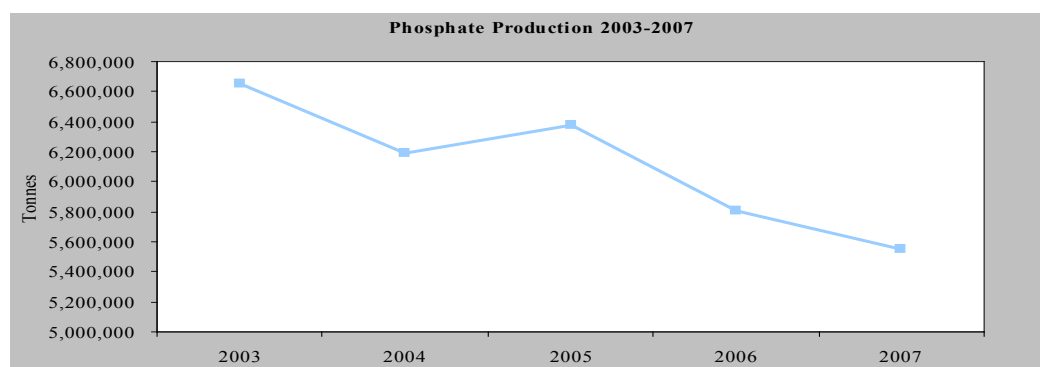
Phosphate Production According to Mine (tonnes)

Mine	2003	2004	2005	2006	2007
Russeifa	72,000	72,000	60,000	76,000	50,100
Al Hassa	1,563,000	1,315,000	1,419,000	1,385,000	1,191,674
Al Abiad	1,888,000	1,801,000	1,730,000	1,332,000	1,210,194
Eshidiya	3,127,000	3,000,000	3,165,000	3,012,000	3,099,854
Total	6,650,000	6,188,000	6,374,000	5,805,000	5,551,822

Production has been declining in recent years, to 5.55 million tonnes in 2007...

The mine of Russeifa has been dormant since 1985 because of depletion of reserves and there have been no plans by the JOPH to recommence mining operations there. The 50,100 tonnes produced by this mine in 2007 were solely derived from existing stockpiles of previously mined ore. Al Hassa and Al Abiad mines were the main mines of JOPH before the development of Eshidiya mines in 1988, which has become the main mining and production site of the Company, producing 55.8% of total production in 2007.

... of which 55.8% was produced from the Eshidiya mines



Phosphate production has decreased over the past few years, with the exception of 2005. This is primarily attributed to logistic and operational constraints including higher transportation costs, difficulty in transporting phosphate from the mines to Aqaba, and the ageing of the Company's equipment. In addition, JOPH is partially shifting its resources away from dry phosphate rock production towards fertiliser production due to the increase in global demand for fertilisers.

... due to logistic and operational difficulties

JOPH produces one type of fertiliser (DAP) and other fertiliser constituents which have relatively low fluctuations in production.

Fertiliser Production 2003-2007 (tonnes)

Product	2003	2004	2005	2006	2007
DAP	431,000	618,000	567,000	651,000	643,600
Phosphoric Acid	309,000	350,000	338,000	343,000	330,460
Sulfuric Acid	961,000	1,103,000	1,047,000	1,092,000	1,021,526
Aluminum Fluoride	11,000	8,000	9,000	12,000	10,540

Total fertilizer production of DAP in 2007 was approximately 644 thousand tonnes, registering a decline from the 651 thousand tonnes recorded for 2006. This decrease is due to rising prices of primary products used in the production of fertilisers. However, the Company has done well to maintain a relatively stable level of fertiliser production.

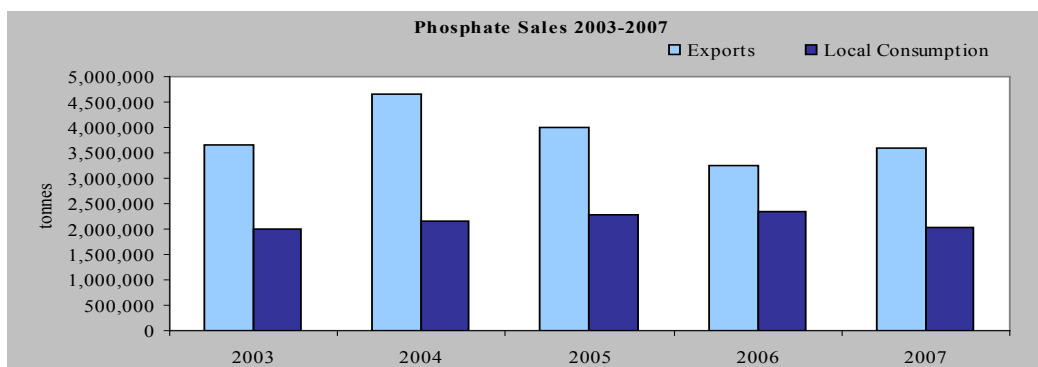
Phosphate Sales 2003-2007 (tonnes)

Sales	2003	2004	2005	2006	2007
Exports	3,671,000	4,666,000	4,006,000	3,254,000	3,604,000
Local Consumption*	2,012,000	2,167,000	2,282,000	2,341,000	2,021,000
Total	5,683,000	6,833,000	6,288,000	5,595,000	5,625,000

* Includes inputs into fertiliser production

Exports of phosphate increased by 10.8% to reach 3.604 million tonnes in 2007. Even though total production of phosphate decreased in 2007, exports increased, overcoming logistic obstacles and constraints, as a result of the exit of main global exporters such as China and South Africa, and a global shift of resources from the production of phosphate to the production of fertilisers, the prices of which are on the rise. Moreover, fertiliser exports constituted 97% of total fertiliser production in 2007 to reach 625 thousand tonnes. With this level of production and rising prices of fertilisers and phosphate, the company will move through 2008 with confidence, hopefully expanding production and reasserting its position in global markets.

97% of fertiliser production was exported in 2007



5.2.3 Key Financial Highlights

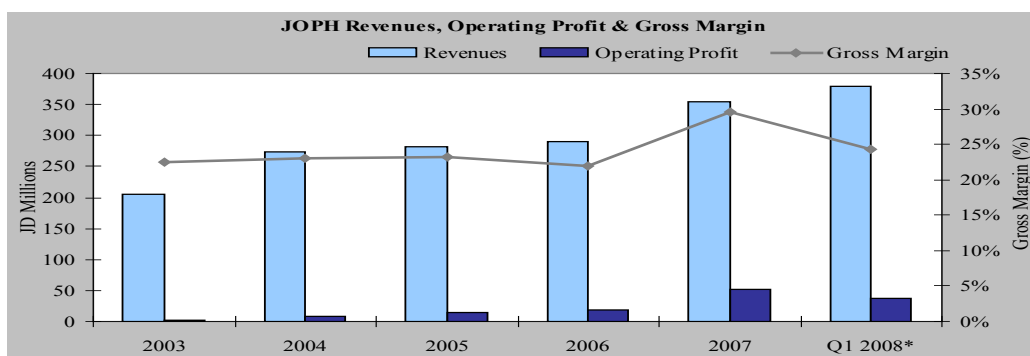
The Jordan Phosphate Mines Company financials witnessed ongoing growth since 2003, with total assets registering at JD 332.07 million at the end of the first quarter of 2008, rising by 4.3% compared to the end of 2007. Total shareholders' equity registered at JD 202.26 million over the same period, with a compounded annual growth rate of 11.8% between 2003 and 2007.

Key Per Share Information

	2003	2004	2005	2006	2007	Q1 2008
Total Assets	318,485,515	316,319,524	317,679,664	320,770,229	318,294,601	332,074,266
Shareholders' Equity	124,060,711	139,367,000	139,367,000	155,065,165	193,530,914	202,264,741
Paid-Up Capital	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000
Net Profit (Loss)	5,064,187	4,339,961	10,369,057	16,071,000	46,110,409	8,710,097
Sales	205,274,172	272,562,165	281,048,842	289,823,700	354,828,055	95,047,880
Gross Profit	46,105,796	62,962,865	65,449,396	63,799,099	105,173,409	23,037,645

Net profit increased dramatically reaching JD 46.10 million in 2007, registering a compounded annual growth rate of 73.7% over the period 2003 to 2007, while sales have also been improving, with a steady increase, registering at JD 354.83 million at the end of 2007 compared to JD 289.82 in the prior year.

Net profits increased by a significant 186.9% in 2007...



The increase in the Company's profit had a positive outcome on its the key financial ratios, with

the earning per shares reaching JD 0.615 compared to JD 0.068 in 2003. Return on average assets and average equity grew stronger during these four years to reach 14.4% and 26.5% in 2007, respectively, compared to 1.4% and 3.4% in 2004.

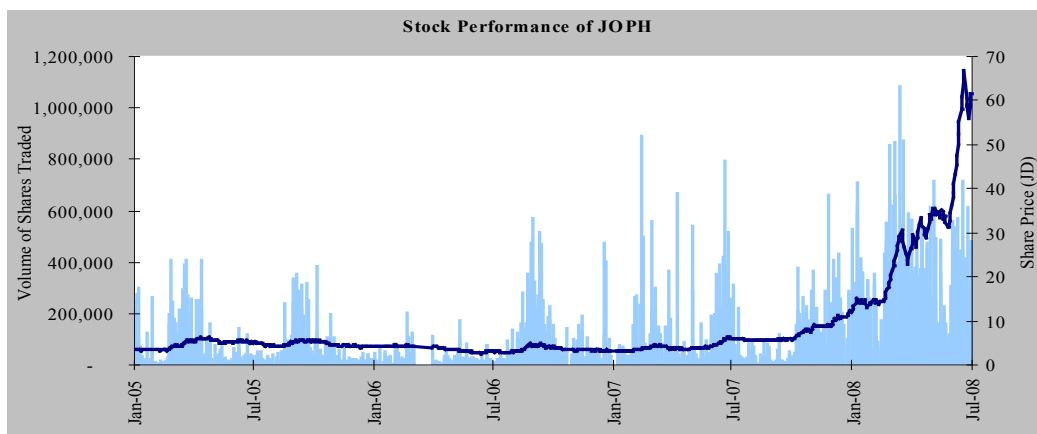
Key Ratios

	2003	2004	2005	2006	2007	Q1 2008*
Earnings per Share (EPS)	0.068	0.058	0.138	0.214	0.615	0.465
Book Value (BV)	1.654	1.712	1.858	2.068	2.580	2.697
Current Ratio (%)	2.895	2.241	2.260	1.521	2.760	2.562
Return on Average Assets (ROAA)	-	1.4%	3.3%	5.0%	14.4%	10.7%
Return on Average Assets (ROAE)	-	3.4%	7.7%	10.9%	26.5%	17.6%

*Q1 2008 ratios are based on annualised net profits

... which reflected on the Company's key ratios, with the EPS rising to JD 0.615 in 07 from 0.214 in 2006

5.2.4 Stock Performance



JOPH's share price began to rise in 2007 to reach JD 12.01 at the end of the year...

The Jordan Phosphate Mines' shares price witnessed an outstanding rise since the start of 2008, where it reached JD 63.94, its all-time high, on June 22, 2008, rising by 412% since the start of the year, and by a significant 1338.8% compared to the closing price of JD 4.28 at the end of 2005.

... and continued its ascent to reach an all-time high of JD 63.94 in June 2008, taking its P/E based on Q1 08 annualised earnings to over 100

Key Per Share Information

	2003	2004	2005	2006	2007	Q1 2008
Share Price (JD)	2.48	3.23	4.28	3.2	12.01	26.25
Price / Earnings (P/E) - times	36.73	55.82	30.96	14.93	19.54	56.51*
Price / Book Value (P/BV) - times	1.65	1.71	1.86	2.07	2.58	2.70

* Based on annualised earnings

6.0 OUTLOOK

As global growth remains robust, with the need to satisfy the expanding population with sufficient amounts of food, the demand for fertilisers in the years ahead will maintain its growth, continuing to apply upward pressure on prices. The current tight supply situation is expected to begin to ease, according to a FAO outlook report, to register a surplus of 24,692 thousand tonnes in 2012, as existing companies increase capacity and expand production.

World Fertiliser Supply and Demand Balance

Thousand Tonne	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Total Supply	206,431	212,225	219,930	230,334	240,711
Total Demand	197,004	201,482	205,947	211,230	216,019
Surplus	9,427	10,743	13,983	19,104	24,692

* Source: FOA: Current World Fertilisers trends and outlook 2011/2012

Fertiliser supply and demand balance expected to widen in the medium term...

Despite an increase in capacity in the short to medium term, the existing factors that are driving the rise in prices of food and, therefore, fertilisers, alongside expectations of persistence in oil price hikes, are expected to continue. Grain inventories will remain on the low-side in the medium term, although the global market may witness a shift in the type of grain that is in shortage, as resources are directed towards producing grains that are on high demand and therefore offer the highest returns. Fuel prices show no signs of abating, and these will continue to inflate extraction costs of the minerals and the costs of producing fertilisers, which will further support their high prices.

... but we expect fertiliser prices to remain high, buoyed by oil prices, low grain inventories, and bio-fuel interest

Moreover, as a result of low and stable fertiliser prices in the past, coupled with excess supply levels, investments into potash and phosphate extraction has been lacking in recent years, and with the time for greenfield, which is the setting up of a new plant with the necessary infrastructure, estimated at 5-7 years for potash and 3-4 years for phosphate, recent investments will still need time to bear fruit. Furthermore, approximately 47% of global phosphate production and 19% of potash production is government owned, limiting the entry of new players to the industry. Barriers to entry are high, with billions of dollars needed to set up new plants.

Industry Highlights

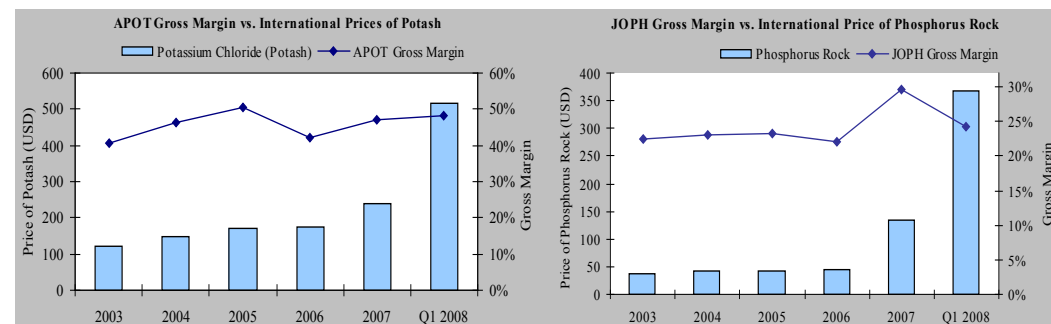
	Potash	Phosphate
# of Producing Countries	12	40
% Government Control	19%	47%
Industry Operating Rate	91%	86%
Time for Greenfield	5-7 years	3-4 years
Cost for Greenfield	USD 2.8 bil for 2 million tonnes	USD 1.5 bil for 1 million tonnes

Source: PotashCorp (Fertecon, British Sulphur)

Barriers to entry to the potash and phosphate industry are high

In the domestic market, the Arab Potash Company and Jordan Phosphate Mines both have plans underway to increase production. The high international prices should act as a stimulus to continue to expand mining activity to maximise output, and the prices should help negate the rising costs of production.

Jordanian companies are planning to increase production in the coming few years



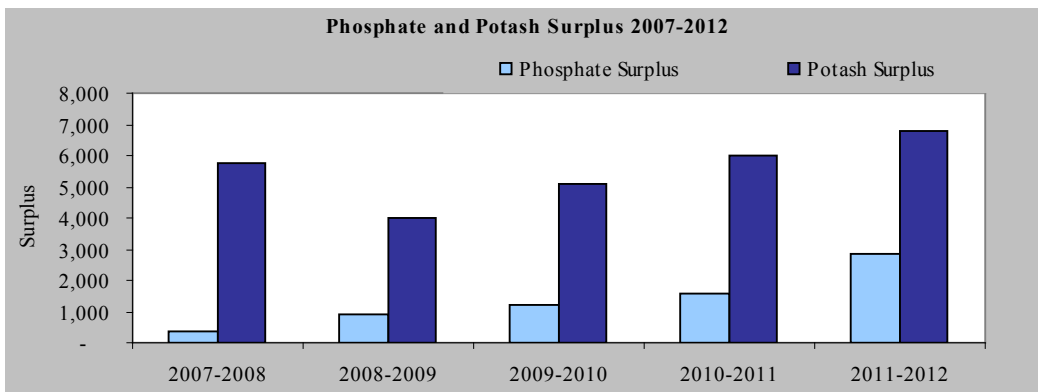
Prices of potash and phosphorus rock as of May 31st 2008

As evident in the chart above, international prices of fertilisers and related minerals began to climb in 2007 and continued into 2008. For both the Arab Potash Company and Jordan Phosphate Mines, year 2007 saw a rise in gross margin, to 47.1% from 42.0% in 2006 for APOT, and from 22.0% to 29.6% for JOPH over the same period, resulting from the increasing in selling price overtaking the increase in the related costs of sales. In Q1 2008, APOT's gross profit withstood the rising oil prices and consequent soaring global inflation, with its gross margin increasing further to 48.4%. Worth pointing out, however, is that this still registers lower than the gross margin of year 2005.

For JOPH, on the other hand, the gross margin declined to 24.2% during the first quarter of 2008, but still registered higher than the average gross margin for the period 2003-2007 of 24.1%.

Going forward, international demand and supply of potash and phosphate will continue to rise, according to the world fertilisers outlook to 2011/2012 issued by the FAO, with the supply/demand balance tightening further in 2009 before beginning to ease off in 2010.

Sustained demand is expected for potash and fertilisers...



Source: FOA: Current World Fertilisers trends and outlook 2011/2012

Despite the increase in surplus, we expect prices of fertilisers to continue to climb, goaded by rising crop prices and costs of production. We do not expect to see a decline in demand for fertilisers in the medium term, and therefore anticipate sustained high fertiliser prices. The high selling prices of fertilisers will help boost overall revenues of APOT and JOPH, however, the high inflation experienced in Jordan so far in 2008, estimated at around 11%, exacerbated by increasing freight costs and soaring costs of production in consequence to the high oil prices, are expected to eat into a significant portion of these additional revenues.

... and prices are projected to resume their upward climb

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