

# KOCH NITROGEN COMPANY SERVING GLOBAL CUSTOMERS

privately held company focused on new expansion

OVER the past several years, Koch Nitrogen Company and its related affiliates (Koch Nitrogen) have invested substantially in the nitrogen fertilizer industry, increasing their annual nitrogen production and marketing volumes from 2 million tonnes to more than 6 million tonnes. This expansion has positioned Koch Nitrogen as a significant global producer and marketer of nitrogen fertilizers, including ammonia, urea and urea ammonium nitrate (UAN). Today, the company owns and operates five production facilities, owns or leases 36 fertilizer terminals in the United States, and owns equity interests in three ammonia

production facilities in Trinidad and Tobago, as well as an urea and ammonia production facility in Jose, Venezuela.

The company applies its operational, marketing and investment capabilities to diversify its portfolio and the products and services it offers customers. With its well-placed assets and a disciplined marketing framework, Koch Nitrogen is also focused on expanding into additional markets.

## HISTORY

Koch Nitrogen is a wholly owned subsidiary of Koch Industries, a Wichita, Kansas-based,

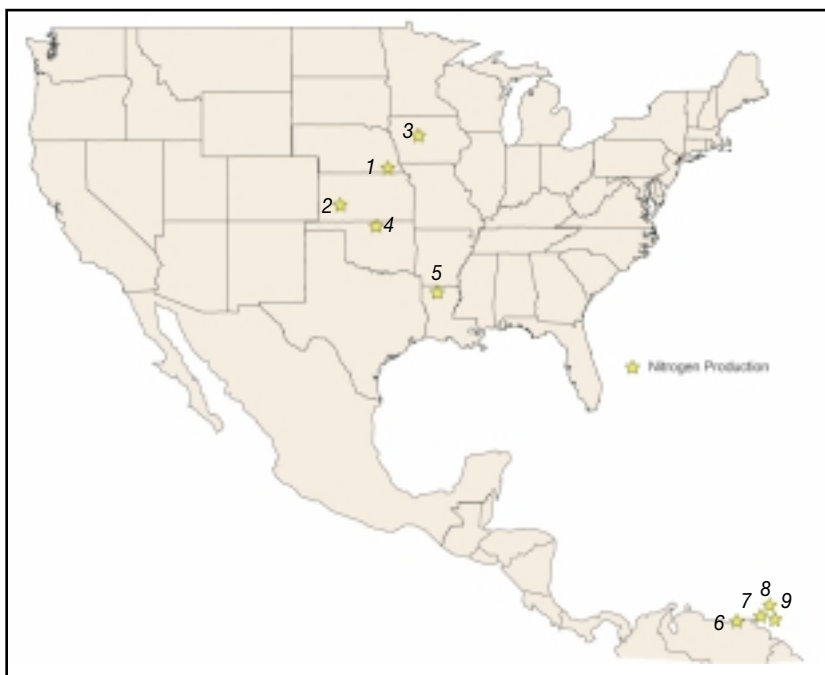
privately held company that owns a diverse group of companies engaged in operations, trading and investments globally. Koch Industries, which has interests in the energy and petrochemical industries, entered the ammonia business following the 1988 purchase by its subsidiary of an ammonia pipeline stretching from the U.S. Gulf Coast to the U.S. Midwest Corn Belt region and 12 ammonia terminals in the Midwest. In 1989, Koch Nitrogen Company was formed to market ammonia from this ammonia pipeline and terminal system. Three years later, the company acquired an ammonia production facility located in Sterlington, La., with annual production capacity of 1 million tonnes of free ammonia. In 1995, Koch Nitrogen acquired an import/export ammonia terminal located in Taft, Louisiana. This added the capability to move the company's Sterlington production to the U.S. Gulf Coast barge and export vessel market or import ammonia for sale into the U.S. Gulf Coast and Midwest markets.

## GROWING VIA ACQUISITIONS AND INVESTMENTS

In 1998, Koch Nitrogen diversified its portfolio by making an equity investment in the FertiNitro project in Jose, Venezuela. The FertiNitro facility, which came on stream in 2001, produces 1.3 million tonnes of ammonia (0.4 million tonnes of free ammonia) and 1.5 million tonnes of granular urea annually. In addition to its equity investment, Koch Nitrogen markets about half of the plant's production, or 0.9 million tonnes of granular urea and free ammonia, under a long-term agreement.

To ensure its customers have consistent long-term nitrogen supplies in the face of high and extremely volatile U.S. natural gas prices, the company made strategic investments in further developing its offshore production and marketing capabilities. In March 2003, Koch Nitrogen made equity investments in Caribbean Nitrogen Company and Nitrogen 2000 and entered into a long-term agreement to market all the production from the Nitrogen 2000 facility. Caribbean Nitrogen Company and Nitrogen 2000 each own production facilities in Trinidad and Tobago with the capacity to produce 0.65 million tonnes of free ammonia

**The Location of Koch's Nitrogen Fertilizer Interests**



**Koch Nitrogen's U.S. Asset Base**

1. Beatrice, Neb
2. Dodge City, Kan
3. Fort Dodge, Iowa
4. Enid, Okla.
5. Sterlington, La.

**Koch Nitrogen's Offshore Offtake and Investments**

6. FertiNitro (Jose, Venezuela)
7. Point Lisas Nitrogen (Trinidad and Tobago)
8. Caribbean Nitrogen Company (Trinidad and Tobago)
9. Nitrogen 2000 (Trinidad and Tobago)

The author of this article, Mr. Steve Packebush, is President of Koch Nitrogen Company, which is based in Wichita, Kan. In 1998, Mr. Packebush became Vice President of Sales and Trading for Koch Nitrogen, and has six years of direct experience with the nitrogen sales and trading business. He is a 16-year Koch company veteran, serving in sales and trading and business development roles in Reiss Viking, Koch Agriculture Company and Koch International Company, prior to joining Koch Nitrogen.

annually. Caribbean Nitrogen Company came on stream in July 2003; Nitrogen 2000 is under construction and scheduled to come on stream in the fourth quarter of 2004.

To augment its U.S. asset base and be better positioned to serve its U.S. customers, Koch Nitrogen acquired certain nitrogen fertilizer assets of Farmland Industries in May 2003. The acquisition included four U.S. production facilities and 12 distribution terminals in the U.S. Midwest and Southern Plains market regions. In addition, Koch Nitrogen also acquired Farmland Industries' 50% equity interest in Point Lisas Nitrogen (formerly Farmland MissChem), together with a long-term agreement to market half of the facility's production. Point Lisas Nitrogen owns a production facility in Trinidad and Tobago, which has the capacity to produce 0.65 million tonnes of free ammonia annually.

In February 2004, Koch Nitrogen further expanded its presence in Trinidad and Tobago with the acquisition of Duke Energy's equity interest in Caribbean Nitrogen Company as well as its long-term agreement to market 100% of the facility's production. In addition to the equity and off-take from Caribbean Nitrogen Company, Koch Nitrogen also acquired a long-term ammonia import terminal lease agreement in Beaumont, Texas.

Due to the significant volume of ammonia moved from the Caribbean to the U.S. market, Koch Nitrogen has also entered into three long-term ammonia vessel time charters. These vessel time charters, with vessel sizes ranging from 17,000 to 26,000 tonnes, will ensure stable, efficient vessel movements for the company's ammonia supply.

**STAYING CUSTOMER FOCUSED**

Koch Nitrogen's expansion has been focused on creating value in the nitrogen marketplace and satisfying its customers' needs in a few key ways:

**Safety and environment.** Koch Nitrogen is committed to operating its business in a manner that protects the health and safety of its employees, the public and the environment.

**Diverse production.** The company has developed a portfolio of production assets in regions with abundant natural gas resources or in major demand centres with the ability to produce upgraded nitrogen fertilizer to ensure its customers consistent long-term supply.

**Long-term offtake agreements and equity investments.** Koch Nitrogen has entered into long-term production off-take agreements and invested in existing and new production facility developments.

**Distribution system.** Koch Nitrogen operates numerous terminals in its core market regions. With the location of its customer base and seasonal demand, these terminals are critical to ensuring stable nitrogen fertilizer supply for customers.



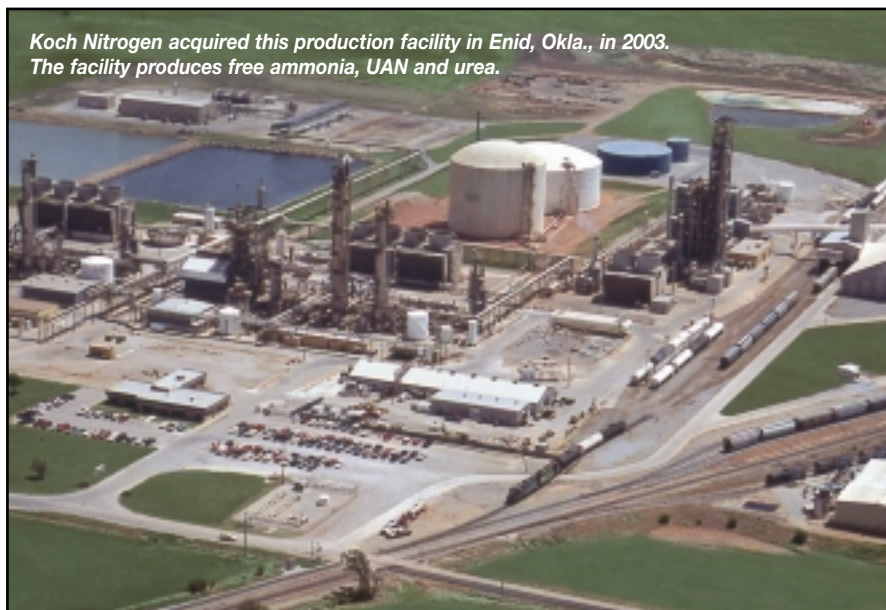
*This facility in Jose, Venezuela began producing free ammonia and urea in 2001. Koch Nitrogen owns an equity interest in the facility, as well as the rights to market about half of its annual production.*

**Financial strength.** As a privately held company, Koch Nitrogen can weather highly volatile nitrogen margins and prices, as well as natural gas prices, and expand its asset base by investing in and acquiring assets in difficult markets.

**Market coverage and risk management.** Koch Nitrogen has applied a disciplined and strategic marketing and trading approach to anticipate market developments and meet customer needs. This approach has led to growth in trading and risk management activities for its customers.

**THE FUTURE**

Koch Nitrogen has become a leader in the global nitrogen fertilizer industry and is looking to expand on this position in the future. The company will continue to focus on value creation through production growth in low cost production regions and marketing and trading growth around the world. Koch Nitrogen is committed to meeting the challenges of today's global nitrogen fertilizer marketplace and to creating value in the future through growth and realignment in anticipation of the challenges of tomorrow. ■



*Koch Nitrogen acquired this production facility in Enid, Okla., in 2003. The facility produces free ammonia, UAN and urea.*