Arab Petroleum Investments Corporation (APICORP)

Established as a Multilateral Development Institution in 1974 under the auspices of the Organization for Arab Petroleum Exporting Countries (OAPEC). APICORP contributes to the development of the Arab hydrocarbon and energy industries through equity investments as well as Project & Trade Finance in all areas of the energy sector.

<table>
<thead>
<tr>
<th>Country</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>3,564</td>
<td>4,119</td>
<td>4,312</td>
<td>4,629</td>
<td>5,077</td>
</tr>
<tr>
<td>Shareholder’s equity</td>
<td>895</td>
<td>1,002</td>
<td>1,141</td>
<td>1,218</td>
<td>1,309</td>
</tr>
<tr>
<td>Issued and paid-up capital</td>
<td>550</td>
<td>550</td>
<td>550</td>
<td>750</td>
<td>750</td>
</tr>
</tbody>
</table>

**Foreign Currency Issuer Ratings**

- Long Term: Aa3
- Short Term: Prime 1
- Outlook: Stable
Energy Investments and Project Financing in the Middle East
In the view of APICORP, the current political situation in some countries did not impact the expected energy investments in the MENA region for the period 2013 – 2017, estimated at USD 740 billion.

- There is a general trend of increased costs of projects.
- Despite the higher investment amount, it should not be considered high, particularly if one compares this to 2009.
Decline in investments in countries facing unstable political situation. Seven oil and gas export countries hold 75% of the total investment.

Saudi Arabia expects to reach USD 165 billion, significantly related to Saudi Aramco, SABIC companies and SEC.

UAE is the second ranking with total energy investment of USD 107 billion.

Algeria jumped to the third rank surpassing Qatar, Iran and Iraq.

The investments of Iraq at USD 56 billion are much less than what is needed.

Investments in countries facing political problems have been affected in various degrees.
Each of the Oil/Gas upstream and Power hold around one third of the total investments.

There is a decline in gas processing investments due to Qatar evaluating its expansion of LNG production and GTLs.

There is a revival of the refining sector with investments by Saudi Aramco in complex refineries.

In order to achieve this investment level, there are a number of challenges, predominately: feedstock availability and pricing, construction costs, and the financing availability.
Project Finance World Wide in 2012

- Total value of Project Finance transactions in 2012 was USD 197 billion, a decline of 12% from USD 223.4 billion.
- Power and Oil and Gas sectors were the largest sectors.
- There was a decline in EMEA countries in 2012 compared to 2011.
Project Finance in the Middle East for 2012

- There was a drop in the value and number of project finance transactions in 2012 to USD 8.5 billion, compared to USD 22 billion in 2011 and a peak of USD 48 billion in 2007.

- The decrease in Middle East project finance transactions in 2012, is influenced by the global recession and the impact of the Arab Spring.

- PF transactions in the GCC declined despite strong government presence and good economic growth. Power and Oil and Gas sectors were the largest sectors.
Project Finance in the Middle East for 2012

- The number of active banks in project finance decreased considerably since 2008
  - Transformation from large underwriting commitments syndicated to other banks to reach target amounts to large banks financing transaction solely or as a group with each taking their final take.
  - There has been an increase in financing costs due to the increased cost of funding.
- Withdrawal of most of the international bank that were the main drivers in large syndicated loans for projects
  - The impact of the economic/financial crisis in Europe
  - Requirements of Basel III, restricting the ability to finance long term.
  - Increased presence of Japanese banks in financing projects in the Arab countries.
- The regional/local banks are playing a bigger role in project financing
  - The Saudi banks financed around 50% of the project financings of USD 8.5 billion in 2012.
  - Some Saudi banks that have high liquidity started to finance projects outside of Saudi Arabia.
  - The government funds such as SIDF and PIF in Saudi provide financing to projects at competitive prices, which facilitates financing closing
Project Finance in the Middle East for 2012

- ECA’s have taken on a more important role in project financing.
  - The investment cost of SADARA is USD 20 billion, of which ECAs financed USD 6.7 billion.
- Bonds and Sukuk markets is taking a share of the project financing.
  - SATROP issued Sukuk for USD 3.7 billion in October 2011.
  - SADARA issued sukuk for USD 7.5 billion in the 1Q2013 at a competitive pricing of 95 bps above SIBOR.
- Increased share of Islamic financing in project financing such as in Barzan, Emal, Saudi Ethylene and Polyethylene (SEPC), Sadara,

- Project sponsors are optimizing the various sources of available financing, including a share in the local currency, due to the liquidity of the local banks at competitive pricing.
Financial closing of a number of large financing that were expected in 2012, are scheduled to be signed in 2013.

Projects that require multiple sources of financing including ECAs require longer time to sign.

The future outlook for project financing looks positive with expected transactions in the range of USD 80 billion in 2013-2014.

Looking at the financing requirements in the next two years and the selective involvement of US and European banks, the challenge is the ability to benefit from all sources of financing such as ECAs, Japanese banks, local and regional banks, sukuks, and regional financial institution and development banks.

<table>
<thead>
<tr>
<th>Project</th>
<th>Country</th>
<th>Sector</th>
<th>Value (Sm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emirates Aluminium phase 2</td>
<td>UAE</td>
<td>Industry</td>
<td>5,000</td>
</tr>
<tr>
<td>Social housing PPP</td>
<td>Bahrain</td>
<td>Infrastructure</td>
<td>575</td>
</tr>
<tr>
<td>Sadara Chemical Company</td>
<td>Saudi Arabia</td>
<td>Petrochemicals</td>
<td>20,000</td>
</tr>
<tr>
<td>PetroRabigh 2</td>
<td>Saudi Arabia</td>
<td>Petrochemicals</td>
<td>5,000</td>
</tr>
<tr>
<td>Rabigh 2</td>
<td>Saudi Arabia</td>
<td>Power and water</td>
<td>2,500</td>
</tr>
<tr>
<td>Baraka nuclear project</td>
<td>UAE</td>
<td>Power and water</td>
<td>20,000</td>
</tr>
<tr>
<td>Al-Zour North</td>
<td>Kuwait</td>
<td>Power and water</td>
<td>2,500</td>
</tr>
<tr>
<td>Al-Rajhi steel smelter</td>
<td>Saudi Arabia</td>
<td>Industry</td>
<td>3,000</td>
</tr>
<tr>
<td>Emirates Steel phase 3</td>
<td>UAE</td>
<td>Industry</td>
<td>1,000</td>
</tr>
<tr>
<td>Orpic refinery expansion</td>
<td>Oman</td>
<td>Oil and gas</td>
<td>3,500</td>
</tr>
<tr>
<td>Ras Laffan petrochemicals complex</td>
<td>Qatar</td>
<td>Petrochemicals</td>
<td>6,400</td>
</tr>
<tr>
<td>Mirfa IWPP</td>
<td>UAE</td>
<td>Power and water</td>
<td>2,000</td>
</tr>
<tr>
<td>Bapco refinery expansion</td>
<td>Bahrain</td>
<td>Oil and gas</td>
<td>6,000</td>
</tr>
<tr>
<td>Fujairah refinery</td>
<td>UAE</td>
<td>Oil and gas</td>
<td>NA</td>
</tr>
<tr>
<td>Kuwait metro</td>
<td>Kuwait</td>
<td>Transport</td>
<td>8,000</td>
</tr>
<tr>
<td>QVC expansion</td>
<td>Qatar</td>
<td>Petrochemicals</td>
<td>200</td>
</tr>
</tbody>
</table>
APICORP Perspective on Egyptian Refinery Company Financing Transaction
Project Background

- The ERC project is a refinery upgrade facility located in Mostorod, 40 km from Cairo and adjacent to Cairo Oil Refining Company (CORC) with a capacity of 88,000 bpd or 4.8 million tonnes per annum. It takes atmospheric residue from CORC to produce high end products with a maximization of middle distillates.

- The total project cost was US$ 3,709 million, including US$ 1,359 million of equity (including subordinated debt) and US$ 2,350 of project finance facilities. The project finance facilities include loans from ECAs (KEXIM, NEXI) and development banks (EIB, AfDB, JBIC).

- ERC signed the financing documents in August 2010 but could not achieve financial close until June 2012 due to changes in political circumstances in Egypt.
In April 2010, APICORP was invited by Egyptian Refinery Company (“ERC”) and Citadel Capital (the main sponsor) to participate in the financing of the ERC Project.

Several investments and financing possibilities were discussed with ERC.

However, following APICORP being approved by European Investment Bank (“EIB”) as a qualified guarantor (rated A and above), we decided to join the unfunded EIB Guarantee Facility with a commitment of US$ 40 million, later on increased to US$ 50 million through secondary market purchase.

Under which EIB provides financing of US$ 450 million (“EIB Facility”) against guarantees from qualifying banks (rated A and above) to cover 105% of EIB Loan (“EIB Guarantee Facility”).

EIB Guarantee Facility has a carve out for political risks related to (i) expropriation, war and civil disturbance (EWCD Event) (ii) non transfer of currency (NTC Event) (iii) denial of justice (Denial of Justice Event);
Increased to 23.8% with carryover
### Sponsors of ERC

- **Citadel Capital**: The main sponsor and developer. The actual share of Citadel in Orient is US$ 95 million. However, it has controlling powers over the company.

- **Orient Investment Properties Ltd (“Orient”)**: Includes Citadel and several institutional and private investors and funds such as the Inframed Infrastructure Fund, IFC, FHI, DEG.

- **Qatar Petroleum International (QPI)**: QPI, the international investment arm of Qatar Petroleum, has a participation of USD 362 million of Base Equity through ARC, and USD 54 million of pro-rata share in Additional Equity.

- **Arab Refining Company (ARC)**: ARC consists of Orient (63.3%), a company registered in UK and controlled by Citadel Capital and QPI (36.7%), ARC owns 76.2% of ERC.

- **Egyptian General Petroleum Corporation**: EGPC base equity is US$ 185 million and additional equity US$ 138 million in ERC. EGPC shareholding in ERC is 23.8%, including 7.5% carryover.
Risk Assessment
Conclusion

- The Project is of paramount importance for EGPC – reduces the importation of oil products, attracts foreign private capital, and provides to EGPC positive foreign currency cashflows initially and annually after operations.

- The Project has the full support by the current government in place as evidenced by the Prime Ministerial and Ministerial decrees. The SBLCs issuing banks have at their disposal the additional support provided by the MOF and CBE to cover EGPC equity obligations.

- The strong presence of QPI in the project as well as other institutional investors add considerable value to the project equity structure and mitigate some of the political and economic risks.

- The Project demonstrates strong economics due to the configuration, leading to higher margins than most competing refineries in the Mediterranean region.

- Even though the overall situation in Egypt was still unfolding, financial close was achieved. This project is a monument of a private-public partnership, of what can be achieved, even in the most difficult of circumstances.
Thank you