

LEADERSHIP

APICORP's distinguished Board of Directors and dynamic management team brings together years of industry expertise in finance and energy spanning the Arab World and beyond.

Chairman's Statement

Strength in Diversity

On behalf of the Board of Directors, I am honoured to present the annual report and consolidated financial statements of the Arab Petroleum Investments Corporation (APICORP) for the year ended 31 December, 2018.

We are extremely proud of the historic results we achieved this year. APICORP's net profit increased to a record USD 182.3 million in 2018, a 76% increase year-on-year. The stellar results were largely driven by returns from a capital gain of USD 86.7 million on the sale of APICORP's equity stake in National Petroleum Services (NPS) coupled with remarkable growth in net interest income and dividend income at 67% and 51%, respectively. These achievements, as well as standout performances from all our lines of businesses, resulted in a total income of USD 252.7 million, a 78% increase from our results in 2017.

The expansion of our increasingly diversified corporate finance portfolio to USD 3.49 billion, which represents around 50% of the balance sheet, contributed positively to the 11% growth in APICORP's total assets. As of 31 December, 2018, our total assets stood at USD 6.95 billion. Our non-performing loan (NPL) ratio improved markedly from 2.05 percent in 2017 to just 0.34 percent in 2018 after reaching a settlement with the government of Iraq over a legacy impairment position. We also maintained a very high capital adequacy ratio of 28.88%.

Diversification was an important theme for us during the year. Not only did we expand our corporate finance portfolio to cover the broader energy sector, we also focused on diversifying our sources of funding. This, along with a consistently improving funding profile and liquidity position, resulted in Moody's upgrading our ratings outlook from Aa3 Stable to Aa3 Positive.

Our success in solidifying our historical strengths and unique position as a multilateral corporation bolstered by steadfast commitment and backing of our shareholders also contributed to the ratings upgrade.

Our shareholders have a vested interest in seeking the sustainable development of the region's energy sector which is now attracting record levels of investment from across the globe. As this trend continues, APICORP will look to deepen its existing public and private partnerships and develop new ties with both regional and global partners looking to create value in the energy sector.

Aa3  **Positive**

Moody's ratings outlook upgrade for APICORP in 2018



On behalf of the Board of Directors and the entire team at APICORP, I would like to once again thank the governments of our member states for their ongoing support. Their support and commitment have been instrumental to the success of APICORP and to our continued ability to deliver remarkable results regardless of market challenges.

I would also like to thank the management team at APICORP for their commitment, dedication and continuous pursuit of excellence.

Our special thanks go to the government of the Kingdom of Saudi Arabia, where we are headquartered,

for their continued cooperation and support and the overall reinforcement of our mission to sustainably develop the Arab energy sector through creative and value-added solutions.

Dr. Aabed Al Saadoun

Chairman

Arab Petroleum Investments Corporation (APICORP)



Board of Directors



Standing from left to right

Eng. Husam Hussein Weli, Mr. Mohmood Al Kooheji, Mr. Farid Baka, Sheikh Talal Nasser Al Sabah, Mr. Ebrahim Al Mannai.

Sitting from left to right

Dr. Matar Al Neyadi, Dr. Aabed Al Saadoun, Mr. Salem Hnesh, Eng. Mohamed Hassan Saafan.

Kingdom of Saudi Arabia

Dr. Aabed Al Saadoun

Chairman of the Board
Chairman of the Remuneration & Nomination Committee

State of Kuwait

Sheikh Talal Nasser Al Sabah

Chairman of the Audit & Risk Committee
Member of the Remuneration and Nomination Committee

United Arab Emirates

Dr. Matar Al Neyadi

Deputy Chairman of the Audit & Risk Committee

State of Qatar

Mr. Ebrahim Al Mannai

Member of the Remuneration & Nomination Committee

Kingdom of Bahrain

Mr. Mohmood Al Kooheji

Member of the Remuneration & Nomination Committee

People's Democratic Republic of Algeria

Mr. Farid Baka

Member of the Audit & Risk Committee

Republic of Iraq

Eng. Husam Hussein Weli

Arab Republic of Egypt

Eng. Mohamed Hassan Saafan

State of Libya

Mr. Salem Hnesh

Syria has not nominated a member to the Board of Directors since 2013

CEO's Note

Transforming the Energy Landscape

“As we embark on a new chapter in our growth story, we are confident that we are now better-positioned to reap the benefits of new opportunities as they present themselves to us.”

The year 2018 has been pivotal in many ways for APICORP. Not only did we achieve record financial results with a 76% increase in net profits year-on-year to USD 182 million and 11% growth in total assets, we also saw the clear impact of a pivotal transformation within our corporation. Our strong financial and operational results for the year are a validation of a strategy that has seen APICORP become a more diversified, dynamic, and progressive corporation with the ability to lead and support the transforming energy landscape of the region.

Achieving greater balance and diversity in our investment and loan portfolios has indeed been a leap in the right direction, however, APICORP's success should be measured by more than just financial results. I believe that we have huge potential to make a sustainable positive impact on the region's burgeoning energy sector as it reinvents itself. As a well-capitalised multilateral development financial institution with an established track record, on-the-ground expertise, strong shareholder support, and trusted brand equity, we are ideally positioned to be at the heart of this transformation.

APICORP aims to leverage all its strengths in a manner that will position us as an anchor for our member countries and the rest of the region in terms of the markets that we go into and the sectors that we invest in. To ensure that we can have this kind of impact, we are actively working to attract and retain industry-leading talent, invest in best-in-class technology, and work to broaden and deepen strategic partnerships.

As we embark on this new chapter in our growth story, we are confident that we are now better-positioned to reap the benefits of the opportunities and overcome the challenges that present themselves to us. Our geographic footprint includes post-conflict countries and countries in transition. Our knowledge of these markets and our proven ability to effectively navigate through risks is precisely what makes us ideal partners for a growing pool of regional and global investors who see potential in the region. Leveraging the APICORP brand to create opportunities and maximise long-term value creation while maintaining our development mandate will continue to be key for us.



2018 Operational Highlights

This was a year of major achievements for APICORP. An important milestone for APICORP in 2018 was our successful exit from the leading oil field services provider National Petroleum Services (NPS). The 29% equity stake that we held in NPS for four years represented a key component of APICORP's new strategy to diversify its investment portfolio into the oil and gas services sector, and reflected our commitment to support Arab companies that have potential for growth and value-creation in the region and beyond. NPS provides services in both MENA and the Asia Pacific regions and we are extremely pleased to have played a significant role in financing their growth plans and providing strategic guidance

to their management. The exit also marks a turning point for how we manage our investments. In particular, the newly-created Portfolio Management has a more dynamic, hands-on-approach in managing the equity and debt portfolio. That being said, equity is only one of the product offerings provided by APICORP. For example, while we no longer own an equity stake in NPS, we are continuing to support their growth through our Corporate Finance services with a USD 50 million financing facility that was also finalised during the year.

As the year drew to a close, we completed our first investment in renewables and distributed solar

750 USD BN

5-year bond was oversubscribed with first-time access to top-tier US investor base

power generation through our investment in Yellow Door Energy, a UAE-based solar power developer. There is no doubt that the power sector represents a significant untapped market opportunity and APICORP is firmly committed to pursuing more opportunities in green energy.

Corporate Finance continued its trajectory of success and concluded a broad spectrum of deals in multiple industries within the energy sector across the region. For example, in Egypt, APICORP signed a financial structuring mandate to raise USD 40 million in debt financing with Suez Company for Methanol Derivatives (SMD) to finance the development of a greenfield formaldehyde and derivatives project in the Suez Canal Economic Zone.

In Saudi Arabia, APICORP extended financing for the first time to a contracting company, ARKAD, that is developing the Kingdom's Master Gas System; and in Oman, APICORP extended financing of Duqm, a USD 5.75 billion greenfield project jointly owned by Oman Oil Company and Kuwait Petroleum Corporation.

Treasury and Capital Markets completed the first ever Dim Sum bond issuance by a supranational issuer from Africa and the Middle East. This marks the first time APICORP has accessed this fast-growing market. The USD 100 million equivalent bond has enabled us to diversify our investor base by targeting a niche pool of Asian liquidity, a key objective for us as we continue to expand and diversify our funding sources.

We continued to further diversify our sources of funding by accessing US investors for the first time with an oversubscribed USD 750 million 5-year bond (rated Aa3 by Moody's) in the RegS/144a markets. A transaction of this size and magnitude that attracted such a wide and international investor base is not only an endorsement of our strong balance sheet, but also a reinforcement of the strong relationships that we have with our global investor base, and in particular the top-tier US investment community.

All of these significant financial and operational milestones across our business lines culminated in an upgrade of our credit rating. In September 2018, we proudly welcomed the news that Moody's had upgraded APICORP's rating outlook from Aa3 stable to Aa3 positive, an achievement that would not have been possible without the hard work and dedication of our teams across the board.

Powering the Future

After extensive consultations with our Board of Directors and our Management Team, we unveiled APICORP's new corporate structure in 2018. The new structure is based on four main pillars: Financial, Business, Economics & Sustainability, and Corporate Services with Legal, Risk & Compliance and Corporate Communications serving as cross-cutting arms in the new structure.

We are pleased to announce that we have acquired new talent to fill newly created positions during the past year including a new Chief Financial Officer (CFO), Chief Economist to head our newly established Energy Economics, Strategy, and Sustainability (EESS) and Heads of Corporate Communications and Information Technology.

EESS will not only manage our renowned energy research programme and act as the face of the corporation externally, it will also support our business by developing a sustainability framework, designing targeted country and sector strategies, and advising the Board Management on market and global macroeconomics developments.

We welcome our newest team members to APICORP and look forward to creating and sustaining value across the corporation through their trusted leadership. I am also particularly pleased that APICORP has been moving towards becoming a more inclusive workplace that prides itself on the diversity of its workforce and its ability to empower women. Approximately 10% of our total workforce are now women with two female executives holding positions on our executive management team by the end of 2018.

Our achievements in 2018 are a testament to the resilient efforts of our entire team, and a strong indicator of the success of our overall business strategy and the robust risk and governance framework that we have in place. I would like to take this opportunity to thank each and every one of my colleagues and give

special thanks to our esteemed Board of Directors for their steadfast support and strategic guidance.

The Year Ahead

As the countries of the region continue to push forward with investment in the energy space, there will be several challenges and constraints, such as oil price volatility and geopolitical issues over the medium term, but we also see clear opportunities. APICORP forecasts approximately USD 1 trillion in new planned and committed MENA investments in the energy sector over the next five years. Almost 22% of investments in the energy sector are currently coming from the private sector through various means, whether that is public private partnerships, bond issuance, or commercial financing. We view this as a positive trend that will continue to gain momentum in the coming years.

As a multilateral development financial institution, APICORP has a critical role to play in bridging the investment and funding gaps. The energy sector is reinventing itself, and APICORP is committed to being at the forefront of this change.



Dr. Ahmed Ali Attiga

Chief Executive Officer

Arab Petroleum Investments Corporation (APICORP)



Management Team



First row from left to right

Nicolas Thevenot, Managing Director, Corporate Finance
Leila R. Benali, Ph.D. Chief Economist, Energy Economics, Strategy & Sustainability
Hesham Farid, Managing Director, Treasury & Capital Markets
Dr. Ahmed Ali Attiga, Chief Executive Officer
Mohammed Al Mubarak, Director, Operations
Ali Hassan Fadel, Director, Legal & Board of Directors Secretary

Second row from left to right

Hamdi Bata, Director, Human Resources & Support Services
Dina Kasrawi, Director, Corporate Communication
Bennie Burger, Managing Director, Investments

Third row from left to right

Ajay Kumar Jha, Director, Risk & Compliance
Mohammed Suba'a, Senior Manager, Acting Head, Finance

