APICORP’s operations during 2001 produced a net profit of US$ 42.8 million, compared with US$ 40.4 million in 2000, while total assets increased to US$ 1,586 million (2000: US$ 1,564 million).

These results were achieved in spite of the difficult circumstances that faced the international business community in 2001, wherein economic growth fell from 3.8% in 2000 to 1.3% in 2001. Towards the middle of the year, a feeling of optimism was apparent, prompted by the expansionist policies adopted by a number of industrial nations, in addition to the emerging signs of recovery in the major economies. However, that was short-lived because of the 11th September incidents that caused shockwaves throughout the world’s financial markets and led to a slowdown in a number of business sectors, while throwing the economy into deep recession, as well as fuelling the decline in base interest rates.

The worldwide economic recession negatively impacted the oil industry, causing the growth in total world demand to drop significantly to its lowest level in 17 years; down from 1.6% in 2000 to 0.2% in 2001. In the last quarter of 2001, the price per barrel of crude oil dropped, for the first time since the middle of 1999, to less than US$ 20. It was in this light that the Organisation of Petroleum Exporting Countries (OPEC) reduced production quotas by 3.5 million barrels/per day during the year, or the equivalent of 13.1%, in order to counteract the decrease in demand and maintain prices at a reasonable level, with the hope of stimulating both the regional and the world economies.

The world petrochemical industries, as well, faced a further slowdown, as a result of the world economic recession, newly increased production capacities and the reaction of prices of most of the basic and intermediate petrochemical products to shrinking demand, which led to price falls of 30%-40%.

In 2001, the Arab economies were negatively impacted by political and economic factors and the ensuing slowdown in the regional and world economies. As a result, economic growth in the Arab world dropped to 3.1% during the year, compared with 4.3% in 2000.

Despite these difficult circumstances, APICORP was able to continue its activities in supporting Arab petroleum projects, by providing the necessary financing. In 2001, the Corporation participated in loan financings of US$4.3 billion, with a final take of US$ 428 million. We also played significant roles in the arranging of these facilities, which has strengthened our leading position in the field of financing oil and gas projects in the Arab world.

In 2001, APICORP continued to support Arab oil exports. To that end, APICORP participated in trade finance agreements amounting to US$ 929 million, with a final take of US$ 128 million. This has strengthened our relationships with a number of Arab institutions that own such foreign projects, and may lead to further business opportunities in the future.

2001 saw the beginning of the financing of power projects, in addition to the Alliance that APICORP formed with Taylor-De Jongh Inc. in order to strengthen our ability to provide financial advisory services in the hydrocarbon and power sectors in the region.
The Corporation also maintained its active role in supporting and developing the financial and technical abilities of the projects wherein it holds direct equity investments. That was done through participation in the boards of directors of these companies, and by providing financing support to their expansion and renovation projects.

APICORP also continues to maintain a close relationship with the General Secretariat of the Organisation of Arab Petroleum Exporting Countries (OAPEC) and its affiliates, in addition to other regional bodies and national corporations. We have participated in arranging the necessary financings for petroleum and petrochemical projects, ever mindful of the importance of such cooperation in strengthening the economies of the region.

Looking to the future, the petroleum and petrochemical industry in the Arab region has promising prospects in both the long and the short term. We are now witnessing increased expansion in most of the Arab petroleum-producing countries as they take advantage of the availability of the great abundance of raw materials at competitive prices, as well as low construction costs, and the accumulation of technical and administrative expertise.

In addition, the leading oil companies of the world have started to seriously look at the oil producing countries in the region, as a result of the measures adopted to attract foreign investment and the opening up of the oil and gas sectors to private investors, both national and international. In the light of these trends and the bright future prospects for the industry, APICORP is hoping to play a leading role in supporting the projects of these industries, by either participating in their share capital or by meeting their financing requirements.

The Corporation moved to its new Head Office building in early 2002. The building is considered one the Eastern Province's major landmarks, because of its modern architecture and technical facilities.

In accordance with the Corporation’s statutes, 10% of the 2001 net profit has been transferred to Legal Reserve, and the Board of Directors recommends the distribution of US$ 30 million to the shareholders as cash dividends for the year 2001.

Finally, we give our thanks to the management and staff of APICORP for their efforts and contributions that have led to the year’s good results. I also take this opportunity, on behalf of the Board of Directors, to record our sincere appreciation to the Governments of the Member States, for their continued support and for the fruitful cooperation received by the Corporation. We also wish to extend our deep gratitude to the Government of the Custodian of the Two Holy Mosques for the special care they offer to the company, and to commend their major role in the achievements of the Corporation.

Abdullah A. Al-Zaid
Chairman of the Board of Directors