

CHAIRMAN'S STATEMENT



It is my pleasure to present to you, on behalf of the Board of Directors of Arab Petroleum Investments Corporation (APICORP), the 33rd Annual Report on the Corporation's activities and financial results for the year ended 31 December 2008.

The Financial Markets Turmoil

The continuing financial turmoil, ignited by the subprime mortgage credit crisis in the United States, which then led to the destabilization of the entire financial system worldwide, has moved into a more severe phase. Following the collapse of Lehman Brothers, and in spite of the drastic measures taken by Governments and their Central Banks to prevent further bank failures and to restore confidence, the markets remain in turmoil, reflecting heightened fears of a prolonged global recession.

Financial Results

APICORP's operations in 2007 reported a net income of US\$ 27.6 million, compared to US\$ 79.7 million. Total assets stood at US\$3.56 billion compared to US\$ 3.57 billion at the end of December 2007, while total shareholder's equity were US\$ 895 million compared to US\$ 1.02 Billion in 2007.

The fall in the Corporation's financial results was a result of the financial crisis that spilled over the world's financial markets. Being a financial institution, APICORP's is not immune from the crisis, and like all financial institutions have exposures to other financial institutions both in Arab region or worldwide. As a result, some of our investment portfolios were affected resulting in the allocation of provisions to meet the potential negative impact that these investments may be faced with.

Dividend Payable

In accordance with the Corporation's statutes, 10% of the net profit has been transferred to the Legal Reserve. And in view of the ensuing financial crisis, the Board of Directors sanctioned that future dividends distribution for the coming three years shall be suspended in support of the Corporation's balance sheet.

Direct Equity Investments

In accordance with APICORP's mission, by the end 31 December 2008, APICORP held direct equity investments in 14 Arab joint venture projects, situated in 6 Arab countries. The operations of these investments cover a wide spectrum of activities such as seismic services, drilling and related services, storage of petroleum products, extraction of LPG and marketing of petroleum products to name a few.

The total value of APICORP's direct equity investments on 31st December 2008 was US\$ 283 million, while the portfolio's net profit for the same period, before provisions, was US\$ 58 million.

Project and Trade Finance

After three years of remarkable activity, the project finance market was faced with a severe deceleration in the first half of 2008, followed by a complete stop in the summer. That was a result of the convergence of several factors, chief among which was the credit crunch, the high project costs and the unprecedented volatility of the petroleum product prices.

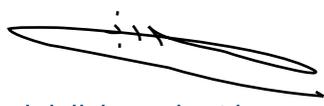
In spite of the drop in the number of project finance transactions concluded during 2008, total project and trade finance revenues maintained their previous year's levels. For three years running, project and trade finance activities at the Corporation set up another record in 2008 with a net income close to US\$30 million, compared to US\$23.9 million and US\$18.8 million in 2007 and 2006 respectively.

APICORP continued to play its active and instrumental role in the financing of oil, gas and petrochemical projects that were progressed in the Arab region during 2008, including its significant role as a regional player in the power generation projects in spite of the volatility the world's financial markets currently being experienced at the moment.

Economic and Research Department

The Economic and Research Department at APICORP is dedicated to the study of economic and policy issues relevant to the Corporation's business development and growth strategy through the scanning of its economic environment and trends. In addition, the review of Energy Investments in the Arab and MENA region has become an authoritative source in the field and elevating its external profile and strengthened the Corporation's relationship with similar industry, research centre's and specialized media.

On behalf of the Board of Directors, I would like to record my deep thanks and appreciations to APICORP's management and staff for their efforts, dedication and perseverance that have direct impact in the Corporation's aspiration towards the achievement of its objectives. I would also like to record my deep thanks and appreciations to the governments of the member states, for their everlasting support and fruitful cooperation. At the end, and with great honour, I would like to express my deep thanks and gratitude to the government of the Custodian of the Two Holy Mosques, Kingdom of Saudi Arabia, for the special care it provided the Corporation with.



Abdullah A. Al-Zaid

Chairman of the Board of Directors