QALAA HOLDINGS القلعة

How to:

Finance a Petroleum Refinery

▶ The Opportunity

A mismatch between decades of under-investment and fast-rising national demand for refined product

Decades of under-investment in refining capacity has seen Egypt become a net importer of refined products. Of nine refineries in five primary locations across the nation, only three have been built since 1973, with the nation's second-largest facility dating back to 1913.

The Cairo Oil Refinery Company (CORC) is the nation's largest refinery and is located at the hub of Egypt's pipeline network. In operation since 1969, it has a refining capacity of 160,000 barrels of oil per day and is ideally situated to serve the needs of the Greater Cairo Area and Upper Egypt, which between them account for 65% of national fuel-oil consumption and 44% of diesel demand.

Owing to its reliance on decades-old technology, CORC accounts for only 20% of the nation's total refining capacity and delivers 67% of its production as fuel oil.

With fast-rising demand for diesel and gasoline (petrol) outstripping supply, while the Government of Egypt is simultaneously gradually decreasing its sizeable fuel subsidy, Qalaa Holdings and its partners saw substantial room for a refining project that would ease reliance on imports and produce cleaner-burning fuels as one of the cornerstones of Egypt's energy security policy.

▶ The Solution

Egyptian Refining Company

In late 2006 Qalaa Holdings began planning the Egyptian Refining Company (ERC) and quickly earned the backing of the Egyptian General Petroleum Corporation (EGPC), the state-owned entity that effectively administers the industry under the supervision of the Ministry of Petroleum.

The idea was simple: CORC would provide feedstock (straight run atmospheric residue) to ERC, which ERC would then refine into higher value products. All refined products would be sold to EGPC at international prices in US dollars, helping close the import gap. And with a business model that emphasized the production of Euro V diesel (a very low-sulfur product that is effectively the cleanest-burning diesel fuel in the world), the project would not only curb Egypt's reliance on petroleum imports, but would substantially reduce the nation's sulfur dioxide emissions.

▶ The Challenges

Translate broad-based public and private sector support into practical financial support

Since the early days of planning in 2006, the idea of a modern, greenfield petroleum refining upgrade and import-substitution project in Egypt has received enthusiastic support from both government and private sector players globally. Despite this support, achieving financial close proved to be a serious challenge and the project spent more than five years in development.

Those five years saw the project weather the 2008 global financial crisis, the January 25 Egyptian Revolution in 2011, a devastating earthquake and tsunami in Japan (home to key backers) and ongoing Eurozone debt and banking challenges.

The fact that Qalaa Holdings and ERC successfully kept the lender group and all other stakeholders engaged during this period is a testament to the economic strength of the project, its importance in addressing Egypt's increasing demand for refined products, and the stakeholders' long-term commitment to support Egypt's economic and political development.

▶ The Financing

Create an investment opportunity attractive to sophisticated global investors, allowing the company to transform a US$ 3.7 billion project into a reality

From the outset, Qalaa Holdings knew it would need to call not just on its own financial resources, but on a deep network of international investors, banks and guarantors to transform a US$ 3.7 billion project into a reality. This landmark investment attracted the support of top Egyptian, Gulf and international investors, global export credit agencies and development finance institutions.

The equity component of the transaction, which reached final close on 14 June 2012, proved to be the biggest equity raising in Egypt since 2007 and the largest in the MENA region in 2012. Equity was provided by a broad spectrum of investors including EGPC, Qalaa Holdings, Qatar Petroleum International (QPI), investors from Egypt and the Gulf Cooperation Council countries, the International Finance Corporation, the Dutch development bank FMO, Germany's DEG, and the InfraMed Fund.

Compelling fundamentals, unwavering support from the government and the dedication of debt partners were key to the successful closing of the equity component of the deal (originally expected to be finalized in early 2011).

The US$ 2.6 billion debt package was announced in August 2010.

The package includes US$ 2.35 billion of senior debt and US$ 225 million of subordinated debt. Institutions participating in the senior debt package include the Japan Bank for International Cooperation (JBIC), Nippon Export and Investment Insurance (NEXI), the Export-Import Bank of Korea (KEXIM), the European Investment Bank (EIB) and the African Development Bank (AfDB).

Mitsui & Co. (which is part of the contractor consortium building the refinery) and the African Development Bank are providing the subordinated debt financing.

▶ Economic Benefits to Egypt

Reduced diesel imports, help reduce Egypt's annual subsidy bill, US$ 300 million in additional direct benefits to the state annually, and new jobs

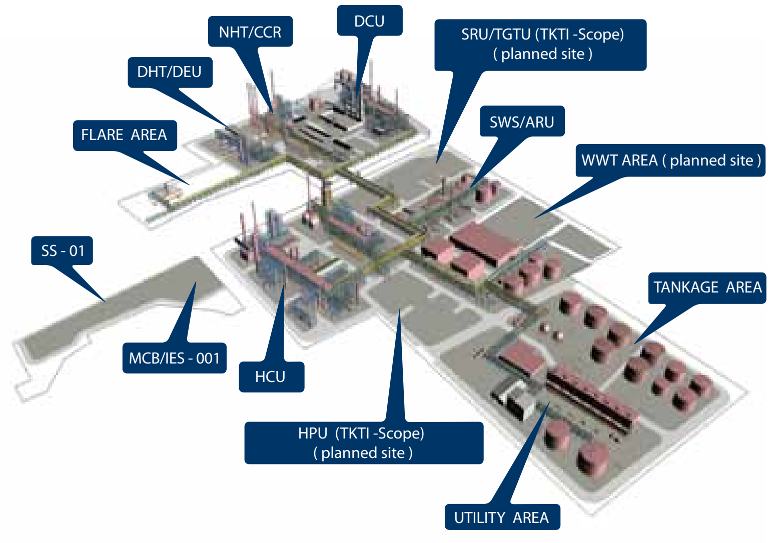
- Fully-funded $3.7 billion refinery is Egypt's largest in progress, private sector mega project.
- Import substitution project which will produce c. 3.5 million tons of transportation fuels representing more than 50% of Egypt's current imports.
- An estimated $300 million in annual savings and revenues to state coffers.
- The project will create over 700 permanent jobs and 8-9 thousand jobs during construction.

▶ Environmental Benefits to Egypt

Improved air quality, production to global standards

- ERC will prevent the release of 93,000 tons of sulfur annually, or c.29% of Egypt's present-day total.
- ERC will open the first Egyptian refinery to produce European (EURO V) grade diesel and IATA worldwide specification jet fuel.
- ERC will produce reformate and naphtha, which EGPC will blend with existing stocks, increasing overall quality of products in Egypt.
- ERC will minimize the overall environmental footprint of the site through environmental investments in the Petroleum Pipeline Company (PPC) and CORC.

▶ ERC Refinery Overall Site Plan



▶ Local Community Benefits

Improving prospects for Mostorod, the community that will be home to the project

- Environmental/Social Impact Assessment ("ESIA") to international / IFC standards to minimize negative Project impacts.
- Training community members at the Welding Training Center including 420 welders, 100 pipe fitters, and 55 mechanical and 24 electrical technicians. Another 68 community members, mostly female, have received computer training in addition to 220 individuals, more than half of them female, who were trained on ICDL qualifying them for the International Computer Driving License. Additional skills training has included 21 individuals who were taught cell phone maintenance and 30 girls who were taught sewing.
- Conducting community needs assessments to design strategic and culturally appropriate socio-economic projects such as youth forums impacting over 5 thousand stakeholders, an employment fair attended by 500 people and 7 companies, and a women's empowerment program which provided grants for small projects as well as vocational training for women.
- Launched an environmental awareness campaign in 5 schools to teach children about cleanliness and conservation.
- Refurbished 3 schools benefiting 8,530 students from the local community.

▶ The Progress

ERC is almost 80% complete

ERC is fully on track to begin production in the first half of 2017 and has now neared the 80% completion mark. Critical to the project's benefits is the recently installed, Korean-made, 1,280 ton hydrocracker unit (HCU), the largest piece of equipment that has ever entered an Egyptian port. The HCU is a critical component whose role is to increase the yield of light petroleum products that ERC will produce. The HCU upgrades low-quality heavy gas oils from the vacuum distillation tower and the coking units into high-quality, clean-burning jet fuel, diesel and gasoline. ERC continues to receive and install heavy equipment — including process reactors, fractionators and drums.

ERC presently employs some 8,200 people, 30% of whom are members of the local community. ERC is transferring industry knowledge to thousands of local workers who are receiving extensive on the job training from some of the world's leading experts in the field. Local staff work alongside dozens of nationalities on site including Egyptians, Americans, South Koreans and Australians with years of expertise in the refining and construction sectors.

Key Facts About ERC

Headquartered in	Cairo, Egypt
Total Production of Refined Products and high-quality oil derivatives (annually)	4.2 million tons
Production of Euro-V Standard Diesel (annually)	2.3 million tons
Jobs Created	8-9 thousand at peak of construction, 700 permanent positions
Expected Date of Operations	2017
Total Reduction in Egypt's SO_2 Emissions*	29.1%
Total Reduction in Egypt's Diesel Imports*	50-60%
Value of Debt Package for ERC	US$ 2.6 billion
Total Equity Invested in ERC	c. US$ 1.2 billion
Qalaa Holdings' Effective Ownership	19%

*Percent reduction from present-day levels

Egyptian Refining Company is a subsidiary of Qalaa Holdings

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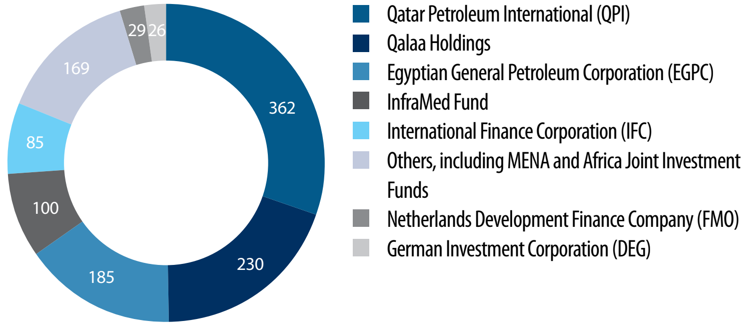
The Backers

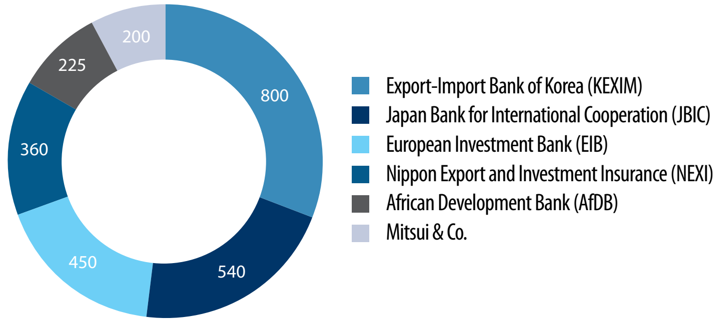
Partnerships with key development finance institutions and sophisticated international investors allowed Qalaa Holdings to raise c. US$ 1.2 billion in equity and US$ 2.6 billion in debt for the Egyptian Refining Company. These backers include:

c. US$ 1.2 billion equity package with participation of:



Figures in US$ MN

c. US$ 2.6 billion debt package, with participation of:



Figures in US$ MN

About Egyptian Refining Co.

Egyptian Refining Company is a Qalaa Holdings' state-of-the-art US$ 3.7 billion greenfield oil refinery in the Greater Cairo Area, which will produce more than 4.2 million tons of refined products per annum, including 860,000 tons of gasoline components, 2.3 million tons of Euro V diesel and 600,000 tons of jet fuel. ERC is the largest in-progress private sector mega project that will contribute to Egypt's national growth in a manner that not only adds value to existing resources, but also brings in billions in foreign direct investment to develop an environmentally and socially responsible project. The project is on track to begin production in 2017.

About Qalaa Holdings

Qalaa Holdings (CCAP.CA on the Egyptian Stock Exchange) is an African leader in energy and infrastructure. Qalaa Holdings controls subsidiaries in industries including energy, cement, agrifoods, transportation and logistics, and mining. For more information please visit www.qalaa.holdings.com.

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