



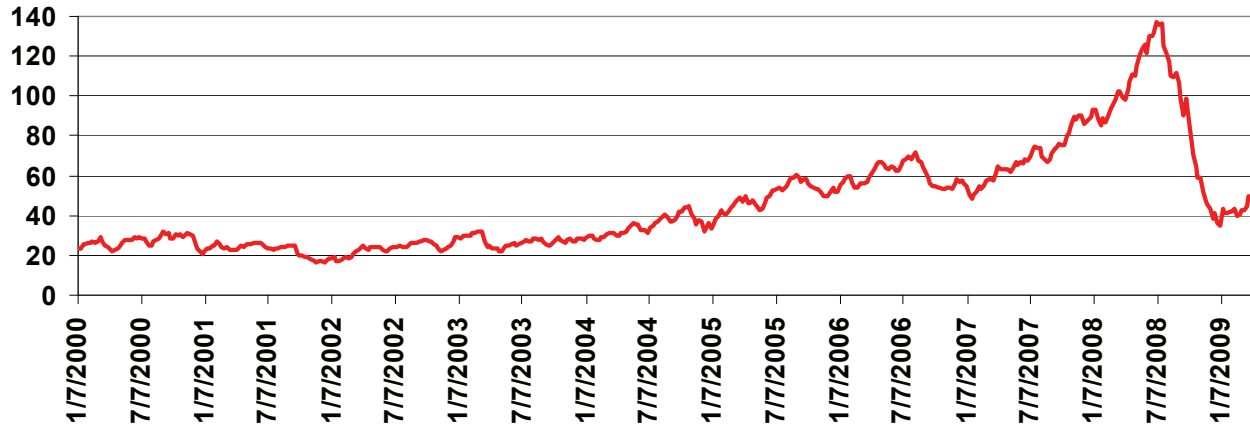
Reverse Oil Shock in the Middle East



What a difference a year makes...

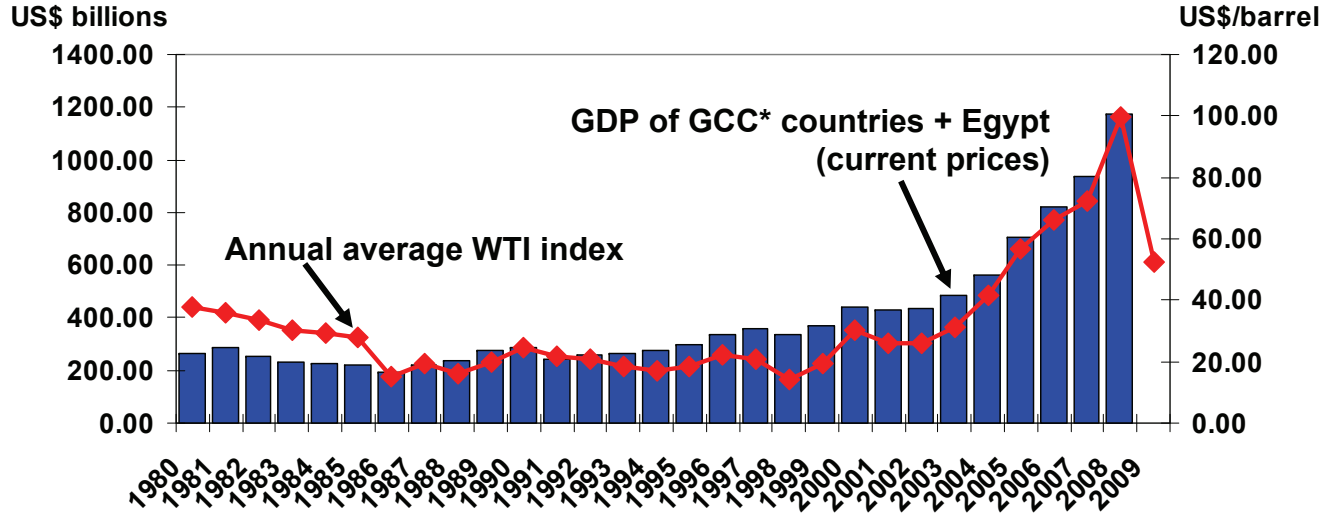
Weekly All Countries Spot Price FOB Weighted by Estimated Export Volume

US\$/barrel



Source: EIA/DOE.

Middle Eastern economies have not yet achieved sufficient levels of diversification



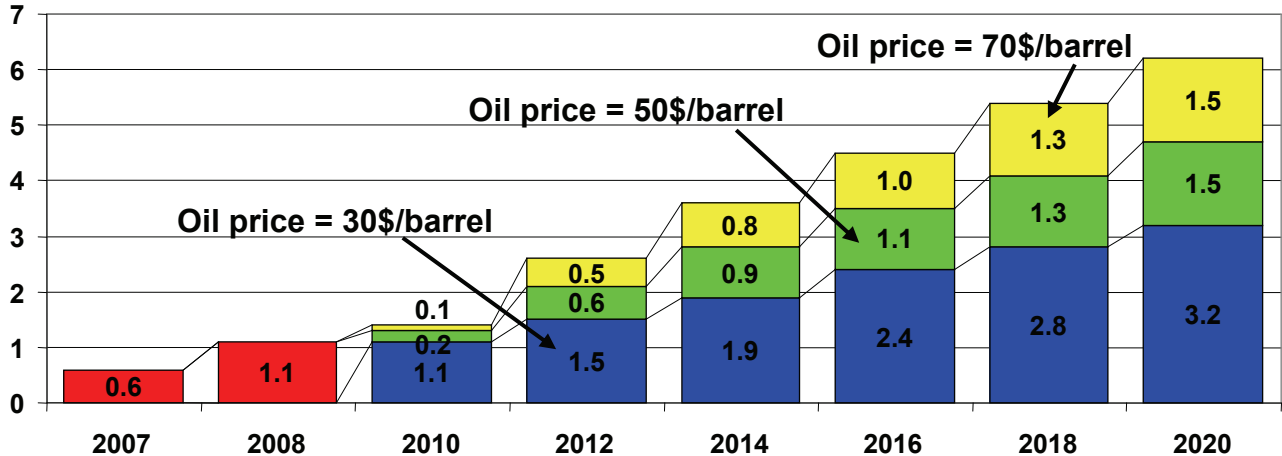
Sources: Platts, EIA/DOE, IMF.

*Gulf Cooperation Council: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates.

Even at lower oil prices, GCC countries' wealth will probably continue to grow

Projected oil revenues to 2020 for GCC countries

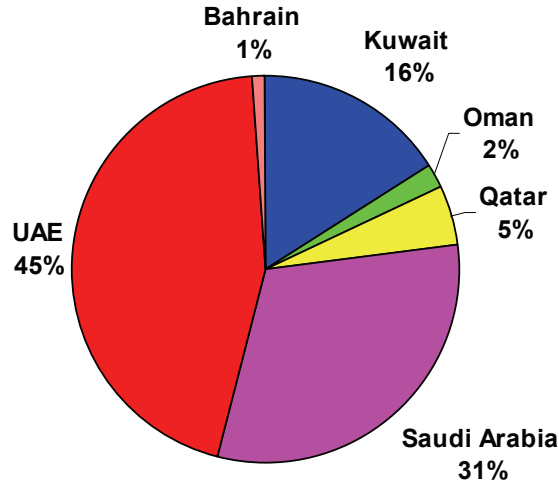
US\$ trillion



Source: McKinsey Global Institute.

Will Gulf States be successful at accelerating development of local economies?

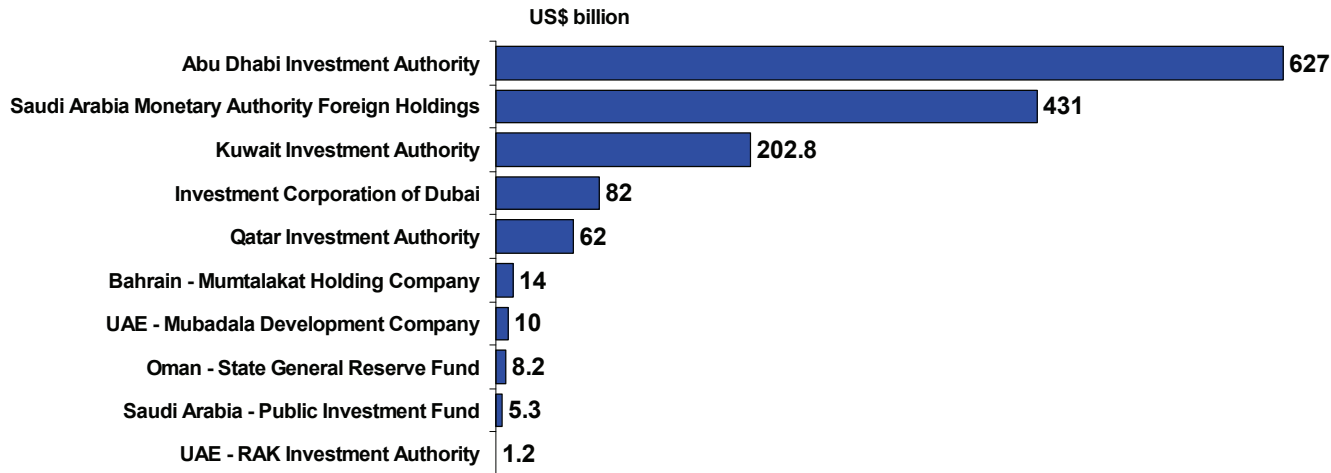
Country share of cumulative oil revenues 2008-2020 at 50\$/barrel



Source: McKinsey Global Institute.

Oil windfall profits transformed GCC Sovereign Wealth Funds into global financial powers

Assets of major GCC Sovereign Wealth Funds (2009 estimate)

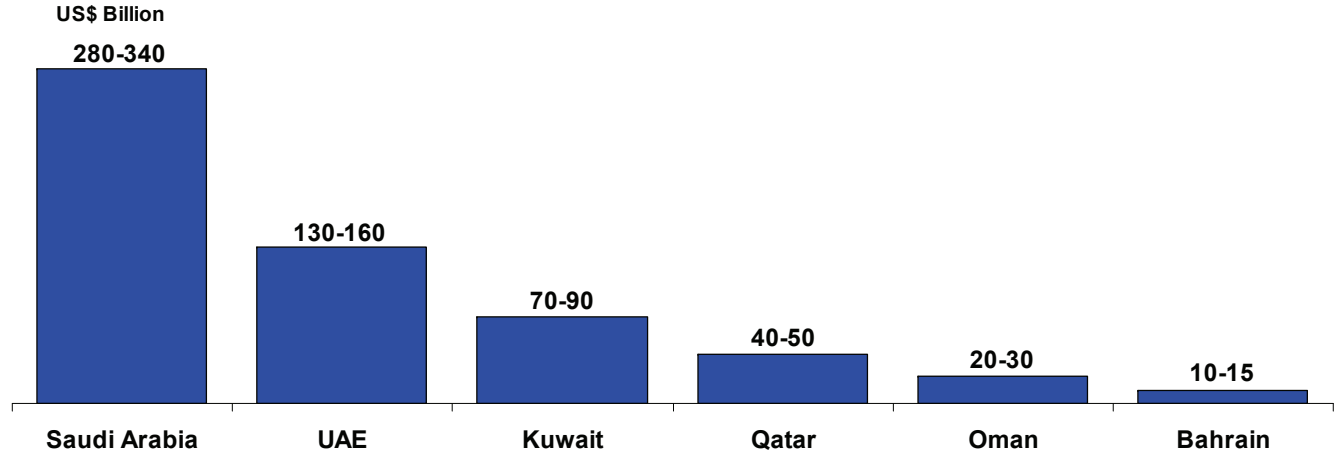


Source: Sovereign Wealth Fund Institute.



A large share of oil wealth is privately owned

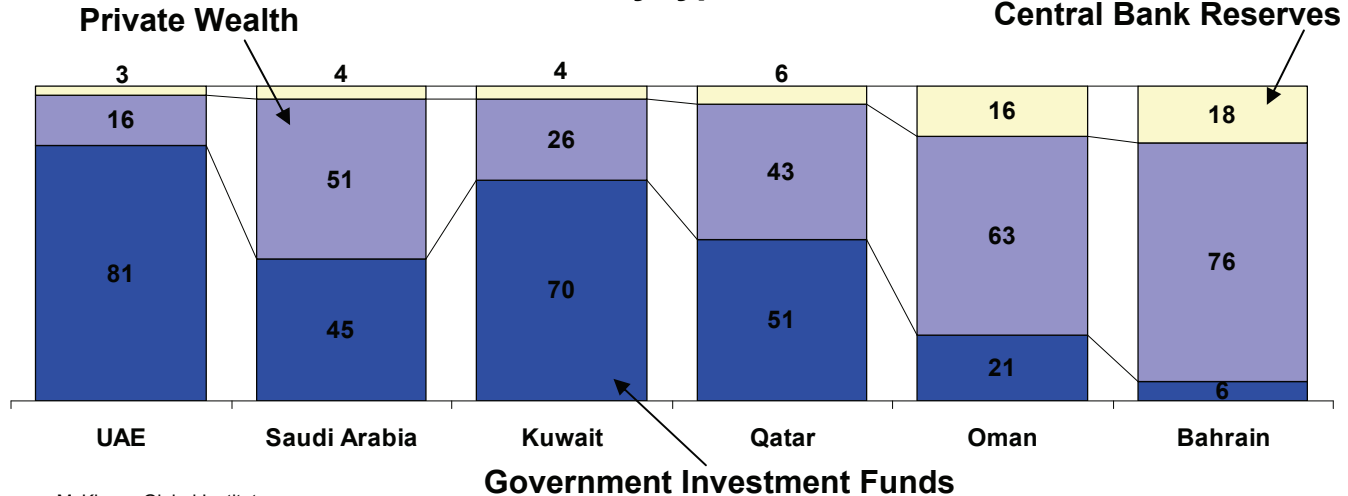
Assets of GCC private investors (2006 estimate)



Source: McKinsey Global Institute.

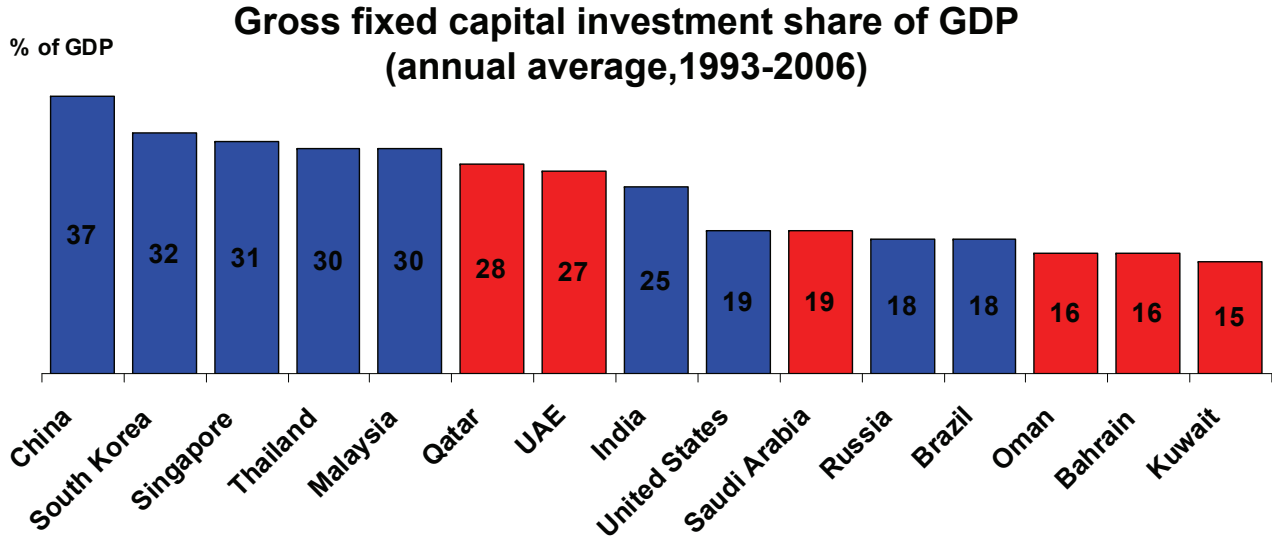
UAE wealth is mainly in the government; Saudi Arabia has a larger share of private wealth

GCC assets by type of investor



Source: McKinsey Global Institute.

Investment rates in the Gulf have lagged most high-growth economies



Source: Global Insight, IMF, McKinsey Global Institute.



Peter E. Barker-Homek, CEO
Abu Dhabi National Energy Company, TAQA



TAQA – 2008 Highlights

- 2008 transformed our business into a global integrated energy company
- The year was characterised by two key achievements;
 - A) our ability to deliver financial growth in the context of market volatility and
 - B) the execution of transactions that will be value accretive to our group
- Our diversification strategy has ensured that while the group benefited from the high oil price due to our expanded upstream operations in the first half of 2008, the strength of our midstream and downstream businesses helped to offset the sharp drop in oil prices in the second half of the year
- Upstream performed very strongly in the first half of 2008, but which was impacted by the decline in the oil price from \$147 in July to approximately \$40 at the end of the year
- Our progress has been acknowledged as TAQA was named one of the world's Top 250 Global Energy Companies, in the 2008 Platts Global Energy rankings - one of only two companies from the Gulf region to be listed

TAQA 2008 Milestones



MILKEN INSTITUTE




Dec 2008:
Memorandum of Understanding signed with Gazprom, in respect of cushion gas for the Bergermeer gas storage facility

Dec 2008:
Creation of TAQA Gen X, a joint venture focused on investments in the downstream energy business in North America.


Dec 2008:
Closed the acquisition of North Sea assets from Shell and ExxonMobil


Sep 2008:
Agreed to purchase EnCore Oil Nederland B.V. (US\$5.5 mn)


May 2008:
Signed MOU with Iberdrola



Jan 2008:
PrimeWest Energy Inc. Acquisition (CA\$5bn)



PRIMEWEST

June 2008:
Announced US\$1.1 bn convertible debenture offering

Sept 2008:
Convertible bonds converted into shares

Sept 2008:
20% interest in Shuweihat CMS International Power Company and a 50% interest in Shuweihat O&M Limited Partnership sold to Sumitomo Corporation

 **Sumitomo Corporation**

Dec 2008: TAQA Gen X investment in Red Oak power plant toll



Planetary Changes

- In 1950, there were only two megapolises, NYC/TKY, (more than 10 million inhabitants) worldwide.
- By 2025, there will be 27 such cities.
- Until the 1980s, most 'world cities' were in the advanced economies of North America, Western Europe and Japan.
- After the end of the Cold War, a substantial number of emerging world cities are proliferating worldwide.
- In the footprints of the megapolises of East Asia, the rapidly expanding Gulf metropolises are positioning themselves for 21st century.



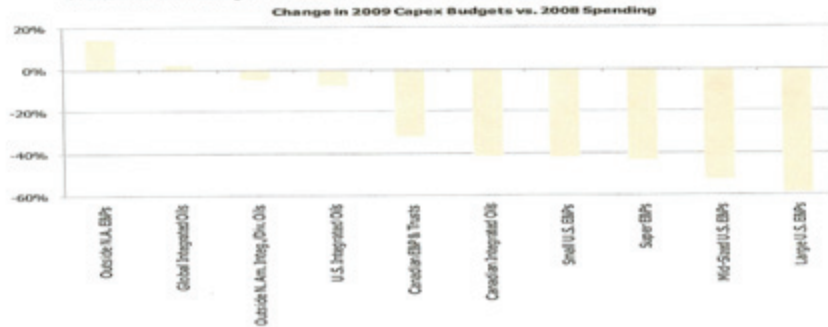
What Happened?



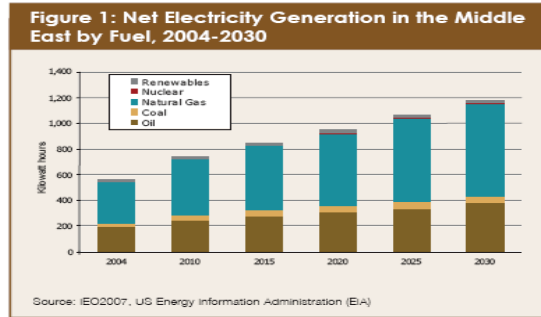
- **China:**
 - 20% world population
 - 6% global oil consumption

- **USA:**
 - 5% world population
 - 25% global consumption

- 84 mbpd
- 1 bbp12 days
- 6.3 btonnes C02



Energy Trends



- The world's electricity generation in 2030 is expected to total **30364 billion kilowatt-hours, a figure that is nearly double the 2004** total of 16424 billion kilowatt-hours.
- Pushed up demand for electricity to run appliances like air-conditioners, cookers, refrigerators and water heaters.
- This is coupled with a growth of energy-intensive industries like aluminium which is encouraged by the Gulf countries in their bid to diversify their economies away from oil and create more jobs.



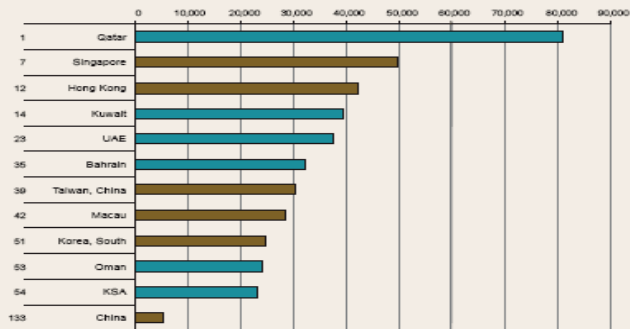
Arabian Renaissance

- The economic growth of Abu Dhabi and Dubai has been stronger than that of Hong Kong or Singapore and trailing the growth of Shanghai and Mumbai.
- East Asia's great cities are not just diverse, but reflect very different stages of development and national styles. In mainland China, real estate investments are already growing more rapidly in relative terms in the dozens of second- and third-tier cities than in, say, Shanghai or Guangzhou.
- Along with Dubai, some of the world's most ambitious city expansion programs and real estate projects are evolving in other Gulf cities, including Abu Dhabi, Riyadh, Jeddah and Doha, while Muscat, Makkah, Manama, Dammam and Kuwait City provide niche opportunities. Like in East Asia, the cities are benchmarking each other.

Prosperity

Figure 1: Gulf Countries and East Asia (2007)

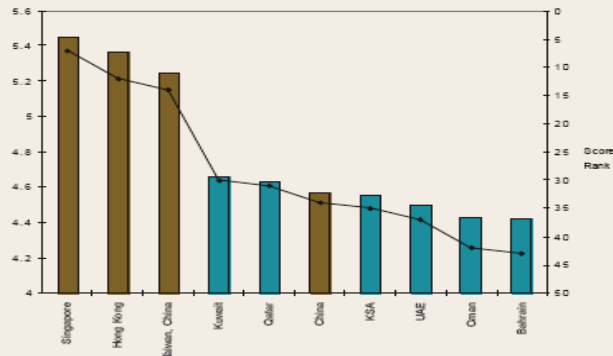
(a) Prosperity (GDP Per Capita in \$)



* Gulf countries in green, East Asian countries in Brown.

Source: Author (data: World Bank, WEF)

(b) Most Competitive Economies (WEF)





Vision

- Bold dreams have been initiated and are sustained by visionaries, such as Abu Dhabi's Shaikh Khalifa bin Zayed Al-Nahyan, President of the UAE, and Shaikh Mohammed bin Zayed Al-Nahyan, Crown Prince of Abu Dhabi.
- Further, the **planning perspectives are typically very long**. Deng Xiaoping formulated China's grand strategy – great reforms and opening up – until about 2050. Embracing the idea of urban master planning, Abu Dhabi's vision is based on a **25-year strategy for growth**.
- Today, the leading world cities are still in North America, Western Europe and Japan, **but power is diffusing away from the old centres, due to global economic integration** following the rapid industrialization and urbanization of the large emerging economies.

U.A.E.



- So far, the global downturn has had no direct impact on the Council's six economies; however, indirect effects on the real economies are clearly emerging.
- According to a recent IMF report, the UAE economy would grow slower at 3.3 per cent this year before recovering to around five per cent during 2010–13. While investment bank EFG-Hermes predicted that the UAE economy would contract by 1.7 per cent, the Dubai International Financial Centre made a growth forecast of between 2.5 and 3.5 per cent for this year.
- We are seeing initial signs of recovery and stabilisation of the world economy. We may see some growth in the UAE in the second half of this year, **and 2010 will certainly witness a good growth.**
- Deflation: the prices are coming down because of the global situation, and there are also positive dimensions.



Islamic Finance

- Global financial turmoil will likely pressure the Gulf region's Islamic finance industry to improve its product suite and spur the creation of a secondary market.
- Islamic finance has taken off in the oil-exporting region, including in Bahrain and the United Arab Emirates, as banks complying with sharia expanded retail lending and companies sold sukuk and took Islamic loans to raise funds for expansion.
- Unlike some countries in Asia, the Gulf lacks liquid local markets in short-term Islamic instruments such as sukuk, the Islamic alternative to conventional bonds.
- The global financial crisis will act as a catalyst to change this, much as the Asian crisis of the late 1990s did for Malaysia.



FDI Trends

- Worldwide FDI inflows surged by 30% in 2007 to reach \$1,833 billion and surpassed the last record year of 2000 by more than \$400 billion, with developed countries in Europe, North America and Japan dominating inflows with 68% and outflows with 85%.
- In 2007, in the **West Asian region, Saudi Arabia, the UAE and Turkey attracted more than four fifths of total FDI** which rose by 12% that year to \$71 billion.
 - This puts the region only slightly behind China which attracted \$83.5 billion and ahead of Africa which attracted \$53 billion.
- Buttressed by high oil revenues, FDI outflows from West Asia have risen for four years in a row now to \$44 billion and here the dominance of **GCC countries is even more pronounced as they account for 94% of all West Asian outward FDI**. Like in Africa and Latin America, energy and commodities related investments were responsible for a majority of inward FDI in the GCC countries, while their outward FDI concentrated on telecommunication and financial services, like the acquisition of mobile licenses in Sub-Saharan Africa by UAE-based Etisalat and Kuwait-based Zain.

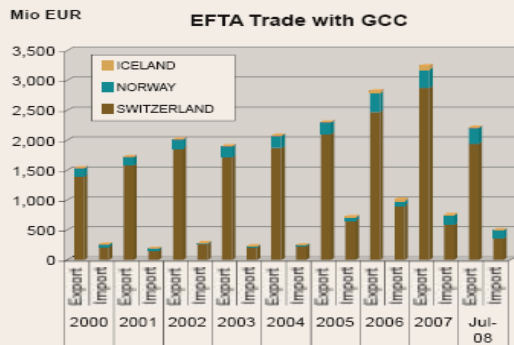


GCC Integration

- FDI and cross border M&A hints at a growing economic integration of GCC countries and a willingness to take risks as a considerable part of intra-regional FDI was directed towards greenfield developments, i.e. projects that establish new industries and services in a country from scratch.
- Infrastructure development in the GCC countries has not kept pace with rapid economic and population growth in many cases. Whether it is electricity blackouts in Kuwait due to a lack of peak load capacity, water shortages in Jeddah because of water losses in the pipeline system and insufficient desalination plants, or trucks queuing up in front of Dubai's overloaded sewage plant – **the GCC countries are in dire need of expanding and modernizing their infrastructure.**
- Transnational corporations (TNC) could help with additional capital injections and transfer of know-how.
- According to the WIR, four fifths of infrastructure FDI in developing countries was concentrated in **telecommunication and electricity generation**, while **transportation and water and sewage treatment attracted less attention with 17 percent and 4 percent, respectively.**

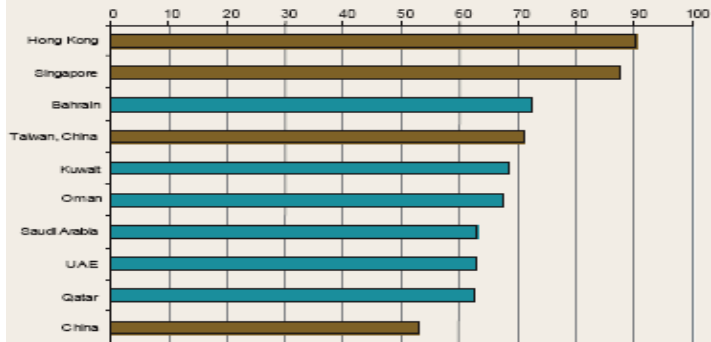
Cross-Border Trade

Figure 1: The Value of EFTA's Merchandise Trade with the GCC (2000-2008)



Source: Author's calculations based on EUROSTAT

(c) Economic Freedom Indicators



Sources: UNCTAD (FDI), World Bank (Doing Business Indicators), Heritage (Economic Freedom)



The Case of Coal

- According to the World Coal Institute, **coal reserves are available in almost every country worldwide**, with recoverable reserves in around 70 countries.
- The world's recoverable reserves are located in four countries: the United States (27 percent), Russia (17 percent), China (13 percent), and India (10 percent).
- At current production levels, proven coal reserves are estimated to last 147 years.
 - In contrast, proven oil and gas reserves around 41 and 63 years, respectively, at current production levels, and these oil and gas reserves are concentrated in the Middle East and Russia.
- Coal currently is the second-largest fuel source of energy-related carbon dioxide emissions (behind oil), accounting for **39 percent of the world total in 2004** and it is projected to become the largest source by 2010. In 2030, coal's share of energy-related carbon dioxide emissions is projected to be 43 percent, compared with 36 percent for oil and 21 percent for natural gas.



Clean Coal is Achievable

The Coal-Fired Route to Carbon Dioxide Reductions

Up to 5% CO ₂ Reduction	Up to 22% CO ₂ Reduction	Up to 25% CO ₂ Reduction	Up to 99% CO ₂ Reduction
Coal Upgrading Includes coal washing/drying, briquetting. Widespread use throughout the world.	Efficiency Improvements of Existing Plant Conventional coal-fired subcritical generation has improved significantly in its efficiency (38-40%) thus reducing emissions. Supercritical and ultra supercritical plants offer even higher efficiencies (already up to 45%). Improved efficiency subcritical plants operate around the world. Supercritical and ultra supercritical plant operate successfully in Japan, USA, Europe, Russia and China.	Advanced Technologies Very high efficiencies and low emissions from innovative technologies such as integrated gasification combined cycle (IGCC), pressurized fluidized bed combustion (PFBC) and in the future integrated gasification fuel cells (IGFC). IGCC and PFBC operational in USA, Japan and Europe; IGFC at R&D stage.	Zero Emissions Carbon capture and storage. Significant international R&D efforts ongoing. FutureGen project aims to have demonstration plant operational within 10 years.

Source: *The Coal Resource, 2005, World Coal Institute*

Questions?



**Neveen El Tahri, Chairperson & Managing Director
Delta Holding for Capital Investments**



Egypt Specific

- ❖ Our government financial year is from June to June
- ❖ FDI 2007/2008 reached US\$13.2Billion of which
 - ❖ 48.5% was for newly established companies or capital increases
 - ❖ 17.4% companies sold and remittances from workers living abroad
 - ❖ 31.1% petroleum related
 - ❖ 3% purchase of homes of none residents
- ❖ FDI for Q1 & Q2 of government year 2008/9 the total reached US\$4Billion
 - ❖ 22.5% was for newly established companies or capital increases
 - ❖ 5% companies sold and remittances from workers living abroad
 - ❖ 70% petroleum related
 - ❖ 2.5% purchase of homes of none residents



Egypt sample of effect after World slow down

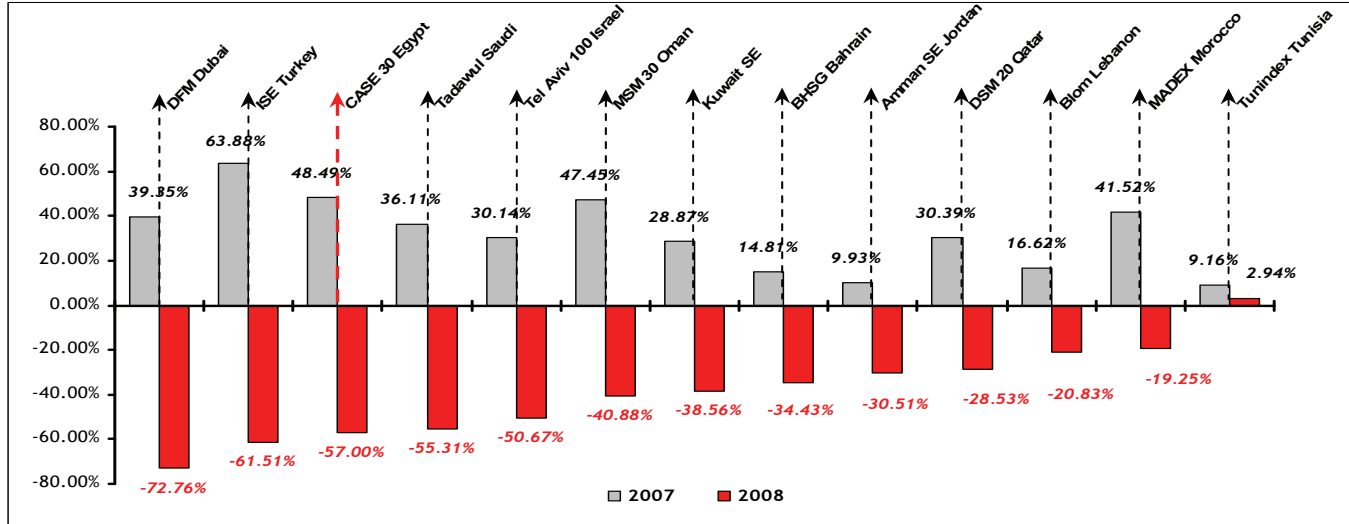
From September 2008 to February 2009

- ❖ A 25% decrease in the number of companies established during that period compared with the same period last year
- ❖ The capital inflow towards establishing companies or increasing capital witnessed also a decrease but by 47%
- ❖ Egyptian capital investments witnessed an increase of 7%, whilst Arab investments decreased by approx 20% and foreign investments decreased by 11%

The Financial Crisis – Market Performance

CASE 30 Egypt vs. Regional Indices

% Change in Index YoY in 2007 & 2008



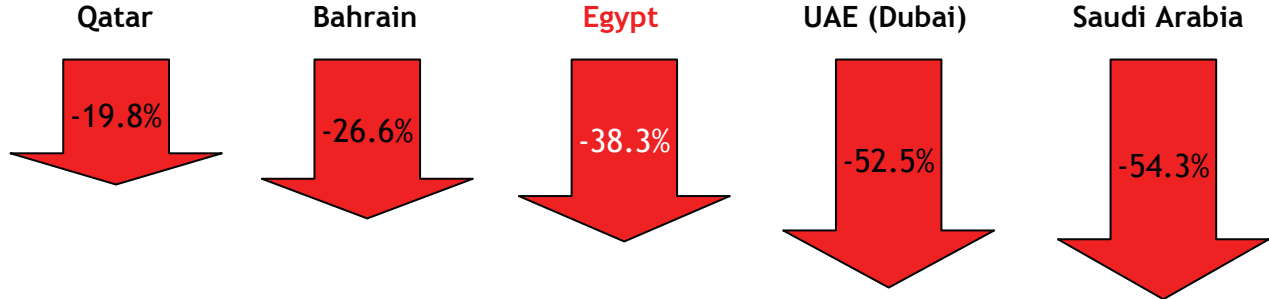
Source: Bloomberg



The Financial Crisis – Market Performance

YoY % Change in Market Capitalization 2008

for Select MENA Region Countries



Source: Official Exchange Reports

Country Risk Rating

From the most to least vulnerable

Risk Ranking	Country	Current Account Balance + Net FDI, % of GDP (Rank)	FX Reserves / Short-Term External Debt (Rank)	Exports, % of GDP (Rank)	Private Credit, % of GDP (Rank)	Private Credit, % YoY 3MMA** (Rank)	Loans / Deposits, Ratio x 100 (Rank)	Bank Capital to Assets, % (Rank)
1	Australia	4	8	36	3	41	5	2
2	Switzerland	27	4	21	4	42	2	4
3	Korea	11	20	15	15	27	7	21
4	Romania	1	14	29	35	5	11	13
5	Hungary	7	10	9	24	33	8	20
6	Sweden	25	6	24	20	34	3	1
7	Bulgaria	16	25	10	20	6	15	19
8	Euro area	10	2	41	13	36	13	9
9	UK	2	1	37	6	38	18	22
10	US	8	3	44	2	38	1	28
11	Ukraine	14	28	20	25	2	4	36
12	Chile	30	13	18	17	25	12	14
13	Czech Republic	15	22	6	28	21	32	10
14	Norway	36	9	25	8	29	N.A.	5
15	South Africa	2	26	27	16	23	19	17
16	Poland	9	30	22	35	15	14	15
17	Bahrain	39	5	4	23	8	38	N.A.
18	Singapore	41	16	1	12	18	35	23
19	Canada	29	7	28	5	37	36	7
20	Hong Kong	35	19	2	1	20	43	33
21	Qatar	44	12	17	30	3	22	N.A.
22	Slovakia	6	23	5	34	16	41	29



Country Risk Rating

Risk Ranking*	Country	Current Account Balance+ Net FDI, % of GDP (Rank)	FX Reserves / Short-Term External Debt (Rank)	Exports, % of GDP (Rank)	Private Credit, % of GDP (Rank)	Private Credit, % YoY 3MMA** (Rank)	Loans / Deposits, Ratio x 100 (Rank)	Bank Capital to Assets, % (Rank)
23	UAE	40	15	11	19	9	21	35
24	Israel	21	39	19	10	35	27	11
25	Malaysia	38	37	3	11	32	34	15
26	Turkey	5	18	34	39	12	31	31
27	Thailand	28	43	7	18	26	25	24
28	Kuwait	43	11	12	22	19	29	33
29	Saudi Arabia	42	17	16	31	10	29	26
30	India	13	36	39	26	17	33	12
31	Japan	20	27	40	14	44	26	3
32	Kazakhstan	31	21	14	27	40	6	40
33	Taiwan	26	42	8	7	43	28	N.A.
34	Brazil	12	31	43	35	14	19	24
35	Russia	22	40	35	32	4	9	38
36	China	37	44	26	9	28	37	8
37	Peru	24	32	32	44	13	23	18
38	Indonesia	18	24	30	41	11	40	27
39	Oman	33	38	13	40	7	24	37
40	Egypt	32	29	31	29	30	42	6
41	Colombia	19	35	42	33	22	17	30
42	Philippines	23	33	23	38	24	39	31
43	Mexico	17	34	33	42	31	15	39
44	Nigeria	34	41	38	43	1	9	41



Economic outlook

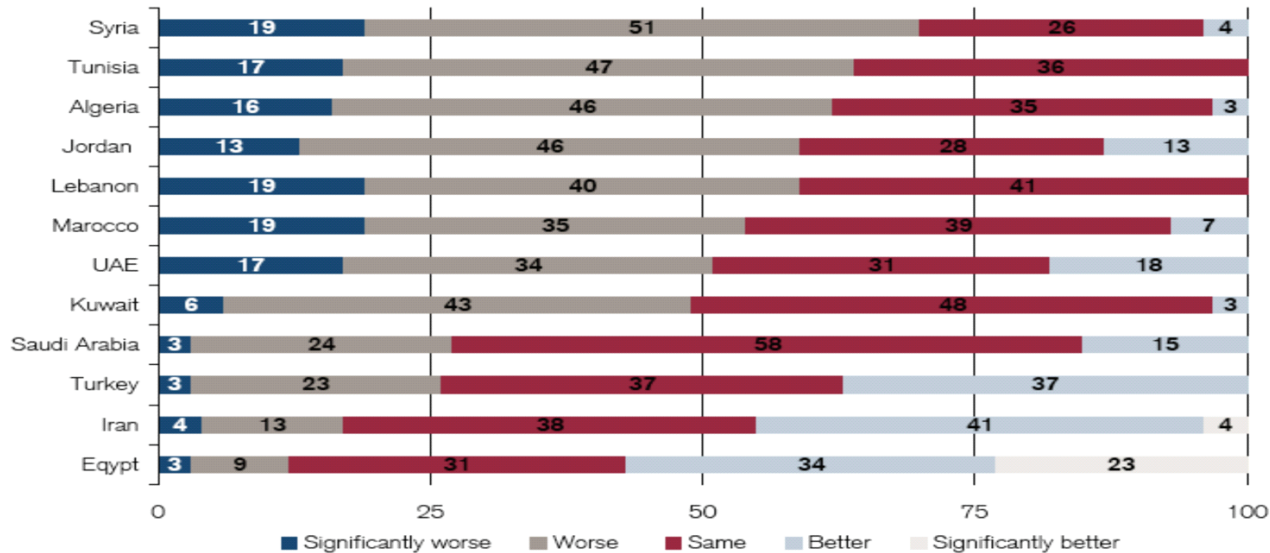
- ❖ Pressure on the economy likely to continue
- ❖ Recession in the largest part of the world
- ❖ Earnings estimates will certainly continue to be revised downwards
- ❖ Volatility will remain high Positive performance in 2008 was only in Government bonds & none of the other investment vehicles {investment grade bonds, hedge funds, high yield bonds, commodities, equities or REIT's }
- ❖ Statistics say not all companies survive a depression but interestingly many prosper; 48% survive, 11% breakaway to prosper 9% acquired, 23% liquidate / bankrupt and 9% other
- ❖ Hence, stay defensive in all asset classes
 - Equities of companies with high Cash flow outperform in bear markets and market corrections
 - High cash flow reduces credit risk; Pharmaceutical, Telecoms and Food companies
 - High cash flow enables to finance further expansion, enabling to gain market share at the expense of weaker competitors



Conclusion

- Positive performance in 2008 was only in Government bonds & none of the other investment vehicles {investment grade bonds, hedge funds, high yield bonds, commodities, equities or REIT's}
- We commenced hearing of recession and the similarities of this with the great depression of 1929/30
- Statistics say not all companies survive a depression but interestingly many prosper; 48% survive, 11% breakaway to prosper, 9% acquired, 23% liquidate / bankrupt and 9% other

Sentiment falling - company indicator sales forecast for 2009



Source: The Economist, Credit Suisse



Speakers:

Naser Abdul Mohsin Al-Marri, Deputy Chairman and Managing Director,
Noor Financial Investment Company

Peter Barker-Homek, CEO, Abu Dhabi National Energy Company (TAQA)

Neveen El-Tahri, Managing Director, ABN AMRO Delta Bank, Egypt

Jason Peers, Group Chief Executive, Jasper Capital Ltd.; Chairman, Middle
East Association GCC Region

David Scott, Executive Director, Economic Affairs, Executive Affairs Authority
of Abu Dhabi

Moderator:

Jerrold Green, President and CEO, Pacific Council on International Policy