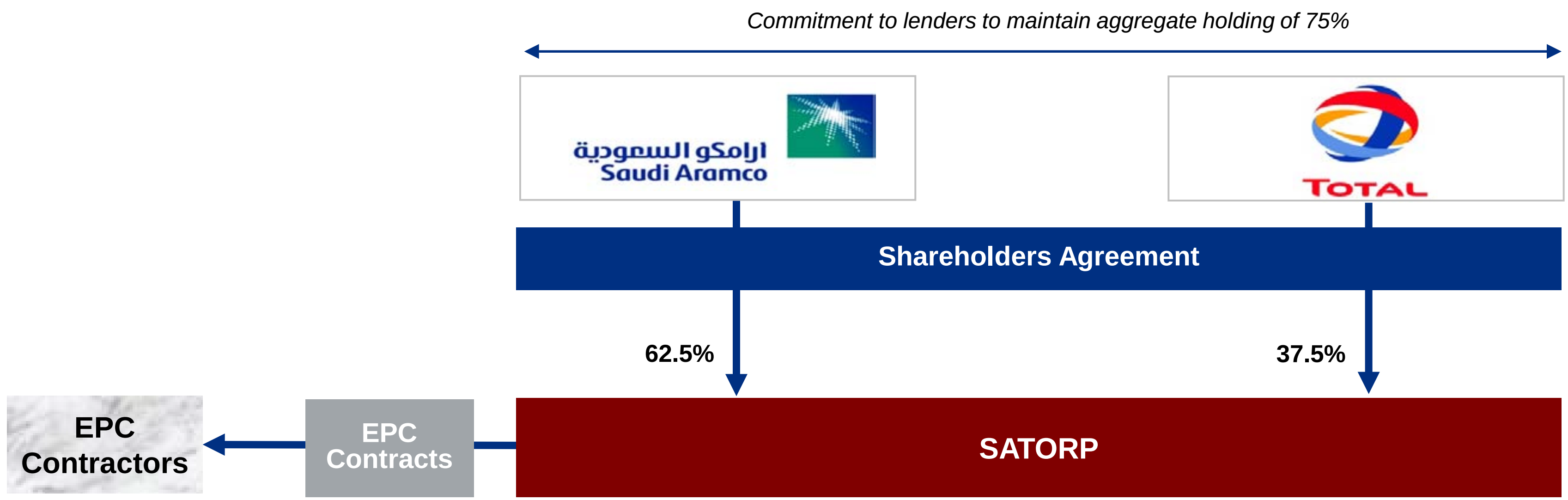
IFN FORUM SAUDI ARABIA 2012

SATORP Sukuk – Case Study

November 12, 2012

Introduction – SATORP

- Established in 2008 in the Jubail Industrial City as a limited liability company, SAUDI ARAMCO TOTAL Refining and Petrochemical Company (SATORP) ("SATORP") is a joint venture between SAUDI ARAMCO and TOTAL (the "Sponsors").
- SATORP is developing a 400,000 barrels per day (bpd) refining and petrochemical complex in Jubail Industrial Area (the "Project").
- SAUDI ARAMCO and TOTAL have equity interests in SATORP of 62.5 per cent. and 37.5 per cent. respectively.



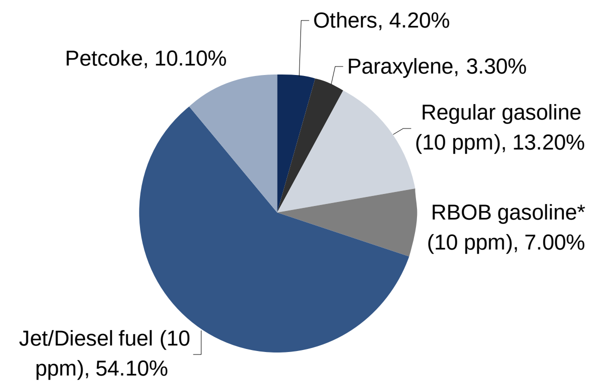
Project Overview

- The Project entails the development of a 400,000 bpd refining and petrochemical complex at an estimated cost of USD 14 billion.
- The Project's configuration is based on two 200,000 bpd crude oil trains, both including identical atmospheric crude distillation units and a vacuum distillation unit. The twin-train arrangement will provide operating security and flexibility, should problems occur in either train.
- Given its strategic location, the Project is planning to exploit international demand across Europe, Asia and the United States, with a portion of production consumed locally to meet increasing domestic demand.
- When completed, the Project is expected to produce a very high proportion of white products (gasoline, diesel and jet fuels, petrochemicals and LPG) from low cost heavy crude oil as shown in the table below:

Products (excluding Internal Fuel)	**Production Quantity**	**Target Market**
Regular Gasoline	2,792 KTA	Domestic sales and export to US, Europe and Asia
RBOB gasoline	1,491 KTA	Domestic sales and export to US, Europe and Asia
Jet and Diesel Fuel	11,463 KTA	Export to Europe and other markets, depending on economic conditions
Benzene	143 KTA	Domestic import substitution
Propylene	205 KTA	Domestic sales
Paraxylene	695 KTA	Far Eastern markets
Liquid Sulphur	470 KTA	SAUDI ARAMCO
Petcoke	2,150 KTA	Export to Europe and Asia
LPG	55 KTA	SAUDI ARAMCO

KTA: Kilo Tons per Annum

% of Total Weight of Refinery Product Produced*



** Based on a total of 100 per cent. with 8.1 per cent. of product being used internally as fuel.*

Financing Plan

Sources	USD mn	SAR mn[1]
SAUDI ARAMCO Equity	3,268	12,255
TOTAL SA Equity	1,961	7,354
Pre-Financial Completion Revenues	313	1,174
Total Equity	**5,543**	**20,786**
Sukuk Certificates	995	3,731
PIF Facility	1,300	4,875
ECA Covered Facilities	2,212	8,295
ECA Direct Facilities	499	1,871
USD Commercial Facility	1,580	5,925
SAR Commercial Facility	485	1,819
Islamic Facilities	1,429	5,359
Total Debt	**8,500**	**31,875**
Total Sources	**14,042**	**52,658**

Uses	USD mn	SAR mn[1]
Capital Expenditures	10,316	38,685
Owner's Costs	1,911	7,166
Operating costs during construction	384	1,440
Net Working Capital Requirements	9	34
Fees and Interests	1,422	5,333
Total Uses	**14,042**	**52,658**

[1] *Original numbers stated in United States Dollars and converted to Saudi Riyals at an assumed USD/SAR rate of 1:3.75.*

Transaction Overview

Samba Capital along with Deutsche Bank and Saudi Fransi Capital acted as Joint Lead Manager and Joint Bookrunner on SATORP's debut landmark SAR 3.75bn Greenfield Project Public/Listed Sukuk offering.

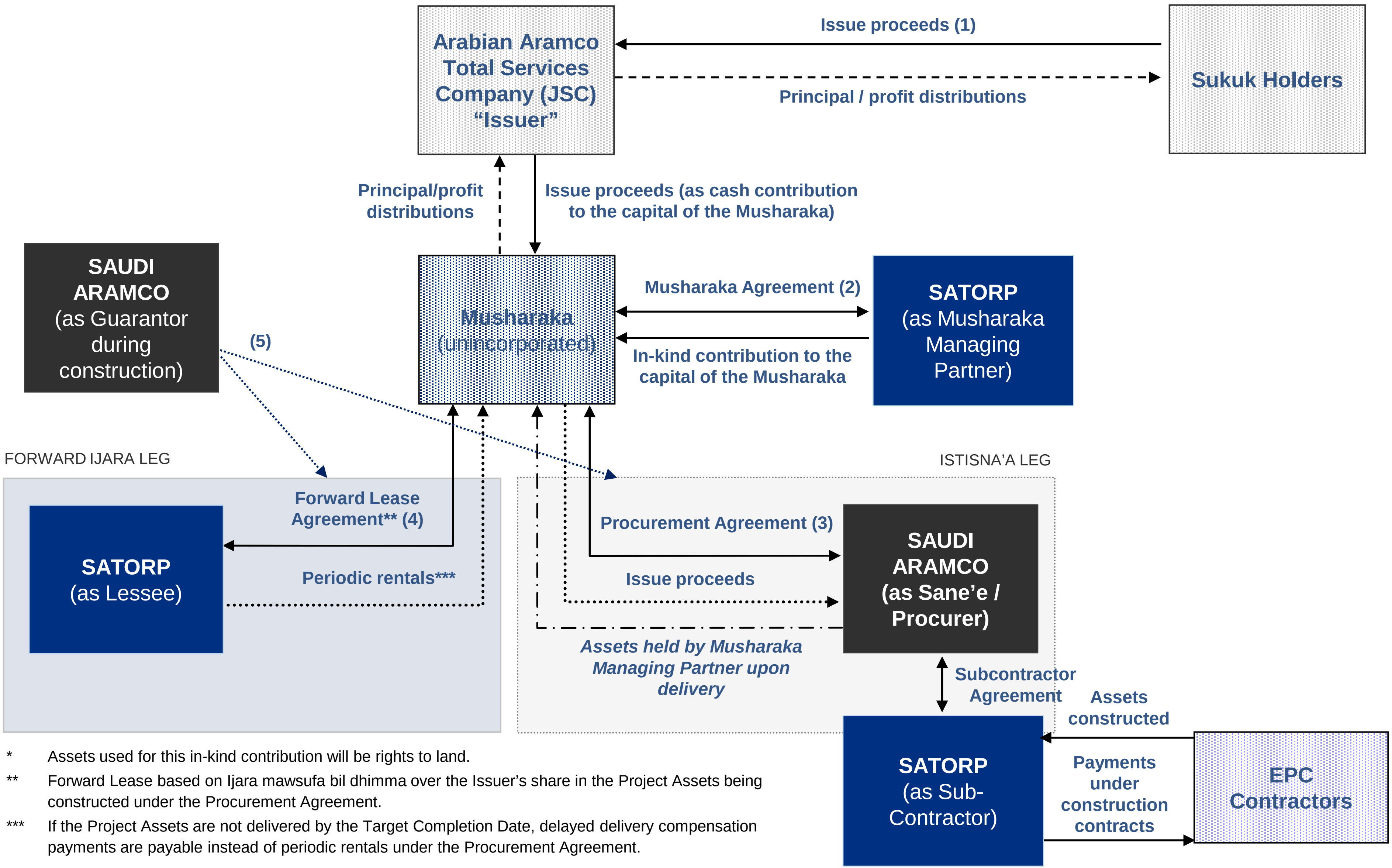
SATORP Sukuk Offering – Summary Terms

Issuer	Arabian Aramco Total Services Co. ("AATSC") AATSC is a Saudi JSC, which is 99.9% owned by SATORP
Rating	Not Rated
Issue	Publicly Listed Sukuk Notes
Type	Senior Secured; Sukuk ranks pari passu with SATORP's Bank/ECA project debt of ~US$ 7.5bn
Currency	SAR
Size	SAR 3,749.9 million
Tenor / Maturity	14 years / December 2025
Benchmark Rate	6 Month SIBOR
Margin	95 bps p.a.
Shariah Approvals	Approved by respective Shariah Boards/Committees of Samba Financial Group, Deutsche Bank, Credit Agricole, Al Inma Bank and Bank AlBilad
Listing	Listed on Tadawul
Closing Date	October 09, 2011
Samba Capital Role	Joint Lead Manager & Joint Bookrunner and Payment Administrator

Source: Offering Circular

- Samba Capital recently closed the landmark Sukuk offering by Saudi Aramco Total Refining and Petrochemical Company ("SATORP"), a Saudi Armaco and Total JV
- The Sukuk offering was unique as it is the first project Sukuk in the Kingdom
- The overall structure is an Istisna (procurement) and Ijara (leasing) structure, with a Musharaka contractual relationship interposed between the Istisna/Ijara arrangements
- The SATORP Sukuk was a Saudi Riyal denominated issuance by a Special Purpose Vehicle ("SPV") incorporated in the Kingdom (the "Issuer")
  - The Issuer, a JSC, is owned by SATORP and four other Saudi minority shareholders
- As part of the broader project financing package, the Sukuk had the benefit of a common intercreditor, and a covenant and security package constituted in respect of the senior secured creditor group for the Project
- Offering saw strong investor demand (offering oversubscribed by approx. 3.5x); was priced at the tighter end of the initial price guidance of 95-105bps p.a.

Shariah Structure



* Assets used for this in-kind contribution will be rights to land.

** Forward Lease based on Ijara mawsufa bil dhimma over the Issuer's share in the Project Assets being constructed under the Procurement Agreement.

*** If the Project Assets are not delivered by the Target Completion Date, delayed delivery compensation payments are payable instead of periodic rentals under the Procurement Agreement.

Key Shariah Structuring Considerations

Tradability of the Sukuk	• A Procurement/Istisna'a Agreement creates debt-like obligations during the construction period, whereby the Sukuk could potentially be viewed by some investors/scholars as being non-tradable from a Shariah perspective • To ensure wider acceptability of the Sukuk Shariah structure, the non-tradability aspect was addressed by introducing a "structural overlay" in the form of the Musharaka that was partly constituted by in-kind contribution (lease rights)
Fixed vs. Floating (During Construction Period)	• Shariah boards of a number of prominent Islamic banks accepted a floating arrangement during the construction period
Nature of Musharka In-kind contribution	• Feedback from Shariah scholars was that the in-kind contribution from SARORP to the Musharaka should take the form of "tangible assets" as against rights under agreements • Accordingly, the in-kind contribution by SATORP was structured as project land usufruct rights
Use of Purchase Undertaking	• SATORP Sukuk structured did not include a Purchase Undertaking (to unwind the lease transaction) since some scholars questioned the permissibility of unilateral promise contracts and recent Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) rulings • Instead the Sukuk structure had an acceleration mechanism, whereby acceleration of all outstanding lease payments under the Forward Lease Agreement would be triggered in an event of default (thus making the Sukukholders whole)
Call Option	• SATORP required the ability/option to redeem/call the Sukuk prior to its maturity • Due to Shariah reasons, a sale undertaking was avoided and instead the early redemption option was structured as an early prepayment by the Issuer under acceleration of outstanding lease payments (as was required for mandatory prepayment eventualities)

Key Shariah Structuring Considerations (Cont'd)

Intercreditor Agreements	• From a Shariah perspective, the interface of Sukuk documents with the wider conventional project finance intercreditor agreements such as Common Term Agreement ("CTA") and Security Trust and Intercreditor Deed ("STID") (that are primarily governed under English Law) had to be carefully considered – The intercreditor and CTA piece various sources of finance into a common established framework from both security and cash distribution mechanism • However the Sukuk structure managed to preserve the principle of the Sukuk acceding to the intercreditor arrangements/documents (with the Sukuk ranking pari passu and existing as an integral component of the entire project financing) • The overriding nature of the intercreditor documents was addressed by having appropriate Shariah acceptable language in the Deed of Accession – Any dispute in relation to Sukuk documents to be resolved in accordance with laws of KSA as the exclusive jurisdiction – Any amount that the Issuer is entitled to receive under the CTA or STID will not constitute amounts in the nature of interest or any other amount that is in breach of the principles of Shariah
Lease Assets	• SATORP has granted security over its assets and rights to onshore/offshore security agents (as part of the broader project financing), where these agents hold the security for the benefit of secured parties • Upon Issuance, the Issuer executed a Deed of Accession, and thus the Sukuk benefited from common security interests • As a result, it was important that the Sukuk lease assets are also subject to common security interest • While initially there were discussions on whether the underlying lease assets (tank farms) whose beneficial interest is vested with the Musharka could be reassigned back to the Project (given the view that in isolation the underlying leased assets should constitute as Sukuk assets and security for sukuk holders alone) • However, we were successful in obtaining Shariah acceptance for the common security sharing regime, recognizing that this is customary in project financings, where the project related security is typically shared amongst all senior participants relative to the size of their financing

Other Considerations

3 Year Track Record	• As per the Listing Rules, for a public offering, the JSC is required to have 3 years operating history/financial track record – An exception was sought from the CMA
SPV Establishment	• In the case of SATORP Sukuk, the Issuer is not the project company but is an SPV – The SPV is a majority (almost 100%) owned subsidiary of SATORP with four other minority shareholders • Given the Issuer is an SPV and is thinly capitalized, a specific waiver was obtained from the Ministry of Commerce and Industry ("MoCI") and endorsed by the CMA in recognition of the nature of the transaction – As per MoCI regulation the Issuer must be capitalized to the extent of the contemplated issuance (i.e. the Sukuk amount can not exceed the capital of the issuer)
SPV vs. Obligor	• Given the Issuer was not the ultimate obligor (i.e. SATORP), specific waivers were required from the CMA recognizing the pass through nature of the SPV and that the ultimate obligor is the project company • However, we understand that ongoing disclosure obligations apply to both SATORP and the Issuer
Zakat & Tax Implications – SPV vs. Obligor	• Given the Issuer is a SPV, it is not expected to report a net income or loss on an annual basis and, as such, there should be no overall annual liability to pay zakat based on income. However there were potential Zakat implications based on the Issuer's balance sheet • Accordingly DZIT was approached who confirmed that the given the nature of the Issuer, the Zakat liability would be assessed at a consolidated basis at the Saudi Aramco level • For the protection of the Sukukholders, a cost undertaking was put in place in favour of the Issuer whereby SATORP is obliged to pay any shortfall in the event Saudi Aramco does not make such related Zakat payments