ENERGY ROUTE TO EUROPE & U.S.A. THROUGH THE BALKANS

ALBANIAN MACEDONIAN BULGARIAN OIL PIPELINE CORPORATION

THE ENERGY CHARTER SECRETARIAT GROUP ON TRADE AND TRANSIT BRUSSELS OCTOBER 26/27th 2006
• **AMBO** WAS FOUNDED UPON THE NECESSITY OF A BYPASS TO THE TURKISH STRAITs.

• THE TURKISH STRAITS WITH ITS INCREASED SHIPPING TRAFFIC IS A BOTTLENECK FOR TANKERS AND HAS A SIZE LIMITATION.

• INCREASED OIL PRODUCTION FROM THE CASPIAN AND RUSSIA CALLS FOR MULTIPLE EXPORT ROUTES TO THE WEST.

• ONLY BTC PROVIDES A DIRECT ROUTE FROM THE CASPIAN TO A LOAD PORT IN THE MEDITERRANEAN.

• ALL BYPASS PROPOSALS TO DATE REQUIRE TRANS SHIPMENT IN THE BLACK SEA.

• ONLY **AMBO** PROVIDES THE WESTERNMOST LOAD PORT IN A GENUINE ALL YEAR ROUND SAFE HARBOUR FOR VLCC’s.

• OIL SHIPPERS NEED NOT INVEST IN **AMBO**. OIL TRANSIT CONTRACTS WILL SECURE FUNDING BY PRIVATE INVESTORS.

• **AMBO** PRESENTS THE BEST ENVIRONMENTAL AND ECONOMIC LONG TERM SOLUTION TO BLACK SEA CRUDE OIL EXPORTS.
**AMBO** is an acronym for:

**ALBANIAN MACEDONIAN BULGARIAN OIL PIPELINE CORPORATION.**

- **AMBO** IS THE PROJECT DEVELOPER OF THIS TRANS BALKAN CRUDE OIL PIPELINE.
- **AMBO** IS OWNED BY PRIVATE INVESTORS AND IS A US REGISTERED COMPANY. A NEWCO WILL BE FORMED TO OWN AND OPERATE THE PIPELINE.
- **AMBO** HAS ESTABLISHED A TEAM OF EXPERTS TO ACHIEVE ITS OBJECTIVES. THE TEAM INCLUDES:
  - **OILTANKING** GmbH – International oil storage & transportation.
  - **TECHINT** – International pipeline constructor.
  - **WHITE & CASE LLC** – Legal representatives.
  - **WALSH** Inc. – Environmental & Social Impact Studies.
THE COST OF SHIPPING

• BLACK SEA CRUDE OIL EXPORTS ARE NEARING 100MTA – FURTHER INCREASES ARE PLANNED.

• CURRENT FORECASTS OF BLACK SEA EXPORTS DO NOT INCLUDE KASHAGAN VOLUMES.

• SHIPPERS HAVE ESTIMATED THAT DELAYS IN THE TURKISH STRAITS ARE NOW COSTING AN ADDITIONAL $400MILLION/YEAR.

• BTC VOLUMES AND OTHER FUTURE VOLUMES CANNOT BE ABSORBED IN THE MEDITERRANEAN.

• NW EUROPE & USA ARE THE MARKETS FOR THIS OIL.

• INCREASED TANKER TRAFFIC AND THE DEMAND FOR VLCC LOADING IS INEVITABLE.
SUMMARY OF ASSETS

• 36” DIA PIPELINE 900km LONG.
• CAPACITY OF 35MTA – QUALITY BANK PRINCIPALS.
• RECEIVING TERMINAL – BOURGAS.
• EXPORT TERMINAL – VLORE.
• POTENTIAL OFFTAKES IN THREE COUNTRIES.
• FOUR PUMP STATIONS ONE PRESSURE REDUCTION STATION.
• OFFSHORE ‘CALM’ BUOYS AT EACH TERMINAL.
• TARIFFS AND COSTS IMPROVE ON ALL OTHER TRANSIT ROUTE COSTS FROM THE BLACK SEA.
# AMBO - PRELIMINARY PROJECT SCHEDULE – OCTOBER 2006

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FINANCIAL GUIDELINES

- AMBO’S TRANS BALKAN PIPELINE WILL SERVE MULTIPLE PRODUCERS AND SHIPPERS
- THE AMBO SOLUTION ALSO BENEFITS REFINERS AND TRADERS
- SHIPPERS PLEDGE A RANGE OF VOLUMES: MINIMUM AND MAXIMUM
- SHIPPERS PAY FOR MINIMUM PLEDGED VOLUMES OF OIL PLUS ANY ADDITIONAL VOLUMES SHIPPED
- SHIPPERS WILL RETAIN THE OPTION TO USE THE STRAITS
- TARIFFS CAN BE HIGHER IN WINTER THAN SUMMER
- TARIFFS CAN BE PREFERENTIAL: LOWER TO THOSE WHO ADD GREATER VALUE
- THE TARIFF STRUCTURE WILL BE OPEN AND TRANSPARENT TO ALL
- EQUITY COMES FROM PRIVATE INVESTORS AND WILL BE IN THE RANGE 25%/30% OF CAPITAL COSTS
- DEBT WILL BE SECURED ON THE BACK OF OIL CONTRACTS
1. **ASSUMPTIONS:**

- **DAILY THROUGHPUT:**
  
  1st Six Months: 250,000 bbls/day  
  2nd Six Months: 500,000 bbls/day  
  Years 2 – 10: 750,000 bbls/day

- **OPERATING COSTS:**
  
  $46,556,000/year @ 750,000 bbls/day

- **CAPITAL COSTS:**
  
  Project Costs ($millions): 1.243,101,655  
  Commercial bank Debt (%): 7.6%  
  Debt Finance ($millions): 932,316,930  
  Debt Interest Rate (%): 7.6%  
  Equity Investment (%): 25.0%  
  Equity Finance ($millions): 310,784,726
PIPELINE ECONOMICS

2. RESULTS

- THROUGHPUT TARIFF: $1.33/bbl.
- PROJECT IRR: 19.6%
- PROJECT IRR LEVERAGED: 28.5%
- DEBT PAY BACK PERIOD: 10 YRS.
- RETURNS TO HOST COUNTRIES:
  BULGARIA: $60-80million
  MACEDONIA: $25-35million
  ALBANIA: $35-40million
TRIPARTITE CONVENTION

• INTER GOVERNMENTAL AGREEMENT (IGA) OR TRIPARTITE CONVENTION BETWEEN THE REPUBLICS OF ALBANIA, BULGARIA, AND MACEDONIA WAS AGREED AT EXPERT LEVEL ON SEPTEMBER 26th 2006.

• ENTRY INTO FORCE WILL FOLLOW RATIFICATION OF THE CONVENTION BY EACH STATE AS REPORTED TO THE REPUBLIC OF MACEDONIA AS THE DEPOSITARY STATE.

• THE TRIPARTITE CONVENTION IS BASED ON THE NATIONAL LAWS OF EACH COUNTRY AND ON THE RELEVANT DIRECTIVES AND REGULATIONS OF THE EUROPEAN UNION.

• THE ENERGY CHARTER TREATY CONVENTIONS SPECIFICALLY SERVE AS GUIDELINES.
BILATERAL AGREEMENTS

• BILATERAL PROTOCOLS BETWEEN THE TRANSIT COUNTRIES DETERMINING ENTRY/EXIT LOCATIONS ARE AGREED.

• BILATERAL AGREEMENTS OR HOST GOVERNMENT AGREEMENTS (HGA) SHALL BE CONCLUDED BETWEEN AMBO OR A SPECIAL PURPOSE COMPANY ESTABLISHED BY AMBO AND EACH OF THE THREE STATES.

• THESE AGREEMENTS SHALL BE BASED ON THE TRIPARTITE CONVENTION AND INTERNATIONAL PRACTICES INCLUDING THE ENERGY CHARTER TREATY (THE CONVENTIONS IN THE EUROPEAN UNION IN THE ENERGY SECTOR SERVING AS GUIDELINES).

• BILATERAL AGREEMENTS ENTERED INTO BETWEEN A STATE ON THE ONE HAND AND AMBO ON THE OTHER HAND ESTABLISH RIGHTS AND OBLIGATIONS OF SUCH PARTIES IN RESPECT TO THE TRANS BALKAN PIPELINE.
AMBO STATUS TO DATE:

• A COMPREHENSIVE FEASIBILITY STUDY WAS COMPLETED BY Kellog Brown & Root (KBR) IN SEPTEMBER 2000.

• A PIPELINE ROW HAS BEEN AGREED AND MAPPED IN ALL THREE COUNTRIES.

• A TRIPARTITE CONVENTION IS AGREED AT EXPERT LEVEL. RATIFICATION BY MACEDONIA IS COMPLETE - ALBANIA AND BULGARIA ARE IN PROCESS.

• PRIVATE INVESTORS HAVE PROVIDED FUNDS FOR THE ESIA AND EARLY ENGINEERING WORK TO COMMENCE.

• OPIC & US EXIM BANK HAVE GIVEN SUPPORT AND GUIDANCE THROUGHOUT – EBRD ARE WILLING TO INVEST.

• SHIPPERS HAVE EXPRESSED INTEREST - CONTINGENT UPON SPECIFIC CRITERIA.
THE VALUE TO OIL COMPANIES

THE AMBO SOLUTION SEEKS TO PROVIDE SEVERAL ADVANTAGES TO SHIPPERS:

• IT IS A DEEP WATER – VLCC SOLUTION ALLOWING LARGE TANKER DELIVERY STRATEGIES.
• IT PROVIDES 750,000BBLS/DAY FOR DELIVERY TO MAJOR MARKETS.
• IT RELIES UPON OIL ARRIVING IN THE BLACK SEA AND IS NOT A COMPETITOR NOR AN ALTERNATIVE TO BTC.
• IT IS COST EFFECTIVE WHEN COMPARED WITH THE TURKISH STRAITS FOR DELIVERY TO EUROPE OR USA.
• AVOIDS THE ENVIRONMENTAL DANGERS OF TRYING TO PUSH TOO MUCH OIL THROUGH THE STRAITS.
• TANKER TURN AROUND TIME IS REDUCED BY A MINIMUM OF FOUR TO FIVE DAYS – AVAILABILITY OF VESSELS FROM NEARBY ROUTES REDUCES TANKER CHARTER COSTS.
• PURCHASE PRICE RISK ON DELIVERY IS ELIMINATED OR AT LEAST MUCH REDUCED.
THE VALUE TO EUROPE & THE BALKANS

- AMBO PROVIDES A ROUTE TO EUROPE AND WESTWARDS AVOIDING THE TURKISH STRAITS.
- SHIPPING COSTS ARE LESS THAN ALL OTHER OPTIONS.
- VLORE PRESENTS THE ONLY ALL WEATHER ALL YEAR ROUND SAFE HARBOUR FOR VLCC LOADING.
- AMBO OPERATES IN EXISTING TANKER ROUTES.
- AMBO COMPLIMENTS CORRIDOR VIII AND ITS OBJECTIVES.
- THE AMBO ROW COULD PROVIDE A CORRIDOR FOR GAS TO EUROPE.
- AN IMPORTANT ENERGY INFRASTRUCTURE IS CREATED FOR THE BALKANS SUPPLYING OIL AND PERHAPS GAS IN THE FUTURE WESTWARD.
NEXT STEPS – DECEMBER 2006 TO JUNE 2007

PHASE 1.
- RATIFICATION OF TRIPARTITE CONVENTION.
- BASELINE ENVIRONMENTAL & SOCIAL IMPACT STUDY (ESIA).
- 500Mtr PREFERRED ROUTE CORRIDOR.
- IMPROVED CAPITAL COST & SCHEDULE.
- CONTRACTING STRATEGY.
- REVISED ECONOMICS & FINANCE PLAN.
- AMBO OWNERS AGREEMENTS.
- BILATERAL HOST GOVERNMENT AGREEMENTS.
- TRANSPORTATION CONTRACTS & TARIFF MECHANISM.
- CONDITIONAL OIL TRANSIT COMMITMENTS.