

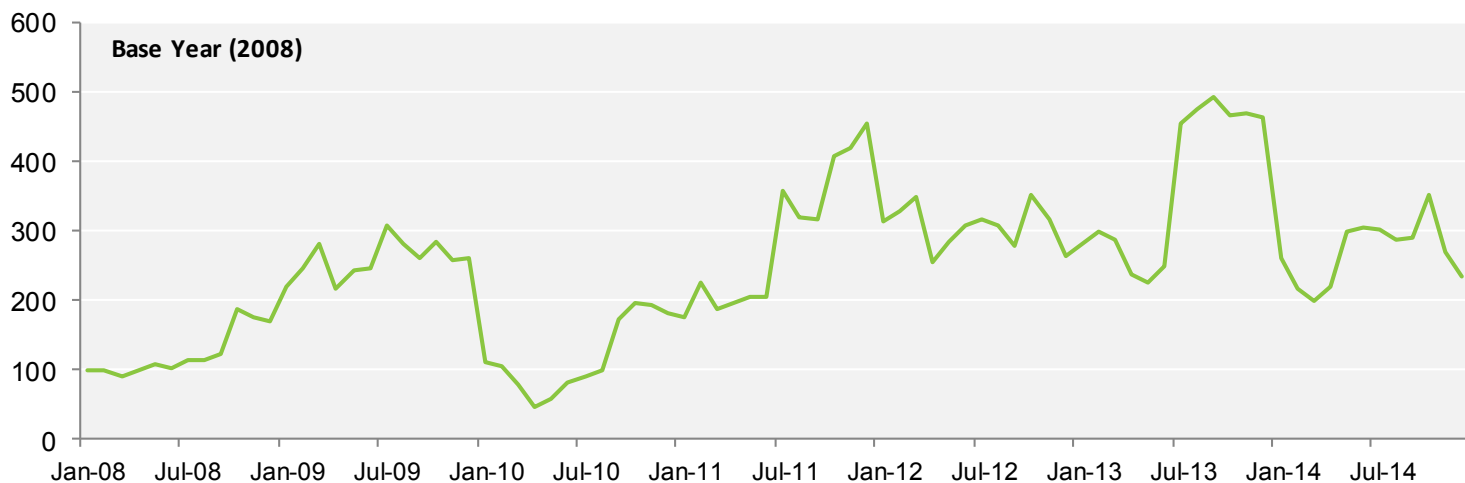
NCB Construction Contracts Index Fourth Quarter 2014

NCB Quarterly Review of Contract Awards in the Construction Sector

HEADLINES

1. NCB Construction Contracts Index reached 234.48 points by the end of the fourth quarter of 2014, while the total value of awarded contracts rebounded to reach SAR61.9 billion. The total value of awarded contracts during 2014 leveled at SAR220.8 billion, recording a 25% decline compared to 2013.
2. October's contract awards were valued at approximately SAR45.4 billion, led by the healthcare and oil & gas sectors.
3. November's value of contract awards dropped to approximately SAR9.4 billion, led by the water and oil & gas sectors.
4. December's value of contract awards further slipped to approximately SAR7.1 billion, led by the urban development and roads sectors.

NCB Construction Contracts Index



Source: Various sources, NCB

Value of Contracts

Trailing Twelve	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Contract Awards	21,557	10,804	7,354	19,577	44,102	21,254	20,880	4,333	9,036	45,447	9,357	7,080
CCI Value	260.02	216.09	198.67	218.95	297.66	304.04	302.39	286.60	290.70	353.38	268.63	234.48

Said A. Al Shaikh

Group Chief Economist | s.alshaikh@alahli.com

Albara'a Alwazir

Senior Economist | a.alwazir@alahli.com

Construction Contracts Award Index During Q4 2014*

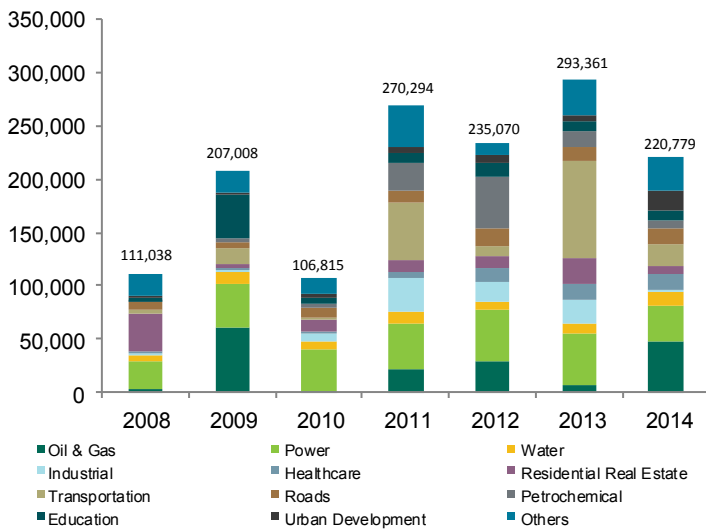
The value of awarded contracts recaptured the loss in momentum that was witnessed during the third quarter to reach SAR61.9 billion. The fourth quarter surge resulted in the total value of awarded contracts to settle at SAR220.8 billion in 2014. Although the value of contract awards fell by 25% compared to 2013, 2014 still registered a strong performance. The main contributing sectors were oil & gas (SAR48b), power (SAR33b) and transportation (SAR20b). The sectors that were earmarked for expenditures by the government as part of the 2014 budget were also well represented such as healthcare (SAR15b), urban development (SAR15b), roads (SAR15b) and education (SAR10b). During Q4'14, the main contributors were urban development (SAR12b) oil & gas (SAR11b), healthcare (SAR10b), (Chart 1), (Chart 2).

The SAR220.8 billion in awarded contracts during 2014 reflects the strength of the construction industry as the total value of contracts has exceeded SAR200 billion over the last four consecutive years. Both physical and social infrastructure related sectors continued to grow compared to 2013, however it was the reduction in the size of mega projects that caused the decline in 2014. While the value of awarded contracts during 2014 reflect the lowest amount during the last four years, it should not be construed as a weakening of the construction industry. The government's plan as part of its announced 2015 budget reflects its desire to keep capital expenditures propped up while being faced with significant reductions in its revenues as oil prices continue to slide. The Ministry of Finance announced that 2,572 contracts worth SAR184 billion were signed during 2014, reflecting an increase over 2013 by 10% in volume and 17% by value.

The construction Contracts Index (CCI) ended the year at 234.48 points, nearly halving 2013's 465.03 points. The CCI exhibited volatile swings during 2014 but nonetheless settled evenly to end the year. October's strong performance resulted in the CCI reaching its highest level during Q4'14, settling at 353.81. The CCI dropped to 269.06 points during November. Looking ahead, the supply of projects that are entering the execution phase appear to be solid as indicated by the CCI's performance.

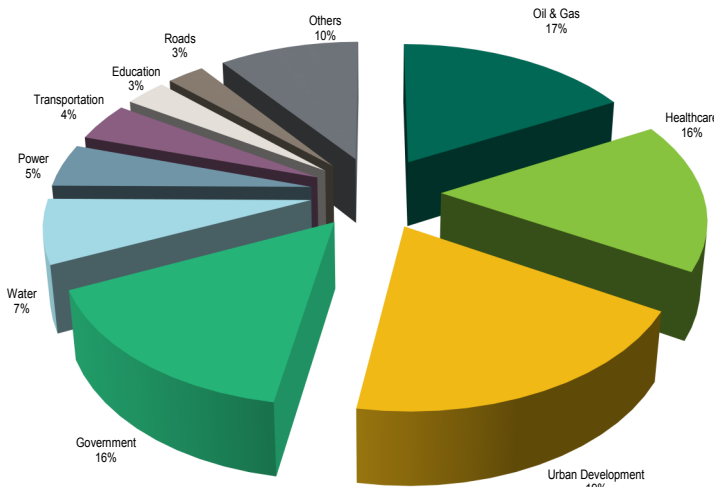
The Eastern Province and Riyadh captured nearly equal shares of the value of awarded contracts during Q4'14. A majority of the Eastern Province's projects were attributed to contracts being awarded in the oil & gas sector. Numerous infrastructure related contracts were awarded in Riyadh with particular emphasis on urban development, water and government sectors. The Madinah region witnessed two large contracts being awarded within the urban development and mixed-use real estate sectors. As for Asir and Al Jouf, two contracts were awarded in the healthcare sector pertaining to the King Faisal Medical City in Abha and the Prince Mohammed Medical City in Al Jouf, (Chart 3).

Chart 1: Value of Awarded Contracts by Year (SAR millions)



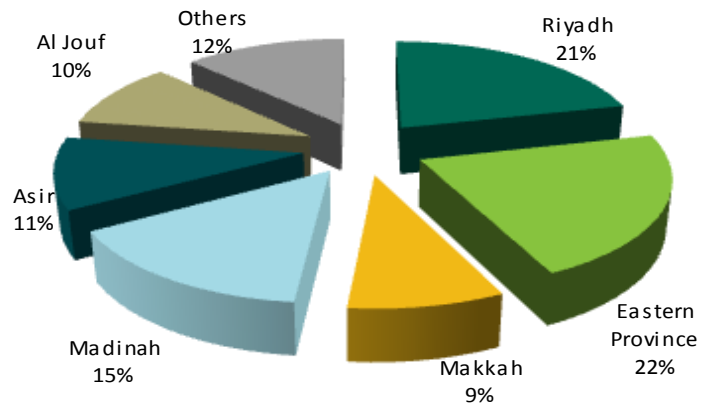
Source: Various sources, NCB

Chart 2: Value of Awarded Contracts by Sector During Q4'14



Source: Various sources, NCB

Chart 3: Value of Awarded Contracts by Region During Q4'14



Source: Various sources, NCB

October

October's SAR45.4 billion amassed the highest value of awarded contracts during 2014. The healthcare and oil & gas sectors were the largest contributors. Two significant contracts were awarded in the healthcare sector by the Ministry of Health totaling SAR10.3 billion to the joint venture of Bawani Company and Salini Impregilo. The first contract was awarded in the amount of SAR5.6 billion for the construction of three hospital towers, underground parking, an office complex, a convention center, a hotel, utilities, roads and infrastructure at King Faisal Medical City in Abha. The 260,000 square meter site is expected to be completed during the fourth quarter of 2017.

The second contract called for the construction of Prince Mohammed Medical City in Al Jouf in the amount of SAR4.7 billion. The scope of the project will also include three hospital towers, underground parking, offices, a hotel, roads, utilities and housing. The project is also expected to be completed by the fourth quarter of 2017.

Within the oil & gas sectors, two contracts were awarded by Saudi Aramco in the amount of SAR8.6 billion. The first contract was awarded to the joint venture between Saipem & Consolidated Contractors in the amount of SAR5.6 billion. The scope of the work involves the development of the central processing facilities package as part of the Khurais Increment program. The project is expected to be completed by the fourth quarter of 2019.

The second contract was awarded to Shandong Electric Power Corporation (SEPCO III) in the amount of SAR3 billion. SEPCO will be responsible for phase one of the master gas system expansion scheme, which includes the construction of inlet facilities, two compression stations, outlet facilities, and utility works. The project is expected to be completed by the fourth quarter of 2016.

Two significant contracts were awarded in the government sector as part of the Ministry of Interior's plan to construct security compounds for its personnel. The first contract was awarded to Assad Said Contracting in the amount of SAR4.5 billion as part of King Abdullah Project (KAP) 5. The security compounds are spread across the Kingdom and will include schools, mosques, theaters, civilian dormitories, military barracks, administration buildings, training facilities and buildings for recreation and entertainment. The project is expected to be completed by the fourth quarter of 2017.

The second contract was awarded to ABV Rock for KAP 2, package C in the amount of SAR2.6 billion. Package C of KAP will be similar to KAP 5 but on a smaller scale across the Kingdom. The project is expected to be completed by the fourth quarter of 2018.

The Ministry of Finance awarded a contract in the urban development sector to Mohammed Ali Al Swailem Group for infrastructure work related to streets and utility networks in southern east Madinah. The SAR4 billion project is expected to be completed by the fourth quarter of 2019. The Ministry

of Finance also awarded another contract in Madinah also for infrastructure related work to Al Fouzan Trading & General Construction. The SAR3.4 billion project is expected to be completed by the fourth quarter of 2019.

The social sector has one contract that was awarded by the Prince Sultan Cultural Center to Rabya Trading & Agriculture for the infrastructure work related to the Prince Sultan Cultural Center. The development area encompasses 2.4 million square meters. The SAR1.1 billion contract is expected to be completed by the fourth quarter of 2017.

November

The value of awarded contracts took a nosedive in November, reaching SAR9.4 billion. The water sector garnered the largest share of awarded contracts with SAR3.6 billion on two contracts. Both contracts were awarded by the National Water Company (NWC). The first contract was awarded to Dongho Korean Saudi Limited Company in the amount of SAR3 billion. Dongho will be responsible for constructing between 32-40 concrete tanks in Riyadh as part of NWC's plan to build 8 million cubic meters of water storage facilities. The project is expected to be completed by the fourth quarter of 2017. The second contract was awarded to Makamin Drilling & Well Services in the amount of SAR640 million. This project is package one of the Wasea Water program. The Wasea water program will add 160,000 square meters per day of water capacity to Riyadh's grid. Package 1 is expected to be completed by the fourth quarter of 2016.

The oil & gas sector contributed two contracts awards worth approximately SAR2.3 billion that were awarded once again by Saudi Aramco to Abdulrahman M Al Shalawi Establishment for the Khurais increment program. The first contract was in the amount of SAR1.3 billion and calls for the development of offsite and utilities package. The package is expected to be completed by the first quarter of 2017. The second contract pertains to the site preparation at Khurais in the amount of SAR940 million. The projects is expected to be completed by the first quarter of 2016.

The Ministry of Finance continued its flurry of activity as it awarded another contract to Al Fouzan Trading & General Construction in the amount of SAR1.9 billion within the government sector. Al Fouzan will be responsible for infrastructure works such as internal roads and utility networks for government authorities and ministries complexes covering 5 million square meters by the airport road near Prince Noura University in Riyadh. The project is expected to be completed by the fourth quarter of 2018.

December

The value of awarded contracts continued to slide in December as it ended at approximately SAR7.1 billion. The urban development and roads sector accounted for the highest share of awarded contracts. The urban development sector had SAR4.9 billion worth of awarded contracts. The bulk of these contracts were related to the development of urban areas by improving flood and drainage networks, landscaping, lighting and other electrical work.

The roads sector captured the next largest share with approximately SAR700 million worth of awarded contracts. The contracts were awarded by the Ministry of Transport to local contractors spread across the Kingdom. The majority of the contracts focused on finishing and rehabilitating major highways in addition to improving congestion by building several bridges and tunnels.

Outlook

Backed by the government's desire to enhance the Kingdom's economy by continually investing heavily into its industries, the investment climate is seen as very favorable over the medium to long-term. While the Kingdom is prepared to weather stiff shortfalls in its revenues, it has maintained that it will continue to focus on its capital expenditures unabatedly. Thus, we should expect the government's unwavering strategy to build on its capabilities as the regional leader in attracting investments to continue into 2015.

The Ministry of Finance's budget press release highlighted the government's plans to maintain its capital expenditures and is willing to dip into its vast foreign reserves to accomplish this goal. Our projections for capital expenditures during 2015 are that it will reach SAR239 billion, which is 29% higher than the Ministry of Finance's projections. The area that has received the most attention for 2015 was health & social affairs, marking a drastic increase of 48% over 2014's budget.

Selected Awarded Contracts During the Fourth Quarter of 2014:

Sector	Contractor	Client	Details	Value SAR Millions
Oil & Gas	Saipem/ Consolidated Contractors JV	Saudi Aramco	Central Processing Facilities at Khurais	5,625
	SEPCO III	Saudi Aramco	Phase 1: MGS Expansion	3,000
	Abdulrahman M Al Shalawi	Saudi Aramco	Offsite & Utilities at Khurais	1,313
Healthcare	Bawani/Selini Impregilo JV	Ministry of Health	King Faisal City in Abha	5,600
	Bawani/Selini Impregilo JV	Ministry of Health	Prince Mohammed City in Al Jouf	4,700
Urban Development	Mohammed Ali Al Swailem	Ministry of Finance	Southern East Madinah infrastructure works	3,998
	Al Fouzan Contracting Co.	Ministry of Finance	Mixed-Use infrastructure work in Madinah	3,371
Government	Assad Said Contracting	Ministry of Interior	KAP 5 Security Compound	4,500
	ABV Rock Group	Ministry of Interior	KAP 2 Package C Security Compound	2,625
	Al Fouzan Contracting Co.	Ministry of Finance	Infrastructure package for government buildings	1,901
Water	Dongho Korean Saudi	National Water Company	Construction of concrete tanks (32-40)	1,030
Social	Rabya Trading & Agriculture	Prince Sultan Cultural Center	Civil infrastructure works for Prince Sultan Cultural Center	1,125

Source: Various sources, NCB

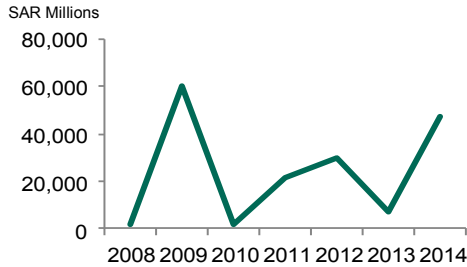


A breakdown of the top five sectors with the highest value of awarded contracts in 2014

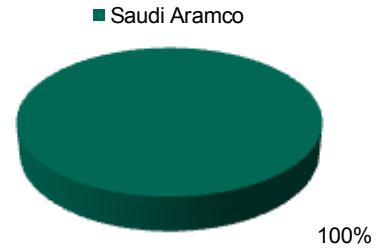
Oil & Gas

The value of awarded contracts in the oil & gas sector rebounded to reach SAR47.8 billion in 2014. Saudi Aramco accounted for all of the contracts in the sector, whereas in years past other companies accounted for a marginal share. The majority of these contracts were awarded in Jizan as part of the Jizan Refinery IGCC power plant.

Value of Awarded Contracts in Oil & Gas



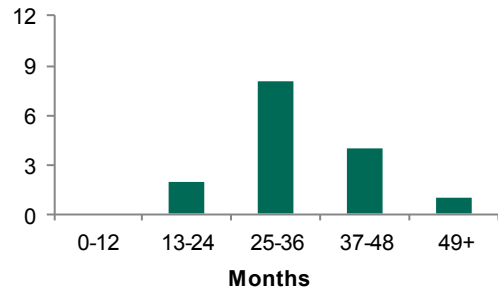
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts*

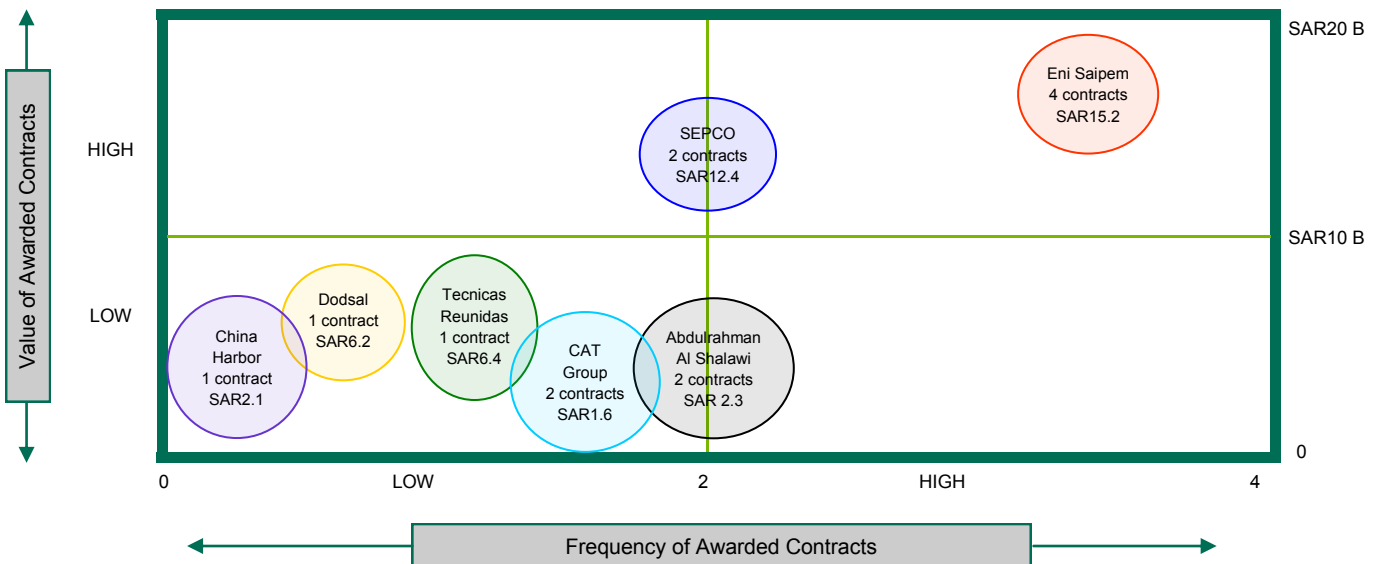


*Contracts with stated completion period

Market Dynamics Between Owners and Contractors

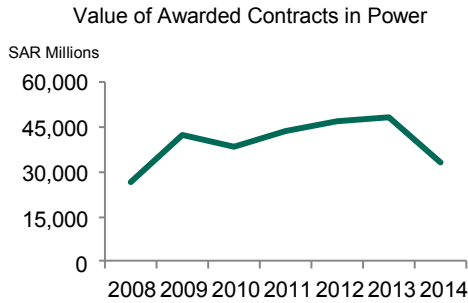
The oil & gas sector witnessed increased investments in 2014 as Saudi Aramco awarded numerous mega-projects that focused on refineries, pipeline extensions and expanding the master gas system. Foreign contractors accounted for a majority of the awardees as the makeup consisted of mainly European and Asian companies. Due to the sheer size of the projects, Saudi Aramco elected to award contracts in phases without focusing on a single contractor to complete a project.

Saudi Aramco's Distribution of Awarded Contracts During 2014

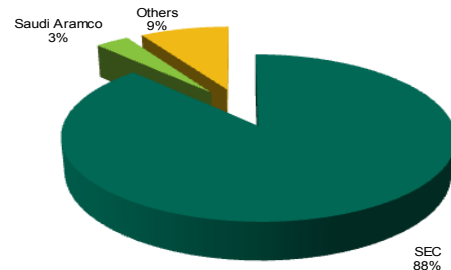


Power

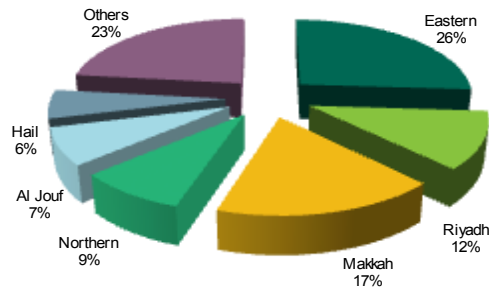
The value of awarded contracts in the power sector fell to SAR33.5 billion in 2014. Saudi Electricity Company awarded the majority of the contracts as it focused on expanding the electricity grid to new areas as well as enhancing current electricity transmission operations for residential use.



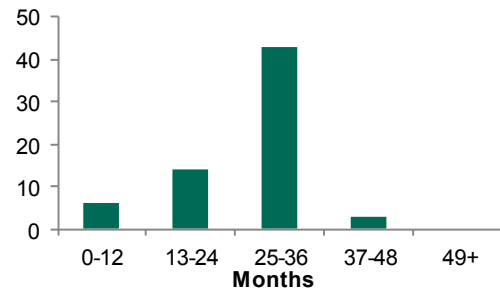
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts*

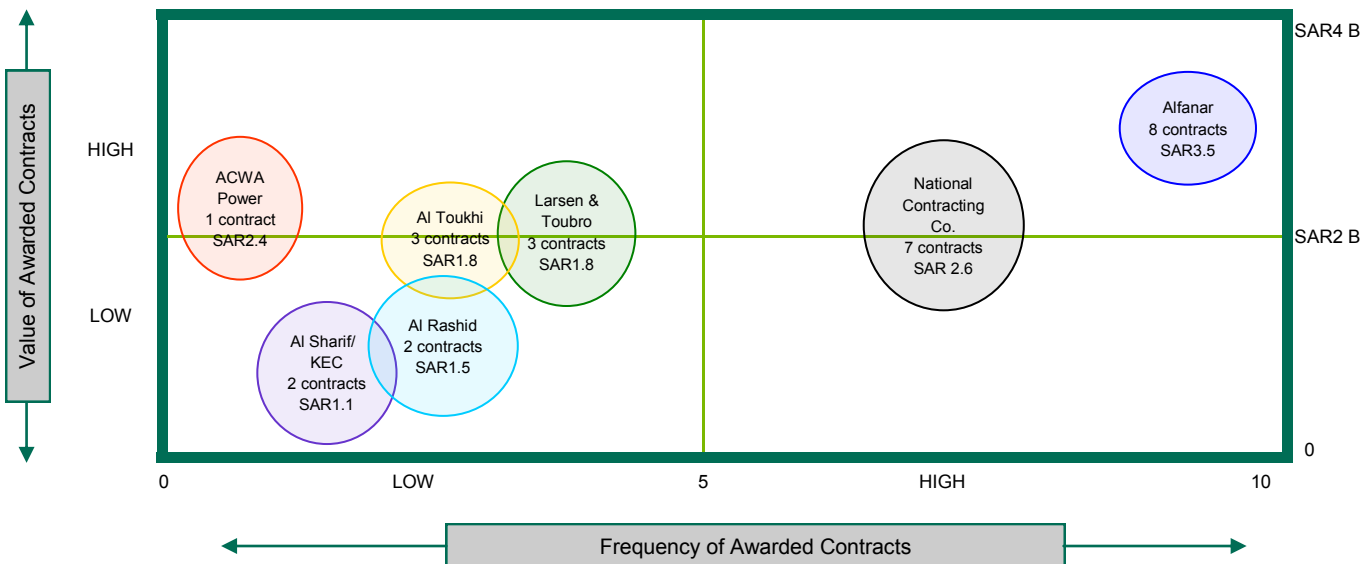


*Contracts with stated completion period

Market Dynamics Between Owners and Contractors

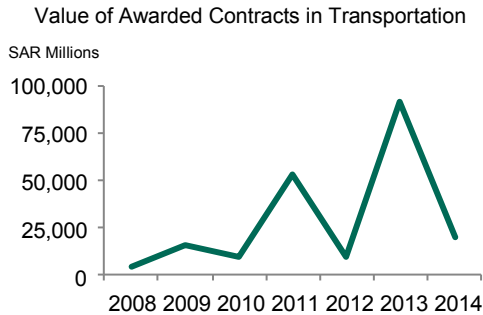
There was a significant drop-off in the number of mega-projects in the power sector. There was a noticeable trend of local contractors being awarded a growing number of contracts, while international contractors still maintained their sizeable presence. SEC continues to award projects at a very high level as demand for power continues to put pressure on the existing grid.

SEC and Others Distribution of Awarded Contracts During 2014

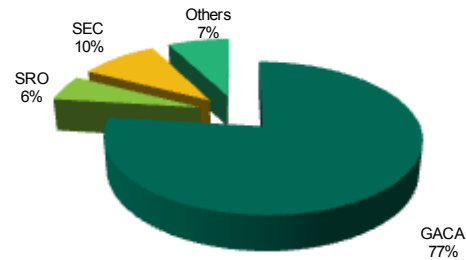


Transportation

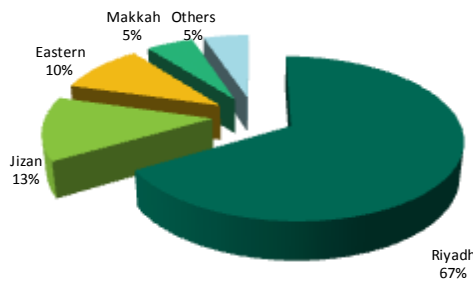
The value of awarded contracts in the power sector fell to SAR19.3 billion in 2014. The General Authority for Civil Aviation (GACA) contributed the largest share of awards as a majority of its projects were aimed at improving King Khalid International Airport and King Abdullah Airport in Jizan. Railway relegated projects declined significantly after a monumental 2013.



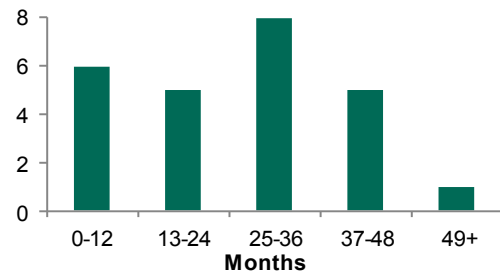
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts*

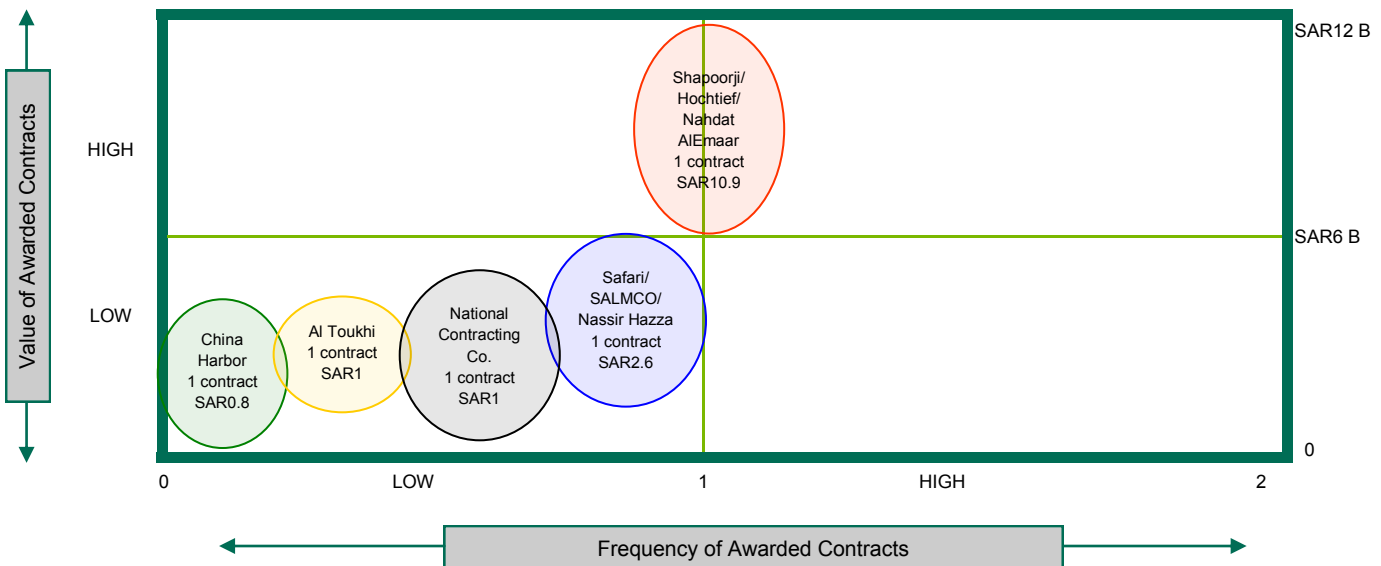


*Contracts with stated completion period

Market Dynamics Between Owners and Contractor

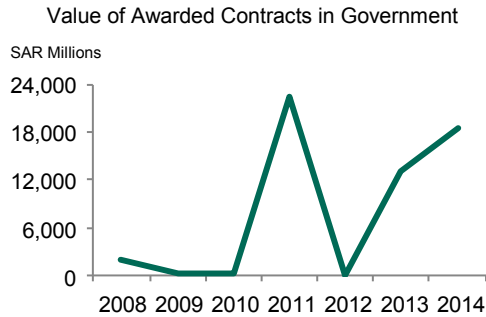
The transportation sector shifted away from the heavy investment in railways that took place in 2013 and focused on aviation as several mega-projects were awarded to contractors partnering up as consortiums. Ports and railways took a backseat as many of the contracts that were awarded in these areas pertained to expansion, rehabilitation and maintenance of existing developments.

GACA and Others Distribution of Awarded Contracts During 2014

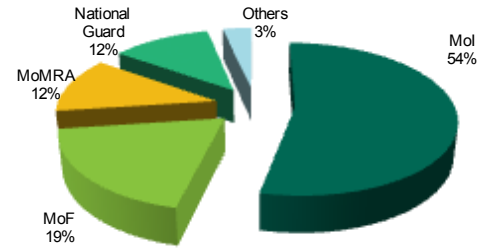


Government

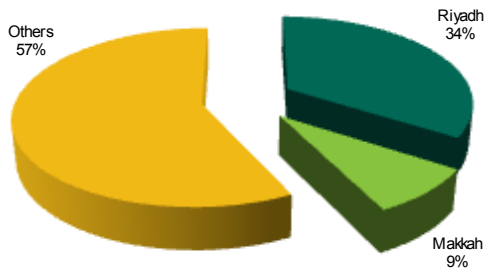
The value of awarded contracts in the government sector climbed to SAR18.1 billion in 2014. Various ministries took part in awarding contracts that focused on security compounds, construction of ministry and affiliated office buildings and the operation and maintenance of new and existing buildings.



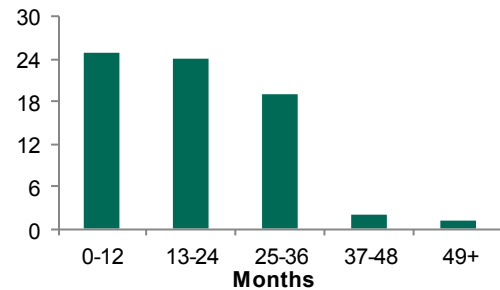
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts*

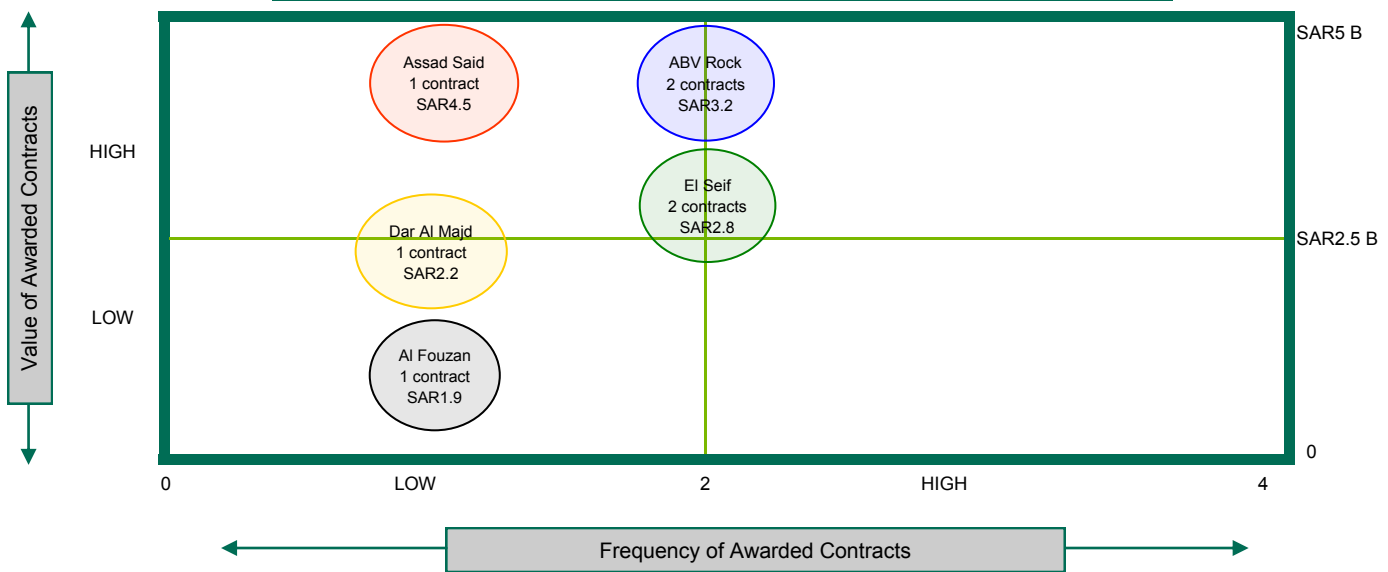


*Contracts with stated completion period

Market Dynamics Between Owners and Contractors

The local contractors dominated the share of awarded contracts in the government sector as they were selected for large projects as well. ABV Rock Group was the lone foreign contractor to win two large contracts, while local contractors such as Assad Said contracting, El Seif and Al Fouzan were awarded sizeable contracts as well. The projects were spread across the Kingdom, which gave numerous opportunities for local contractors to participate.

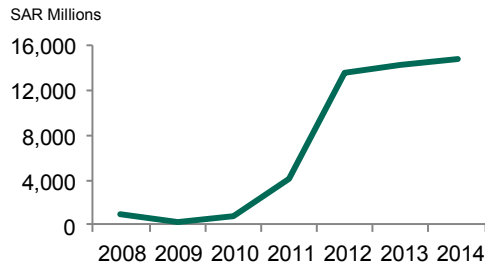
Ministries and Others Distribution of Awarded Contracts During 2014



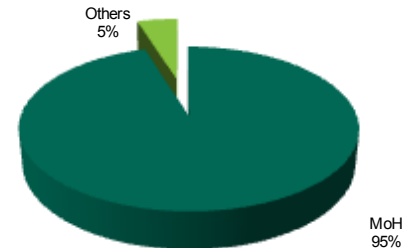
Healthcare

The healthcare sector has seen a steady increase in the value of awarded contracts over the last seven years, reaching SAR14.9 billion in 2014. The Ministry of Health has been the main awardee of contracts. The level of expenditure in the healthcare sector is likely to be increased in 2015 as detailed in the Kingdom's 2015 budget.

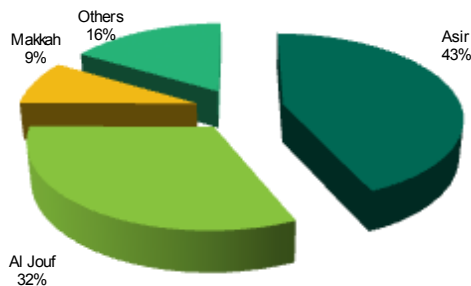
Value of Awarded Contracts in Healthcare



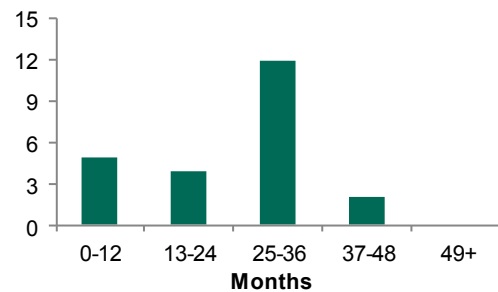
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts*

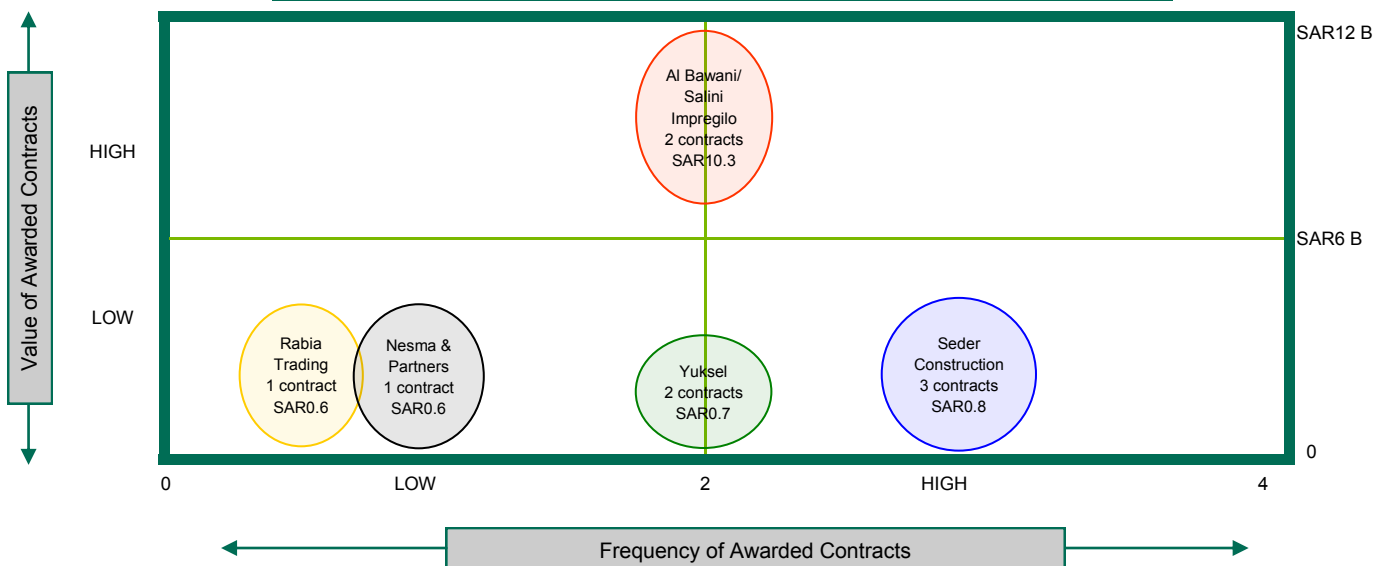


*Contracts with stated completion period

Market Dynamics Between Owners and Contractors

The majority of awarded contracts pertained to the construction of new hospitals across the Kingdom. Local contracts were the recipients of a significant share of contracts. The joint venture between local contractor, Al Bawani, and Italian contractor, Salini Impregilo were awarded the two largest projects that entailed developing two medical cities in Abha and Al Jouf. Other contracts pertained to improving the infrastructure in and surrounding existing hospitals and medical facilities.

Ministry of Health's Distribution of Awarded Contracts During 2014



Appendix

NCB Construction Index Methodology

The purpose of the NCB Construction Index is to inform our readers of the scale of awarded construction projects in the Kingdom. The index tracks construction contracts that have been awarded only. It may take approximately six to eighteen months for awarded contracts to begin implementation and the length of the construction period averages around three years but is largely dependent on the size and scope of the project. Consequently, the index serves as an indicator for construction activities that will be implemented in the future.

Data from various available publications and reports are used to identify awarded construction contracts. Awarded contracts that do not state the value of the contract are excluded from the index. Additionally, construction contracts that meet the United Nations construction classifications are included in the analysis.

The NCB Construction Index begins with January 2008 as its base year. The base year is assigned an index score of 100 points and the index is also measured on a six-month moving average. Therefore, outliers are designed to have a reduced effect on the calculation of the index. In general, an index score that is higher than the base year of 100 reflects the expansion of awarded construction contracts while any value below the base year reflects a contraction.

The Economics Department Research Team

Head of Research

Said A. Al Shaikh

Group Chief Economist
s.alshaikh@alahli.com

Macroeconomic Analysis

Tamer El Zayat

Senior Economist/Editor
t.zayat@alahli.com

Majed A. Al-Ghalib

Senior Economist
m.alghalib@alahli.com

Sector Analysis/Saudi Arabia

Albara'a Alwazir

Senior Economist/Editor
a.alwazir@alahli.com

Shahrazad A. Faisal

Economist
s.faisal@alahli.com

Yasser Al-Dawood

Economist
y.aldawood@alahli.com

Management Information System

Sharihan Al-Manzalawi

Economist
s.almanzalawi@alahli.com

To be added to the NCB Economics Department Distribution List:

Please contact: Mr. Noel Rotap

Tel.: +966-2-646-3232

Fax: +966-2-644-9783

Email: n.rotap@alahli.com

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