

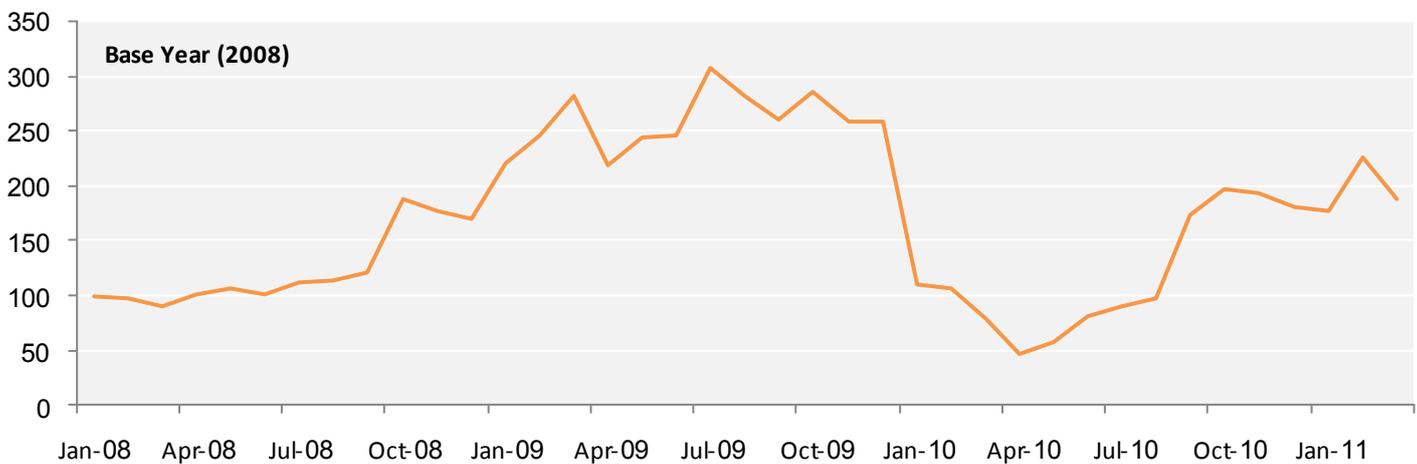
NCB Construction Contracts Index First Quarter 2011

NCB Quarterly Review of Contract Awards in The Construction Sector

HEADLINES

1. NCB Construction Contracts Index reached 187.6 points by the end of the first quarter of 2011, while the total value of awarded contracts reached SAR49.7 billion. The value of awarded contracts signal a promising start to 2011
2. January's contract awards were valued at approximately SAR7 billion, led by the power and water sectors
3. February's total value of contract awards jumped to approximately SAR26.2 billion, led by the transportation and oil & gas sectors
4. March's contract awards dipped, with the total value of contract awards reaching approximately SAR16.4 billion led by the oil & gas and industrial sectors

NCB Construction Contracts Index



Source: MEED, SES, NCB

Value of Contracts

Trailing Twelve Months (2010-2011)	Apr (2010)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan (2011)	Feb	Mar
Contract Awards Value (SR Millions)	3,406	6,748	14,003	8,486	6,236	31,972	13,287	5,158	8,731	7,082	26,222	16,417

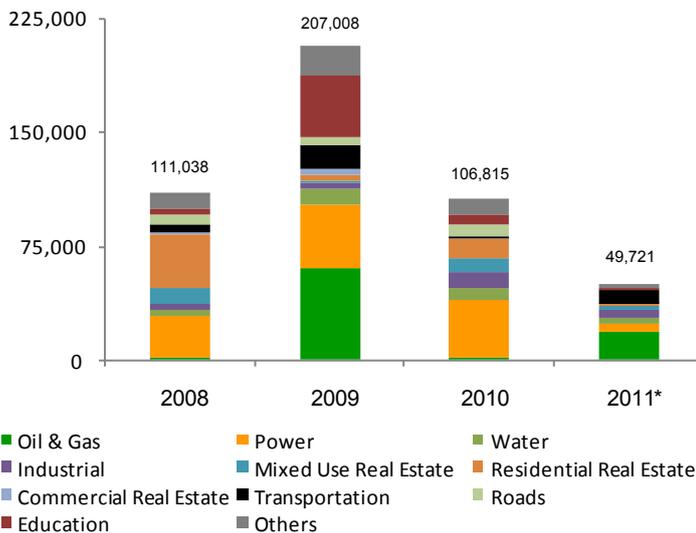
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Construction Contracts Award Index during Q1 2011*

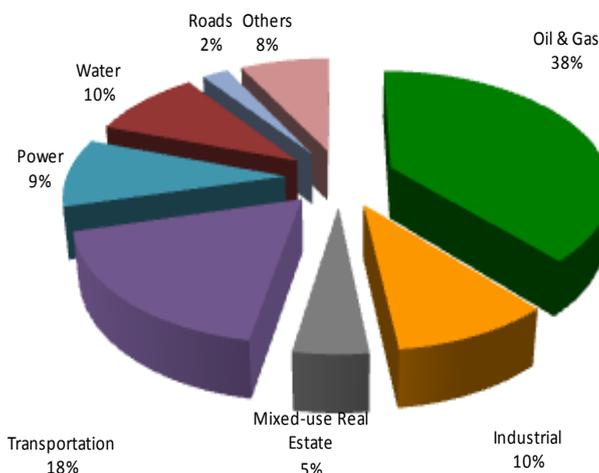
The momentum that was witnessed during the end of 2010 has continued into the first quarter of 2011 as the total value of awarded contracts reached SAR49.7 billion. The ongoing priorities to grow the kingdom's economic and social infrastructure as was set-forth in the 2011 budget has allowed the construction sector to continue its impressive growth. The value of awarded contracts was the result of several mega-projects being awarded in sectors such as the transportation, oil & gas and power sectors. The oil & gas sector alone accounted for 38% of the total value of awarded contracts followed by the transportation and industrial sectors, each garnering 18% and 10% respectively, (Chart 1), (Chart 2).

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



* Q1'11
Source: MEED, SES, NCB

Chart 2: Value of Awarded Contracts by Sector During Q1'11

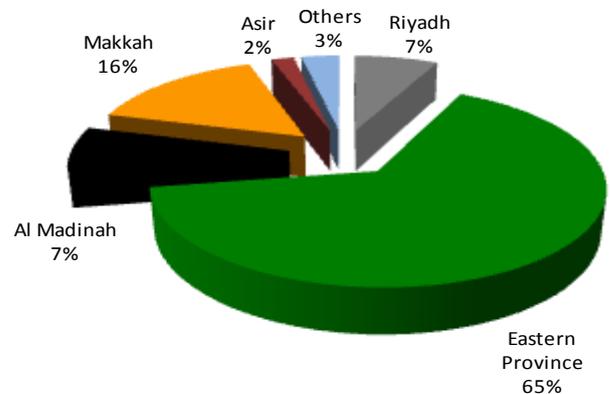


Source: MEED, SES, NCB

The SAR49.7 billion in awarded contracts during Q1'11 represents a significant jump compared to the same period last year when SAR8.8 billion worth of contracts were awarded. Additionally, the Construction Contracts Index (CCI) reached 187.6 points to end the quarter compared to Q1'10, which witnessed the CCI at 79.02 points. The CCI climbed to its highest point in February, reaching 225.5 points. Given the high value of awarded contracts during Q1'11, the CCI is off to a fast start similar to 2009. This suggests that the value of awarded contracts is expected to progressively increase as we reach the second half of the year. Furthermore, the 2011 budget has put a significance on the construction of many healthcare centers and educational facilities, of which the awarded contracts are likely to occur during H2'11.

The value of awarded contracts by region is distributed amongst the provinces as shown in Chart 3. As expected, the Eastern Province held the majority share of awarded contracts due to the value of awarded contracts that are associated with the oil & gas, power and water sectors. Makkah had 16% of the awarded contracts mainly due to a significant railways contract being awarded as part of the Haramain high-speed railway project. We expect the Eastern Province to maintain the highest portion of awarded contracts throughout the year due to the presence of oil and gas fields.

Chart 3: Value of Awarded Contracts by Region During Q1'11



Source: MEED, SES, NCB

January

The total value of awarded contracts in January reached SAR7 billion. The power sector accounted for 62% of the awarded contracts while the water sector accounted for 20%. There was a single awarded contract in the power sector by the Saudi Electricity Company (SEC) to Arabian Bemco to extend the PP10 and Qurayyah power plants. Under the expansion, Arabian Bemco will add 700MW to PP10 and 800MW to Qurayyah. The value of the contract is approximately SAR3.75 billion and is estimated to be completed by 2012 and 2013 for the PP10 and Qurayyah plants, respectively.

The implementation of improved water networks as well as the development of desalinization plants is a major initiative that was set forth in the 2011 budget. The Ministry of Water

and Electricity awarded numerous contracts across the kingdom that totaled SAR1.1 billion. The contracts were awarded to local contracting companies. The contracts called for the implementation of water and sewage networks, construction of water towers and installation of various pipelines and reservoirs.

February

The transportation and oil & gas sectors elevated the value of awarded contracts during February, accounting for 64% of the SAR26.2 billion in awards. The transportation sector accounted for SAR9 billion after the Saudi Railways Organization (SRO) awarded the second package of phase one of the Haramain high-speed railway to a consortium of companies led by Saudi Binlادن Group and Saudi Oger. The package involves the design and construction of four stations in Makkah, Medina, Jeddah and Rabigh. The Haramain project is being financed entirely through the government's Public Investment Fund (PIF). Bids for phase two are expected to be selected by July 2011.

The oil & gas sector had a significant contract that was awarded by Saudi Aramco to Italy's Saipem in the amount of SAR7.9 billion. The contract calls for the overall engineering, procurement and construction (EPC) for the offshore packages of the SAR17 billion Wasit gas development. Aramco's plan for Wasit is to produce 2.5 billion cubic feet a day of sulphur-rich gas from Arabiyah and Hasbah.

The industrial sector witnessed a sizable contract award in the amount of SAR2.2 billion. The contract was awarded by The Saudi Arabian Mining Company (Maaden) and the US' Alcoa to South Korea's Samsung Engineering for an EPC for the aluminum rolling mill project at Ras Al-Zour. The rolling mill will have a capacity of 380,000 tons a year when completed.

The mixed-use real estate sector had two awarded contracts that amounted to SAR 2.3 billion. A contract for SAR2 billion was awarded by Saudi Aramco to UAE-based Drake & Scull International for the right to build commercial buildings for the King Abdullah Petroleum Studies Research Center (KAPSARC). The types of buildings to be constructed include, basic retail facilities, a research center, a library and a conference hall designed by London-based Zaha Hadid Architects. The project is expected to be completed by August 2012. The second awarded contract in the amount of SAR289 million called for the construction of new buildings at the Jubail Technical Institute as well as 166 residential units in Yanbu. The contract was awarded by the Royal Commission for Jubail and Yanbu Industrial Cities to local contractors.

The total value of awarded contracts in the water sector reached SAR2.7 billion. The Ministry of Water and Electricity signed numerous contracts across the Kingdom, which included building networks to transport water from dams in Khulais and Rabigh to Jeddah in the amount of SAR417 million. A contract for the construction of a water desalination plant in Yanbu in the amount of SAR465 million was

awarded by the Saline Water Conversion Corporation (SWCC) to South Korea's Doosan Heavy Industries and Construction. The facility will have a capacity of 15 million gallons a day, making it the largest multi-effect desalination plant in the Kingdom.

March

The total value of awarded contracts dipped in March, reaching approximately SAR16.4 billion. The oil & gas and industrial sectors led all other sectors as they accounted for 68% and 13% of awarded contracts, respectively. The oil & gas sector witnessed a mega-project contract award in the amount of SAR11.3 billion by Saudi Aramco to Samsung Engineering. The contract calls for Samsung Engineering to handle all four EPC packages for the Shaybah natural gas liquids (NGL) project in the Empty Quarter. The contract award is unique as Samsung Engineering will be the lone company working on all four packages. The project will allow Aramco to separate about 280,000 barrels a day of NGL from crude oil produced at the Shaybah field. The project is expected to be completed in 2014.

Approximately SAR2.1 billion worth of contracts were awarded in the industrial sector. One contract was awarded by Polysilicon Technology Company (PTC) to both, South Korea's Hyundai Engineering Company and KCC Engineering and Construction Corporation in the amount of SAR1.4 billion. The contract calls for the lump sum turnkey engineering, procurement and construction (LSTK EPC) for PTC's polysilicon plant. The plant is expected to have an initial capacity of 3,350 tons a year of solar-grade polysilicon. The next step would be for it to produce numerous products for the solar power industry.

The second awarded contract in the industrial sector was worth SAR675 million by Maaden and Alcoa to Samsung Engineering. This marks Samsung Engineering's third significant contract award during the first quarter. It has been awarded a total of SAR14.1 billion worth of contracts. Samsung Engineering will construct the aluminum cast house at Maaden and Alcoa's aluminum smelter at Ras Al-Zour. Completion of the smelter is expected by early 2013.

The Ministry of Water and Electricity awarded two contracts worth SAR1 billion to Turkish and Indian companies. The contracts call for the manufacturing and supply of steel pipes and the implementation of bringing water through those pipelines from Ras Al-Zour to Hafr Al Batin.

Outlook

The construction sector continues to display its resiliency as it started the year on a strong note. The value of awarded contracts typically increases during the second half of the year. However, we witnessed an accelerated level of awarded contracts during the first quarter as the magnitude of expenditures by the government led to an increase in mega-project signings. The two announcements made by King Abdullah during the quarter, which called for nearly SAR500 billion worth of financial support, will have deep

ramifications on the construction industry. Most notably will be the construction of 500,000 housing units in the amount of SAR250 billion as well as the provisioning of SAR16 billion to the Ministry of Health to implement and expand several medical projects. While these projects are geared toward the long-term, the construction sector's outlook appears to be very favorable.

Selected Awarded Contracts During the First Quarter of 2011:

Source: MEED, SES, NCB

Sector	Contractor	Client	Details	Value (millions)
Oil & Gas	Samsung Engineering	Saudi Aramco	Four EPC packages for Shaybah NGL project	11,250
	Saipem (Italy)	Saudi Aramco	EPC contract for Wasiat gas development	7,875
Transportation	Saudi Binladen Group & Saudi Oger	SRO	Construction of four stations	9,000
Power	Arabian Bemco	Saudi Electricity Company	Extend two power contracts (PP10 & Qurayyah)	3,750
Industrial	Samsung Engineering	(Maaden) and US' Alcoa	EPC for aluminium rolling mill project at Ras Al Zour	2,213
Mixed-Use Real Estate	Drake & Scull International	Saudi Aramco	Build commercial buildings at KAPSARC	2,000

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.



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