

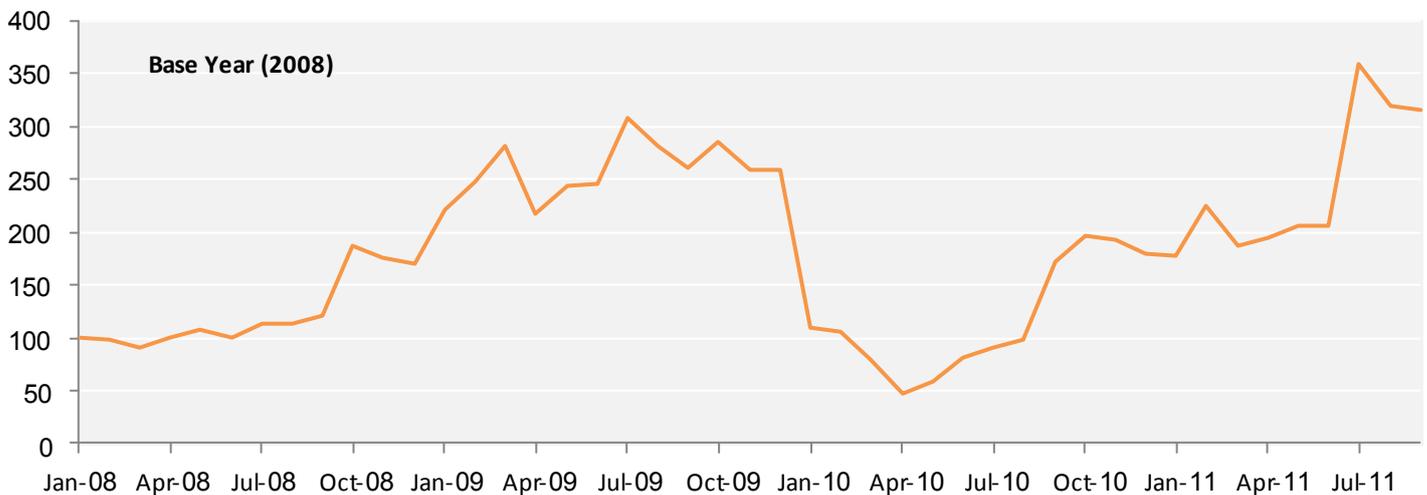
NCB Construction Contracts Index Third Quarter 2011

NCB Quarterly Review of Contract Awards in the Construction Sector

HEADLINES

1. *NCB Construction Contracts Index reached 316.4 points by the end of the third quarter of 2011, while the total value of awarded contracts reached SAR95.1 billion. The year to date value of awarded contracts jumped to SAR179.5 billion.*
2. *July's contract awards were valued at approximately SAR69.8 billion, led by the mixed-use real estate and transportation sectors.*
3. *August's value of contract awards decreased to approximately SAR10.4 billion, led by the mixed-use real estate and education sectors.*
4. *September's value of contract awards rose to approximately SAR15 billion, led by the power and commercial real estate sectors.*

NCB Construction Contracts Index



Source: MEED, SES, NCB

Value of Contracts

Trailing Twelve Months (2010-2011)	Oct (2010)	Nov	Dec	Jan (2011)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Contract Awards Value (SR Millions)	13,287	5,158	8,731	7,082	26,222	16,417	16,375	9,300	8,779	69,799	10,354	15,006

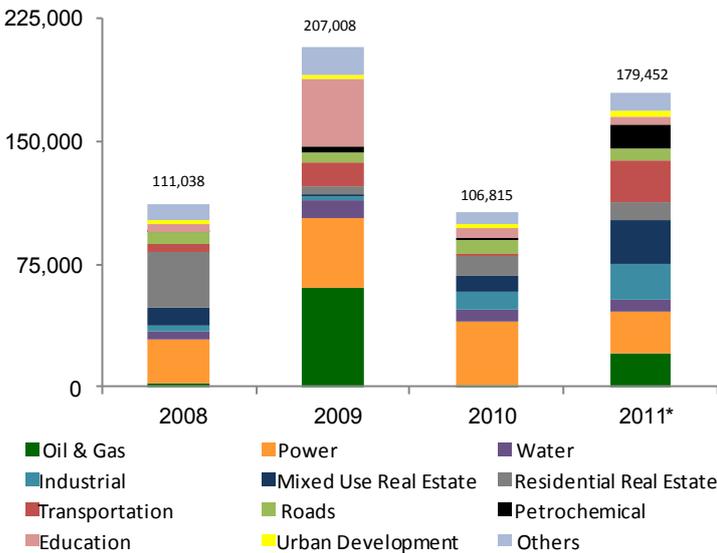
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Construction Contracts Award Index During Q3 2011*

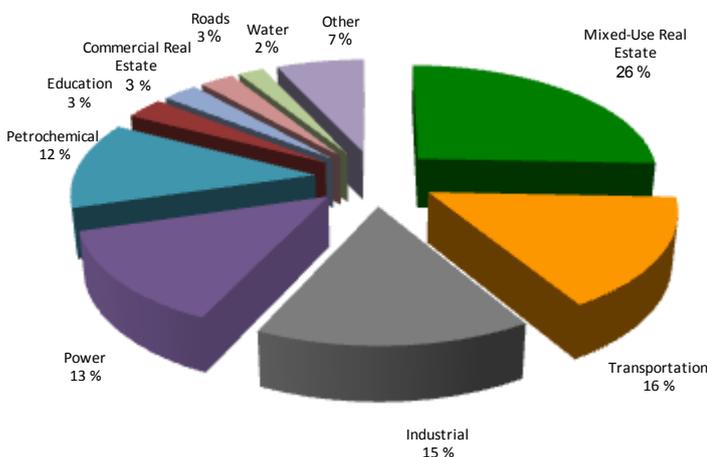
The value of awarded contracts during the third quarter reached SAR95.1 billion, demonstrating that the expansion of construction activities continues to be a focal point to the Kingdom's economy. The high value of awarded contracts thus far has reached SAR179.5 billion through the first three quarters of 2011. The value at which contracts have been awarded far exceeded 2010's total and has the potential to exceed 2009's. Numerous mega-projects were signed during the third quarter that were balanced across several sectors signifying the strong health of the construction industry. The mixed-use real estate sector accounted for 26% of the third quarter's value of awarded contracts while the transportation and industrial sectors accounted for 16% and 15%, respectively (Chart 1), (Chart 2).

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



* Through Q3'11
Source: MEED, SES, NCB

Chart 2: Value of Awarded Contracts by Sector During Q3'11



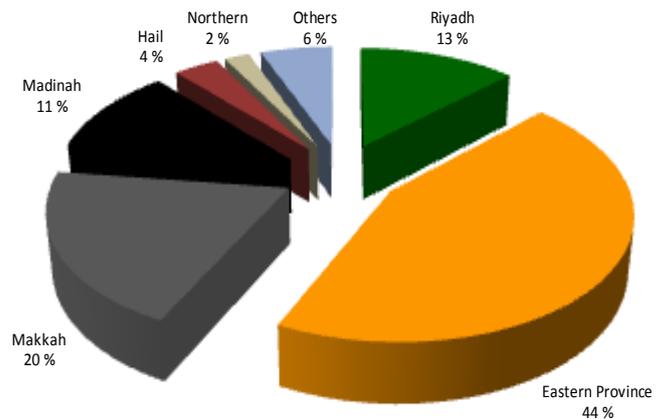
Source: MEED, SES, NCB

The SAR95.1 billion in awarded contracts during Q3'11 outpaced the value of contracts during the first two quarters combined, which were valued at SAR84.2 billion. Q3'11's value of awarded contracts represents a 104% increase over Q3'10, while the SAR179.5 billion through the first three quarters of 2011 represents a 125% increase over the same period last year. The pace at which the value of contracts have been awarded in 2011 strongly resembles the performance of 2009. Compared to the first three quarters of 2009, the value of awarded contracts in 2011 is behind by 2% only. However, the value of awarded contracts during Q3'11 alone represents a 15% increase over Q3'09.

The Construction Contract Index (CCI) peaked at 358.6 points in July after approximately SAR69.8 billion in contracts were awarded but eased to end the quarter at 316.4 points. The CCI in Q3'11 grew by 83% compared to Q3'10's CCI of 172.8 points. The CCI's 358.6 points is the highest level reached since the index was established, surpassing the previous mark of 307.9 points that was set in July 2009.

The distribution of awarded contracts by region confirms that the Eastern Province continues to receive the largest share of mega-projects. Approximately 44% of the value of awarded contracts was in the Eastern Province due to heavy investments in the petrochemical, industrial and power sectors. The Makkah region followed with 20% share of awarded contracts largely due to the Haramain High-speed Railway Network's phase two package. The Riyadh region contributed 12% to the overall value of contract awards after the majority of a mixed-use real estate contract that was awarded by the Ministry of Interior is set to take place, (Chart 3).

Chart 3: Value of Awarded Contracts by Region During Q3'11



Source: MEED, SES, NCB

July

July's value of awarded contracts totaled an astounding SAR69.8 billion. Approximately 11 mega-projects were awarded, which contributed nearly SAR64 billion to July's total. The mixed-use real estate sector led all sectors with a single contract worth approximately SAR19.8 billion. The contract was awarded by the Ministry of Interior to Saudi

Oger for the construction of a network of 28 security housing compounds across 50 regions in the Kingdom. Most of the construction will be done in the Riyadh region. Plans for the compounds will include, among others, schools, mosques, theaters, dormitories, and administrative buildings. Construction is expected to be completed by the second quarter of 2014.

The transportation sector had two significant contracts worth approximately SAR15 billion. The first contract was awarded by the Saudi Railways Organization (SRO) to a consortium led by Al Shoula Group in the amount of approximately SAR7.5 billion. The contract is for phase two of the Haramain High-Speed Railway Network, which will cover the design and construction of the track, signaling, telecommunications, electrification and building a control center for the railway. The majority of the rail network is in the cities of Makkah, Jeddah, Rabigh and Madinah.

The second large contract award in the transportation sector was awarded by the General Authority of Civil Aviation (GACA) to three separate contractors, Al Rajhi Holding Group, Saudi Oger and TAV Airports Holding Company. The SAR5.6 billion PPP contract calls for the upgrading and expansion of Prince Mohammed Bin Abdulaziz Airport in Madinah. The development will occur in phases and is expected to include the renovation of existing runway and construction of a second runway, a new passenger lounge, passenger terminal and the construction of commercial areas. Construction is expected to be completed by the second quarter of 2015.

The industrial sector had several awarded contracts that totaled approximately SAR13.7 billion. Maaden and Alcoa awarded contracts to several contractors in the Eastern Province including three contracts worth approximately SAR13.3 billion to Five Solios and Mohammed Al Mojil Group. All three contracts involved the Ras Al Khair (formerly known as Ras Al Zour) Aluminum Smelter project. The three contracts involve construction activities in the reduction area (gas treatment centers), carbon area (carbon facilities) and the port area of the project.

The petrochemical sector had two contracts worth approximately SAR11.3 billion awarded by Sadara Chemical Company (joint venture between Saudi Aramco and Dow Chemical Company). One of the contracts was awarded to Fluor in the amount of approximately SAR7.5 billion that secured the engineering, procurement, construction and management (EPCM) for the utilities and offsite package. The majority of the work will be centered on implementing a 6 kilometer piperack interconnecting all the facilities within the complex. The second contract was awarded to South Korea's Daelim Industrial in the amount of approximately SAR4 billion for the construction of a mixed-feeder cracker plant, which will produce 400,000 tons a year of Propylene and 1.2 million tons a year of Ethylene.

Within the residential real estate sector, a sizeable contract was awarded by Maaden to the Saudi Binladin Group in the

approximate amount of SAR1.7 billion. Saudi Binladin will develop a residential village at Ras Al Khair, which will include the construction of 500 villas and 2,183 housing units. The project will encompass 882,000 square meters and will also include clubhouses, mosques and related facilities. The development is expected to be completed by the first quarter of 2014.

August

The value of awarded contracts in August dipped considerably from July's levels as the mixed-use real estate and education sector combined together to contribute approximately SAR6.8 billion of the SAR10.4 billion that was awarded. Kingdom Holding, in a joint venture with Emaar Properties, awarded Saudi Binladin the contract to construct a mixed-use development in Jeddah covering 5.3 million square meters. The project will involve the construction of the world's largest tower that is expected to be 1,150 meters high. The types of facilities will include residential, commercial, hospitality, and retail. The contract was signed for SAR4.6 billion and is expected to be completed by the fourth quarter of 2017.

In addition, approximately SAR2.2 billion worth of contracts were awarded in the education sector in August. The Ministry of Higher Education awarded a contract for the construction of medicine faculty buildings at Northern Borders University in Arar for SAR1 billion. A second contract was awarded to Mohammed Ali Al Suwailem Contracting Company in the amount of SAR440 million for the implementation of infrastructure works (Phase-2) at Hail University. The work is expected to be completed within 3 years.

SEC awarded two contracts in the power sector worth SAR1.2 billion. The first contract was awarded to Middle East Engineering & Development Company (MEEDCO) in the amount of SAR578 million as part of SEC's plans to enhance the transmission and distribution of electricity throughout the Kingdom. MEEDCO will construct an overhead transmission line (380kV) and other associated facilities from Makkah to Taif and from Tabuk to Dubai. The work is expected to be completed by the first quarter of 2014. The second contract was awarded to Saudi Services for Electro-Mechanical Works (SSEM) in the amount of SAR578 million. SSEM will build a 380/132 kV substation and associated facilities. This will be the fourth substation in Al Qasim. The work is expected to be completed by the first quarter of 2014.

September

The value of awarded contracts jumped to SAR15 billion in September, led by the power and commercial real estate sectors. Hajr For Electricity Production Company, a company with SEC as a majority owner and ACWA Power, Samsung Construction & Trading and MENA Infrastructure Fund (GP) Limited as minority owners, awarded two contracts to Samsung Construction & Trading for SAR5.3 billion each. The plan calls for the construction of two gas-fired IPP power plants at Qurayyah. Both power plants will have gas and steam turbines, substations and other related facilities.

Hajr For Electricity Production Company will award one more contract for this project. As part of the IPP program, SEC plans for a total capital investment near SAR21 billion aimed at adding 5,200 megawatts to the domestic grid by 2015.

In the commercial real estate sector, Saudi Aramco awarded a SAR2 billion contract to a consortium consisting of Al Muhaidib Contracting Company and the Belgian's Six Construct Limited to build a 60,000 seat football stadium in King Abdullah Sports City in Jeddah. The plan for the King Abdullah Sports City project calls for approximately five other sporting arenas to be constructed and a specialist hospital to treat athletes. Additional facilities will include indoor stadiums and youth hostels. Construction is expected to be completed by the second quarter of 2014.

A sizeable contract in the education sector was awarded by the Ministry of Higher Education to Rakan Trading & Contracting Company in the amount of SAR525 million. The contractor will construct a dentistry college, applied medical science college, pharmacy college and a nursing college for male students at Qassim University. Construction is expected to be completed by the third quarter of 2014.

Outlook

The value of awarded contracts is showing no signs of slowing down as mega-projects continue to be awarded in record numbers. As forecasted, the value of awarded contracts during H2'11 were valued greater than in H1'11. The SAR95.1 billion in contract awards during Q3'11 alone is an indication that the government continues to place an overwhelming emphasis on capital expenditures to meet its commitment to improve the Kingdom's physical and social infrastructure capabilities.

We expect the value of awarded contracts to continue its strong push into Q4'11. The power sector is expected to continue its significant participation in the construction sector as several contracts are anticipated to be awarded during Q4'11 by SEC in excess of SAR10 billion. Additionally, the recent approval by the Council of Ministers to build a land-bridge to connect Jeddah Islamic Port to Dammam and Jubail seaports though the existing railway network between Riyadh and Dammam, will allow for numerous contract awards beyond 2011 and into 2012.

Selected Awarded Contracts During the Third Quarter of 2011:

Sector	Contractor	Client	Details	Value (millions)
Mixed-Use Real Estate	Saudi Oger	Ministry of Interior	Build a network of 28 compounds	19,796
	Saudi Binladin Group	Kingdom Holding Company	Build world's tallest tower near Jeddah	4,600
Transportation	Al Shoula Group	SRO	Phase 2 of the Haramain High-Speed railways project	9,375
	Al Rajhi, Saudi Oger, TAV Airports Holding Company	GACA	Expansion of Medina International Airport on a PPP basis	5,625
Petrochemical	Fluor	Sadara Chemical Co.	EPCM contract for utilities and offsite package	7,500
	Daelim	Sadara Chemical Co.	EPC contract for a mixed-feed cracker unit	3,750
Industrial	Five Solios & Mohammad Al-Mojil Group	Maaden & Alcoa	Construction of reduction area, carbon area and port area at Ras Al Khair Aluminum Smelter project	13,328
Power	Samsung C&T	Hajr For Electricity Production Co.	Build two gas-fired IPP power plants	10,688
Commercial Real Estate	Belgium's Six Construct and Almuheidib Contracting Co.	Saudi Aramco	Build 60,000 seat stadium at King Abdullah Sports City	2,000

Source: MEED, SES, NCB

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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