

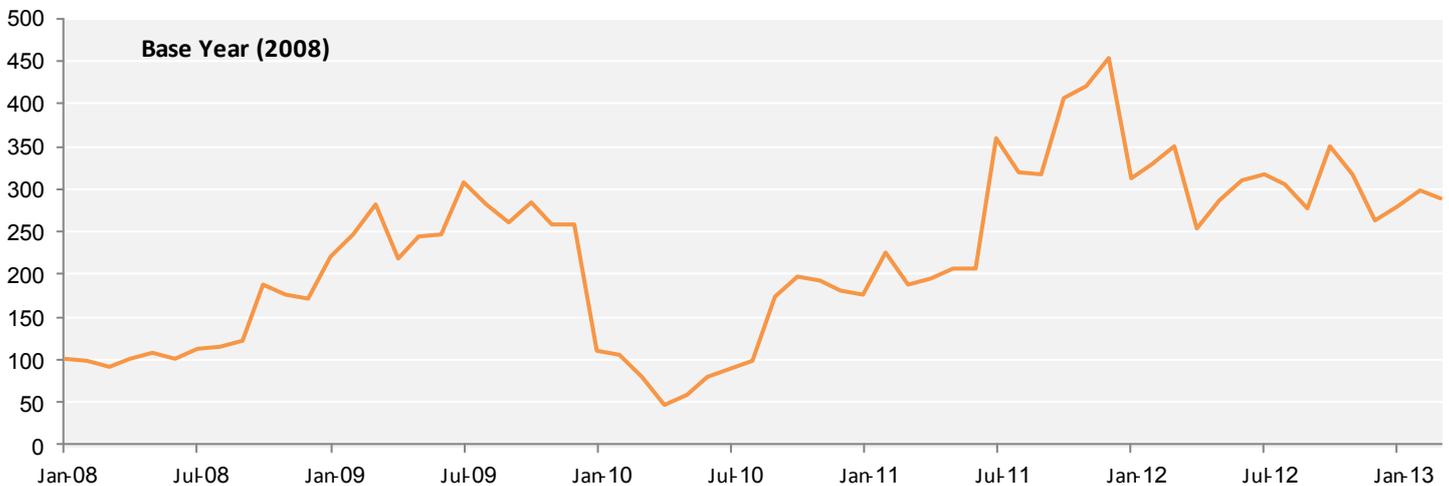
NCB Construction Contracts Index First Quarter 2013

NCB Quarterly Review of Contract Awards in the Construction Sector

HEADLINES

1. NCB Construction Contracts Index reached 288.33 points by the end of the first quarter of 2013, while the total value of awarded contracts reached SAR49.1 billion. The construction sector continues its robust performance with a strong start to the year.
2. January's contract awards were valued at approximately SAR21.6 billion, led by the healthcare and petrochemical sectors.
3. February's value of contract awards slipped to approximately SAR20.3 billion, led by the residential real estate and education sectors.
4. March's value of contract awards further decreased to approximately SAR7.2 billion, led by the power and industrial sectors

NCB Construction Contracts Index



Source: Various sources, NCB

Value of Contracts

Trailing Twelve Months (2012-2013)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan (2013)	Feb	Mar
Contract Awards Value (SAR Millions)	14,400	27,768	32,314	15,190	12,809	11,200	44,499	14,051	10,591	21,639	20,256	7,171
CCI Value	254.18	285.53	309.12	317.16	306.52	277.29	350.71	317.25	264.26	279.99	298.16	288.33

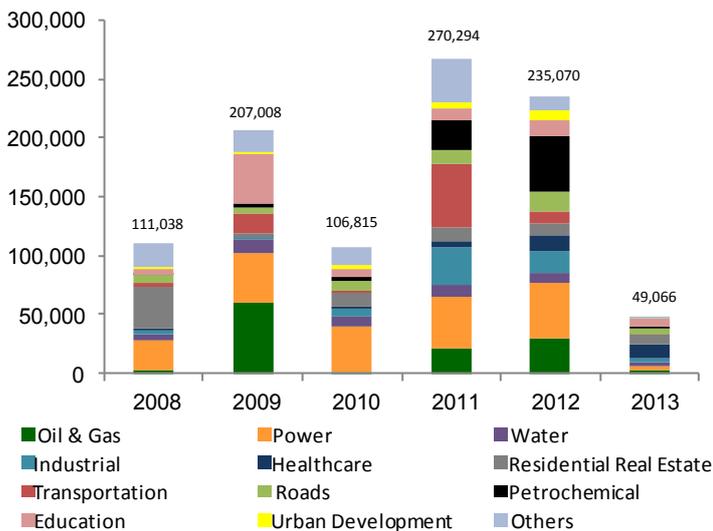
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Construction Contracts Award Index During Q1 2013*

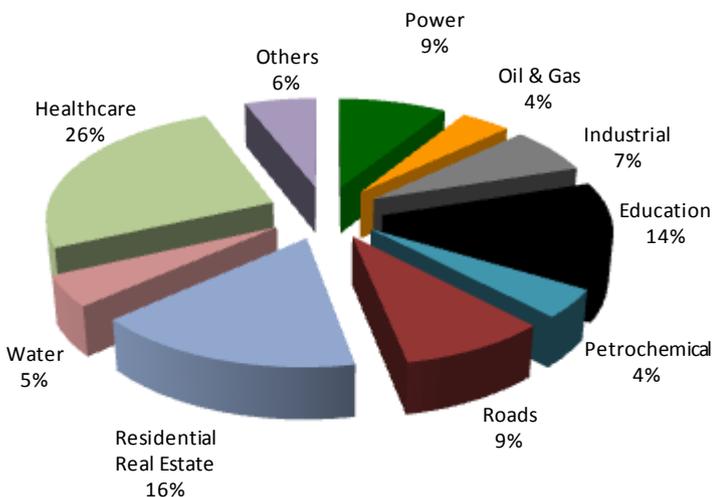
The magnitude of contracts within the construction sector continues to illustrate the Kingdom's appetite for heavy capital expenditures as approximately SAR49.1 billion worth of contracts were awarded during the first quarter of 2013. The focus on improving the Kingdom's physical and social infrastructure as was planned by the government in its 2013 budget was evident as approximately SAR11.7 billion worth of contracts were awarded for physical infrastructure projects. Sectors within the social infrastructure category, such as healthcare, residential real estate and education, contributed approximately SAR28 billion of the overall value of awarded contracts. Anchor sectors, such as oil & gas, petrochemical and industrial had relatively modest contract values as they accounted for nearly SAR7.5 billion, (Chart 1, 2).

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



* Through Q1'13
Source: Various sources, NCB

Chart 2: Value of Awarded Contracts by Sector During Q1'13



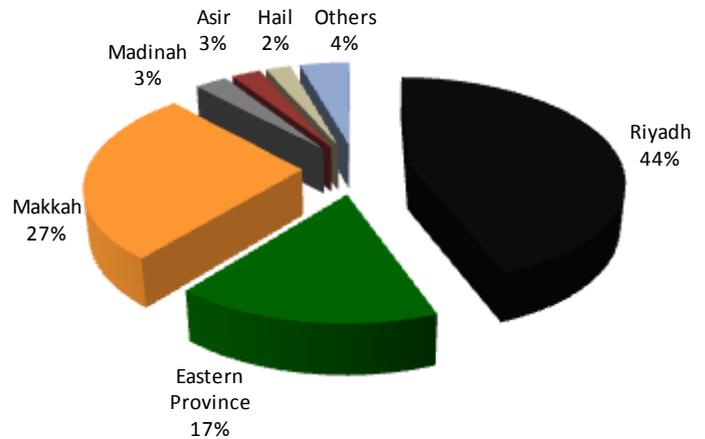
Source: Various sources, NCB

The state of the construction sector appears to reflect its robustness that it has exhibited over the last couple of years even though there was a slight dip in the value of awarded contracts from SAR52.2 billion during Q1'12 to SAR49.1 billion during Q1'13. All signs point towards the continued growth within the construction sector as the value of awarded contracts were sustained by non-anchor sectors during Q1'13. The mega-projects that will be awarded within the anchor sectors will further catapult the ongoing construction boom during 2013.

The Construction Contracts Index (CCI) pushed higher following a successful 2012 to reach 288.33 points by the end of March. The CCI ended at 279.99 points during January and reached its highest level of the quarter during February to climb to 298.16 points. The CCI retracted during Q1'13 compared to Q1'12, which reached 349.03 points. However, the CCI should rebound as more mega-projects are expected to be awarded, which will gradually escalate the CCI to higher levels.

Given the nature of the awarded contracts, which were significantly skewed towards infrastructure related projects, the Riyadh and Makkah regions captured significant shares of the value of awarded contracts by region with 44% and 27%, respectively. Significant mega-projects in the residential real estate and healthcare sectors were a major reason for Riyadh's dominance. The residential real estate sector also played a significant role in the Makkah region along with the roads sector. The Eastern Province, which accumulated approximately 17% of the share by region was mainly attributed to the petrochemical, industrial and education sectors. The education sector comprised a significant portion of awarded contracts for each of the three areas of Madinah, Asir and Hail, (Chart 3).

Chart 3: Value of Awarded Contracts by Region During Q1'13



Source: Various sources, NCB

January

January had the highest value of awarded contracts during Q1'13, reaching approximately SAR21 billion. The healthcare and petrochemical sectors led the way as they captured nearly 58% and 10%, respectively. There was a single

mega-project contract within the healthcare sector worth SAR12.6 billion. The contract was awarded by the Ministry of Interior to ABV Rock Group for the development of the King Abdullah bin Abdulaziz Project's Riyadh security forces medical complex. The complex will have a total built-up area for the medical facilities of 400,000 sqm on 1.3 million sqm of land. There will be three hospital buildings, academic and clinical center, research center, office buildings, service stations, residential villas, apartments and car parking. The project is expected to be completed by the third quarter of 2017.

The petrochemical sector had two contracts worth approximately SAR2.1 billion. The significant contract, worth SAR1.9 billion was awarded by the joint venture of Saudi Kayan/Saudi Aramco/Dow Chemicals to Daelim. Daelim will be responsible for building an *n*-Butanol plant in the acrylic complex at the Jubail Industrial City. The plant is expected to produce 330,000 metric tones a year of *n*-Butanol. The project is expected to be completed by the fourth quarter of 2014.

Approximately SAR1.4 billion worth of contracts were signed in the power sector, as the Saudi Electricity Company (SEC) awarded all the contracts. All of the contracts were awarded to local contractors, namely Middle East Engineering & Development, National Contracting Company and Saudi Services for Electro Mechanical (SSEM). The scope of the contracts involved the construction of 380kV overhead lines in addition to underground cable work across various areas in the Kingdom.

Within the education sector, approximately SAR1.4 billion worth of contracts were awarded. The projects were all awarded by the Ministry of Higher Education across various areas in the Kingdom. The most notable contract involved the implementation of the third part of construction of the teaching staff housing at Al Imam Mohammed Bin Saud Islamic University in Riyadh. The awarded contract is worth SAR603 million.

The oil & gas sector had approximately SAR1.1 billion worth of contracts that were awarded. The notable contract was awarded by Saudi Aramco Lubricating Oil Refining Company (Luberef) to Sulzer Chemtech in the amount of approximately SAR750 million. As part of the contract, Sulzer Chemtech will upgrade the vacuum distillation unit at the Yanbu refinery. The project is expected to be completed by the fourth quarter of 2014.

February

The value of awarded contracts dipped slightly in February to reach approximately SAR20.3 billion. The residential real estate and education sectors accounted for nearly 40% and 20% of the total value of awarded contracts, respectively. The residential real estate sector had three awarded contracts worth SAR8.1 billion. There were two significant contracts that were both awarded to Azmeel Contracting & Construction Company. The first contract was awarded by Emaar Properties for phase two of the Jeddah Gate "Abraj Al Hilal" project in Jeddah in the amount of SAR4.9 billion. The

development will consist of 326 apartments in three towers. Additional amenities include 525 parking spots, swimming pool, fitness center, business center, children's daycare center and other associated facilities. The project is expected to be completed by the first quarter of 2016.

The second contract was awarded to Azmeel Contracting and Construction Company by Rayadah Investment Company, which involved the construction of 106 villas, 96 apartment units and related facilities such as a sports club, mosques, and schools. The SAR3.2 billion Riyadh Information Technology & Communication complex (ITCC) project will have a total of 445,373 sqm of built-up construction, and is expected to be completed by the first quarter of 2016.

The education sector witnessed a continued surge in spending by the Ministry of Higher Education as approximately SAR4 billion worth of contracts were awarded in February. The majority of these contracts included the construction of new colleges, faculty building and infrastructure works across numerous universities in the Kingdom.

The roads sector was the recipient of significant expenditures by the Ministry of Municipality and Rural Affairs along with the Ministry of Transport whereby approximately SAR2.1 billion worth of contracts were awarded. The majority of these contracts involved the development and enhancement of both, rural roads and expressways across the Kingdom. Two notable contracts were awarded to the Saudi Binladin Group worth SAR1.9 billion. The two contracts involve the development of Makkah's second ring road and the third phase of the third ring road. As part of the two projects, 1,868 homes will be demolished and homeowners are expected to be compensated nearly SAR11.2 billion. The two projects are expected to be completed within 36 months.

Approximately two contracts worth SAR2.1 billion were awarded within the water sector. Both contracts were awarded by the National Water Company (NWC) to Aziz Company. The two contracts each involved the construction of four steel reservoirs and valves as part of the Makkah Reservoirs I and II project. Both project are expected to be completed by the fourth quarter of 2015.

Within the Industrial sector, a contract was awarded by Maaden to Hanwha Engineering and Construction Company for the construction of a gravity-CIL (Carbon In Leach) processing plant that will have a capacity of two million tons of ore per annum. The SAR1 billion project is expected to be completed by the fourth quarter of 2014.

A contract in the commercial real estate sector was awarded by the Jabal Omar Development Company to Saudi Tabreed in the amount of SAR560 million. Saudi Tabreed will develop and build the first two phases of the district cooling plant, which will have a capacity of 55,000 refrigeration tons.

March

There was a relatively noticeable dip in the value of contracts awards during March, as SAR7.2 billion worth of contract were awarded. The power and industrial sectors accounted for the largest portion of contracts awards by value during March with 24% and 21% shares, respectively. The SEC and the Royal Commission for Jubail & Yanbu (RCJY) awarded approximately SAR1.7 billion worth of contracts. Two contracts were awarded by SEC for the construction and installation of a conversion station and for the manufacturing, importing and installation of a 300 km double circuit in Riyadh. These two contracts amounted to approximately SAR763 million riyals and are expected to be completed within 30 months.

The RCJY awarded two contracts to SSEM and Al Babtain Contracting Company in the amount of SAR970 million for the installation of two 1,500 MW electricity power plants in Ras Al-Khair. Both projects are expected to be completed within 38 months.

The industrial sector had two contracts worth approximately SAR1.5 billion. The notable contract, which was awarded by Maaden to Azmeel Contracting & Construction Company pertained to the EPC of a new housing project for Maaden's employees as part of the first phase of the Mutrafiah Housing Project at Jubail Industrial City. The SAR1 billion project calls for the construction of 800 villas, the first of which will be available for occupancy by the fourth quarter of 2014. The Mutrafiah housing Project will include a total of 3,600 villas once the full project is completed.

The roads sector had numerous contracts that were awarded by the Ministry of Municipal and Rural Affairs that amounted to approximately SAR1.4 billion. The majority of these contracts were awarded to local contractors and were mainly aimed at improving road conditions in addition to extending roadway linkages across the Kingdom.

The education also contributed significantly as nearly SAR 1.2 billion worth of contracts were awarded. The most notable contract was by the Ministry of Higher Education to Al Jabreen Group in the amount of SAR1 billion. The contract calls for Al Jabreen Group to build student accommodation buildings for male and females as part of the first phase of the King Khalid University, Abha campus development. The built-up area for each of the 32 buildings is expected to be 4,500 sqm. The project is expected to be completed by the first quarter of 2016.

Outlook

The rate and value at which contracts have been awarded during Q1'13 reaffirms the sustainability of the construction sector and ensures that the projects market will continue to stay increasingly active over the medium-term. It is worth noting the anchor sectors were surpassed by sectors within the infrastructure category by a wide margin. However, this also indicates that anchor sectors are expected to witness aggressive spending during the remaining of the year as

they usually accumulate the highest share of awarded contracts by value. Several mega-projects are expected to be awarded over the next few months that will further flourish the construction sector. An example is the expected contract award by SEC for the Rabigh 2 IPP that could reach nearly SAR10 billion. Additionally, the residential real estate sector is expected to see numerous contract awards as part of the Ministry of Housing's mandates to develop a significant portion of the planned 250,00 housing units, of which more than 40,000 units are expected to begin construction as contracts are being awarded as part of the first phase of the project.

Selected Awarded Contracts During the First Quarter of 2013:

Sector	Contractor	Client	Details	Value (SAR millions)
Residential Real Estate	Azmeel	Rayadah Investment Company	Residential Masterplan for ITCC	3,199
	Azmeel	Emaar	Jeddah Gate: Abraj Al Hilal phase 2	4,875
Healthcare	ABV Rock Group	Ministry of Interior	Riyadh Security Medical complex	12,563
Petrochemical	Daelim	Kayan/Aramco/Dow JV	<i>n-Butanol plant in the acrylic complex at Jubail Industrial City</i>	1,875
Industrial	Hanwha	Maaden Gold & Base Metals Co.	Construct a gravity-CIL processing plant	1,018
	Azmeel	Maaden	EPC of new housing project for Maaden employees	1,000
Education	Al Jabreen Group	Ministry of Higher Education	King Khalid University Phase 1 Abha campus	1,001
Roads	Saudi Binladin	Makkah Development Authority	Two contracts for the development of 2nd and 3rd ring roads	1,900
Water	Aziz Company	National Water Company	Construction of 8 steel reservoirs in Makkah	2,138

Source: Various sources, 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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