

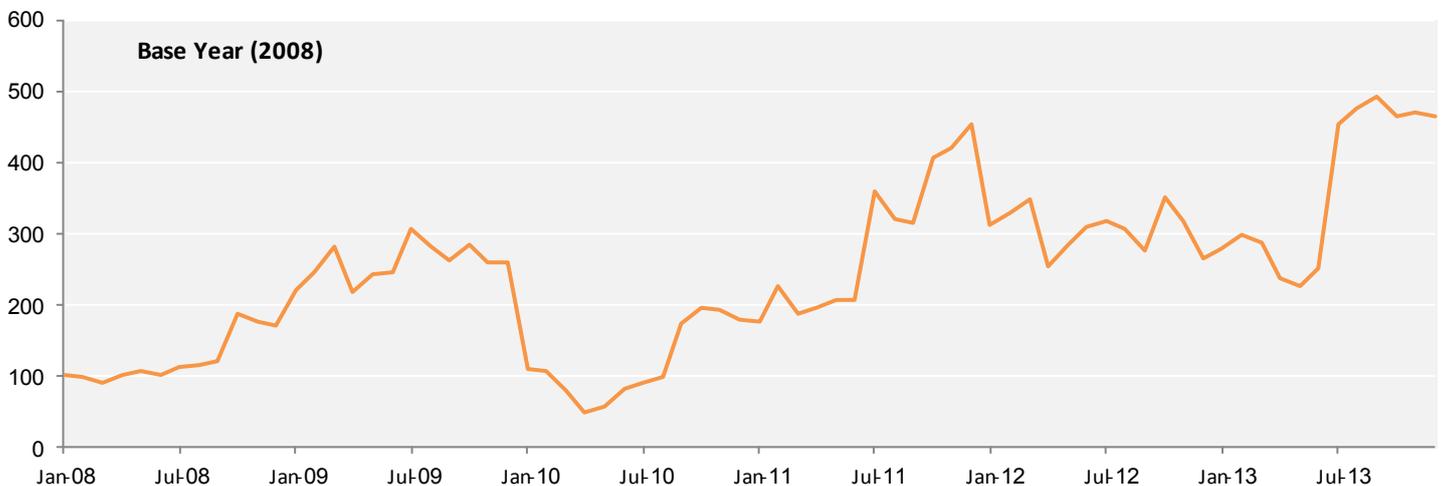
NCB Construction Contracts Index Fourth Quarter 2013

NCB Quarterly Review of Contract Awards in the Construction Sector

HEADLINES

1. *NCB Construction Contracts Index reached 465.03 points by the end of the fourth quarter of 2013, while the total value of awarded contracts reached SAR41.7 billion. The value of awarded contracts during 2013 climbed to an all-time high of SAR293.4 billion, growing 25% compared to 2012.*
2. *October's contract awards were valued at approximately SAR11.3 billion, led by power and residential real estate sectors.*
3. *November's value of contract awards climbed to approximately SAR11.8 billion, led by the industrial and power sectors.*
4. *December's value of contract awards further climbed to approximately SAR18.6 billion, led by the industrial and power sectors.*

NCB Construction Contracts Index



Source: Various sources, NCB

Value of Contracts

Trailing Twelve Months (2013)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Contract Awards Value (SAR Millions)	21,639	20,256	7,171	23,045	9,821	20,778	105,606	28,813	14,499	11,259	11,834	18,640
CCI Value	279.99	298.16	288.33	236.00	225.68	250.53	455.34	476.21	494.09	465.34	470.25	465.03

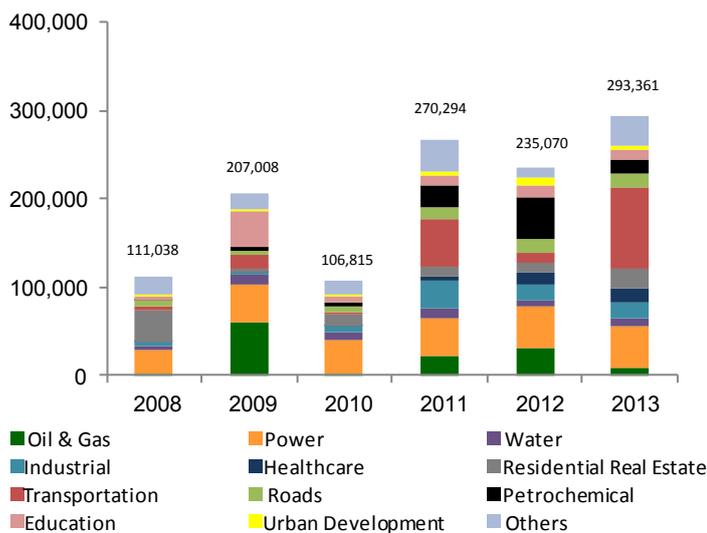
Said A. Al Shaikh
Group Chief Economist | s.alshaikh@alahli.com

Albara'a Alwazir
Senior Economist | a.alwazir@alahli.com

Construction Contracts Award Index During Q4 2013*

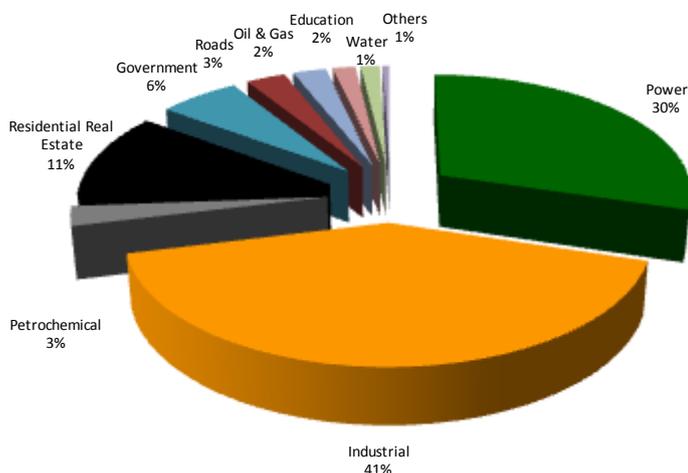
The value of awarded contracts moderated during the fourth quarter to SAR41.7 billion following an exceptional third quarter. The year 2013 concluded at SAR293.4 billion, marking an all-time high in terms of awarded contracts by value. Furthermore, 2013 surpassed 2012's performance by 25% and also eclipsed the previous high of SAR270.3 billion during 2011 by 9%. Anchor sectors were responsible for a majority of the awards as the transportation (SAR92b), power (SAR48b), industrial (SAR19b) and petrochemicals (SAR18b) garnered significant contributions. Alternatively, the real estate sector (SAR40b) played a prominent role as numerous contracts focusing on residential and mixed-use development were heavily targeted. As for Q4'13, the industrial and power sectors captured 71% of the value of awarded contracts, (Chart 1), (Chart 2).

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



Source: Various sources, NCB

Chart 2: Value of Awarded Contracts by Sector During Q4'13



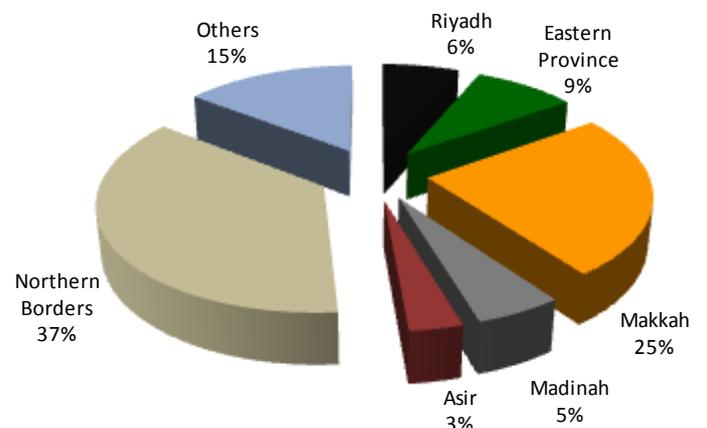
Source: Various sources, NCB

The SAR293.4 billion in awarded contracts during 2013 was largely attributed to the government's continued expansion of capital expenditures. Consequently, the value of awarded contracts in 2013 recorded a remarkable 25% hike compared to 2012. The majority of the value of awarded contracts occurred during H2'13, accounting for 65% of awards. The water, education, healthcare and roads sectors witnessed sizeable spending by the government in the amount of SAR45.7 billion as part of the targeted expenditures it has outlined in recent years. The private sector played a larger role in the development of projects. According to the Ministry of Finance's budget release statement, approximately 2,330 contracts worth SAR157 billion were awarded by the government to the private sector.

The Construction Contracts Index (CCI) ended the year at 465.03 points in December after a volatile year, which saw the index dip down to 225.68 points in May all the way up to 494.09 in September. The CCI was relatively stable during Q4'13 as it reached 465.34 points in October followed by 470.25 points in November. The magnitude of spending in the construction sector has allowed the CCI to float above the 200 point mark for 32 consecutive months, dating back to May 2011.

The Northern Borders attracted 37% of awarded contracts by region, garnering the largest share. This was mainly due to numerous mega-projects being awarded for the development of the Waad Al Shamal Mining City by the Maaden/mosaic/Sabic joint venture. The Makkah region captured 25% of the awarded projects as the power sector played a leading role. The Eastern Province secured 9% of the awarded projects as a majority of the contracts were in the industrial, petrochemical and oil & gas sectors. The Riyadh region was relatively quiet with only 6% in awarded contracts, (Chart 3).

Chart 3: Value of Awarded Contracts by Region During Q4'13



Source: Various sources, NCB

October

The value of awarded contracts during October reached SAR11.3 billion as the power and residential real estate sectors captured the largest shares. There were SAR4.2 billion worth of contracts in the power sector, which were all awarded by the Saudi Electricity Company. The contracts consisted of constructing substations across various parts of the Kingdom as part of SEC's long-term expansion strategy.

The residential real estate sector witnessed approximately SAR4 billion worth of contracts, which were awarded by the Ministry of Housing. These contracts were awarded in various regions within the Kingdom as part of the government's plan to complete the construction of 500,000 homes.

Approximately SAR2.1 billion worth of contracts were awarded in the industrial sector. A notable contract was awarded by the Southern Province Cement Company (SPCC) to National Building Material Company (CNBM) in the amount of SAR713 million. CNBM will construct a second production line at the Bisha cement plant. The plant is designed for a turnkey full production line with a capacity of 5,000 tons of clinker per day.

November

November's value of awarded contracts was propelled by the industrial and power sectors. Approximately SAR6.6 billion in industrial contracts were awarded. Three contracts were awarded by the joint venture between Maaden, Mosaic and Sabic for the development of the Waad Al Shamal mining City in the Northern Borders. The largest of the three contracts was awarded to Hanwha in the amount of SAR3.8 billion. As part of the fifth package of the project, Hanwha will construct a phosphate balance stream plant. The project is expected to be completed by the second quarter of 2016.

The second contract was awarded to Intecsa Ingenieria Industrial S.A. in the amount of SAR2.3 billion. The contracts calls for the construction of a diammonium phosphate, nitrogen, phosphorus and potassium plants. The third contract pertained to senior executives housing that will see the construction of 400 units. Red Sea Housing Company was awarded the SAR109 million project and is expected to be completed by the third quarter of 2014.

Three contracts worth SAR1.5 billion were awarded in the power sector by SEC. The first two contracts were awarded in the amount of SAR846 million for the enhancement of transmission capacity in Madinah. The third contract was awarded to Middle East Engineering & Development Company in the amount of SAR686 million for the construction of an overhead transmission line that will run from Rabigh to east Madinah. The project is expected to be completed by second quarter of 2016.

A single contract was awarded in the oil & gas sector in the amount of SAR938 million. The contract was awarded by Saudi Aramco to Bonatti as part of Aramco's expansion plan of the Shaybah to Abqaiq pipeline with a capacity of 1,000 MBCD (thousand barrels of oil per calendar day). Bonatti will

construct a 220 km pipeline. The project is expected to be completed by the third quarter of 2015.

Approximately SAR716 million worth of contracts were awarded in the residential real estate sector. A contract was awarded by Lebanon's Solidere to Al Saad general Contracting in the amount of SAR401 million. The project consists of constructing the Golden Tower in Jeddah, which will have 48 floors, basement and three podium floors. The 219 meter long residential tower is expected to be completed by the fourth quarter of 2016.

The second contract in the residential real estate sector was awarded by Emaar to Rezaik Al Jedrawi Company for the construction of the first phase of Al Waha Community at King Abdullah Economic City. The SAR315 million project will consist of 650 residential units along with associated facilities. The project is expected to be completed by the fourth quarter of 2015.

December

The Industrial and power sectors continued their command in December as they tallied for SAR15.2 billion of the total SAR18.6 billion in awarded contracts. Within the industrial sector, three contracts worth SAR8.6 billion were awarded as the Maaden, Mosaic and Sabic JV continued their expansion of Waad Al Shamal Mining City. The largest contract was awarded to Hanwha once again and is valued at SAR3.5 billion. Hanwha will be responsible for the construction of a phosphoric acid plant which is expected to be completed by the fourth quarter of 2016.

The second contract was awarded to the joint venture between SNC Lavalin and Sinopec for the construction of a sulphuric acid and power plant along with substations, transmission lines and additional associated facilities. The SAR2.9 billion project is expected to cater to the entire industrial setup as part of the power supply infrastructure development. The project is expected to be completed by the fourth quarter of 2016.

The third contract was awarded to China Huanqiu Contracting & Engineering Corporation (HQCEC) in the amount of SAR2.1 billion. HQCEC will be responsible for constructing a beneficiation plant, crusher, conveyor and mine infrastructure works. The project is expected to be completed by the fourth quarter of 2016.

Within the power sector two contracts were awarded worth SAR6.6 billion. The largest contract was awarded by the newly established Al Mourjan for Electricity Production Company (50/50 ownership interest by SEC and ACWA Power) to Samsung C&T Corporation in the amount of SAR6 billion for the development of the Rabigh 2 Independent Power Project. The project will be developed on a BOO basis with a net generation capacity of 2060 MW, which will be delivered to SEC under the power purchase agreement. Electricity delivery is expected to last for 20 years beginning from the scheduled commercial operations date of June 2017.

The second contract in the power sector was awarded by SEC to Siemens for a turnkey project to build the 380 kV Hail 3 substation in the amount of SAR660 million.

Within the government sector, the Ministry of Interior awarded a SAR2.5 billion contract to El Seif Engineering & Contracting. The contract covers the construction, operation and maintenance of 28 different types of facilities to be built at more than 50 locations throughout the Kingdom. The project is expected to be completed by the fourth quarter of 2016.

Outlook

The construction sector continues to benefit from extraordinary spending on a massive scale as the government continues its push towards meeting rapidly growing demand for services by its citizens while diversifying the economy away from the oil sector. This long-term challenge has necessitated heavy expenditures across all sectors of the economy. The total value of awarded contracts of SAR293.4 billion clearly indicates that the government has and will continue the trend of placing significant injections into its capital expenditures.

As mentioned by the Ministry of Finance in its 2014 budget release, significant expenditures are planned for the education & manpower sectors (SAR210b), health & social affairs (SAR108b), municipality services (SAR39b), transportation & infrastructure (SAR66b) and water, agriculture & manufacturing (SAR61b). While we project the government's capital expenditures to decrease from SAR278 billion in 2013 to SAR238 billion in 2014, the value of awarded contracts will continue in line with the activity that has been witnessed over the last few years.

Selected Awarded Contracts During the Fourth Quarter of 2013:

Sector	Contractor	Owner	Details	Value SAR millions
Industrial	Hanwha	Maaden / Mosaic / Sabic JV	Phosphate balance stream plants	3,750
	Intecsa Ingeniería Industrial S.A.	Maaden / Mosaic / Sabic JV	Diammonium phosphate, nitrogen, phosphorus and potassium fertilizers	2,250
	Hanwha	Maaden / Mosaic / Sabic JV	Phosphoric acid plant	3,499
	SNC Lavalin / Sinopec	Maaden / Mosaic / Sabic JV	Power plant and power supply infrastructure	2,861
	HQCEC	Maaden / Mosaic / Sabic JV	Benefication plant	2,078
Power	Samsung C&T Corporation	Al Mourjan for Electricity Production	Rabigh 2 Independent Power Project (R2IPP)	5,973
Government	El Seif Engineering Contracting	Ministry of Interior	Public Security Compounds	2,501

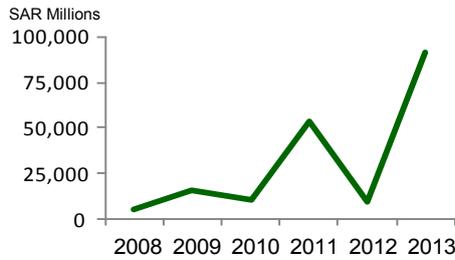
Source: Various sources, NCB

A breakdown of the top five commercial sectors with the highest value of awarded contracts in 2013

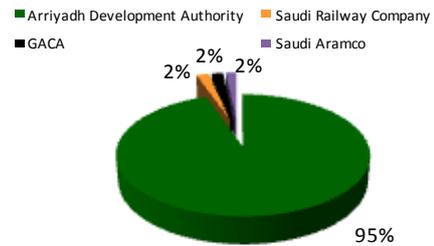
Transportation

The value of awarded contracts in the transportation sector reached SAR91.9 billion in 2013. Arriyadh Development Authority awarded the majority of the value of these contracts, while the General Authority for Civil Aviation (GACA) also contributed.

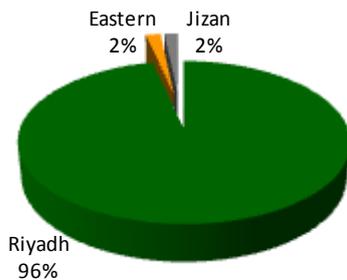
Value of Awarded Contracts in the Transportation



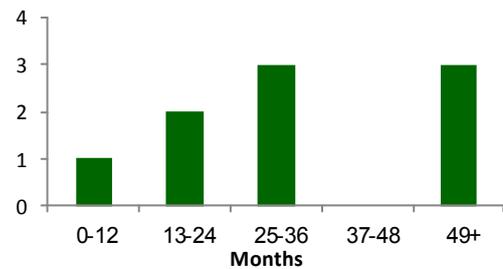
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts*

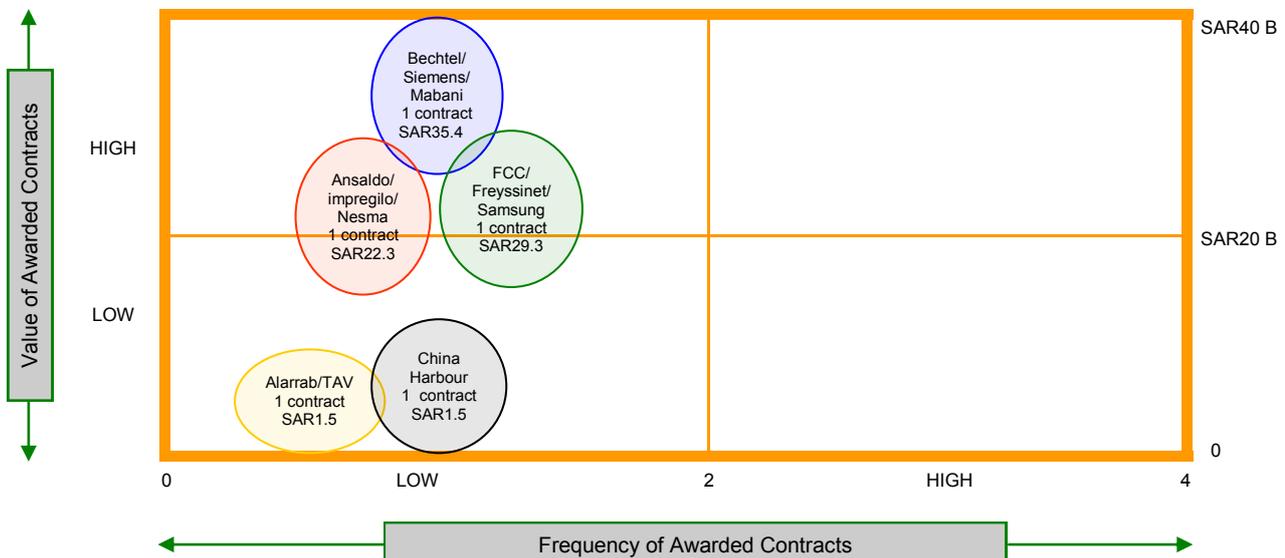


*Contracts with stated completion period

Market Dynamics Between Owners and Contractors

The transportation sector's value of awarded contracts dramatically grew in 2013. Arriyadh Development Authority's awarding of the Riyadh Metro Project contributed to the spike for this year. Railways controlled the majority of the type of projects that were awarded followed by aviation. The majority of contract awards were given to consortiums and JV's given the sheer size of those projects.

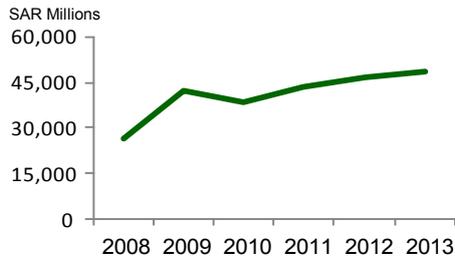
Arriyadh/GACA/Aramco Distribution of Awarded Contracts During 2013



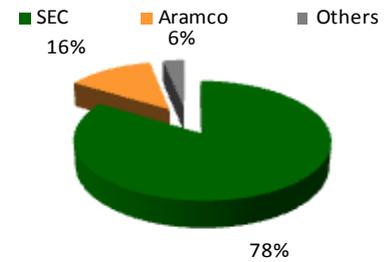
Power

The value of awarded contracts in the power sector reached SAR48.5 billion in 2013. As expected, Saudi Electricity Company (SEC) awarded the majority of the value of these contracts, while Saudi Aramco made a sizeable contribution of SAR6.1 billion.

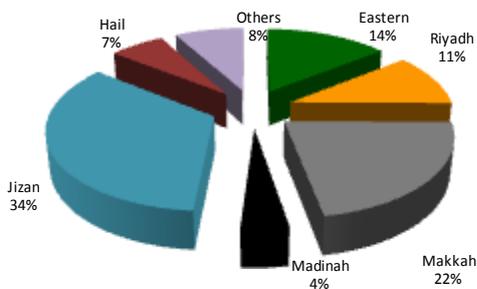
Value of Awarded Contracts in the Power Sector



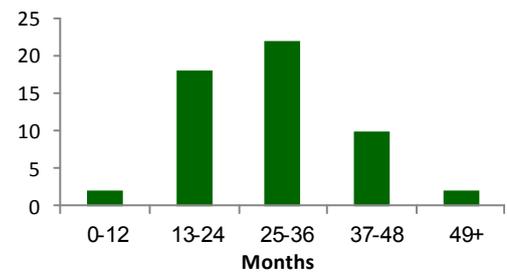
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts*

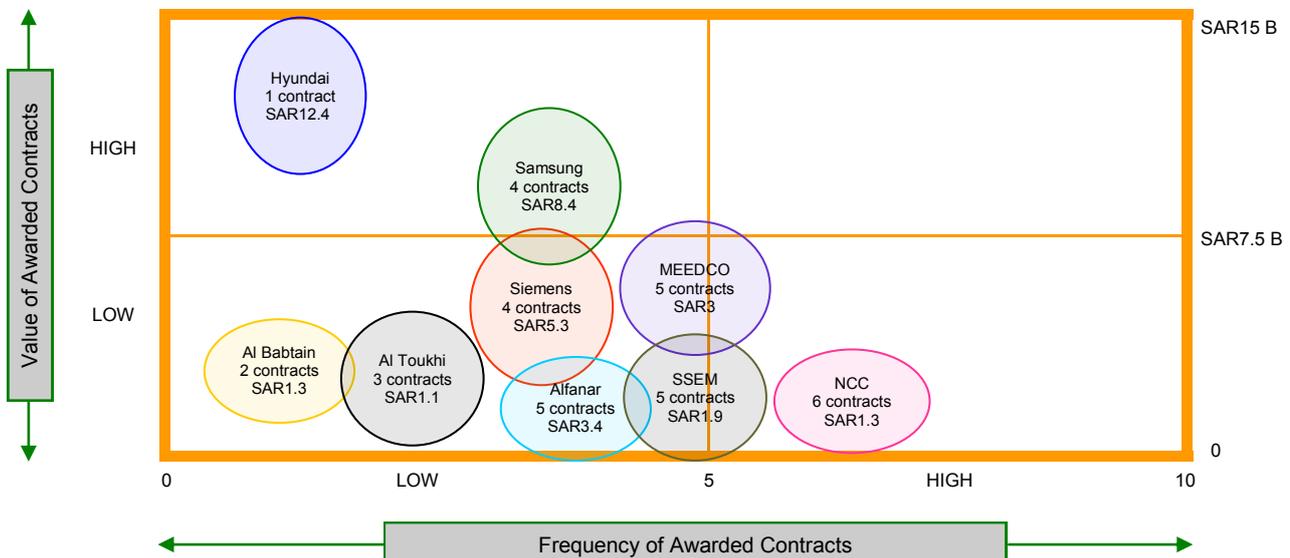


*Contracts with stated completion period

Market Dynamics Between Owners and Contractors

SEC has steadily increased the aggregate value of its contracts over the last few years, with 2013 being the largest. Although a number of contracts were awarded by other entities, SEC has traditionally been the sole owner of contract awards, as the majority owned government company is responsible for increasing the capacity, distribution and transmission of electricity throughout the Kingdom. Aramco awarded four contracts in the power sector aimed at providing the necessary infrastructure for its own projects in Jizan and the Eastern Province.

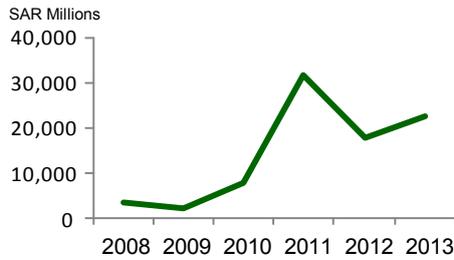
SEC/Aramco Distribution of Awarded Contracts During 2013



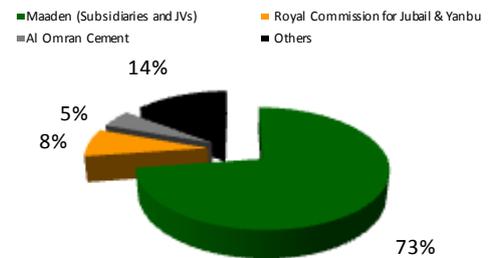
Industrial

The value of awarded contracts in the industrial sector rebounded to reach SAR22.3 billion in 2013. The Maaden/Mosaic/Sabic JV awarded the highest aggregate value of contracts as part of the Waad Al Shamal Mining City. Numerous other project owners were involved in areas such as cement, gold and construction of new industrial cities.

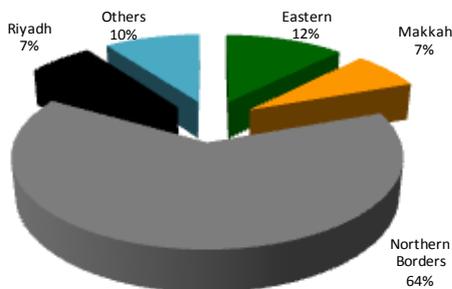
Value of Awarded Contracts in the Industrial Sector



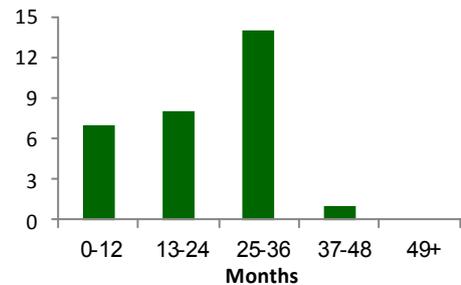
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts*

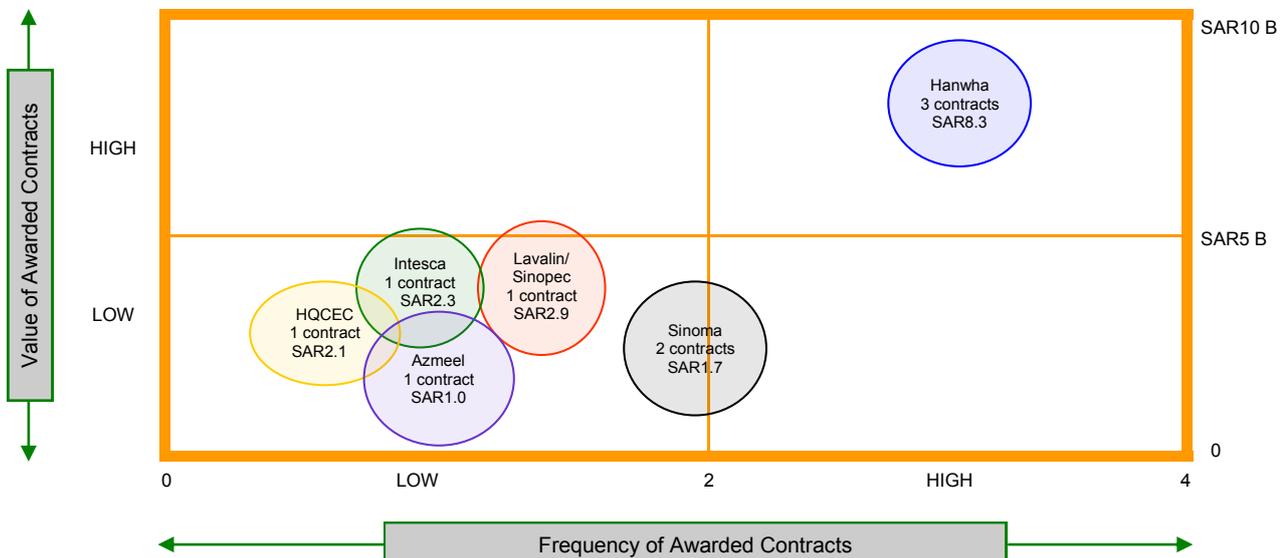


*Contracts with stated completion period

Market Dynamics Between Owners and Contractors

The majority of the contracts in the industrial sector were awarded to Asian and European contractors. Chinese and South Korean had the most awards as new comers were able to enter the market as a result of numerous mega-projects being awarded. Hanwha was the largest recipient of contract awards by value.

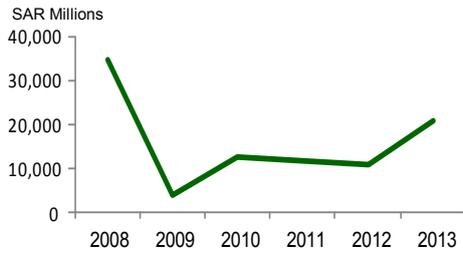
Maaden Distribution of Awarded Contracts During 2013



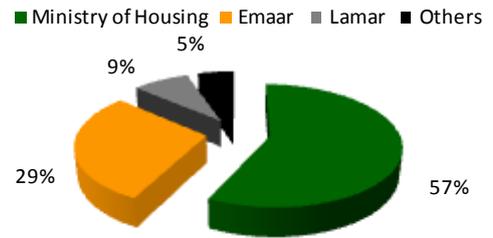
Residential Real Estate

The value of awarded contracts in the residential real estate sector reached SAR20.8 billion in 2013. As part of the government's national housing strategy, the Ministry of Housing (MOH) awarded the majority of housing contracts. Within the private sector, Emaar dominated the value of awarded contracts as part of its expansion plans in the Makkah region.

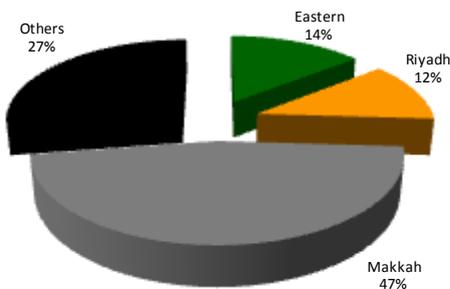
Value of Awarded Contracts in the Residential Real Estate Sector



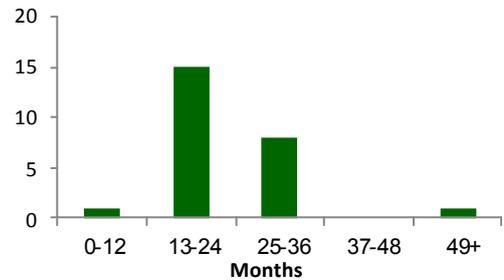
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts*

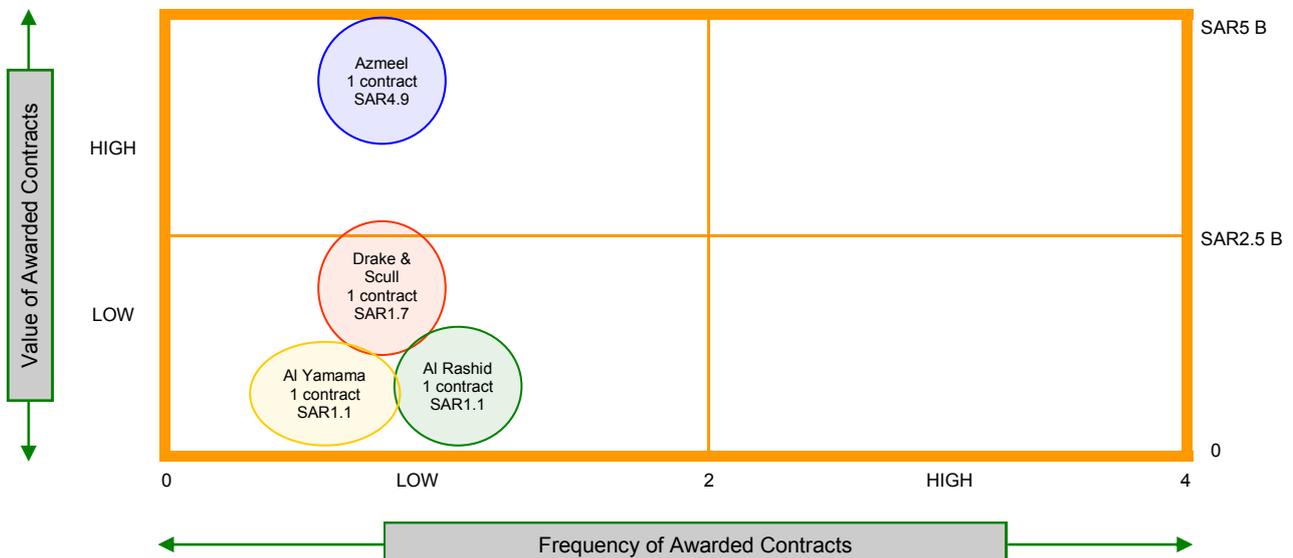


*Contracts with stated completion period

Market Dynamics Between Owners and Contractors

The numerous contracts that were awarded by the MOH has largely benefitted local contractors. Local contractors will continue to benefit from the housing expansion strategy throughout the medium to long-term. However, international contractors have been the main recipients of residential projects that were awarded by the private sector as evidenced by large contracts being awarded to Azmeel Contracting & Construction Company and Drake & Scull.

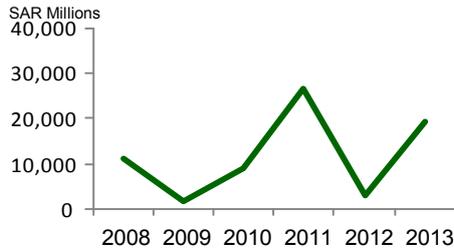
MOH/Emaar/Lamar Distribution of Awarded Contracts During 2013



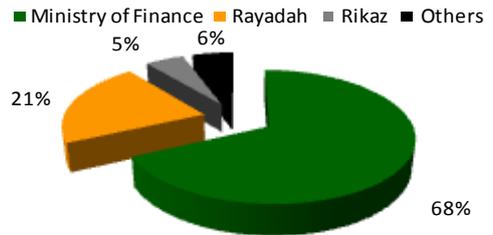
Mixed-Use Real Estate

The value of awarded contracts in the mixed-use real estate sector reached SAR19.2 billion in 2013. The Ministry of Finance's mega-project award for the Abraj Kudai development in Makkah captured the largest share by value. A majority of the projects took place in the Makkah region.

Value of Awarded Contracts in the Mixed-Use Real Estate Sector



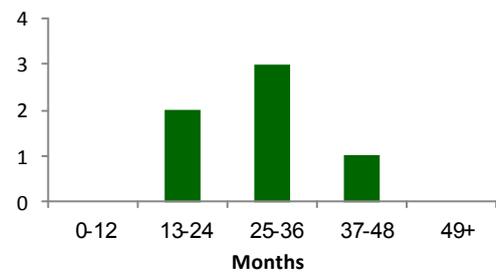
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts*

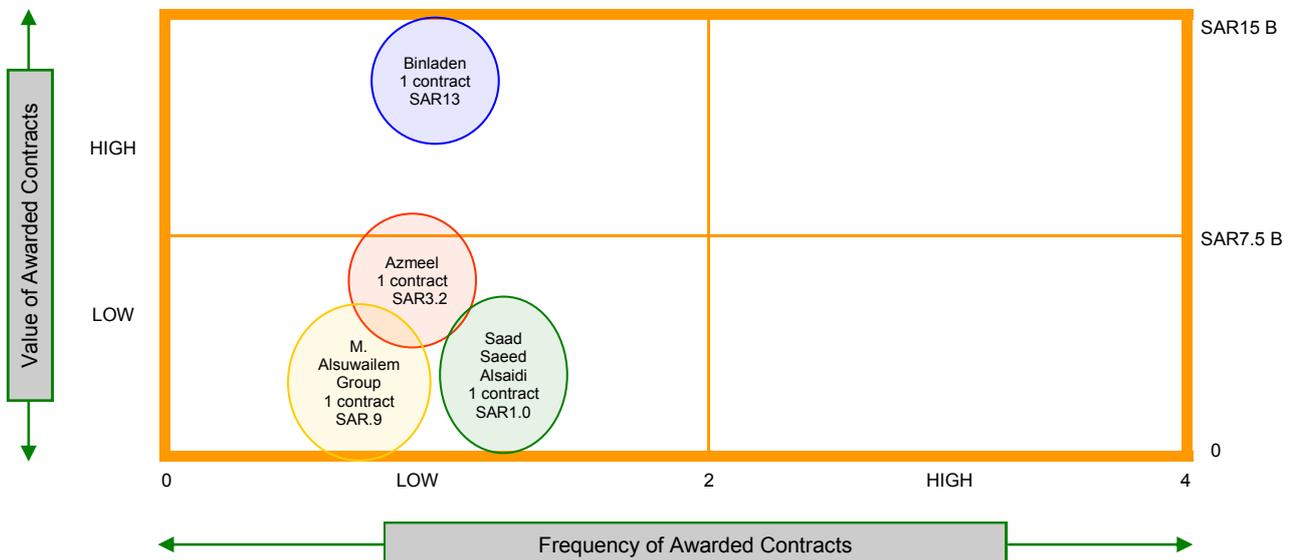


*Contracts with stated completion period

Market Dynamics Between Owners and Contractors

The multi-use real estate sector had a low amount of contracts but were valued fairly high. Saudi Binladen was the largest award recipient as part of the Abraj Kudai project. Azmeel also won a significant contract as part of the Riyadh Information Technology & Communication Complex mixed-use project.

Ministry of Finance/Rayadah/Rikaz Distribution of Awarded Contracts During 2013



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.





Economics Department

The Economics Department Research Team

Head of Research

Said A. Al Shaikh, Ph.D

Group Chief Economist

s.alshaikh@alahli.com

Macroeconomic Analysis

Tamer El Zayat, Ph.D

Senior Economist

t.zayat@alahli.com

Majed A. Al-Ghalib

Senior Economist

m.alghalib@alahli.com

Sector Analysis/Saudi Arabia

Albara'a Alwazir

Senior Economist

a.alwazir@alahli.com

Mai Al-Swayan

Economist

m.alswayan@alahli.com

Yasser Al-Dawood

Economist

Y.aldawood@alahli.com

Shahrazad Faisal

Economist

s.faisal@alahli.com

Management Information Systems

Sharihan Al-Manzalawi

Financial Planning & Performance

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

Disclaimer: The information and opinions in this research report were prepared by NCB's Economics Department. The information herein is believed by NCB to be reliable and has been obtained from public sources believed to be reliable. However, NCB makes no representation as to the accuracy or completeness of such information. Opinions, estimates and projections in this report constitute the current judgment of the author/authors as of the date of this report. They do not necessarily reflect the opinions of NCB as to the subject matter thereof. This report is provided for general informational purposes only and is not to be construed as advice to investors or an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or other securities or to participate in any particular trading strategy in any jurisdiction or as an advertisement of any financial instruments or other securities. This report may not be reproduced, distributed or published by any person for any purpose without NCB's prior written consent.