

NCB Construction Contracts Index

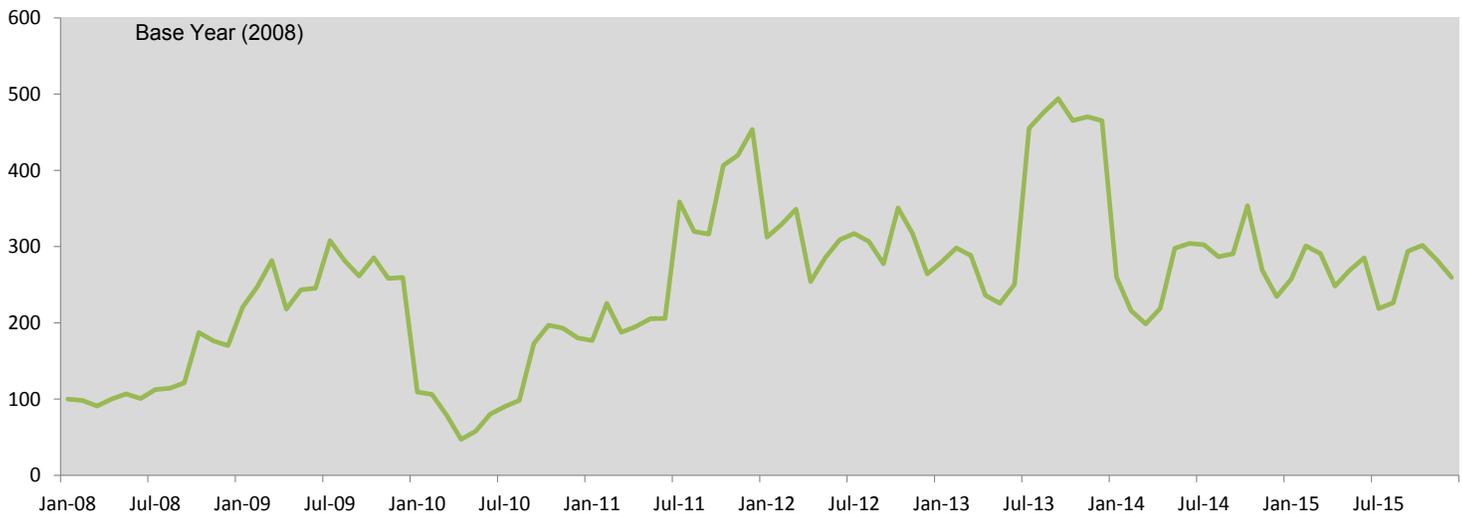
Fourth Quarter 2015

NCB Quarterly Review of Contract Awards in the Construction Sector

HEADLINES

1. NCB Construction Contracts Index ended the fourth quarter of 2015 at 260.0 points, while the total value of awarded contracts declined to SAR45.6 billion. The total value of awarded contracts during 2015 amounted to SAR223.4 billion, recording a 1.2% increase compared to 2014.
2. October's contract awards were valued at approximately SAR31.2 billion, mainly led by the Oil & Gas sector.
3. November's value of contract awards dropped to approximately SAR9.8 billion, led by the Power and Industrial sectors.
4. December's value of contract awards declined sharply to approximately SAR4.5 billion, led by the Power and Water 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	30,447	22,058	4,906	28,020	17,823	13,729	3,169	25,123	32,624	31,264	9,810	4,526
CCI Value	257.62	300.85	290.78	248.27	268.92	285.14	218.81	226.28	293.89	302.0	282.0	260.0

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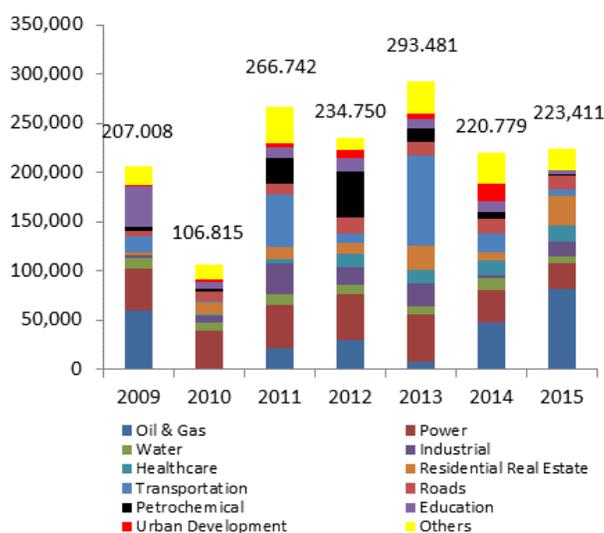
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Construction Contracts Award Index During Q4 2015*

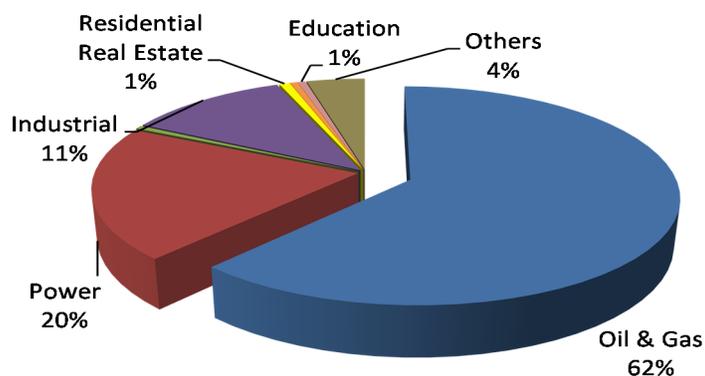
The value of awarded contracts during the 4Q'2015 dropped by 25% in comparison to the third quarter of 2015, to score SAR45.6 billion. However, despite the decline in the fourth quarter, the total value of awards contracts reached SAR223.4 billion in 2015, increasing by 1.2% compared to 2014. The main contributing sectors in 4Q'15 were oil & gas (SAR28b), power (SAR9b) and industrial (SAR5b). The other sectors accounted for smaller shares of the value of awarded contracts these include commercial real estate (SAR1b), hospitality (SAR0.4b), residential real estate (SAR0.3b) and education (SAR0.2b). 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



Source: Various sources, NCB

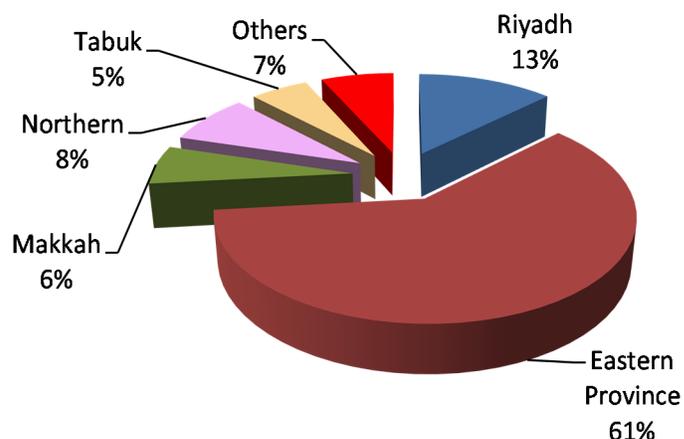
2015's value of awarded contract at SAR223.4 billion undoubtedly bring a positive end to the year, but risk masking the challenges ahead, which are attributed to the lower government capital expenditure and slower economic growth. Government spending for 2016 has been pegged at SAR840bn, down from SR975bn actually spent in 2015.

Revenues for 2016 are forecasted at SR514bn, down SAR608bn in 2015. However, it is important to acknowledge that over the last few years, the Kingdom has made huge investment in various sectors, including oil & gas, petrochemical, power, transportation, and social and physical infrastructure. While contractors, though with varying degrees across the sectors are already engaged in many projects under different faces of implementation, the major headwinds on the construction industry are unlikely to arise into 2016. Meanwhile the cost cutting measures, which have been implemented in the 2016's budget, are essential to mitigate the impact of falling oil revenues, and also to enable the Kingdom to proceed with economic reform.

The construction Contracts Index (cci) ended the year at 260 points, making a slight increase by 10.80% over 2014's level of 234.48 points. The CCI exhibited volatile swings during 2015, but nonetheless settled relatively high at the end of the year. The CCI reached its highest level in October at 302 points. It dropped to 282 points in November and fell further to 260 points in December. Looking ahead, the supply of new projects that are entering the execution phase appear to be solid as indicated by the CCI's performance.

The Eastern Province captured the largest share of the value of awards contracts by contributing 61% during Q4'15. The majority of the Eastern Province's projects was attributed to contracts being awarded in the oil & gas sector. Numerous infrastructure related contracts were awarded in Riyadh making 13% of total value of awarded contracts with particular emphasis on health, power and road sectors. The Northern region witnessed a large contract accounting for 8% share, being awarded within the power sector. In Makkah, a contract was awarded in the roads sector pertaining to the Umm Al Qura, King Abdul-Aziz Road Project (Chart 3).

Chart 3: Value of Awarded Contracts by Region During Q4'15



Source: Various sources, NCB

October

October's SAR31.2 billion recorded the second highest monthly value of awarded contracts during 2015. The oil & gas sector accounted for the largest contribution by 90.4%. Three significant contracts totaling SAR23.6 billion were

awarded in the oil & the gas sector by Saudi Aramco. Two contracts were awarded to Tecnicas Reunidas in the amount of SAR16.5 billion for Fadhili gas plant, package 1 & 2. The project has a planned total processing capacity of 2.5 billion standard cubic feet per day of non-associated gas. This new gas plant will cover onshore Khursaniyah upstream facilities, the Fadhili downstream pipelines, a residential camp and industrial support facilities. The new Fadhili gas plant will be built approximately 30 kilometers southwest of the existing Khursaniyah gas plant. These two projects are expected to be completed by the third quarter of 2019.

The third contract also is for the Fadhili gas plant package 3 and was awarded to Petrofac company in the amount of SAR7.1 billion. The scope of work includes sulphur recovery unit, heavy duty oil handling, loading, unloading and storage, sour water stripper, flare system, waste water treatment plant and associated facilities. The project is also expected to be completed by the third quarter of 2019.

Within the power sector, which represents 2.77% share in October, four contracts were awarded by the Saudi Electricity Company. The marked contract was awarded to Alkifah Contracting in the amount of SAR600 million. The project involves construction of a combined cycle gas turbine based power plant in Riyadh, and includes industrial buildings, technical & non technical buildings and associated utilities and facilities. The project is expected to be completed by the fourth quarter of 2017.

The other three contracts were awarded to Larsen & Toubro in the total amount of SAR244 million, to construct 132 KV substation in the central region of the Kingdom. The scope of work involves conductor, power transformer, gas insulated switchgear, control & protection system, substation automation system, and associated Facilities. The project is expected to be completed by the fourth quarter of 2018.

The residential real estate sector contributed a single contract valued at SAR337 million, awarded to Arabian Construction Company by Emaar Properties for Jeddah Gate Abraj Al Hilal 3. The project involves three-tower residential complex (one apartment building 16 floors and two apartment building 21 floors), with apartments ranging in size from 54 to 600 sqm. The contract is expected to be completed by the second quarter of 2017.

The government sector contributed two contracts awards worth SAR285 million. The first contract was awarded by Ministry of Interior to China Railway Construction Corporation in the amount of SAR187.5 million, to construct a headquarters building in the security compound KAP-5. The scope of work includes headquarters building, car park, landscaping work and associated facilities, and it is expected to be completed by third quarter of 2017. The second contract was awarded by the Ministry of Higher Education to Modern Horizon Advanced Projects in the amount of SAR97.5 million. The project at King Abdul Aziz University and the scope of work includes equestrian club and associ-

ated facilities. The project is expected to be completed by the fourth quarter of 2017.

The Ministry of Higher Education awarded three contracts in the education sector. The First project was awarded to Maten Trading & Contracting for Qassim University- College of Dentistry for Women in Al Rass. The scope of work includes dentistry college, accommodation building, cafeteria and associated facilities. The SAR112.5 million project is expected to be completed by the fourth quarter of 2018. The Second contract was awarded to Al saad General Contracting in Makkah for work at King Abdul-Aziz University. The work involves classrooms, statistical labs and astronomical observatory. The SAR75 million's project is expected to be completed by the second quarter of 2017.

The Hospitality sector has one contract that was awarded by Al-Khorayef Group to Shapoorji Pallonji & Co. The contractor will be responsible to build Four-stars hotel 16 floors and 190 serviced apartments. The SAR225 million's project is expected to be completed by the fourth quarter of 2018.

November

The value of awarded contracts declined in November, reaching SAR9.4 billion, yet showed a slight rise by 4.91% compared to November 2014. The industrial sector, which accounted for the largest share of awarded contracts with SAR4.8 billion, represents 48.93% of the value of total awarded contracts. The first contract was awarded by the Yamama Saudi Cement Company in the amount of SAR4.1 billion to ThyssenKrupp to develop cement plant expansion. The project consists of transferring the cement and raw mills from Yamama to Riyadh. The scope of work includes cement plant, kiln, drier, grinding mill, clinker cooler, and associated facilities. The project is expected to be completed by the third quarter of 2017. The second contract was awarded to National Builders Contracting company by SODAMCO in the amount of SAR675 million. SODAMCO is constructing a manufacturing facility in phase three of the Industrial Valley at King Abdullah Economic City (KAEC). The facility will offer adhesives, slurry covered tiles, ready mixed plastering materials, flooring and concrete repair and other products. The scope of work includes manufacturing facility and associated facilities. The project is expected to be completed by the fourth quarter of 2016.

The power sector contributed six contracts awards worth approximately SAR4.02 billion, representing 40.98% in November, and all were awarded by the Saudi Electricity Company. The most significant project was awarded to Saudi Services for Electro-Mechanical Works in the amount of SAR2.5 billion. The project name is Duba Integrated Solar Combined Cycle and involves parabolic trough collector, solar thermal power station, F-class gas turbine, steam turbine and associated facilities. The project is expected to be completed by the fourth quarter of 2018.

In the commercial real estate sector, Al Salem Johnson awarded a contract to the Youssef Marroun Contracting Company in the amount of SAR675 million. Al Salem John-

son is a joint venture between the Al Sup with a new factory, training center and Alem Group of Companies and Johnson. The project is expected to be completed by the fourth quarter of 2017.

December

The value of awarded contracts continued to slide downward in December as it ended at approximately SAR4.5 billion, which is 10.88% higher than the same period of 2014. The power sector accounted for the highest share of awarded contracts with SAR4.2 billion. The Saudi Electricity Company awarded the most notable contract to General Electric for Waad AlShamal integrated solar combined cycle power plant. The value of this contract is SAR3.6 billion and the project is expected to be completed by the fourth quarter 2018.

The water sector captured the rest of December's value with SAR236.3 million. The first contract was awarded by the Ministry of Water to Alruwaita Company for Operation and Maintenance in the amount of SAR116.3 million, focusing on constructing a water treatment plant and associated facilities, and the project is expected to be completed by the second quarter 2018. The second contract was awarded to Toledo Arabia Company/SNC Lavalin JV, by Saudi Tabreed for SAR120 million. Saudi Tabreed has planned to come up with two districts cooling plants for the King Khalid International Airport in Riyadh. The scope of the project includes district cooling plant, refrigeration tones, thermal storage tank, pipelines and associated facilities.

Outlook

The 2016 proves to be a challenging year by all accounts, globally and in the Kingdom. The last six months have seen significant changes in Saudi Arabia's economic environment affecting the construction industry, following the collapse of oil prices. The decline in oil revenues has already lead to major cuts in government infrastructure spending in 2016's budget, which was brought about by fiscal restructuring. The Ministry of Finance (MOF) announced an amendment to the advanced payment made to contractors, accordingly, contractors will receive 5% of the contract value instead of 20% payment used in previous years. While government will continue to spend on social and physical infrastructure projects, this level of spending will inevitably be reduced over the medium term. Many of the projects already awarded are likely to proceed, but some will be scaled back or rescheduled over an extended period, with future projects expected to be trimmed. These increasingly tough economic conditions along with rising geopolitical concerns will adversely impact the construction industry outlook.

To overcome the financing constraint, since beginning of last year, the government resorted to public debt issuances and withdrawals from foreign reserves to keep infrastructure spending. In addition, it is raising additional revenues through the reduction of fuel subsidies. It is also anticipated that the government will resort to public-private partnership schemes to finance infrastructure projects over the medium term. Moreover, the recently announced national transfor-

mation plan, which focuses on market deregulation and privatization will capitalize on opportunities that will speed up the economic diversification. Such measures may hold the key of lessening the Kingdom's reliance on oil income in the medium term, and accordingly sustain a steady growth of the construction industry.

Selected Awarded Contracts During the Fourth

Quarter of 2015:

Sector	Contractor	Client	Details	Value SAR Millions
Oil & Gas	Tecnicas Reunidas	Saudi Aramco	Fadhili Gas Plant: Package 1	9,375
	Tecnicas Reunidas	Saudi Aramco	Fadhili Gas Plant: Package 2	7,125
	Petrofac	Saudi Aramco	Fadhili Gas Plant: Package 3	7,125
	Shandong Electric Power Construction Corporation	Saudi Aramco	MSGE: Phase 2 compressor booster station	2,812.5
	Saipem	Saudi Aramco	Karan Gas Development: Offshore Structures	1,312.5
Power	General Electric	Saudi Electricity Co	Waad Al Shamal Integrated Solar Combined Cycle	3,675
	Initec SA/Saudi Services for Electro-Mechanical Works JV	Saudi Electricity Co	Duba Integrated Solar Combined Cycle	2,501.3
Industrial	ThyssenKrupp	Yamama Saudi Cement Company	Riyadh Cement Plant Expansion	4,125
Commercial Real Estate	Youssef Marroun Contracting Co.	Al Salem Johnson Controls	New Factory and Training Centre	675.0
Residential Real Estate	Arabian Construction Company	Jeddah Gate: Abraj Al Hilal 3	Emaar Properties	337.5

Source: Various sources, NCB

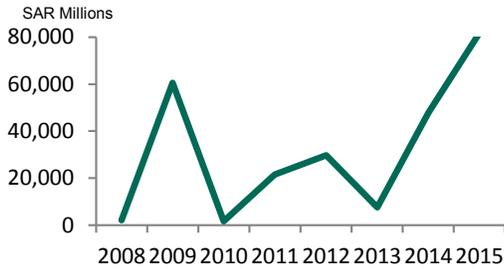


A breakdown of the top five sectors with the highest value of awarded contracts in 2015

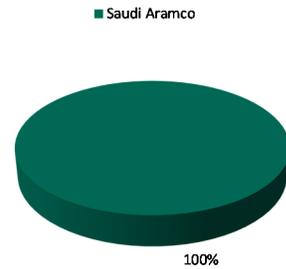
Oil & Gas

The oil & the gas sector received the majority of contracts, about 36.6%, registering a sharp increase to SAR81.8 billion. Saudi Aramco dominated for all of the contracts. The oil & gas sector continued its strong growth as multiple mega-projects were assigned. The bulk of these contracts was awarded in the Eastern province as part of Saudi Aramco's colossal Fadhili Gas Plant project.

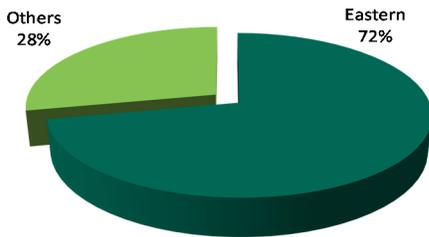
Value of Awarded Contracts in Oil & Gas



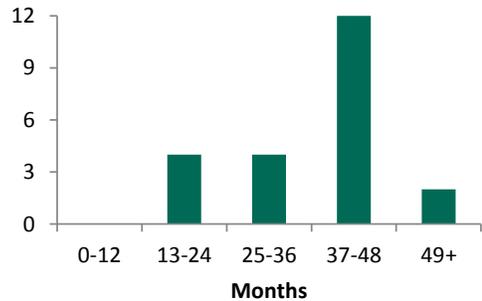
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts*

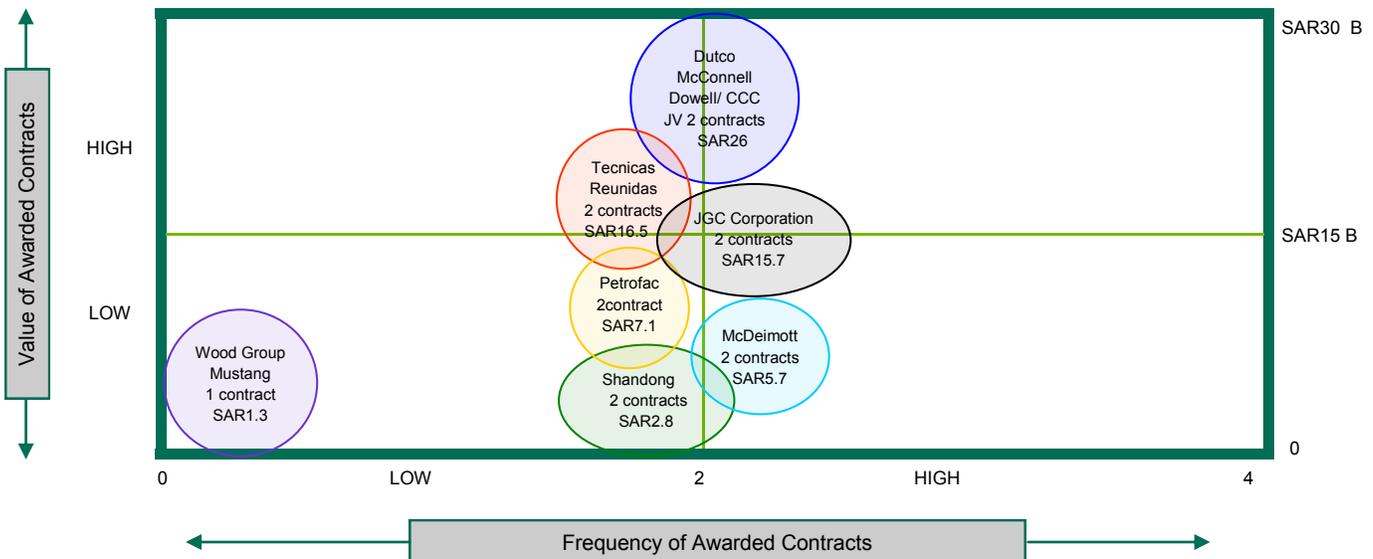


*Contracts with stated completion period

Market Dynamics Between Owners and Contractors

Investment in the oil & gas sector registered a sharp increase in 2015, as Saudi Aramco awarded numerous mega-projects that focused on refineries, pipeline extensions and expansion the master gas system. International contractors accounted for a majority of the awards, 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 in order to complete every project on its deadline.

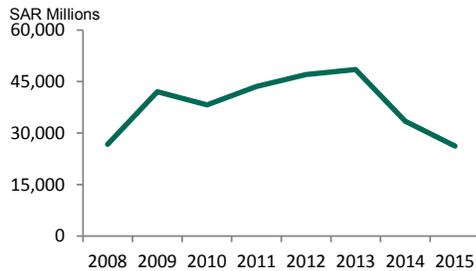
Saudi Aramco's Distribution of Awarded Contracts During 2015



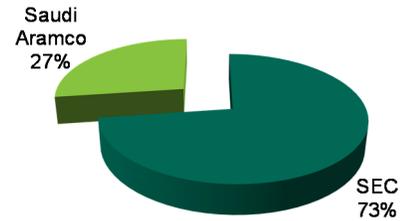
Power

The value of awarded contracts in the power sector reached SAR26.8 billion in 2015. Saudi Electricity Company awarded the majority of the contracts by volume, as it focused on expanding the electricity grid to new areas as well as enhancing current electricity transmission operations for residential/ industrial use. Saudi Aramco awarded the largest contract by value.

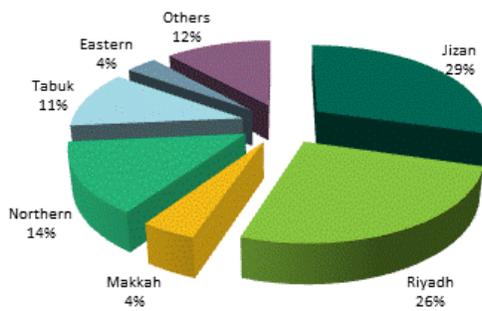
Value of Awarded Contracts in Power



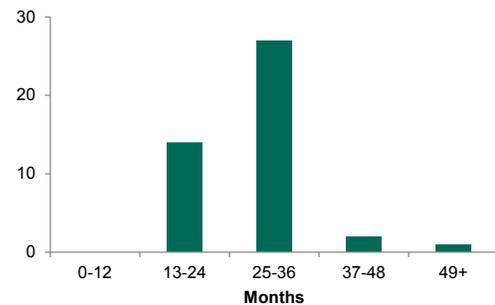
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts*

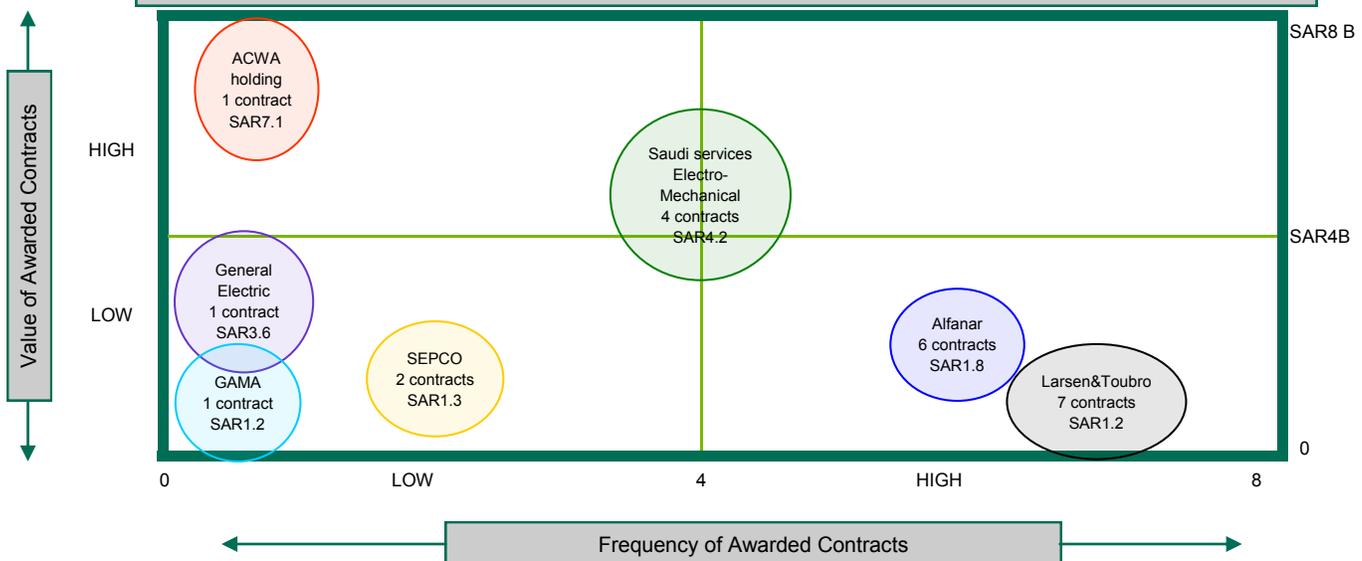


*Contracts with stated completion period

Market Dynamics Between Owners and Contractors

There was a significant drop-off in the number of mega-projects in the power sector compared to 2014. There was a noticeable trend of local contractors being awarded a growing number of contracts, while international contractors still maintained their sizeable presence. The SEC continues to award projects at a rapid pace as demand for power continues to put pressure on the existing grid and aimed at providing the necessary infrastructure to provide power to its own projects. Saudi Aramco plans to enhance the power generation capacity of the Jizan Economic City by building multiple power plants.

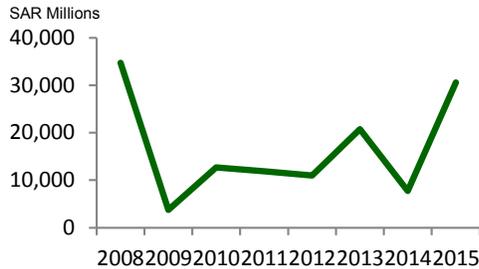
Saudi Electricity Company/ Saudi Aramco Distribution of Awarded Contracts During 2015



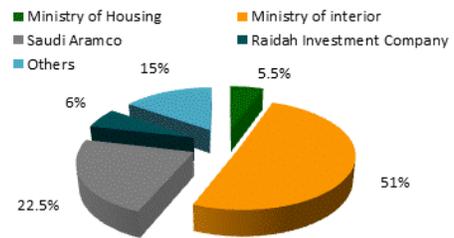
Residential Real Estate

The value of awarded contracts in the residential real estate sector approached SAR30.5 billion in 2015. The Ministry of Interior contributed the largest share of awards as the majority of its projects were aimed at developing the A&B residential compound in Jizan and Najran. Saudi Aramco comes second on spending for its two villas projects by, accounting for 22.5% of the value of awarded residential contracts.

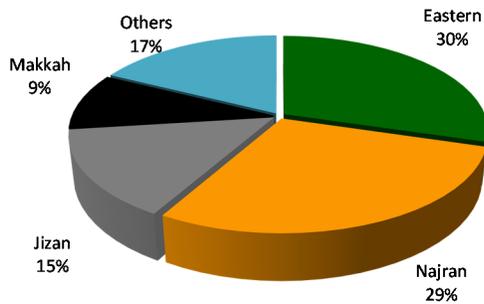
Value of Awarded Contracts in the Residential Real estate



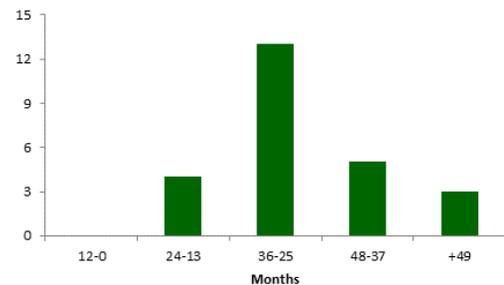
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts*

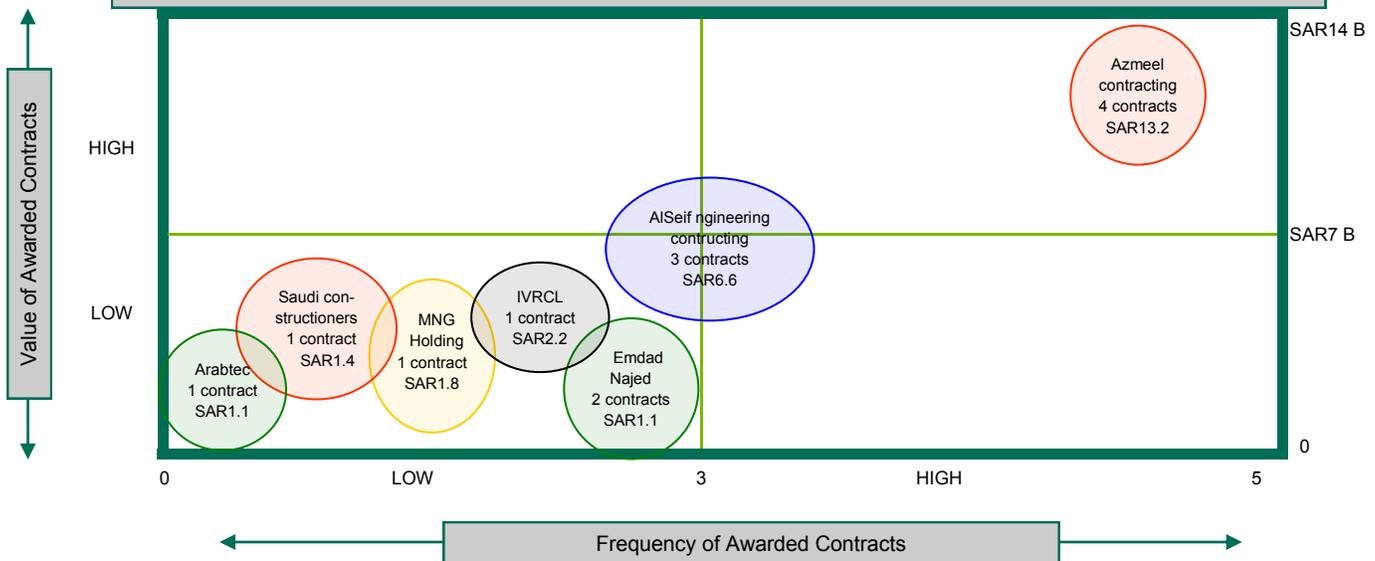


*Contracts with stated completion period

Market Dynamics Between Owners and Contractor

The significant contracts that were awarded by the Ministry of the Interior have largely benefitted a local contractor, namely Al Seif Engineering Contracting. However, international contractors have been awarded by Saudi Aramco as evidenced by large contracts being awarded to Azmeel Contracting & Construction Company.

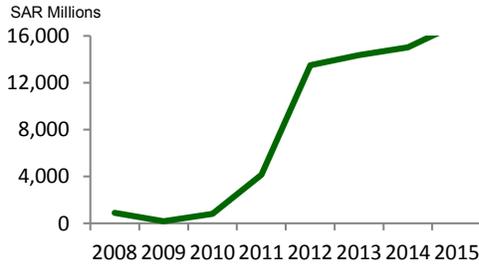
Ministry of interior/ Saudi Aramco and Others Distribution of Awarded Contracts During 2015



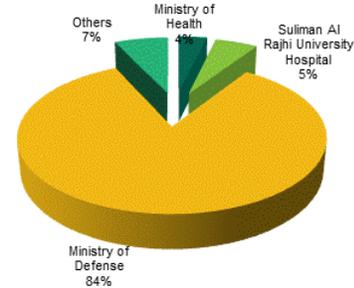
Healthcare

The healthcare sector has seen a continual increase in the value of awarded contracts over the last seven years, reaching SAR16.9 billion in 2015. The Ministry of Defense has awarded the largest contract, while the Ministry of Health awarded several contracts in different regions.

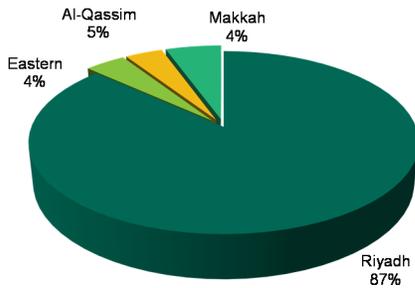
Value of Awarded Contracts in Healthcare



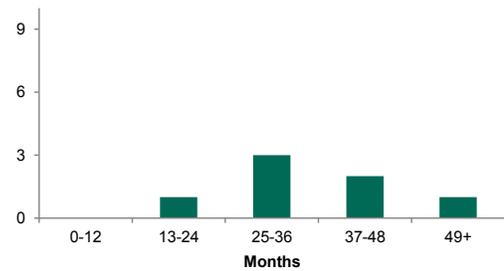
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts*

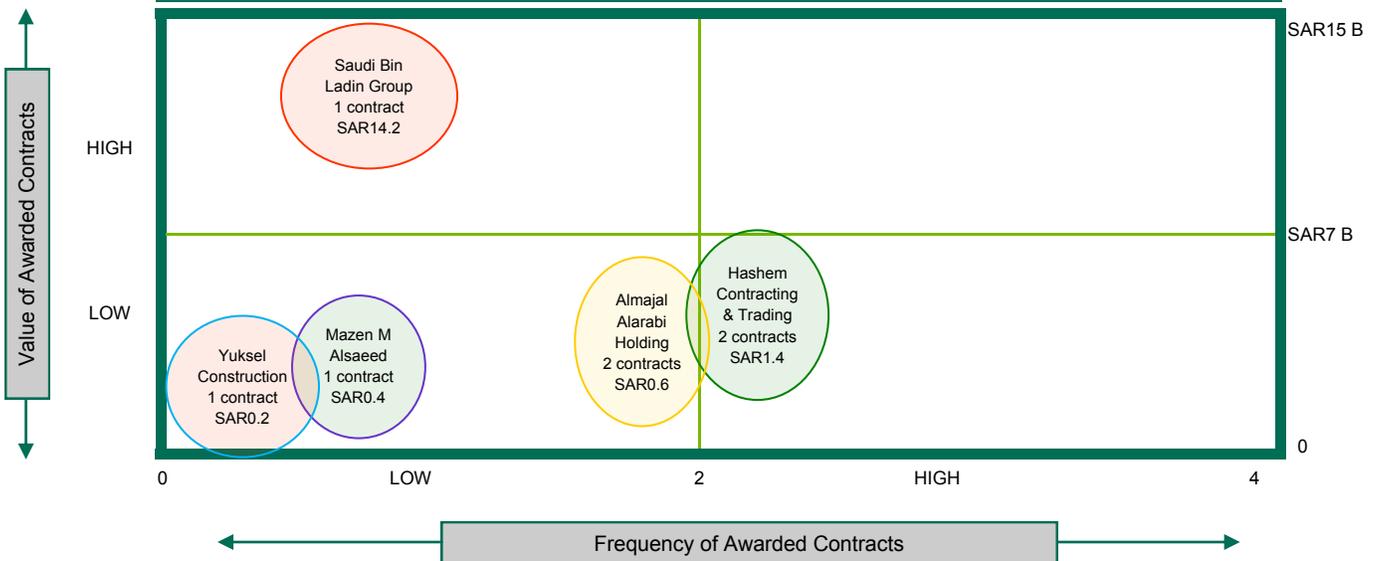


*Contracts with stated completion period

Market Dynamics Between Owners and Contractors

The majority of awarded contracts pertained to the construction of new hospitals across the Kingdom. The Saudi Bin Laden contractor was the recipient of a significant share of a contract for Military Medical City in Riyadh:phase1, Almajal Alarabi Holding was awarded two projects that entailed developing two hospitals in Taif and Jeddah. Other awarded contracts were pertained to improving the infrastructure in and surrounding existing hospitals and medical facilities.

Ministry of Defense/ Health's and Others Distribution of Awarded Contracts During 2015



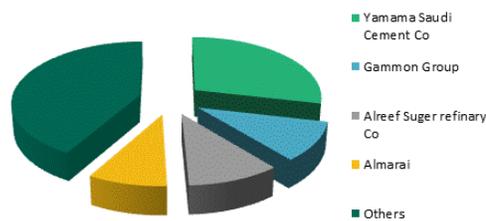
Industrial

The value of awarded contracts in the industrial sector rose to SAR14.4 billion in 2015. The Yamama Saudi Cement Company awarded the highest value of contracts as part of the Riyadh Cement Plant Expansion. A various other project owners were involved awarding projects in areas such as cement, sugar refinery and others.

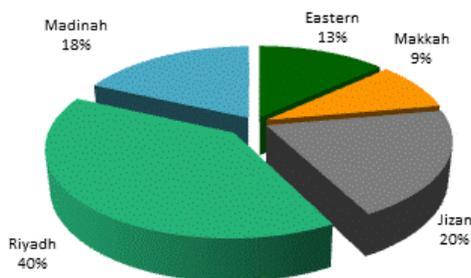
Value of Awarded Contracts in Industrial



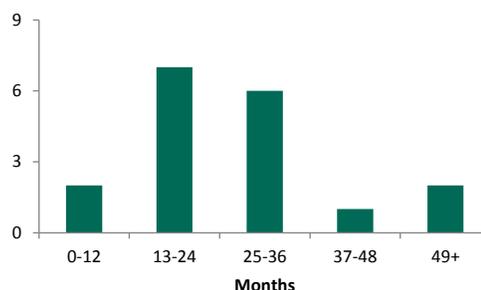
Share of Value of Awarded Contracts by Owner



Value of Awarded Contracts by Region



Expected Completion Time of Awarded Contracts*

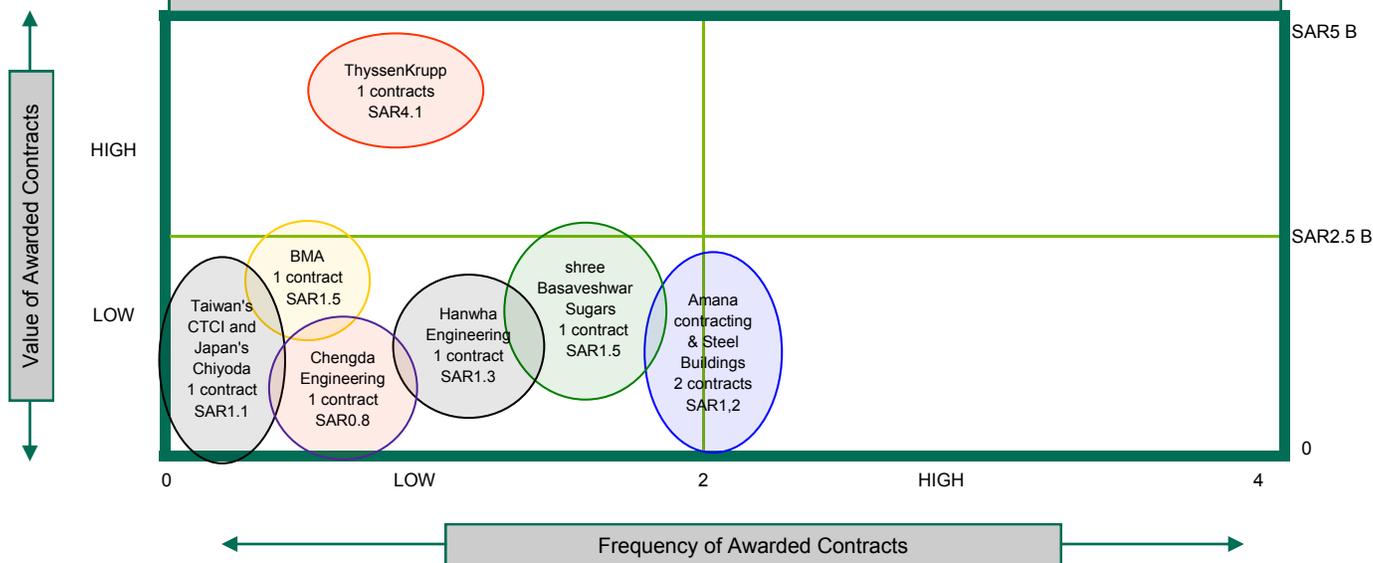


*Contracts with stated completion period

Market Dynamics Between Owners and Contractors

The industrial sector had several project contracts awarded to numerous contractors. However, Yamama Saudi Cement has largest value of the awarded contracts. Other companies such as Gammon group, Alreef sugar refinery company and Tasnee. The construction opportunities for local contractors are existing as the private sector is planning to increase its expenditure on investing and building new factories.

Yamama Saudi Cement and Others Distribution of Awarded Contracts During 2015



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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