

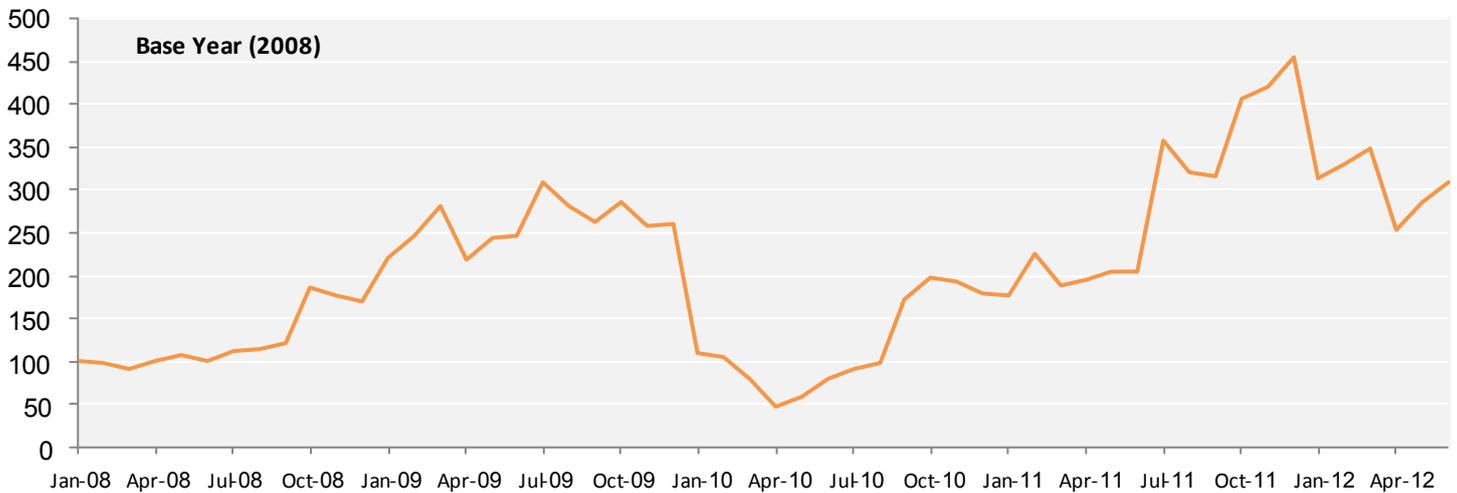
NCB Construction Contracts Index Second Quarter 2012

NCB Quarterly Review of Contract Awards in the Construction Sector

HEADLINES

1. *NCB Construction Contracts Index reached 309.12 points by the end of the second quarter of 2012, while the total value of awarded contracts reached SAR74.5 billion. The value of awarded contracts through the first half of 2012 reached SAR126.7 billion.*
2. *April's contract awards were valued at approximately SAR14.4 billion, led by the transportation and education sectors.*
3. *May's value of contract awards jumped to approximately SAR27.8 billion, led by the petrochemical and power sectors.*
4. *June's value of contract awards further increased to approximately SAR32.3 billion, led by the petrochemical and power sectors.*

NCB Construction Contracts Index



Source: Various sources, NCB

Value of Contracts

Trailing Twelve Months (2011-2012)	Jul (2011)	Aug	Sep	Oct	Nov	Dec	Jan (2012)	Feb	Mar	Apr	May	Jun
Contract Awards Value (SR Millions)	69,779	10,354	15,006	53,284	14,914	22,644	11,894	17,169	23,186	14,400	27,768	32,314
CCI Value	358.59	319.88	316.44	406.46	419.82	453.64	312.45	329.07	349.03	254.18	285.53	309.12

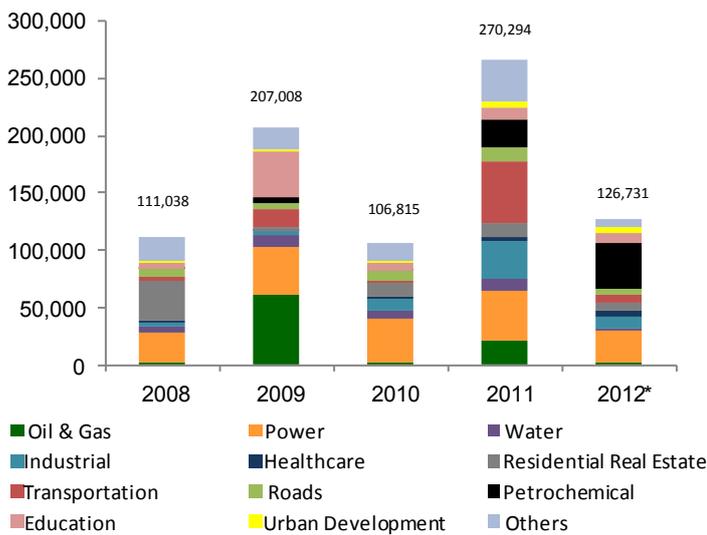
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Construction Contracts Award Index During Q2 2012*

The value of awarded contracts during the Q2'12 continued at an impressive pace as approximately SAR74.5 billion worth of contracts were awarded. Anchor sectors were the main drivers during the quarter as approximately SAR51.7 billion worth of contracts were awarded within the petrochemical and power sectors alone. Furthermore, the SAR126.7 billion in awarded contracts during H1'12 was largely as a result of mega-projects being awarded within the petrochemical and power sectors, which accounted for SAR67 billion of the first half's total value. However, infrastructure related sectors, such as the healthcare, education, urban development and roads, which have been the focus of public spending, contributed approximately SAR26.5 billion of H1'12 value of awarded contracts, (Chart 1) (Chart 2).

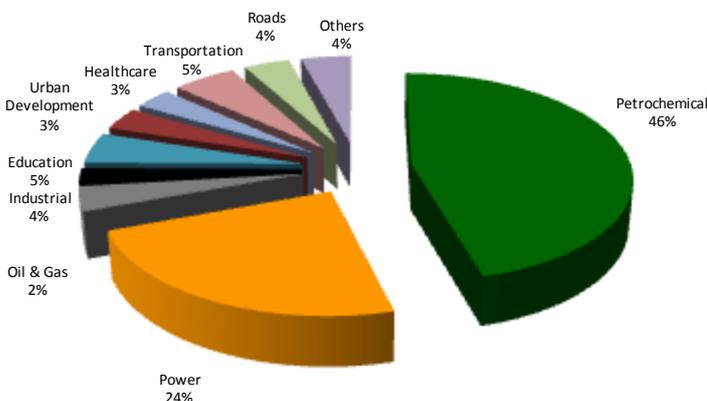
Chart 1: Value of Awarded Contracts by Year (SAR millions)



* Through H1'12

Source: Various sources, NCB

Chart 2: Value of Awarded Contracts by Sector During Q2'12



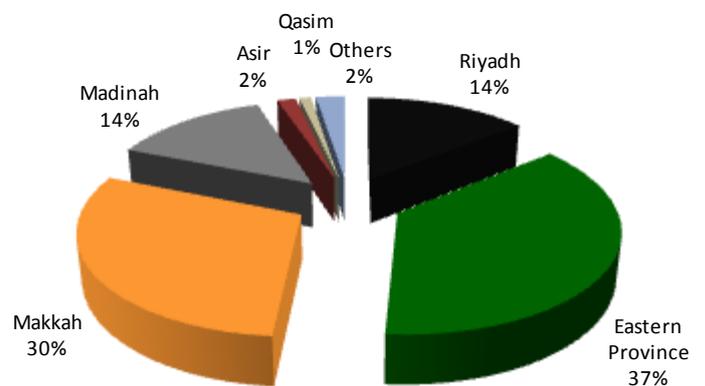
Source: Various sources, NCB

Building on the fast growth that was exhibited during the first quarter, the SAR74.5 billion in awarded contracts during Q2'12 resulted in a substantial tally for the first half of the year. Compared to Q2'11, the value of awarded contracts grew by 46% during Q2'12. The SAR126.7 billion in awarded contracts during H1'12 significantly grew by 50% compared to H1'11, which had reached SAR84.3 billion. Although 2011 was considered to be a remarkable year in the construction sector, it appears that 2012 will continue this positive trend.

The Construction Contracts Index (CCI) reached 309.12 points to end the quarter after seeing the index steadily increase from 254.18 and 285.53 in April and May, respectively. This growth is largely due to the abundance of mega projects over the past six months, especially during May and June. The growth in the value of awarded contracts has also been bolstered by non-anchor sectors, whereby the government has placed a significant emphasis on the continual development of the Kingdom.

Given the sheer amount of mega-projects that were awarded in the petrochemical and power sectors, the Eastern Province was the largest recipient as 37% of all awarded contracts by value occurred in that region. The Makkah region also had several mega-projects that were awarded in the petrochemical sector, mainly due to the development of Petro-Rabigh's refinery and petrochemicals complex in the city of Rabigh. The Madinah region captured 14% of the value of awarded contracts largely due to the development of the third phase of Yanbu's Power Plant. The Riyadh region benefitted from numerous contract awards across numerous sectors, which contributed to its 14% share, (Chart 3).

Chart 3: Value of Awarded Contracts by Region During Q2'12



Source: Various sources, NCB

April

The SAR14.4 billion in awarded contracts during April was led by the transportation and education sectors. A single contract within the transportation sector accounted for 21% of the value of awarded contracts during April. The contract

was awarded by Saudi Aerospace Engineering Industries (SAEI) to a consortium led by Turkey's TAV Construction in the amount of SAR3 billion. The phase one contract calls for the construction of Jeddah's King Abdulaziz International airport's aircraft maintenance, repair and operation (MRO) facility. Phase one includes the design and building of 11 aircraft hangars, ancillary building, an administration building, a closed park and aircraft parking aprons.

Within the education sector, approximately SAR2.4 billion worth of contracts were awarded by the Ministry of Higher Education for the construction and development of numerous universities and associated facilities across the Kingdom. This brings the total value of awarded contracts in the education sector to approximately SAR8.5 billion during H1'12. This reflects the government's commitment to develop the education sector, which it had targeted as a critical sector as per its 2012 budget.

The healthcare sector, which has also been targeted by the government, witnessed approximately SAR2.3 billion worth of awarded contracts. The Ministry of Health awarded numerous contracts across the kingdom to local contractors. The contracts primarily consisted of constructing new hospitals and clinics. The aggregate value of awarded contracts during H1'12 in the healthcare sector reached approximately SAR6.4 billion.

The power sector had nearly SAR2.2 billion worth of awarded contracts during April. The largest contract was awarded by Saudi Aramco to Hyundai Heavy Industries in the amount of SAR1.6 billion. The contract consists of the expansion of three independent power and steam projects. The project is expected to be completed by the second quarter of 2015.

Within the petrochemical sector, a contract was awarded by the Sadara Chemical Company to Linde AG for package one of the Jubail New Petrochemical Complex. Package one includes the construction of a hydrogen, oxygen, carbon monoxide, ammonia plants and associated facilities. The SAR1.4 billion project is expected to be completed by the second quarter of 2015.

May

May's value of awarded contract jumped to SAR27.8 billion. The petrochemical and power sectors accounted for nearly 69% of the total value of awarded contracts. Approximately SAR12.8 billion worth of contract were awarded in the petrochemicals sector as Petro-Rabigh (JV between Saudi Aramco and Sumitomo Chemical) awarded five mega-projects as part of the phase two expansion. The largest of these contracts was awarded to Saipem SpA in the amount of SAR5.6 billion. The contract calls for all associated works for the expansion of the Rabigh Aromatics Complex. The contract is expected to be completed by the first quarter of 2015.

Petro-Rabigh awarded three contracts to GS Engineering & Construction for a total of SAR5.3 billion. The contracts

called for the construction an ethyl vinyl acetate (EVA) & low density polyethylene plant, a methyl tertiary butyl ether (MTBE) plant and the offsite and utilities associated with the project. The plants are expected to be completed by the first quarter of 2015 while the offsite and utilities project is expected to be completed by the third quarter of 2015.

The final contract that was awarded by Petro-Rabigh went to Petrofac limited in the amount of SAR1.9 billion. Petrofac will be tasked with constructing the tank farms and common facilities associated with the project. The project is expected to be completed by the third quarter of 2015.

A total of SAR6.4 billion worth of contracts were awarded within the power sector in May. The most significant of these contracts was the development of PP12 (power plant 12) near Riyadh City. SEC awarded the contract to Arabian Bemco in the amount of SAR4.7 billion. The plant will have a capacity of 2,175MW and is expected to be completed within three years.

The transportation sector witnessed two contracts in which the Makkah Development Authority awarded Saudi Binladin Group a SAR1.9 billion contract. The scope of the work involves the construction of 19.5 kilometers of roads, bridges and tunnels in Makkah and the surrounding area. The construction is expected to be completed within three years.

June

The value of awarded contracts further increased to SAR32.3 billion during May as the petrochemical and power sectors accounted for 89% of the value of contracts. Approximately SAR20 billion worth of contracts were awarded in the petrochemical sector. Al Jubail Petrochemical Company (Kemya-JV between SABIC and ExxonMobil Chemical) awarded six contracts worth SAR12.8 billion to several international contractors. Daelim received the bulk of the contracts as it was awarded three contracts worth approximately SAR7.1 billion. The first contract worth SAR3 billion called for the development of the offsite and utilities for Kemya's elastomer plant in Jubail. The work is expected to be completed by the third quarter of 2015.

Daelim's second contract, which was worth SAR2.3 billion, included the construction of a carbon black plant and associated facilities. The project is expected to be completed by the fourth quarter of 2015. Daelim's third contract called for the construction of a methyl tertiary butyl ether (MTBE) backcracking plant, worth SAR1.9 billion. The project is expected to be completed by the fourth quarter of 2015.

Tecnicas Reunidas was the recipient of two contracts worth SAR3.8 billion at Kemya's elastomer plant. Both contracts, worth SAR1.9 billion each, called for the construction of an ethylene propylene diene monomer (EPDM) plant and a polybutadiene rubber (PBR) plant, respectively. Both contracts are expected to be completed by the fourth quarter of 2015. The final contract was awarded to Technip and Jacobs for the construction of a halobutyl rubber plant and associated facilities. The SAR1.9 billion project is expected

to be completed by the fourth quarter of 2015.

Tecnicas Reunidas was awarded a contract by Arabian Petrochemical Company (Petrokemya) worth SAR2.1 billion for the construction of the region's first acrylonitrile butadiene styrene plant at the Jubail olefins complex. The ABS plant is expected to produce 383.56 tons per day once it is completed by the fourth quarter of 2014.

Petro-Rabigh awarded an additional contract to Daelim as part of phase two of the petrochemicals complex in Rabigh worth SAR1.9 billion. Daelim will construct a cumene, phenol and a cyclohexanone plant. The project is expected to be completed by the first quarter of 2015.

The Sadara Chemical Company was also active in the petrochemical sector as it awarded three contracts worth SAR2.6 billion. The most significant contract was awarded to JGC Gulf International for the construction of an aromatics plant at the Jubail new petrochemical complex. The SAR1.9 billion project is expected to be completed by the third quarter of 2016.

The power sector had approximately SAR8.9 billion worth of awarded contracts during June. A mega-project was awarded by the Saline Water Conversion Corporation (SWCC) and Marafiq to joint companies, Al Toukhi Contracting and Samsung Engineering. As part of the SAR6.8 billion contract, Altoukhi and Samsung will be responsible for the power plant and tank terminal package as part of phase three of the Yanbu Power Plant. The plant will use cracked heavy fuel oil (HFO) with lowest additive concentration (LAC) as backup fuel.

Approximately SAR1.9 billion worth of contracts were awarded in the industrial sector. The largest contract in terms of value was awarded by Southern Province Cement to China's Sinoma International Engineering Company for the construction of a third production line at its Tahama plant in the Makkah province. The contract was valued at SAR705 million and is expected to be completed within 24 months.

Outlook

There was a significant increase in the value of awarded contracts during H1'12 as 2012 is on pace to eclipse 2011's remarkable performance. As expected, anchor sectors contributed a significant share of the value of the awarded contracts as 16 projects each worth SAR1 billion and greater were awarded in the petrochemical sector alone. We expect this trend to continue into H2'12 as the value of awarded contracts is anticipated to further increase during this period. Additionally, non-anchor sectors are expected to take on a larger share of the overall value of awarded contracts as the government's 2012 budget called for heavy investment in the social infrastructure sectors.

Selected Awarded Contracts During the Second Quarter of 2012:

Sector	Contractor	Client	Details	Value SAR millions
Transportation	Consortium led by Turkey's TAV Construction	Saudia Aerospace Engineering Industries (SAEI)	Aircraft maintenance, repair and operation (MRO) facility at King Abdulaziz Intl Airport	3,000
Power	Al Toukhi & Samsung	SWCC/ Marafiq	Power plant and tank terminal package at the Yanbu Power Plant Phase 3	6,750
	Arabian Bemco	SEC	Build PP12 near Riyadh City, with a capacity of 2,175 MW	4,688
Petrochemical	Saipem	Petro-Rabigh	Expansion of Rabigh Aromatics Complex	5,625
	Daelim	Kemya	Offsite and utilities at the elastomer plant	3,000
	Daelim	Kemya	Construction of a carbon black plant	2,250
	Tecnicas Reunidas	Petrokemya	Build an acrylonitrile butadiene styrene (ABS) plant	2,104
	JGC Gulf International	Sadara Chemical Company	Aromatics plant package	1,875
Oil & Gas	Baker Hughes	Saudi Aramco	Providing drilling rigs, wireline logging, cementing and mud engineering, directional and horizontal drilling	1,500
Roads	Saudi Binladin Group	Makkah Development Authority	Construction of 19.5 km of roads, bridges and tunnels in Makkah and surrounding areas	1,901

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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