

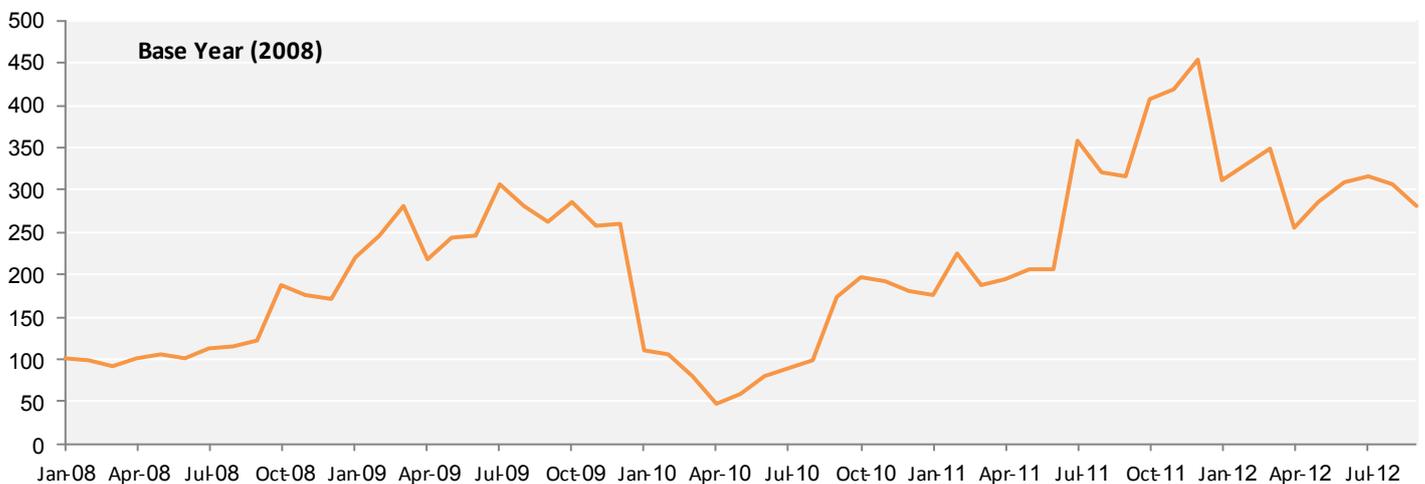
NCB Construction Contracts Index Third Quarter 2012

NCB Quarterly Review of Contract Awards in the Construction Sector

HEADLINES

1. *NCB Construction Contracts Index reached 277.29 points by the end of the third quarter of 2012, while the total value of awarded contracts reached SAR39.2 billion. The value of awarded contracts through the first three quarters of 2012 reached SAR166 billion.*
2. *July's contract awards were valued at approximately SAR15.2 billion, led by the petrochemical and road sectors.*
3. *August's value of contract awards dropped to approximately SAR12.8 billion, led by the road and petrochemical sectors.*
4. *September's value of contract awards further slipped, reaching approximately SAR11.2 billion, led by the healthcare and road sectors.*

NCB Construction Contracts Index



Source: NCB, various sources

Value of Contracts

Trailing Twelve Months (2011-2012)	Oct (2011)	Nov	Dec	Jan (2012)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Contract Awards Value (SR Millions)	53,284	14,914	22,644	11,894	17,169	23,186	14,400	27,768	32,314	15,190	12,809	11,200
CCI Value	406.46	419.82	453.64	312.45	329.07	349.03	254.18	285.53	309.12	317.16	306.52	277.29

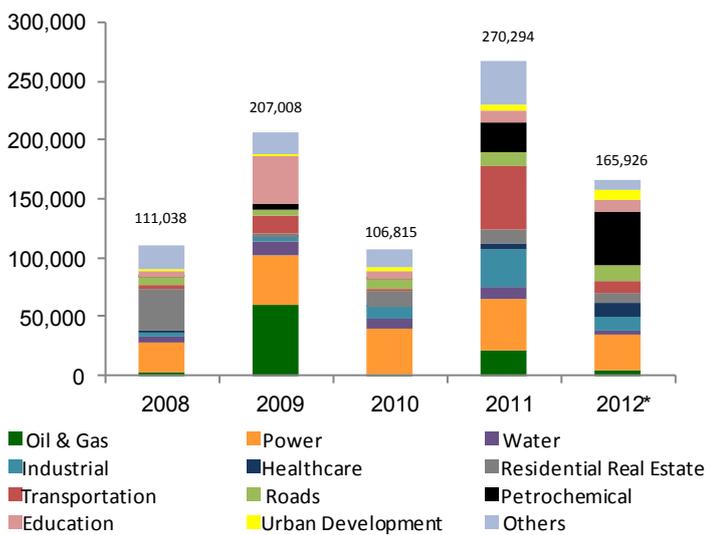
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Construction Contracts Award Index During Q3 2012*

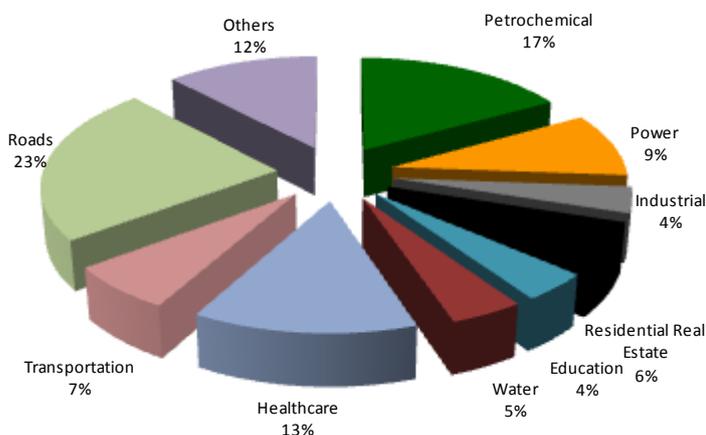
The value of awarded contracts during the Q3'12 declined compared to the previous two quarters of 2012. The SAR39.2 billion in awarded contracts during Q3'12 reversed a familiar trend seen in previous years as the value of awarded contracts generally rise during the third and fourth quarters. The decrease was mainly attributed to the reduction of mega-projects being awarded. Conversely, there was a significant increase in the number of smaller contracts that focused on strengthening the Kingdom's infrastructure capabilities. Within the roads sector alone, approximately SAR9 billion was awarded whereas an anchor sector such as petrochemicals had SAR6.6 billion in awarded contracts. The healthcare sector also contributed significantly, accounting for SAR5.2 billion, (Chart 1) (Chart 2).

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



* Through Q3'12
Source: NCB, various sources

Chart 2: Value of Awarded Contracts by Sector During Q3'12



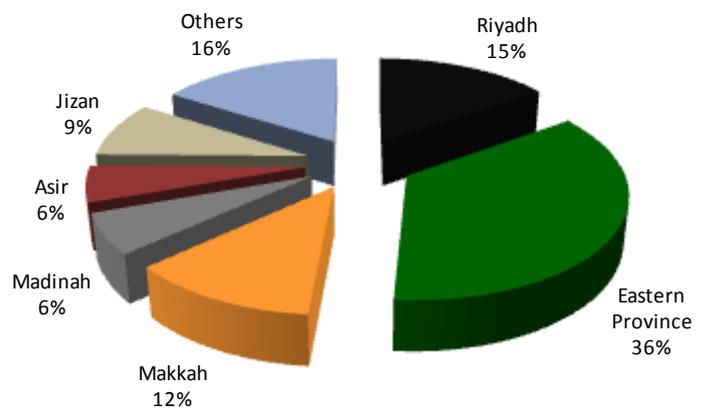
Source: NCB, various sources

The momentum of the value of awarded contracts appeared to have tapered off during the third quarter of 2012. Approximately SAR166 billion worth of contracts have been awarded though the first three quarters of 2012.. In comparison, approximately SAR179 billion worth of contracts were awarded during the same time period in 2011. The 7% drop in 2012 was largely due to substantially lower value of awarded contracts during Q3'12 compared to Q3'11. The SAR39.2 billion in awarded contracts during Q3'12 paled in comparison to the SAR95.1 billion that was awarded during Q3'11, representing a 59% reduction.

The Construction Contracts Index (CCI) dropped in three consecutive months from 317.16 points in July down to 306.52 and 277.29 points during August and September, respectively. The noticeable drop in awarded mega-project contracts during the third quarter was the main factor in the reduction of the CCI as it was unable to sustain the growth that was exhibited during Q2'12. The CCI recorded a 12% drop at the end of the third quarter of 2012 compared to the same period in 2011, when it reached 316.44 points.

The majority of the value of awarded contracts took place in the Eastern Province, which accounted for 36% of the total awarded contracts. Several significant contracts in the petrochemical and oil & gas sectors boosted the Eastern Province's share. The Riyadh region's 15% share was largely the result of large contracts in the healthcare and roads sectors. The Makkah region accounted for 12% of the total value of awarded contracts, with particular focus on the roads, power and education sectors. The awarded contracts in the roads sector comprised a significant share of the awarded contracts across all the provinces in the Kingdom, (Chart 3).

Chart 3: Value of Awarded Contracts by Region During Q3'12



Source: NCB, various sources

July

The value of awarded contracts in July totaled approximately SAR15.2 billion, led by the petrochemical and roads sectors. Those two sectors accounted for 52% of the total awarded contracts for the month. The petrochemical sector had three significant contracts that were all awarded by the Sadara Chemical Company to Tecnicas Reunidas. The first

contract calls for Tecnicas Reunidas to construct an ethylene oxide unit along with its associated facilities at the Jubail New petrochemical Complex. The SAR2.3 billion project is expected to be completed by the third quarter of 2015.

The second contract involved the engineering, procurement and construction (EPC) of an ethylene oxide derivatives (EOD) unit along with its associated facilities. The SAR1.3 billion project is expected to be completed by the fourth quarter of 2016. Tecnicas Reunidas' third awarded contract will involve the construction of a polyethylene oxide diacrylate (POD) plant along with its associated facilities. The SAR1.1 billion project is expected to be completed by the fourth quarter of 2016.

The majority of the SAR3.2 billion in contract awards by the Ministry of Transport in the roads sector involved the construction of new highways, rehabilitation of existing roads and completion of ongoing road projects throughout the Kingdom. The contracts were awarded to specialized local contractors.

Approximately SAR1.4 worth of contracts were awarded in the transport sector during July with the most notable contract being awarded by the Saudi Railway Company to Saudi Binladin Group in the amount of SAR664 million. Saudi Binladin Group will construct an 85 km railway line from Ras Al Khair to Jubail. The project is expected to be completed by the third quarter of 2015.

The residential real estate sector had a SAR1.6 billion contract that was awarded by the Ministry of Defense to Al Jouda Trading Company. Al Jouda Trading Company will build 82 residential buildings and 11 villas for police members and their families. An additional 12 mosques will also be constructed as part of the contract. The project is expected to be completed by the third quarter of 2016.

Within the healthcare sector, a SAR500 million contract was awarded by the National Guard to Manazel Construction for the construction of a National Guard Hospital in Al Ahsa. The hospital will have 300 beds. Construction work is expected to be completed by the third quarter of 2015.

August

The value of awarded contracts dipped in August, reaching SAR12.8 billion. Roads and petrochemicals were once again the two sectors with the highest value of awarded contracts. Approximately SAR2.5 billion worth of contracts were awarded in the roads sector. Again, the majority of the work focused on the construction of new highways, rehabilitation of existing roads and completion of ongoing road projects throughout the Kingdom.

The petrochemical sector has two contracts worth SAR1.9 billion. The first contract was awarded by Sadara Chemical Company to Tecnimont in the amount of SAR1.4 billion. Tecnimont will construct a low density polyethylene (LPDE) plant along with its associated facilities at the Jubail New Petrochemical Complex. The project is expected to be completed

by the fourth quarter of 2016. The second contract was awarded by Rabigh Refining Petrochemical Company (Petro-Rabigh) to JGC Corporation in the amount of SAR563 million. JGC Corporation will be responsible for the expansion of Rabigh ethane cracker (Phase 2). The project is expected to be completed by the fourth quarter of 2015.

A SAR1 billion contract was awarded by the Saudi Stock Exchange (Tadawul) to a consortium of Contracting & Construction Enterprises and Samsung CTJV, within the commercial real estate sector. As part of the contract, a 40 storey tower (Tadawul Tower) along with its parking facilities will be constructed at Riyadh King Abdullah Financial District (RKAFD). The tower is expected to be completed by the third quarter of 2015.

The power sector registered SAR1.6 billion worth of awarded contracts during August. The Saudi Electric Company (SEC) awarded numerous contracts across the Kingdom in an effort to increase the supply of electricity to meet heavy demand. SEC awarded two contracts to Al Toukhi Company for Industry and Trading that involved the construction of substations. The first contract, worth SAR439 million calls for the construction of a 380/132/13.8 kV substation in the Eastern Province. The second contract, worth SAR335 million, is for the construction of a 380/115/13.8 kV substation, also in the Eastern Province. Both projects are expected to be completed within two years.

Within the hospitality sector, a SAR600 million contract was awarded by Dar Al Bayan Real Estate to Nahdat Al Emaar Contracting Company for the construction of a Hilton Al Jubail. The project will include a 15 storey tower with 400 rooms and 30 suites in addition to restaurants, meeting rooms, ballroom, business center, spa and other related facilities. The project is expected to be completed by the first quarter of 2015.

September

The value of awarded contracts decreased to SAR11.2 billion. The roads sector tallied the highest value of awarded contracts with SAR3.2 billion, while the healthcare sector came in second with three contracts worth SAR2.5 billion. The Ministry of Transport continued its heavy investment into the roads sector as the total value of awarded contracts reached SAR9 billion through the first three quarters of 2012.

The healthcare sector had a sizeable contract that was awarded by the Ministry of Health to a joint-venture between Latifa Trading Contracting and Al-Habtoor Leighton in the amount of SAR1.2 billion. The contract involves the expansion of King Fahad Medical City in Riyadh. The expansion will encompass a neuroscience center, cancer center, cardiac center and a central services building for a total of 500 beds.

The Ministry of Health awarded another contract in the amount of SAR720 million for the construction of the Jizan Specialist Hospital. Al Fouzan Trading and General

Contracting was awarded the contract. The hospital will have 500 beds and is expected to be completed by the fourth quarter of 2015.

The Ministry of Health awarded its third contract to Al Fouzan Trading and General Contracting in the amount of SAR585 million. The contracts calls for the construction of a 500 bed hospital at Prince Mohammed bin Abdulaziz Medical City in Aljawf. The project is expected to be completed by the second quarter of 2015.

Within the water sector, the National Water Company (NWC) awarded two contracts worth SAR668 million to Al Muhaidib Contracting Company. Al Muhaidib will be responsible for the construction of the Briman Strategic Water Reservoir and the Al Khumra pumping station in Jeddah. The projects are expected to be completed within two years.

Outlook

Although the value of awarded contracts slipped slightly during the third quarter, those sectors that were targeted by the Saudi government as an integral focus for its capital expenditures thrived. The roads, education, healthcare and urban development sectors represented a significant portion of the awarded contracts, while anchor sectors deferred. However, anchor sectors will still be expected to produce the bulk of the value of awarded contracts to finish the year. Significant contracts are expected to be awarded during the fourth quarter. Saudi Aramco is expected to award several contracts at the SAR26 billion Jizan refinery project. Additionally, SEC is expected to award big contracts in the power sector as the Jeddah South thermal power plant is anticipated to be awarded.

Selected Awarded Contracts During the Third Quarter of 2012:

Sector	Contractor	Client	Details	Value SAR millions
Residential Real Estate	Al Jouda Trading Company	Ministry of Defense	MOD-Aviation plans new housing development consisting of villas and apartments	1,658
Commercial Real Estate	Contracting & Construction Enterprises/ Samsung CT	Saudi Stock Exchange (Tadawul)	Construction of the Tadawul tower phase 2 (40 storeys) at King Abdullah Financial District (KAFFD)	1,001
Petrochemical	Tecnicas Reunidas	Sadara Chemical Company	Construction of an Ethylene Oxide unit and associated facilities	2,250
	Tecnicas Reunidas	Sadara Chemical Company	Construction of a polyethylene oxide diacrylate plant	1,125
	Tecnicas Reunidas	Sadara Chemical Company	Ethylene oxide derivatives (EOD) package	1,312
	Tecnimont	Sadara Chemical Company	Low Density Polyethylene (LPDE) plant	1,350
Oil & Gas	Saipem	Saudi Aramco	Saudi Aramco-Arabiyah-Hasbah Development Program: shore (on-off) connecting pipe	1,125
Healthcare	Latifa Trading Contracting/ Alhabtoor Leighton JV	Ministry of Health	King Fahad Medical City Expansion	1,181
Transportation	Saudi Binladin Group	Saudi Railway Company	Constructing railway link from Ras Al Khair to Jubail	664

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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