

Annual Report 2015

Executive Summary



Executive Summary

Established in 2001, the Saudi Industrial Property Authority (MODON) is responsible for the development of industrial cities with integrated infrastructure and services; whereas MODON has established industrial cities in various regions of the Kingdom, it is currently overseeing 34 existing and underdevelopment cities which include: Riyadh (1st., 2nd. & 3rd.), Jeddah (1st., 2nd. & 3rd. & 4th.), Dammam (1st., 2nd. & 3rd.), Makkah, Qassim (1st. & 2nd.), Al-Ahsa (1st. & 2nd.), Madina Al-Munawwara, Al-Kharj, Sudair, Al-Zulfi, Shaqraa, Durma, Ha'il, Tabuk, Arar, Al-Jouf, Assir, Jazan, Najran, Al-Baha(1st. & 2nd.), Hafr Al-Batin and Rabigh. In addition, there are cities under planning and designing which include: Wa'ad Al-Shumaal and Al-Qassim Oasis.

MODON is also responsible for creating the ideal environment for growth and development of technology zones in the Kingdom of Saudi Arabia, where MODON is currently overseeing two technology zones and is seeking to earmark further zones towards acquiring the latest technological investments.

Private industrial cities, with the highest global standards and specifications, are under direct MODON supervision. Currently MODON oversees six private industrial cities and is about to oversee more private industrial cities.

MODON also provides several economic advantages and attracting incentives for industrial, technical, service, residential and commercial projects; as competitive annual rent of developed industrial land in some cities prices is just one riyal per square meter. Industrial investors also find attractive financing opportunities offered by government financing funds and banks to lend to industrial projects, as well as other facilities to support exports by providing export guarantee and Customs exemption for imports of raw materials and machinery.

In the year 2015, MODON achieved extra clear and tangible leaps in terms of gated communities and building projects, Ready-built factories being one of those, which strengthened its plans and drew strategic objectives in the implementation of projects. This year MODON witnessed one of the most successful indicators of projects, initiatives and programs.

At the end of year 2015, there are more than 2,874 productive factories and 6,020 industrial, service and logistics contracts in the existing industrial cities on an area of more than 182 million square meters developed by MODON. Designs for housing complexes as well as projects and standard models of buildings for residential villas, hotel apartments, MODON schools, parks, commercial complexes, fire stations and workers housing have been completed in a number of industrial cities. MODON Oasis, a concept of specialized women-only industrial cities; have been achieved in each of Al-Ahsa, Jeddah and Yanbu industrial cities.

Many new contracts have been signed to support investors by building 'Ready-built Factories'. More land has been developed to construct warehouses, industrial incubators, complete service system and logistics facilities, as well as administrative buildings and halls, malls, roads and other utilities.

Currently the investments in the industrial cities exceed 500 billion riyals, whereas more than 480,000 workers are employed.

Vision

To provide distinctive and unique industrial cities and technology zones of the highest quality throughout the Kingdom.

Mission

To establish, develop and operate the industrial cities and technology zones in partnership with the private sector, enabling us to provide integrated services that meet the needs of investors, contribute to community development, and preserve the environment.

MODON Values

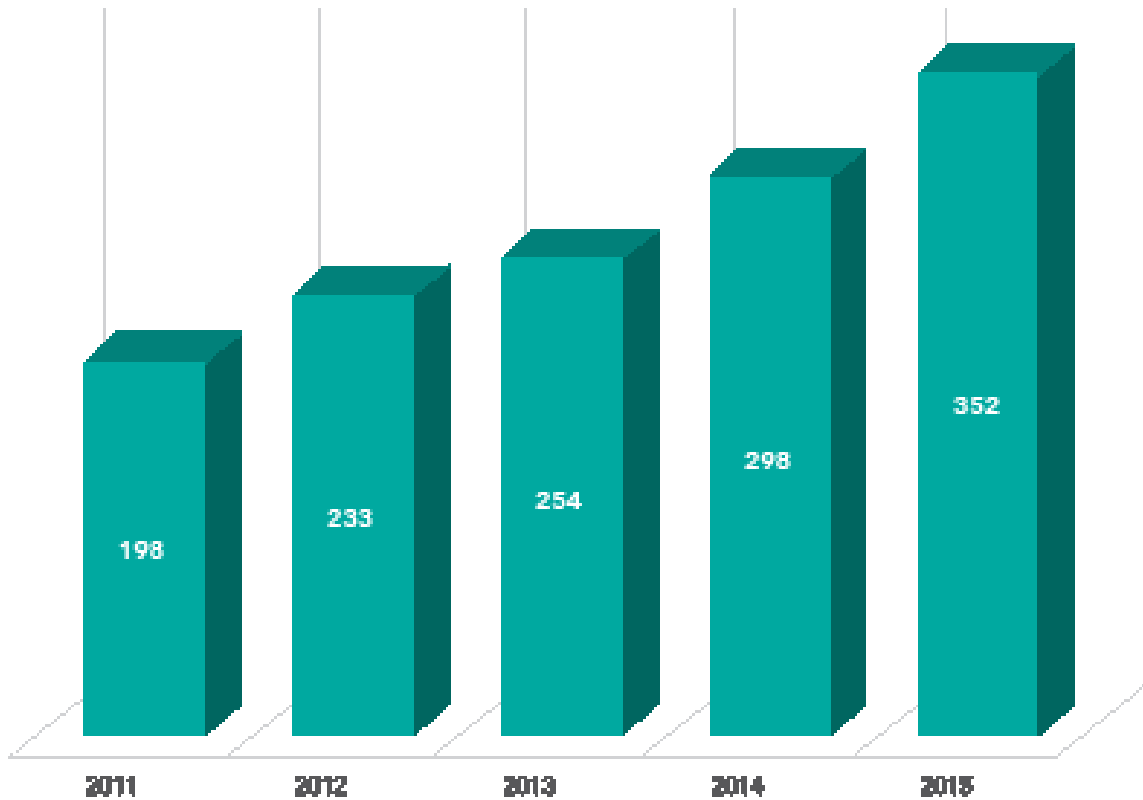
- Commitment: We are committed to our responsibilities towards the nation, the investor, the community and the environment.
- Creativity: We develop mechanisms and products that facilitate the investor.
- Excellence: We excel in providing integrated industrial cities with value-added facilities.
- Achievement: We achieve the aspirations of the investor by quality and proficiency.
- Teamwork: We adopt complimentary work to overcome all the challenges and obstacles.

MODON – Indicators and Figures...

| | |
|--|---|
| Total Revenue - SR. 547 million | Productive Factories – 2,874 |
| Length of Roads – 275 km | Logistics Area – 2.5 million square meters |
| Number of Industrial cities – 34 | Residential Complex Area – 300,000 square meters |
| Developed Area – 182.5 million square meters | Green Areas – 1.8 million square meters |
| Electricity – 6,766 MVA | Number of Trees – 63,079 |
| Ready-Built Factories (existing) – 134 | Provision of Water Services – 10 new cities |
| Ready-Built Factories (under construction) – 534 | Drop in Number of Fires – 23% |
| Developed Area in Private Industrial Cities – 18.3 million square meters | Reduction in Land Allocation Time - 26 business days |
| Industrial, Services and Logistics Contracts – 6,020 | Total Logistics Services Contracts almost – 600,000 square meters |

Manpower and Working Environment

MODON has been successful in attracting distinctive competencies, where the number of applicants in 2015 reached to nearly 16 thousand compared to 7,268 in 2014. The following chart shows the growth of the number of employees:

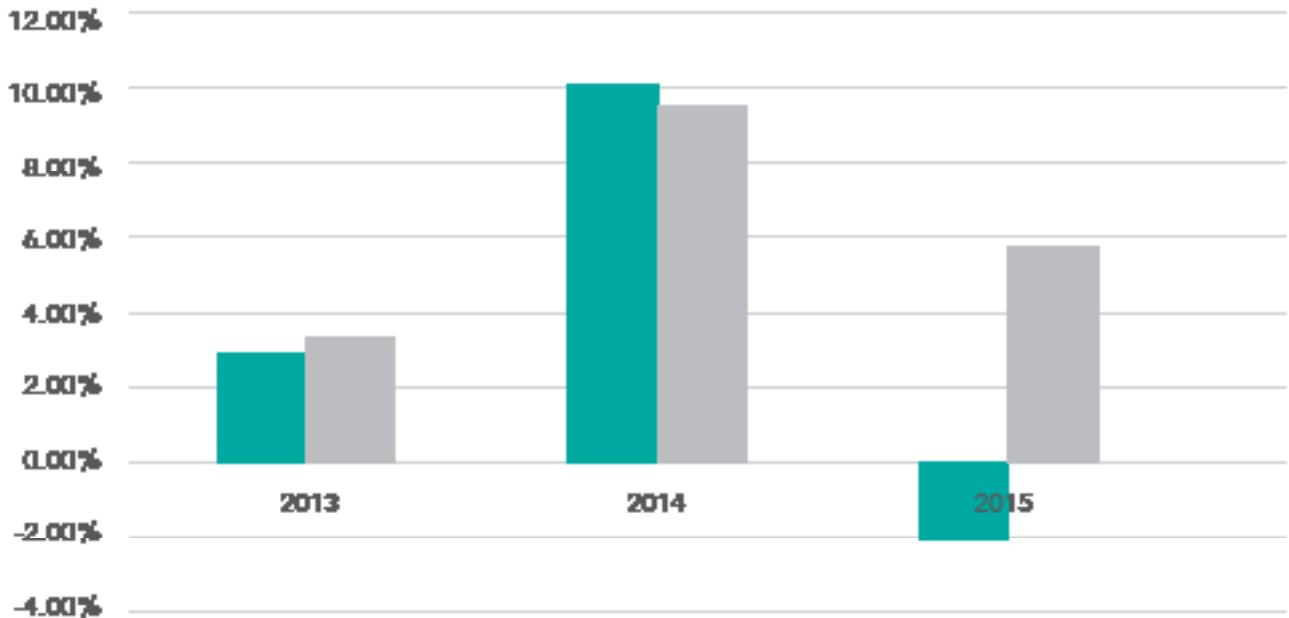


Graph (1-1) Growth of Employees in MODON

Industrial Sector in the Kingdom

The contribution of manufacturing to GDP for the 2015 at current prices accounted for 2.12% compared to 8.10% for the year 2014. Whereas the percentage of the relative contribution of the manufacturing industry in GDP for the year 2015 at constant prices, represents 8.11% compared to 5.11% for 2014.

Manufacturing value also reached to approximately 299 billion riyals at current prices and 296 billion riyals at fixed prices.



| | 2013 | 2014 | 2015 |
|----------------|-------|--------|--------|
| Current Prices | 2.92% | 10.11% | -2.12% |
| Fixed Prices | 3.37% | 9.54% | 5.78% |

Graph (2-1) Manufacturing Growth in GDP

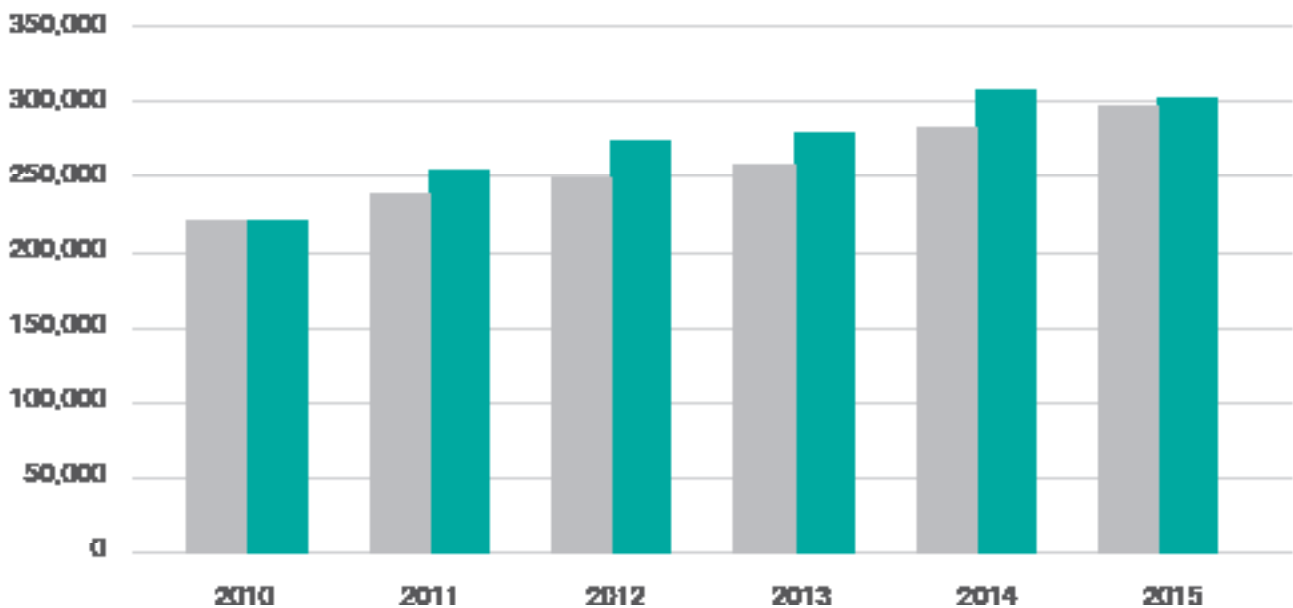
*Source: General Authority of Statistics – National Accounts Index 2015



| | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------|--------|--------|--------|--------|--------|
| Current Prices ■ | 10.90% | 10.80% | 10.90% | 11.50% | 11.80% |
| Fixed Prices ■ | 10.0% | 9.8% | 10.0% | 10.8% | 12.2% |

Graph (2-2) Manufacturing Industry Contribution in GDP

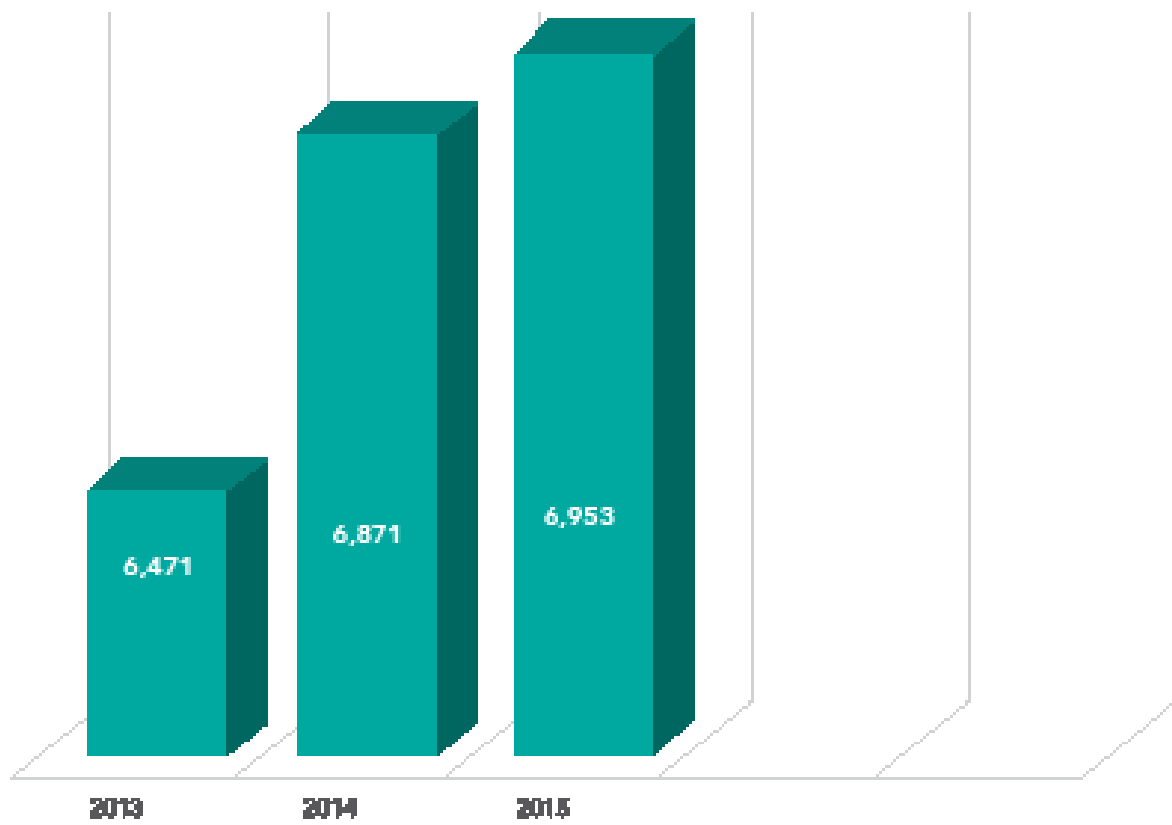
*Source: General Authority of Statistics – National Accounts Index 2015



| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------|---------|---------|---------|---------|---------|---------|
| Fixed Prices ■ | 218,171 | 237,597 | 247,269 | 255,603 | 279,987 | 296,117 |
| Current Prices ■ | 218,171 | 252,003 | 270,180 | 278,071 | 306,189 | 299,692 |

Graph (2-3) Growth of Manufacturing Value in millions of Riyals

*Source: General Authority of Statistics – National Accounts Index 2015



Graph (2-4) Number of Productive Factories in the Sector

*Source: General Authority of Statistics – National Accounts Index 2015

MODON Working Strategy

Goals:

| General Goals | Goals for 2015 | Goals Achieved at the End of 2015 (*) |
|---|---|---------------------------------------|
| Expansion in developed areas and complete services in the industrial cities | Planning and start 3 industrial oasis | 3 |
| | Completion of detailed designing for residential complex in Jeddah Oasis | 1 |
| | Design 7 residential complexes for families and workers | 6 |
| | Sign logistics contracts for 300,000 m ² | 592,000 m ² |
| | Design and build MODON Schools | 1 international and local school |
| | Contract to build 260 Ready Factories | 260 |
| | Complete 8 Administration Buildings and construct 6 new | 10 |
| | Increase developed area to 8.2 million m ² by 2015 | 5.04 million m ² |
| | Complete development services in existing industrial cities | 24.4 million m ² |
| | Increase the capacity of power stations by 5% | 6.766% |
| Expand the level of operation and maintenance services and raise the level of security and safety, health and environment | Increase green spaces to 1.5 million m ² | 1.775 million m ² |
| | Lift cleaning and maintenance indicators to more than 90% | 95% |
| | Decrease accident percentage to 20% from the previous year | 352 |
| | Apply 5S Methodology in the main industrial cities | 3 |
| Develop and increase revenue Market industrial cities Achieve high financial efficiency | Increase total revenue to 560 million Riyals | 547 million Riyals |
| | Reduce the proportion of the budget deviation between actual and estimated budget | -9% |
| | Increase investment revenue to 50 million | 42 million Riyals |
| | Raise the value of the return on investment in deposits to 25 million | 19.7 million Riyals |
| Develop work environment, increase MODON employee efficiency and convert MODON to a talent attractive organization | Strengthen MODON identity internally and externally | 100% |
| | Provide specialized programs to all the employees | 100% |
| | Recruit special competencies in operating industrial cities and project management | 82 employees |
| | Establish programs to attract talented graduates | 15 |
| | Establish five events for the development of social responsibility programs (marathons – Marketing Conference – industrial opportunities Forum) | 5 |
| | Promote the love of the industry to future generations by increasing the number of student visits to 5000 students | 7,000 |

(*) Unaudited

MODON Working Strategy 2020

| | |
|--|---|
| Developed Area 220 million m ² | Typical Industrial Cities 38 million m ² |
| Smart Tech Industrial Complexes 6 Complexes | Developed Area in Private Cities 38 million m ² |
| Industrial and Commercial Facilities 6,600 Facilities | |

| | |
|---|---|
| Ready Factories 2,000 Factories | Industrial Oasis 5 Oasis |
| Industrial Incubators 200 Incubators | Logistics Buildings 1,000 Buildings |
| Renewable Energy Use 5 Mega | City Dwellers Satisfaction Index 90% |
| Fire Stations 15 Stations | Training Centers 20 Centers |

Table (2-11) MODON Targets 2020

MODON Working Strategy 2020 contd...

| | | | | |
|-------------------------|---------------------------|--------------------------|---------------------------------------|--|
| Housing Units 10,000 | Recreational Parks 3 | Recreational Parks 9 | Hospitals and Medical Centers 3 | Logistics Services Performance Index 3 |
| Schools 21 | Recreational Centers 7 | Commercial Centers 28 | Office Units 3 | |

Table (2-11) MODON Targets 2020

MODON Products and Services

MODON presents several distinguished products, such as:

- Industrial lands
- Service lands
- MODON Oasis
- Ready Factories
- Industrial Incubators
- Ready Warehouses.

Ready Factories Projects

Through Ready Factory project, MODON provides integrated services for industrial investors including: infrastructure developer, electricity, communications, water, parking lots, means of security, safety and other services that are required by the industry and the industrialists.

By the end of 2015, MODON was successful in providing 134 ready-made factories in a number of industrial cities; whereas 534 are under construction. Of these, 83 factories have been leased and it is planned that the number will reach 2,000 ready factories by 2020. Following table shows the data:

| Industrial City | Area (m ²) | Phase | Total Factories | Completion Percentage |
|------------------------|------------------------|-------|-----------------|-----------------------|
| Riyadh 2nd. | 900 | 1st. | 8 | 100% |
| | 900 | 2nd. | 8 | 24% |
| Riyadh 3rd. | 900 | 1st. | 20 | 100% |
| | 900 | 2nd. | 20 | 5% |
| Al-Kharj | 900 | 1st. | 24 | 94% |
| | 900 | 2nd. | 12 | 17% |
| | 450 | 2nd. | 24 | 23% |
| Shaqraa | 900 | - | 10 | 88% |
| Al-Zulfi | 900 | - | 10 | 37% |
| Sudair | 900 | - | 9 | 100% |
| Al-Qassim 1st. | 900 | - | 16 | 87% |
| Al-Qassim 2nd. | 900 | - | 10 | 89% |
| Ha'il | 900 | - | 12 | 50% |
| Dammam 2nd. | 900 | 1st. | 10 | 100% |
| | 900 | 2nd. | 10 | 100% |
| Dammam 3rd. | 900 | 1st. | 24 | 100% |
| | 900 | 2nd. | 24 | 99% |
| MODON Oasis in Al-Ahsa | 900 | - | 20 | 100% |
| | 450 | - | 20 | 10% |
| Hafr Al-Batin | 900 | - | 8 | 91% |
| Ar'ar | 900 | - | 12 | 8% |
| Jeddah 1st. | 450 | - | 16 | 19% |
| Jeddah 2nd. | 450 | 2nd. | 20 | 13% |
| Jeddah 3rd. | 900 | 1st. | 12 | 12% |
| | 450 | 2nd. | 20 | 15% |
| Jeddah 4th. | 900 | 1st. | 24 | 35% |
| Al-Madinah | 900 | - | 28 | 9% |
| Tabuk | 900 | - | 8 | 21% |
| Najran | 900 | - | 12 | 14% |
| Al-Baha | 900 | - | 10 | 10% |
| Assir | 900 | - | 4 | 90% |
| Jazan | 900 | - | 8 | 5% |

Table (3-14) Ready Factories Projects and Completion Percentage

Ready Factories Projects... contd..

| Region | Cities | No. of Projects | No. of Under-construction Factories |
|----------------|--------|-----------------|-------------------------------------|
| Central Region | 5 | 6 | 108 |
| Eastern Region | 8 | 12 | 184 |
| Western Region | 9 | 13 | 242 |
| Total | 22 | 31 | 534 |

Table (3-15) Ready Factories Status in the Three Regions

Industrial Incubators Projects

MODON signed agreements for the construction of 46 industrial incubators in Dammam 2nd. The following table shows details of the planned project implementation.

| Project Name | Industrial City | Completion Percentage |
|-----------------------|-----------------|-----------------------|
| Industrial Incubators | Dammam 2nd. | 21% |

Table (3-16) Completion Percentage of Industrial Incubators Projects

Growth of Industrial Investments

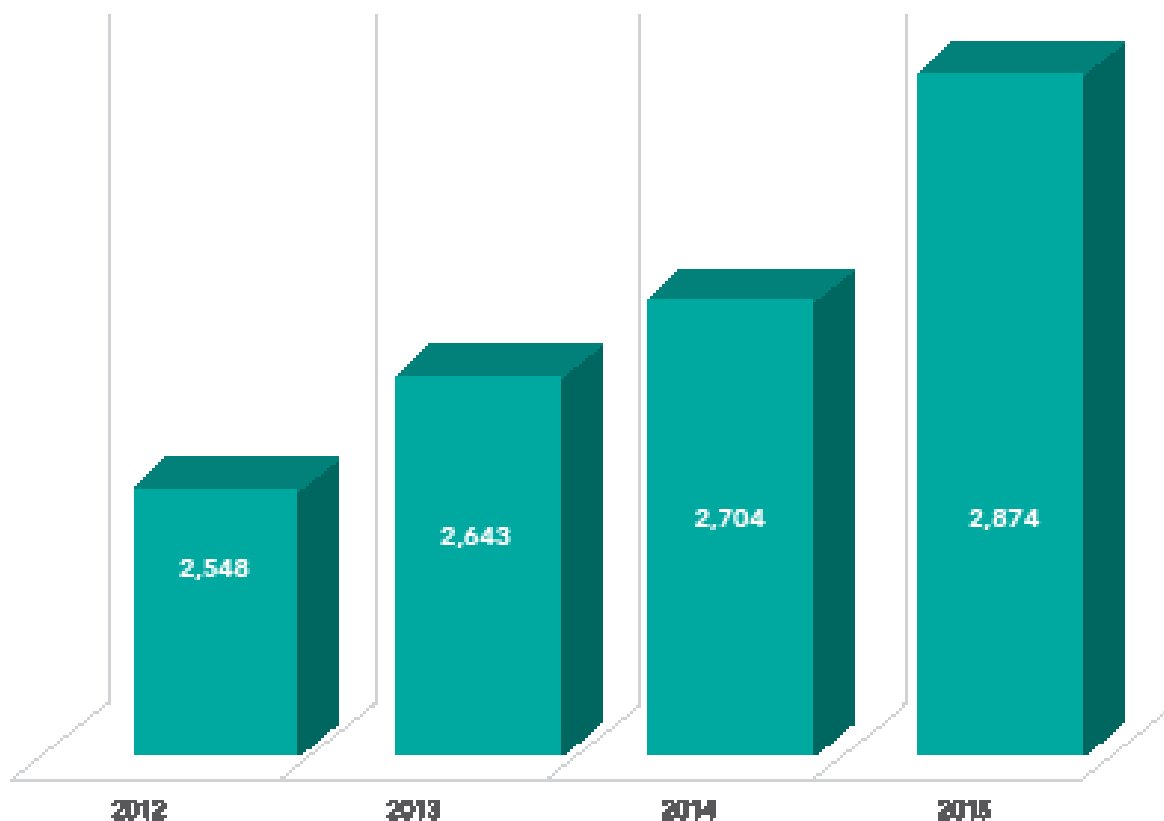
The following table shows the number of industrial investments that have been attracted in 2015 compared to years 2013 and 2014.

| | 2013 | 2014 | 2015 |
|------------------------|------|------|------|
| Industrial Investments | 700 | 764 | 456 |

Table (3-17) Growth of Industrial Investments

| Number of Productive Factories in the year 2015 | |
|---|-------|
| Central Region | 998 |
| Western Region | 1,062 |
| Eastern Region | 787 |
| Total | 2,874 |

Table (3-28) Productive Factories in the Three Regions in the year 2015



Graph (3-29) Growth of Productive Factories in the Industrial Cities

Economic Sustainability

Attracting Global and Domestic Investments

«MODON» continued its efforts to attract global industrial value-added companies and large domestic companies, which will have a big contribution to the localization of the industry and enhance the added value of the industry.

Auto Industry

MODON contracted manufacturers of cars, buses and trucks in Sudair and Jeddah industrial cities as shown in the following table:

| Company Name | Activity | City | Area |
|--|------------------------------|--------|---------------------------|
| DAEWOO | Car manufacturing | Sudair | 10,000,000 m ² |
| NDA has been signed. Studying company needs to develop the land | | | |
| Daimler Benz | Car manufacturing | Sudair | Study stage |
| The company has been provided with necessary information to examine the site and prepare project study | | | |
| CHTC | Bus manufacturing | Jeddah | 50,000 m ² |
| The company has been contacted to establish a factory in the Western Region | | | |
| ZHAV | Cars and truck manufacturing | Sudair | 250,000 m ² |
| The company has been contacted to establish a factory and study the company needs to build an industrial complex in Sudair | | | |

Table (3-30) International Auto Manufacturing Companies in the Industrial Cities

Logistics Services

The total area leased for logistics services in 2015 was 595,697 m². The following table shows the total area and number of logistics and warehouse contracts in 17 industrial cities:

| Areas and Logistics and Storage contracts | |
|---|-----------|
| Logistics and storage areas dedicated in the industrial cities/m ² | 2,373,869 |
| Number of logistics and storage contracts | 105 |

Table (3-31) Areas and Logistics and Storage Contracts

Residential Complexes

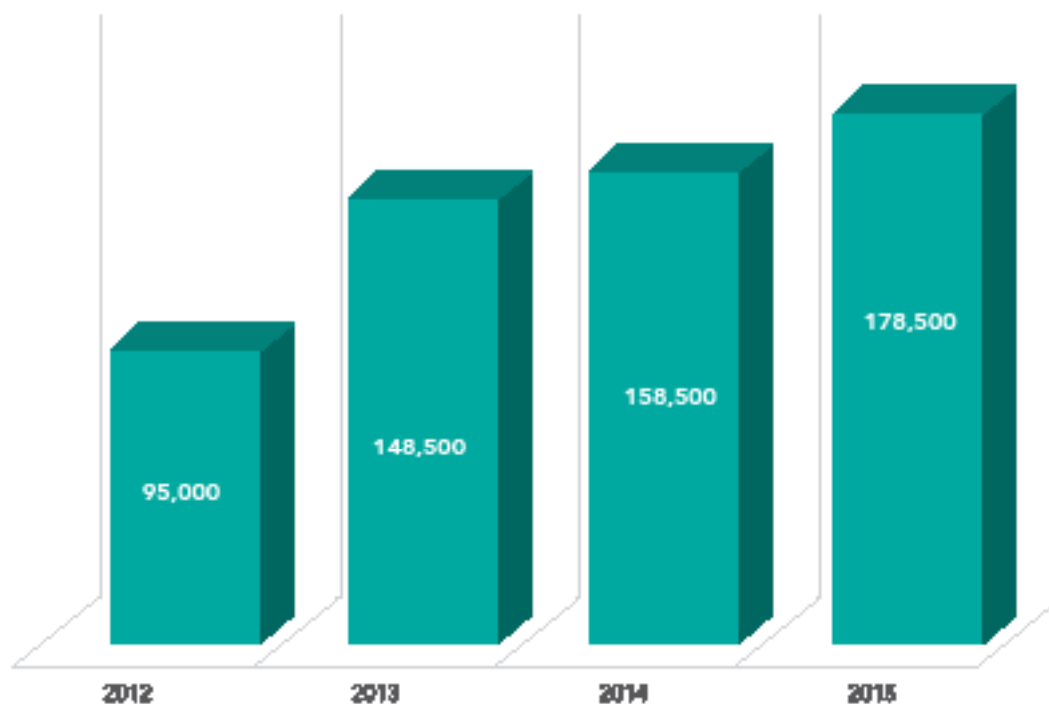
The following table shows the residential complexes under design stages:

| City | Bachelor Housing (Units) | Residential Apartments (Units) | Residential Villas (Units) | Drivers Residence (Beds) |
|-----------------------|--------------------------|--------------------------------|----------------------------|--------------------------|
| Sudair | 816 | 1,804 | 28 | 104 |
| Al-Kharj | 840 | 2,398 | 251 | 104 |
| Ha'il | 612 | 3,790 | 138 | 104 |
| Dammam 3rd. | 816 | 1,856 | 1,710 | 104 |
| Jeddah 3rd. | 432 | 1,392 | 92 | 208 |
| MODON Oasis in Jeddah | 720 | 3,206 | 241 | 400 |
| Al-Madina | 612 | 2,511 | 20 | 104 |
| Total | 4,848 | 16,957 | 2,480 | 1,128 |

Table (3-32) Residential Complex Projects under Design stage

Water Projects

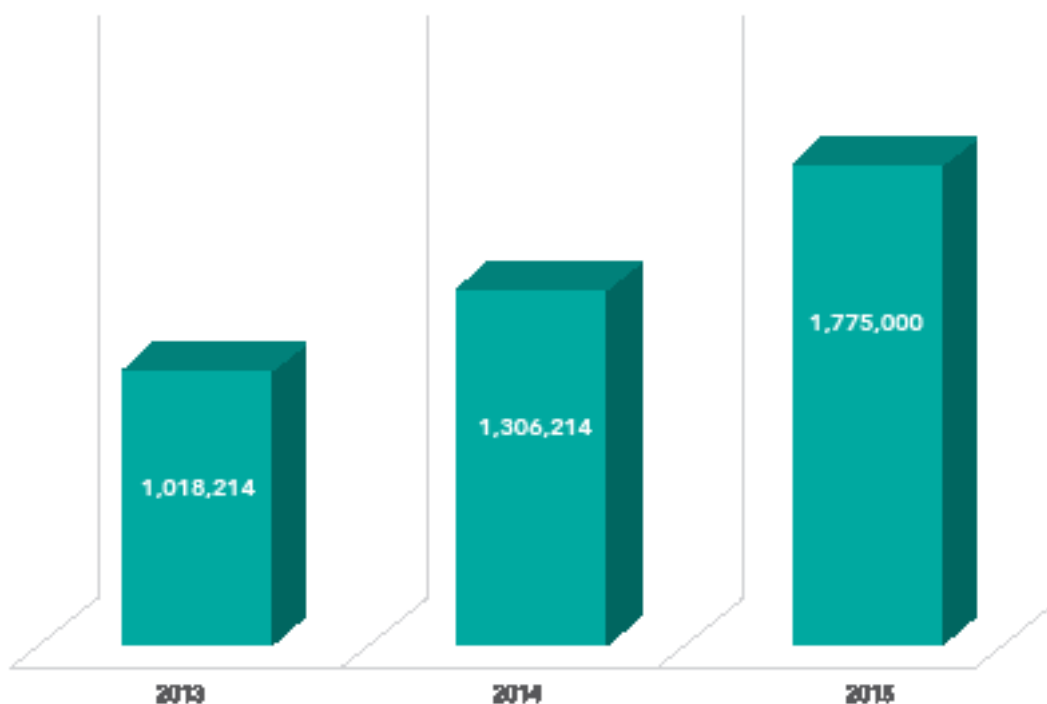
Total capacity of water treatment plants grew significantly between the years 2012 and 2015 due to the rise in the level of water services and the implementation of a large number of water projects, which resulted in an increase in the total capacity to reach 178,500 cubic meters per day, compared to 95,000 cubic meters per day in the year 2012, a cumulative increase of up to 88%.



Graph (3-39) Growth of Water Capacity in Water Treatment Plants m³/day

Environmental Management

Among the trends set by «MODON» to transform the Saudi industrial cities into environmentally friendly cities, attention was paid to projects of afforestation, where a total area of green spaces at the end of 2015 increased to 1,77 million square meters, compared to 1.3 million square meters in 2014, an increase of 36%. The total number of trees in the industrial cities also reached 63,679 trees.



Graph (3-46) Growth in Green Areas in the Industrial Cities

Smart Waste Containers

MODON launched the installation of underground smart compressed waste containers initiative in 2015. These containers are produced entirely in Saudi Arabia. This is a global trend to get rid of harmful waste, where it is buried under the ground for a certain period, until it is then transported to recycling factories or landfill incinerators.

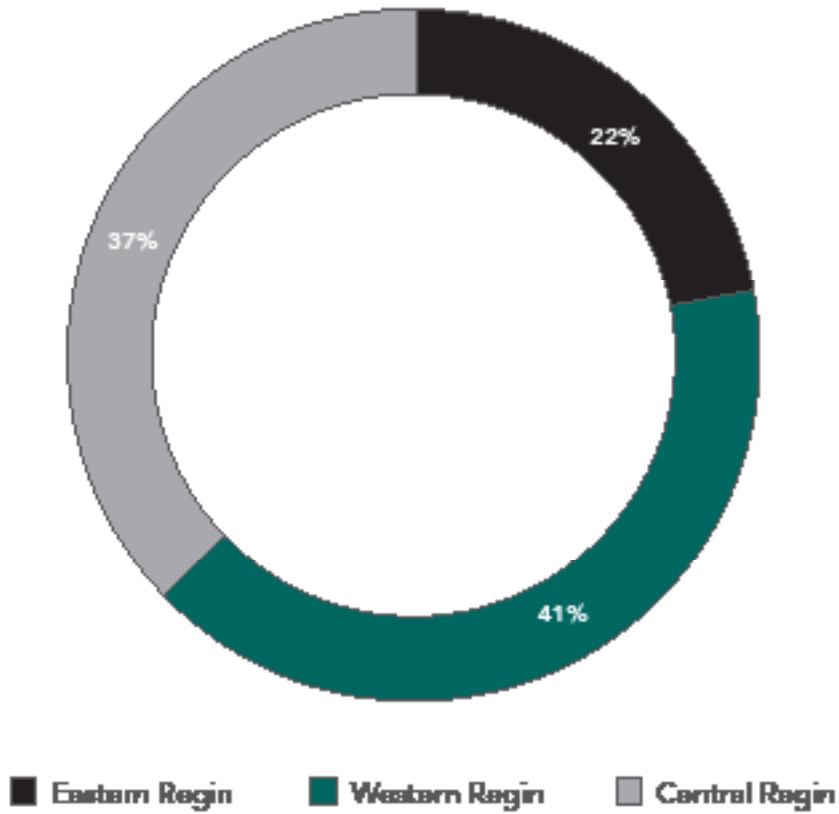
Women Involvement in the Industrial Sector

MODON Oasis

The total number of female workers in factories reached 6,962 workers, dispersed across the three regions, the Central, the Eastern and the Western Region.

| Number of Female Workers in the Industrial Cities According to Regions | |
|--|-----------------------|
| Region | No. of Female Workers |
| Eastern | 1,419 |
| Western | 2,557 |
| Central | 2,986 |
| Total | 6,962 |

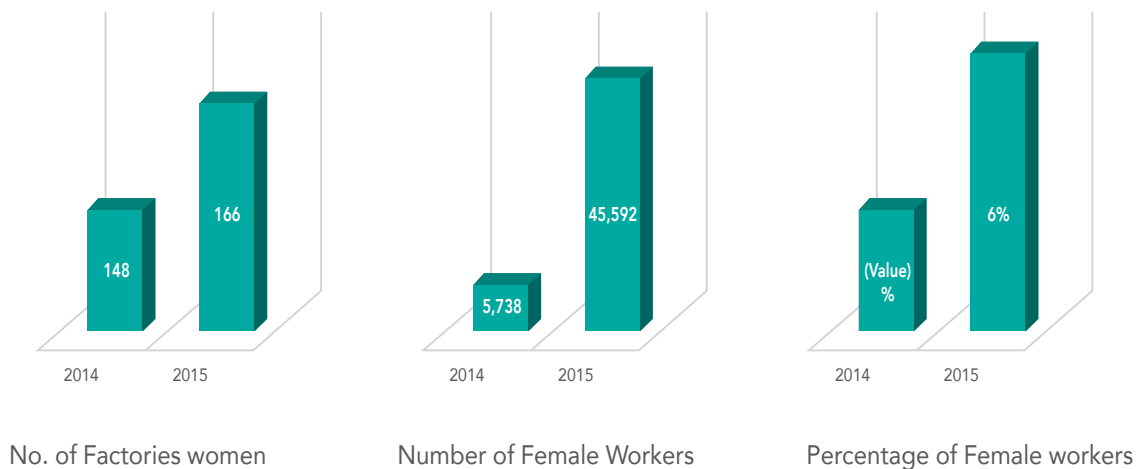
Table (3-58) Number of Female Workers in the Industrial Cities According to Regions



Graph (3-59) Distribution of Female Workers in the Industrial Cities According to Regions

Women Job Creation

Owing to continued MODON support, the number of factories employing women increased to 166 factories compared to 148 factories in 2014 representing 6% of the total factories. Meanwhile the number of female workers reached 45,592 workers from just 5,738 in 2014.



MODON Achievements

After the establishment of Saudi Industrial Property Authority (MODON) in the year 2001, MODON has sought to meet the increasing demands for industrial land and stood up to spread across the Kingdom and provide 34 industrial cities in various regions and is developing and supervising these industrial cities.

«MODON» continues its hard work to increase the number of industrial cities, and has targeted 40 industrial cities by 2020.

Industrial Cities Development

The number of industrial cities jumped from 14 industrial cities in 2007, to 34 industrial cities in 2015, an increase of 142.8%.

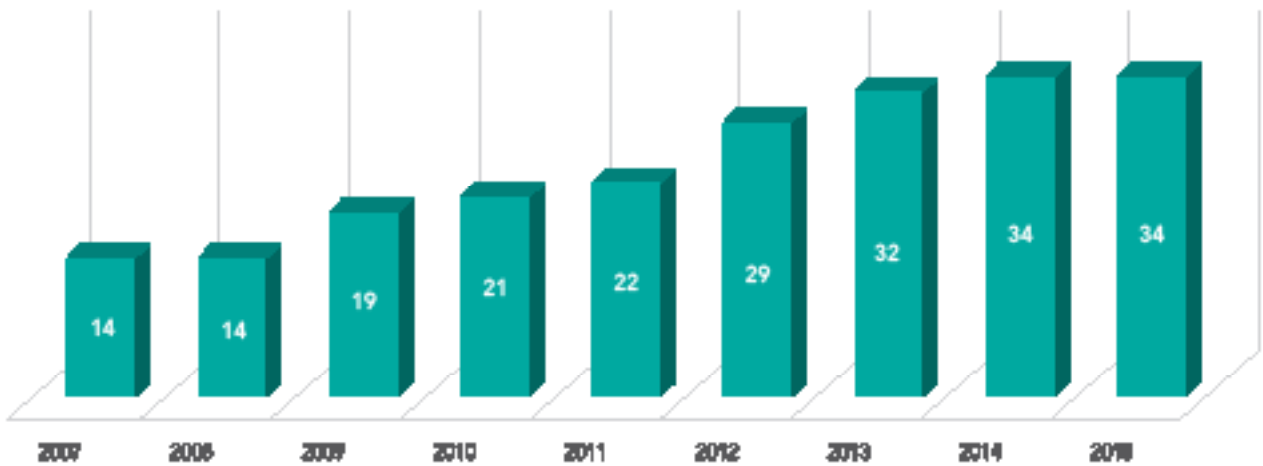


Table (4-1) Growth in Number of Industrial Cities

Developed Area

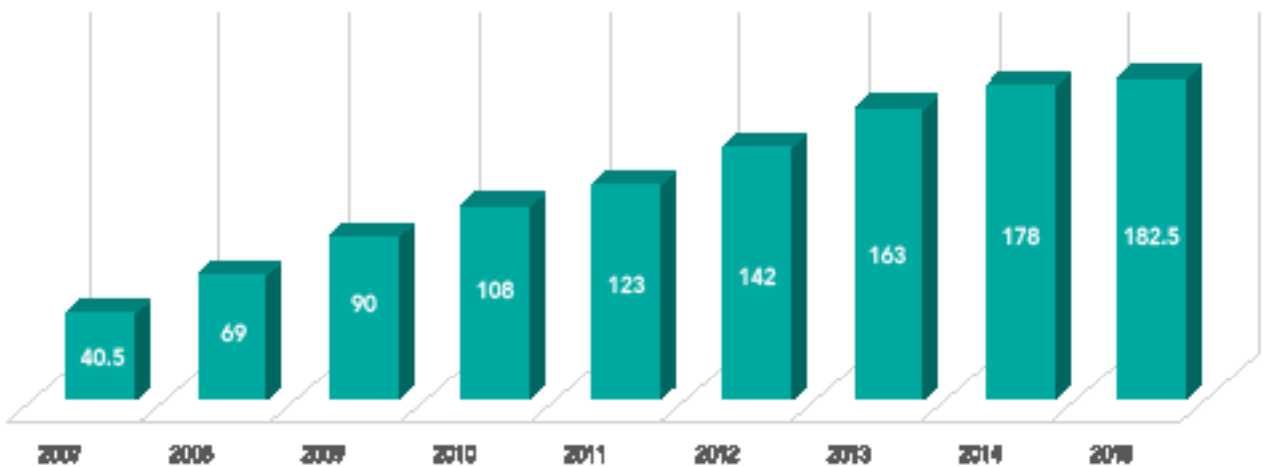


Table (4-2) Growth in Developed Area

Industrial Contracts

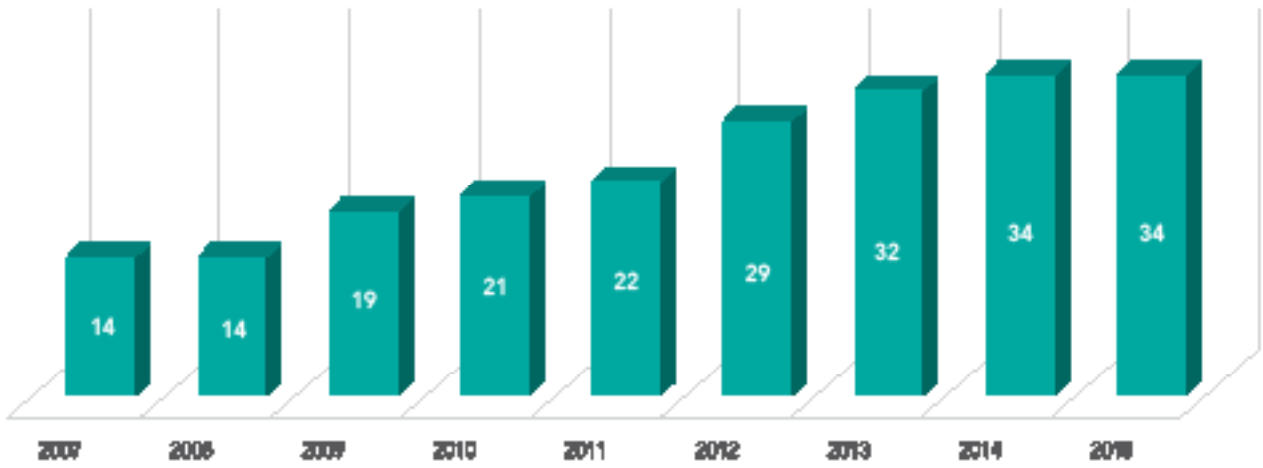


Table (4-3) Growth in Industrial Contracts

Roads Development

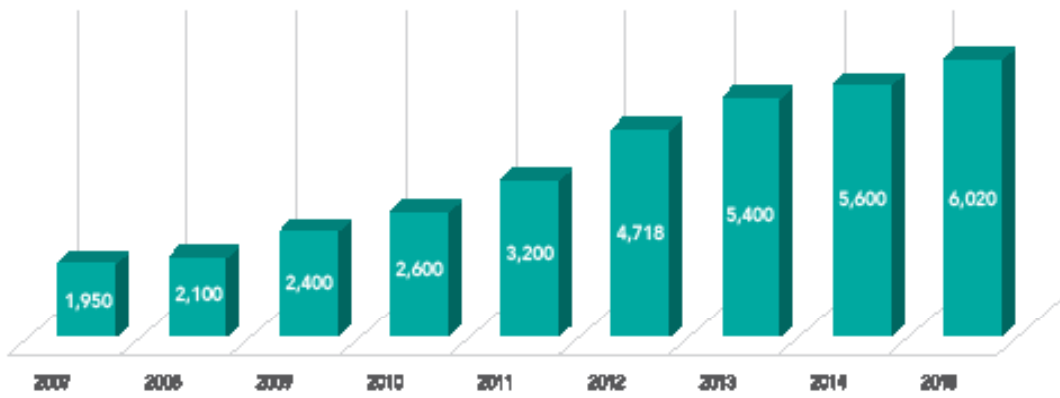


Table (4-4) Growth in Road Lengths in the Industrial Cities

Electric Power Stations

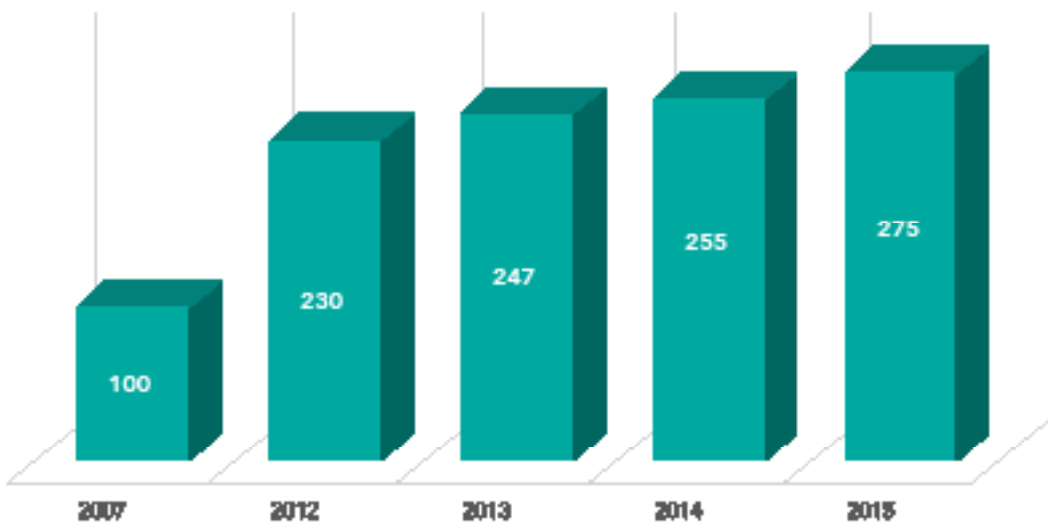


Table (4-5) Growth in Electric Power Stations (MVA)

MODON Lake

«MODON» constructed the MODON Lake on the remnants of the city where sewage and industrial water was collected. Water is treated and converted into green areas. There are parks as well for visitors. MODON Lake is the largest artificial lake developed in the Kingdom, where water is treated in an environmental way using renewable water from Dammam 2nd. Industrial City. The total area of the Lake project is 400,000 square meters, whereas the area of the lake represents 210,000 square meters, or about 52% of the total project area.



Technology Zones

MODON is working on the establishment and development of modern technology zones by providing land and specialized areas to the scientific communities, as well as by establishing the infrastructure and providing additional services to form a sophisticated center for invention, innovation and creativity in the scientific field, so as to ensure the development of knowledge industries and bio-business incubators along with technological services, thereby enticing investors and encouraging them to establish high-tech industrial plants.

MODON is also working to invite and attract universities and scientific R & D centers, as well as creative and thoughtful people to participate in the development of science and technology in the Kingdom, offering basic infrastructure and required services to develop high-tech advanced industries. Playing its role in the issuance of operating licenses for technology zones and follow-up on the evolution of the completion of projects and the provision of all the necessary services, MODON has lately issued licenses to develop two technology complexes on an area of 2,446,650 m².

MODON supervises two technology complexes: Information and Communications Technology Complex and Riyadh Valley Complex for Technology.

