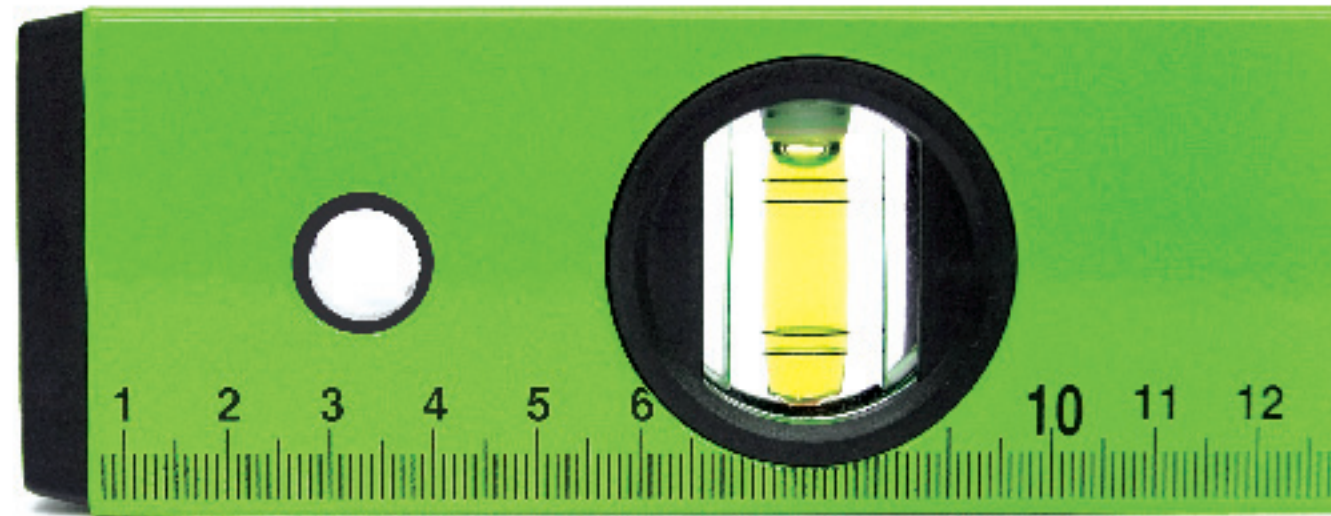


GCC powers
of construction
GCC countries
fact sheet



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GCC Countries

Overview of
tax environment



U.A.E.

Macroeconomic data

Country	Key characteristics			
	Overview	Capital	Area (sq km)	Currency
UAE	<ul style="list-style-type: none"> The UAE is a federation of seven emirates, of which Abu Dhabi is the largest After gaining FDI to exploit oil and gas, the UAE has diversified into a prosperous economy 	Abu Dhabi	83,600	UAE Dirham Pegged to US\$= 3.675 dirham
Saudi Arabia	<ul style="list-style-type: none"> KSA is a major economic power accounting for c.55% of total GCC GDP Oil accounts for c.90% of exports and 75% of government revenue, which is being used to facilitate an infrastructure boom 	Riyadh	2,240,000	Saudi Riyal Pegged to US\$= 3.75 riyal
Qatar	<ul style="list-style-type: none"> Qatar has one of the highest levels of GDP per capita in the world, driven by oil revenue The current Emir is initiating liberalizing changes to steer the economy towards diversification 	Doha	11,437	Qatari Riyal Pegged to US\$= 3.64 riyal
Bahrain	<ul style="list-style-type: none"> The Kingdom of Bahrain is an island country in the Persian Gulf and is relatively highly diversified away from oil There is a major infrastructure overhaul in progress, aiming to cement Bahrain's place as the gateway to the Northern Gulf 	Manama	716	Bahraini Dinar Pegged to US\$= 0.376 dinar
Kuwait	<ul style="list-style-type: none"> Kuwait is slowly beginning to diversify its economy, with the hope of reducing dependency on oil revenue However, it remains relatively closed-minded towards new inward investment 	Kuwait City	17,818	Kuwaiti Dinar Abandoned \$ peg in 2007 US \$ = 0.288 dinars
Oman	<ul style="list-style-type: none"> Oman is regarded as one of the more conservative and traditional GCC states, where the local citizens are still a majority The construction industry is beginning to see returns from the diversification policies instigated under the Vision 2020 plan 	Muscat	309,500	Omani Rial Pegged to US\$= 0.3850 rial



U.A.E.

Macroeconomic data

	2006	2007	2008E	2009F	2010F	2011F	2012F	2013F
Real growth (%)	9.4	7.6	7.7	0.9	4.3	6.7	7.0	6.7
Nominal GDP (US\$ bn)	170.1	198.7	240.4	201.0	232.3	266.7	310.6	360.5
CPI (Average %)	13.5	13.3	14.0	4.5	6.5	7.3	6.0	6.0
Population (m)	4.9	5.3	5.6	5.7	5.9	6.2	6.6	6.9
GDP per capita (US\$)	34,550	37,690	42,690	35,340	39,660	43,030	47,330	52,160
Current-account balance (US\$)	36.5	36.4	29.6	(11.1)	1.7	4.0	6.4	5.1
Net FDI (US\$ bn)	1.9	6.6	7.2	3.0	6.1	4.8	6.0	6.5
Labour force (Annual average, m)	2.8	3.1	3.3	3.3	3.4	3.6	3.8	4.0

Source | Economic Intelligence Unit

1 Real GDP growth in the UAE is forecasted to average 5.1% a year in 2009-2013

- The drop in growth to 0.9% in 2009 is due to the sharp fall in investment & construction.
- Non-oil export earnings and services and the multiple development projects will help the economy recover after 2009.

2 The current account deficit of US\$11.1 billion in 2009 is expected to go back to a surplus of US\$1.7 billion in 2010 as oil production and crude prices rise again.

3 The UAE government is expected to maintain a positive attitude to private-sector investment by offering low tax rates, few trade or exchange controls and solid infrastructure.

In particular, Abu Dhabi is offering incentives to foreign firms to encourage investment in the UAE's industrial base and has an ongoing program of part-privatization of state assets.

4 The UAE will maintain ongoing investments in large infrastructure projects such as power generation, water-desalination and transportation projects.



U.A.E.

SWOT analysis

Strengths

- A member of the WTO since 1996
- Relatively liberal trade regimes attract foreign capital
- Continuous diversification of economy to minimize vulnerability to oil price movements
- Large amounts of investments in infrastructure
- An effective production sharing framework means high levels of IOC participation and growing joint venture investments
- UAE's oil and gas industry is characterized by a high reserves-to-production ratio (RPR), that facilitates medium and long term production growth

Weaknesses

- Difficulty in tackling inflationary pressures due to the pegged currency and lack of control over monetary policy
- Expatriates represent majority of workforce
- Regulations vary due to the federal system
- Even with efforts to diversify the economy, there still remains a significant dependency on oil which increases project financing risk
- Growth in oil production is subject to OPEC policy and substantial ongoing investment that can be guaranteed only with continuing IOC participation

Opportunities

- Economic diversification into other sectors such as gas, tourism, financial services and high-tech offer some protection against volatile oil prices
- The rapid growth of the economy is driven by both domestic and foreign investment
- Free trade zones attract foreign investment due to tax holidays and full foreign ownership
- Comparatively (to the GCC) relaxed rules on expatriate employment
- Far less concern for security than in some other GCC states because of social stability and relative prosperity

Threats

- There is a long-running territorial dispute with Iran, which continues to affect bilateral relations
- Relatively poor living conditions among some foreign workers have led to strikes and demonstrations
- Given the size of the expatriate community, this poses some threat to domestic stability



U.A.E.

Global competitiveness

The most problematic factors for doing business



The United Arab Emirates confirms its position as one of the most competitive economies in the region, with a more stable macroeconomic environment.

The country's institutional environment remains, as in previous years, a competitive advantage, characterized by:

- low regulatory burden,
- high public trust in politicians
- reliable police services



K.S.A.

Macroeconomic data

	2006	2007	2008E	2009F	2010F	2011F	2012F	2013F
Real growth (%)	3.2	3.4	4.2	0.4	3.3	3.7	4.0	3.9
Nominal GDP (US\$ bn)	356.6	381.7	468.1	331.8	393.6	425.1	455.5	467.3
CPI (Average %)	2.3	4.1	9.9	1.3	3.0	3.5	3.7	3.5
Population (m)	23.7	24.3	25.0	25.6	26.3	26.9	27.6	28.3
GDP per capita (US\$)	15,060	15,700	18,710	12,950	14,980	15,790	16,510	16,530
Current-account balance (US\$)	100.9	96.8	122.2	(38.8)	(6.8)	22.3	14.5	8.8
Net FDI (US\$ bn)	17.5	11.2	15.0	13.6	13.9	14.4	15.7	17.0
Labour force (Annual average, m)	6.4	6.6	6.7	6.9	7.1	7.3	7.5	7.7

Source | Economic Intelligence Unit

1 The real GDP growth is expected to average 3% per annum from 2009 – 2013

- This is boosted by rising government spending and investment in infrastructural and industrial projects.

2 Saudi Arabia is investing its petrodollars into an expansive diversification strategy to fuel investments in the non-oil private sector, which is on average just under a 50% overall share of the economy.

3 Inflation is expected to drop due to exchange-rate, lower inflation in a number of trading partners and a softening of commodity prices

- In 2010, inflation is expected to increase to an average 3% due to rising commodity prices.

4 The government is expected to privatize parastatal firms through initial public offerings (IPOs) on the local stock market.

5 By 2011, investments by the private sector in infrastructure, notably utilities and transport will increase.



K.S.A.

SWOT analysis

Strengths

- Member of WTO from the end of 2005
- Improved its ranking for ease of doing business on the World Bank's "Doing Business" report
- Strategic geographical location to set up a business
- As the main OPEC swing producer, the Kingdom is in a strong position within the cartel
- The recent oil price boom has boosted growth in the non-oil sector and infrastructure is now much improved
- A large and growing local population means solid domestic demand for goods, services and infrastructure in spite of the global crisis

Weaknesses

- High volatility of the economy to shifts in world oil prices
- The economy's dependence on expatriate labor means there is a shortage of marketable skills among nationals
- High unemployment rate among nationals
- Obsolete education system, there is a lack of coordination with the needs of the private sector
- Low level of privatization
- Ongoing political obstacles when it comes to employment due to 'Saudization' initiatives

Opportunities

- Long-run growth prospects due to the government's large budget surplus which allows them to increase capital investment
- Investments in training/education centers as part of its 'Saudization' process
- Free Trade Agreement with the US means liberalization will continue

Threats

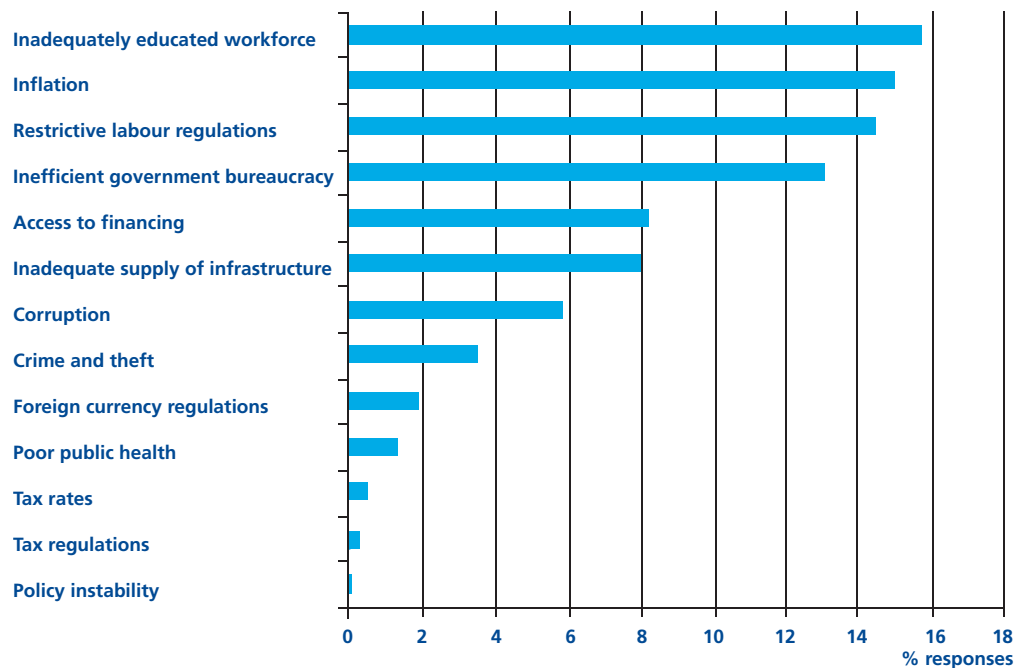
- Political stability in Saudi Arabia is in doubt after various attacks in which the country has appeared as both a source as well as a victim of terrorism
- The perception of high security risk deters some investors and adds to the costs of insurance



K.S.A.

Global competitiveness

The most problematic factors for doing business



Saudi Arabia is a country that has experienced a robust improvement in the World Economic Forum's Global Competitiveness Report, moving up eight positions in 2008. This mirrors the government's determination to improve its performance on a number of competitiveness indicators under the ambitious 10x10 program (one of the top 10 most competitive economies by 2010).

The framework, put into practice by the Saudi Arabian General Investment Authority and the newly created National Competitiveness Center, encompasses reforms and investment that aim at diversifying the economy into industries where the country has comparative advantages in order to create 1.3 million jobs. Major reforms in the areas of the investment climate, education, health, the financial sector, and the judiciary are envisaged or being implemented.



Qatar

Macroeconomic data

	2006	2007	2008E	2009F	2010F	2011F	2012F	2013F
Real growth (%)	9.9	8.4	14.3	12.4	19.9	8.6	4.7	3.7
Nominal GDP (US\$ bn)	56.9	70.4	95.8	75.2	105.2	127.6	140.6	147.0
CPI (Average %)	11.8	13.8	15.1	9.2	8.1	6.5	5.4	5.6
Population (m)	1.1	1.3	1.6	1.7	1.9	2.0	2.2	2.3
GDP per capita (US\$)	50,190	52,660	61,420	43,670	55,780	62,330	64,970	64,380
Current-account balance (US\$)	9,459	11,116	18,603	2,328	20,535	28,264	31,950	29,106
Net FDI (US\$ bn)	32	(4,125)	(2,880)	(1,290)	(2,120)	(950)	(1,125)	(855)
Labour force (Annual average, m)	0.8	1.0	1.1	1.2	1.4	1.5	1.6	1.7

Source | Economic Intelligence Unit

- GDP growth will peak in 2009-2010 as the liquefied natural gas (LNG) program reaches its high point
 - Qatar's GDP per head will remain very high over the forecast period with high and rising incomes.
- The high consumer price growth will decline over the forecasted period, as global commodity prices soften and new housing stock comes onto the market
 - The average inflation will have peaked at 15.1% in 2008 due to the increase in import costs and domestic rents.
- The current-account surplus will remain substantial at an average of 17.6% of GDP in 2009-13
 - In 2010, inflation is expected to increase to an average 3% due to rising commodity prices.
- Qatar's rapid economic expansion continues to draw expat workers, hence the population will more than double by 2012
 - Several "zones" will be initiated by government, which will cater for specific skills and sectors.
- Throughout the gas-based industrialization program, Qatar expects to increase investments of up to US\$142 billion by 2013 in all areas of the economy.
- The global demand for 'clean' energy will give Qatar a competitive advantage because LNG is considered a relatively clean fuel.



Qatar

SWOT analysis

Strengths

- Large natural gas as well as sizeable oil reserves will keep the GDP relatively high
- Qatar can borrow internationally at low rates due to its good credit rating
- The country enjoys a stable government fiscal policy, and market-based monetary policy
- A small population means per capita GDP is very high

Weaknesses

- Its dependence on oil and gas leaves growth, exports and government revenue vulnerable to shifts in world prices
- Its dependence on immigrant labor means outflows of remittances are high
- A foreign ownership cap currently exists at 49% in most sectors

Opportunities

- Focus on developing the financial services sector
- The skills base is improving due to investments in the education sector
- Qatar is negotiating a Free Trade Agreement (FTA) with the US
- 100% foreign ownership is permitted (subject to government approval) in specific sectors such as agriculture, industry, tourism, health and education, and natural resources

Threats

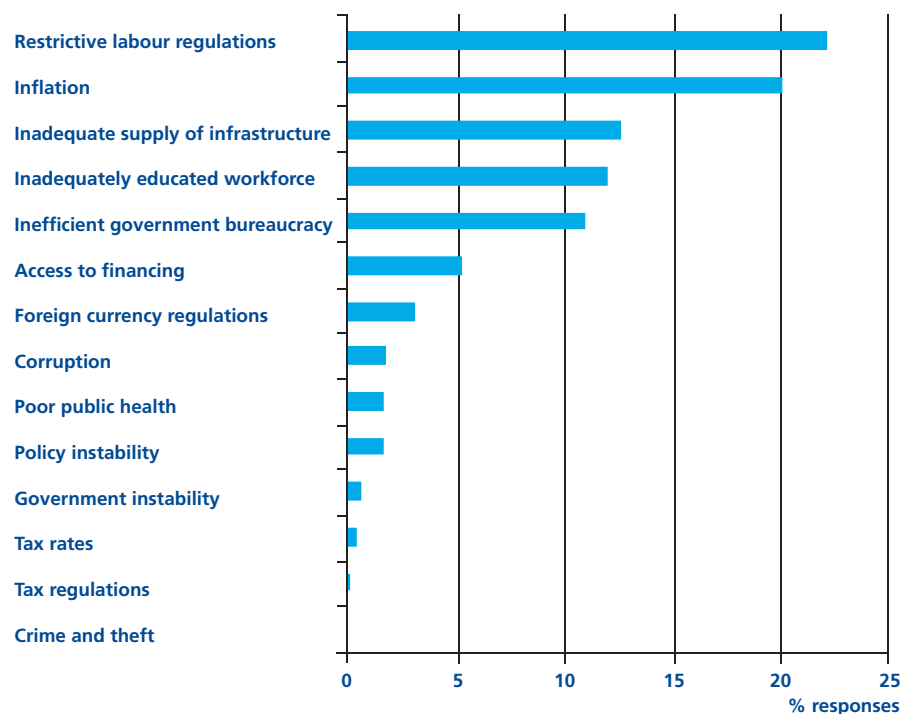
- Inflation risk due to asset price boom
- As capital projects grow in the region, constraints on contracting capacity may become an issue
- Import licences may only be obtained by Qatar nationals
- Lack of copyright protection



Qatar

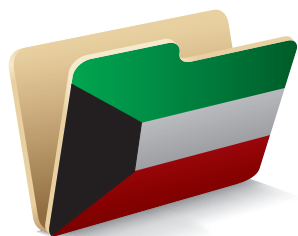
Global competitiveness

The most problematic factors for doing business



Qatar has moved up five places within the Global Competitive Index (GCI) since last year, buoyed by

- consistently well assessed institutions, e.g. its educational system
- advances in the functioning of financial markets,
- enhanced innovative capacity.



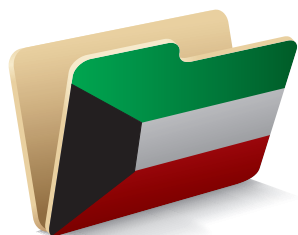
Kuwait

Macroeconomic data

	2006	2007	2008E	2009F	2010F	2011F	2012F	2013F
Real growth (%)	6.3	4.7	8.5	0.7	4.3	5.1	5.4	5.2
Nominal GDP (US\$ bn)	101.7	112.1	148.4	108.6	130.9	14909	165.8	175.3
CPI (Average %)	3.0	5.5	10.8	7.0	5.6	4.5	4.0	3.2
Population (m)	3.2	3.4	3.6	3.8	3.9	4.1	4.3	4.6
GDP per capita (US\$)	31,950	32,980	41,510	28,810	33,280	36,480	38,380	38,460
Current-account balance (US\$)	51,596	47,480	59,455	6,836	15,754	20,535	20,065	13,683
Net FDI (US\$ bn)	(8,056)	(13,563)	(11,078)	(9,503)	(10,907)	(11,994)	(13,976)	(15,334)
Labour force (Annual average, m)	2.0	2.1	2.2	2.4	2.5	2.6	2.7	2.9

Source | Economic Intelligence Unit

- 1 Kuwait's GDP growth is expected to be maintained by increasing oil production capacity and through better use of existing wells and new capacity-boosting projects.
- 2 Fiscal surpluses are expected of around 5% of GDP in 2010-13 and Kuwait is expected to follow an expansionary fiscal policy, using its oil revenue to raise spending on infrastructure and redistribute wealth.
- 3 In Kuwait's strategic plan for 2009-14 it plans to diversify the economy away from oil, in part through privatization
 - By 2011, some state companies will be part-privatized through initial public offerings to Kuwaiti nationals.
 - As it seeks to develop non-oil, private-sector economic growth, the government is aiming to improve access for foreign firms.
- 4 The demand for foreign workers will increase due to the rising domestic demand
 - Population growth of 7.2% over the forecasted period is expected among non-Kuwaitis.
- 5 Neither the government nor private domestic firms are expected to seek much capital from abroad over the forecast period, given the projected high oil revenue that will boost domestic liquidity.



Kuwait

SWOT analysis

Strengths

- Kuwait is the only GCC member to have taken concerted action against inflationary threats, and the currency appreciation it has allowed should mitigate some of the liquidity pressures
- Its sound banking sector is well regulated and supervised
- The country's asset quality, earnings and liquidity are all strong

Weaknesses

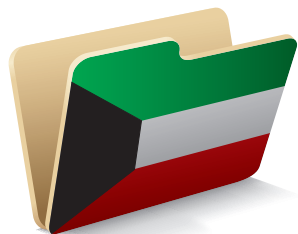
- Oil accounts for approximately 50% of GDP, more than 80% of government revenues, and over 90% of total export earnings; the non-oil economy still relatively under-developed
- Large size of the public sector is slowing down the development of the non-oil private sector
- Lack of intellectual property rights (IPR) protection

Opportunities

- It is expected that Kuwait will eventually open up to foreign investment, to replace depleted existing oil fields
- Kuwait's new privately-managed Free Trade Zone is expected to attract foreign capital
- A new flat corporate tax rate of 15% is expected by 2010
- Kuwait National Petroleum Company (KNPC), announced that it would spend up to US\$ 30 billion by 2012 on developments and new refineries

Threats

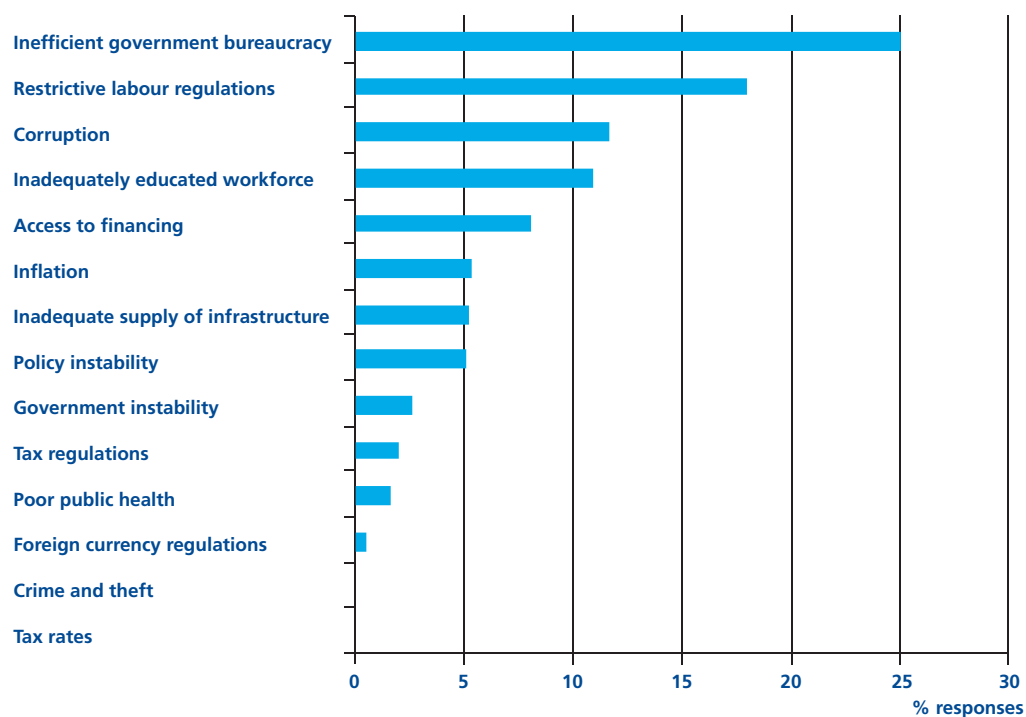
- The interests within both the National Assembly and the ruling al-Sabah family are hampering economic reform
- The government's 'Kuwaitization' policy for private sector employment includes onerous quotas for employing of nationals in certain sectors



Kuwait

Global competitiveness

The most problematic factors for doing business



Kuwait ranks 35th in this year's edition of the GCI. The country's macroeconomic environment remains the most favorable worldwide for the second year in a row due to

- budgetary surplus of nearly 44 percent of GDP (the highest of all countries)
- the highest national savings rate
- extremely low government debt

Yet in order to put the country's recent surge in growth on a more solid footing, Kuwait must continue to carry out structural reforms. A major priority will be an overhaul of the educational system, both in terms of providing more access and also in improving its quality.



Bahrain

Macroeconomic data

	2006	2007	2008E	2009F	2010F	2011F	2012F	2013F
Real growth (%)	6.7	8.1	6.1	2.4	3.1	4.6	4.1	1.4
Nominal GDP (US\$ bn)	15.8	17.5	18.6	18.1	19.7	21.6	23.5	25.3
CPI (Average %)	2.0	3.8	7.0	0.8	2.8	3.0	2.7	2.5
Population (m)	0.9	1.0	1.1	1.1	1.2	1.2	1.3	1.4
GDP per capita (US\$)	17,190	16,810	16,510	16,090	16,660	17,390	17,990	18,470
Current-account balance (US\$)	2,188	2,907	1,381	22	624	579	353	89
Net FDI (US\$ bn)	1,935	87	(100)	320	190	(107)	(97)	46
Labour force (Annual average, m)	0.4	0.5	0.6	0.6	0.6	0.6	0.7	0.7

Source | Economic Intelligence Unit

1 Economic growth is forecasted to slow to 2.4% in 2009 and average at 3.1% from 2009-2013

- This is mainly due to the weakening regional and international demand for Bahrain's exports of goods and services.

2 The Government has initiated a privatization program that will follow the long-term strategy to sell off domestic assets

- It will continue its overseas expansion through Mumtalakat, the company that manages the government's non-oil holdings.

3 Bahrain has been ranked as the 16th most free economy in the world and most free in the Middle East and North Africa region in the annual Index of Economic Freedom.

4 The government is following the "Bahrainization" policy to counteract the high unemployment rate among Bahrainis.



Bahrain

SWOT analysis

Strengths

- The country is a regional financial hub, with a well-developed banking sector and growing Islamic finance industry
- The country implements prudent Fiscal policy
- The Government usually spends below its targets
- Higher economic diversification in comparison with the rest of the GCC

Weaknesses

- Public finances are not fully transparent, due to persistence of opaque 'extra budgetary transactions'
- Even with the growing population, the country faces a population of just over one million
- The local stock market is small and illiquid
- The country is facing a rise and dependency on petroleum exports (currently at 75% of the country's total exports)

Opportunities

- Leading force in the development of Islamic financ
- The labor market reforms are backed by the Economic Development Board
- New GCC customs union will cut restrictions on work permits and property ownership for GCC nationals
- The country has a developed telecommunications infrastructure and faces increased competition among service providers
- Expectation to drill 700 new oil wells until 2015 to increase production capacity by an ambitious 12,000b/d

Threats

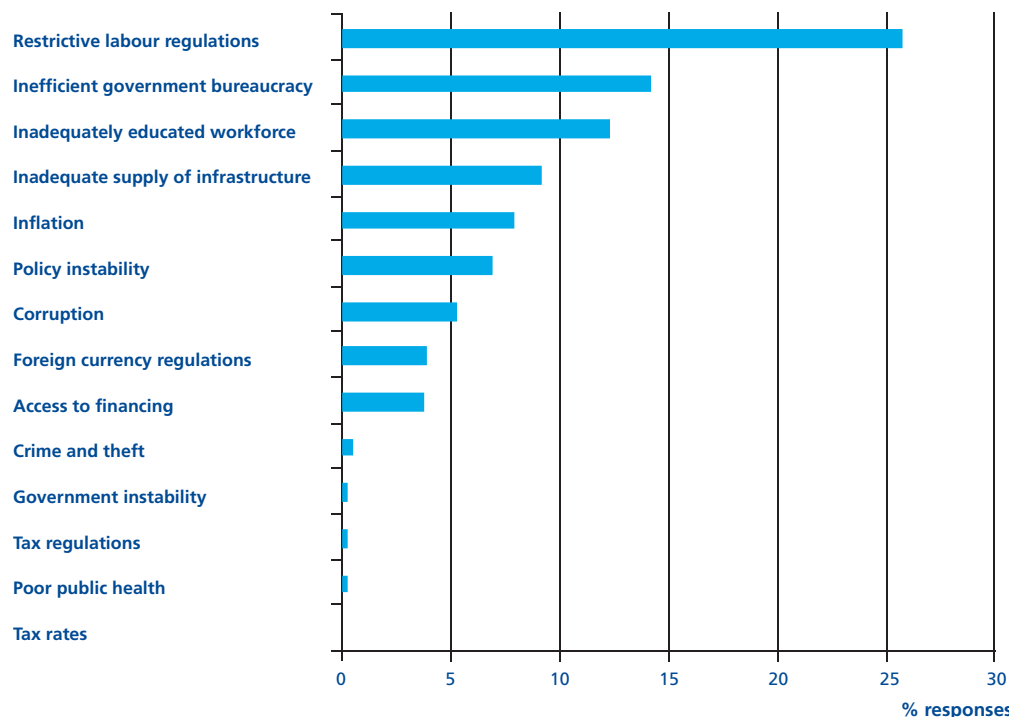
- The government is trying to limit the duration of expatriate work permits
- Oil reserves expected to fall by the end of the decade
- Failure of offshore oil explorations



Bahrain

Global competitiveness

The most problematic factors for doing business



Bahrain is host to the most sophisticated financial market in the region, but needs to further improve the efficiency of its labor market and upgrade its innovative capacity.



Oman

SWOT analysis

Strengths

- As a minnow among Gulf oil producers, Oman has had to diversify its economy earlier than most
- A wealth of historical sites - in contrast to some Gulf neighbors - provides a good basis for tourism expansion
- Prudent fiscal policy

Weaknesses

- At current output levels, known oil reserves will be exhausted within 20 years
- Hydrocarbons dependence leaves the economy vulnerable to world price shocks
- A relatively small domestic market. The population is 2.25mn people

Opportunities

- Investments in advanced oil recovery technology could potentially boost reserves
- Construction is booming around the industrial port of Sohar, though most services depend on a healthy oil economy
- Major tourism investments aim to attract visits from the rising numbers of tourists traveling to and within the Gulf

Threats

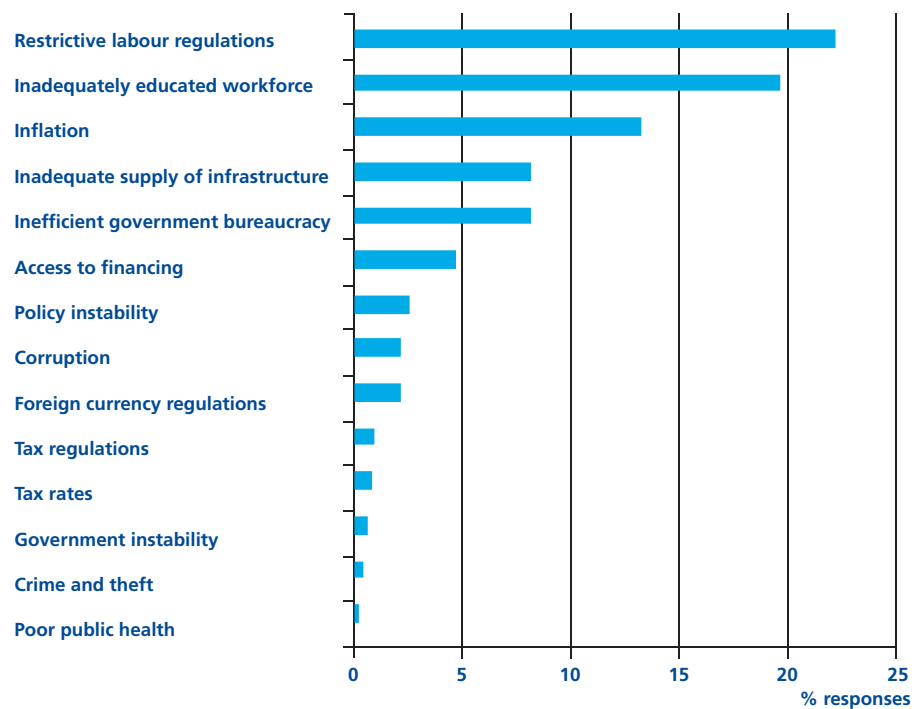
- Widening price differential between Oman's sour-grade crude oil and OPEC producers' grades. Oman is not a member of OPEC
- As the currency is pegged to the US dollar, there is a risk that dollar weakness will lead to imported inflation



Oman

Global competitiveness

The most problematic factors for doing business



While Oman displays a solid institutional environment, the GCI results point to shortcomings in the educational system that will need to be addressed if the country wishes to advance its competitiveness.



GCC countries

Overview of tax environment

In the current economic environment an understanding of the development of the tax systems within the Middle East is essential to operating within the region. As well as understanding the corporate tax position, withholding taxes require particular consideration in respect of contracts and associated payments and fees. In addition the regulatory environment of the GCC can be complex and there are often restrictions on the ability for non GCC companies to operate in the GCC. Dependent on the nature of your operations and need to establish a legal presence in the country it will be necessary to consider whether a commercial license, local agent, local sponsor or even local shareholders are required before you can undertake activities in the region. Certain key features of the current tax systems in the GCC are detailed below:

UAE

No corporate or sales taxes are currently imposed on companies operating in the UAE in the construction or real estate sectors. No withholding taxes are imposed on payments made by UAE resident companies within the UAE.

KSA

GCC owned companies and branches operating in KSA pay Zakat on the Zakat base at the rate of 2.5%. Non GCC owned companies and branches operating in KSA pay corporate income tax at the rate of 20%. Additionally withholding taxes are imposed on payments made to non GCC companies and branches, including in respect of service contracts, at rates between 5% and 20%.

Qatar

GCC owned companies and branches operating in Qatar do not pay taxes. Non GCC owned companies and branches operating in Qatar pay corporate income tax at the rate of up to 35%. Companies incorporated within the Qatar Finance Center will pay tax at a rate of 10% (likely effective from 2010). Additionally changes have recently been announced such that all companies are likely to move to becoming tax paying at the 10% rate from 2010.

Kuwait

GCC owned companies and branches operating in Kuwait pay Zakat on the Zakat base at the rate of 1%. Non GCC owned companies and branches operating in Kuwait pay corporate income tax at the rate of 15%. There are withholding taxes imposed on certain contracts dependent on specific circumstances.

Bahrain

No corporate or sales taxes are currently imposed on companies operating in Bahrain in the construction or real estate sectors. No withholding taxes are imposed on payments made by Bahrain resident companies.

Oman

Omani owned companies currently pay corporate income tax at the rate of 12%. Branches and non Omani companies currently pay corporate income tax at rates of up to 30%. From 1 January 2010 it is expected that all companies will pay tax at the 12% rate. Withholding taxes may be imposed on certain contracts on specific circumstances at the rate of 10%.



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