Global Investment House

Result Update

Market Data

Bloomberg Code:	SECO AB
Reuters:	5110.SE
CMP (21 July 2009):	SR9.4
O/S (mn):	4,166.6
Market Cap (SRmn):	38,957.6
Market Cap (US$mn):	10,388.7
Price/EPS 2009e (x):	32.2
Price/BVPS 2009e (x):	0.8

Price Performance	**1-Yr**
High (SR):	11.8
Low (SR):	8.9
Average Volume (000):	2,345.9

Share Price Performance

*Source: Zawya & **Global** Research*

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Saudi Electricity Company– 1H/2009 Review

- **Saudi Electricity Company (SEC)** recording subdued quarterly (2Q09) performance showed net income decline of 8.5% (from SR781mn in 2Q08 to SR715mn in 2Q09), which led to semi-annual basis net income drop from a profit of SR9.9mn in 1H08 to a loss of SR56mn in 1H09. Overall, the pressures on the company's results are broadly attributed to higher costs associated with the new projects initiatives.

- As we await the detailed financial results for more elaborate analysis, we have not yet revised our current estimates and earlier expected the company to post net income growth of 9.0% in FY09 that now seems more challenging to achieve.

Financial highlights

(all fig. in SR mn, unless stated)	**2Q08**	**2Q09**	***YoY***	**1H08**	**1H09**	***YoY***
Gross profit	791.0	818.0	*3.4%*	75.0	69.0	*-8.0%*
Operating income	638.0	622.0	*-2.5%*	- 193.3	-276.0	*42.8%*
Net income	781.0	715.0	*-8.5%*	9.9	-56.0	-
EPS (SR)	0.19	0.17	*-8.5%*	0.002	-0.014	-

Source: Tadawul & Company reports

- The company on quarterly basis recorded gross profit increase of 3.4% (from SR791mn in 2Q08 to SR818mn in 2Q09), which still did not provide support to semi-annual results as gross profits witnessed decline of 8.0% (from SR75mn in 1H08 to SR69mn in 1H09).

- A decline in operating income in the quarterly results by 2.5% (from SR638mn in 2Q08 to SR622mn in 2Q09) led to deterioration of operating income on half-yearly basis as the operating loss rose by 42.8% (from SR193mn in 1H08 to SR276mn in 1H09).

SEC quarterly performance

(SR mn)	**1Q08**	**2Q08**	**3Q08**	**4Q08**	**1Q09**	**2Q09**
Net income	-771	781	1,500	-436	-771	715

Source: Tadawul & Company reports

- Overall the SEC's bottom line results remained under pressure as the top-line improvement could not be translated into the company profitability performance.

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