

Quarterly Earnings

All sectors
Saudi Arabia
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الراجحي المالية
Al Rajhi Capital



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Key themes

The earnings in Q1 were expected to be robust and strong, after a positive budget announcement and government infrastructure investments to lift the economy. However barring petrochemicals, the results of major sectors were below expectations.

Implications

We believe the Saudi economy is still not out of a slowdown where earnings are still difficult to come by. However, we expect better performance from the companies in the coming quarters on the back of sustained recovery and stable oil prices.

What do we think?

Major Sectors	Rating
Petrochemicals*	Overweight
Banking*	Neutral
Telecoms	Neutral
Agriculture	Overweight

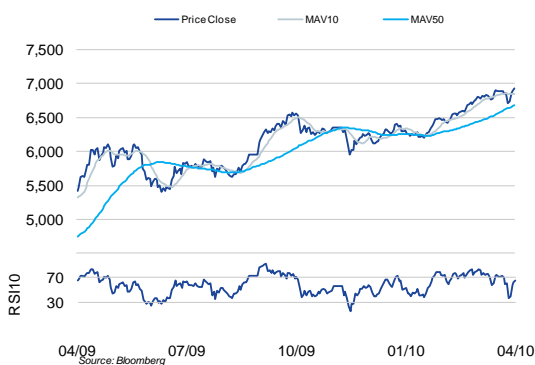
* not yet covered on a bottom-up basis

Why do we think it?

Sector	EPS LTGR	2010 EV/EBITDA
Petrochemicals	NA	11.5x
Banking	34.5%	13.2x
Telecoms	15.0%	6.3x

Source: Bloomberg, Al Rajhi Capital

Saudi Arabia market index



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FY2010 – Q1:

Performance below expectations

The Q1 results slightly surprised us, as we were expecting a stronger outcome from the Saudi market. However, the results support the stance on the market that we put forward in our Saudi equity strategy report of December 2009. The key sectors that we rate as Overweight are Petrochemicals, Cement and Agriculture. While the market background in Telecoms, the third largest sector, is favourable, for company-specific reasons we are only recommending one of the operators (Mobily), and so our stance on the sector overall is Neutral. We continue to rate Banks, Energy, Industrial, Retail, and Transport as Neutral mainly due to a lack of short-term catalysts. Likewise we continue to rate Building, Hotels, and Real Estate as Underweight given a subdued earnings outlook in difficult economic conditions globally.

Highlights of our summary of results across the major sectors are as follows:

Banking – disappointing. Results in Q1 were not in line with expectations. It was thought that the banks would have dealt with the majority of their non-performing loans by the end of 2009. However, generally disappointing results for Q1 indicate that the impact of difficult economic conditions is still being felt, with provisions against loan losses continuing to weigh on banks' profitability.

Petrochemicals – surging ahead. Petrochemical companies in Saudi Arabia benefited from the increase in crude prices and this was reflected in the first quarter results of year 2010. The performance was above expectations thanks to the rise in prices of most petrochemical products, plastics and metals.

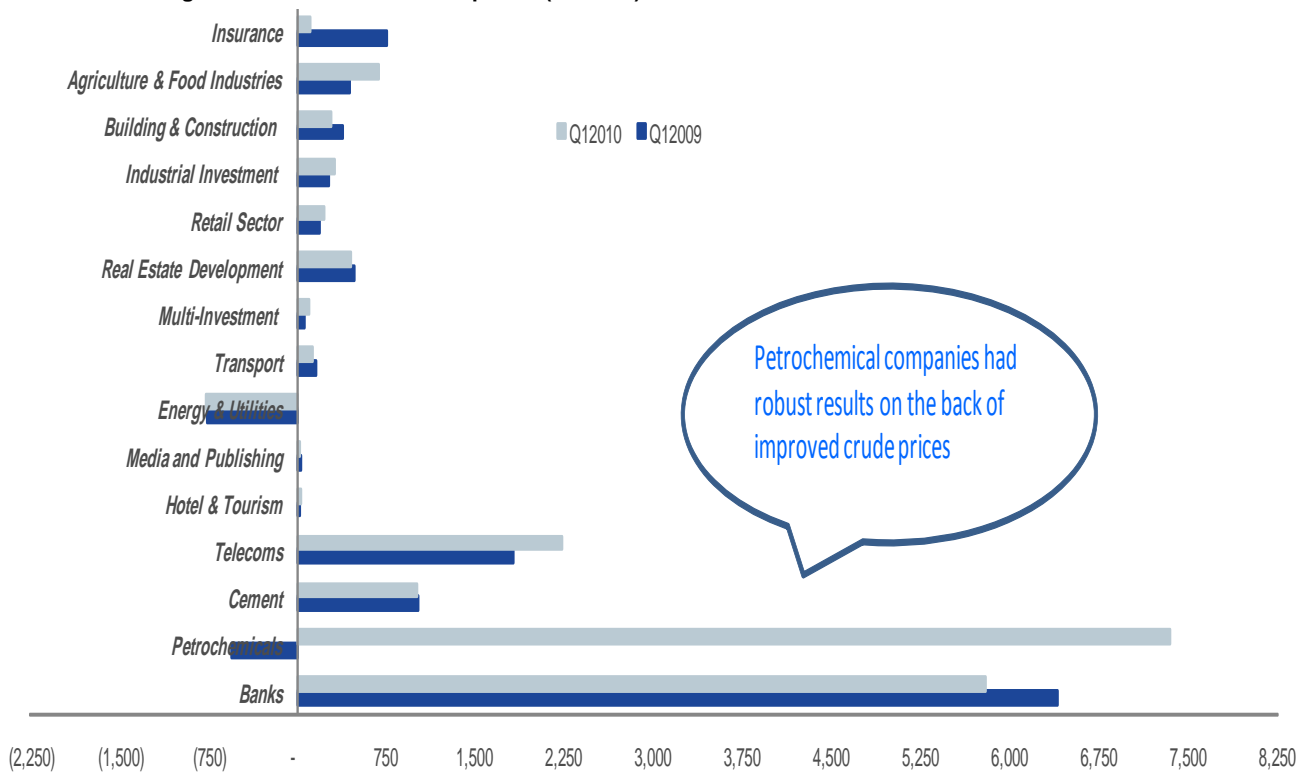
Telecoms - pulled down by STC. In aggregate, the telecoms sector recorded an 11% year-on-year increase in revenues in Q1 2010, but a 10% decline in EBITDA, a 28% decline in operating profit and a 17% decline in net profit. The aggregate performance was held back by surprisingly poor results from STC, the largest company in the sector. In contrast, Mobily reported sparkling results, while Zain KSA showed achieved a strong operating performance but suffered from rising financial costs. (See our report "Saudi Telecoms Sector: we prefer jam today" of January 2010 for a comprehensive view of the sector.)

Disclosures Please refer to the important disclosures at the back of this report.

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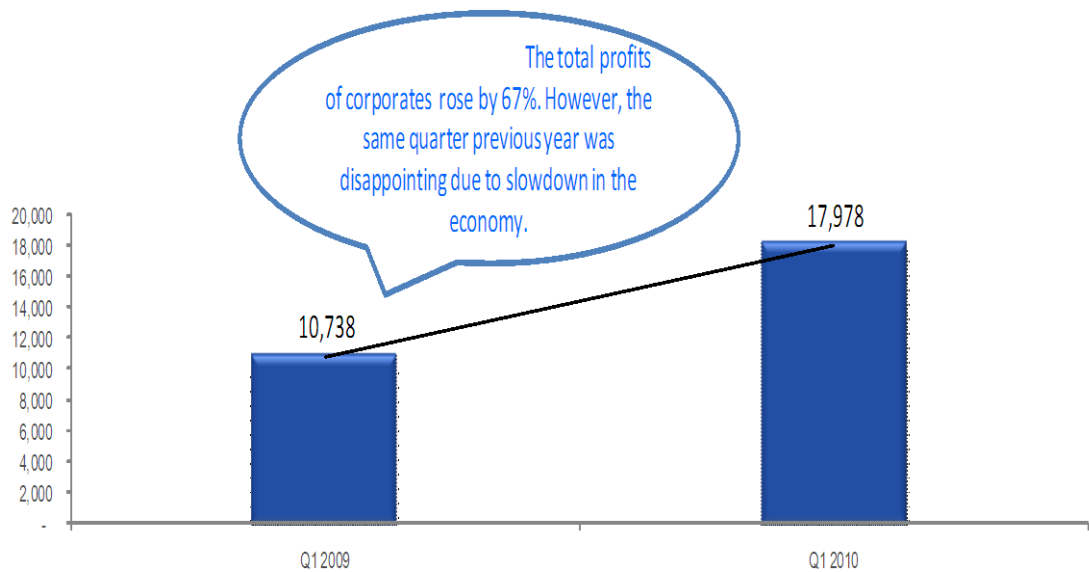
Figure 1. Sectors' overall net profits (SAR mn)



Petrochemical companies had robust results on the back of improved crude prices

Source: Company data, Al Rajhi Capital

Figure 2. Overall earnings performance for the market



The total profits of corporates rose by 67%. However, the same quarter previous year was disappointing due to slowdown in the economy.

Source: Tadawul, Al Rajhi Capital



5 Market performance in Q1 2010

Robust but volumes still a concern

The Saudi Tadawul market continued its rally that began in H2 2009 and gained 10.7% during the Q1 2010, led by the two heavyweight sectors, petrochemicals and banks, as stable oil prices and a gradual recovery in the economy acted as catalysts.

7 Banking

Disappointing first quarter

However, the results in Q1 2010 were not in line with market expectations. It was expected that the banks would have dealt with the majority of their non-performing loans by the end of 2009. However, generally slightly disappointing results for Q1 indicate that the impact of difficult economic conditions is still being felt, with provisions against loan losses continuing to weigh on banks' profitability. However, provisioning costs have gradually come down for the major banks and we assume that declining provisions over the next few quarters will contribute to a recovery in results.

9 Petrochemicals

Surging bottom lines

Petrochemical companies in Saudi Arabia benefited from rising crude oil prices and this was seen in a strong H2 2009. The performance in Q1 2010 was again above expectations thanks to the rise in prices of most petrochemical products, plastics and metals.

11 Telecoms

Pulled down by STC

In aggregate, the telecoms sector recorded an 11% year-on-year increase in sales in Q1 2010, but a 10% drop in EBITDA, a 28% drop in operating profit and a 17% drop in net profit. The aggregate performance was held back by very poor results from STC, the largest company in the sector. In contrast, Mobily reported sparkling results, while Zain KSA showed strong operating performance but suffered from rising financial costs.

13 Cement

Feeling the heat due to export ban

Driven by the government-led infrastructure developments, the combined sales of listed cement companies showed a 14.3% increase to 9.03mn tonnes from 7.91mn tonnes last year. However, the average realised price/ton fell by 4.6% to SAR233 for the current quarter. This is due to the emergence of new players which are trying to gain market share from existing players and the huge capacity carried out by the cement companies, leading to oversupply in the market. This has created pressure on selling prices.

15 Agriculture

Driven by Almarai and Savola

Driven by the largest companies, Almarai & Savola, the Agriculture & Food sector's net profit for Q1 2010 increased by 55% to reach SAR685mn compared to SAR442mn for the same period of last year. Although many small companies in this sector announced losses or a decline from last year, it is not a surprise to see the whole sector achieving this increase considering that Almarai and Savola comprise more than 80% of the sector's market capitalisation and that their profits account for more than 90% of total profits.

17 Retail

Jarir is impressive

The Q1 2010 preliminary results for the Retail sector companies showed growth of 22.4% as profits rose to SAR228mn, from SAR186mn for the same period of the previous year. These profits were supported firstly by Jarir and secondly by Mouwasset's profits.

17 Industrial Investment



Positive results overall

The Q1 2010 preliminary results for the Industrial Investment Sector showed growth in profits of 20% year-on-year to SAR319mn.

18 Real Estate

Outlook negative

The decline in the 1st Q profits of Dar Alarkan Co. has weighed heavily on the aggregate net profits of the Real Estate Development Sector which posted a decline in the Q1 2010 of 6.1%, pulling its profits down to SAR457mn.

19 Building & Construction

Recovery still subdued

The preliminary financial results of the Building & Construction sector companies for the Q1 2010 revealed that the sector has not yet recovered. Net profit stood at SAR284mn, dipping by 26% compared with Q1 2009.

20 Insurance

A mixed bag as usual

The Insurance sector's Q1 2010 results plummeted by 86% from Q1 2009. Although the biggest two companies by market capitalisation, Tawuniya and MEDGULF, announced very strong net profit growth of 307% and 33% respectively, this was not enough to offset the poor results of other companies.

21 Multi-Investment

65% growth in profits for Q1FY10

The overall profits of the Multi-Investment Sector companies for Q1 2010 stood at SAR103mn compared to profits of SAR62mn for the corresponding period of the previous year, an increase of 65%.

21 Transport

The sector has been affected by the decline of NSCSA profits

The preliminary financial results of the Transport sector for Q1 showed a decline of 17% which dragged net profit down to SAR136mn, compared to SAR162mn in Q1 2009.

22 Hotels & Tourism

The sector achieved growth in its net profits

The Hotel & Tourism sector's profits for Q1 2010 went up by 10% to SAR31mn compared to SAR28mn for the corresponding period of the previous year.

22 Media

Suffering from global crisis

The Media & Publishing sector's preliminary results for Q1 2010 revealed that this sector is still suffering from the consequences of the global financial crisis, with advertising activity in particular badly hit.

23 Energy & Utilities

No significant change

The financial results for the Energy & Utilities sector revealed that the sector incurred seasonal losses during Q1 2010 which stood at SAR766mn, up 1% over Q1 2009.

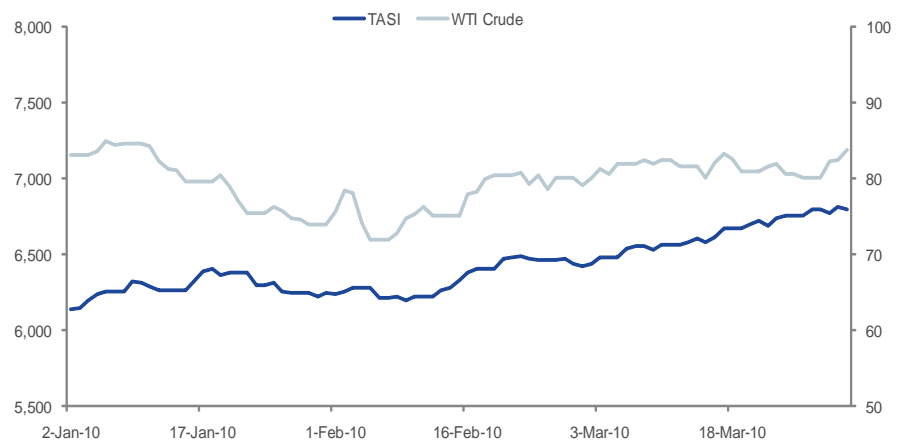


Market performance in Q1 2010: robust but volumes a concern

The Saudi Tadawul market continued the rally that started in H2 2009 and gained 10.7% during Q1 2010, led by the two heavy weight sectors, petrochemicals and banks, as stable oil prices and a gradual recovery in the economy acted as catalysts. The Index crossed 6,800 points during the first quarter, and looked poised to test the 7,000 level although it has since fallen back. The Index also launched its first exchange-traded fund, which allows foreigners to invest directly in the Arab's biggest financial market. We believe with the launch of more ETF's and opening up of the exchange to foreign investors, the volumes will get a huge boost which will allow TASI to test higher levels in coming months.

However, the average daily volume of shares traded on the TASI Index declined by a massive 54.9% between Q1 2009 (260.7 mn) and Q1 2010(117.5 mn) which indicates the apprehension of investors regarding trading in the current uncertain environment. Investors are still unsure of the possible economic recovery in the region.

Figure 3. TASI movement and crude oil prices



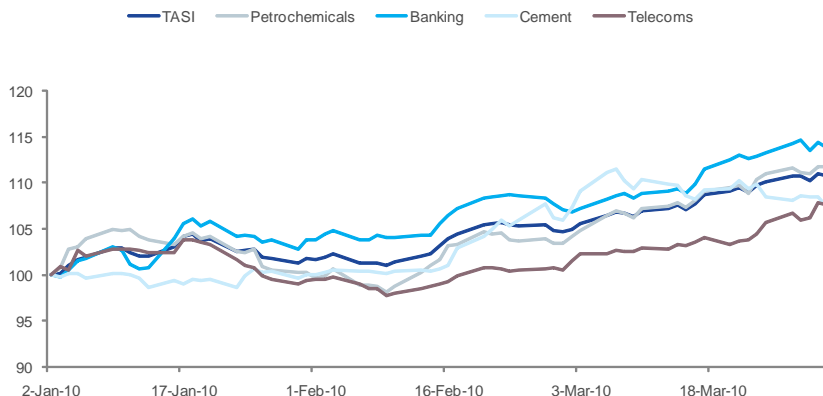
TASI gained 10.7% during Q1, whereas Crude prices more or less maintaining the \$ 75-85 a barrel level.

Source: Bloomberg, Al Rajhi Capital

The Banking sector was the best performing sector index and enjoyed a robust 13.7% rise in Q1 2010. The other two sector indices which performed relatively well were the petrochemical index and the telecoms index, which gained 12.7% and 9.5% respectively. Among banks, Alrajhi Bank and Samba Financial led the index with gains of 20.0% and 16.8% in Q1. In Petrochemicals, SAFCO rose 21.3% and Yansab gained 16.5%. SABIC, the petrochemicals heavyweight, gained 20.6% in Q1 2010.



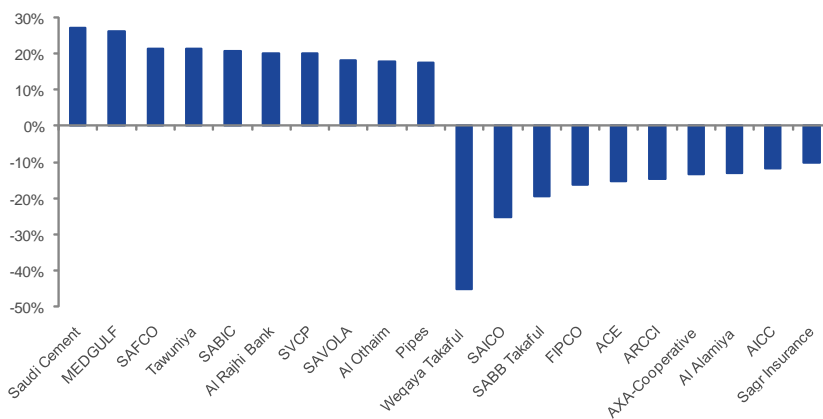
Figure 4. Major sector indices' performance in Q1 2010



Source: Company data, Al Rajhi Capital

Banking sector was the best performer of Q1 2010. Insurance corrected after doing well in 2009.

Figure 5. Top gainers & losers in Q1 2010



Company data, Al Rajhi Capital

Banking and Petrochemical sectors drive the Index up in Q1 in anticipation of robust results.

The no.3 sector, telecoms, rose 9.5%. The largest stock in the sector, Saudi Telecom (STC), gained by 7.7% in Q1. Our preferred stock, Etihad Etisalat (Mobily) gained a robust 15.8% during the quarter.



Banking disappointing Q1

Year 2009 was a difficult year for the banking sector, as the global economic crisis took its toll on the GCC banks, hurting their profits during the year. Liquidity tightened up, pushing up the borrowing costs resulting in squeezing margins. Despite this, the market value of most of the banks increased. Despite the news of defaults of more than US\$20bn by two of Kingdom's biggest family conglomerates – the Saad & Al Gosaibi families – the banks did well to ensure the confidence of the investors does not shake up. The major support came from the government-backed infrastructure projects which provided much-needed liquidity in the country. The generous budget announcement last year was also considered positive for the sector.

However, the results in Q1 2010 were not in line with market expectations. It was expected that the banks would have dealt with the majority of their non-performing loans by the end of 2009. However, generally slightly disappointing results for Q1 indicate that the impact of difficult economic conditions is still being felt, with provisions against loan losses continuing to weigh on banks' profitability.

Aggregate net income for the sector declined 9.5% (SAR5,790mn in Q1 2010 versus SAR6,400mn in Q1 2009). For banks overall, the deposit base increased 186% to SAR3,687bn year-on-year (includes a remarkable 411% rise in the deposit base of Alinma Bank), while total assets rose 0.7% year-on-year to SAR972bn.

The provisions figures published by the banks indicated that pressure on profitability has resulted mainly from provisioning costs. However, provisioning costs have gradually come down for the major banks and we assume that declining provisions over the next few quarters will contribute to a recovery in results. Aggregate loan growth for the banks has been almost stagnant which suggests that banks have become increasingly risk-averse.

Figure 6. : Provisioning costs for banks

Banks	Q1 2009	Q4 2009	Q1 2010	Y-o-Y	Q-o-Q
Riyad	468.0	135.0	194.0	-58.6%	43.7%
Jazira	-0.5	257.0	110.0		-57.2%
Investment	5.0	435.0	313.0	6160.0%	-28.0%
Saudi Hollandi	69.0	754.0	46.0	-33.3%	-93.9%
Saudi French	46.0	418.0	54.0	17.4%	-87.1%
SABB	116.0	714.0	176.0	51.7%	-75.4%
ANB	55.0	347.0	97.0	76.4%	-72.0%
Samba	203.0	228.0	160.0	-21.2%	-29.8%
Al Rajhi	231.0	514.0	359.0	55.4%	-30.2%
Al Bilad	23.0	265.0	43.0	87.0%	-83.8%
Sector	1215.5	4067.0	1552.0	27.7%	-61.8%

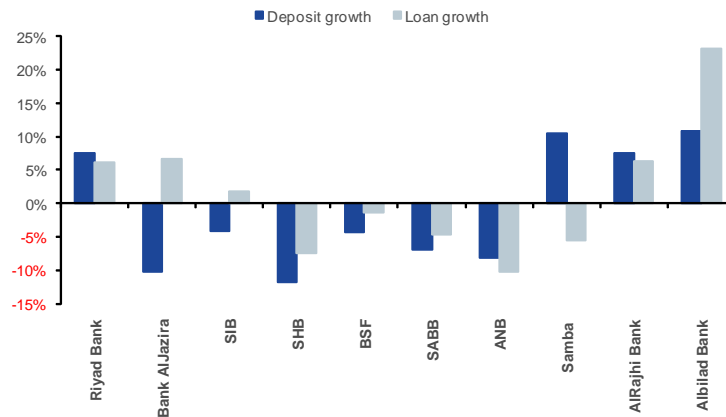
Source: Company data, Al Rajhi Capital

A positive point to note that provisions for banks fell substantially in Q1 from Q4 2009



Figure 7. Deposits and Loan growth in Q1FY10

Loan growth has slowed down in Q1 2009, which shows the banks' reluctance to lend.



Source: Company data, Al Rajhi Capital

An analysis of the financial position of the banks indicates that the deposit base for banks in the first quarter increased 1.0% with the top banks Riyadh Bank, Samba Bank and Alrajhi Bank recording positive growth of 7.5%, 10.5% and 7.5% respectively. However, banks with foreign ownership mostly recorded a decline in the deposit base, with Saudi Hollandi Bank, Bank Saudi Fransi and Saudi British Bank (SABB) reporting declines of 11.6%, 4.3% and 6.8% respectively.

Riyadh Bank had a robust net income rise of 55.1% year-on-year in Q1 2010 due to improved commission income and non-interest income. The deposit base of the bank increased by 7.5% (from SAR119bn in Q1FY09 to SAR128bn in Q1FY10), while the total assets increased annually by 4.2% to SAR 174 bn. Al Rajhi Bank and Samba Financial Group were the other two big banks in the region with subdued performances in the first quarter. Net income at Al Rajhi Bank declined 2.8% in Q1FY10 (SAR1,684mn) and that of Samba Financial decreased 4.8% to SAR1,211mn.

The only bank which recorded a loss in the first quarter of 2010 is Alinma Bank, with a net loss of SAR75mn. The other banks recording a decline in net income in Q1 were Bank Aljazira (87.3% to SAR 13mn), Saudi Investment Bank (91.3% to SAR 21 mn) and Saudi Hollandi Bank (19.1% to SAR230 mn). According to the banks, higher levels of provisioning and decline in net commissions were the main reason behind these poor numbers.



Figure 8. Balance sheet position

Banks	Assets (bn)			Deposits (bn)			Loans (bn)		
	2009	2010	YoY	2009	2010	YoY	2009	2010	YoY
Riyad Bank	167.2	174.3	4.2%	119.2	128.1	7.5%	100.2	106.3	6.1%
Bank AlJazira	27.1	27.8	2.7%	21.4	19.2	-10.2%	15.3	16.3	6.7%
The Saudi Investment Bank	50.5	49.5	-2.0%	38.0	36.5	-3.9%	30.1	30.6	1.7%
Saudi Hollandi Bank	72.5	59.7	-17.7%	48.1	42.5	-11.6%	39.3	36.4	-7.4%
Bank Saudi Fransi	124.0	121.0	-2.4%	92.0	88.0	-4.3%	81.0	80.0	-1.2%
The Saudi British Bank	132.6	120.5	-9.1%	96.6	90.0	-6.8%	79.3	75.7	-4.5%
Arab National Bank	112.4	110.1	-2.0%	84.5	77.7	-8.0%	72.8	65.4	-10.2%
Samba Financial Group	168.0	186.0	10.7%	124.0	137.0	10.5%	90.0	85.0	-5.6%
AlRajhi Bank	161.0	172.0	6.8%	120.0	129.0	7.5%	110.0	117.0	6.4%
Albilad Bank	17.0	19.0	11.8%	13.0	14.3	10.0%	9.1	11.2	23.1%
Alinma Bank	16.2	18.8	16.0%	0.6	2.9	400.0%	0.3	3.6	1100.0%
Total	1048.5	1058.7	1.0%	757.4	765.2	1.0%	627.4	627.5	0.0%

Source: Company data, Al Rajhi Capital

Figure 9. Income statement position (figures in mn's except per share data)

Banks	Net Income (Q1)			EPS (Q1)	
	2009	2010	YoY	2009	2010
Riyad Bank	441.0	684.0	55.1%	0.29	0.46
Bank AlJazira	102.0	13.0	-87.3%	0.34	0.04
The Saudi Investment Bank	241.0	21.0	-91.3%	0.53	0.05
Saudi Hollandi Bank	284.4	230.0	-19.1%	0.86	0.70
Bank Saudi Fransi	741.0	714.0	-3.6%	1.02	0.99
The Saudi British Bank	760.0	621.0	-18.3%	1.01	0.83
Arab National Bank	695.0	634.0	-8.8%	1.07	0.97
Samba Financial Group	1272.0	1211.0	-4.8%	1.41	1.35
AlRajhi Bank	1732.0	1684.0	-2.8%	1.15	1.12
Albilad Bank	22.4	52.6	134.8%	0.07	0.18
Alinma Bank	109.0	-75.0	-	0.07	-0.05
Total	6399.8	5789.6	-9.5%		

Source: Company data, Al Rajhi Capital

Petrochemicals surging bottom lines

Impressive performance in Q1 attributed to recovery in prices of petrochemical products

The petrochemicals sector was severely hit by the global economic slowdown which started in the H2 2008s 2008 and continued into 2009. A fall in international crude oil and commodity prices, due to lower global demand, resulted in margin erosion and lower net profits for the petrochemical companies in the Kingdom. The economic scenario changed in the H2 2009, driven by government stimulus plans announced by various developed and developing countries and the global demand for crude oil recovered. A weaker dollar also boosted prices. Petrochemical companies in Saudi Arabia benefited from the increase in crude prices and this was reflected in the second half of year 2009. The performance in Q1 2010 was above expectations thanks to the rise in prices of most petrochemical products, plastics and metals.

Overall results for the sector surged for the first quarter with a total combined net profit of SAR 7,341 mn against a net loss of SAR 553 mn recorded during the same period last year.

Petrochemicals sector picked up in H209 thanks to improved demand globally.

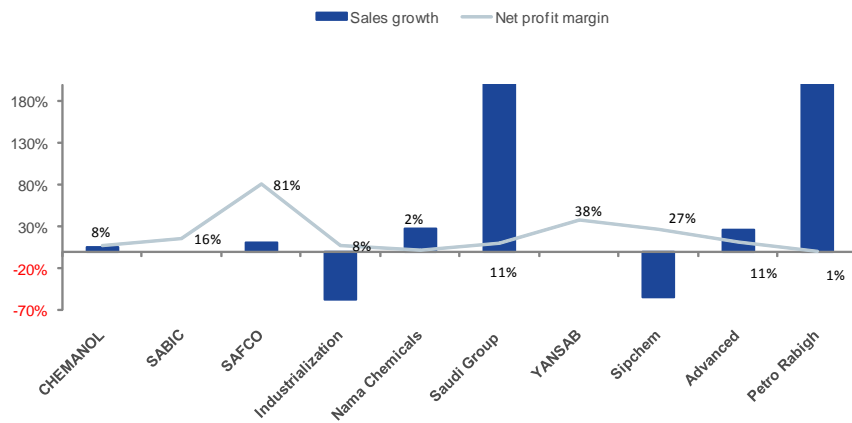


Sabic bottom-line surged due to huge jump in the prices of petro products and plastics.

SABIC: strong Q1 results

The petrochemicals heavyweight SABIC recorded a net profit of SAR5.40bn in Q1 2010, compared to a loss of SAR0.97 bn over the same period in 2009 and a 17% increase from the level of Q4 2009. The gross profit during Q1 surged by 238% to SAR12.2bn. The company attributed this performance to the gradual increase in the prices of petrochemicals, plastic products and metals as a result of increased demand. Absence of the impairment costs recorded in Q1 2009 also had a positive impact.

Figure 10. Major petrochemicals' companies sales growth and net margins - Q110



Source: Company data, Al Rajhi Capital

* Petro Rabigh had a 422.7% revenue growth in Q110

SAFCO

SAFCO's net profit improved 33% year-on-year to SAR525mn in Q1 2010 and operating profit increased 41% to SAR618mn. The company attributed this rise to increased sales volume coupled with higher prices for fertiliser products.

Yansab

Yansab posted a after tax profit of SAR259.5mn (EPS SAR0.5) as compared to a loss of SAR8.2mn recorded in Q12010. The increase came mainly because of the commencement of commercial production in Q12010.

National Industrialization

National Industrialization also had a strong result for Q1 2010 with net profit of SAR333mn compared to a loss of SAR26mn in the same quarter of the previous year, an increase of 54%. The rise in petrochemical prices had a positive impact on the company's results.



Figure 11. Income statement data (figures in mn's except per share data)

Petrochemicals	Net Income (Q1)			EPS	
	2009	2010	YoY	2009	2010
CHEMANOL	5.0	9.1	80.1%	0.04	0.08
Petrochem	-7.9	-43.0		-0.04	-0.09
SABIC	-970.0	5430.0		-0.32	1.81
SAFCO	525.0	698.0	33.0%	2.10	2.79
Industrialization	-25.8	332.8		-0.06	0.72
Alujain	-10.8	-6.7	-38.4%	-0.16	-0.10
Nama Chemicals	-32.4	2.1		-0.25	0.02
Saudi Group	-50.5	142.0		-0.11	0.32
Sahara Petrochemical	-14.2	116.0		-0.08	0.40
YANSAB	-8.2	259.4		-0.01	0.46
Sipchem	29.2	81.2	178.1%	0.09	0.24
Advanced Polypropylene Company	42.9	52.6	22.6%	0.30	0.37
Saudi Kayan	-6.3	-3.7	-41.3%	0.00	0.00
Petro Rabigh	-28.7	271.5		-0.03	0.31
Total	-552.7	7341.3			

Source: Company data, Al Rajhi Capital

Figure 12. Important ratios : Q1 2010

Petrochemicals	Sales Growth	GPM (%)	NPM (%)	ROE (%)	ROA (%)	Current Ratio
	yoy (%)					
CHEMANOL	5.6%	33.0%	8.1%	2.6%	1.2%	1.21
Petrochem				-3.6%	-1.1%	28.77
SABIC	0.0%	35.8%	15.9%	19.1%	7.2%	2.27
SAFCO	10.6%	74.4%	80.8%	46.4%	37.7%	2.79
Industrialization	-57.8%	29.2%	8.4%	17.1%	4.0%	1.24
Alujain				-5.3%	-0.8%	0.48
Nama Chemicals	27.6%	11.7%	1.6%	0.5%	0.3%	2.12
Saudi Group	203.1%	16.3%	10.7%	10.1%	2.7%	5.79
Sahara Petrochemical				13.3%	7.4%	2.26
YANSAB			37.7%	17.5%	4.8%	0.95
Sipchem	-54.4%	48.7%	26.6%	5.8%	2.7%	1.87
Advanced	25.7%	14.9%	11.3%	12.7%	6.3%	1.47
Saudi Kayan				-0.1%	0.0%	0.70
Petro Rabigh	422.7%	-1.5%	0.9%	13.4%	2.3%	0.61

Source: Company data, Al Rajhi Capital

Telecoms pulled down by STC

Dire results from STC, but
sparkling results from Mobily

In aggregate, the telecoms sector recorded an 11% year-on-year increase in revenues in Q1 2010, but a 10% decline in EBITDA, a 28% decline in operating profit and a 17% decline in net profit. The aggregate performance was held back by surprisingly poor results from STC, the largest company in the sector. In contrast, Mobily reported sparkling results, while Zain KSA achieved a strong operating performance but suffered from rising financial costs.



Figure 13. Saudi telecoms sector: Q1 2010 aggregate results

(SAR mn)	Q1 2009	Q1 2010	% chg
STC			
Revenues	12,143	12,520	3.1%
EBITDA	5,611	4,460	-20.5%
EBITDA margin (%)	46.2%	35.6%	
Operating profit	3,836	2,353	-38.7%
Net profit	2,488	1,772	-28.8%
Mobily			
Revenues	2,810	3,581	27.4%
EBITDA	908	1,180	29.9%
EBITDA margin (%)	32.3%	32.9%	
Operating profit	533	763	43.1%
Net profit	480	714	48.7%
Zain KSA			
Revenues	582	1,094	88.1%
EBITDA	-330	-70	-78.7%
EBITDA margin (%)	-56.7%	-6.4%	
Operating profit	-656	-435	-33.6%
Net profit	-765	-662	-13.4%
Aggregate			
Revenues	15,535	17,195	10.7%
EBITDA	6,189	5,569	-10.0%
EBITDA margin (%)	39.8%	32.4%	
Operating profit	3,714	2,681	-27.8%
Net profit	2,203	1,824	-17.2%

Source: Company data, Al Rajhi Capital

STC's results were the poorest for at least three years, and are hard to explain

STC

STC's Q1 2010 results featured year-on-year declines in operating profit of 38% and in net profit of 29%. This outcome was much worse than consensus estimates and our own. We calculate the EBITDA margin at 35.6%, which we think was the lowest level since at least Q4 2006. We believe that operating profit of SAR2,353mn and net profit of SAR1,772mn were likewise the lowest figures since at least Q4 2006. STC has given several explanations for the weak Q1 performance, notably the impact of continuing heavy investment overseas, pressure on international call prices, and rising international access charges. Nevertheless, it remains hard to explain just why STC's Q1 results were so poor. Please see our detailed report on STC, "Positives and negatives balanced", of 10th May 2010 for further discussion of STC's weak Q1 earnings. We should add that STC's overall financial position is stronger than its weak headline results would suggest, with a healthy net debt/EBITDA ratio of 1.3x and a dividend 1.2x covered on the basis of annualised Q1 net profit.

Figure 14. STC: quarterly results since Q1 2007

(SAR mn)	Q107	Q207	Q307	Q407	Q108	Q208	Q308	Q408	Q109	Q209	Q309	Q409	Q110
Revenues	7,938	7,909	8,584	10,027	9,575	12,030	13,538	12,326	12,143	12,674	12,934	13,029	12,520
EBITDA	3,843	4,187	4,452	4,234	4,904	5,791	6,481	4,566	5,611	5,136	5,092	4,773	4,460
EBITDA mar. (%)	48.4%	52.9%	51.9%	42.2%	51.2%	48.1%	47.9%	37.0%	46.2%	40.5%	39.4%	36.6%	35.6%
Oper. profit	2,920	3,227	3,482	2,989	3,569	4,345	4,604	2,818	3,836	3,228	3,112	2,637	2,353
Net profit	2,719	3,103	3,140	3,060	3,029	3,840	3,012	1,156	2,488	2,990	2,403	2,983	1,772

Note:

1. We have not fully adjusted Q1 2009 numbers in our model for certain restatements by STC in Q1 2010.

2. In certain cases we have calculated Q4 figures by subtracting figures for the first nine months from those in the annual report. These figures may differ slightly from the Q4 results published by STC in its original Q4 results releases.

Source: Company data, calculations by Al Rajhi Capital

However, we expect gradual improvement from now on

As explained in our report of 10th May, we have sharply lowered our profit forecasts for STC, and now expect net profit to decline by 16% in 2010. On the other hand, we think STC has maintained its ARPU premium in the Saudi mobile market, and expect its mobile market share to stabilise from now on; we also see significant new revenue opportunities in the domestic fixed-line data market for STC. Overseas, we expect investment and start-up losses



to decline gradually in STC's overseas markets. For these various reasons we expect STC's earnings prospects to improve gradually from Q2 onwards.

Mobily's excellent results were driven by burgeoning demand for mobile broadband

Mobily

In marked contrast to STC, Mobily's Q1 results were truly impressive. Revenues grew by 27% year-on-year due to burgeoning demand for mobile broadband service. It should be noted that Q1 sales of SAR3,581m were also 1.2% higher than in Q4 2009; this is the first time that Mobily has achieved revenue growth in Q1 on a quarter-on-quarter as well as a year-on-year basis. (Q4 is always the strongest quarter for Mobily due to the extra revenue generated during the Hajj season.) Pressure on the gross margin from aggressive price promotions in Q1 was easily contained, and reflecting firm control of SG&A costs EBITDA increased by 30% year-on-year; net profit surged by 49% year-on-year. We expect the rest of 2010 to be more challenging, partly because we expect price pressure in mobile service to be maintained. Nevertheless, we forecast growth in net profit of 17% for the year as a whole, followed by growth of 13% for 2011. Mobily remains our top pick in the Saudi telecoms sector.

Zain is performing reasonably well in operating terms, but has major financial problems

Zain KSA

Zain KSA's Q1 revenues rose by 88% year-on-year, albeit from a low base. The company reported a mildly disappointing EBITDA loss of SAR70mn for Q1, down from an EBITDA loss of SAR330mn in Q1 2009. We continue to predict positive EBITDA for the full year. In operating terms, we think Zain is performing quite well for a no.3 mobile operator. Unfortunately, the company has a significant debt problem. Net debt stood at SAR11,970mn at the end of Q1, up by only 6% year-on-year. However, financial costs more than doubled: we calculate that Zain is now paying a very high effective annualised interest rate on gross debt of 7.3%. Net debt of just under SAR12.0bn stood at 50% of enterprise value or 2.2x our estimate of 2010 sales; and we maintain our view that Zain needs to cut net debt by SAR6bn or around 50%. It is hard to see how the company can do this except through a combination of a large equity issue and a large debt-for-equity swap targeted at its founding shareholders and external banks. This is likely to prove highly dilutive for external shareholders.

Cement

feeling the heat due to export ban

Cement companies facing drop in margins due to intensifying competition and falling realised selling prices

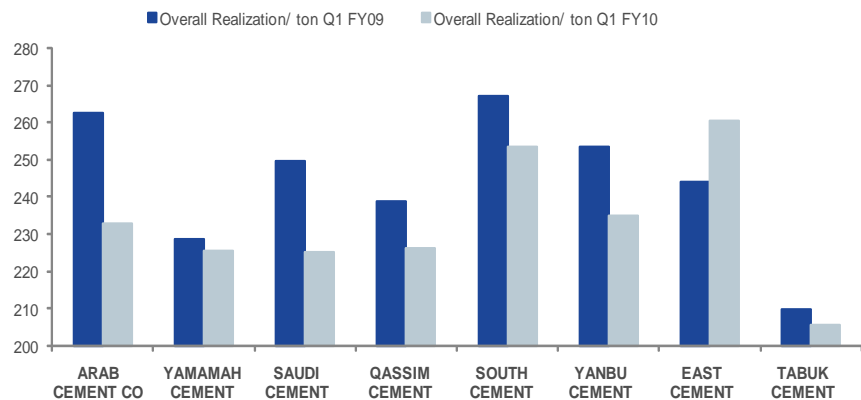
Driven by the government-led infrastructure developments, the cement sector saw a significant increase in domestic consumption for the year ended 2009. Aggregate sales volumes and value increased in Q1 2010 as well. The combined sales of listed cement companies registered a decent 14.3% increase to 9.03mn tonnes from 7.91mn tonnes recorded last year.

However, the average realised price/ton fell by 4.6% to SAR233 for the current quarter. This is due to the emergence of new players which are trying to gain market share from existing companies and the huge capacity expansion carried out by the cement companies, leading to oversupply in the market. This has created pressure on realised selling prices.

Aggregate net income for the eight listed cement companies fell by modest 0.9% year-on-year in Q1. Yamama Cement saw a robust 31% rise in net profits to SAR165mn, on account of a rise in domestic sales driven by increased domestic demand. Saudi Cement reported a healthy 16.2% increase in Q1 net profits to SAR177mn, also due to robust domestic sales. The smallest listed cement company, Tabuk Cement, reported a small 1.6% rise in net profits to SAR34mn.

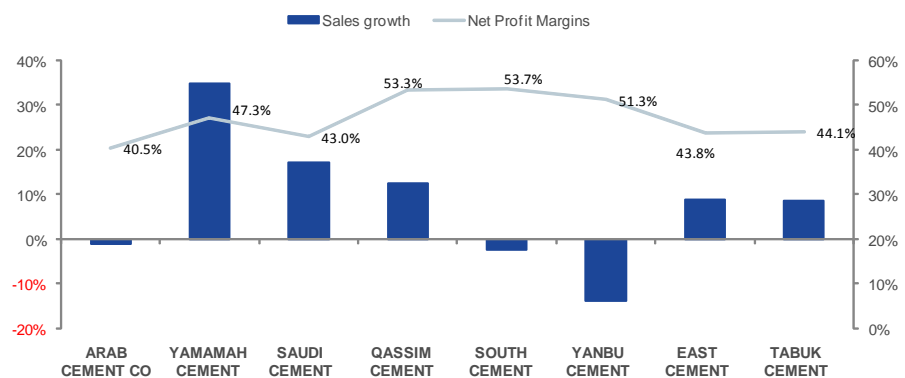


Figure 15. Overall realised price per ton for Q1 2009 and Q1 2010



Source: Company data, Al Rajhi Capital

Figure 16. KSA cement companies' sales growth and margins - Q1 2010



Source: Company data, Al Rajhi Capital

Qassim Cement

In Q12010, revenues for Qassim Cement increased by 12.3% year-on-year to SAR273mn and net profit declined 4.2% year-on-year to SAR145.2mn. The realised price/ton, however, fell 5.3% to SAR 226.1/ton from SAR238.7/ton, recorded in Q1 2009. The gross margin stood at 57.5%. while the net margin was 53.3%. Qassim Cement stands out as probably the most efficient company operationally, with the highest ROE (34.1%) in the sector, and ROA (25.1%) just behind Southern Cement.

Saudi Cement

Saudi Cement recorded a decent 16.2% year-on-year rise in net profit to SAR177mn in Q12010, and an 18.2% rise quarter-on-quarter. The gross profit of the company increased 17.6% to SAR206mn for Q1 2010. The revenues for Q110 increased 17.2% to SAR410.9mn due to volume growth and an increase in domestic consumption during the period. The realised price/ton for Saudi Cement stood at SAR 225/ton. The gross margin stood at 50.1% and the net margin at 43.0%. The fall in net profits and margins was the result of excess fixed costs charged to profits, while the cost of maintaining inventories rose as a result of the cement export ban in the Kingdom. The company might face working capital issues in the future as the current ratio in the balance sheet stood at 0.3 times.

Saudi Cement had a fair result, considering the huge inventory costs burden due to storage of clinker.



Yamama Cement's results benefited from rising sales volume

Yamama Cement

Yamama Cement too recorded a robust 31.0% year-on-year rise in net profits to SAR165mn in Q1 2010. Sales increased 34.9% to SAR349mn. The average realised price fell 1.3% to SAR225.6/ton in Q1. The gross margin stood at 51.7% and the net margin at 47.3% respectively for Q1.

Other companies

Arabian Cement recorded a decline of 21% in net profit for Q1 2010, to SAR82mn, which reflected an increase in cost of sales. Yanbu Cement saw an 18.8% decline in net profit to SAR123mn, owing to an increase in supplies in the western region due to the entry of new players and increased competition while Eastern Cement's net profits declined 5.2% to SAR92mn in the quarter due to falling selling prices and an increase in cost of production due to high prices of raw materials.

Figure 17. Income statement data (figures in mn's except per share data)

Cement	Net Income (Q1)			EPS (Q1)	
	2009	2010	YoY	2009	2010
ARAB CEMENT CO	103.8	81.7	-21.3%	1.30	1.02
YAMAMAH CEMENT	126.0	165.0	31.0%	0.93	1.22
SAUDI CEMENT	152.0	176.6	16.2%	1.49	1.73
QASSIM CEMENT	151.5	145.2	-4.2%	1.68	1.61
SOUTH CEMENT	200.2	189.6	-5.3%	1.43	1.36
YANBU CEMENT	152.0	123.0	-19.1%	1.45	1.17
EAST CEMENT	97.0	92.0	-5.2%	1.13	1.07
TABUK CEMENT	33.5	34.0	1.6%	0.37	0.38
Total	1016.0	1007.1	-0.9%		

Source: Company data, Al Rajhi Capital

Figure 18. Important ratios : Q1FY2010

Companies	Sales Growth					Current Ratio
	yoy (%)	GPM (%)	NPM (%)	ROE (%)	ROA (%)	
ARAB CEMENT CO	-1.0%	44.6%	40.5%	13.8%	8.2%	0.91
YAMAMAH CEMENT	34.9%	51.7%	47.3%	22.5%	18.9%	2.76
SAUDI CEMENT	17.2%	50.1%	43.0%	24.5%	14.4%	0.30
QASSIM CEMENT	12.3%	57.5%	53.3%	34.1%	25.1%	1.66
SOUTH CEMENT	-2.5%	58.2%	53.7%	33.0%	28.9%	1.61
YANBU CEMENT	-13.7%	53.3%	51.3%	22.1%	15.8%	0.90
EAST CEMENT	8.8%	50.4%	43.8%	19.8%	15.6%	1.36
TABUK CEMENT	8.7%	49.5%	44.1%	12.5%	10.3%	2.27

Source: Company data, Al Rajhi Capital

Agriculture & Food Industries driven by Almarai and Savola

Driven by the largest companies, Almarai & Savola, the Agriculture & Food sector's net profit for Q1 2010 increased by 55% to reach SAR684.95mn compared to SAR441.6mn for the same period of last year. Although many small companies in this sector announced losses or a decline from last year, it's not a surprise to see the whole sector achieving this increase knowing that Almarai and Savola comprise more than 80% of the sector market capitalization and their profits account for more than 90% of total profits.

Good results from Almarai

Almarai, the largest company in the food sector, achieved an impressive net profit growth of 18.6%, from SAR197mn in Q1 2009 to SAR234mn in Q1 2010. This is consistent Almarai's revenue growth of 18%. Juice and bakery were the biggest winners in terms of revenue growth, but sales in other segments grew strongly as well. The poultry segment is still under development; we expect it to see better results in Q3 considering the announced investment



Savola achieved robust growth, which came mainly via capital gains from the Herfy IPO

of SAR2bn. However, the gross margin shrank from 38.3% in Q1 2009 to 36.6% in Q1 2010. According to Almarai, this decline was mainly caused by pre-investment costs in preparing for capacity increases in the bakery segment and other costs related to improving quality in the poultry segment.

Savola, the second largest company in the food sector, announced strong net profit growth of 104.1% from SAR193mn in Q1 2009 to SAR394mn in Q1 2010. Nevertheless, it is essential to highlight the fact that SAR196mn of net profits was a capital gain that came from the IPO of Herfy. Excluding this figure, Savola's net profit coming from core business was only around SAR198mn, which implies a 2% increase from the same period of last year. This growth is small considering that Savola's revenues grew by 18% in Q1 2010. We believe that this inconsistency can be attributed to increasing raw material costs and the rapidly growing retail segment, which has low margins.

Smaller companies such as Herfy and Halwani Brothers announced strong net profit growth of 19% and 68% respectively. Nadee's net result improved slightly and reached SAR4mn in Q1 2010 compared to a loss of SAR4mn in Q1 2009. Other companies, mainly agricultural, reported either a decline in profits or losses except Jazan Agriculture which announced a jump in net profit from SAR0.1mn in Q1 2009 to SAR3mn in Q1 2010.

In general, we think prospects for the Saudi food sector are promising considering the attractive demographics of the Kingdom. We expect Almarai and Savola to maintain their Q1 strong results. However, they ought to improve their margins, especially Savola as around 50% of its net profits came from the Herfy IPO. Almarai is also under pressure to develop its poultry segment and improve its gross margin as well. Other smaller companies such as Herfy, Halwani Brothers, and Sadafco are doing well and are likely to continue to do so. Pure agricultural companies are struggling and their future is somewhat uncertain.

Figure 19. Income statement data (figures in mn's except per share data)

Agriculture & Food Industries	Net Income (Q1)			EPS 3 Months	
	2009	2010	YoY	2009	2010
SAVOLA Group	193.0	394.0	104.1%	0.39	0.79
Food	2.8	3.1	10.7%	0.14	0.15
Almarai	197.4	234.1	18.6%	1.81	2.04
Anaam Holding	-2.7	0.2	-	-0.25	-0.02
Halwani Bros	12.5	21.0	68.0%	0.44	0.73
Herfy Food	23.8	28.2	18.5%	0.88	1.04
NADEC	-4.4	3.8	-	-0.07	0.06
Qassim Agriculture	0.1	1.3	1149.5%	0.00	0.03
Tabuk Agriculture	10.0	-2.5	-	0.50	-0.13
Saudi Fisheries	-4.0	-5.5	38.2%	-0.20	-0.28
Sharqiyah Agriculture	-0.8	-3.0	279.4%	-0.11	-0.40
Jouff Agriculture	13.8	7.2	-	0.69	0.36
Jazan Development	0.1	3.0	4377.6%	0.00	0.06
Total	441.6	685.0	55.1%		

Source: Company data, Al Rajhi Capital



Retail

Jarir is impressive

Most of the sector's companies continued recording healthy growth rates, except Thimar which reported quarterly losses.

The quarterly profits of Jarir Co. the main contributor to the sector's profits, increased by 10.2%.

The Q1 2010 preliminary results for the Retail sector companies showed growth of 22.4% as net profits rose from SAR186mn in Q1 of the previous year to SAR227mn. These profits were supported firstly by Jarir and secondly by Mouwasat Co.

Barring Sasco, which witnessed a decline in its profits and Thimar, which incurred losses, the performance of other companies was positive with good growth rates. Fitaihi led all the sector's companies in terms of growth rates as its quarterly profits jumped by more than 98.4%, thanks to the increase in the investment revenues. Al-Othaim ranked second with a growth rate of 93.3% pulling its profits up to SAR32mn.

Similarly, Jarir's net profits went up by 10.2% to SAR 118.5 mn and its EPS stood at SAR3. Mouwasat followed suit with a year-on-year growth rate of 22% to SAR32mn.

We have excluded Al Hokair Co.'s profits from the sector aggregate due to the difference of the period of comparison with the other companies listed in the sector.

Figure 20. Income statement data (figures in mn's except per share data)

Retail Sector	Net Income (Q1)			EPS 3 Months	
	2009	2010	YoY	2009	2010
A.Othaim Market	16.4	31.7	93.3%	0.73	1.41
Mouwasat	26.6	32.4	21.8%	1.06	1.29
SASCO	6.5	2.1	-67.7%	0.15	0.05
Thim'ar	-1.5	-1.5	0.0%	-0.15	-0.15
Fitaihi	6.4	12.7	98.4%	0.13	0.25
Jarir	107.5	118.5	10.2%	2.69	2.95
Aldrees	13.8	19.9	44.2%	0.55	0.79
AlHokair	-	-	-	-	-
Alkhaleej Trng	10.2	11.8	15.3%	0.68	0.78
Total	185.9	227.6	22.4%		

Source: Company data, Al Rajhi Capital

Industrial Investment

positive results overall

The Q1 2010 preliminary results for the Industrial Investment Sector showed growth in net profit of 20% year-on-year to SAR319mn.

Good results from BCI....

At the company level, Saudi Arabia Mining Company's quarter profits grew by 12%, raising its net profits to SAR21mn. Saudi Chemical followed suit and achieved growth in its Q1 profits of 12% to SAR75mn. Maadaniyah's profits jumped, as its net profit surged by 720%, mainly attributed to the rise in sales volumes and prices.

...but poor results from Glass and FIPCO

One of the only two companies amongst the sector which suffered a decline in net profits was the National Co. for Glass Industries, which recorded a 15.5% decline in net profit to SAR17mn. The company attributed this subdued result to the decline in the average prices of glass bottles. The net profits of Filing and Packing decreased 13% to SAR6mn, whereas Saudi Industrial Export Co., which had incurred losses during Q12009, made net profit of SAR1mn in Q12010. The increase in profits was attributed to higher quantities and prices of products exported during the period.



Figure 21. Income statement data (figures in mn's except per share data)

Industrial Investment	Net Income (Q1)			EPS	
	2009	2010	YoY	2009	2010
BCI	12.9	15.9	23.0%	0.47	0.58
MA'ADEN	18.4	20.6	12.0%	0.02	0.02
Astra Indust	49.2	57.9	17.7%	0.66	0.78
Pharmaceutical	42.7	45.3	6.1%	0.71	0.58
Glass	20.6	17.4	-15.5%	0.82	0.7
FIPCO	7.2	6.3	-12.5%	0.63	0.55
Maadaniyah	1.0	8.2	720.0%	0.32	0.04
Saudi Chemical	67.0	75.0	11.9%	1.06	1.18
Saudi Paper	22.6	29.8	31.8%	0.75	0.99
AlAbdullatif	26.0	41.5	59.6%	0.32	0.51
Saudi Export	-1.4	1.0		-0.13	0.09
Total	266.3	318.9	19.8%		

Source: Company data, Al Rajhi Capital

Real Estate Development outlook negative

The decline in the Q1 profits of Dar Alarkan Co. weighed heavily on the aggregate net profits of the Real Estate Development Sector which posted a decline of 6.1% to SAR457mn. The negative performance predominated across the sector during this quarter, except Arriyadh Development Co. and Taiba Investment, due to generally dull real estate activity.

At an individual level, Dar Al-Arkan, the biggest company in the sector, saw net profit sink by 6.1% to SAR399mn. It attributed this decline to a drop in sales of residential units and to a decline in the gross margin resulting from the sale of residential units. In contrast, Arriyadh Development Co. and Taiba Investment reported growth in profits of 5% and 3% respectively.

Looking ahead, the Real Estate Sector is likely to be reorganised through the new regulations governing real estate mortgage, real estate financing and lease financing which are expected to be approved in the near future. These new regulations should create new systems that will allow investors to enter the real estate market more efficiently. Moreover, they should provide a good mechanism for helping to achieve growth in both supply and demand and provide wider chances to real estate dealers to find new financing channels. It is reasonable to expect higher demand from facilitation of mortgage lending to outweigh any increase in competition resulting from increased supply.

Figure 22. Income statement data (figures in mn's except per share data)

Real Estate	Net Income (Q1)			EPS 3 Months	
	2010	2009	YoY	2010	2009
Real Estate	30.6	31.0	-1.3%	0.26	0.26
Taiba	14.3	13.9	3.2%	0.10	0.09
Makkah	-	-	-	-	-
Arriyadh Development	23.0	22.0	4.5%	0.22	0.23
Emaar E .C	-0.5	-0.6	-14.5%	-0.06	-0.07
Jabal Omar	-8.9	-4.1	117.1%	-3.40	-7.80
Dar Al Arkan	398.6	424.5	-6.1%	0.37	0.39
Total	457.1	486.7	-6.1%		

Source: Company data, Al Rajhi Capital

Expected new real estate regulations should support the sector



Building & Construction recovery still subdued

The preliminary financial results of the Building & Construction sector companies for Q1 2010 revealed that the sector has not yet recovered. It is still in a declining mode, recording net profit of SAR284mn, down by 26% compared to Q1 of the previous year.

The sector was adversely affected by the profit decline of many of its companies, mainly Saudi Cables Co. and Red Sea Housing Co. Saudi Cables showed a sharp decrease of 98% in its net profit due to the drop in sales and rise in the operational expenses. Although the company is well-established in the market, it appears that it is still suffering from poor control of expenses. The profits of Red Sea Co. also shrank by more than 58%, due mainly to lower revenues.

On the other hand, some companies in this sector showed growth in their profits headed by Saudi Vitrified Clay Pipes Co. and Mohammed Al-Mojil Group Co. with growth of 110% and 93% respectively. The second biggest company in the sector, Zamil Industries, grew by 5%.

Because of the rapid growth in the Construction sector, especially in infrastructure projects, backed by massive government spending, we expect the sector's results to improve if the companies operating in this sector succeed in managing their operations efficiently.

Figure 23. Income statement data (figures in mn's except per share data)

Building & Construction	Net Income (Q1)			EPS 3 Months	
	2010	2009	YoY	2010	2009
MMG	10.4	5.4	92.6%	0.08	0.04
Saudi Steel Pipe	20.0	33.6	-40.4%	0.39	0.96
Ceramic	58.0	41.0	41.5%	2.34	1.64
Gypsum	17.4	28.9	-40.0%	0.55	0.91
Cables	1.1	46.3	-97.7%	0.01	0.61
Saudi Industrial	0.1	-2.8	-	0.00	-0.07
Amiantit	50.0	48.0	4.2%	0.43	0.42
Pipes	1.2	5.6	-78.6%	0.04	0.18
Zamil Industrial	55.1	52.5	5.0%	0.92	0.87
AL Babbain	24.2	31.1	-22.2%	0.60	0.77
Saudi vitrified clay pipes	19.3	9.2	109.8%	1.29	0.61
MESC	3.1	25.9	-88.0%	0.08	0.65
Red Sea	24.2	58.0	-58.3%	0.80	1.93
Total	284.0	382.6	-25.8%		

Source: Company data, Al Rajhi Capital



Insurance a mixed bag as usual

Sharp decline in aggregate profits due to Sagr Insurance

The aggregate net profit of the insurance sector in Q1 2010 plummeted by more than 86% from the same period of last year. Although the two largest companies by market value, Tawuniya and MEDGULF, announced strong net profit growth of 307% and 33% respectively, this was not enough to offset the poor results of other companies. The sharp aggregate decline can be attributed to Sagr Insurance company which announced a net loss of SAR2mn in Q1 2010 compared to a net profit of SAR733mn in Q1 2009. If we excluded this company, the sector's Q1 2010 net profit would have been more than 350% higher than in Q1 2009.

Tawuniya, the largest company in the sector, achieved an impressive growth in net profits of 307%, from SAR26mn in Q1 2009 to SAR1061mn in Q1 2010. Tawuniya's EPS is currently SAR2.12 compared to SAR0.52 in Q1 2009. MEDGULF, the second largest company in the sector, announced an increase in net profit of 33%, from SAR28mn in Q1 2009 to SAR37mn in Q1 2010. Malath Insurance's net profit increased by 113.4%, from SAR2.1mn to SAR4.5mn. Arabian Shield is another company which showed a slight increase in net profit of 12%.

Two insurance companies were able to reverse their loss trend to a profit: SANAD and SAICO. On the other hand, four companies announced net losses in Q1 2010 compared to net profits in Q1 2009. These companies were Gulf Union, Trade Union, Saudi Re, and – as mentioned – Sagr Insurance. Other companies announced either a slight decline or increase in net profits.

In general, insurance sector seems to look much better when we exclude Sagr insurance. We believe that strong and large companies such as Tawuniya, MEDGULF, and Malath will continue to outperform other companies, at least in the short run. Furthermore, we should highlight that many insurance companies have only been listed recently and that it will take them some time to start making profits. Thus, we believe that Insurance sector is still young and will require more time before it can be properly assessed.

Figure 24. Income statement data (figures in mn's except per share data)

Insurance	Net Income (Q1)			EPS 3 Months	
	2009	2010	YoY	2009	2010
NCCI	26.0	105.8	307.4%	0.52	2.12
MALATH	2.1	4.5	113.4%	0.07	0.15
MEDGULF	27.6	36.7	33.2%	0.35	0.46
ALLIANZ SF	-3.3	-3.6	11.5%	-0.33	-0.36
SALAMA	1.6	0.7	-56.5%	0.16	0.069
WALAA INS	-3.3	1.0	-130.7%	-0.17	-0.05
ARABIAN SHIELD	1.8	2.0	12.7%	0.09	0.1
SABB TAKAFUL	-5.7	-2.4	-57.7%	-0.27	-0.07
SANAD	-4.8	4.2		-0.24	0.21
SAICO	-2.2	2.0		-0.22	0.2
SAUDI INDIAN	-6.1	-5.4	-10.6%	-0.607	-0.54
GULF UNION	0.3	-0.6		0.001	-0.03
ALAHLI TAKAFUL	-0.6	-2.9	386.2%	-0.06	-0.29
AL AHLIA	-3.8	-5.7	51.7%	-0.38	-0.57
ACIG	-5.6	-5.0	-11.3%	-0.56	-0.49
AICC	-2.0	-2.9	43.5%	-0.1	-0.14
Trade Union	0.8	-0.6		0.03	-0.02
Sagr Insurance	733.0	-1.6		0.04	-0.08
U C A	0.4	0.3	-32.8%	0.02	0.015
SAUDI RE	6.3	-5.7		0.063	-0.057
Bupa Arabia	-5.6	-12.9	131.3%	-0.14	-0.32
Total	756.9	107.8	-85.8%		

Source: Company data, Al Rajhi Capital



Multi-investment sector growth in profits of 65% in Q1

The aggregate profits of the Multi-Investment Sector for Q1 2010 stood at SAR103mn compared to profits of SAR62mn for the corresponding period of the previous year, an increase of 65%.

The improvement in the quarterly profits is mainly due to the Kingdom Holding Co. which reported seasonal profits of SAR75mn (constituting 84% of the sector's profits) compared to SAR50mn for the same period of the previous year. The company attributed its profits to increased revenues and increased profits from affiliate companies.

The other companies in the sector showed varying results for the Q1 as Saudi Refineries, Sisco and Assir showed very strong profits growth of 890%, 202% and 54% respectively, whereas Al-Baha managed to achieve profits after it registered losses for the same period of the preceding year.

It is difficult to predict the outlook for the Multi Investment Sector companies as their activities vary from one company to another and consequently the factors influencing these companies differ. However, in general, any improvement in the sector's results will be dependent on the results achieved by Kingdom Holding, considering its weighting and its influence, not only on the Multi-Investment sector, but also on the overall market.

Figure 25. Income Statement Financials (figures in mn's except per share data)

Multi-Investment	Net Income (Q1)			EPS 3 Months	
	2009	2010	YoY	2009	2010
SARCO	0.1	0.8	890.8%	0.01	0.05
Saudi Advanced	6.2	2.7	-56.8%	0.14	0.06
Al Ahsa for Dev.	-6.3	6.3	-	-0.13	0.13
SISCO	0.7	2.1	202.7%	0.01	0.03
Assir	13.0	20.0	53.8%	0.10	0.16
Al Baha	-1.2	-3.8	205.0%	-0.08	-0.25
Kingdom	50.2	75.2	49.8%	0.01	0.02
Total	62.6	103.2	64.9%		

Source: Company data, Al Rajhi Capital

Transport affected by the fall in NSCSA's profits

The preliminary financial results of the Transport sector for the Q1 2010 showed a decline in net profit of 17% from SAR162mn in Q1 2009 to SAR136mn in Q1 2010. National Shipping Company of Saudi Arabia (NSCSA) reported a decline in net profit of 14%, from SAR151mn to SAR130mn, although the company managed to raise its operational profit by 22%. This improvement in the operational profits is attributed to the addition of four new oil tankers to the company's fleet in the year 2009. The decline in net profit can be attributed to the fact that the Q1 2009 results included capital gains of SAR30mn.

Budget Saudi Company was the company in the sector to report higher profits. Net profit rose by 13% to SAR23mn due to the increase in the company's revenues from renting of cars and selling of used cars.

In contrast, Saptco continued its quarterly losses, though they declined by about 6%. Similarly, Mubarrad incurred losses during Q1 of SAR9mn, compared to profits of SAR0.4mn in Q1 2009, due to the recording of investment losses.

Saudi Refineries was able to achieve the highest growth rate among the sector's companies in Q1

Budget Saudi was the only company in the sector that reported growth in profits.



Figure 26. Income Statement Financials (figures in mn's except per share data)

Transport	Net Income (Q1)			EPS 3 Months	
	2010	2009	YoY	2010	2009
Shipping	130.4	151.1	-13.7%	0.41	0.48
SAPTCO	-8.5	-9.0	-5.6%	-0.07	-0.07
Mubarrad	-8.9	0.3	-	-0.50	0.02
Budget Saudi	22.6	19.9	13.3%	1.23	1.09
Total	135.5	162.4	-16.5%		

Source: Company data, Al Rajhi Capital

Hotels & Tourism growth in profits achieved

The Hotel & Tourism sector's profits for Q1 2010 went up by 10% to SAR31mn compared to SAR28mn for the corresponding period of the previous year. Saudi Hotels & Resort Areas Co. represents nearly 100% of profits in this sector. This company attributed growth in its profits to operating improvements and the recent launch of a new project.

Figure 27. Income statement data (figures in mn's except per share data)

Hotels	Net Income (Q1)			EPS 3 Months	
	2009	2010	YoY	2009	2010
Hotels	28.2	31.1	10.3%	5.52	1.79
Shams	0.11	0.04	-63.6%	-0.24	0.02
Total	28.3	31.1	10.0%		

Source: Company data, Al Rajhi Capital

Media & Publishing suffering from the global crisis

The sector's profits dipped by more than 39% during the year due to the recession in advertising

The Media & Publishing sector's preliminary results for Q1 2010 revealed that this sector is still suffering from the aftermath of the global financial crisis, with advertising activity under pressure. Consequently, the sector's profits for the first quarter dropped by 39%, from SAR36mn in Q1 2009 to SAR22mn. Note that we have excluded the annual profits of Tihama Co. from the total due to incomparable period ends.

The Q1 profits for the Saudi Research and Marketing Group dropped by 27.8%, from SAR21mn to SAR15mn. These results can be attributed to the changing distribution of revenues and income along the periods of the year as well as to an increase in the sale & marketing and the general & administrative expenses. This is in addition to the fact that the year 2009 included special gains, which resulted from sales and re-renting operations.

Similarly, the Saudi Printing and Packaging Co. showed a sharp decline in its net profits of 54.1% to SAR7mn. The company attributed this decline to the rise in certain costs in addition to the non-generation of profits from the contract for the sale and re-renting of the Zahban plot of land in Jeddah in 2010 as the contract was cancelled during the last quarter of the preceding year.



Figure 28. Income statement data (figures in mn's except per share data)

Media	Net Income (Q1)			EPS 3 Months	
	2009	2010	YoY	2009	2010
SRMG	20.5	14.8	-27.8%	0.26	0.18
SPPC	15.7	7.2	-54.1%	0.26	0.12
Total	36.2	22.0	-39.2%		

Source: Tadawul, Al Rajhi Capital

Energy & Utilities no significant change

The financial results for the Energy & Utilities sector reveal that the sector incurred net losses of SAR766mn during Q1 2010, up 1% from the same period of the previous year.

The Saudi Electricity Co. (SEC) reported net losses of SAR782mn, raising its total losses by 1.4% compared to Q1 2009. This reflected the increase in the purchased power from independent producers to meet the increasing demand for electricity and higher operational expenses as new projects went on stream. The financial statements for Q1 show that expenditure on purchased power jumped by 85% to settle at SAR602mn. We should note here that SEC's results are very seasonal: it generates good profits during the second and third quarters (the summer season), but incurs losses during the other quarters.

In contrast, the National Gas & Industrialization Co. showed a 30% increase in net profit from SAR13mn to SAR16mn. The increase in profits resulted from the generation of other non-operating revenues, reflecting dividend payouts from companies in which it has invested, and from a rise in the rent of one of its properties.

Figure 29. Income statement data (figures in mn's except per share data)

Energy & Utilities	Net Income (Q1)			EPS 3 Months	
	2009	2010	YoY	2009	2010
NATL GAS & IND	12.5	16.3	30.4%	0.17	0.22
SAUDI ELECTRIC	-771	-782	1.4%	-0.19	-0.19
Total	-758.5	-765.7	0.9%		

Source: Company data, Al Rajhi Capital

SEC quarterly losses increased slightly



Disclaimer and additional disclosures for Equity Research

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Additional disclosures

1. Explanation of Al Rajhi Capital's rating system

Al Rajhi Capital uses a three-tier rating system based on absolute upside or downside potential for all stocks under its coverage except financial stocks and those few other companies not compliant with Islamic Shariah law:

"Overweight": Our target price is more than 15% above the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

"Neutral": We expect the share price to settle at a level between 5% below the current share price and 15% above the current share price on a 6-9 month time horizon.

"Underweight": Our target price is more than 5% below the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

2. Definitions

"Time horizon": Our analysts make recommendations on a 6-9 month time horizon. In other words, they expect a given stock to reach their target price within that time.

"Fair value": We estimate fair value per share for every stock we cover. This is normally based on widely accepted methods appropriate to the stock or sector under consideration, e.g. DCF (discounted cash flow) or SoTP (sum of the parts) analysis.

"Target price": This may be identical to estimated fair value per share, but is not necessarily the same. There may be very good reasons why a share price is unlikely to reach fair value within our time horizon. In such a case we set a target price which differs from estimated fair value per share, and explain our reasons for doing so.

Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if /a company's profits or operating performance exceed or fall short of our expectations.

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