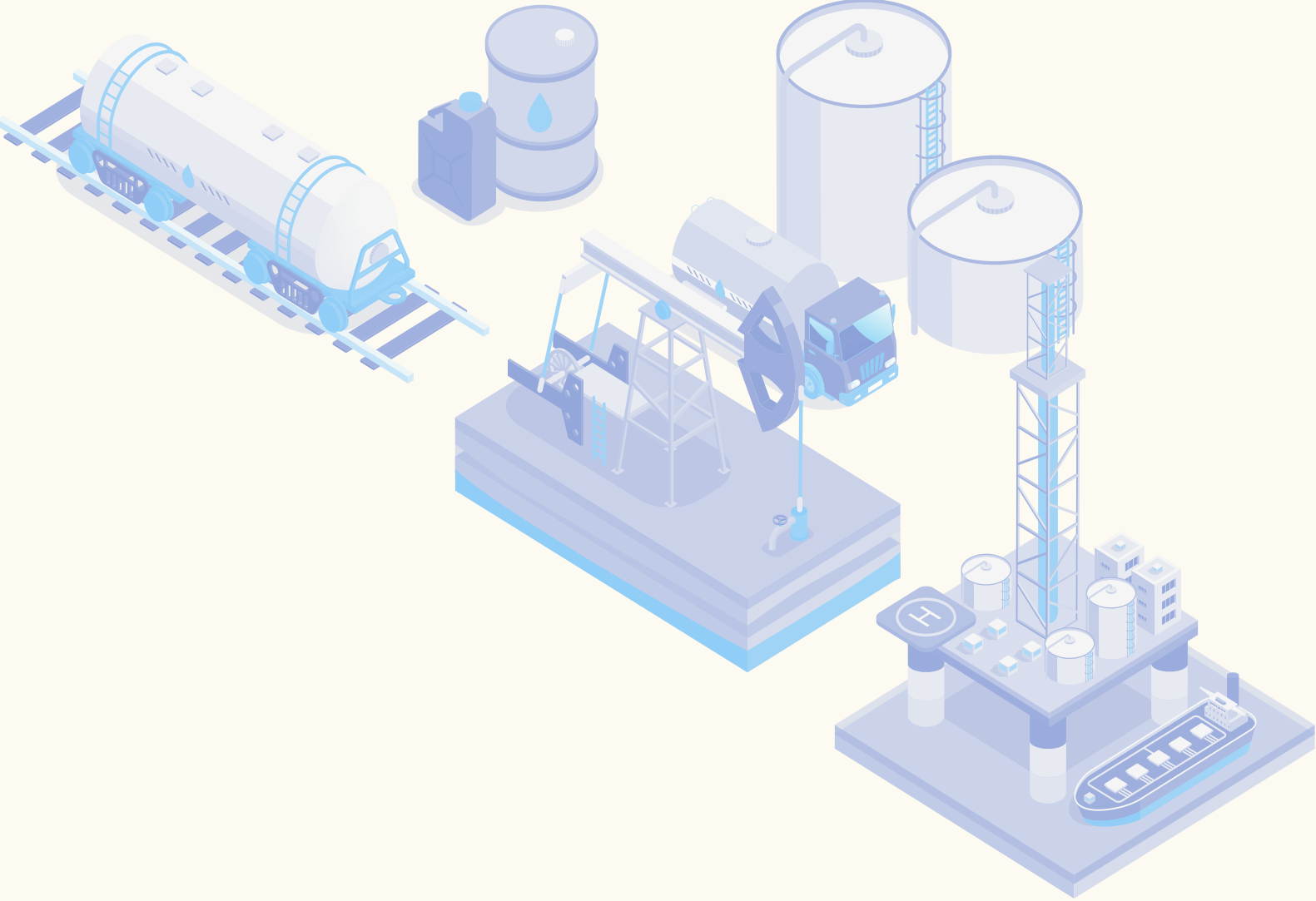


January
2025

الجزيرة كابيتال

ALJAZIRA CAPITAL الجزيرة للأسواق المالية



Oil & Petrochemicals Monthly Report December I 2024

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Methanol, propylene and Urea prices rose; EDC, PVC, HDPE and PC declined in December; Aramco lowered propane and butane prices for January

- Naphtha declined, while propane and butane remained unchanged in December:** Naphtha prices decreased 0.8% M/M to USD 645 per ton in December. Propane and butane prices remained flat at USD 635 per ton and USD 630 per ton, respectively. Aramco slashed the prices of propane and butane for January to USD 625 per ton and USD 615 per ton, respectively.
- Product prices remained mixed in December:** Methanol prices gained 5.1% M/M to USD 310 per ton driven by tighter supply amid global outages. Propylene prices rose 4.5% M/M to USD 820 per ton, as turnarounds in China led to supply constraints. Urea prices rose 2.9% M/M to USD 355 per ton led by seasonal demand and supply disruptions impacted by weather. EDC prices fell 3.4% M/M to USD 285 per ton due to increased supply and muted demand for downstream PVC; PVC prices decreased 2.6% M/M to USD 740 per ton. HDPE prices were down 2.2% M/M to USD 890 per ton attributable to seasonal slowdown in demand and ample supply. PC prices fell 1.5% M/M to USD 1,685 per ton, as demand remained subdued.
- Petchem Spreads Trend:** PP-propane spread decreased to USD 380 per ton in December from USD 390 per ton in November. PP-butane spread fell to USD 384 per ton in December from USD 394 per ton in November. HDPE-naphtha spread inched down to USD 263 per ton in December from USD 264 per ton in November.

Oil prices recovered in December amid Chinese stimulus, sanction expectations, and US inventory drawdowns; momentum continued in January as the US imposed fresh sanctions on Russian supply

- Oil prices gained in December:** The prices were under pressure during the start of the month due to oversupply concerns and weaker demand outlook for FY25. Later, the prices recovered on account of expectations of higher demand from China owing to fresh stimulus packages, anticipation of sanctions on Russia and Iran, also aided by drawdown in US inventories amid higher demand. In early January, oil continued to rally, as the US imposed fresh sanctions targeting Russian oil supply. Brent increased by 1.7% M/M, while WTI rose 3.8% M/M in December, ending at USD 74.2/ bbl and USD 70.6/bbl, respectively. Natural gas prices at Henry Hub grew 4.5% M/M to USD 3.5/mn Btu.
- Manufacturing activity expansion slowed in China; US PMI rose but stayed in contraction zone; Eurozone saw a deeper contraction:** US ISM manufacturing PMI increased to 49.3 in December from 48.4 in November but remained below 50-mark, recovery in production and higher new orders supported the rise in PMI. China's Caixin manufacturing PMI fell to 50.5 in December from 51.5 in November due to slowdown in new orders. Eurozone manufacturing PMI fell slightly to 45.1 from 45.2, reaching a three-month low.

Table 1: Petchem Prices – December FY24

Name	Price (USD per ton)	M/M %	Q/Q %	Y/Y %	YTD %
Naphtha	645	-0.8%	0.0%	-3.7%	-3.7%
Saudi Propane	635	0.0%	5.0%	4.1%	4.1%
Saudi Butane	630	0.0%	5.9%	1.6%	1.6%
Ethylene	835	-2.3%	8.4%	-1.2%	-1.2%
Propylene-Asia	820	4.5%	0.0%	1.2%	1.2%
HDPE	890	-2.2%	-2.2%	-6.3%	-6.3%
LDPE	1,135	1.3%	2.3%	13.5%	13.5%
LLDPE	945	0.5%	1.1%	0.5%	0.5%
PP-Asia	885	-1.1%	1.1%	0.6%	0.6%
Styrene-Asia	1,020	0.5%	-4.2%	-1.4%	-1.4%
Polystyrene-Asia	1,210	0.0%	-2.4%	5.2%	5.2%
PET - Asia	795	0.0%	-3.6%	-8.6%	-8.6%
PVC-Asia	740	-2.6%	-1.3%	-0.7%	-0.7%
MEG (Asia)	545	0.9%	0.0%	6.9%	6.9%
Methanol-China	310	5.1%	6.9%	10.7%	10.7%
DAP-Gulf	625	0.8%	0.0%	3.3%	3.3%
Urea-Gulf	355	2.9%	0.0%	10.9%	10.9%
Ammonia-Gulf	440	1.1%	6.0%	-9.3%	-9.3%
MTBE-Asia	710	-1.4%	-1.4%	-16.5%	-16.5%
EDC	285	-3.4%	-3.4%	-19.7%	-19.7%
MEG (SABIC)	780	-1.3%	-1.3%	-2.5%	-2.5%
PC	1,685	-1.5%	-4.8%	-2.9%	-2.9%
Acetic Acid-AA	435	-1.1%	-6.5%	-9.4%	-9.4%
EVA	1,170	0.0%	1.7%	-4.9%	-4.9%
Vinyl Acetate Monomer-VAM	785	1.9%	0.6%	-9.2%	-9.2%

Note: Prices as of December 29, 2024

Source: Argaam, Reuters Eikon, AlJazira Capital Research

Table 2: Economic Calendar

Date	Country	Event
Jan 23,29	US	Weekly Petroleum Status Report
16-Jan	US	US Initial Jobless Claims
24-Jan	US	S&P Global US Manufacturing PMI
30-Jan	US	GDP Annualized QoQ
30-Jan	KSA	M3 Money Supply YoY
30-Jan	KSA	SAMA Net Foreign Assets SAR
30-Jan	KSA	GDP Constant Prices YoY
4-Feb	KSA	S&P Global Saudi Arabia PMI
5-Feb	US	Trade Balance
7-Feb	US	Unemployment Rate
11-Feb		EIA Short-term Energy Outlook
12-Feb		OPEC Monthly Oil Market Report
13-Feb		IEA Oil Market Report
16-Feb	KSA	CPI YoY
29-Mar	KSA	Current Account Balance

Source: Bloomberg, EIA, OPEC, IEA

Key comments from international energy agencies

Crude oil supply

Global supply

- Global supplies of crude oil and liquid fuels are expected to rise by 1.8 mbpd to 104.4 mbpd in FY25 (0.2 mbpd higher than previous estimate) and by 1.5 mbpd to 105.9 mbpd in FY26, as per EIA. Non-OPEC supply is forecast to grow 1.4 mbpd to 71.8 mbpd in FY25 and 1.0 mbpd to 72.8 mbpd in FY26.
- Non-OPEC supply is expected to increase by 1.5 mbpd FY24 and FY25, according to IEA.
- The global refinery throughputs are expected to increase by 660,000 bpd in FY25 following 510,000 bpd rise in FY24, according to IEA.

OPEC Supply

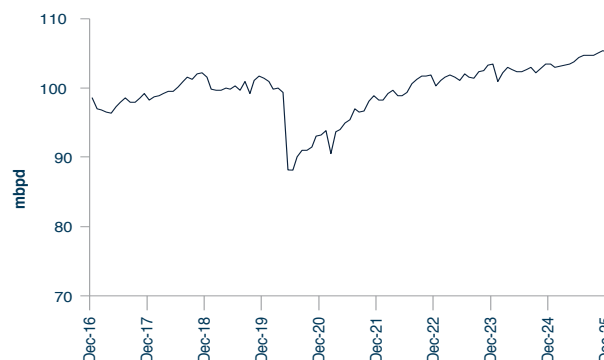
- OPEC crude oil production increased 30,000 bpd M/M in November to an average of 26.7 mbpd, as per OPEC's secondary sources.
- On average, OPEC members are estimated to produce 26.7 mbpd of crude oil in Q1-25, same as crude oil production in Q4-24, as per EIA.
- OPEC's average crude production is estimated at 26.9 mbpd in FY25 and at 27.3 mbpd in FY26, according to EIA.
- OPEC's unplanned oil supply disruptions averaged 1.11 mbpd in December (vs. 1.29 mbpd in November), as per EIA.

Table 3: OPEC Oil Production ('000 bpd; excl. Angola)

Prod. ('000 bpd)	Cap.	Sep 2024	Oct 2024	Nov 2024	Dec 2024	% M/M Chg.
Equatorial Guinea	120	60	50	80	70	-12.5%
Gabon	220	210	230	230	220	-4.3%
Republic of Congo	300	240	240	230	250	8.7%
Venezuela	890	880	890	880	850	-3.4%
Algeria	1,060	900	900	890	900	1.1%
Libya	1,200	530	1,030	1,190	1,230	3.4%
Nigeria	1,600	1,470	1,510	1,470	1,510	2.7%
Kuwait	2,820	2,450	2,440	2,470	2,430	-1.6%
Iran	3,830	3,400	3,360	3,360	3,320	-1.2%
U.A.E.	4,650	3,180	3,170	3,300	3,200	-3.0%
Iraq	4,800	4,220	4,130	4,120	4,120	0.0%
Saudi Arabia	12,000	8,990	8,950	8,950	8,950	0.0%
Total OPEC	33,490	26,530	26,900	27,170	27,050	-0.4%

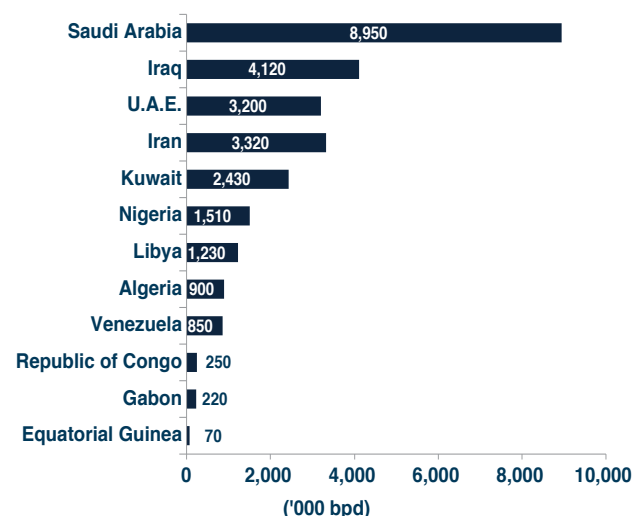
Source: Bloomberg

Figure 1: World Oil Production



Source: Bloomberg, AlJazira Capital Research

Figure 2: OPEC December Oil Production ('000 bpd)



Source: Bloomberg

Crude oil demand

Global

- OPEC estimates a 1.4 mbpd increase in global consumption in FY25 (unchanged from the previous month's estimate) and grow further by 1.4 mbpd in FY26. IEA estimates global oil demand to grow 0.9 mbpd in FY24 (vs. previous month's forecast of 0.8 mbpd growth) and 1.1 mbpd growth in FY25 (vs. 1.1 mbpd earlier). As per EIA, global consumption of petroleum and liquid fuels averaged at 102.8 mbpd in FY24, it is forecasted to increase by 1.3 mbpd Y/Y in FY25 and 1.1 mbpd Y/Y in FY26.
- Global demand for petroleum and liquid fuels stood at 104.7 mbpd in December, up 1.7% Y/Y, as per EIA.
- DoC (countries participating in the Declaration of Cooperation) crude demand for FY25 is forecasted to grow 0.3 mbpd Y/Y to 42.5 mbpd, according to OPEC. The DoC demand is estimated to increase to 42.7 mbpd in FY26, up by around 0.2 mbpd Y/Y.

Inventory

- Global oil inventories gained 12.2 mb in November. OECD industry stocks decreased 20.1 mb to 2,749 mb, as per IEA.
- EIA recorded OECD inventories at 2.77bn barrels by end-FY24 and forecasts at 2.79bn by end-FY25 and 2.89bn by end-FY26.
- Natural gas inventories in the US are estimated to remain at or below a five-year average in FY25 (3,152bn cu.ft. per day) and FY26 (3,013bn cu.ft. per day), as per EIA.

Figure 3: OECD Monthly Oil Inventories



Source: US EIA, AlJazira Capital Research

Price outlook

- Brent spot prices are forecasted to average USD 74 per barrel in FY25 and at USD 66 per barrel in FY26, as per EIA.
- Goldman Sach forecasts average Brent prices at USD 76 per barrel in FY25, adding that the price are likely to be driven by rate of production in non-OPEC countries and geopolitical factors. EIA expects natural gas prices at Henry Hub to average USD 3.10/mn Btu in FY25 and USD 4.00/mn Btu in FY26.

Table 4: World Oil Demand and Supply

(mbpd)	FY24				FY25E				FY24	FY25E	FY26E
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
World Crude Oil & Liq. Fuels Supply											
OPEC Suppl.	32.21	32.14	32.12	32.36	32.40	32.54	32.68	32.81	32.21	32.61	33.14
Non-OPEC Suppl.	69.86	70.41	70.49	70.78	70.76	71.46	72.20	72.55	70.39	71.75	72.75
Total World Supply	102.07	102.55	102.61	103.14	103.16	104.00	104.88	105.36	102.60	104.36	105.89
World Crude Oil & Liq. Fuels Cons.											
OECD Cons.	44.81	45.55	46.15	46.29	45.62	45.41	46.25	46.31	45.70	45.90	45.87
Non-OECD Cons.	57.11	57.22	56.83	57.11	58.04	58.32	58.19	58.23	57.07	58.19	59.28
Total World Cons.	101.92	102.77	102.97	103.40	103.66	103.74	104.44	104.53	102.77	104.10	105.15
OECD Comm. Inventory (mn barrels)	2,757	2,834	2,799	2,766	2,748	2,776	2,787	2,791	2,766	2,791	2,884
OPEC Surplus Crude Oil Prod. Cap.	1.47	1.39	1.55	1.30	n/a	n/a	n/a	n/a	1.43	n/a	n/a

Source: EIA STEO January 2025, AlJazira Capital Research

- The gap between crude consumption and supply is estimated to increase to 0.50 mbpd in Q1-25 (higher consumption than supply) from 0.26 mbpd in Q4-24 (higher consumption than supply).
- OECD's crude inventories are expected to be at 2.75bn barrels in Q1-25 compared to 2.77bn barrels in Q4-24.

Petrochemical sector news

- **Sahara International Petrochemical Co. (Sipchem)** announced the completion of the scheduled periodic turnaround maintenance activities for Sahara and Maaden Petrochemical Co. (SAMAPCO) plant. The relevant financial impact will appear in Q4-24 and Q1-25. Operations resumed on January 08, 2025. (Source: Tadawul)
- **Saudi Arabia's exports** of chemical industry and related products rose by 4.0% Y/Y to nearly SAR 6.6bn in September. Compared to August 2024, the chemical exports decreased by SAR 591.7mn or 8.0%. The exports of the chemical industry and related products represented 25.0% of September's SAR 26.0bn non-oil exports. (Source: Argaam)
- **Saudi Industrial Investment Group (SIIG)** indicated that the 10.0% capital reduction will be implemented by writing off 75.5mn shares. A total of SAR 754.8mn will be distributed to the company's shareholders by paying SAR 10.0 per canceled share. (Source: Tadawul)
- **Methanol Chemicals Co. (Chemanol)** obtained the Ministry of Energy's approval for renewing feedstock allocations for some specialty petrochemical products. The Ministry had previously approved the said allocations in December 2023. (Source: Tadawul)
- **Fitch Ratings** affirmed Saudi Aramco's long-term foreign- and local-currency issuer default ratings (IDRs) at 'A+' with Stable outlook. The rating reflects the company's large reserve and production base, and a robust financial profile characterized by strong profitability, liquidity and market access. (Source: Argaam)
- **FTSE Russell** adjusted Saudi Aramco's weight in its indices from 1.85% to 2.38% in a single tranche, in tandem with the FTSE Global Equity Index Series (GEIS) December 2024 quarterly review. (Source: Argaam)
- **Saudi Aramco**, TotalEnergies, and Saudi Investment Recycling Co. signed a joint development and cost sharing agreement to assess the potential development of a sustainable aviation fuels (SAF) plant in the Kingdom of Saudi Arabia. (Source: Argaam)
- **S&P Global** said in a recent report that increased fuel prices in Saudi Arabia will lead to a marginal rise in production costs for rated Saudi corporates. However, this hike may have a tangible impact on profit margins and competitiveness for many Saudi market players. It added higher feedstock and fuel prices would help reduce subsidy costs for the government, with those savings potentially redeployed to Vision 2030 projects. (Source: Argaam)

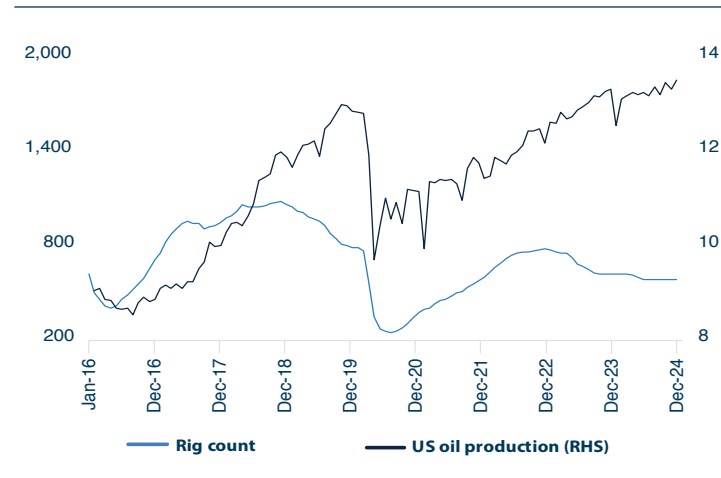
Table 5: KSA Petrochemical Companies Key Metrics

Company	Net profit (TTM; SAR mn)	P/E (Adjusted)	P/B	EV/ EBITDA	DPS (SAR) TTM	Dividend Yield (2024)	YTD returns
SABIC	1,702.1	High	1.2x	13.6x	3.40	5.1%	0.1%
TASNEE	52.7	High	0.7x	High	-	-	-2.7%
YANSAB	473.3	44.4x	1.8x	13.1x	2.00	5.4%	-1.6%
SABIC Agri-Nutrients	3,351.1	14.9x	2.8x	11.0x	6.00	5.4%	-0.4%
Sipchem	564.8	High	1.1x	13.3x	1.00	4.3%	-5.7%
Advanced	51.6	High	2.5x	49.2x	-	-	-3.1%
KAYAN	-1,740.2	NEG	0.8x	14.6x	-	-	-2.6%
SIIG	201.2	High	1.4x	-	0.50	2.8%	6.5%
Nama Chemical	-86.7	NEG	3.4x	-	-	-	7.2%
Chemanol	-171.4	NEG	1.2x	41.5x	-	-	-8.8%
ALUJAIN	-0.7	NEG	0.7x	12.2x	-	-	-3.0%

Source: Bloomberg, Tadawul, Argaam, Aljazira Capital Research; Data as of January 15, 2025

US oil and gas developments

Figure 4: US Oil Production versus Rig Count

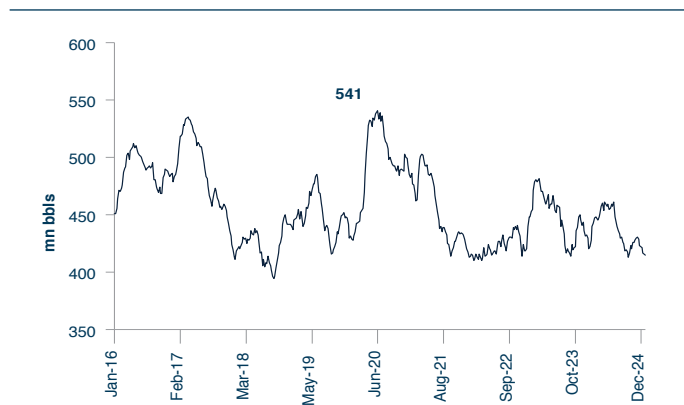


Source: US EIA, AlJazira Capital Research

US oil production averaged 13.51 mbpd in December 2024. Production increased 1.4% M/M and 1.5% Y/Y from 13.31 mbpd in December 2023.

In the week ended December 27, the rotary rig count in the US stood at 589 (unchanged W/W). The average number of rigs rose 0.9% M/M in December vis-à-vis a decrease of 0.2% in November. The average rig count was down 5.5% Y/Y in December. As of January 10, of the total 584 rigs, 480 (down 2 W/W) were used to drill for oil and 100 (down 3 W/W) for natural gas. In the US, oil exploration decreased 3.8% Y/Y, while gas exploration declined 14.5% Y/Y.

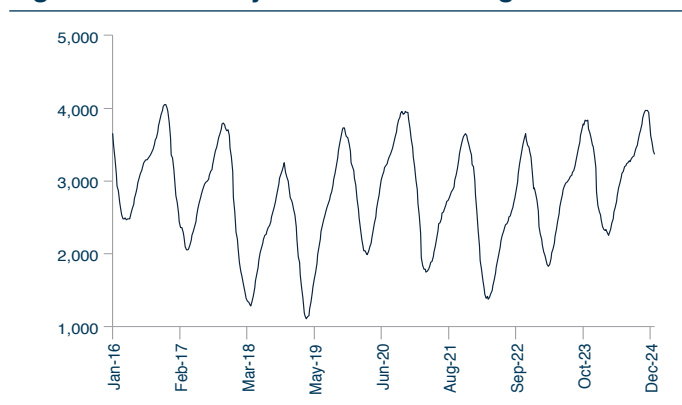
Figure 5: US Weekly Oil Inventories



- US weekly oil inventories decreased 0.3% W/W to 415.6mn barrels for the week ended December 27. On M/M basis, inventories fell 1.8%.

Source: US EIA, AlJazira Capital Research

Figure 6: US Weekly Natural Gas Storage

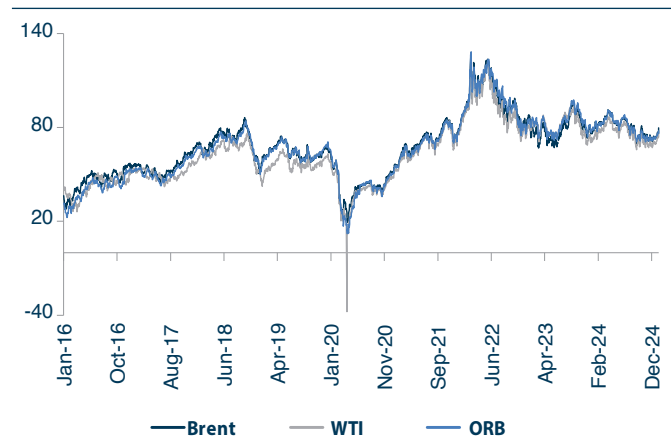


- US weekly natural gas storage decreased 3.3% W/W to 3,413 bcf in the week ended December 27. On M/M basis, natural gas storage declined 13.3%.

Source: US EIA, AlJazira Capital Research

Price Trend: Oil, Natural Gas & Petrochemicals Products

Figure 7: Oil Price Trends (USD per Barrel)



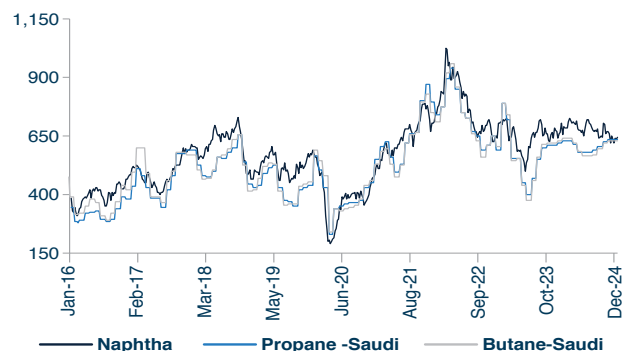
Source: Reuters Eikon, AlJazira Capital Research

Figure 8: Henry Hub Natural Gas (USD per MMBTu)



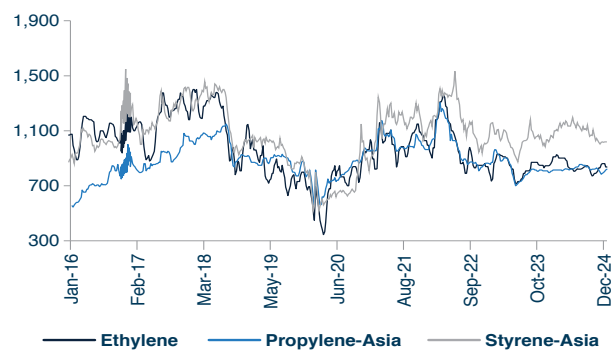
Source: OPEC, AlJazira Capital Research

Figure 9: Feedstock Price Trends (USD per Ton)



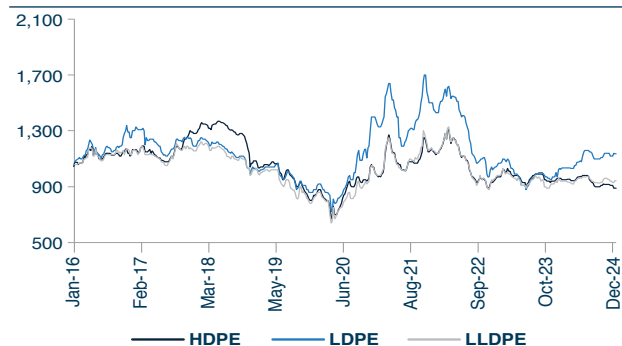
Source: Argaam, ALJazira Capital Research

Figure 10: Basic Petchem Price Trends (USD per Ton)



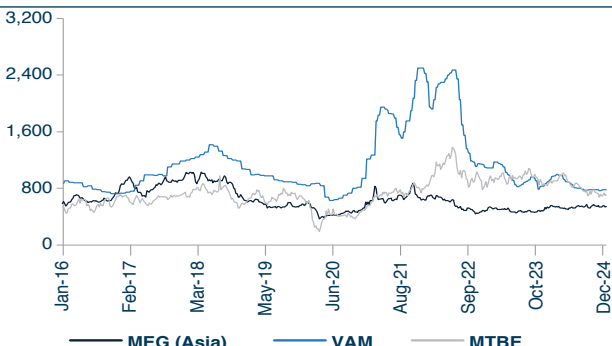
Source: Argaam, ALJazira Capital Research

Figure 11: Polyethylene Price Trends (USD per Ton)



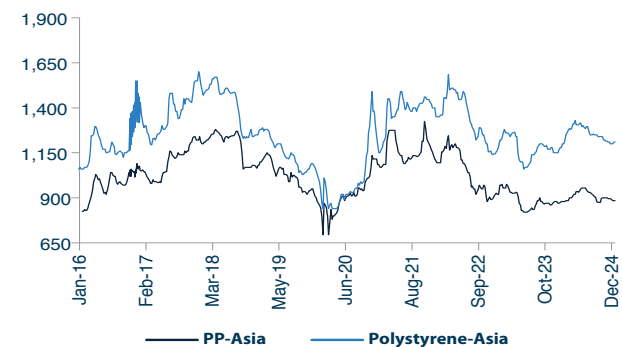
Source: Argaam, ALJazira Capital Research

Figure 12: Intermediates Price Trends (USD per Ton)



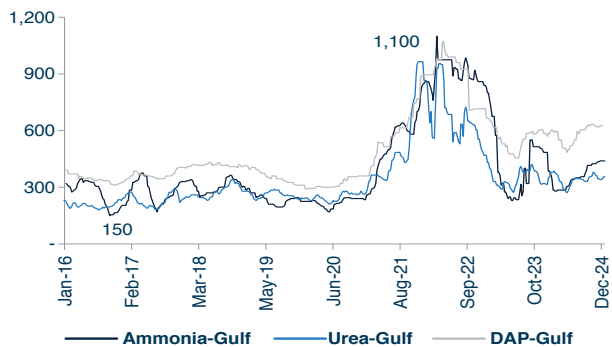
Source: Argaam, ALJazira Capital Research

Figure 13: Polypropylene & Polystyrene



Source: Argaam, ALJazira Capital Research

Figure 14: Ammonia, Urea & DAP



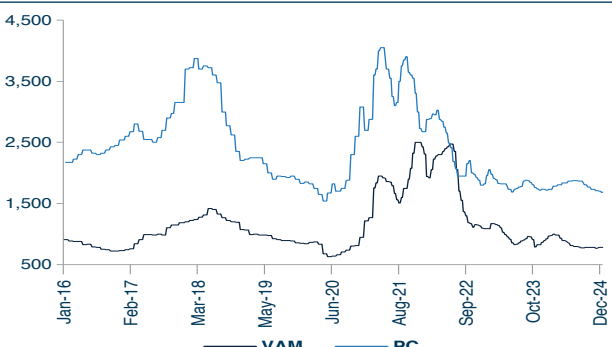
Source: Argaam, ALJazira Capital Research

Figure 15: Methanol-China (USD per Ton)



Source: Argaam, ALJazira Capital Research

Figure 16: PC-VAM



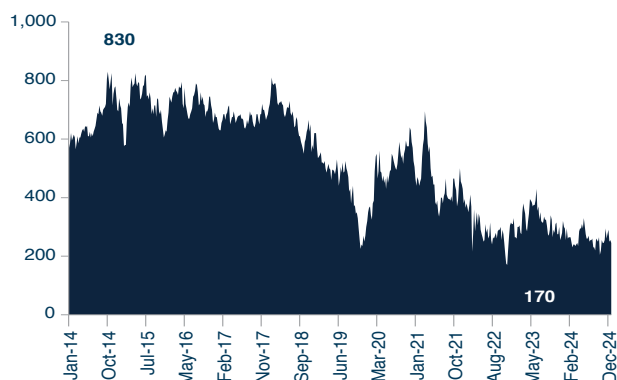
Source: Argaam, ALJazira Capital Research



Petchem Spreads Trend

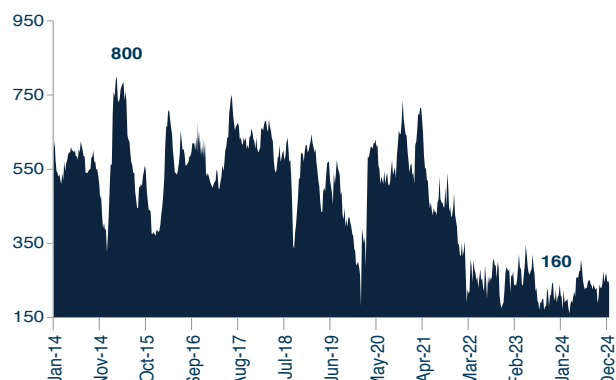
- Naphtha prices averaged USD 635 per ton in December, down from USD 650 per ton in November.
- Polypropylene average prices fell to USD 888 per ton in December from USD 898 per ton in November.
- The HDPE-naphtha spread inched down to USD 263 per ton in December from USD 264 per ton in November.
- The PP-naphtha spread expanded to USD 253 per ton from USD 248 per ton during the previous month.
- The PP-propane spread decreased to USD 380 per ton in December from USD 390 per ton in November.
- The PVC-EDC spread declined to USD 493 per ton in December from USD 510 per ton in November.
- The polystyrene-benzene spread contracted to USD 314 per ton in December compared to USD 325 per ton in November.
- The HDPE-ethylene spread dropped to USD 48 per ton in December from USD 83 per ton in November.
- PP-butane spread fell to USD 384 per ton in December from USD 394 per ton in November.
- LDPE-naphtha spread widened by 2.1% M/M to USD 495 per ton, while LDPE-ethylene spread contracted 7.8% M/M to USD 280 per ton in December.
- LLDPE-naphtha spread rose 0.6% to USD 303 per ton. Whereas LLDPE-ethylene declined 26.7% M/M to USD 88 per ton in December.

Figure 17: Naphtha- HDPE



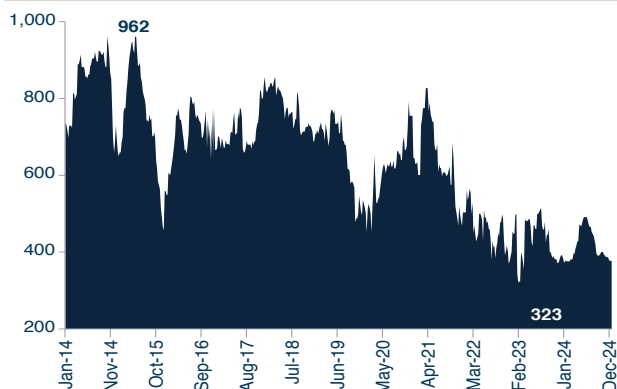
Source: Argaam, AlJazira Capital Research

Figure 18: Naphtha- PP



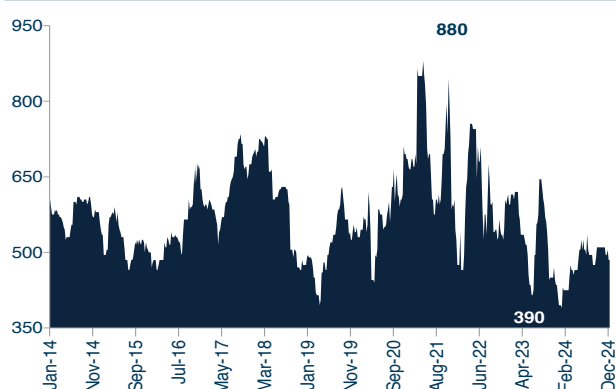
Source: Argaam, AlJazira Capital Research

Figure 19: Propane (Saudi) - PP



Source: Argaam, AlJazira Capital Research

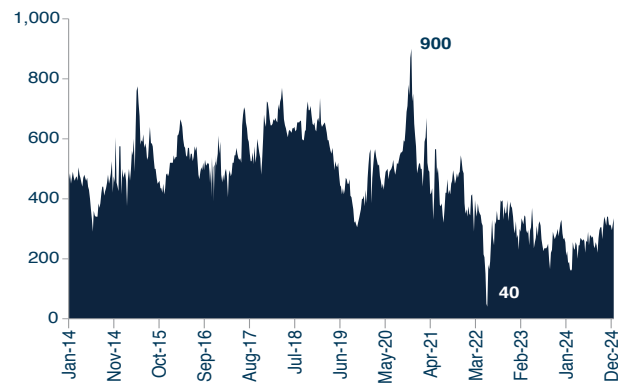
Figure 20: EDC- PVC



Source: Argaam, AlJazira Capital Research

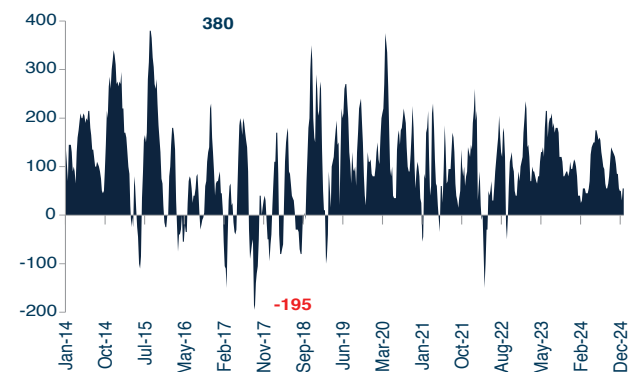


Figure 21: Benzene- Polystyrene



Source: Argaam, ALJazira Capital Research

Figure 22: Ethylene- HDPE



Source: Argaam, ALJazira Capital Research

Table 6: Petrochemical Products by Saudi Petrochemical Companies

Company	Finished Products
SABIC	Polyethylene, polypropylene, poly styrene, ethylene glycol (MEG), methyl tert-butyl ether (MTBE), benzene, urea, ammonia, PVC, and PTA
SABIC Agri- Nutrients	Urea, ammonia
YANSAB	Polyethylene, polypropylene, MEG, MTBE, and benzene
Tasnee	Polyethylene, polypropylene, and propylene (TiO2)
Saudi Kayan	Polyethylene, polypropylene, MEG, polycarbonate, and bisphenol A
Petro Rabigh	Polyethylene, polypropylene, propylene oxide, and refined petroleum products
Sahara Petrochemicals (Sipchem)	Polyethylene, polypropylene, Methanol, butanol, acetic acid, and vinyl acetate monomer
Saudi Group	Styrene, benzene, cyclohexene, propylene, polyethylene, polypropylene, and polystyrene
Advanced	Polypropylene
Alujain	Polypropylene
CHEMANOL	Formaldehyde – improvers concrete
NAMA	Epoxy resin, hydrochloric acid, liquid caustic soda, and soda granule
MAADEN	Ammonia and DAP

Source: Argaam Plus



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RESEARCH
DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

RATING
TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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