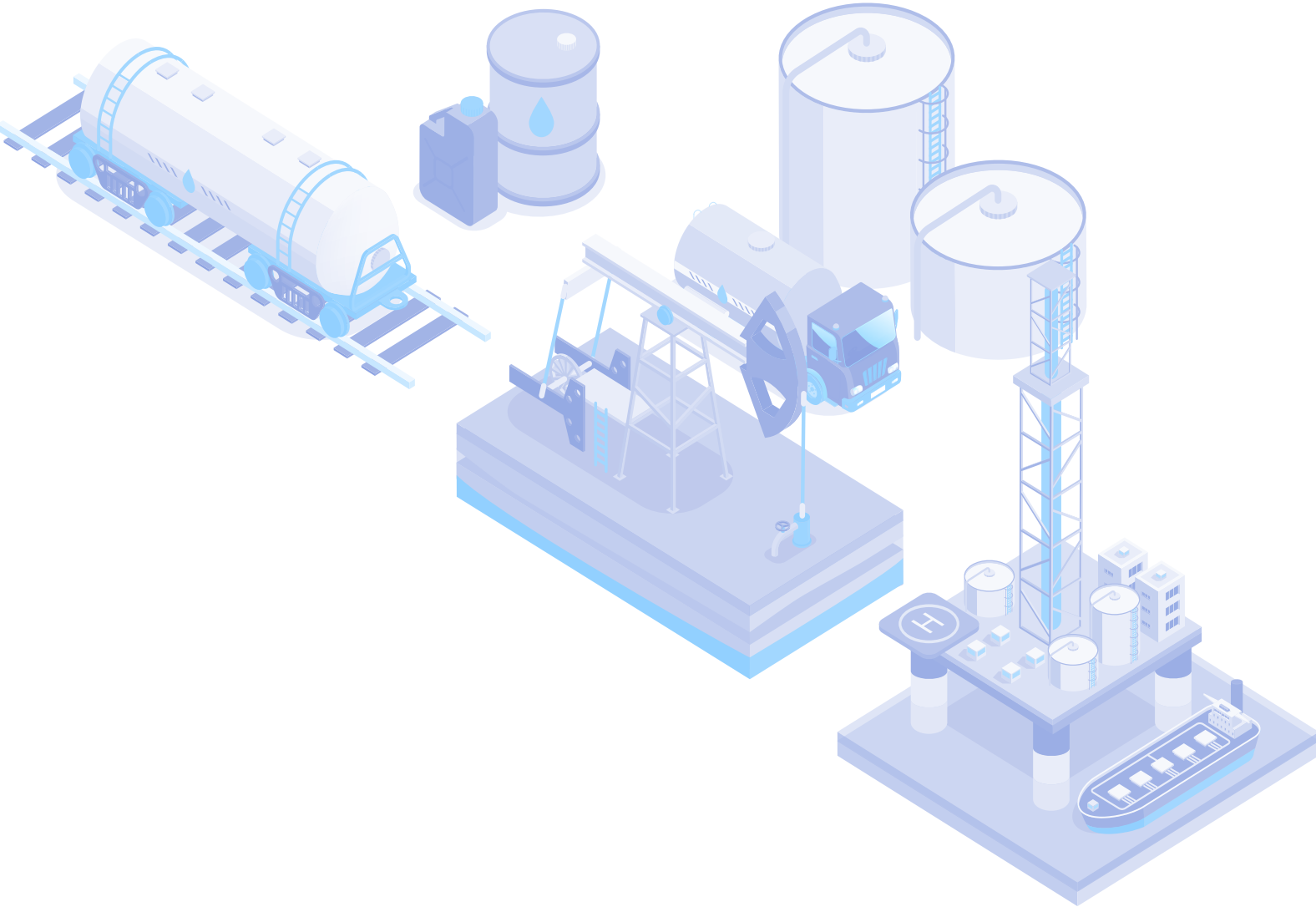


May
2024

الجزيرة كابيتال

ALJAZIRA CAPITAL الجزيرة للأسواق المالية



Oil & Petrochemicals Monthly Report April | 2024

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Urea, DAP and VAM prices dropped, acetic acid gained; propane and butane prices slashed by Aramco for May

- **Naphtha prices rose, while propane and butane fell in April:** Prices of naphtha increased 1.4% M/M to USD 715 per ton in April. Propane and butane prices fell 2.4% and 3.1% to USD 615 per ton and USD 620 per ton, respectively. Aramco cut propane and butane prices for May to USD 580 per ton and USD 585 per ton, respectively.
- **Product prices were directionless in April:** Urea prices declined 12.1% M/M to USD 290 per ton with lack of any buying interest from major buyers and expectations of Chinese supply coming to the market amid talks of government lifting export ban. **DAP** prices fell 14.3% M/M to USD 510 per ton mainly due to subdued demand and return of supply from China. **Acetic acid** prices gained 4.2% M/M to USD 495 per ton led by supply disruptions due to delays in shipping, and unplanned shutdowns. **VAM** prices slipped 9.1% M/M to USD 895 per ton on account of lower downstream demand and weakness in the construction sector. **EVA** prices fell 5.0% M/M to USD 1,240 per ton as demand continued to be tepid despite the peak season. **EDC** prices dropped 5.8% M/M to USD 325 per ton in April as the downstream PVC market was weak.
- **Petchem Spreads Trend:** PP-propane spread expanded to USD 421 per ton in April from USD 387 per ton in March. PP-butane spread grew to USD 417 per ton in April from USD 379 per ton in March. HDPE-naphtha spread decreased to USD 239 per ton in April against USD 244 per ton in March.

Oil prices gained on geopolitical risk premium in April; weak US job data raises demand fears early in May

- **Oil prices moved up further in April:** Oil prices reached the highest level in five months during the first week of April due to concerns related to supply disruptions amid increased geopolitical tension. However, prices fell during the middle of the month due to moderated hopes of US interest rate cuts, a rise in US crude oil inventories and expectations of rise in non-OPEC supply led by the US. Nevertheless, the geopolitical risk premium continued to support prices later. Early in May, oil prices were hit by demand worries post weaker US job data. Brent prices rose 2.3% M/M, while WTI increased 0.8% M/M in April, ending at USD 89.5/bbl and USD 83.9/bbl, respectively. Natural gas prices at Henry Hub declined 8.5% M/M to USD 1.6/mn Btu.
- **Manufacturing activity improved in China; while US and Eurozone showed weakness:** US ISM manufacturing PMI fell to 49.2 in April after showing first expansion in activity in several months in March with a PMI of 50.3, as demand indicated by new orders slowed. China's Caixin manufacturing PMI rose to 51.4 in April from 51.1 in March, driven by improving demand. The Eurozone manufacturing PMI fell to four months low of 45.7 in April from 46.1 in March amid decline in new orders.

Table 1: Petchem Prices – April FY24

Name	Price (USD per ton)	M/M %	Q/Q %	Y/Y %	YTD %
Naphtha	715	1.4%	1.4%	12.6%	6.7%
Saudi Propane	615	-2.4%	-0.8%	10.8%	0.8%
Butane-Saudi	620	-3.1%	-1.6%	13.8%	0.0%
Ethylene	880	-2.2%	0.0%	-2.2%	4.1%
Propylene-Asia	820	1.2%	1.2%	-8.4%	1.2%
HDPE	950	0.5%	-1.0%	-3.1%	0.0%
LDPE	1,050	1.9%	2.4%	6.1%	5.0%
LLDPE	940	1.6%	0.0%	-2.1%	0.0%
PP-Asia	920	2.2%	5.1%	-1.1%	4.5%
Styrene-Asia	1,160	1.8%	9.4%	10.5%	12.1%
Polystyrene-Asia	1,330	3.9%	12.7%	7.3%	15.7%
PET - Asia	900	1.1%	-1.6%	-12.2%	3.4%
PVC-Asia	775	-1.9%	1.3%	-2.5%	4.0%
MEG (Asia)	510	-2.9%	-8.1%	2.0%	0.0%
Methanol-China	290	-1.7%	1.8%	1.8%	3.6%
DAP-Gulf	510	-14.3%	-10.5%	-3.8%	-15.7%
Urea-Gulf	290	-12.1%	-18.3%	-12.1%	-9.4%
Ammonia-Gulf	285	0.0%	-26.0%	3.6%	-41.2%
MTBE-Asia	990	1.0%	8.8%	8.2%	16.5%
EDC	325	-5.8%	-9.7%	0.0%	-8.5%
MEG (SABIC)	810	0.0%	1.3%	-11.0%	1.3%
PC	1,835	1.7%	7.0%	0.8%	5.8%
Acetic Acid-AA	495	4.2%	4.2%	-1.0%	3.1%
EVA	1,240	-5.0%	1.2%	-25.5%	0.8%
Vinyl Acetate Monomer-VAM	895	-9.1%	-2.7%	-12.7%	3.5%

Note: Prices as of April 28, 2024

Source: Argaam, Reuters Eikon, AlJazira Capital Research

Table 2: Economic Calendar

Date	Country	Event
May 08,15,22,30	US	Weekly Petroleum Status Report
10-May	US	Monthly Budget Statement
14-May		OPEC Monthly Oil Market Report
15-May		IEA Oil Market Report
15-May	KSA	CPI YoY
16-May	US	Initial Jobless Claims
28-May	KSA	M3 Money Supply YoY
28-May	KSA	SAMA Net Foreign Assets SAR
30-May	US	GDP Annualized QoQ
4-Jun	KSA	S&P Global Saudi Arabia PMI
6-Jun	US	Trade Balance
7-Jun	US	Unemployment Rate
9-Jun	KSA	GDP Constant Prices YoY
11-Jun		EIA Short-term Energy Outlook
30-Jun	KSA	Current Account Balance

Source: Bloomberg, EIA, OPEC, IEA

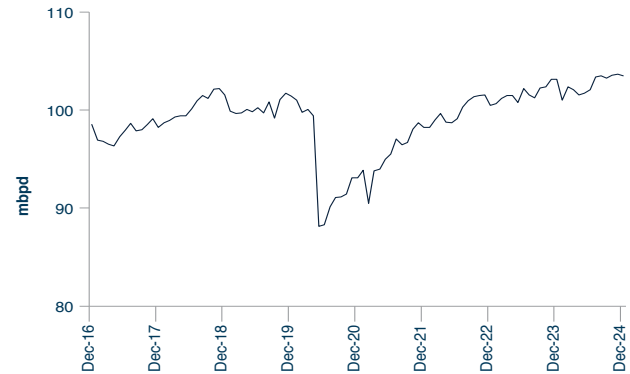
Key comments from international energy agencies

Crude oil supply

Global supply

- Global oil supply is expected to increase 580,000 bpd in FY24 to 102.7 mbpd, driven by 1.4 mbpd rise in non-OPEC+ output, according to IEA.
- Global supplies of crude oil and liquid fuels are expected to rise by 1.0 mbpd to 102.8 mbpd in FY24 and by 1.9 mbpd to 104.7 mbpd in FY25, as per EIA. Non-OPEC supply is forecast to grow 0.9 mbpd to 70.5 mbpd in FY24 and 1.7 mbpd to 72.2 mbpd in FY25.
- The global refinery margins fell to near two-year lows April, increasing expectations of run cuts that could undermine the seasonal rebound in throughput rates, according to IEA.

Figure 1: World Oil Production



Source: OPEC, AlJazira Capital Research

OPEC Supply

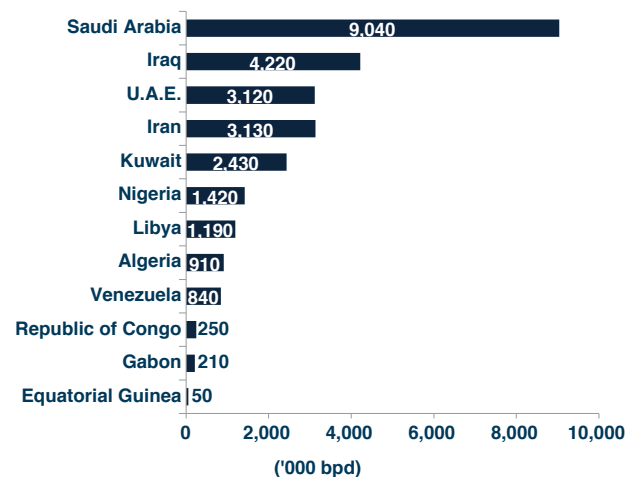
- OPEC crude oil production decreased 48,000 bpd M/M in April to average at 26.6 mbpd, as per OPEC's secondary sources.
- On average, OPEC members are estimated to produce 26.6 mbpd of crude oil in Q2-24 compared to 26.7 mbpd of crude oil in Q1-24, as per EIA.
- OPEC's average crude production is estimated at 26.9 mbpd in FY24 and at 27.1 mbpd in FY25, according to EIA.
- OPEC's unplanned oil supply disruptions averaged 1.51 mbpd in April (vs. 1.44 in March), as per EIA.

Table 3: OPEC Monthly Oil Production ('000 bpd)

Prod. ('000 bpd)	Cap.	Jan 2024	Feb 2024	Mar 2024	Apr 2024	% M/M Chg.
Equatorial Guinea	120	70	60	60	50	-16.7%
Gabon	220	200	200	230	210	-8.7%
Republic of Congo	300	240	250	240	250	4.2%
Venezuela	860	820	850	870	840	-3.4%
Algeria	1,060	900	910	910	910	0.0%
Libya	1,200	1,020	1,140	1,130	1,190	5.3%
Nigeria	1,600	1,490	1,520	1,470	1,420	-3.4%
Kuwait	2,820	2,440	2,430	2,430	2,430	0.0%
Iran	3,830	3,120	3,070	3,180	3,130	-1.6%
U.A.E.	4,650	3,130	3,140	3,130	3,120	-0.3%
Iraq	4,800	4,200	4,160	4,170	4,220	1.2%
Saudi Arabia	12,000	8,940	8,950	9,040	9,040	0.0%
Total OPEC	33,460	26,570	26,680	26,860	26,810	-0.2%

Source: Bloomberg

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



Source: Bloomberg

Crude oil demand

Global

- OPEC estimates a 2.2 mbpd increase in global consumption in FY24, unchanged from the previous month's estimate. IEA estimates global oil demand to grow 1.1 mbpd in FY24 (140,000 bpd lower than previous month's forecast) and 1.2 mbpd in FY25. As per EIA, global consumption of petroleum and liquid fuels is forecasted to average at 102.8 mbpd in FY24 (+0.9 mbpd Y/Y) and increase further by 1.4 mbpd Y/Y in FY25.
- Global demand for petroleum and liquid fuels stood at 101.4 mbpd in April, indicating a rise of 1.1 mbpd Y/Y, as per EIA.
- DoC (countries participating in the Declaration of Cooperation) crude demand for FY24 is forecasted to grow 0.9 mbpd Y/Y to 43.2 mbpd, according to OPEC. The DoC demand is estimated to increase to 44.0 mbpd in FY25, up around 0.8 mbpd Y/Y.

Inventory

- Global oil inventories rose by 34.6 mb in March. OECD stocks decreased 8.8 mb to a 20-year low in March, as per IEA.
- EIA forecasts OECD inventories to stand at 2.74bn barrels by end-FY24 and at 2.79bn by end-FY25.
- Natural gas inventories in the US are estimated to reach 3,521 bn cu. ft. by the end of FY24, 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 88 per barrel in FY24 and at USD 85 per barrel in FY25, as per EIA.
- Bank of America anticipates Brent crude prices to average at USD 86 per barrel in 2024, citing escalating geopolitical tensions and the OPEC+ producer group maintaining supply curbs. The prices are forecasted to reach a peak of USD 95 per barrel during the summer season. EIA expects natural gas prices at Henry Hub to average USD 2.20/mn Btu in FY24 and USD 3.10/mn Btu in FY25.

Table 4: World Oil Demand and Supply

(mbpd)	FY23				FY24E				FY23	FY24E	FY25E
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
World Crude Oil & Liq. Fuels Supply											
OPEC Supp.	32.77	32.46	31.63	31.88	32.04	31.91	32.52	32.42	32.18	31.87	32.43
Non-OPEC Suppl.	68.33	69.02	70.06	71.00	69.75	70.14	70.94	71.29	69.61	70.53	72.24
Total World Supply	101.11	101.48	101.69	102.88	101.79	102.05	103.46	103.71	101.79	102.76	104.65
World Crude Oil & Liq. Fuels Cons.											
OECD Cons.	45.22	45.68	46.04	46.08	45.38	45.18	46.18	46.29	45.76	45.76	45.92
Non-OECD Cons.	55.71	56.27	56.33	56.32	56.73	57.23	57.17	57.16	56.16	57.07	58.34
Total World Cons.	100.93	101.95	102.37	102.39	102.11	102.41	103.35	103.46	101.92	102.84	104.26
OECD Comm. Inventory (mn barrels)	2,746	2,782	2,815	2,777	2,750	2,742	2,745	2,722	2,773	2,737	2,793
OPEC Surplus Crude Oil Prod. Cap.	1.94	2.13	1.95	1.52	1.53	n/a	n/a	n/a	1.88	n/a	n/a

Source: EIA STEO May 2024, AlJazira Capital Research

- The gap between crude consumption and supply is estimated to increase to 0.36 mbpd in Q2-24 (higher consumption than supply) from 0.32 mbpd in Q1-24 (higher consumption than supply).
- OECD's crude inventories are expected to be at 2.74bn barrels in Q2-24, slightly lower than 2.75bn in Q1-24.

Petrochemical sector news

- **Sahara International Petrochemical Co. (Sipchem)** announced a scheduled shutdown of plants affiliated with its subsidiaries, International Vinyl Acetate Co. (IVC), International Acetyl Co. (IAC) and International Gases Co. (IGC), for periodic and preventive maintenance. The company anticipates a four-week halt starting May 01. The financial impact of the shutdown will appear in Q2-24. (Source: Tadawul)
- **Nama Chemicals Co.** signed a Murabaha financing agreement of up to USD 45.0mn with AIS Company, which falls under the regulation of the Swiss Financial Market Supervisory Authority (FINMA). The agreement term is two years. The funds will be used to finance working capital. (Source: Tadawul)
- **Yanbu National Petrochemical Co (Yansab)** appointed Wazen Al-Solami as CEO, effective as of May 01. Al-Solami will replace Mohammed Bazaid, who has been nominated for one of the leadership positions at the Saudi Basic Industries Corp. (SABIC). (Source: Tadawul)
- **SABIC, BASF and Linde** inaugurated the demonstration plant for the world's first large-scale electrically heated steam cracking furnaces, following three years of development, engineering, and construction works. The regular operation of the demonstration plant is now ready to start at BASF's Verbund site in Ludwigshafen, Germany. (Source: Argaam)
- Shareholders of **National Industrialization Co. (Tasnee)** approved transferring SAR 905.3m from its statutory reserve, as per the financial statements for the period ended December 31, 2023, to retained earnings. (Source: Tadawul)
- **Baker Hughes** announced receiving an order by **Saudi Aramco** to supply gas technology equipment for the third phase of Saudi Arabia's Master Gas System project. Accordingly, Baker Hughes will supply 17 centrifugal compressors, powered by aero-derivative gas turbines, for Aramco's project. (Source: Argaam)
- British oil giant **Shell** is discussing selling its Malaysian fuel station business to **Saudi Aramco** for USD 1.0bn, as a Reuters report. (Source: Argaam)
- **Saudi Aramco** awarded engineering, procurement and construction contracts worth USD 7.7bn for a major expansion of its Fadhili Gas Plant in the Eastern Province. The project is expected to increase the plant's processing capacity from 2.5bn to up to 4.0bn standard cubic feet per day (bscfd). This additional 1.5 bscfd of processing capacity is expected to contribute to the company's strategy to raise gas production by more than 60% by FY30, compared to 2021 levels. (Source: Argaam)

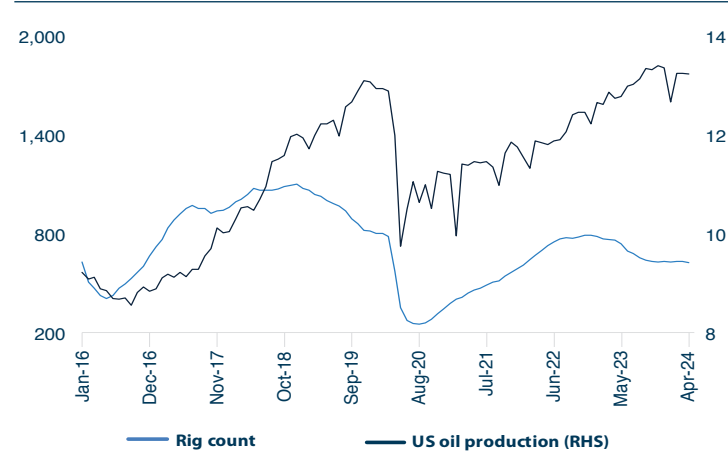
Table 5: KSA Petrochemical Companies Key Metrics

Company	Net profit (TTM; SAR mn)	P/E (Adjusted)	P/B	EV/ EBITDA	DPS (SAR) TTM	Dividend Yield	YTD returns
SABIC	-3,183.0	High	1.4x	14.5x	3.40	4.3%	-4.4%
TASNEE	20.4	36.2x	0.9x	63.5x	-	-	1.6%
YANSAB	-15.9	NEG	1.8x	16.1x	1.75	4.7%	-2.0%
SABIC Agri-Nutrients	3,519.7	14.4x	2.8x	10.7x	6.00	5.5%	-20.4%
Sipchem	886.2	32.0x	1.5x	11.3x	2.00	6.2%	-5.0%
Advanced	70.4	High	3.2x	35.9x	-	-	1.8%
KAYAN	-2,035.1	NEG	1.0x	25.2x	-	-	-19.1%
SIIG	381.2	43.4x	1.6x	-	1.00	4.5%	0.5%
Nama Chemical	-163.3	NEG	3.4x	-	-	-	-8.1%
Chemanol	-177.8	NEG	1.0x	40.8x	-	-	-20.3%
ALUJAIN	-28.3	NEG	0.9x	11.0x	-	-	0.6%

Source: Bloomberg, Tadawul, Argaam, Aljazeera Capital Research; Data as of May 14, 2024

US oil and gas developments

Figure 4: US Oil Production versus Rig Count



Source: US EIA, AlJazira Capital Research

US oil production averaged 13.13 mbpd in April 2024. Production decreased 0.2% M/M but grew 3.8% Y/Y from 12.65 mbpd in April 2023.

In the week ended April 26, the rotary rig count in the US stood at 613 (down 6 W/W). The average number of rigs fell 1.2% M/M in April vis-à-vis an increase of 0.4% in March. The average rig count was down 17.9% Y/Y in April. As on May 03, of the total 605 rigs, 499 (down 7 W/W) were used to drill for oil and 102 (down 3 W/W) for natural gas. In the US, oil exploration decreased 15.1% Y/Y, while gas exploration declined 35.0% Y/Y.

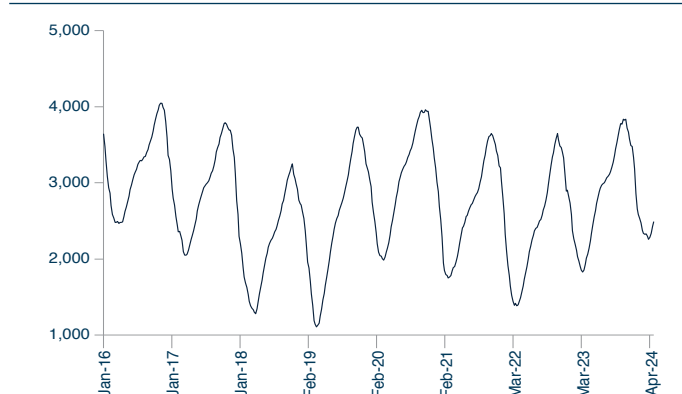
Figure 5: US Weekly Oil Inventories



- US weekly oil inventories increased 1.6% W/W to 460.9mn barrels for the week ended April 26. On M/M basis, inventories rose 2.1%.

Source: US EIA, AlJazira Capital Research

Figure 6: US Weekly Natural Gas Storage

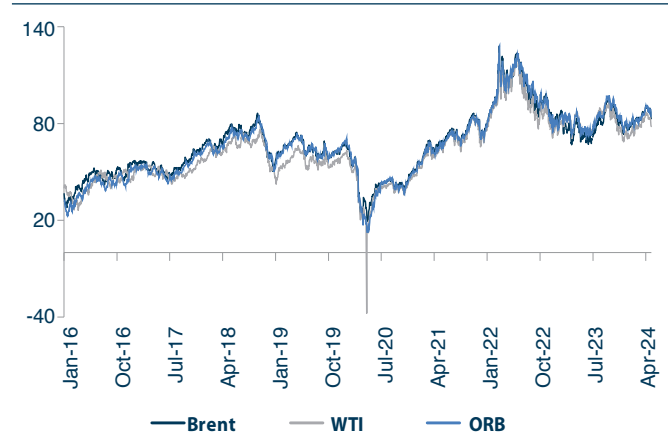


- US weekly natural gas storage increased 2.4% W/W to 2,484 bcf in the week ended April 26. On M/M basis, natural gas storage rose 10.0%.

Source: US EIA, AlJazira Capital Research

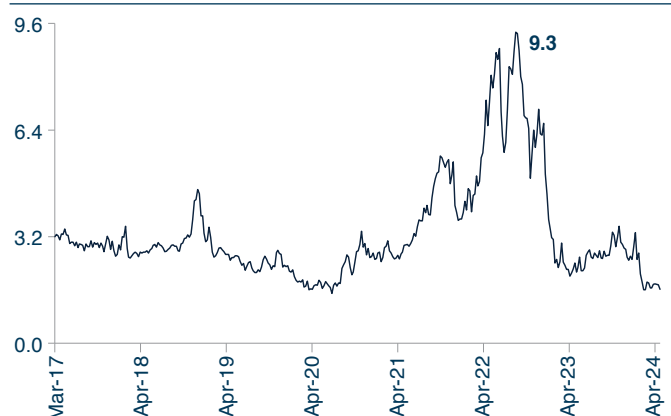
Price Trend: Oil, Natural Gas & Petrochemicals Products

Figure 7: Oil Price Trends (USD per Barrel)



Source: Reuters Eikon, AlJazira Capital Research

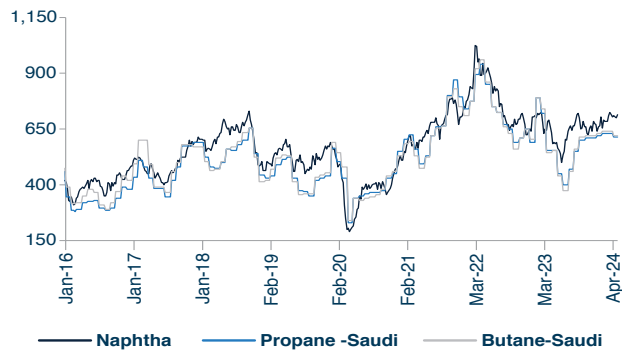
Figure 8: Henry Hub Natural Gas (USD per MMBtu)



Source: OPEC, AlJazira Capital Research

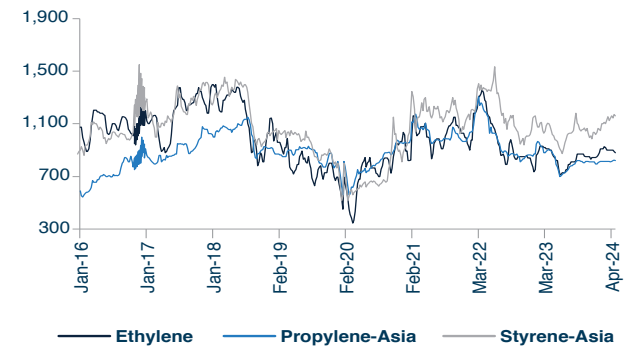


Figure 9: Feedstock Price Trends (USD per Ton)



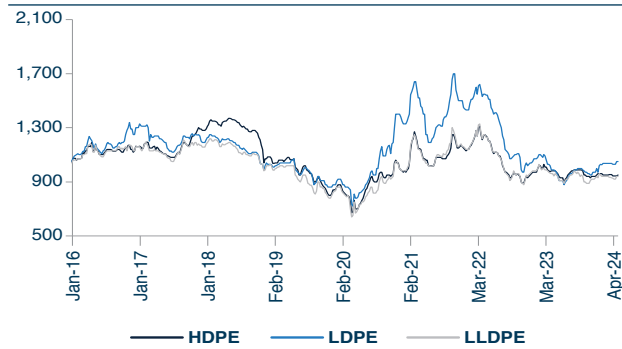
Source: Argaam, ALJazira Capital Research

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



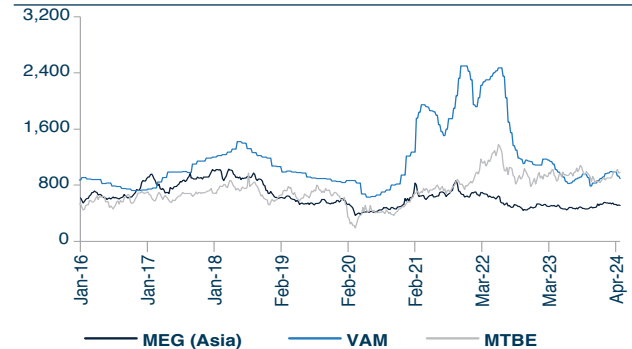
Source: Argaam, ALJazira Capital Research

Figure 11: Polyethylene Price Trends (USD per Ton)



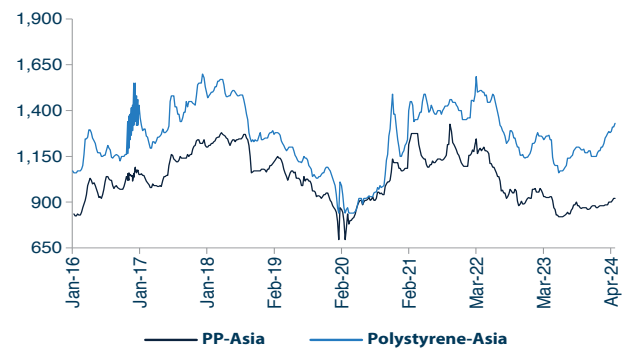
Source: Argaam, ALJazira Capital Research

Figure 12: Intermediates Price Trends (USD per Ton)



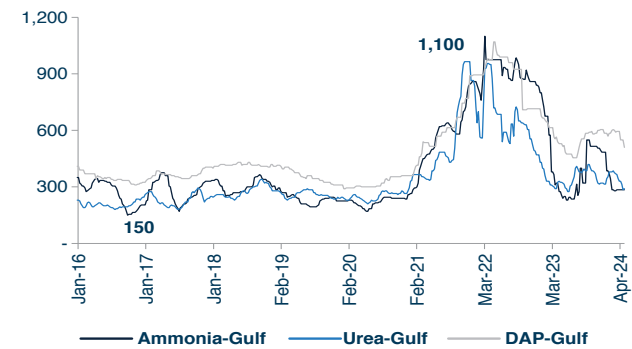
Source: Argaam, ALJazira Capital Research

Figure 13: Polypropylene & Polystyrene



Source: Argaam, ALJazira Capital Research

Figure 14: Ammonia, Urea & DAP



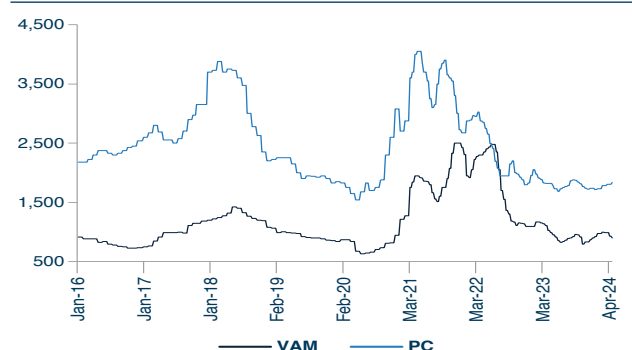
Source: Argaam, ALJazira Capital Research

Figure 15: Methanol-China (USD per Ton)



Source: Argaam, ALJazira Capital Research

Figure 16: PC-VAM

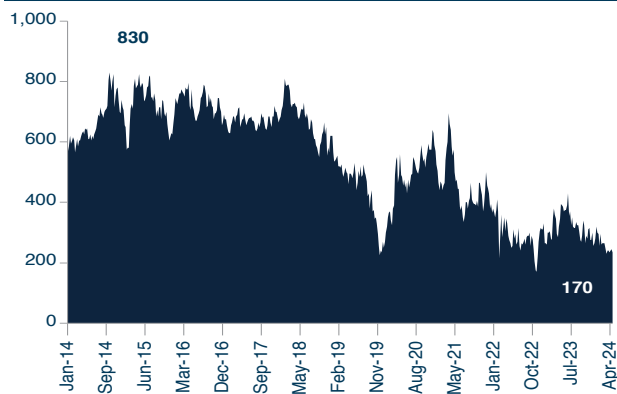


Source: Argaam, ALJazira Capital Research

Petchem Spreads Trend

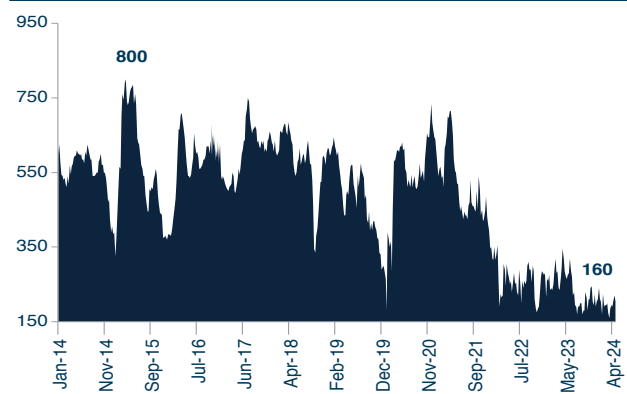
- Naphtha prices averaged USD 708 per ton in April, unchanged from March.
- Polypropylene average prices rose to USD 913 per ton in April from USD 891 per ton in March.
- The HDPE-naphtha spread decreased to USD 239 per ton in April against USD 244 per ton in March.
- The PP-naphtha spread increased to USD 205 per ton from USD 183 per ton during the previous month.
- The PP-propane spread expanded to USD 421 per ton in April from USD 387 per ton in March.
- The PVC-EDC spread widened to USD 463 per ton in April from USD 449 per ton in March.
- The polystyrene-benzene spread declined to USD 240 per ton in April compared to USD 244 per ton in March.
- The HDPE-ethylene spread rose to USD 54 per ton in April from USD 48 per ton in March.
- PP-butane spread grew to USD 417 per ton in April from USD 379 per ton in March.
- LDPE-naphtha spread rose 2.0% M/M at USD 333 per ton, while LDPE-ethylene spread jumped 13.5% M/M to USD 148 per ton in April.
- LLDPE-naphtha fell 1.1% to USD 223 per ton. Whereas LLDPE-ethylene spread surged 29.3% M/M to USD 38 per ton in April.

Figure 17: Naphtha- HDPE



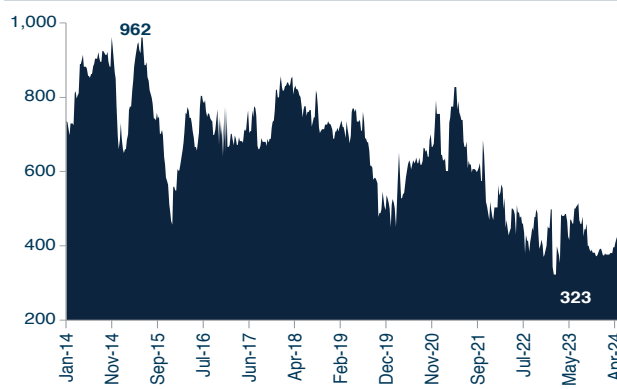
Source: Argaam, AlJazira Capital Research

Figure 18: Naphtha- PP



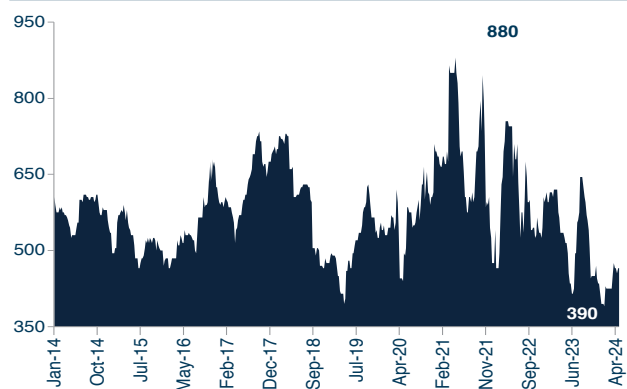
Source: Argaam, AlJazira Capital Research

Figure 19: Propane (Saudi)- PP



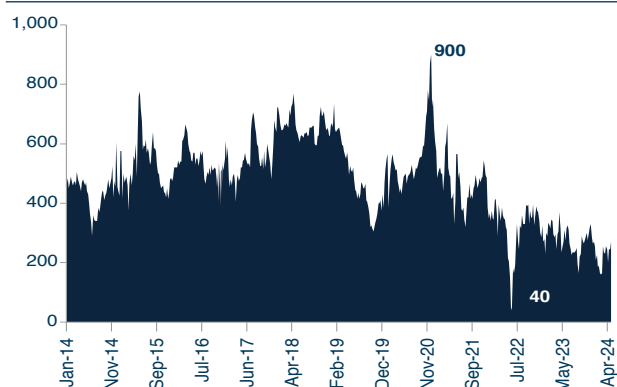
Source: Argaam, AlJazira Capital Research

Figure 20: EDC- PVC



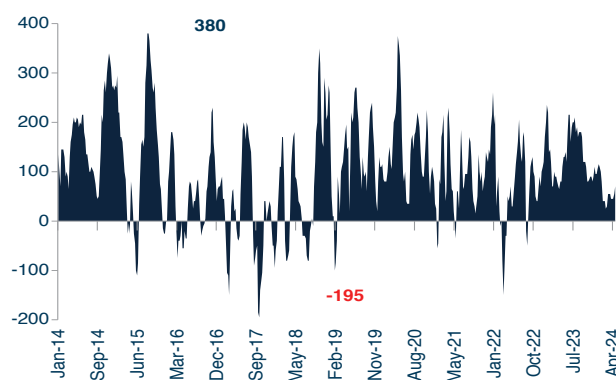
Source: Argaam, AlJazira Capital Research

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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