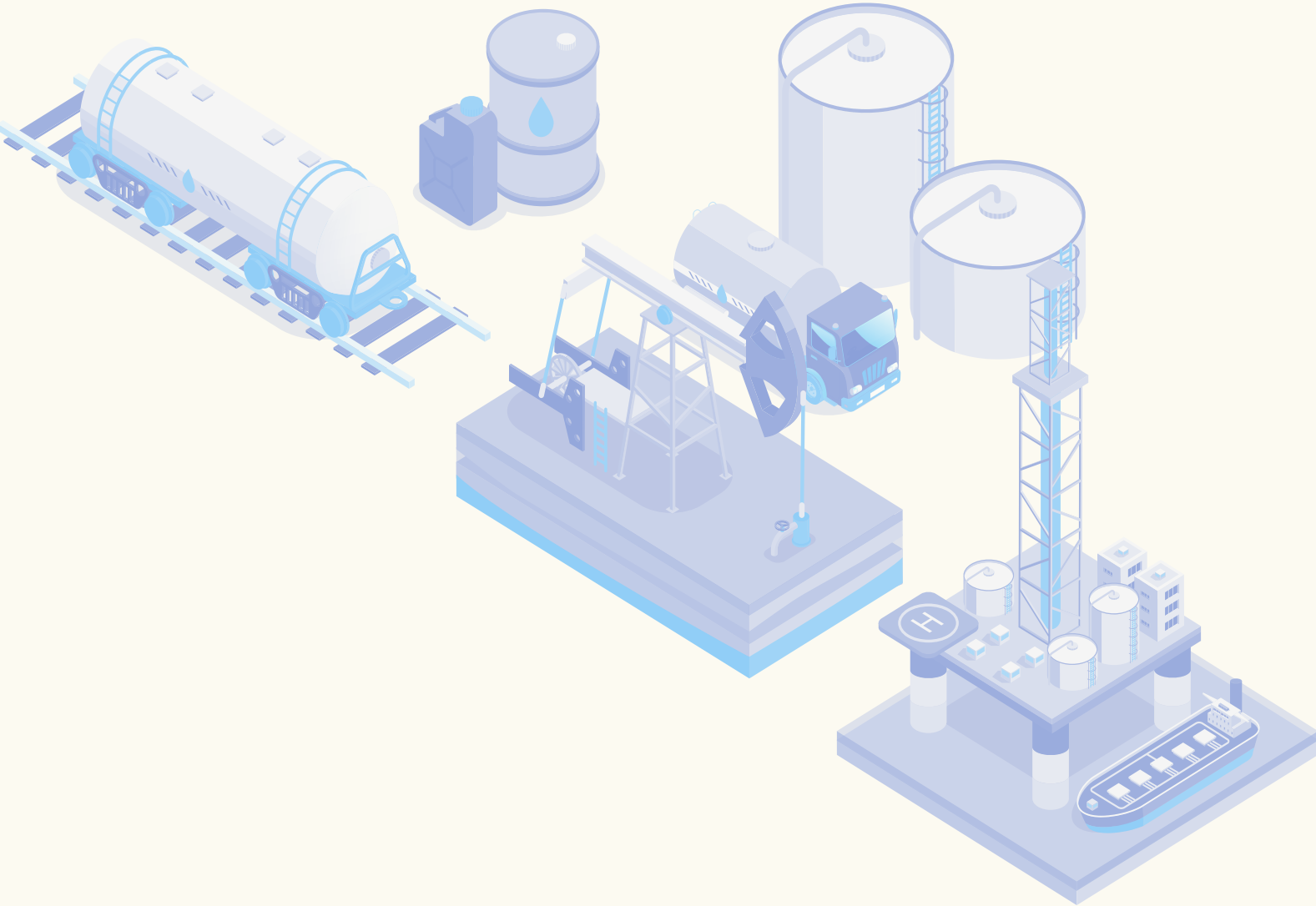


July
2024

الجزيرة كابيتال

ALJAZIRA CAPITAL الجزيرة للأسواق المالية



Oil & Petrochemicals Monthly Report June I 2024

Head of Sell-Side Research

Jassim Al-Jubran

+966 11 2256248

j.aljabran@aljaziracapital.com.sa

Urea, ammonia, LDPE and EDC rose, while VAM prices fell; propane and butane prices for July kept unchanged by Aramco

- Naphtha prices rose, propane unchanged while butane declined in June:**
 Prices of naphtha increased 6.0% M/M to USD 705 per ton in June. Propane prices remained unchanged at USD 580 per ton, while butane fell 3.4% to USD 565 per ton. The prices of propane and butane were kept unchanged by Aramco for July at USD 580 per ton and USD 565 per ton, respectively.
- Product prices moved mainly upwards in June: Urea** prices jumped 16.9% M/M to USD 345 per ton amid increased buying interest from major buyers such as India and natural gas restrictions impacting the supply in Egypt. **Ammonia** prices were also supported by improved demand growing 9.7% M/M to USD 340 per ton. **VAM** prices fell 7.4% M/M to USD 810 per ton due to ample supply and sluggish demand. **EDC** prices gained 13.1% M/M to USD 345 per ton, supported by restocking amid an increase in downstream PVC price in Asia. **PVC** prices were up 2.5% M/M to USD 810 per ton. **MEG** prices grew 2.9% M/M to USD 540 per ton, as limited imports pushed the prices up in Asia. **LDPE** prices rose 6.9% M/M to USD 1,160 per ton on supply constraints and higher feedstock naphtha cost.
- Petchem Spreads Trend:** PP-propane spread expanded to USD 490 per ton in June from USD 471 per ton in May. PP-butane spread grew to USD 502 per ton in June from USD 467 per ton in May. HDPE-naphtha spread was largely unchanged at USD 296 per ton in June.

Oil prices recover in June on geopolitical risk premium; ceasefire talks and concerns of hurricane Beryl impacting US demand weighed in early July

- Oil prices gained in June:** In the first week of June, oil prices were hit by OPEC+’s announcement to gradually phase out the production cuts from October 2024 to September 2025. However, the prices reversed the trend in the rest of the month recovered gaining support from heightened tension in the Middle East and Ukraine’s attack on Russian refineries raising supply disruption fears. In early July, oil prices fell due to signs of easing geopolitical tension in the Middle East and hurricane Beryl shutting down US refineries and ports along the Gulf of Mexico, impacting US demand. Brent prices increased 5.9% M/M, while WTI also grew 5.9% M/M in June, ending at USD 86.4/bbl and USD 81.5/bbl, respectively. Natural gas prices at Henry Hub rose 0.5% M/M to USD 2.6/mn Btu.
- Manufacturing activity deteriorates in the US and Eurozone; continues to expand in China:** US ISM manufacturing PMI decreased to 48.5 in June from 48.7 in May due to descent in production. China’s Caixin manufacturing PMI rose to 51.8 in June from 51.7 in May, registering the fastest expansion since June 2022 driven rising new orders. Eurozone remained in contraction zone with manufacturing PMI of 45.8 in June vs. 47.3 in May.

Table 1: Petchem Prices – June FY24

Name	Price (USD per ton)	M/M %	Q/Q %	Y/Y %	YTD %
Naphtha	705	6.0%	0.0%	41.0%	5.2%
Saudi Propane	580	0.0%	-7.9%	28.9%	-4.9%
Saudi Butane	565	-3.4%	-11.7%	28.4%	-8.9%
Ethylene	825	0.0%	-8.3%	15.4%	-2.4%
Propylene-Asia	835	1.8%	3.1%	18.4%	3.1%
HDPE	980	0.5%	3.7%	5.4%	3.2%
LDPE	1,160	6.9%	12.6%	27.5%	16.0%
LLDPE	970	0.5%	4.9%	6.6%	3.2%
PP-Asia	955	1.6%	6.1%	16.5%	8.5%
Styrene-Asia	1,160	0.0%	1.8%	29.6%	12.1%
Polystyrene-Asia	1,285	-2.3%	0.4%	20.1%	11.7%
PET - Asia	885	1.1%	-0.6%	1.7%	1.7%
PVC-Asia	810	2.5%	2.5%	7.3%	8.7%
MEG (Asia)	540	2.9%	2.9%	16.1%	5.9%
Methanol-China	290	-3.3%	-1.7%	23.4%	3.6%
DAP-Gulf	525	8.2%	-11.8%	10.5%	-13.2%
Urea-Gulf	345	16.9%	4.5%	25.5%	7.8%
Ammonia-Gulf	340	9.7%	19.3%	38.8%	-29.9%
MTBE-Asia	880	2.9%	-10.2%	-7.9%	3.5%
EDC	345	13.1%	0.0%	-5.5%	-2.8%
MEG (SABIC)	790	-1.3%	-2.5%	-13.2%	-1.3%
PC	1,875	2.2%	3.9%	11.3%	8.1%
Acetic Acid-AA	475	-2.1%	0.0%	-2.1%	-1.0%
EVA	1,190	-2.1%	-8.8%	-17.1%	-3.3%
Vinyl Acetate Monomer-VAM	810	-7.4%	-17.8%	-5.3%	-6.4%

Note: Prices as of June 30, 2024

Source: Argaam, Reuters Eikon, AlJazira Capital Research

Table 2: Economic Calendar

Date	Country	Event
Jul 17,24,31	US	Weekly Petroleum Status Report
11-Jul	US	Initial Jobless Claims
16-Jul	KSA	CPI YoY
25-Jul	US	GDP Annualized QoQ
28-Jul	KSA	M3 Money Supply YoY
28-Jul	KSA	SAMA Net Foreign Assets SAR
31-Jul	KSA	GDP Constant Prices YoY
2-Aug	US	Unemployment Rate
5-Aug	KSA	S&P Global Saudi Arabia PMI
6-Aug		EIA Short-term Energy Outlook
6-Aug	US	Trade Balance
12-Aug	US	Monthly Budget Statement
12-Aug		OPEC Monthly Oil Market Report
13-Aug		IEA Oil Market Report
29-Sep	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 by 770,000 bpd in FY24 (primarily led by non-OPEC) and by 1.8 mbpd in FY25, according to IEA.
- Global supplies of crude oil and liquid fuels are expected to rise by 0.8 mbpd to 102.6 mbpd in FY24 and by 2.2 mbpd to 104.7 mbpd in FY25, as per EIA. Non-OPEC supply is forecast to grow 0.9 mbpd to 70.6 mbpd in FY24 and 1.7 mbpd to 72.3 mbpd in FY25.
- Global refinery throughputs are forecast to rise by 950,000 bpd to 83.4 mbpd in FY24 and by 630,000 bpd to 84.0 mbpd in FY25, according to IEA.

OPEC Supply

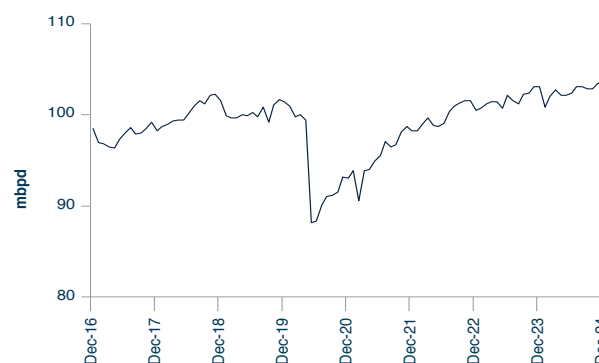
- OPEC crude oil production decreased 80,000 bpd M/M in June to average at 26.6 mbpd, as per OPEC's secondary sources.
- On average, OPEC members are estimated to produce 26.8 mbpd of crude oil in Q3-24 compared to 26.6 mbpd of crude oil in Q2-24, as per EIA.
- OPEC's average crude production is estimated at 26.7 mbpd in FY24 and at 27.2 mbpd in FY25, according to EIA.
- OPEC's unplanned oil supply disruptions averaged 1.47 mbpd in June (vs. 1.45 in May), as per EIA.

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

Prod. ('000 bpd)	Cap.	Mar 2024	Apr 2024	May 2024	Jun 2024	% M/M Chg.
Equatorial Guinea	120	60	50	60	50	-16.7%
Gabon	220	230	210	220	210	-4.5%
Republic of Congo	300	240	250	240	250	4.2%
Venezuela	860	870	840	860	890	3.5%
Algeria	1,060	910	910	900	900	0.0%
Libya	1,200	1,130	1,190	1,160	1,160	0.0%
Nigeria	1,600	1,470	1,420	1,460	1,430	-2.1%
Kuwait	2,820	2,430	2,430	2,460	2,440	-0.8%
Iran	3,830	3,180	3,220	3,240	3,240	0.0%
U.A.E.	4,650	3,130	3,120	3,170	3,170	0.0%
Iraq	4,800	4,170	4,220	4,280	4,250	-0.7%
Saudi Arabia	12,000	9,040	9,040	9,010	8,990	-0.2%
Total OPEC	33,460	26,860	26,900	27,060	26,980	-0.3%

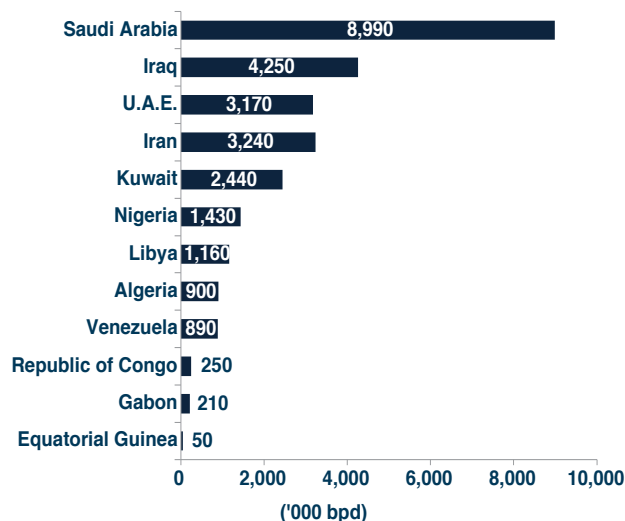
Source: Bloomberg

Figure 1: World Oil Production



Source: Bloomberg, ALJazira Capital Research

Figure 2: OPEC June 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 by slightly less than 1.0 mbpd in FY24 and FY25. As per EIA, global consumption of petroleum and liquid fuels is forecasted to average at 103.0 mbpd in FY24 (+1.1 mbpd Y/Y) and increase further by 1.5 mbpd Y/Y in FY25.
- Global demand for petroleum and liquid fuels stood at 103.8 mbpd in June, up 0.5% 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 43.1 mbpd, according to OPEC. The DoC demand is estimated to increase to 43.9 mbpd in FY25, up around 0.7 mbpd Y/Y.

Inventory

- Global oil inventories rose by 23.9 mb in May. OECD industry stocks increased 27.8 mb to 2,845 mb, 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 6% above 5 year average by the end of October, 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 86 per barrel in FY24 and at USD 88 per barrel in FY25, as per EIA.
- J. P. Morgan anticipates Brent crude prices to average at USD 84 per barrel in 2024 and USD 75 per barrel in 2025. Goldman Sachs expects a downside risk to its estimated range of USD 75-90 per barrel for Brent crude due to OPEC+'s recently announced planned phasing out of cuts. EIA expects natural gas prices at Henry Hub to average USD 2.50/mn Btu in FY24 and USD 3.30/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	70.98	69.76	70.18	70.67	71.07	69.61	70.55	72.29
Total World Supply	101.11	101.48	101.69	102.87	101.78	102.06	102.74	103.11	101.79	102.57	104.73
World Crude Oil & Liq. Fuels Cons.											
OECD Cons.	45.09	45.56	45.95	45.98	44.81	45.08	46.17	46.37	45.76	45.76	45.92
Non-OECD Cons.	55.71	56.27	56.33	56.30	56.90	57.57	57.40	57.35	56.16	57.24	58.49
Total World Cons.	100.80	101.82	102.28	102.27	101.71	102.65	103.56	103.72	101.90	102.98	104.51
OECD Comm. Inventory (mn barrels)	2,746	2,782	2,815	2,776	2,760	2,765	2,734	2,693	2,773	2,737	2,793
OPEC Surplus Crude Oil Prod. Cap.	1.94	2.13	1.95	1.52	1.52	1.48	n/a	n/a	1.88	n/a	n/a

Source: EIA STEO July 2024, AlJazira Capital Research

- The gap between crude consumption and supply is estimated to increase to 0.82 mbpd in Q3-24 (higher consumption than supply) from 0.59 mbpd in Q2-24 (higher consumption than supply).
- OECD's crude inventories are expected to be at 2.73bn barrels in Q3-24 compared to 2.77bn barrels in Q2-24.

Petrochemical sector news

- **SABIC Agri-Nutrients Co. (SABIC AN)** received the approval of the Ministry of Energy for allocating the required quantities of feedstock to build its sixth plant in Jubail Industrial City. The plant will produce 1.2mn metric tons annually (MMTA) of low-carbon blue ammonia and 1.1 MMTA of urea and specialized agri-nutrients. (Source: Tadawul)
- **Sahara International Petrochemical Co. (Sipchem)** awarded engineering, procurement and construction contracts to SGC E&C Co. Ltd. and SGC Arabia Co. Ltd. for the expansion of the ethylene vinyl acetate (EVA) plant, for USD 187.0mn (SAR 701.3mn). Under the 40-month contract, the plant production capacity will rise by an additional 70,000 tons (high-grade ethylene vinyl acetate) to approximately 290,000 tons a year. (Source: Tadawul)
- **Sipchem and CHUBB Arabia Cooperative Insurance Co.** reached a full and final settlement of SAR 53.0mn for the entire damage and losses caused by a fire incident at Hail factory of Sipchem's subsidiary, Saudi Specialized Products Co. (Wahaj). (Source: Argaam)
- **Methanol Chemicals Co. (Chemanol)** inked a 20-year agreement with Saudi Aramco Total Refining and Petrochemical Co. (SATORP) to provide 100,000 metric tons of methanol annually to the latter's Amiral project. Commercial and supply operations will likely start by the end of FY27. (Source: Tadawul)
- **Saudi Aramco** aims to raise at least USD 3.0bn by issuing USD-denominated bonds. The final issuance value could be higher, depending on investor demand. The proceeds will be used to finance current debts and support the company's investment program. (Source: Argaam)
- Saudi Arabia announced the discovery of new oil and natural gas fields in the Eastern Province and the Empty Quarter, as per Minister of Energy Prince Abdulaziz bin Salman. **Saudi Aramco** has discovered two unconventional oil fields, one Arabian light oil reservoir, two natural gas fields, and two natural gas reservoirs in the Eastern Province and the Empty Quarter. (Source: Argaam)
- **Saudi Aramco** signed contracts for the second phase of Jafurah field project and the third expansion stage for the Master Gas System project, valued at USD 25.0bn, according to CEO Amin Nasser. He added that the MGS expansion spans 4,000 km of pipelines, which increases the network capacity and connects different cities in Saudi Arabia. (Source: Argaam)

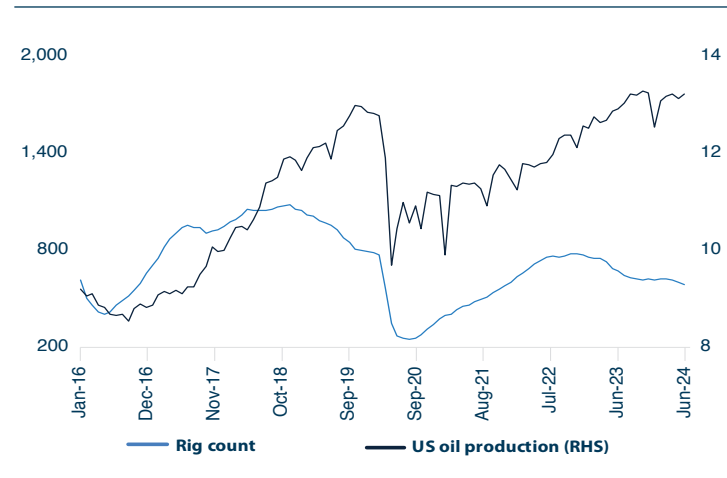
Table 5: KSA Petrochemical Companies Key Metrics

Company	Net profit (TTM; SAR mn)	P/E (Adjusted)	P/B	EV/ EBITDA	DPS (SAR) TTM	Dividend Yield (2023)	YTD returns
SABIC	-3,183.0	High	1.3x	13.7x	3.30	4.5%	-11.4%
TASNEE	20.4	33.1x	0.8x	High	-	-	-7.9%
YANSAB	-15.9	NEG	1.8x	16.8x	1.75	4.5%	3.0%
SABIC Agri-Nutrients	3,519.7	14.8x	2.9x	9.9x	6.00	5.3%	-17.9%
Sipchem	886.2	27.9x	1.3x	10.8x	1.25	4.4%	-17.5%
Advanced	70.0	High	3.2x	35.4x	-	-	-0.1%
KAYAN	-2,035.1	NEG	0.9x	17.9x	-	-	-27.0%
SIIG	381.2	41.7x	1.6x	-	1.00	4.8%	-5.2%
Nama Chemical	-163.3	NEG	3.1x	-	-	-	-15.9%
Chemanol	-153.4	NEG	1.0x	24.2x	-	-	-24.0%
ALUJAIN	-28.3	NEG	1.0x	10.8x	-	-	2.6%

Source: Bloomberg, Tadawul, Argaam, Aljazira Capital Research; Data as of July 10, 2024

US oil and gas developments

Figure 4: US Oil Production versus Rig Count



Source: US EIA, AlJazira Capital Research

US oil production averaged 13.24 mbpd in June 2024. Production increased 0.7% M/M and grew 2.7% Y/Y from 12.89 mbpd in June 2023.

In the week ended June 28, the rotary rig count in the US stood at 581 (down 7 W/W). The average number of rigs fell 2.3% M/M in June vis-à-vis a decrease of 2.4% in May. The average rig count was down 14.3% Y/Y in June. As of July 05, of the total 585 rigs, 479 (unchanged W/W) were used to drill for oil and 101 (up 4 W/W) for natural gas. In the US, oil exploration decreased 11.3% Y/Y, while gas exploration declined 25.2% Y/Y.

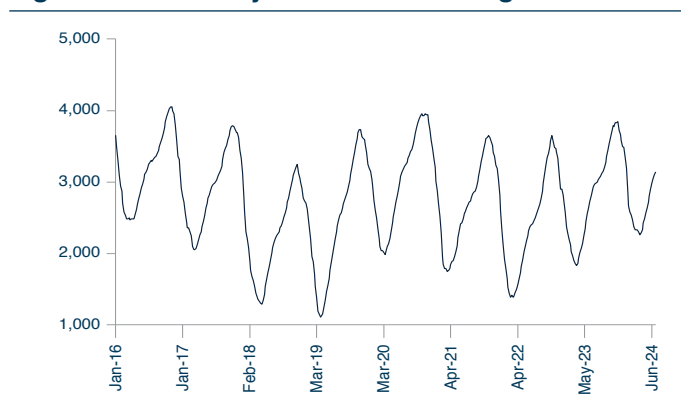
Figure 5: US Weekly Oil Inventories



- US weekly oil inventories decreased 2.6% W/W to 448.5mn barrels for the week ended June 28. On M/M basis, inventories fell 1.6%.

Source: US EIA, AlJazira Capital Research

Figure 6: US Weekly Natural Gas Storage

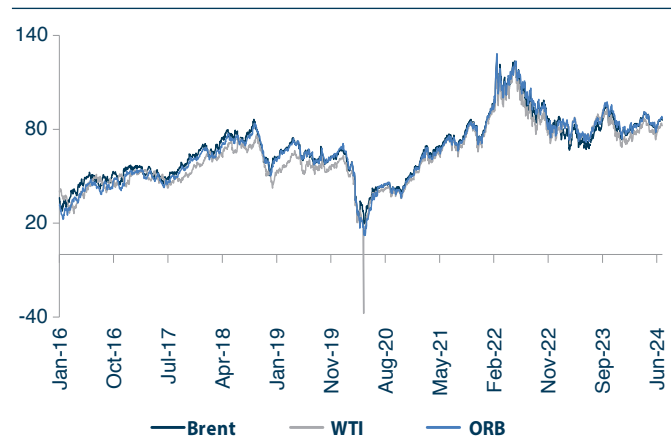


- US weekly natural gas storage increased 1.0% W/W to 3,134 bcf in the week ended June 28. On M/M basis, natural gas storage rose 8.1%.

Source: US EIA, AlJazira Capital Research

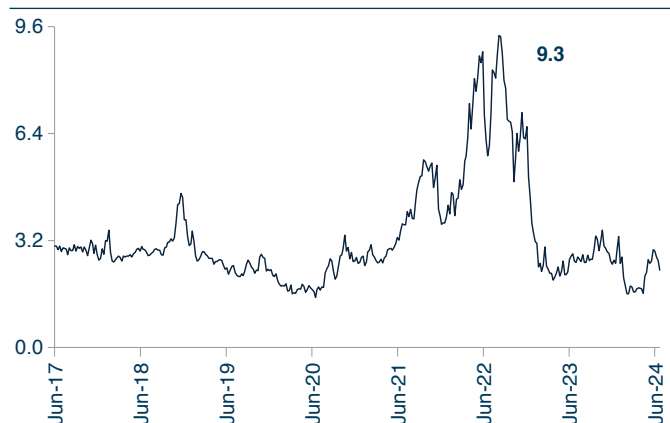
Price Trend: Oil, Natural Gas & Petrochemicals Products

Figure 7: Oil Price Trends (USD per Barrel)



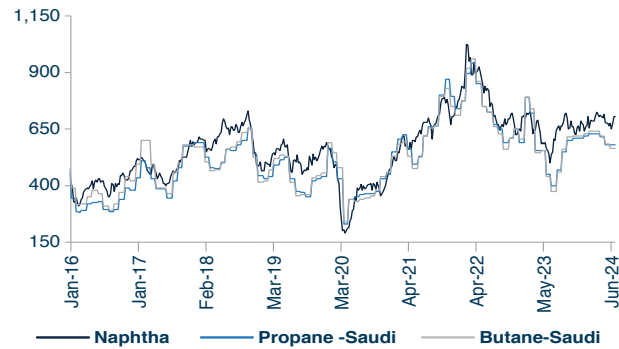
Source: Reuters Eikon, AlJazira Capital Research

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



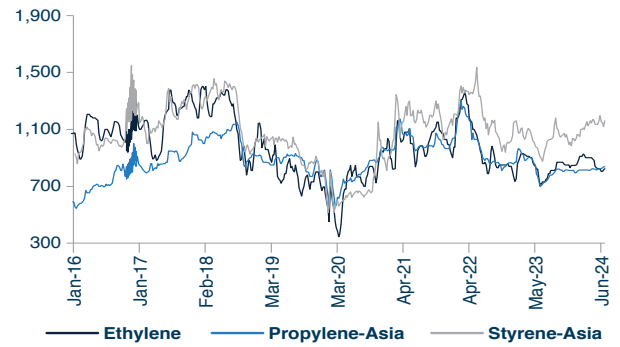
Source: OPEC, AlJazira Capital Research

Figure 9: Feedstock Price Trends (USD per Ton)



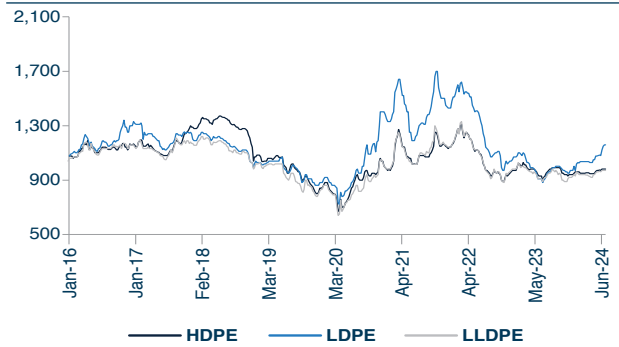
Source: Argaam, ALJazira Capital Research

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



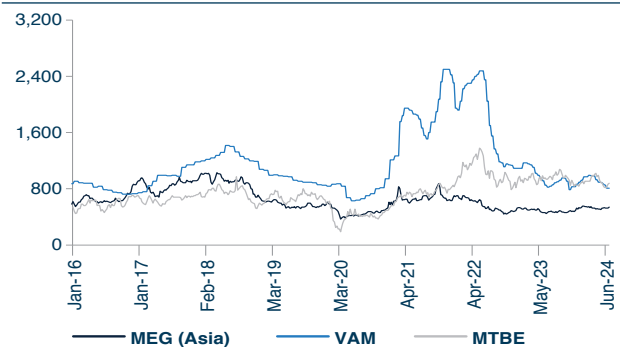
Source: Argaam, ALJazira Capital Research

Figure 11: Polyethylene Price Trends (USD per Ton)



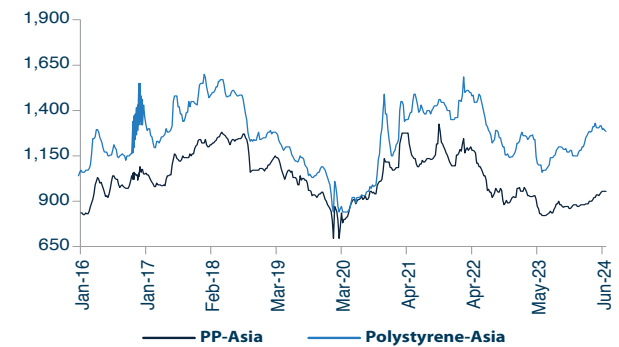
Source: Argaam, ALJazira Capital Research

Figure 12: Intermediates Price Trends (USD per Ton)



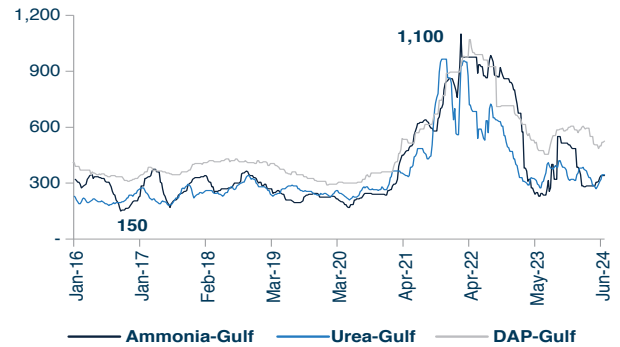
Source: Argaam, ALJazira Capital Research

Figure 13: Polypropylene & Polystyrene



Source: Argaam, ALJazira Capital Research

Figure 14: Ammonia, Urea & DAP



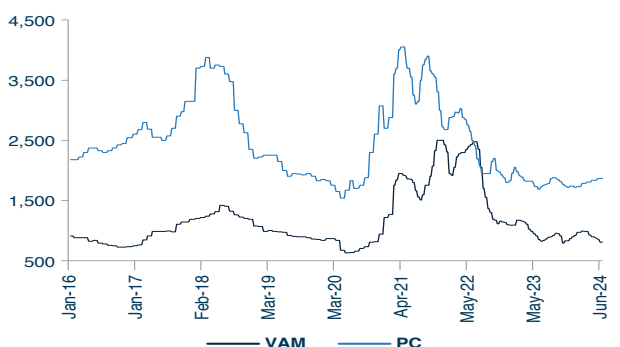
Source: Argaam, ALJazira Capital Research

Figure 15: Methanol-China (USD per Ton)



Source: Argaam, ALJazira Capital Research

Figure 16: PC-VAM

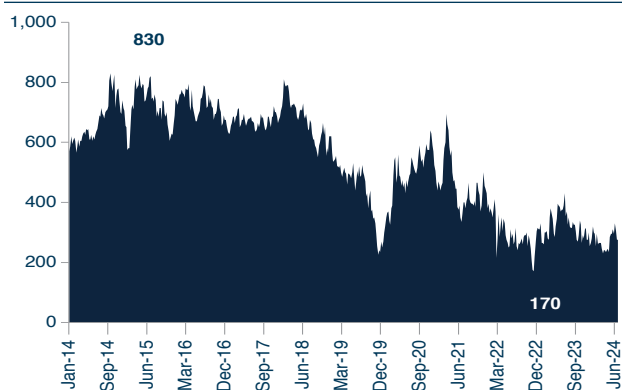


Source: Argaam, ALJazira Capital Research

Petchem Spreads Trend

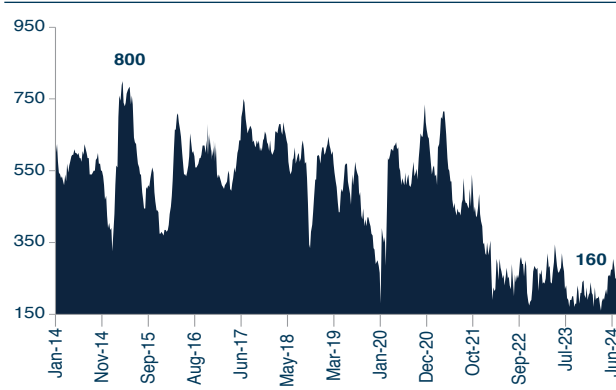
- Naphtha prices averaged USD 682 per ton in June, up from USD 674 per ton in May.
- Polypropylene average prices rose to USD 954 per ton in June from USD 935 per ton in May.
- The HDPE-naphtha spread was largely unchanged at USD 296 per ton in June.
- The PP-naphtha spread gained to USD 272 per ton from USD 261 per ton during the previous month.
- The PP-propane spread expanded to USD 490 per ton in June from USD 471 per ton in May.
- The PVC-EDC spread widened to USD 513 per ton in June from USD 480 per ton in May.
- The polystyrene-benzene spread fell to USD 254 per ton in June compared to USD 263 per ton in May.
- The HDPE-ethylene spread increased to USD 164 per ton in June from USD 140 per ton in May.
- PP-butane spread grew to USD 502 per ton in June from USD 467 per ton in May.
- LDPE-naphtha spread increased 11.6% M/M at USD 452 per ton, while LDPE-ethylene spread surged 28.6% M/M to USD 320 per ton in June.
- LLDPE-naphtha spread remained unchanged at USD 286 per ton. Whereas LLDPE-ethylene spread jumped 18.5% M/M to USD 154 per ton in June.

Figure 17: Naphtha- HDPE



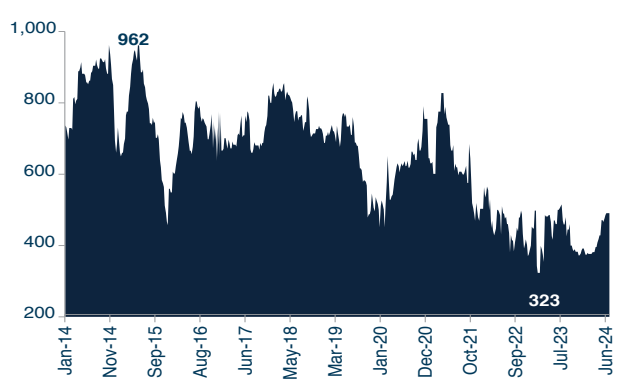
Source: Argaam, AlJazira Capital Research

Figure 18: Naphtha- PP



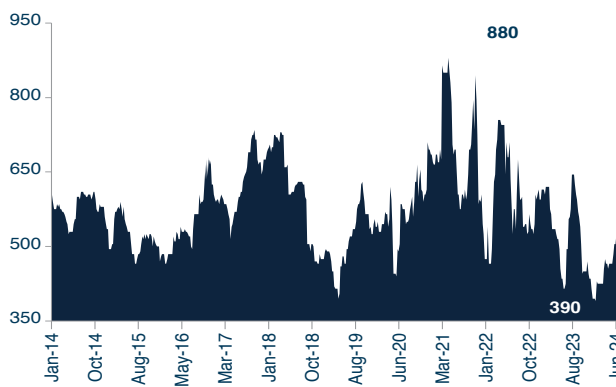
Source: Argaam, AlJazira Capital Research

Figure 19: Propane (Saudi) - PP



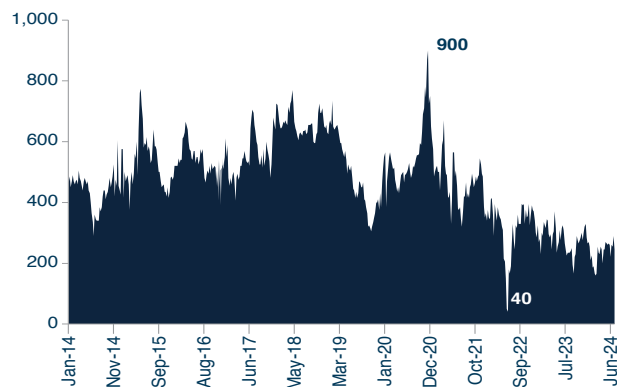
Source: Argaam, AlJazira Capital Research

Figure 20: EDC- PVC



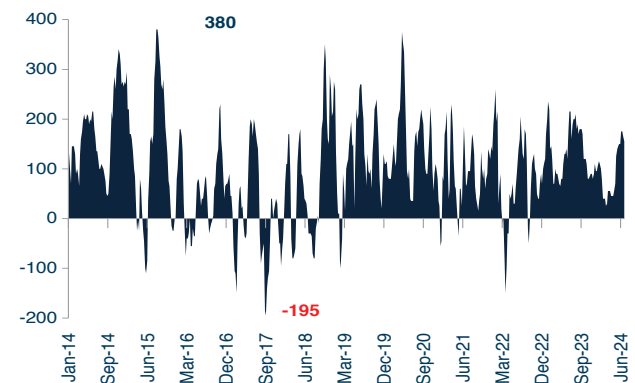
Source: Argaam, AlJazira Capital Research

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



RESEARCH DIVISION

Head of Sell-Side Research - AGM
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

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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Head Office: King Fahad Road, P.O. Box: 20438, Riyadh 11455, Saudi Arabia, Tel: 011 2256000 - Fax: 011 2256068