

L'AZURDE



Presentation Results Q2 2017

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Agenda

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Pages

1. Executive Summary	4-5
2. Business Model	6-8
3. Results	9-18
4. Group Key Initiatives	19-20
5. Conclusion	21

Executive Summary

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Core wholesale revenues impacted mainly by the EGP devaluation and lower consumer spending in GCC. We raised prices in Egypt the last 12 months and introduced new jewelry collections at lower weights and lower Karat (18K and 14K) across all markets to reach more appropriate consumer price points.

Our Retail channel sales grow rapidly at +24% in H1 2017 vs. H1 2016 and is promising. It represents 28% of our revenues in H1 2017 vs. 16% in H1 2016. L'azurde mono brand shops outperform the market and we continue investing in selective key locations at top Malls in KSA and Egypt. For the first time ever we took over the duty free business at KSA airports. We launched the new L'azurde Men collection and opened retail shops for the new Danish Global franchise 'Amazing' jewelry offering affordable fashion silver jewelry. We also expanded with more kiosks in top Malls for our diamonds jewelry value brand 'Kenaz'.

We continue to reduce our operating costs (H1 2017 at -25% vs. H1 2016) to reduce pressure on profitability through production processes reengineering, reducing fixed costs, headcount reduction and rationalizing capital expenditure.

We managed to reduce our working capital in H1, 2017 by 24% compared to the same period of last year. This was done by tightening credit terms given to our wholesale customers and rationalizing our inventory. These measures reduced our finance charges by 19%.

Executive Summary

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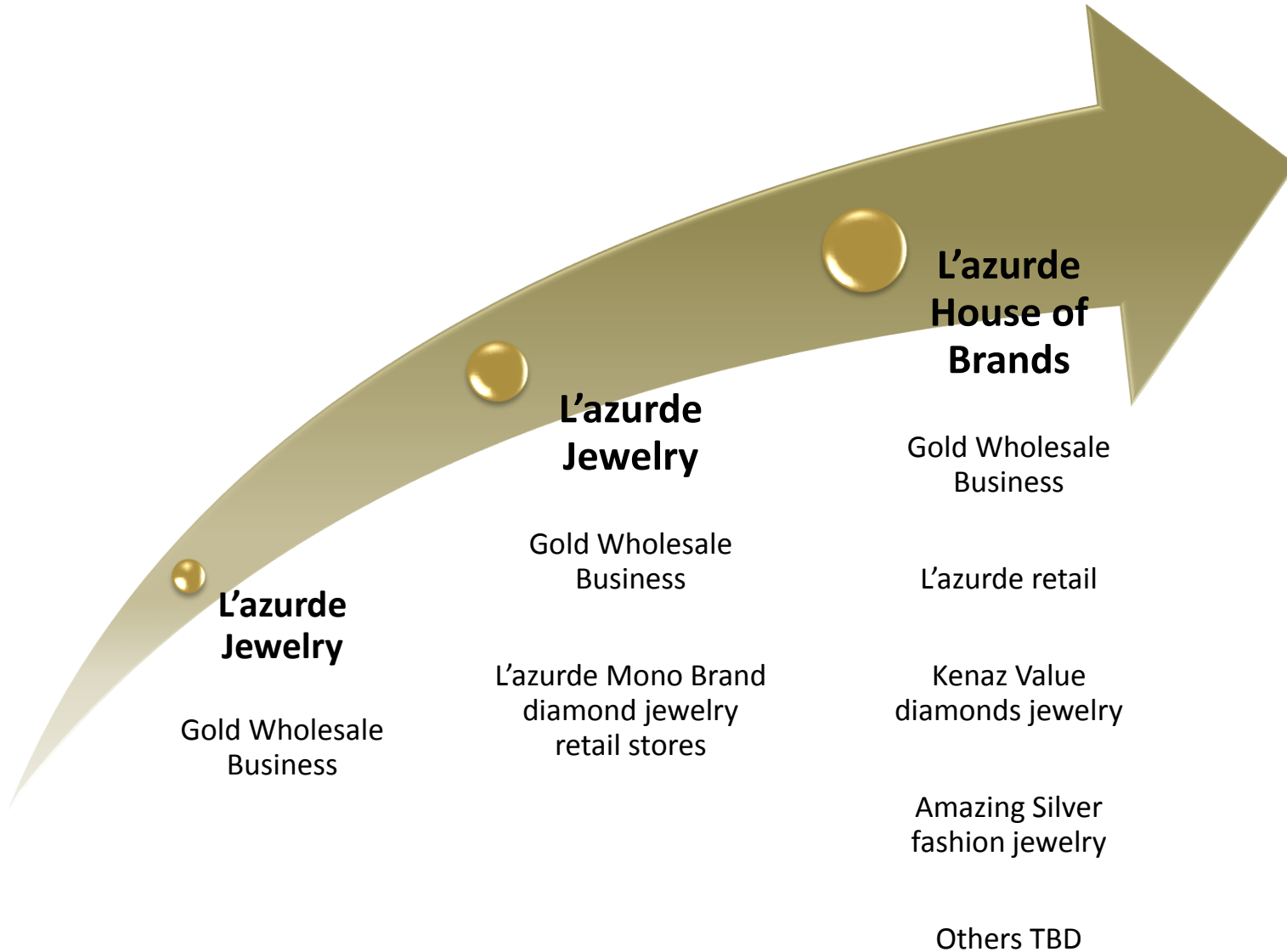
Net income for H1 2017 at SAR28.4 Million came at 35% below H1 2016. This was impacted by lower operating revenues partially compensated by operating cost reductions and a one-off foreign exchange gain in H1 last year amounting to SAR12.5 million. Our profitability from the Retail business is still not contributing much as we continue investing in opening new locations and launching several brands targeting different products categories, price points and usage occasions.

We are very positive about the business outlook.

- We execute several growth and profit enhancing long term initiatives
- We diversify revenues with retail on top of wholesale business and multi-brands leveraging our management capabilities and Global best practice from jewelry houses/retailers
- Strong design capabilities, consumer understanding and market leadership position
- Opportunity to acquire given the fragmented competitive scene
- Solid and stable management team that drove the business since 2010
- Attractive young KSA/Regional demographics and confidence in KSA economy rebound with Government plans

L'azurde Business Model Evolution

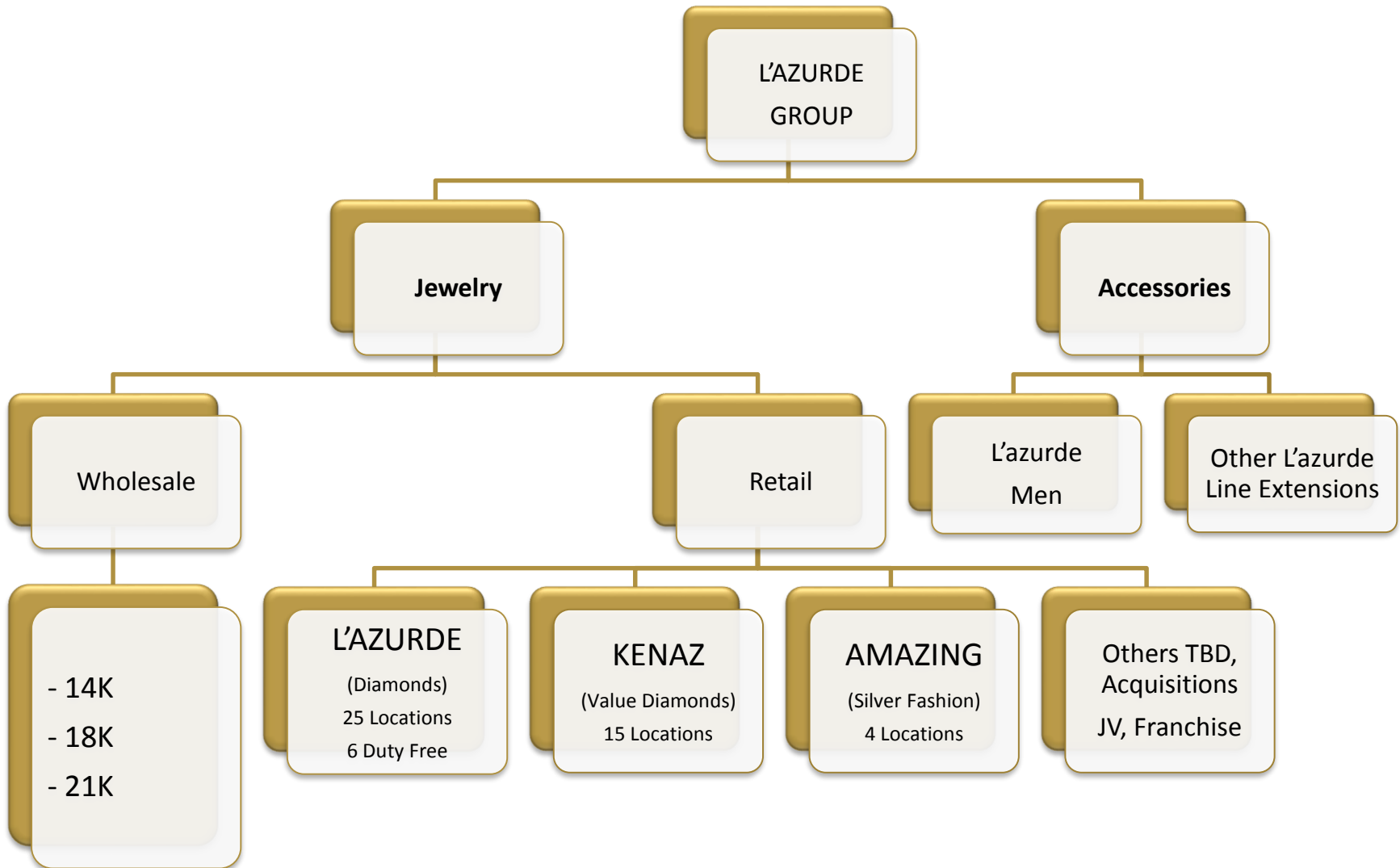
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L'azurde Business Model Evolution

L'azurde Group: House of Brands

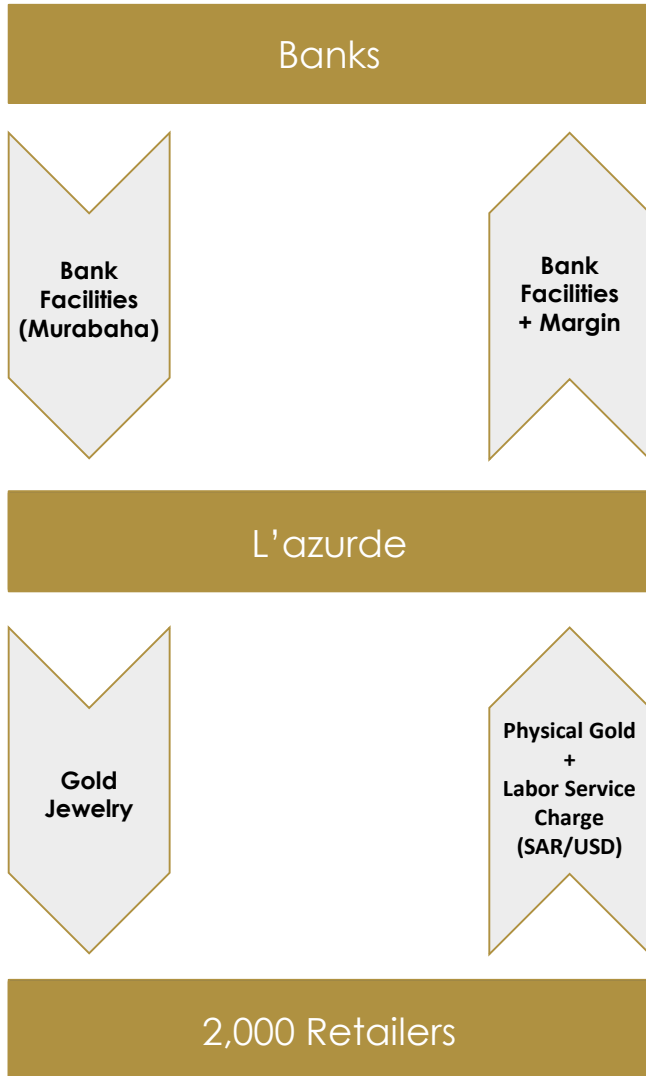
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Wholesale Business Model

Gold Jewelry Wholesale Business Model

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Value Creation at L'azurde:

- Creating great Gold jewelry products (Design, technology, value offering, innovation,...)
- Brand marketing
- Revenues = LSC (Labor Service Charge) + Stones Profits

Retailers pay L'azurde:

- Physical Gold + Labor Service Charge

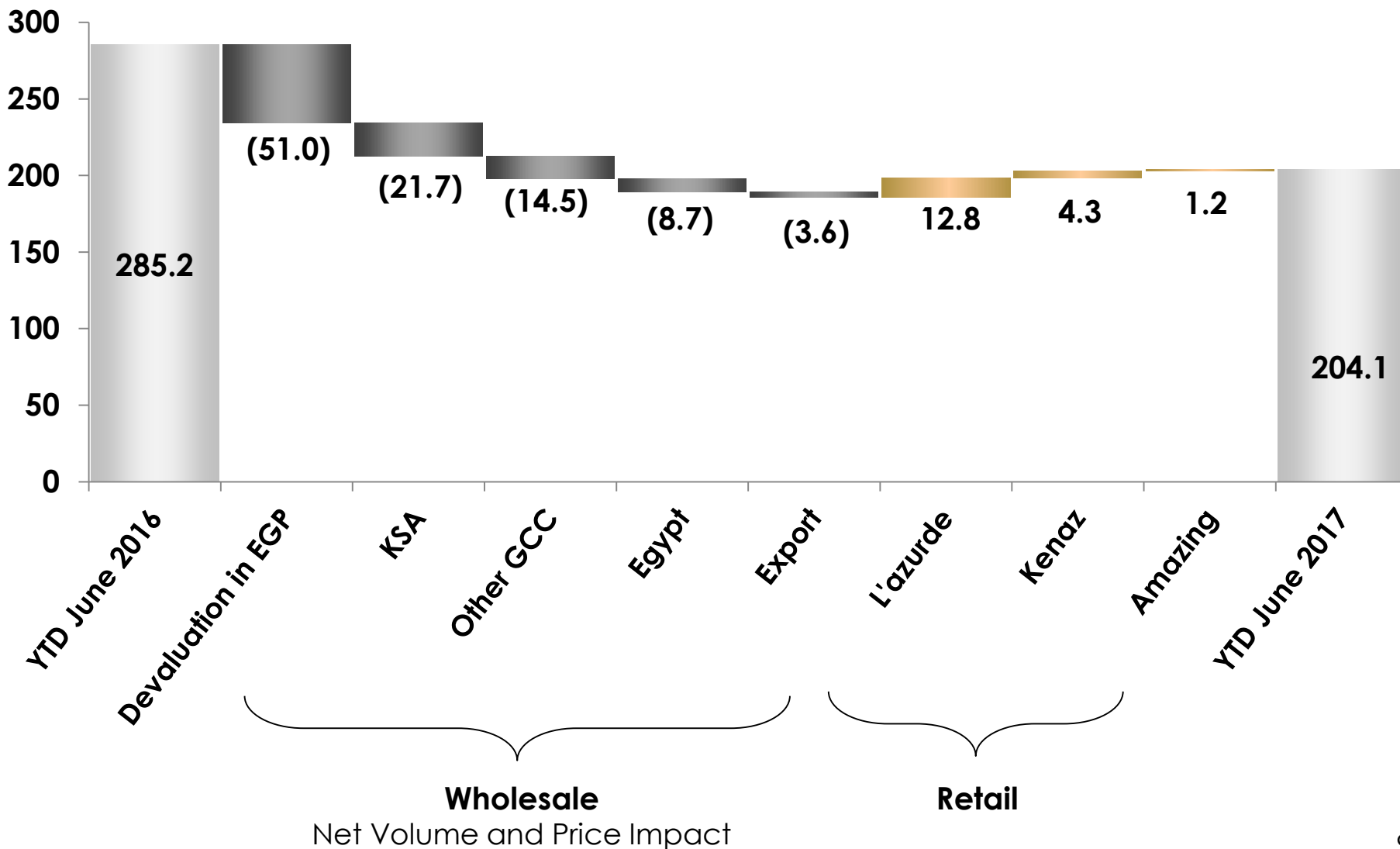
L'azurde takes no position on Gold

Most of the Revenues Decline Due to EGP Devaluation

Revenue Variance – YTD June 2017

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Million SAR

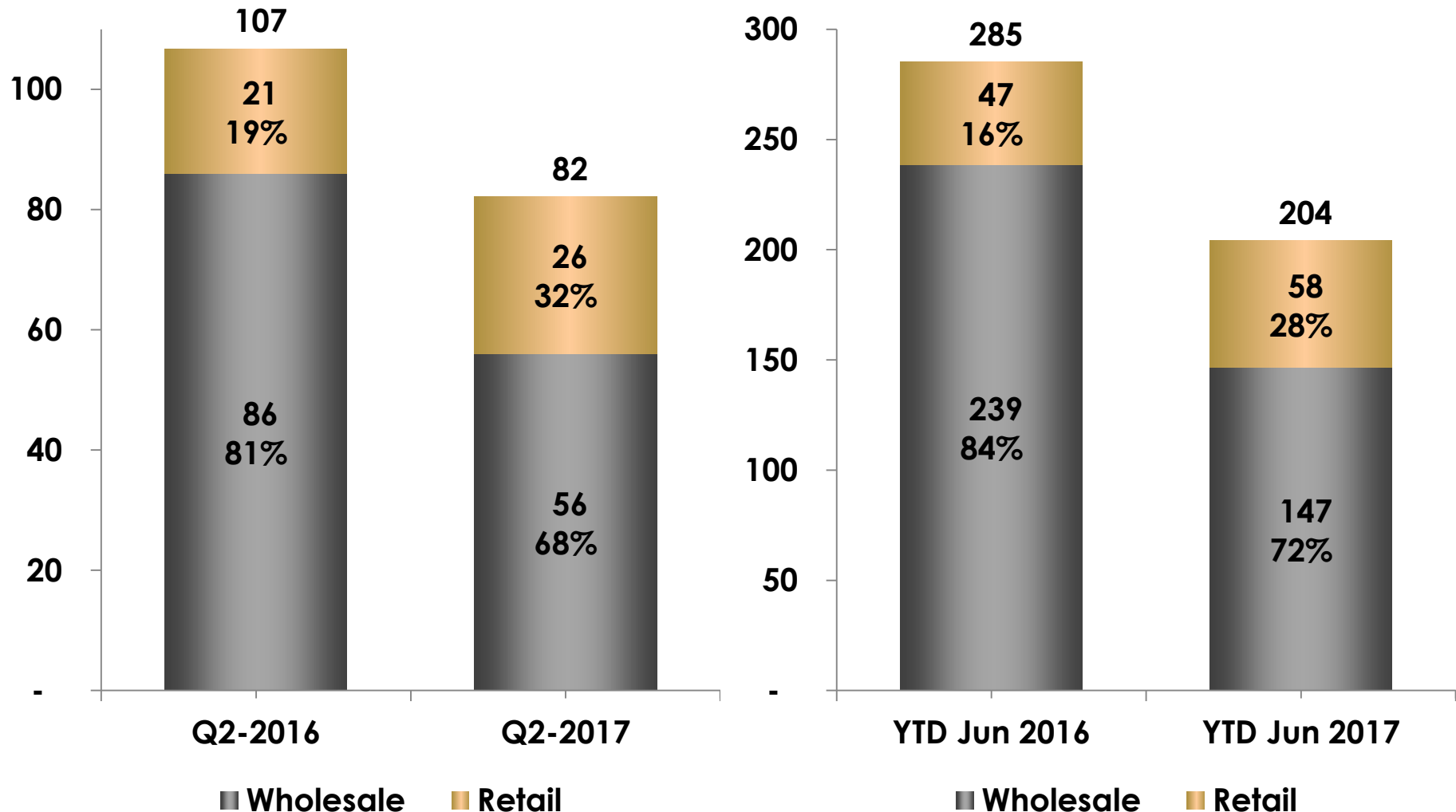


Retail Revenues at +24% in H1 2017 vs. LY

Operating Revenues by Distribution Channel

Million SAR

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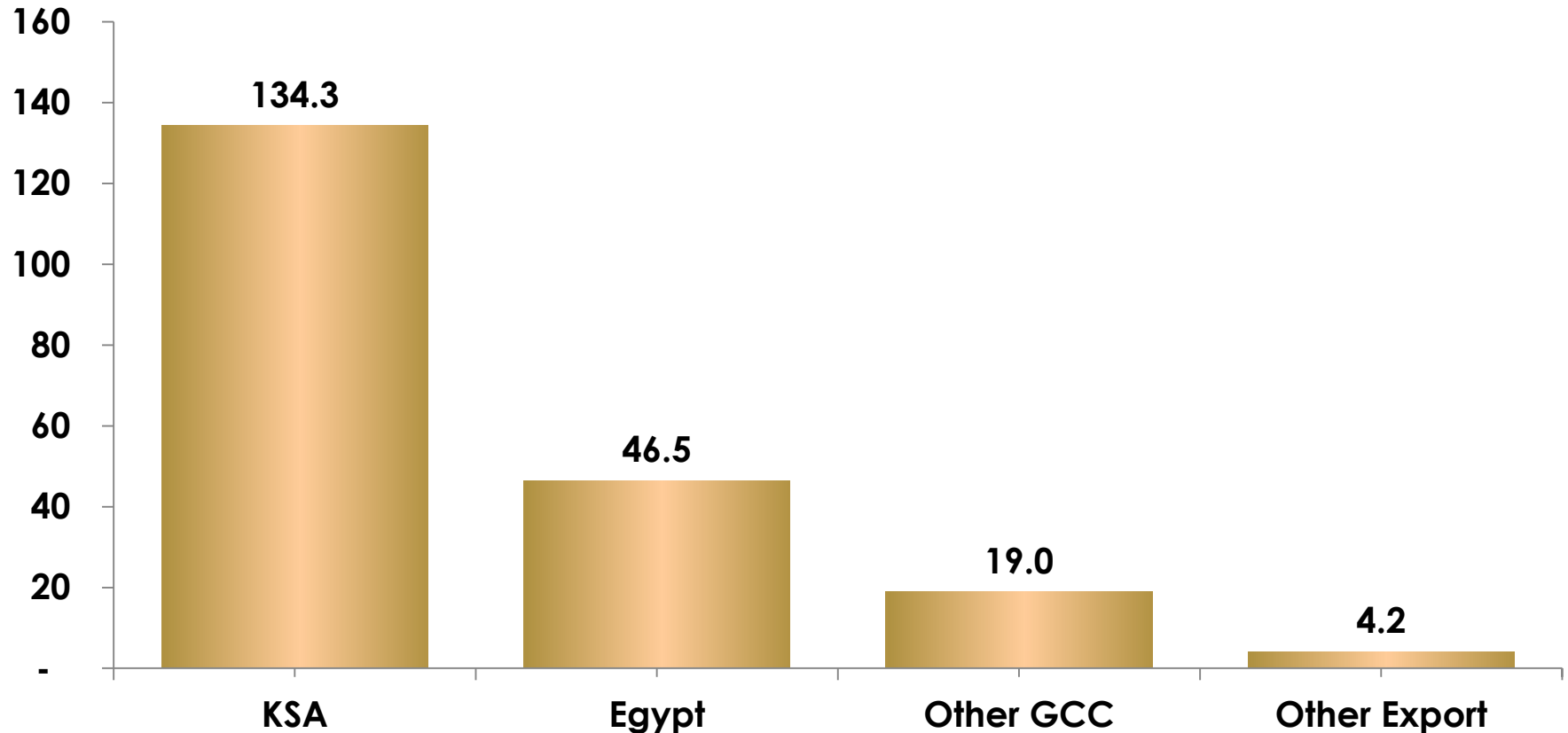


KSA Outperforms Other Markets thanks to Retail

Operating Revenues by Country – YTD June 2017

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Million SAR



% of Total

66%

23%

9%

2%

Vs. 2016

9% ▼

53% ▼

36% ▼

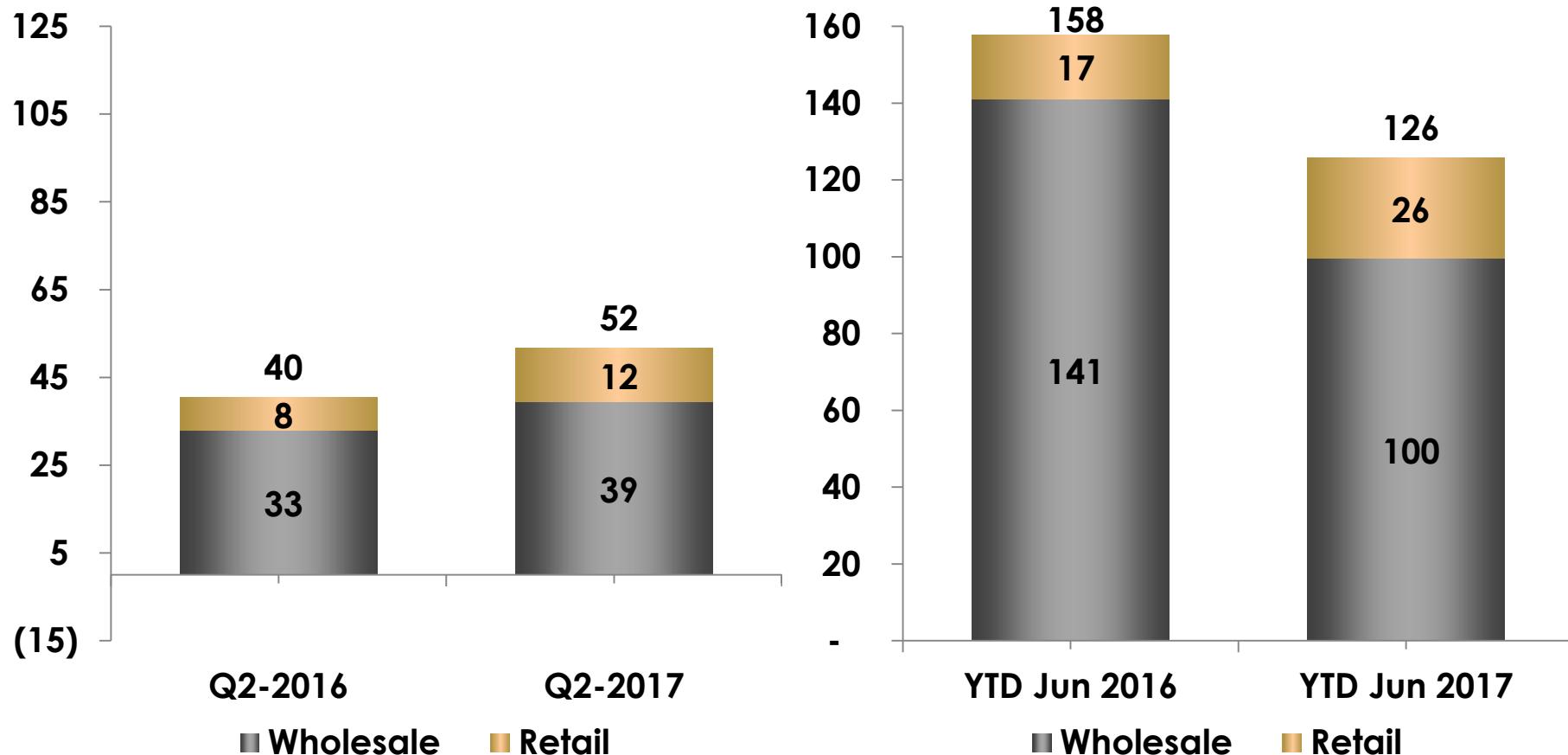
46% ▼

Retail Gross Margin at +53% in H1 2017 vs. LY

Gross Margin by Distribution Channel

Million SAR

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Gross Margin %

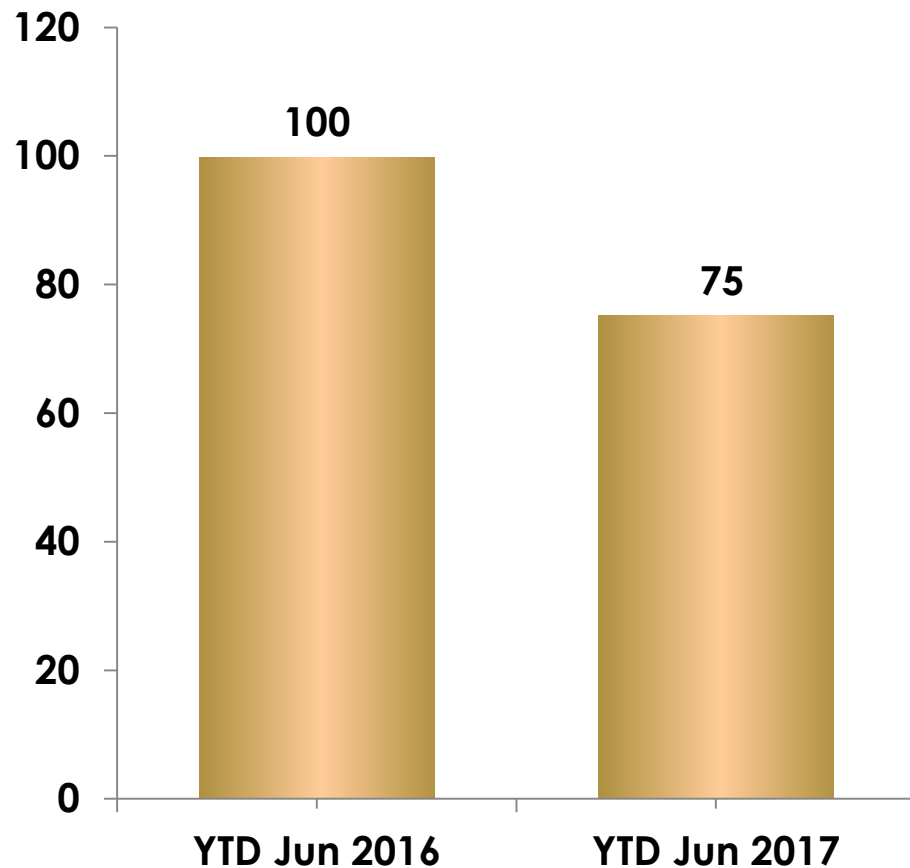
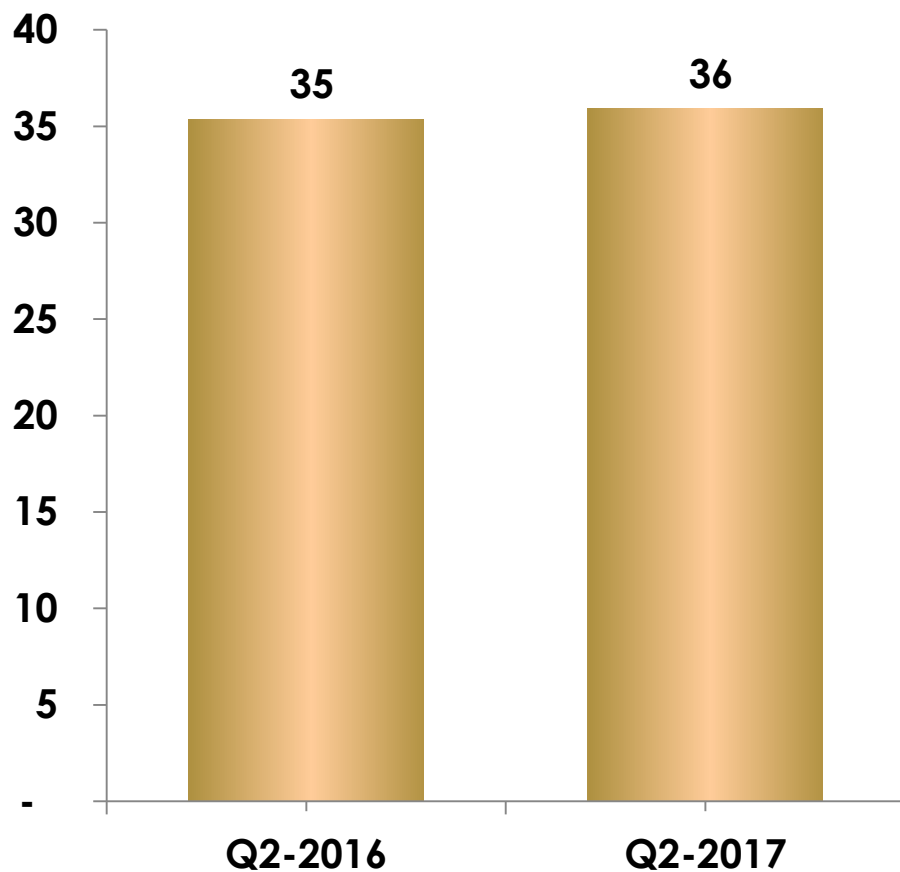
Wholesale	38%	70%	59%	68%
Retail	36%	47%	36%	45%
Total	38%	63%	55%	62%

Operating Expenses Decline by 25% in H1 2017 vs. LY

Operating Expenses

Million SAR

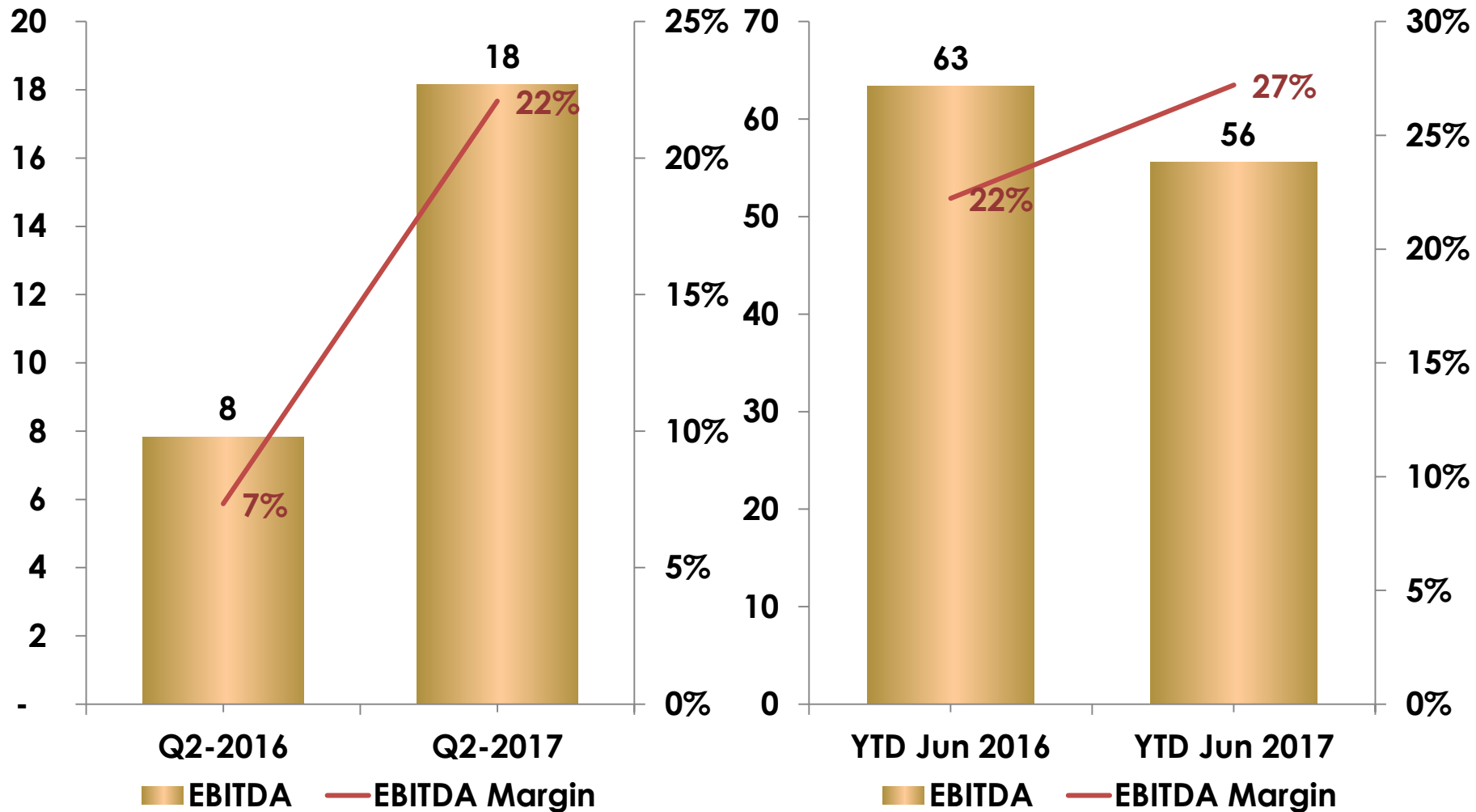
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EBITDA Declines by 11% in H1 2017 vs. LY

EBITDA
Million SAR

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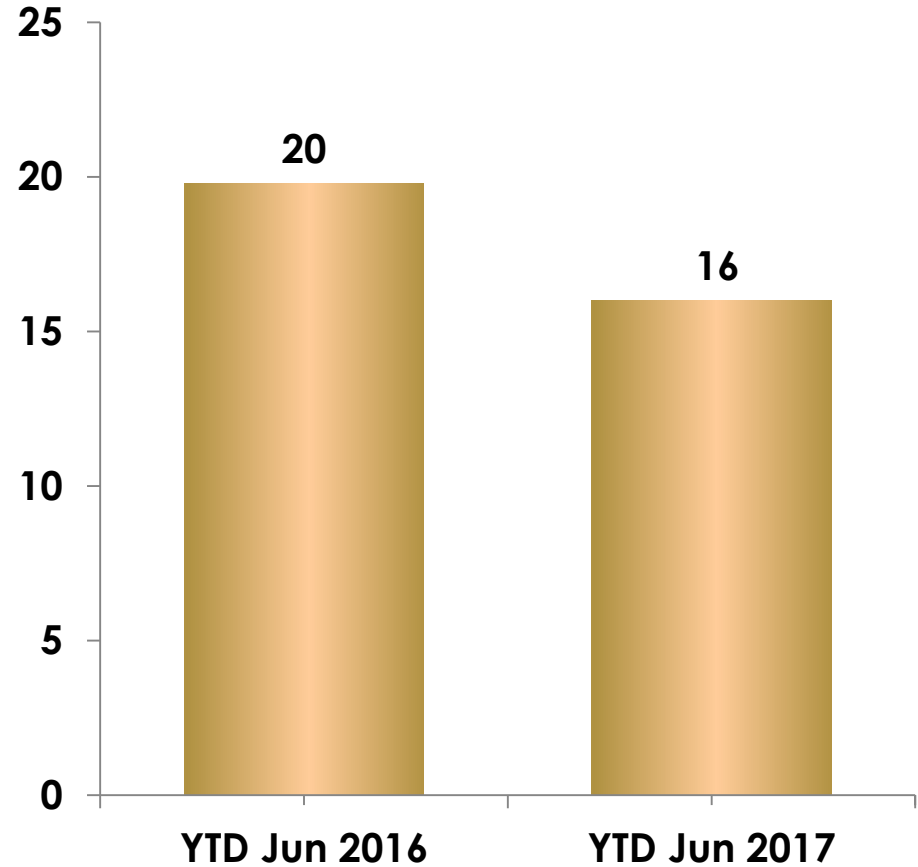
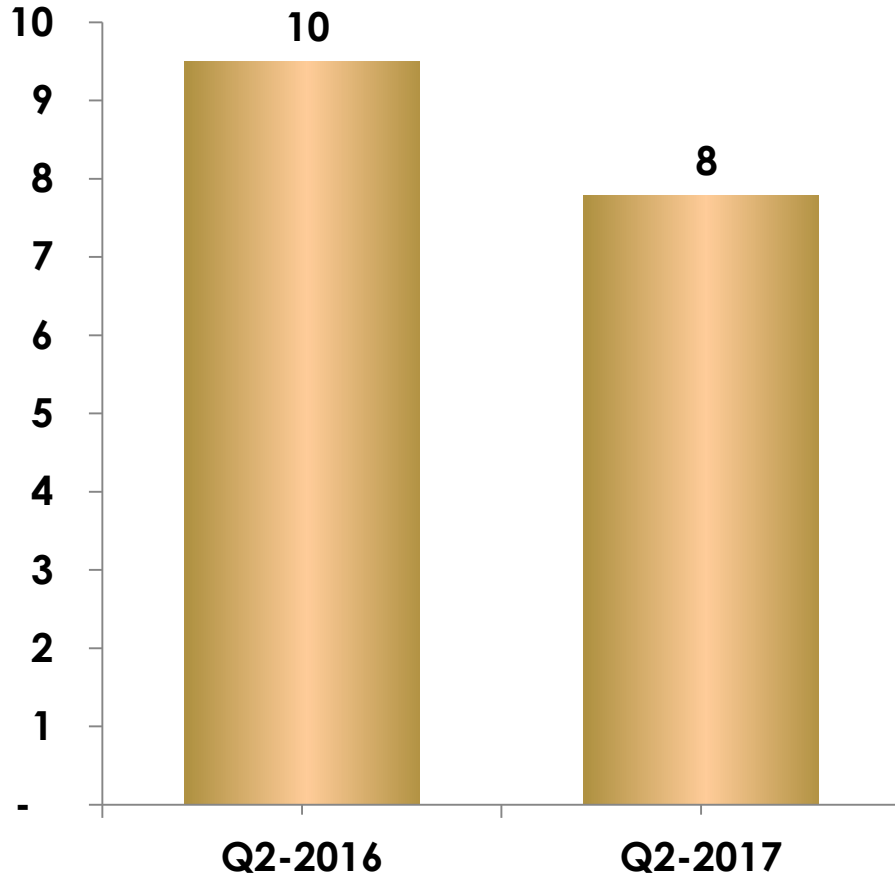


Finance Charges Decline by 19% in H1 2017 vs. LY

Finance Charges

Million SAR

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Healthy gross margin % despite challenging market

Group Consolidated Income Statements

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Million SAR

	Q2					YTD				
	2016A		2017A		Delta	2016A		2017A		Delta
Revenue	106.8	100.0%	82.2	100.0%	-23%	285.2	100.0%	204.1	100.0%	-28%
Cost of revenue	(37.8)	-35.4%	(30.6)	-37.2%	-19%	(98.8)	-34.6%	(78.3)	-38.4%	-21%
*Inventory IFRS Adj.	(28.5)	-26.7%	-	-	>100%	(28.9)	-10.1%	-	-	>100%
Gross Profit	40.5	37.9%	51.6	62.8%	28%	157.5	55.2%	125.8	61.6%	-20%
Selling and marketing	(24.9)	-23.3%	(27.2)	-33.1%	9%	(75.2)	-26.4%	(57.7)	-28.2%	-23%
General and admin	(10.4)	-9.8%	(8.7)	-10.5%	-17%	(24.6)	-8.6%	(17.6)	-8.6%	-29%
Operating Income	5.1	4.8%	15.7	19.1%	208%	57.7	20.2%	50.5	24.8%	-12%
Other income – net	(1.1)	-1.0%	(0.3)	-0.4%	-71%	12.5	4.4%	0.1	0.0%	-99%
Finance Charges – net	(9.5)	-8.9%	(7.8)	-9.5%	-18%	(19.8)	-6.9%	(16.0)	-7.8%	-19%
Net Profit before Zakat	(5.5)	-5.1%	7.6	9.3%	-239%	50.4	17.7%	34.6	17.0%	-31%
Zakat	(1.3)	-1.2%	(1.2)	-1.5%	-9%	(5.6)	-1.9%	(5.7)	-2.8%	2%
Income Tax	(0.2)	-0.2%	-	0.0%	-108%	(1.1)	-0.4%	(0.5)	-0.3%	-52%
Net Income	(7.0)	-6.6%	6.4	7.8%	-191%	43.7	15.3%	28.4	13.9%	-35%
Earning per Share	(0.16)		0.15		-191%	1.02		0.66		-35%

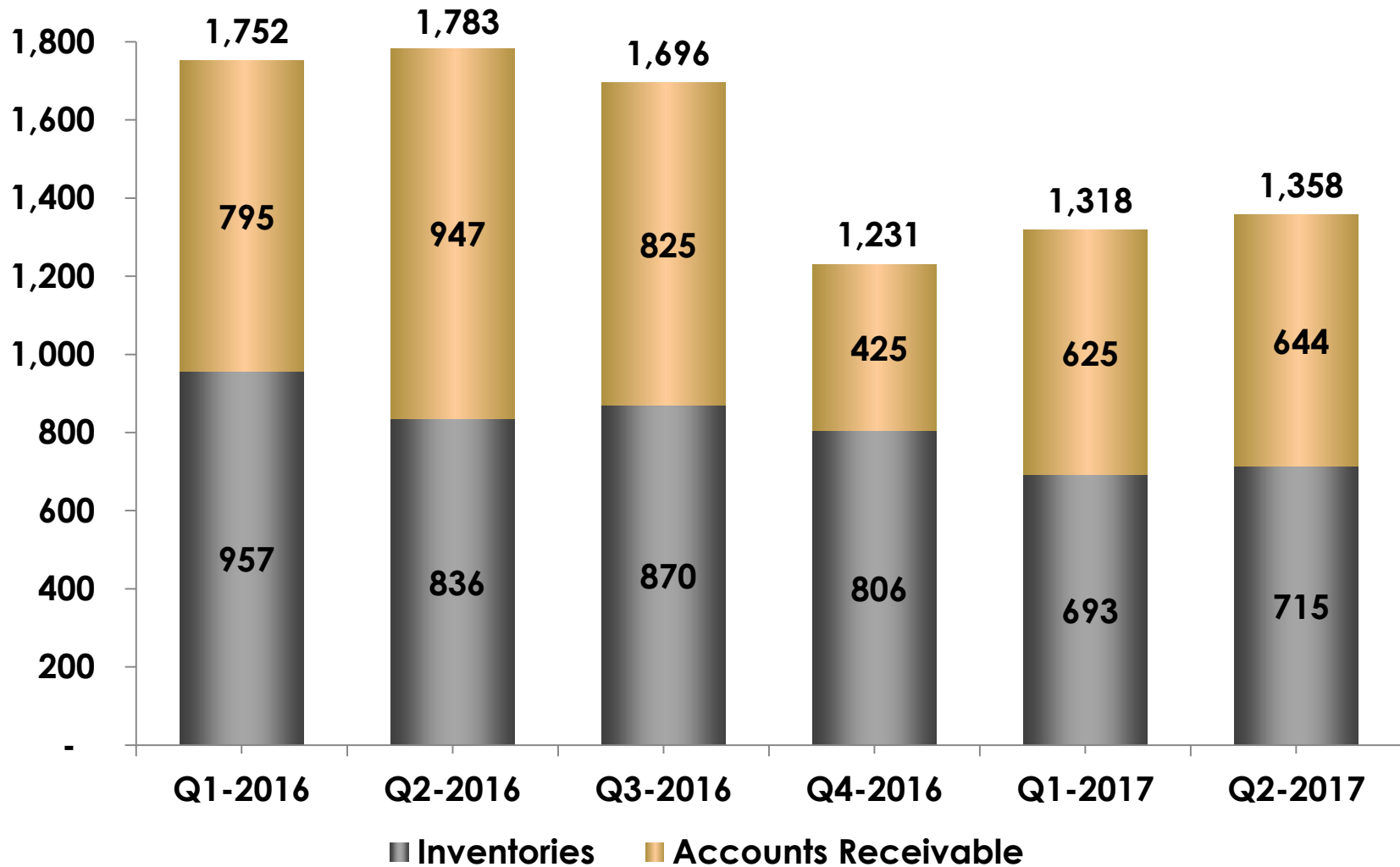
(*) Inventory valuation one-off IFRS adjustment

Q2 2017AR and Inventory less than Q2 2016 by 32% and 14%

Working Capital

Million SAR

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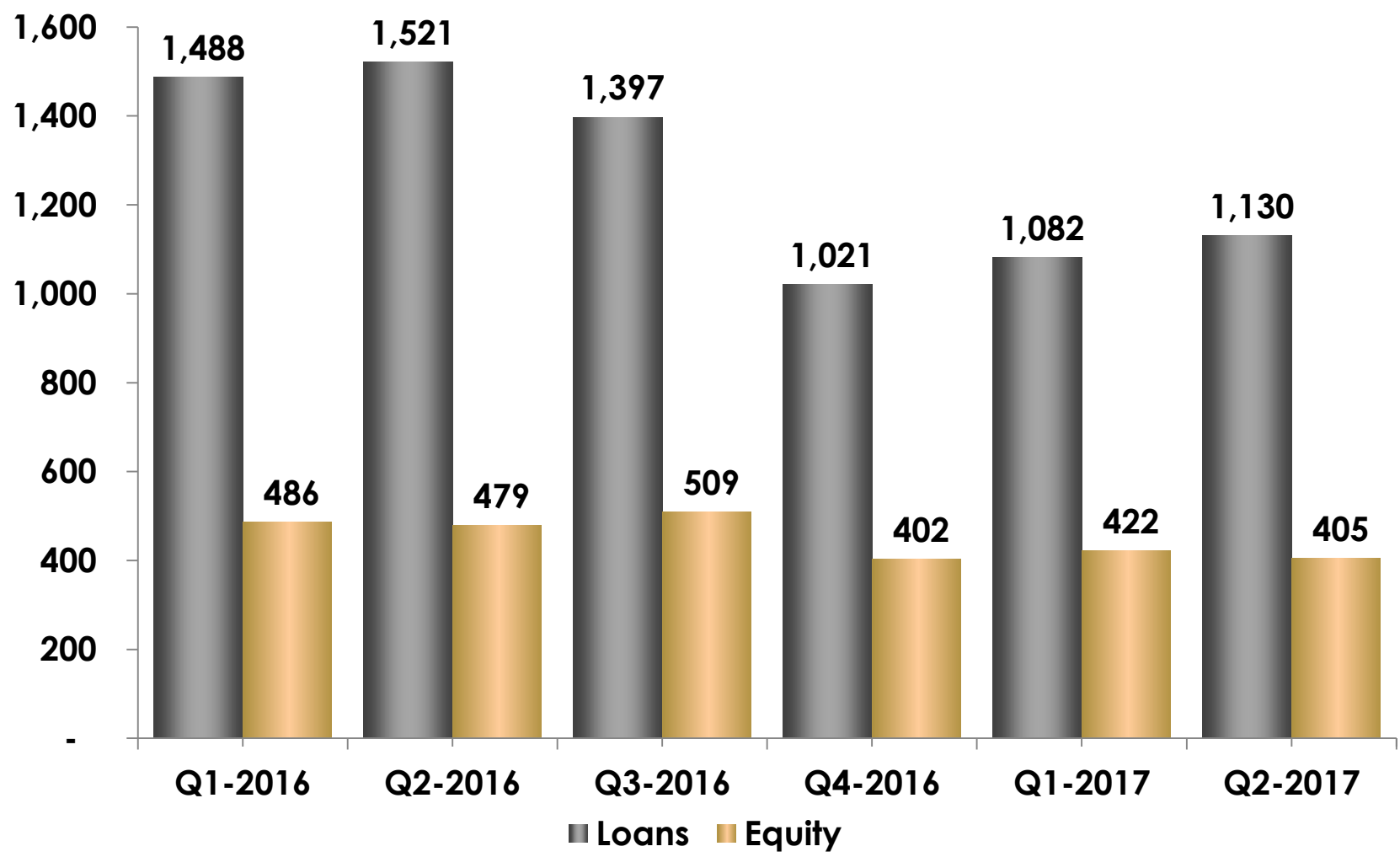


Q2 2017 borrowing is less than Q2 2016 by 26%

Group's Capital Structure

Million SAR

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Group Wholesale Initiatives

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Balqees Celebrity Collaboration

- New Collections Campaign



First Ever Electro Forming Technology

- Large volume Low weight jewelry



Expand 18K Market Share

- Raise number of models for most profitable line



Raise Prices In Egypt

- Focus on profitability
- Offer volume rebates to key accounts to drive volume

Develop Export Outside The Region

- International Exhibitions
- New customers

Reduce Receivables To Enhance WC

- Focus on collection of receivables
- New volume incentive in place

Group Retail Initiatives

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L'azurde Retail Shops Expansion

- Focus top locations, top Malls



Amazing Jewelry Franchise

- Build brand awareness
- Leverage Global best practice



Kenaz Jewelry Expansion

- Expand kiosks in top malls



L'azurde Men Line Extension

- Marketing support for new launch
- Expand distribution



Duty Free Vendor KSA Airports

- New expansion in the KSA Duty Free Airports

E-Commerce and New CRM Program

- Building loyalty and driving repeat purchase
- E-commerce to complement the Omni-channel strategy

A Challenging H1, 2017

Many promising mid-term initiatives leveraging the brand and company capabilities

Growing company market share with fragmented competition

Acquisition opportunities

Stabilizing and Recovering Markets in KSA/Egypt

Thank You

For investors relations matters please contact: investors@lazurde.com