

L'AZURDE



Presentation Results Q3 2017

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Agenda

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Executive Summary

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Q3 Revenues at +3.1% vs. LY. This was the first quarter since Q2 2016 where we had growth in revenues. KSA wholesale revenues were up 17.4% and retail revenues were up +37% thanks to the growth at L'azurde Mono Brand Shops and the expansion with Kenaz and the Airport Duty Free business. Egypt wholesale revenues were at -20% vs. LY due to the EGP devaluation. 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 grows rapidly at +27% YTD September 2017 vs. YTD September 2016 and is promising. it represents 28% of our revenues in YTD September 2017 vs. 17% in YTD September 2016. L'azurde mono brand shops outperform the market and we continue investing in selective key locations at top Malls in KSA and key locations in Egypt. For the first time ever we took over the duty free business at key airports in KSA. We expanded the new L'azurde Men collection and expanded with more kiosks in top Malls for our diamonds jewelry value brand 'Kenaz'.

We continue to reduce our operating costs (YTD September 2017 at -18% vs YTD September 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 YTD September, 2017 by 20% 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 16%.

Executive Summary

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Net income for YTD September 2017 at SAR 28.9 Million came at 60% below YTD September 2016.

Net income for Q3 2017 amounted to SAR 0.5 million, an increase of SAR 0.7 million compared to the same quarter of last year before IFRS inventory adjustments. After the one-off IFRS adjustment, Net Income was lower by SAR 28.2 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. We announced on September 25, 2017 the signing of a MOU for a potential acquisition
- Solid management team drove the business since 2010 to IPO is now growing the Company back to its historical profitability
- Attractive young KSA/Regional demographics and confidence in KSA economy rebound with Government plans

L'azurde Business Model Evolution

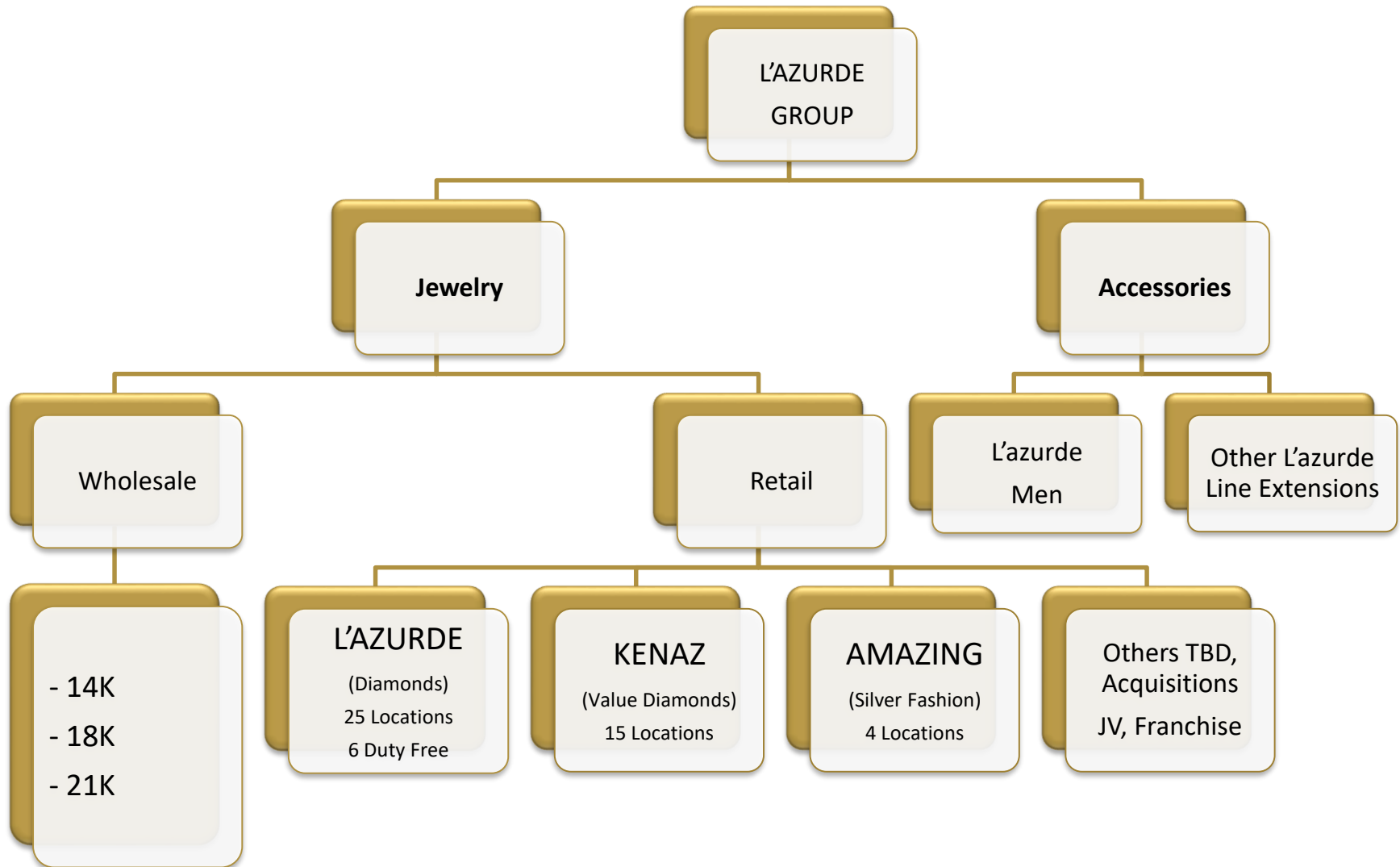
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L'azurde Business Model Evolution

L'azurde Group: House of Brands

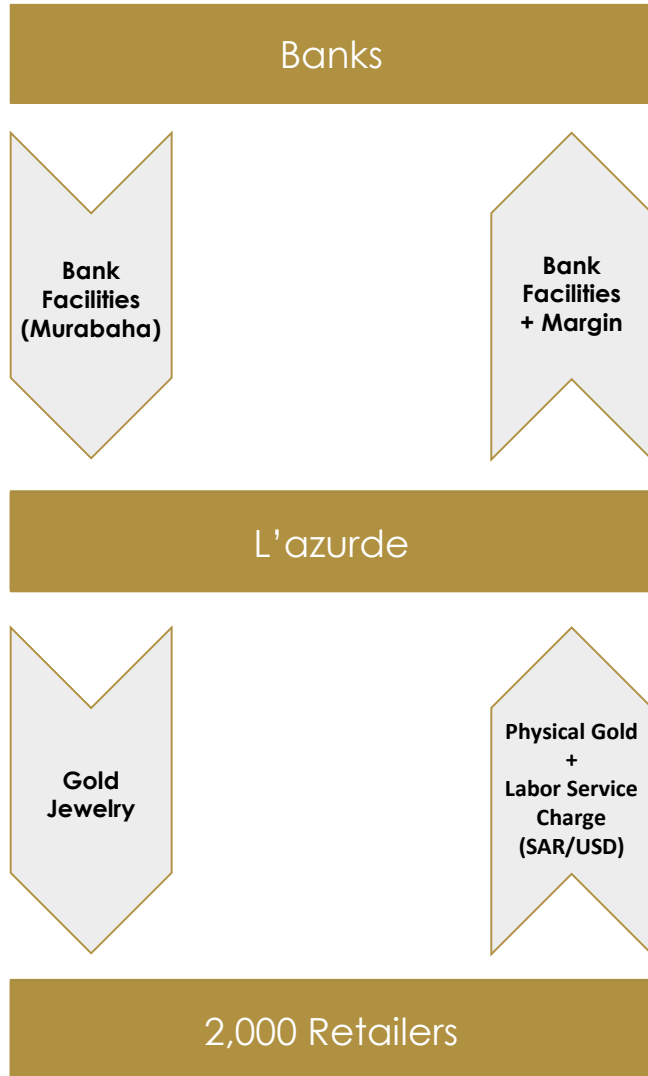
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Wholesale Business Model

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

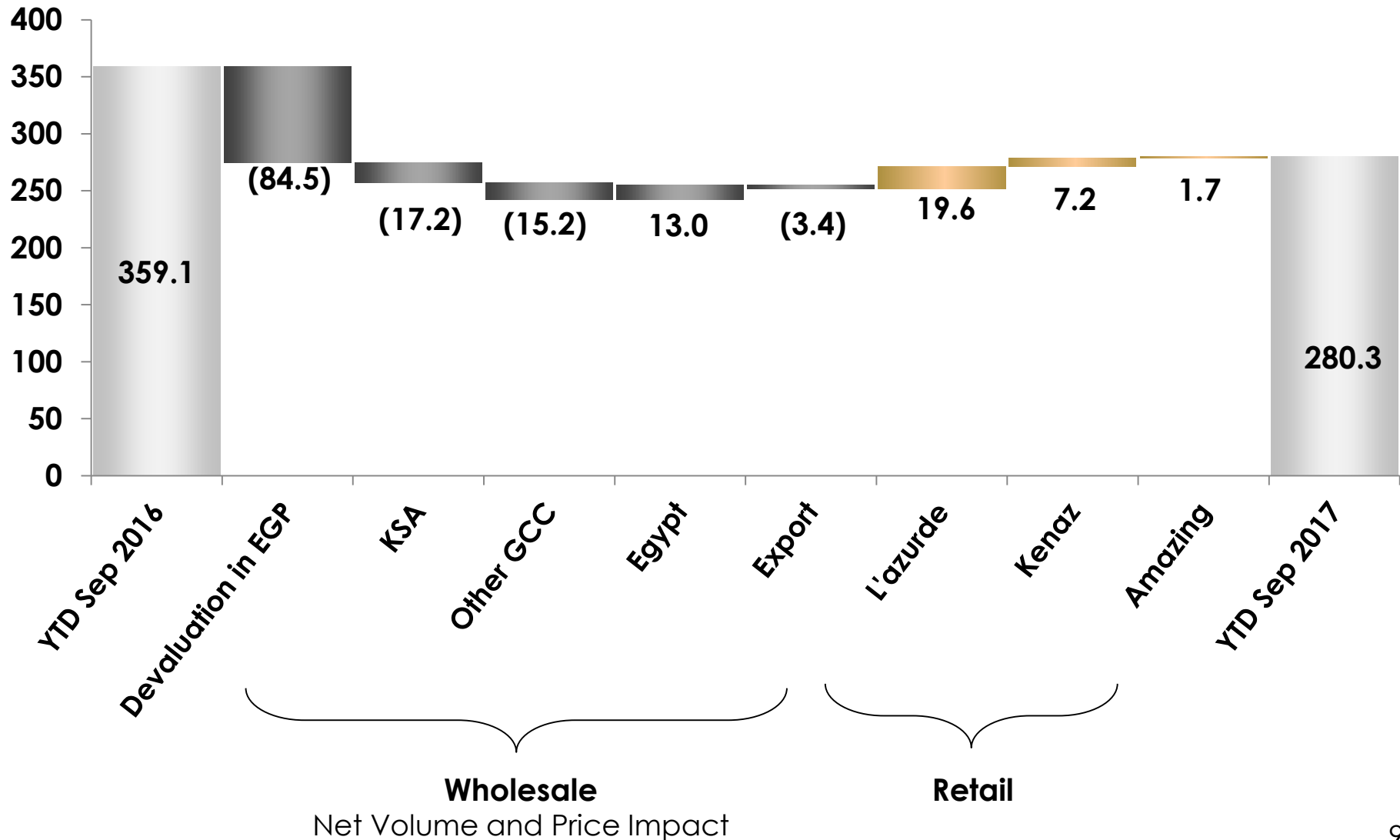
L'azurde takes no position on Gold

Most of the Revenues Decline Due to EGP Devaluation

Revenue Variance – YTD September 2017

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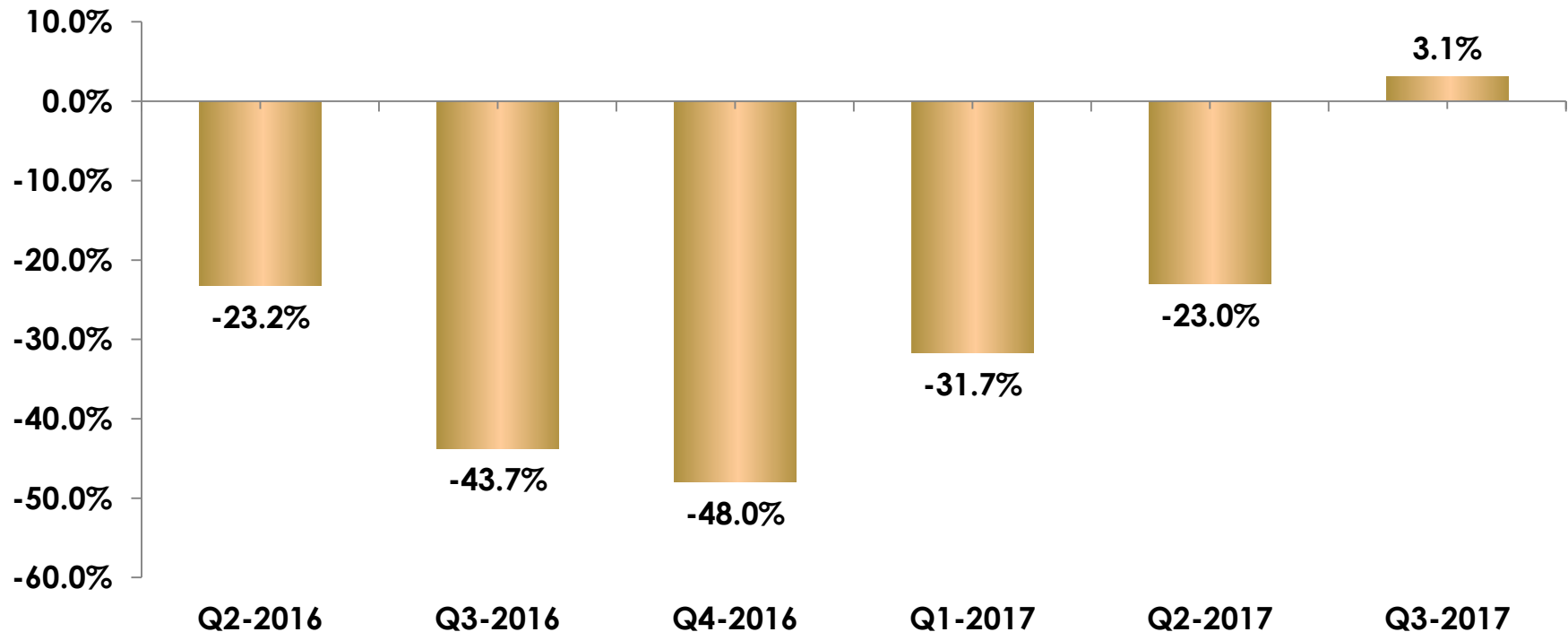
Million SAR



First Quarter Growth in Revenues Since Q2 2016

Group's Quarterly Revenues Changes vs. Same Quarter LY

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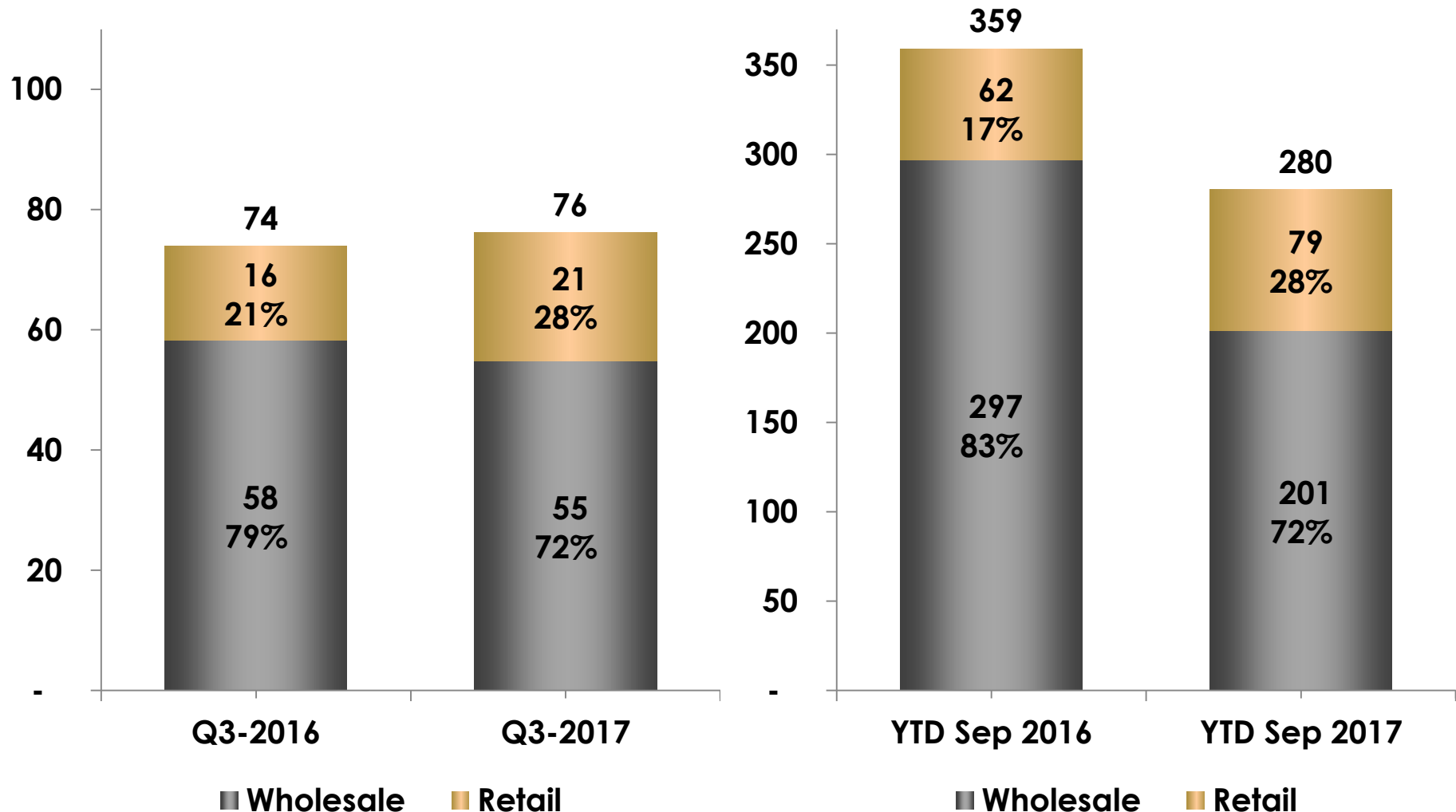


Retail Revenues at +27% in YTD September 2017 vs. LY

Operating Revenues by Distribution Channel

Million SAR

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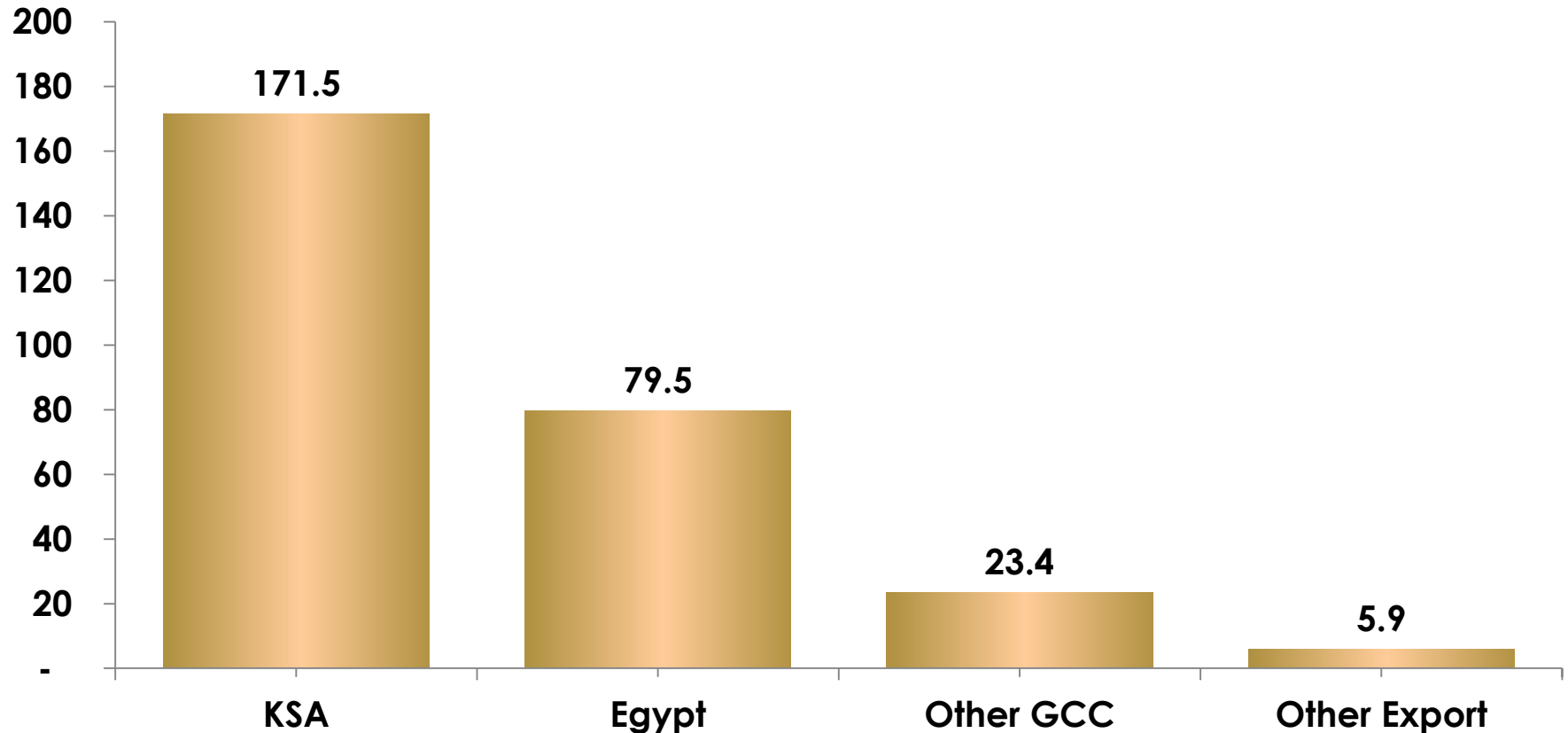


KSA Outperforms Other Markets thanks to Retail

Operating Revenues by Country – YTD Sep 2017

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Million SAR



% of Total

62%

28%

8%

2%

Vs. 2016

3% ▼

43% ▼

34% ▼

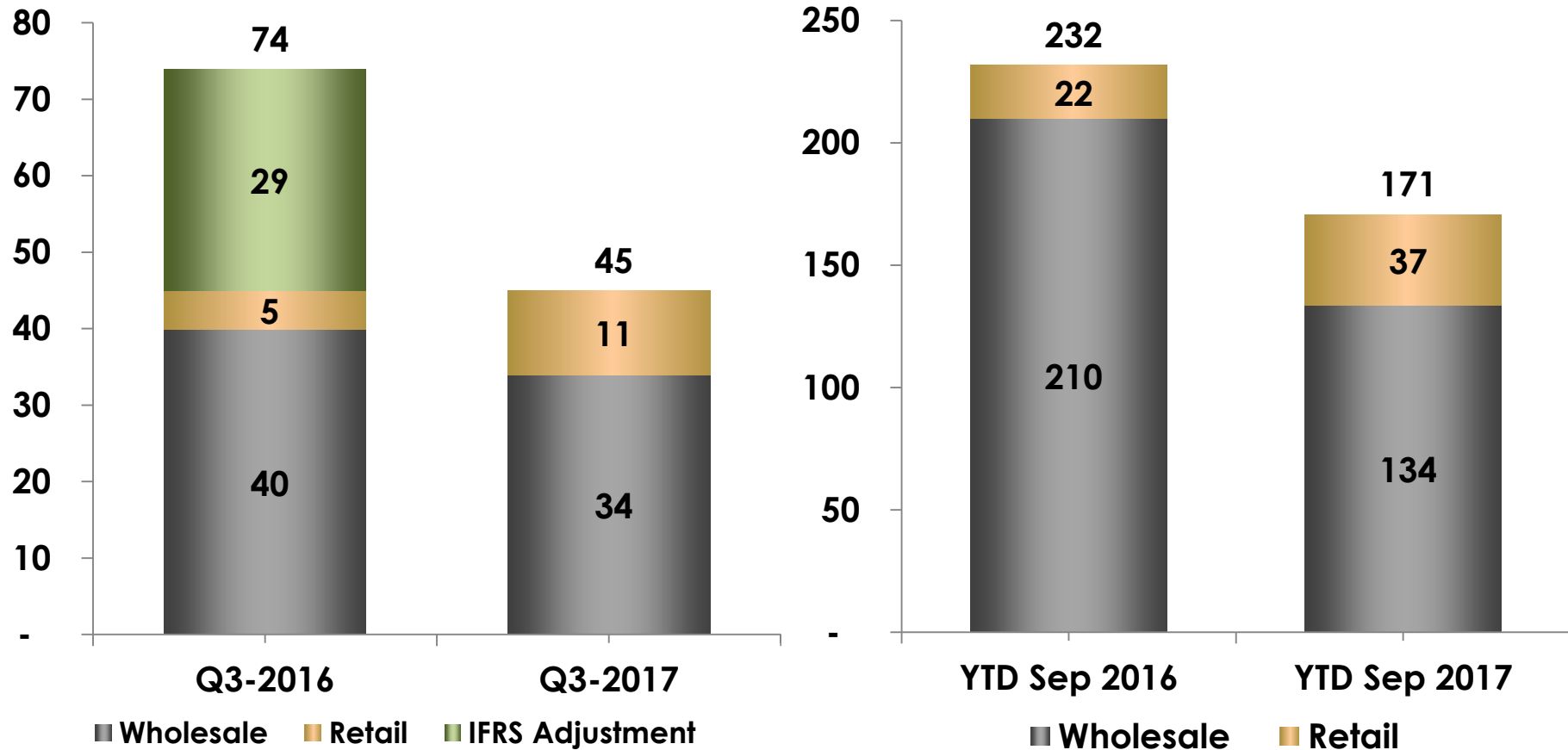
37% ▼

Retail Gross Margin +70% in YTD September 2017 vs. LY

Gross Margin by Distribution Channel

Million SAR

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Gross Margin % (before IFRS Adjustment)

Wholesale	68%	62%
Retail	33%	51%
Total	61%	59%

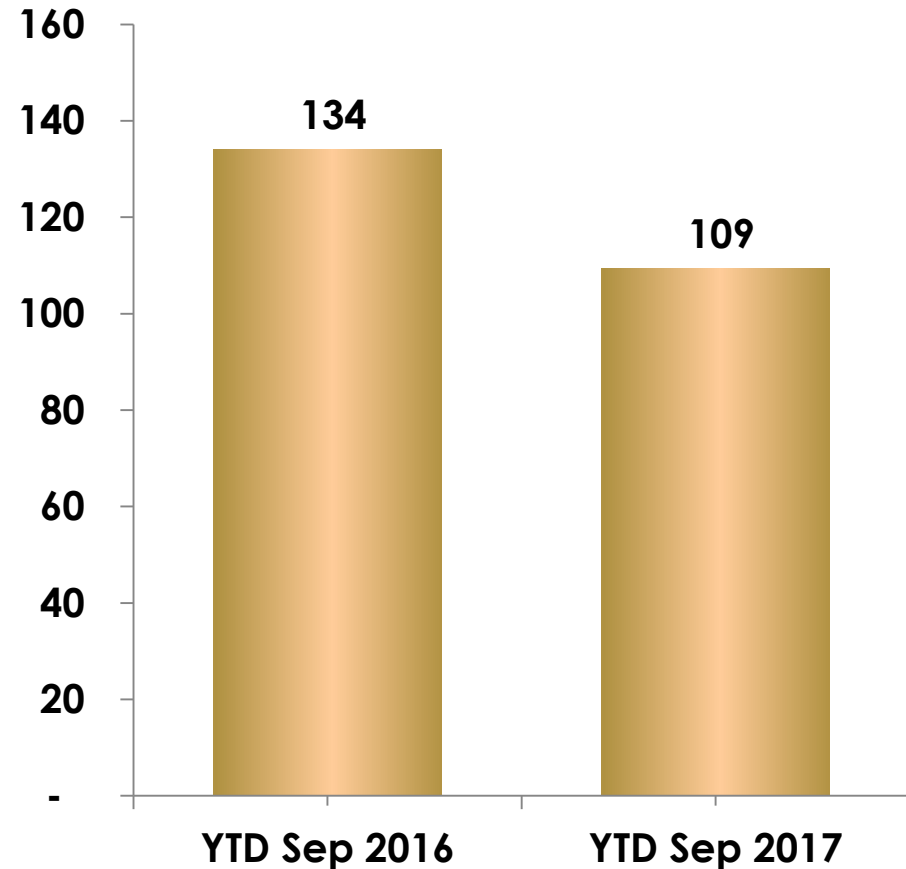
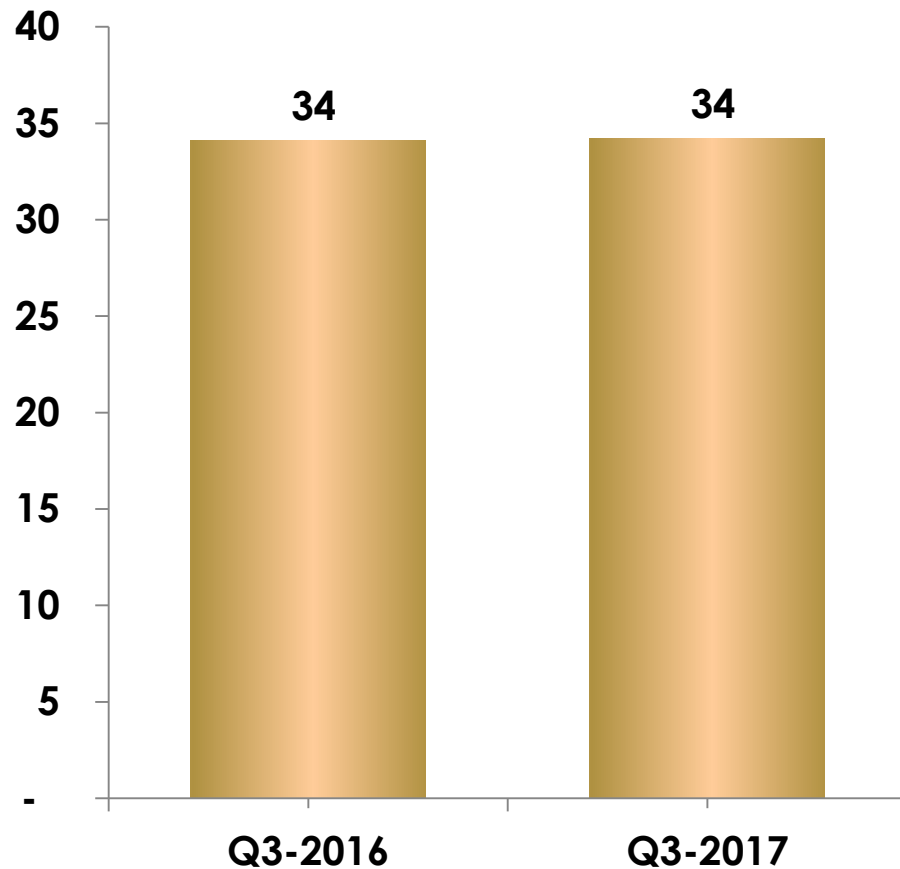
Wholesale	71%	66%
Retail	35%	47%
Total	65%	61%

Operating Expenses Decline by 18% in YTD September 2017 vs. LY

Operating Expenses

Million SAR

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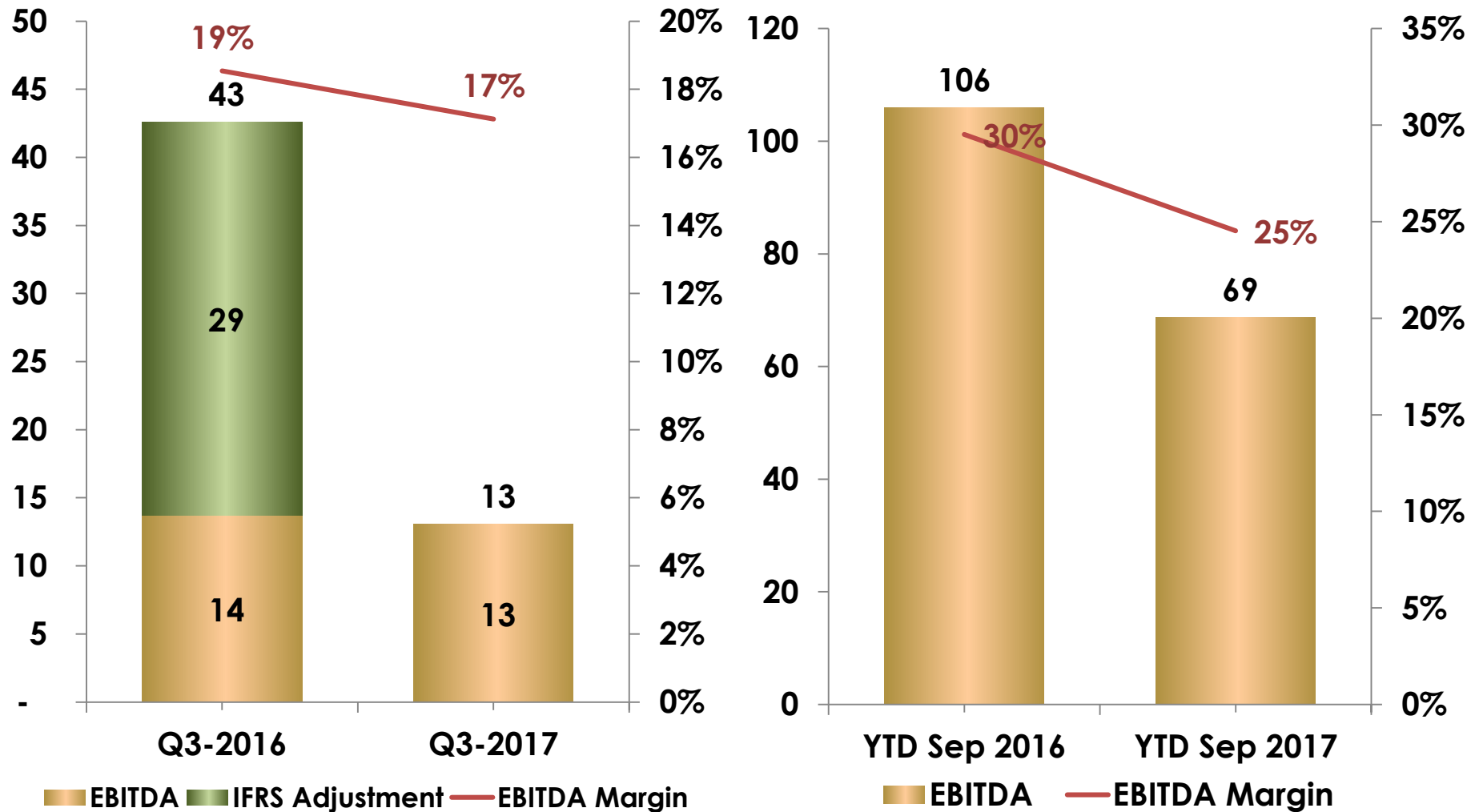


EBITDA Declines by 35% in YTD September 2017 vs. LY

EBITDA

Million SAR

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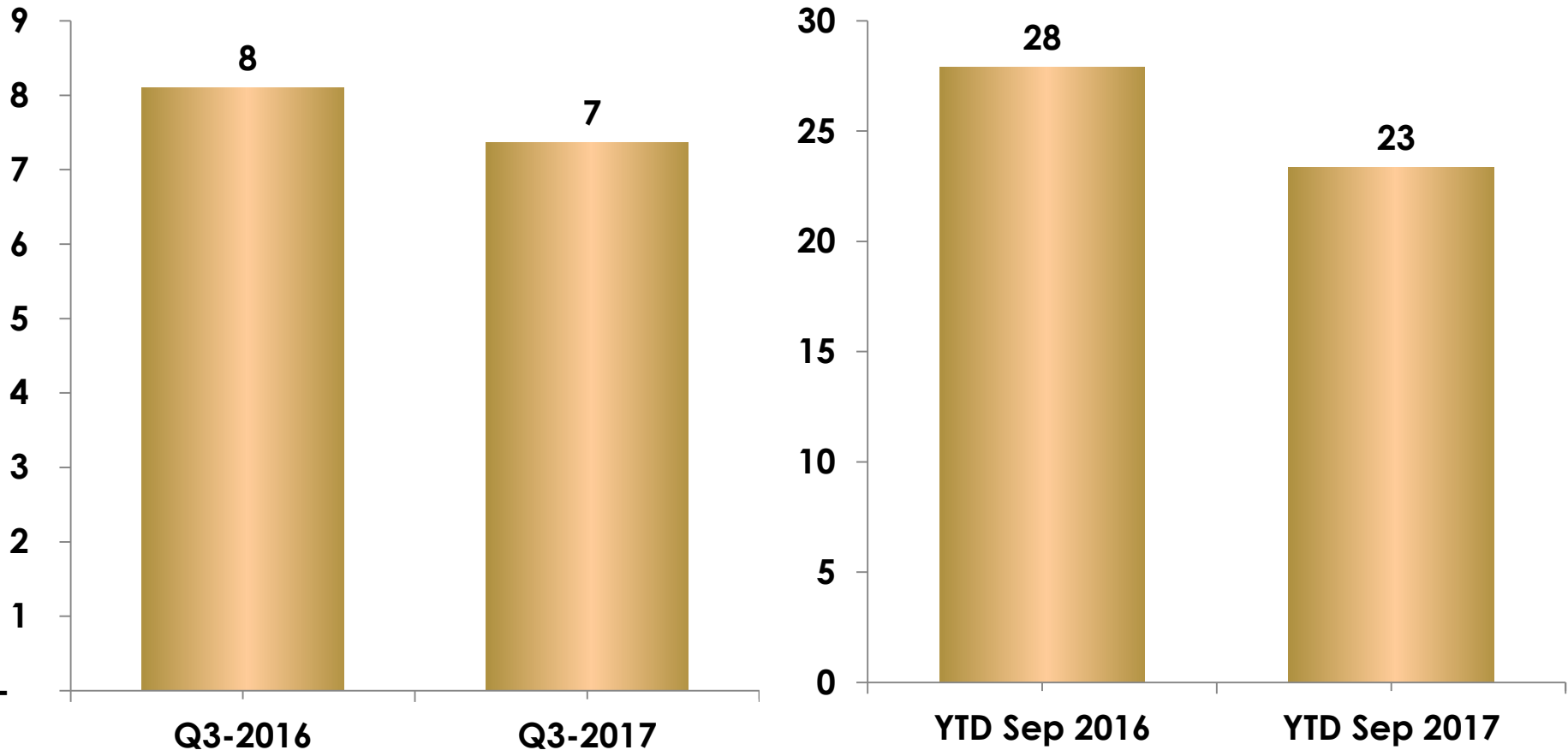


Finance Charges Decline by 16% in YTD September 2017 vs. LY

Finance Charges

Million SAR

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Healthy gross margin % despite challenging market

Group Consolidated Income Statements

Million SAR

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	Q3					YTD				
	2016A		2017A		Delta	2016A		2017A		Delta
Revenue	73.9	100.0%	76.2	100.0%	3%	359.1	100.0%	280.3	100.0%	-22.0%
Cost of revenue	(28.9)	-39.2%	(31.2)	-41.0%	8%	(127.4)	-35.5%	(109.6)	-39.1%	-14.0%
Inventory IFRS Adj.*	28.9	39.2%	-			-	0.0%			
Gross Profit	73.9	100.0%	44.9	59.0%	-39%	231.7	64.5%	170.7	60.9%	-26.3%
Selling and marketing	(26.5)	-35.9%	(24.8)	-32.5%	-7%	(101.7)	-28.3%	(82.4)	-29.4%	-19%
General and admin	(7.6)	-10.3%	(9.4)	-12.4%	24%	(32.2)	-9.0%	(27.0)	-9.6%	-16%
Operating Income	39.8	53.8%	10.7	14.1%	-73%	97.8	27.2%	61.3	21.9%	-37.3%
Other income – net	(2.6)	-3.5%	(0.3)	-0.4%	-87%	9.9	2.8%	(0.2)	-0.1%	-102%
Finance Charges – net	(8.1)	-11.0%	(7.4)	-9.7%	-9%	(27.9)	-7.8%	(23.4)	-8.3%	-16%
Net Profit before Zakat	29.1	39.4%	3.1	4.0%	-90%	79.8	22.2%	37.7	13.4%	-53%
Zakat	(2.3)	-3.1%	(2.5)	-3.3%	9%	(7.9)	-2.2%	(8.1)	-2.9%	4%
Income Tax	1.9	2.6%	(0.1)	-0.1%	-103%	0.8	0.2%	(0.6)	-0.2%	-175%
Net Income	28.7	38.9%	0.5	0.7%	-98%	72.7	20.2%	28.9	10.3%	-60.2%
Earning per Share	0.67		0.01		-98%	1.69		0.67		-60%

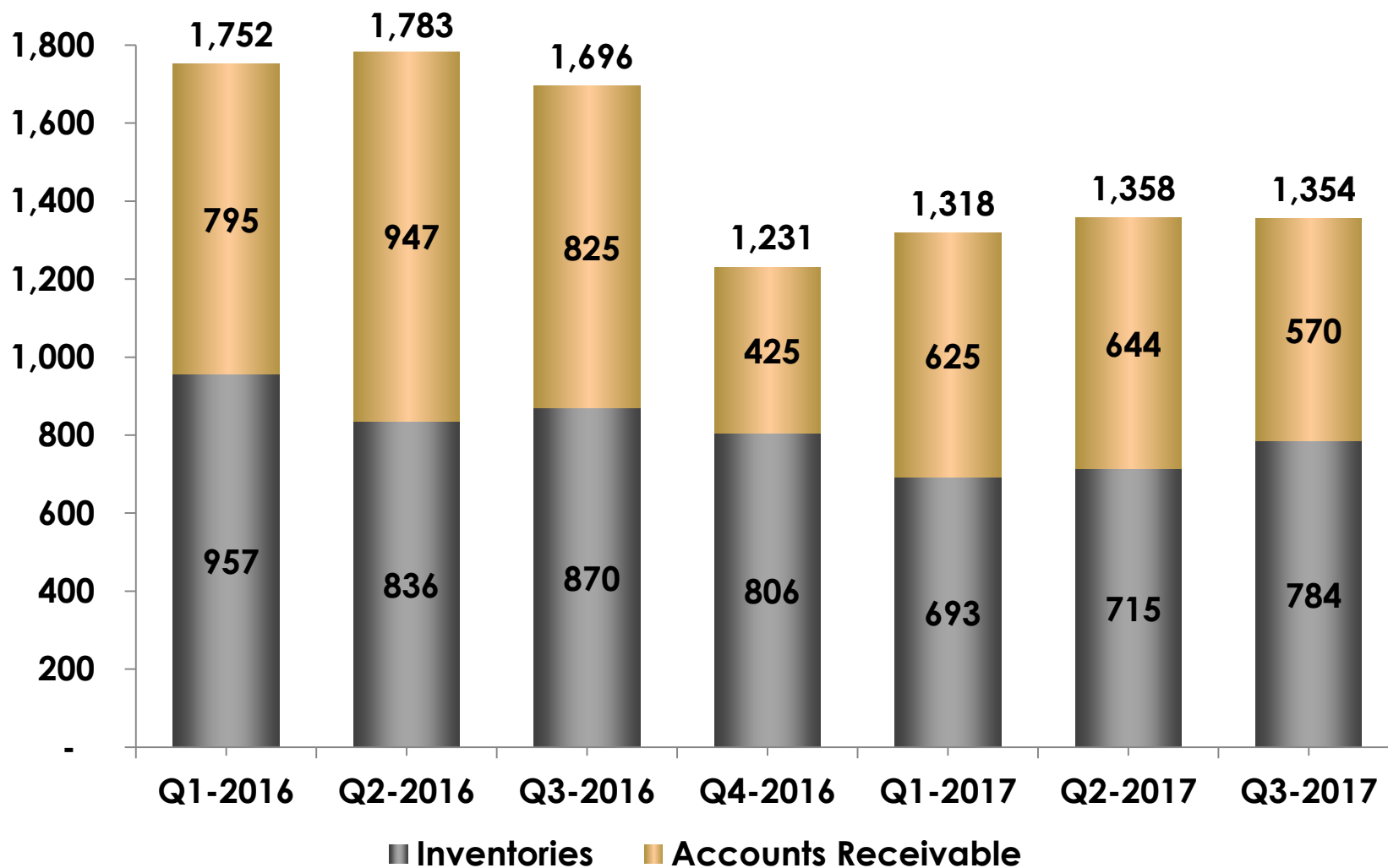
(*) Inventory valuation one-off IFRS adjustment

Q3 2017 AR and Inventory less than Q3 2016 by 31% and 10%

Working Capital

Million SAR

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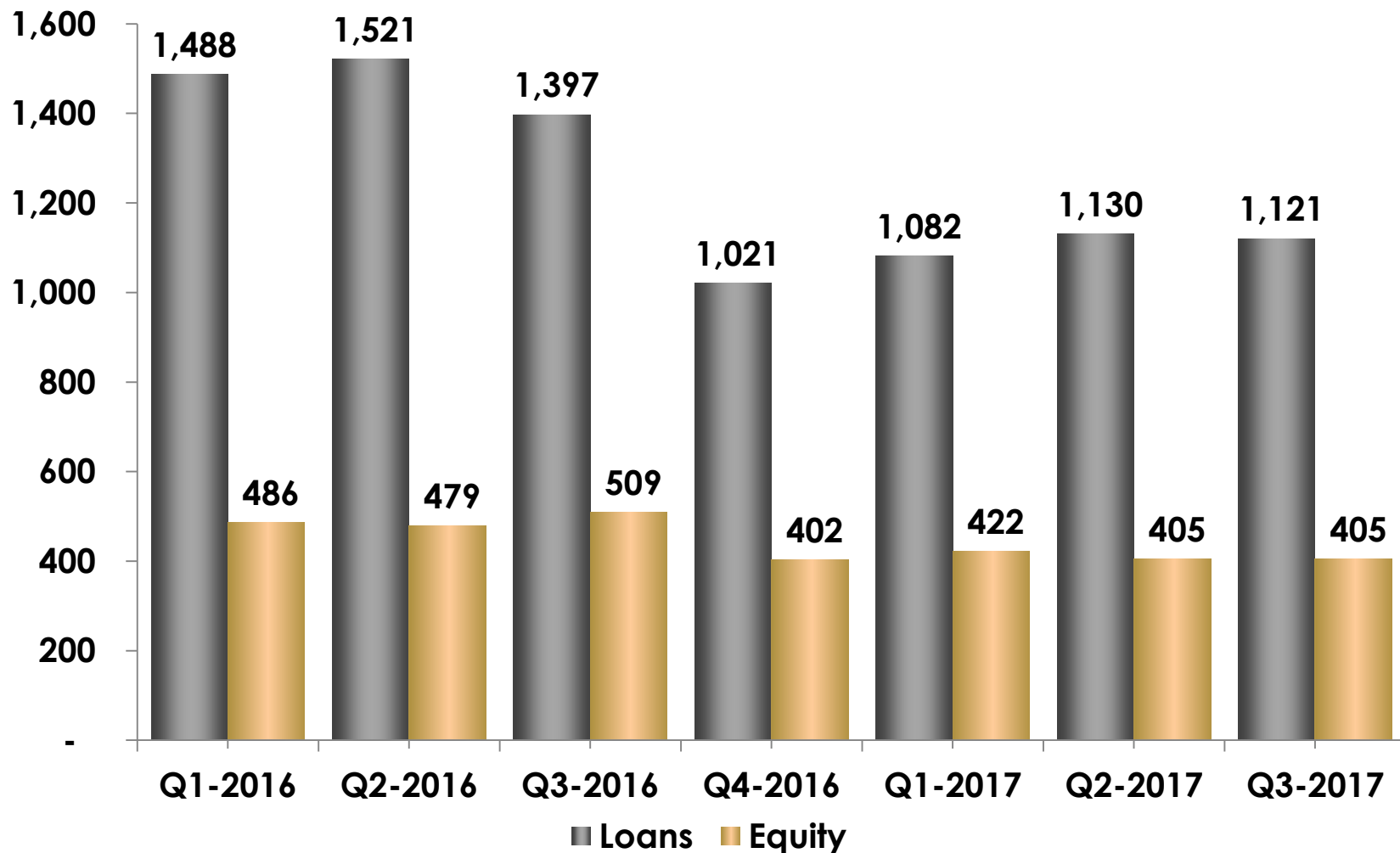


Q3 2017 borrowing is less than Q3 2016 by 19%

Group's Capital Structure

Million SAR

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Group Wholesale Initiatives

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Celebrities Collaboration

- New Collections Campaign
- Partnership with celebrities and opinion leaders

First Ever Electro Forming Technology

- Large volume Low weight jewelry
- Premium pricing
- Distinctive high value designs

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 Exports Outside The Region

- First time ever L'azurde stands at Vicenza Oror and Istanbul Fair 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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Selective L'azurde Retail Shops Expansion

- Focus top locations, top Malls



Amazing Jewelry Franchise

- Build brand awareness
- Leverage Global best practice
- Shops at 50/60m2 to enhance profitability

Kenaz Jewelry Expansion

- Expand kiosks in top malls



L'azurde Men Line Extension

- Expand products assortment and distribution



Duty Free Vendor KSA Airports

- Fully leverage the new expansion at 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 YTD September, 2017

A lot of good initiatives

Signing of MOU for potential acquisition

An upbeat management team with a solid track record

Stabilizing and Recovering Markets

Thank You

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