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THE REGION – MENASA / GCC / UAE

AN ECONOMIC POWERHOUSE
MENASA region is emerging as a powerful economic bloc with tremendous growth potential, combining the sovereign wealth funds (SWFs) of the Mena region to the economic growth story of, say, India, hence, the economic paradigm shift towards this region from other emerging markets.
The UAE, the second biggest Arab economy, is set to record 4% growth in GDP in 2013, led by a focus on adopting industrial policies that will drive sustainable development across the UAE.

**GCC Region:**

**Liquidity on the back of High Oil Prices – Key Emerging Market**

**GCC – GDP Projections 2010 - 2013**

<table>
<thead>
<tr>
<th>Country</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
<td>4.1%</td>
<td>1.5%</td>
<td>3.6%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Kuwait</td>
<td>3.4%</td>
<td>5.7%</td>
<td>4.5%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Oman</td>
<td>4.1%</td>
<td>4.4%</td>
<td>3.6%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Qatar</td>
<td>16.6%</td>
<td>18.7%</td>
<td>6.0%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>4.1%</td>
<td>6.8%</td>
<td>3.6%</td>
<td>4.4%</td>
</tr>
<tr>
<td><strong>UAE</strong></td>
<td><strong>3.2%</strong></td>
<td><strong>3.3%</strong></td>
<td><strong>3.8%</strong></td>
<td><strong>4.5%</strong></td>
</tr>
</tbody>
</table>

**GCC – Country Ratings 2011-12**

<table>
<thead>
<tr>
<th>Country</th>
<th>S&amp;P</th>
<th>Moody’s</th>
<th>Fitch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
<td>BBB</td>
<td>Baa1</td>
<td>BBB</td>
</tr>
<tr>
<td>Kuwait</td>
<td>AA</td>
<td>Aa2</td>
<td>AA</td>
</tr>
<tr>
<td>Oman</td>
<td>A</td>
<td>A1</td>
<td>A</td>
</tr>
<tr>
<td>Qatar</td>
<td>AA</td>
<td>Aa2</td>
<td>AA-</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>AA-</td>
<td>Aa3</td>
<td>AA-</td>
</tr>
<tr>
<td><strong>UAE</strong></td>
<td><strong>AA</strong></td>
<td><strong>Aa2</strong></td>
<td><strong>AA-</strong></td>
</tr>
</tbody>
</table>

**GCC Ranking 2011-12**

- GCC region rated most promising region under WEF & World Bank rating

- GCC region accounted for US $70 Bn of FDI funds inflow

**GCC – FDI Share by Country 2011-12**

- Bahrain 2%
- Kuwait 1%
- Oman 5%
- Qatar 13%
- UAE 17%
- Saudi Arabia 62%

Source: IMF, World Bank
• Recovery in oil prices
• Strong growth in the non-hydrocarbon sector
• UAE's service driven economy benefitting from the global trade
• USD 50 billion worth of infrastructural projects still under construction in UAE
DUBAI

THE FINANCIAL HUB OF MIDDLE EAST
“Our vision is clear, our goals are obvious, our strengths are great, our will is strong and we are ready. We want Dubai to be a global center of excellence, creativity and leadership”.

- HH Sh. Mohammed Ruler of Dubai

Dubai’s core strengths remain fundamentally sound

Well diversified economy based on international trade, banking and finance, tourism, information technology and infrastructure.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Reasoning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly sophisticated financial centre</td>
<td>Dubai is ranked 7th as per ‘International Financial Centres Competitive Assessment Report’, a competitive study of 15 key global and regional financial centres done by KPMG</td>
</tr>
<tr>
<td>Favorable business environment</td>
<td>Dubai has been rated very high in ease of doing business ranking 19th globally -World Competitiveness Index</td>
</tr>
<tr>
<td>Strategic location with a strong logistics infrastructure to bolster trade</td>
<td>Trade capacity in UAE has tremendously improved over the years with free-zones like JAFZA and trade growth at 15% YTD 2013</td>
</tr>
<tr>
<td>Solid tourism sector</td>
<td>Hotel occupancy rates remained high throughout 2012 at 90%, benefitting both tourism and trade activities.</td>
</tr>
</tbody>
</table>

Source: Dubai Chamber of Commerce
Organizational restructuring of government departments & related entities

Successful debt restructuring across all sectors with zero defaults

GDP is projected to grow at 4% and above going forward, as per IMF, way above the average GDP growth of western counterparts

Key Achievements in 2013:

- Dubai GDP growth for 2013 is expected at 4.5%.
- 15% growth in direct foreign trade
- 10% growth in tourism as of Q3, 2013 with 2012 recording 13% annual growth
- Dubai is ranked 19th in world competitiveness index up five positions from last year
- UAE ranks 14th in AT Kearney FDI Confidence Index serving as main hub for regional investment
- Real estate market is back on track with 28% growth in 2013 –making Dubai – the best growth performance internationally.

While challenges remain, the Dubai economy is on a much sounder footing especially as much of the excesses and speculative elements of the economy have been weeded out. What Dubai is now left with is an unparalleled logistics, commercial, retail, communications and transportation infrastructure in the region - and ready for business in a region that is sitting in a fresh pile of cash thanks to high oil prices.
DUBAI: GROWTH PROSPECTS

Globally faster growing sectors:
- Oil and gas
- Manufacturing
- Communication
- Transportation and storage
- Construction
- Government services
- Professional services
- Trade
- Tourism
- Financial services

Globally slower growing sectors:
- Agriculture
- Electricity/Water

Dubai's strength by international standards:
- Sectors qualified to be part of future growth path

Source: DSP 2015

Globally fast growing industries with a strong position in Dubai

Future global growth 2010–2015

Average global GDP growth

Very weak
Average
Strong
Only UAE offer a wide array of trade exchanges/products in the entire MENA region.
END-OF-PERIOD MARKET CAPITALIZATION (2003 –2013)

All figures in AED Mn

41% growth in market capitalization in 2013

Source: DFM/ND Analytics
DFM exchange has seen a surge in trading volumes driven by improved domestic economic environment and enhanced banking system liquidity. The YTD trading volumes are up 228% YoY on the DFM exchange.
MARKET VELOCITY
DFM PERFORMANCE

VELOCITY
(2003 – 2013)

Source: DFM Analytics
UAE MARKETS: REGULATIONS & OWNERSHIP

Regulatory Authorities

SCA (UAE Regulations)

Competent Authorities

DFSA (International Regulations)

Stock Exchanges

ADX

DFM

NASDAQ Dubai

Ownership Structure

Government of ABU DHABI

100%

Public Stake

Nasdaq OMX

Public Stake

Public Stake

NASDAQ Dubai

Government of ABU DHABI

www.dfm.ae
107.7% Index growth in 2013 as compared to 2012

3369.8 (107.7%+)
2013 has been a stabilizing year with institutional investor trading hovering around to 24%, however with the MSCI upgrade to emerging market status, a surge in institutional activity is expected in last quarter of the year.
DFM: TRADING ACTIVITY
LOCAL VS. FOREIGN INVESTMENT

UAE VS. Non UAE Trading Activity

Non UAE Trading Activity

Source: Reuters / DFM / ND Analytics
DFM: TRADE MATRICES
SECTOR MIX

- Real-Estate, 44.34%
- Banking, 19.77%
- F-Services, 17.10%
- Insurance, 2.98%
- Telecom, 2.64%
- Transportation, 7.73%
- Others *, 5.43%

Source: Reuters / DFM / ND Analytics
DFM: OWNERSHIP
SHARE OWNERSHIP RATIOS

BY TYPE OF INVESTOR

INSTITUTIONAL: 70.4%
RETAIL: 29.6%

Distribution of Share Ownership 2013

BY NATIONALITY

ARAB: 3.3%
GCC: 5.2%
OTHERS: 7.7%
UAE: 83.7%

FOREIGN OWNERSHIP AS % OF MARKET CAPITALIZATION

2006: 10%
2007: 13%
2008: 8%
2009: 12%
2010: 12%
2011: 11%
2012: 12%
2013: 16%

Source: Reuters / DFM / ND Analytics

www.dfm.ae
DFM: MARKET ACTIVITY

DFM SHARE PRICE

Source: Reuters / DFM / ND Analytics
DFM: REVENUE MIX

Revenue Breakdown
2008-2013

Source: Reuters / DFM / ND Analytics
• Easy accessibility
• No income and capital gains tax
• Non-restricted repatriation of capital
• Minimal foreign exchange risk
• Foreign ownership allowed for most listed companies
• Diverse base of listed companies
• Local and international regulatory framework
• Innovative trading capabilities
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STRATEGIC INITIATIVES
ADDRESSING FUTURE GROWTH

- Upgrade to MSCI Emerging Market Status
- G30 Compliance and addressing the gaps
- Organizational restructuring and monetization of financial services
- Initiating investor-centric services to increase liquidity and trading activities post merger
- Smartphone based services
- IPO focus and listings
# STRATEGIC INITIATIVES

## MSCI UPGRADE

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>Emerging</th>
<th>DFM / ND</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. ECONOMIC DEVELOPMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.1 Sustainability of economic development</td>
<td>No requirement</td>
<td>Strong economic fundamentals with expected GDP growth of 4.5% for 2013-14</td>
</tr>
<tr>
<td><strong>B. SIZE AND LIQUIDITY REQUIREMENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1 Number of companies meeting the following standard index criteria</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>i) Company size (Full market cap)</td>
<td>USD 873 Mn</td>
<td>USD 70 Bn</td>
</tr>
<tr>
<td>ii) Security size (Float market cap)</td>
<td>USD 436 Mn</td>
<td>USD 18 Bn</td>
</tr>
<tr>
<td>iii) Security liquidity</td>
<td>15% ATVR</td>
<td>55%</td>
</tr>
<tr>
<td><strong>C. MARKET ACCESSIBILITY CRITERIA</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.1 Openness to foreign ownership</td>
<td>Significant</td>
<td>49% (Current Foreign Ownership – 16%)</td>
</tr>
<tr>
<td>C.2 Ease of capital inflows/outflows</td>
<td>Significant</td>
<td>Significant</td>
</tr>
<tr>
<td>C.3 Efficiency of operational framework</td>
<td>Good &amp; tested</td>
<td>Good &amp; tested *</td>
</tr>
<tr>
<td>C.4 Stability of the institutional framework</td>
<td>Modest</td>
<td>Good *</td>
</tr>
</tbody>
</table>

*Successful DVP implementation and introduction of SBL as part of G30 compliance*
### Delivery Vs. Payment: Implementation

**UNCHANGED**

1. T+2 settlement cycle;
2. Pre-validation of sell orders will be maintained. This means a seller’s agent trading account with local custodian must have securities balances for pre-validation before a sell order can become a valid order.

**CHANGED**

1. Permitting Local Custodians ability to reject cash and securities settlement of sell trades back to executing Broker for settlement if Local Custodians do not receive (matched) settlement instructions from clients – Local Custodians now have full control of assets [unnecessary to operate dual accounts].

2. Enhancing current rejection process for settlement of purchase trades;

3. Introduction of a Late Confirmation Period of T+4

4. Securities fails handling mechanisms which comprises:
   - Optional buy-in [between T+2 and T+3]
   - Mandatory buy-in by DFM on T+4.
   - Cash close out against the Local Custodian client [if mandatory buy-in against selling Broker by DFM fails on T+4].

5. Penalties for Late Confirmation.

### Reasons for adopting the changes

1. Reduce risk in Local Brokers having unlimited access to the Local Custodian Client Agent Trading Account.
2. Eliminate the requirement to use a dual account structure.
3. Progression in meeting international best practices under a pre-validation of sell market infrastructure.
4. Facilitate the achievement of Emerging Market status under the MSCI market classification.
New organizational structure

DFM

DSX

ND

Financial Services

Business Development

CSD

EXCHANGES

Key Growth Initiatives

• Trading Enhancements
  • Margin Trading
  • Equity Swaps
  • Warrants
  • Enhanced Brokerage Services

• iVESTOR Cards
• Dividend Distribution
• Market Data Feed

• Web Advertizing
• Online Subscription
• IPO initiatives

• e-Reports & e-Services
• DVP
• SBL
• In-house IPO System
DFM has commissioned Independent Research Consultants for intensive IPO study.

**2009**
Research over 500 companies in the UAE

**2011**
Research over 500 companies in the region, CIS, and Africa

**2010 - 2013**
Dialog with top 100 companies in prime position of going public on DFM & NASDAQ Dubai

**Targeted IPO marketing campaign to attract issuers through out the period**

---

The following initiatives have been taken to support campaign:

- **2009**
  - Step by Step “DFM Guide to going public” launched
- **2010**
  - IPO Market Study Results from one on one with 40 potential IPO candidates
  - IPO Retreat for private, semi-government and family owned businesses.
  - MOU with JAFZA (JABAl Ali Free Zones
- **2011**
- **2012**
  - Access to Capital Seminar for JAFZA
  - Regional IPO Market Study for NASDAQ Dubai
  - MOU with Dubai SME
- **2013**
  - 2nd Access to Capital Seminar for SME
  - NASDAQ Dubai IPO Guide
  - Road show for IPO in India & Kuwait
  - 2nd IPO Retreat on November 19th.
In-depth market intelligence and value added services

Robust and reliable trading environment

In-depth IR and trading analysis

Free accessibility of international investors

Investor and consumer visibility

One of the most liquid markets in the G.C.C.
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