

الواحة كابيتال
WAHA CAPITAL



YEAR END REPORT

Management discussion and analysis
for the year ended 31 December 2018

Al Waha Capital PJSC ("the Company") and its subsidiaries (together referred to as "the Group") reported net profit attributable to Owners of the Company of AED 145.0 million in 2018 compared to net profit of AED 425.9 million in 2017.

Key Activities during the year

During the year, the Group, along with co-investors, acquired 35% stake in Dubai-based Petronash, for a total equity value of AED 1.3 billion. In addition, the group acquired additional rights in the form of options and warrants, pursuant to which the Group can increase its ownership up to 50% in Petronash. Headquartered in Dubai, Petronash is a leading provider of modular wellsite packages, chemical injection systems and wellhead control systems to the oil and gas industry, with manufacturing facilities in Dubai, Dammam and Chennai. The purchase consideration is comprised of a) an upfront consideration of AED 322.8 million and b) deferred contingent consideration of AED 134.9 million, subject to earn-out criteria. During the year, the Group recognized a share of profit of AED 21.9 million for its equity stake and mark-to-market income of AED 89.3 million on options and warrants; aggregating AED 111.2 million.

During the year, equity price collars on 9.92 million shares of Aercap Holdings N.V. ("Aercap") matured and were settled. As part of the transaction, 9.72 million shares of Aercap were disposed (6.36%) for total consideration of AED 1,918.1 million, utilised in settlement of the corresponding borrowing of AED 1,336.3 million and derivative outflow of AED 23.0 million; resulting net proceeds of AED 558.8 million.

During the year, the Group acquired a 5.8% stake in a NASDAQ-listed entity, National Energy Services Reunited Corp. ("NESR Corp") as part of exit consideration of NPS Holdings Limited (NPS). On November 12th 2017, the Group agreed to sell the entire investment in NPS in two stages; with the first stage exit (representing 4.68% stake) completed in December 2017 and the second stage exit (representing remaining 15.94% stake) completed in June 2018. The transaction was concluded in June 2018 and resulted in total gain on disposal of AED 159.6 million and total consideration of AED 443.9 million, comprising cash proceeds of AED 245.5 million, 5.8% equity stake in NESR Corp and earn-out shares receivable of AED 17.3 million. During the year, the Group recognised gain on disposal of AED 109.4 million and total consideration of AED 329.7 million, comprising cash consideration of AED 130.6 million and 5.8% equity stake in NESR Corp and earn-out shares receivable of AED 17.3 million.

During the year, the Group raised a net amount of AED 177.8 million from non-controlling interest holders in the three public market funds. Total assets under management reached AED 2.5 billion as at 31 December 2018 compared to AED 2.1 billion as at 31 December 2017, an increase of 19%. The assets under management attributable to Owners of the Company were AED 1.5 billion as at 31 December 2018 compared to AED 1.4 billion as at 31 December 2017. The fund's year to date returns on invested capital at the beginning of the year, attributable to Owners of the Company were; Waha CEEMEA Credit Fund SP (previously named Waha CEEMEA Fixed income fund) of 6.1%, MENA Equity Fund SP of 9.4% and MENA Value Fund SP of -2.0%. During the year, the Group also invested AED 110.3 million in public market funds which returned 2.4% in Waha CEEMEA Credit Fund SP (previously named Waha CEEMEA Fixed income fund) and -0.7% in MENA Equity Fund SP.

KEY PERFORMANCE MEASURES

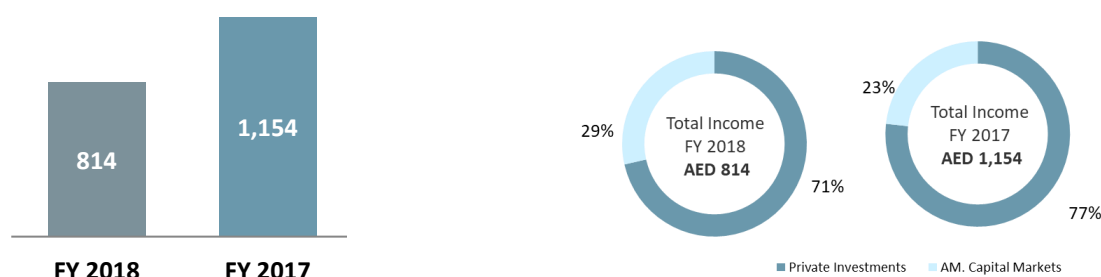
Total income

Year ended 31 December 2018

Total income of AED 814.3 million in 2018, compared to AED 1,154.2 million in 2017, was driven by the following:

- Private Investments of AED 581.7 million (71% of total income) compared to AED 885.9 million in 2017 (76% of total income), reflecting an adjustment of AED 294.7 million (2017: AED 244.7 million) following a reassessment of AerCap's recoverable amount.
- Asset Management – Capital Markets of AED 232.6 million (29% of total income) compared to AED 268.3 million in 2017 (24% of total income).

AED in millions

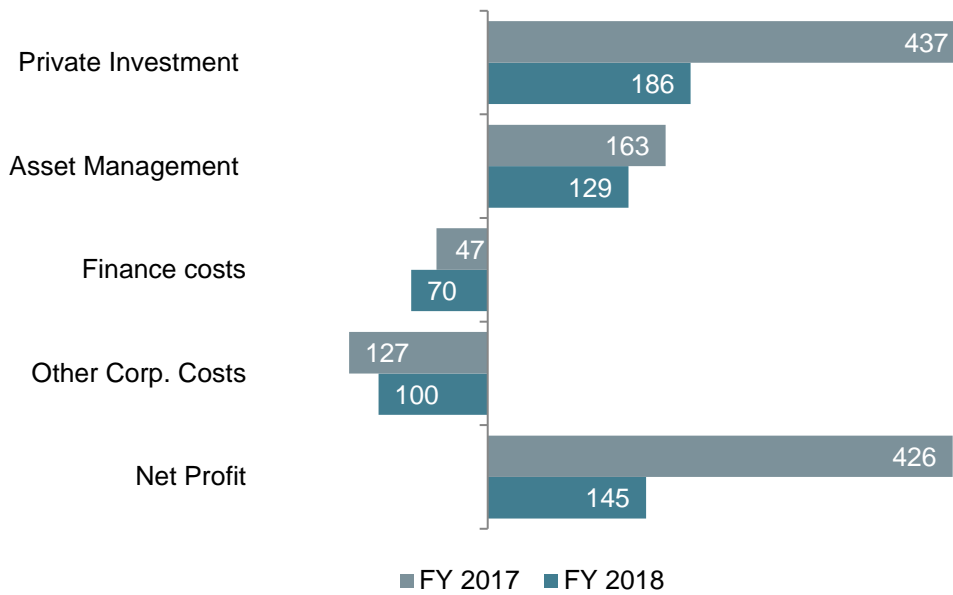


Net profit (attributable to Owners of the Company)

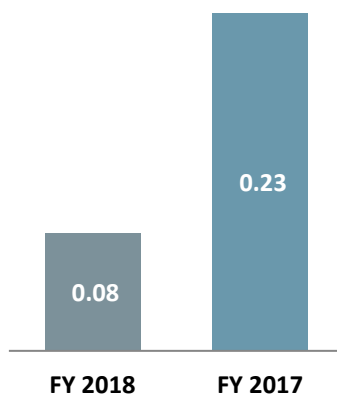
Year ended 31 December 2018

Net profit of AED 145.0 million in 2018, compared to AED 425.9 million in 2017, was driven by the following:

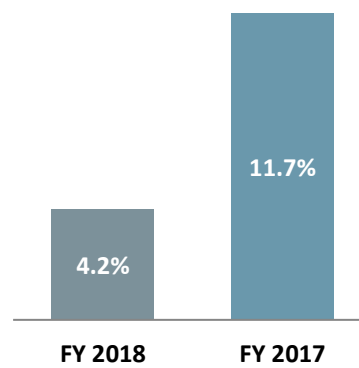
- Private Investments of AED 185.5 million compared to AED 436.6 million in 2017.
- Asset Management – Capital Markets of AED 128.6 million compared to AED 162.6 million in 2017.



Earnings per share (AED)

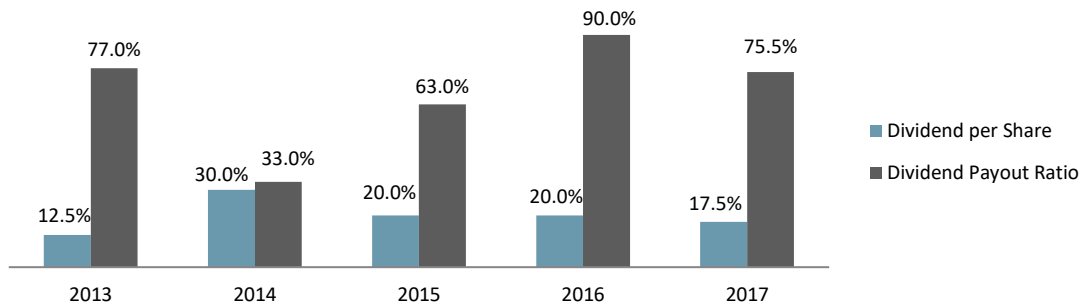


Return on Average Equity (%)



DIVIDEND PROFILE

The Board of Directors propose a 2018 dividend of 7.5% which amounts to AED 137.9 million. This represents a dividend payout ratio of 95.1% of the Group's net profit attributable to shareholders. Historically the dividend trend is as follows:



KEY FINANCIAL HIGHLIGHTS

Summary income statement for the year ended 31 December AED '000

	2018	2017
Revenue from sale of goods and services	291,330	318,372
Income from equity-accounted associates and joint ventures, net	540,400	644,706
Gain on disposal of equity-accounted associates and joint ventures	56,393	-
Gain on disposal of asset held for sale	109,438	50,207
Gain on disposal of subsidiary	-	124,477
Impairment of equity-accounted associates and joint ventures	(294,695)	(257,348)
Income from financial investments	128,579	312,896
Impairment on investment property	(40,792)	(58,361)
Other income, net	23,651	19,235
Total income	814,304	1,154,184
Cost of sale of goods and services	(220,031)	(227,497)
General and administrative expenses - company	(129,552)	(170,342)
General and administrative expenses - subsidiaries	(145,220)	(177,201)
Finance cost, net	(155,671)	(125,183)
Total expenses	(650,474)	(700,223)
Profit for the year	163,830	453,961
Non-controlling interests	(18,830)	(28,021)
Profit attributable to owners of the Company	145,000	425,940
Basic and diluted earnings per share (AED)	0.08	0.23

TOTAL INCOME ANALYSIS
Year ended 31 December 2018

Total income reported by the Group for 2018 was AED 814.3 million, compared to AED 1,154.2 million in 2017, mainly comprised of:

- a) Revenue from sale of goods and services, amounting to AED 291.3 million (2017: AED 318.4 million) mainly represents revenue from the Group's healthcare subsidiary, Anglo Arabian Healthcare and rental income from the Group's industrial real estate subsidiary, Waha Land. The reduction of revenue was driven by lower laboratory fees of AED 45.2 million mainly due to the sale of Proficiency Healthcare Diagnostics (PHD) in December 2017.
- b) Share of profit and gain on disposal of equity accounted associates and joint ventures, net, amounting to AED 596.8 million (2017: AED 644.7 million), mainly includes:
 - AerCap Holdings NV:
 - share of profit of AED 570.5 million (2017: AED 633.6 million), reduced mainly due to disposal of shares during 2018;
 - gain on disposal of AED 56.4 million (2017: AED nil), relating to the disposal of 9.72 million shares in AerCap;
 - Channel VAS: share of profit of AED 9.6 million (2017: AED 2.1 million);
 - Petronash Global Limited: share of profit of AED 21.9 million (2017: AED nil) and
 - NESR Corp: share of profit of AED 2.5 million (2017: AED nil)
 - NPS Holdings Limited: share of profit of AED nil (2017: AED 28.2 million).
- c) Gain on disposal of asset held for sale, amounting to AED 109.4 million, represents the gain on disposal of remaining 15.94% stake in NPS Holdings Limited. During Q4 2017, the Group reported a gain of AED 50.2 million, representing disposal of 4.68% stake in NPS Holdings Limited.
- d) Gain on disposal of a subsidiary, amounting to AED 124.5 million in Q4 2017, represents the gain on disposal of PHD within Anglo Arabian Healthcare.
- e) Impairment of equity accounted associates and joint ventures, amounting to AED 294.7 million (2017: AED 257.3 million), includes:
 - AerCap Holdings NV: AED 294.7 million (2017: AED 244.7 million) following a reassessment of the investment's recoverable amount due to its share price trading at lower multiples over a prolonged period, among other relevant factors; and
 - Other non-core assets: impairment of AED nil (2017: AED 12.6 million).
- f) Income from financial investments, amounting to AED 128.6 million compared to AED 312.9 million in 2017, mainly due to:

Capital Markets:

- Higher income from private transactions by AED 41.2 million; and
- Increase of AED 17.7 million due to higher income on derivative contracts in the equity portfolio; offset by
- Decrease of AED 58.1 million due to lower income from the fixed income fund portfolio; and
- Decrease of AED 36.9 million due to lower income of the equity funds portfolio;

Private Investments:

- Decrease of AED 88.1 million due to mark-to-market movement in SDX Energy Inc.;
- Decrease of AED 144.5 million due to recycling expense on the maturity of equity price collar;
- Decrease of AED 11.9 million due to mark-to-market movement in MENA LP Fund.; offset by
- Increase of AED 89.3 million due to mark-to-market movement in derivatives related to equity accounted investee; and
- Increase of AED 7.1 million due to mark-to-market movement in NESR Corp.

TOTAL EXPENSE ANALYSIS

Year ended 31 December 2018

Total expenses reported by the Group for 2018 was AED 650.5 million, compared to AED 700.2 million during 2017, mainly comprised of:

- a) **Cost of sale of goods and services**, amounting to AED 220.0 million decreased from AED 227.5 million in 2017, mainly due to disposal of PHD in December 2017, which had reported cost of sales of AED 35.1 million in 2017 which was offset by the increase of expenses from other subsidiaries within Anglo Arabian Healthcare.
- b) **General and administrative expenses - Company**, amounting to AED 129.6 million compared to AED 170.3 million in 2017, a reduction of AED 40.7 million, mainly due to lower staff costs and legal and professional expenses driven by cost optimisation initiatives.
- c) **General and administrative expenses - Subsidiaries**, amounting to AED 145.2 million, reduced from AED 177.2 million in 2017. A reduction in expenses was due to the disposal of PHD in December 2017, partially offset by increase in expenses of public market funds.
- d) **Finance costs, net - Company**, amounting to AED 69.8 million, compared to AED 46.4 million in 2017, an increase of AED 23.4 million, mainly due to timing during the year of corporate facility deployment.
- e) **Finance costs, net - Subsidiaries**, amounting to AED 85.9 million, compared to AED 78.8 million in 2017, an increase of AED 7.1 million, mainly due to higher utilisation of repurchase liabilities for public market funds.

Balance sheet highlights

AED '000	As at 31-Dec-18	As at 31-Dec-17
Investments in associates and joint ventures	4,200,967	5,321,224
Investment property	753,566	758,666
Financial investments	5,418,628	3,575,184
Investments in finance leases and loans	235,866	242,893
Other assets	633,412	746,422
Cash and cash equivalents	428,970	490,473
Asset classified as held for sale	-	219,480
Total assets	11,671,409	11,354,342
Borrowings	6,463,768	6,584,012
End of service benefit provision	33,969	32,608
Derivative liabilities	36,304	123,263
Trade and other liabilities	587,438	444,609
Total liabilities	7,121,479	7,184,492
Total equity	4,549,930	4,169,850
Total liabilities and equity	11,671,409	11,354,342

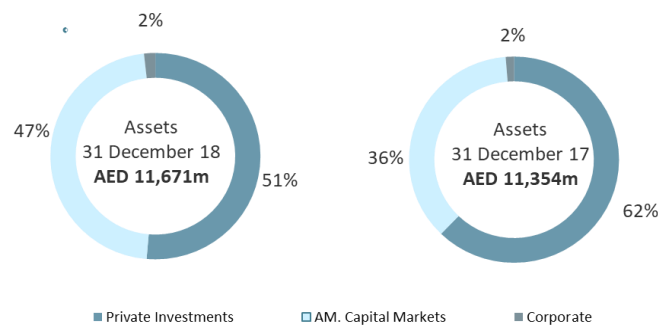
The Group's total assets of AED 11,671.4 million as at 31 December 2018, compared to AED 11,354.3 million as at 31 December 2017, an increase of AED 317.1 million, comprised of:

- Investments in associates and joint ventures of AED 4,201.0 million compared to AED 5,321.2 million in 2017, a decrease of AED 1,120.2 million; mainly representing disposal of 9.72 million AerCap shares with reduction in carrying value of AED 1,865.1 million; dividends received from Channel VAS and ICCC amounting to AED 17.9 million and AED 7.8 million respectively; impact of adoption of new accounting standards of AED 97.8 million; offset by the share of profit, net of impairment, of AED 245.7 million, the acquisition of minority stake in Petronash AED 411.9 million and reclassification of NESR Corp from financial investment to equity accounted investee at fair value of AED 188.8 million.
- Investment property of AED 753.6 million compared to AED 758.7 million in 2017, a decrease of AED 5.1 million mainly due to fair value loss of AED 40.8 million offset by AED 35.7 million; representing development cost incurred on construction of small industrial units at stage 2 of Phase 1 of industrial real estate.
- Financial investments of AED 5,418.6 million compared to AED 3,575.2 million in 2017, an increase of AED 1,843.4 million, mainly representing an increase of AED 1,445.4 million in public market funds and AED 398.0 million representing fair value of derivatives related to equity accounted investee, revaluation movement of AED 254.1 million in equity price collars in AerCap and reduction in fair value of associate carried at fair value.
- Other assets of AED 633.4 million compared to AED 746.4 million in 2017, a decrease of AED 113.0 million; mainly due to receipt of disposal proceeds on NPS Holdings Limited amounting to AED 114.1 million.
- Cash and cash equivalents of AED 429.0 million compared to AED 490.5 million in 2017, a decrease of AED 61.5 million; mainly includes the following investing and financing cash flows:
 - Corporate: payments of AED 321.7 million for 2017 dividends; offset by drawdown of corporate revolving facility of AED 54.4 million;
 - Capital Markets: investments of AED 1,301.2 million; funded by repurchase liabilities of AED 1,094.2 million and net contributions from non-controlling interest holders of AED 177.8 million; and
 - Private Investments: Proceeds from net settlement of AerCap shares of AED 543.8 million and disposal proceeds of AED 245.5 million from NPS Holdings Limited; offset by an upfront purchase consideration against investment in Petronash amounting to AED 290.8 million.
- Assets classified as held for sale of AED nil compared to AED 219.5 million in 2017, a decrease of AED 219.5 million due to sale of the remaining 15.94% stake in NPS Holdings Limited.

The Group's total liabilities of AED 7,121.5 million as at 31 December 2018 compared to AED 7,184.5 million as at 31 December 2017, a decrease of AED 63.0 million, comprised of:

- Borrowings of AED 6,463.8 million compared to AED 6,584.0 million in 2017, a decrease of AED 120.2 million mainly represents net loan drawdowns from corporate facility, repurchase liabilities related to public market funds, and subsidiaries (healthcare and industrial real estate) within Private Investments amounting to AED 54.4 million, AED 1,094.2 million and AED 19.6 million respectively; offset by settlement of collar borrowings of AED 1,336.3 million.
- Derivative liabilities of AED 36.3 million compared to AED 123.3 million in 2017, a decrease of AED 87.0 million; due to fair value gain of AerCap collar AED 109.1 million.
- Trade and other liabilities of AED 587.4 million compared to AED 444.6 million in 2017, an increase of AED 142.8 million; relates mainly to the deferred purchase consideration against investment in Petronash amounting to AED 121.4 million.

Total assets composition



Cash flows analysis

During the current year, the Group has made certain reclassifications in cash flow statement to align the cashflow movement with the key activities of the Group.

AED `000	31-Dec-18	31-Dec-17
Cash flows generated from / (used in) operating activities	1,458,561	(795,684)
Cash flows used in investing activities	(9,489)	(151,984)
Cash flows (used in) / generated from financing activities	(1,510,465)	866,879
Net decrease in cash and cash equivalents	(61,393)	(80,789)

Year ended 31 December 2018

Cash flows from operating activities generated AED 1,458.6 million in 2018 compared to AED 795.7 million used in 2017, was mainly driven by:

- Cash inflow from partial disposal of investment in AerCap of AED 1,880.1 million (2017: AED nil);
- Cash inflow from disposal of investment in NPS Holdings Limited of AED 245.5 million (2017: AED nil);
- Cash outflow against investments in public securities of AED 250.5 million, net of repurchase liabilities (2017: AED 669.2 million); and
- Cash outflow from investment in Petronash AED 290.8 million (2017: AED nil).

Cash flows utilized in investing activities amounting AED 9.5 million in 2018 compared to AED 152.0 million in 2017, mainly driven by:

- Cash outflow against development of investment property AED 35.7 million (2017: AED 135.1 million); and
- Cash inflow from maturity of deposits amounting AED 25.0 million (2017: AED 5.0 million).

Cash flows used in financing activities were AED 1,510.5 million in 2018 compared to cash generated of AED 866.9 million in 2017, as follows:

- Cash outflow related to 2017 dividend of AED 321.7 million (2017: 367.7 million);
- Cash inflow related to net corporate facility loan drawdown of AED 54.4 million (2017: AED 735.6 million);
- Cash outflow related to repayment of Collar financing amounting to AED 1,336.3 million (2017: AED nil); and
- Cash inflow related to contribution from non-controlling interest holders amounting to AED 192.4 million (2017: AED 456.6 million).

Leverage

The Group's leverage, defined under the corporate facility, was 25.3% as at 31 December 2018 compared to 25.9% as at 31 December 2017.

BUSINESS AND PORTFOLIO COMPANIES ANALYSIS

The Group's business comprises two primary divisions: Private Investments and Asset Management.

The Private Investments division comprises the Group's investments. The Asset Management division comprises the Group's Capital Markets business.

Private Investments

Waha Capital's Private Investments business includes direct equity and loan investments in public and private companies. The Private Investments portfolio holds seven core investments: (a) AerCap Holdings NV (AerCap), (b) Waha Land, (c) National Energy Services Reunited, (d) MENA Infrastructure Fund, (e) Channel VAS, (f) Petronash and (g) Anglo Arabian Healthcare.

Private Investments reported total income of AED 581.7 million and net profit attributable to owners of AED 185.5 million for the year 2018, compared to total income of AED 885.9 million and net profit attributable to owners of AED 436.6 million during 2017. Total income from Private Investments represented 71% of the Group's total income for 2018 compared to 76% in 2017.

AerCap

AerCap, a NYSE listed company, is a global aircraft leasing company. It acquires aircraft from manufacturers, airline operators, other aircraft-leasing companies and financial investors to lease to commercial airlines and cargo operators.

During the year, the Group disposed 9.72 million shares equivalent to 6.36% stake in AerCap for a consideration of AED 1,918.1 million. Consequently, the Group's stake in AerCap reduced from 17.55% to 11.19%. Further, during the year, AerCap carried out a share buyback program, which the Group did not participate in. Consequently, the Group's beneficial ownership increased from 11.19% to 12.00%.

Waha Capital continues to retain two seats on AerCap's board of directors, as well as representations on the various board sub-committees.

The key highlights of AerCap for the year end 31 December 2018 were as follows:

- 436 aircraft transactions executed, as follows:
 - Signed lease agreements for 257 aircraft
 - Purchased 76 aircraft
 - Executed sale transactions for 103 aircraft
- Signed financing transactions for US\$ 6.9 billion.
- Fleet utilization rate of above 98% for the year.
- Average age of owned fleet was 6.3 years and the average remaining contracted lease term was 7.4 years.
- US\$ 10.0 billion of available liquidity and adjusted debt/equity ratio of 2.86 to 1.
- Repurchased 13.9 million shares for US\$728 million
- Approximately 95% of lease rents through 2021 already contracted.
- Portfolio consisted of 1,421 aircraft that were owned, on order or managed.

The carrying value of AerCap was AED 3,359.0 million as at 31 December 2018.

NPS Holdings Limited and National Energy Services Reunited

During June 2018, the Group acquired a 5.8% stake in a NASDAQ-listed entity, National Energy Services Reunited Corp. ("NESR Corp") as part of exit consideration of NPS Holdings Limited. The formation of NESR Corp as an operating entity was completed in June 2018, after the transaction was approved by the Securities and Exchange Commission in the United States and NESR shareholders.

NESR Corp is the first and only NASDAQ listed national oilfield services company in the MENA region and one of the largest oilfield services provider in the Middle East, North Africa and Asia region. On June 6th 2018, NESR Corp consummated the 100% acquisition of: a) NPS Holdings Limited ("NPS") for a gross consideration of c. US\$591 million and b) Gulf Energy S.A.O.C. ("GES") for a gross consideration of c. US\$289 million – aggregating total consideration of c. US\$880 million.

NPS is a regional provider of products and services to the oil and gas industry in the Middle East, North Africa and Asia Pacific regions. NPS operates in twelve countries with the majority of its revenues derived from operations in KSA, Algeria, Qatar, UAE and Iraq. Its services include a broad suite of offerings that are essential in the drilling and completion of new oil and natural gas wells and in the remedial work on existing wells, both onshore and offshore. NPS provides an integrated service offering that includes: a) Well Services and Intervention, b) Drilling and Workover, and c) Wireline Logging and Testing. NPS effectively delivers this broad range of services by deploying one of the largest fleet of oilfield equipment among its regionally-based competitors, including cementing units, coiled tubing units, stimulation units, nitrogen units and oil and water well drilling rigs.

GES is a leading provider of high quality integrated oilfield service solutions in the MENA region. Building on its initial success, GES has expanded its service portfolio over the past 12 years and has evolved to provide a wide range of services throughout the oil and gas life cycle, including exploration, development, production enhancement, remedial work on existing wells, and site abandonment. GES provides a broad suite of product and service offerings, operating under several service lines including: a) Well Intervention Services, b) Drilling Technology Solutions, c) Fishing & Remedial Services, and d) Drilling Technology Solutions, Performance Drilling & Evaluation. With recent international expansion, GES is one of the fastest growing oilfield service providers in the MENA region and has developed a footprint in Oman, KSA, Kuwait and Algeria.

The Group acquired a 20.62% equity stake in NPS for a total consideration of c. AED 282 million in June 2014. On November 12th 2017, the Group agreed to sell the entire investment in NPS. The transaction was concluded in June 2018 and resulted in total gain on disposal of AED 159.6 million and total consideration of AED 443.9 million, comprising cash proceeds of AED 245.5 million, 5.8% equity stake in NESR Corp and earn-out shares receivable of AED 17.3 million. The sale transaction took place in two stages, with the first stage exit (representing 4.68% stake) completed in December 2017 and the second stage exit (representing remaining 15.94% stake) completed in June 2018.

During 2018, the Group recognised gain on disposal of AED 109.4 million and total consideration of AED 329.7 million, comprising cash consideration of AED 130.6 million, 5.8% equity stake in NESR Corp. and earn-out shares receivable of AED 17.3 million

During the first nine months of 2018, NESR Corp reported the following:

- Reported revenue of US\$ 304.7 million, comprised of US\$ 196.2 million (2017: US\$ 180.3 million) from Production Services, US\$ 95.0 million (2017: US\$ 58.9 million) from Drilling & Evaluation Services and US\$ 13.5 million (2017: US\$ 25.1 million) from Others.
- Reported EBITDA of US\$ 47.4 million and net income of US\$ 12.4 million
- Cash flows of US\$ 35.3 million generated from operating activities and cash flows of US\$ 64.7 million utilized in investing activities.
- Reported a net book value of property, plant and equipment as at 30 September 2018 of US\$ 304.7 million.

The carrying value of NESR Corp was AED 191.2 million as at 31 December 2018.

Petronash

Founded in 2000, Petronash is a leading provider of modular wellsite packages, chemical injection systems and wellhead control systems to the oil and gas industry. Headquartered in Dubai, Petronash owns manufacturing facilities in Dubai, Dammam and Chennai. Petronash employs approximately 1,000 people worldwide, including more than 200 Engineers and R&D Personnel; and recently expanded its engineering facility in Chennai, India which also undertakes design, procurement, and R&D.

On 6th August 2018, the Group along with co-investors, entered into a subscription agreement to acquire up to 35% stake in Petronash for an upfront consideration of approximately AED 322.8 million and an estimated deferred contingent consideration of AED 134.9 million. The transaction closed on 10 October 2018 which includes options, pursuant to which the Group can increase its ownership up to 50% in Petronash. The Group exercises joint control in Petronash through its shareholding agreement and representations on its Board and various committees.

During the year ended 31 December 2018, the Petronash Holding Limited reported following matrices:

- Reported revenue of AED 663.1 million compared to AED 518.5 million in 2017
- Reported EBITDA of AED 215.2 million compared to AED 154.9 million in 2017

The carrying value of Petronash was AED 433.7 million as at 31 December 2018.

Channel VAS

In September 2017, Waha Capital acquired a 20% stake in Channel VAS – a Dubai-based fintech provider of airtime credit services, mobile financial services, handset loans and micro cash loans. The company is present in over 25 countries, across 4 continents and has grown rapidly to provide over US\$ 1.5 billion in nano loans in the fiscal year 2018 compared with US\$ 871 million in 2017. With existing access to over 650 million mobile subscribers for the airtime credit service product, the company sees significant growth potential in what is estimated to be a US\$ 69 billion airtime credit market.

The company is also actively growing its mobile financial services line of business that presents a large untapped opportunity in the geographies it currently operates in. The mobile financial services product suite includes micro cash loans and hand set finance loans.

Selected list of customers include MTN, Vodacom, Viettel, Lyca Mobile, Millicom, M-Cel, Umniah, Mobily, Mobilink, and others..

During the year ended 31 December 2018, Channel VAS reported the following performance:

- Revenue of AED 209.9 million, compared to AED 171.5 million in 2017; and
- Paid a dividend of AED 93.4 million, compared to AED 53.0 million in 2017.

The carrying value of Channel VAS was AED 188.3 million as at 31 December 2018.

SDX Energy

The Group owns 19.5% stake in SDX Energy, a company engaged in the exploration and production of oil and gas, predominantly in the North Africa region. It currently has with a current focus on sites in Egypt and Morocco. The investment in SDX has been classified as associate carried and measured at FVTPL.

The company was established in October 2015 through the merger of Toronto Stock Exchange-listed Sea Dragon Energy and privately-owned Madison PetroGas. In 2016, the company successfully obtained a dual-listing on the Alternative Investment Market (AIM) of the London Stock Exchange, raising US\$11 million in the process. In January 2017, SDX Energy successfully acquired a portfolio of oil and gas production and exploration assets in Egypt and Morocco for a cash sum of US\$30 million which increased the net production to c. 3,351 boe/d and working interest 2P reserves to 9.03 million boe. At 2018 year end, SDX Energy's portfolio comprised interests in 6 concessions – i) Egypt – NW Gemsa, ii) Egypt – Meseda, iii) Egypt – South Disouq, iv) Egypt – South Ramadan, v) Morocco – Sebou, and vi) Morocco – Lalla Mimouna Nord. On 7 February 2019, the company announced the award of two further licenses in Morocco: Moulay Bouchta Ouest and Lalla Mimouna Sud.

The operating environment in North Africa continues to present considerable opportunities for the firm. SDX Energy benefits from a portfolio of high margin producing assets, combined with high impact exploration prospects in Egypt and Morocco. The company intends to increase production and cash flow generation organically, through a fully funded and active work programme consisting of improvements made to existing fields and the development of new discovered resources. During 2019, the company plans to drill a series of high impact exploration and development wells across the portfolio, with the delivery of the South Disouq gas development expected by the end of H1 2019.

During the nine month period ended 30 September 2018, SDX Energy reported the following performance:

- Production of 3,455 boe/d compared to 3,280 boe/d in corresponding 2017;
- Net realized average oil price of US\$ 63.69/barrel compared to US\$ 44.20/barrel in corresponding 2017;
- Net realized average Morocco gas price of US\$ 10.52/mcf compared to US\$ 9.43/mcf in corresponding 2017;
- Revenue of US\$ 39.8 million, compared to US\$ 28.2 million in corresponding 2017;
- Gross profit of US\$ 31.1 million, compared to US\$ 20.4 million in corresponding 2017;
- Cash flow from operations of US\$ 22.7 million, compared to US\$ 10.0 million in corresponding 2017;
- Invested US\$ 35.7 million into capital expenditure, compared to US\$ 5.7 million in corresponding 2017; and
- Cash balance of US\$ 18.7 million at 30 September 2018, compared to US\$ 30.5 million at 31 December 2017.

The carrying value of SDX Energy was AED 66.3 million as at 31 December 2018.

Waha Land

Waha Land, a wholly owned subsidiary of Waha Capital, is currently engaged in developing ALMARKAZ, an integrated mixed-use industrial development with Grade "A" industrial/logistics facilities and first class infrastructure. The project is located in Al Dhafra, approximately 35 km from central Abu Dhabi, and is well located to access the multi-modal industrial and logistics infrastructure (land, sea, air, and future rail) of the UAE. The ALMARKAZ development is on a 6 km² area of land, which was granted by the Government of Abu Dhabi.

Phase 1 of the project comprise of 25% of the total land area (1.5 km²). Stage 1 of Phase 1 involved the construction of roads and services infrastructure for the 1.5 km² of land and 90,000 m² of small industrial units (SIUs). The SIUs are fully leased out with a range of tenants, both local and international from diverse industry segments such as oil & gas, manufacturing, defense, logistics, contracting, F&B.

In June 2016, Waha Land signed a AED 426 million financing with a local bank for further development of Phase 1 within ALMARKAZ, following the successful leasing of existing facilities. This expansion, called Stage 2, will add 187,000 m² of premium industrial and logistics facilities and will also include retail and commercial amenities to enhance the business park experience of ALMARKAZ. Stage 2 is being constructed in two packages (2a & 2b), with the initial Stage 2a consisting of 92,500 m² of built up area.

The construction of Stage 2a industrial units were completed in Q2 and the initial batch of tenants have commenced operations from the newly handed over units. The Stage 2 Industrial assets consists flexible industrial buildings, ready to occupy units, warehouses/storage facilities. In addition, construction works commenced on adding retail facilities and amenities like mosque, security center to serve the expanding working population at ALMARKAZ. This expansion is in line with the Waha Land's underlying ethos to execute a consistent and disciplined investment approach with emphasis on flexible assets to suit a variety of uses and support a diverse range of tenants and industry segments.

Waha Land's growth strategy with respect to ALMARKAZ is focused on continuing to grow and diversify its tenant base, developing new products and services for its existing and prospective tenants, and providing exceptional services with the ultimate aim of meeting the needs of UAE SMEs as well as manufacturing and logistics players.

During 2018, Waha Land reported:

- Rental revenue and other income of AED 32.7 million (2017: AED 37.6 million);
- Cumulative development cost of AED 196.0 million (31 December 2017: AED 176.3 million) incurred for the construction of Stage 2A;
- Net Profit before fair value adjustment of AED 13.8 million (2017: AED 17.1 million).
- Fair value downward adjustment of AED 40.8 million (2017: AED 58.4 million)

The carrying value of investment property was AED 753.6 million as at 31 December 2018.

MENA Infrastructure Fund

MENA Infrastructure Fund (the "Fund") was launched in 2007 as a private equity fund that invests in infrastructure development projects across MENA with a total capital commitment of AED 1,103.4 million (US\$ 300 million) from its Limited Partners ("LP").

The Group originally committed to fund AED 197.7 million (17.9% of total commitment) as an LP and held a 33.3% stake in the General Partners ("GP").

Since inception, the Fund has invested US\$ 223.6 million in four projects:

- a) Alexandria International Container Terminals (AICT): Held concession to operate and maintain two container terminals in Egypt. The Fund's ownership in the project was 30.3%. The investment was exited in first quarter of 2016.
- b) Qurayyah Independent Power Project (IPP): Owns and operates a 3.9GW gas-fired IPP in KSA in partnership with ACWA Power and Samsung C&T. The Fund's ownership in the project is 15.0%.
- c) United Power Company (UPC): Owned and operated a 270MW single-cycle gas-fired Manah IPP in Oman. The Fund's ownership in the project was 38.1%. The investment was exited in first quarter of 2016.
- d) Sohar Power Company: Owns and operates a 585MW of combined-cycle gas-fired power generation and 150,000m³ of water desalination capacity in Oman. The Fund's ownership in the project is 20.0%.

In 2016, the Fund successfully exited from AICT and UPC for which Waha Capital received gross distributions of AED 81.8 million including dividend and capital repayment.

The Fund's dividend yield is c. 5.6%. The Group invested a total of AED 167 million (US\$ 45.5 million) for its LP (17.9%) and GP (33.3%) stakes, and received c. AED 162.2 million in distributions.

As at 31 December 2018, the Group carried its LP stake in the Fund at AED 52.0 million.

Anglo Arabian Healthcare

The Group owns 95% stake in a UAE healthcare provider, Anglo Arabian Healthcare (AAH), that focuses on owning and operating hospitals, clinics and pharmacies. The group was established to deliver healthcare services throughout the UAE, and today is one of the largest healthcare provider networks in the country. AAH currently owns and operates 30 business assets, employs more than 900 people and serves over 800,000 registered outpatients. Operating assets consist of 20 clinics, 7 pharmacies, 1 diagnostics centre, 1 medical education provider and 1 hospital. The hospital, based in the emirate of Ajman, was a significant milestone in the development of AAH and has an inpatient capacity of approximately 10,000 per annum.

The company employs a 'buy and build' strategy, supplementing acquisitions with strategic greenfield projects to ensure optimal patient flows and service coverage. This strategy includes pursuing an opportunistic mix of greenfield projects and acquisitions, and implementing a hub-and-spoke model across primary care, secondary care and diagnostics to retain patient revenue within the group. Brands within the Anglo Arabian Healthcare network include Amina Hospitals, Ibin Sina Medical Centre, HealthBay, Sharjah Corniche Hospital, Oras Medical Centre and Orchid IVF Centre.

AAH is well-positioned to capitalize on regulatory and consumption trends which have been implemented in recent years in the UAE, including the potential introduction of mandatory insurance in the Northern Emirates, and increased demand for specialty services.

During 2017, AAH has completed the sale of its full equity stake in Proficiency Healthcare Diagnostics (PHD) to Al Borg Medical Laboratories, the GCC's largest chain of private laboratories. The transaction involved an equity sale price of approximately AED 171.1 million for 93% of PHD, with the net impact on AAH being an accounting gain of approximately AED 124.7 million.

During the year, AAH acquired additional stake of 13.2% in Amina Hospital LLC, which increased its ownership from 60% to 73.2% for a purchase consideration of AED 17.8 million. During the year ended 31 December 2018, AAH has achieved the following:

- Consolidated revenue of AED 261.3 million, a 12.2% decrease on AED 297.5 million in 2017, mainly due to the disposal of PHD in December 2017;
- Consolidated revenue is comprised of AED 70.9 million (2017: AED 116.1 million) from laboratory services, AED 149.5 million (2017: AED 144.1 million) from patient fees and AED 40.9 million (2017: AED 37.3 million) from sale of pharmaceuticals; and
- Shareholders' equity base attributable to owners of AED 200.0 million as at 31 December 2018 compared to AED 364.4 million as at 31 December 2017.

The Group's carrying value of AAH's net assets was AED 191.4 million as at 31 December 2018.

Asset Management

The Asset Management division comprises the Group's Capital Markets platform.

Asset Management - Capital Markets

Total income from Capital Markets generated from public funds and private transactions was AED 232.6 million for 2018 (27% of total income) compared to AED 268.3 million in 2017 (24% of total income). Capital Markets generated a net profit of AED 165.0 million in 2018 (AED 128.6 million attributable to the Owners of the Company) compared to AED 210.8 million in 2017 (AED 162.6 million attributable to the Owners of the Company).

The Group's Capital Markets business primarily comprises investment in publicly traded securities. Capital Markets has achieved a solid seven-plus-year track record of managing a portfolio of global credit market investments and five-plus-year track record of managing a portfolio of regional equities.

The investment process is complemented by dedicated in-house research and robust risk management.

Capital Markets invest in securities such as bonds, sukuks, convertibles, equities, money market funds, hybrids, IPOs and pre-IPOs. Capital Markets manages three separate portfolios and focuses on credit investments primarily comprising US\$-denominated corporate bonds issued in the emerging markets with a focus on Central and Eastern Europe, Middle East and Africa (CEEMEA) and in local and Middle Eastern and North African (MENA) equities.

Capital Markets manages the Waha CEEMEA Credit Fund SP (previously named Waha CEEMEA Fixed income fund), Waha MENA Equity Fund SP, and MENA Value Fund SP, which are available for subscription by third party investors. The Funds are domiciled in the Cayman Islands and regulated and supervised by the Cayman Islands Monetary Authority. HSBC Bank Middle East Limited acts as Fund Administrator and Global Custodian for the underlying assets. The Funds are managed by Waha Investment PrJSC, an investment manager licensed by the Securities & Commodities Authority. Total assets managed by Waha Investment PrJSC, including third party assets, amount to AED 2.5 billion as of 31 December 2018.

In addition to the above, since 2008, Capital Markets has also arranged several private transactions. These transactions include a range of financial instruments usually secured on an underlying asset. The financial instruments typically include secured debt, mezzanine debt, junior debt, structured debt and selected options and derivatives.

The business development team is focused on actively marketing the funds to large institutional investors, particularly in North America and the MENA region.

Outlook

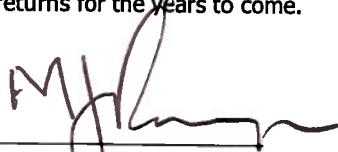
The year 2018 experienced significant market volatility as the global economy adjusts to lower growth and normalised interest rate environment. This has impacted the company's financial performance, in particular in the second half of 2018.

Despite challenging and difficult market and operating conditions, Waha Capital remains resilient to execute its overarching objective of optimizing returns to shareholders.

Waha Capital's strategy is focused on two main areas:

- The Asset Management business continues to grow and has set targets to increase assets under management through actively marketing its flagship funds to third party institutional investors, while maintaining strong fund performance.
- The Private Investment business continues to rebalance and build a targeted diversified portfolio primarily in the energy and financial services sectors, while maximising liquidity and cash yields.

Waha Capital is well positioned to build on its strong track record and financial strength to continue to deliver attractive returns for the years to come.



Michael Raynes

Chief Executive Officer, Al Waha Capital PJSC
27 February 2019