

AL WAHA CAPITAL P.J.S.C.



الواحة كابيتال
Waha Capital

**Reports and Consolidated financial statements
for the year ended 31 December 2010**

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Company Information

Board of Directors

Chairman	H.E. Hussain Al Nowais
Vice chairman	H.E. Saif Al Hajeri
Directors	Mr. Abubaker Khouri Mr. Carlos Obeid Mr. Fahad Saeed Al Raqbani Mr. Khaled Al Mass Mr. Mansour Al Mulla

Chief executive officer Mr. Salem Rashid Al Noaimi

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Six Towers, Al Bateen
Abu Dhabi
UAE

Auditors KPMG Lower Gulf Limited
P O Box 7613
16th Floor, Falcon Tower
Al Nasr Street
Abu Dhabi
UAE

Chairman's Report

Dear Shareholders,

On behalf of myself and the board of directors, I am pleased to present to you the financial results of Waha Capital for the fiscal year 2010 and highlights of recent and future developments within the group.

This year, particularly the first half, witnessed continued effects of the economic downturn which affected many economic sectors both at the domestic and global levels. Despite these challenges, Waha continued to post a strong performance and recorded a profit after tax of AED 249 million, compared to AED 217 million in 2009. Return on equity also increased to 12.2% from 11.6% in 2009. This demonstrates the group's solid foundation and the strength of our diversification and sustainable business strategy outlined for each operating unit.

Building on these results, achieved even in a difficult year, we expect to continue along a very strong growth pattern in the forthcoming period that will be reflected in increased value, not only to our shareholders but also to the local and regional economy.

Over the past years we have announced several investment initiatives in line with our group strategy. The investments also reflected Waha's strong commitment to improve its performance by adopting innovative investment and financial programmes, while adding new revenue streams. Following are certain key initiatives undertaken by Waha during the year:

1. Acquiring 20% interest in AerCap Holdings NV

In November 2010, Waha Capital completed an acquisition of 20% interest in AerCap Holdings N.V., a leading Dutch based New York Stock Exchange-listed aviation company for a total consideration of approximately USD 380 million. The transaction entailed acquisition of approximately 29.8 million shares in AerCap and transfer of Waha's 50% interest in AerVenture and a 40% interest in Waha's aircraft portfolio. Under the terms of the agreements, Waha is also entitled to nominate two directors to the Board of AerCap. AerCap will provide all management services for Waha's aircraft portfolio in return for servicing fees.

Through this transaction, Waha has reinforced its existing partnership with AerCap and consolidated its investments in the aviation sector through a leading global player. In addition, Waha diversified its current aviation exposure by investing in a larger and more modern aircraft fleet while benefiting from AerCap's world-class expertise. This transaction represented another tangible step in the execution of our vision of building value through strategic partnerships. We are confident that this partnership will be a successful one and that Waha will strengthen AerCap's presence in the MENA region's rapidly expanding aviation market.

As a consequence of this transaction, Waha capital has strengthened significantly its balance sheet by swapping illiquid assets with publicly listed shares in a major aviation company with a diversified fleet of aircraft.

2. Waha Maritime

Waha Maritime has contributed to the strong performance of the group during the year mainly by improving its fleet of support vessels by adding one additional vessel during the year and through its 49% ownership in GMMOS group, a major regional oil and gas services and industrial group operating in the Gulf and Caspian markets. Further, Al Waha Marine Agency, a subsidiary of Waha Maritime, received the ISO 9001:2008 compliance certification from Lloyd's Register following the successful

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completion of the final audits for the quality management system. This company also received the ISO 14001: 2004 'Statement of Commitment' certification for its commitment to implement an environmental management system. The ISO 9001 and the ISO 14001 'Statement of Commitment' certifications are in line with Waha Maritime's objective of building businesses that can bring long-term benefits and value to the maritime industry while delivering quality services to its clients.

3. Waha Land

Waha Land, the real estate arm of Waha Capital, continued construction on Phase 1 of its mixed-use industrial development ALMARKAZ. The company also confirmed the appointment of national companies as the contractors for building 90,000 square metres of light industrial buildings and for construction of the infrastructure works in the initial phase of the project. The first group of industrial units is planned to be handed over by the end of the second quarter of 2011 along with the sectional completion of infrastructure works.

4. Waha Financial Services

Waha Financial Services was mandated by the U.A.E. Armed Forces to arrange and manage the purchase of several military aircraft valued at approximately AED 11 billion. The first phase of the deal was concluded in December 2009, and included the purchase of nine military aircraft on behalf of the U.A.E. Armed Forces in a deal valued at approximately AED 6.7 billion. Waha financial services continued to execute other phases of this deal during the year. Further, Waha financial services received mandates from a number of clients for arranging and financing assets and generated healthy fee income. We are focused on developing our presence within the financial services space mainly by increasing our capabilities and service offerings.

Finally, I would like to thank the leadership represented by His Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the UAE and His Highness General Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, Deputy Supreme Commander of the UAE Armed Forces, and Chairman of the Abu Dhabi Executive Council for their continuous support to all national companies.

I would also thank all our shareholders, our partners, clients in the public and private sectors as well as the board members, management team and staff at Waha Capital for their sustained interest and valued commitment that has greatly contributed to the group's success.



Hussain Al Nowais
Chairman

Chief Executive Officer's Report

Dear Shareholders,

During 2010, we have succeeded in positioning our businesses, in spite of another challenging economic environment both in UAE and globally, to achieve continuous growth and sustainable profitability. This was a reflection of our diversification strategy, which has been designed and implemented to generate the highest possible risk adjusted return on investment to our shareholders.

I am pleased to report that 2010 was another record year where Waha continued its growth path and improved its operational and financial performance. This is proof of the strength of our strategy in leveraging Waha's capabilities to enhance shareholders return. I present below the financial and operational highlights of the year.

The rise in net profits was driven mainly by the restructuring of Waha's aircraft leasing business through which Waha acquired a 20% stake in the world's leading independent aircraft leasing company, Aercap, in a deal that saw Waha sell its 50% stake in AerVenture (jointly owned by Waha and Aercap) as well as a 40% of Waha's leasing portfolio. This transaction has propelled Waha on its diversification strategy and has strengthened significantly our balance sheet by reducing our gearing and improving the quality of our assets as well as our future earnings.

Operations and Financial Review

- The group profit increased by 15% in 2010 to AED 249 million compared to AED 217 million in 2009 as a result of the following.
- Total group operating income including revenues, income from investments in associates and other operating income was AED 657 million during the year, down by 22% as compared to 2009 primarily due to the restructuring of leasing business and consolidation of investments in aviation sector during the year.
- Group operating costs including administrative and other expenses decreased by 37% to AED 408 million from AED 634 million in 2009 mainly due to one off impairment provision on operating lease assets during 2009.
- Cash flows from operating activities decreased to AED 201 million as compared to AED 430 million in 2009 primarily due to higher cash flows from finance lease assets in 2009.
- The group's gearing reduced to 36% as compared to 48% in 2009 primarily due to the restructuring of leasing business during the year.
- Earnings per share on an adjusted basis was AED 0.14 in 2010 as compared to AED 0.13 in 2009.

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Three year summary operating statistics is as follows:

(Amounts in AED thousands unless otherwise stated)

	2008	2009	Year on year growth	2010	Year on year growth
Total operating income ¹	494,567	846,181	71%	657,451	(22%)
Operating costs plus administrative & other expenses	(447,774)	(634,341)	42%	(407,552)	(36%)
Profit for the year	40,025	216,784	442%	249,089	15%
Total assets	4,718,309	4,253,604	(9.8%)	3,800,549	(11%)
Gearing ²	58%	48%		37%	
Return on equity ³	2.2%	11.6%		12.2%	
Cash flows from operating activities	27,481	430,289	1,477%	200,725	(53%)
Earnings per share (AED) ⁴	0.03	0.13	333%	0.14	8%

1. Total operating revenue includes revenue, share of profit/(loss) from equity accounted investees and other operating income.
2. Gearing is calculated as the ratio of net debt to the sum of net debt and equity.
3. Return on equity is calculated as the ratio of profit for the year to the average of opening and closing equity.
4. Earnings per share is calculated by dividing profit for the year by the weighted average number of ordinary shares in issue during the year adjusted for any bonus shares issued subsequently.

As our results have proven, despite the economic downturn, we continue to see strong investment opportunities with high profitability and lower risk, particularly in the UAE markets, where we are considering a number of investment opportunities across various sectors. Furthermore, we are constantly monitoring global and local market indicators to assist us in evaluating and selecting strong investment opportunities. In the near term, we will continue to identify additional opportunities, conduct appropriate research and choose the right timing to invest.

The results and developments at Waha in 2010 were possible due to the dedication and strong support and guidance of our board of directors and our employees who have exerted all possible effort and energy to overcoming challenges and achieving great results.

On this occasion, please allow me to thank the board whose leadership and vision have contributed greatly to achieving the previous year's results. I would like also to thank our partners in the public and private sector and all our shareholders for their support. Finally, I would like to thank the management team of Waha for their efforts and dedication.

Salem Rashid Al Noaimi
Chief Executive Officer



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Independent Auditors' Report

The shareholders
Al Waha Capital PJSC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al Waha Capital PJSC ("the Company") and its subsidiaries, its interest in jointly control entities and associates (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated income statement and the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Company, and the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2010, which may have had a material adverse effect on the business of the Group's or its financial position.

Sharad Bhandari
Registration No: 267

28 February 2011

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Consolidated income statement

For the year ended 31 December

(All amounts in thousands of AED, unless otherwise stated)

	Note	2010	2009
Revenue	7	426,145	517,925
Share of profit from equity accounted investees	20	98,660	61,674
Other operating income	8	132,646	266,582
Operating costs	9	(257,673)	(512,251)
Administrative and other expenses	10	(149,879)	(122,090)
Operating profit		249,899	211,840
Other income/(loss)	11	(810)	12,921
Profit before tax		249,089	224,761
Income tax	12	-	(7,977)
Profit for the year		249,089	216,784
Basic and diluted earnings per share (AED)	13	0.14	0.13

The notes numbered 1 to 37 are an integral part of these consolidated financial statements

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Consolidated statement of comprehensive income

For the year ended 31 December

(All amounts in thousands of AED, unless otherwise stated)

	<u>2010</u>	<u>2009</u>
Profit for the year	249,089	216,784
Other comprehensive income		
Net change in fair value of available-for-sale financial assets	(241)	4,907
Effective portion of changes in fair value of cash flow hedges	3,027	-
Directors' fees	<u>(9,000)</u>	<u>(3,000)</u>
Total comprehensive income for the year	<u>242,875</u>	<u>218,691</u>

The notes numbered 1 to 37 are an integral part of these consolidated financial statements

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Consolidated statement of financial position

(All amounts in thousands of AED, unless otherwise stated)

	Note	As at 31 December 2010	As at 31 December 2009
Assets			
Investment property	15	274,260	177,889
Operating lease assets	16	67,307	1,762,688
Vessels	17	89,179	60,056
Investments in finance leases	18	41,996	45,651
Loan investments	19	491,203	430,942
Investments in equity accounted investees	20	2,202,662	1,085,608
Investments available-for-sale	21	68,088	65,398
Project costs	22	8,033	11,746
Furniture and equipment		8,956	5,052
Financial assets at fair value through profit or loss	23	75,991	122,068
Cash-encumbered	24	14,570	96,696
Trade and other receivables	25	189,650	64,544
Cash and cash equivalents	26	268,654	325,266
Total assets		3,800,549	4,253,604
EQUITY AND LIABILITIES			
Equity			
Share capital	27	1,732,500	1,575,000
Statutory reserve	28	89,519	64,610
Available-for-sale equity reserve		1,091	1,332
Hedge reserve		3,027	-
Retained earnings		315,174	296,869
		2,141,311	1,937,811
Liabilities			
Borrowings	29	1,517,633	2,088,762
Trade and other payables	30	141,605	227,031
		1,659,238	2,315,793
Total equity and liabilities		3,800,549	4,253,604

These consolidated financial statements were authorised for issue by the board of directors on 28 February 2011 and signed on their behalf by:



Chairman



Chief Executive Officer

The notes numbered 1 to 37 are an integral part of these consolidated financial statements

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Consolidated statement of changes in equity

For the year ended 31 December 2010

(All amounts in thousands of AED, unless otherwise stated)

	Note	Share capital	Statutory reserve	Hedge reserve	Fair value reserve	Retained earnings	Total
At 1 January 2009		1,575,000	42,932	-	(3,575)	183,513	1,797,870
Total comprehensive income		-	-	-	4,907	213,784	218,691
Transfer to statutory reserve	28	-	21,678	-	-	(21,678)	-
Transactions with the owners of the Company, recognized directly in equity							
Dividend	11	-	-	-	-	(78,750)	(78,750)
At 31 December 2009		1,575,000	64,610	-	1,332	296,869	1,937,811
At 1 January 2010		1,575,000	64,610	-	1,332	296,869	1,937,811
Total comprehensive income		-	-	3,027	(241)	240,089	242,875
Transfer to statutory reserve	28	-	24,909	-	-	(24,909)	-
Transactions with the owners of the Company, recognized directly in equity							
Bonus shares issued	11	157,500	-	-	-	(157,500)	-
Dividend	11	-	-	-	-	(39,375)	(39,375)
At 31 December 2010		1,732,500	89,519	3,027	1,091	315,174	2,141,311

The notes numbered 1 to 37 are an integral part of these consolidated financial statements