

الواحة كابيتال  
WAHA CAPITAL



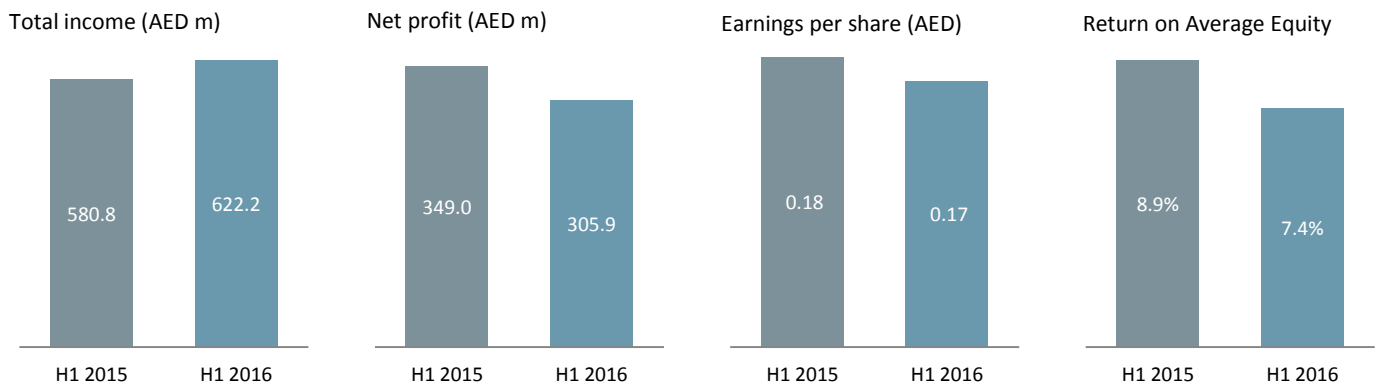
# Q2 REPORT

Management discussion and analysis for the  
six month period ended 30 June 2016

## A QUARTER OF STEADY PERFORMANCE

Waha Capital PJSC (the 'Group') reported net profit attributable to owners of the Company of AED 305.9 million for the six month period ended 30 June 2016 compared to net profit of AED 349.0 million during the corresponding period in 2015. Earnings were driven by solid performance across the business and, in particular, by key investments in Waha Capital's Principal Investments division and a robust performance from the Group's capital markets portfolio.

## KEY PERFORMANCE MEASURES



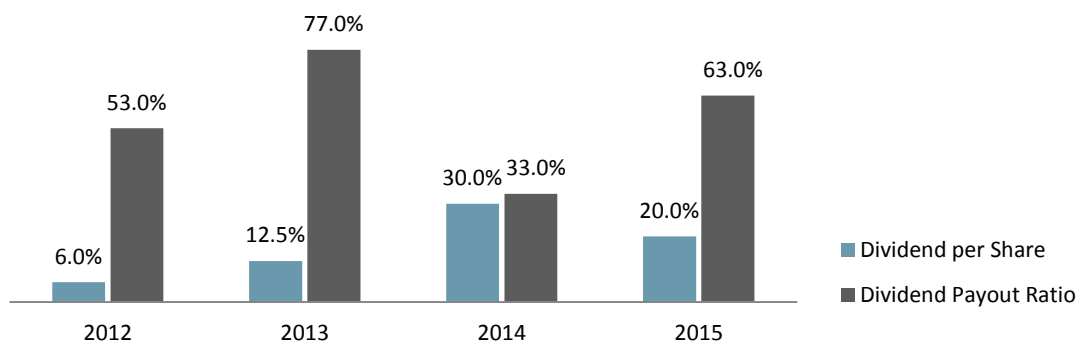
## NEW BUSINESS STRUCTURE TO DRIVE PERFORMANCE

The Group's Principal Investments division is now supported by a strong Asset Management (AM) division which consists of the Group's existing Capital Markets business and a MENA focused Private Equity business.

In addition to sharing investment opportunities with third-party investors, this new structure enables Waha to capitalise on a wider pool of potential investment opportunities across the MENA region and accelerate diversification of revenue streams in 2016 and future years.

## COMMITMENT TO DRIVING SHAREHOLDER VALUE

The Group approved a 2015 dividend of 20% which amounts to AED 370,341 thousand. This represents a dividend payout ratio of 63.0% of the Group's net profit. Historically the dividend trend has been as follows:



The Group continued its share repurchase in 2016 acquiring 4.7 million shares in the three month period ended 30 June 2016. This brings total share repurchases to 97.5 million shares, representing 5.0% of outstanding shares acquired at a cost of AED 250.6 million. Waha Capital will continue to use share buybacks to maximise value to shareholders.

## KEY FINANCIAL HIGHLIGHTS FOR Q2 2016

Summary income statement AED `000	Six month period ended 30 June		Three month period ended 30 June	
	2016	2015	2016	2015
Revenue from sale of goods and services	174,949	134,832	88,592	79,001
Income from equity-accounted associates and joint ventures, net	268,685	300,066	132,282	151,547
Income from financial investments	164,152	142,709	60,365	64,559
Other income, net	14,390	3,237	7,551	2,155
<b>Total income</b>	<b>622,176</b>	580,844	<b>288,790</b>	297,262
Cost of sale of goods and services	(77,572)	(41,656)	(39,966)	(22,114)
General and administrative expenses	(192,077)	(154,588)	(96,216)	(88,561)
Finance cost, net	(50,043)	(35,222)	(26,242)	(19,453)
<b>Total expenses</b>	<b>(319,692)</b>	(231,466)	<b>(162,424)</b>	(130,128)
Non-controlling interest	3,371	(348)	3,644	(277)
<b>Net profit attributable to owners</b>	<b>305,855</b>	349,030	<b>130,010</b>	166,857
<b>Basic and diluted earnings per share (AED)</b>	<b>0.17</b>	0.18	<b>0.07</b>	0.09

### Six month period ended 30 June 2016

Net profit for the six month period ended 30 June 2016 reached AED 305.9 million compared to net profit of AED 349.0 million earned during the corresponding period in 2015.

Return on Average Equity (RoAE) for the six month period ended 30 June 2016 stood at 7.4% compared to 8.9% for the same period during 2015.

Earnings per share was AED 0.17 for the six month period ended 30 June 2016, compared to AED 0.18 achieved for the corresponding period in 2015.

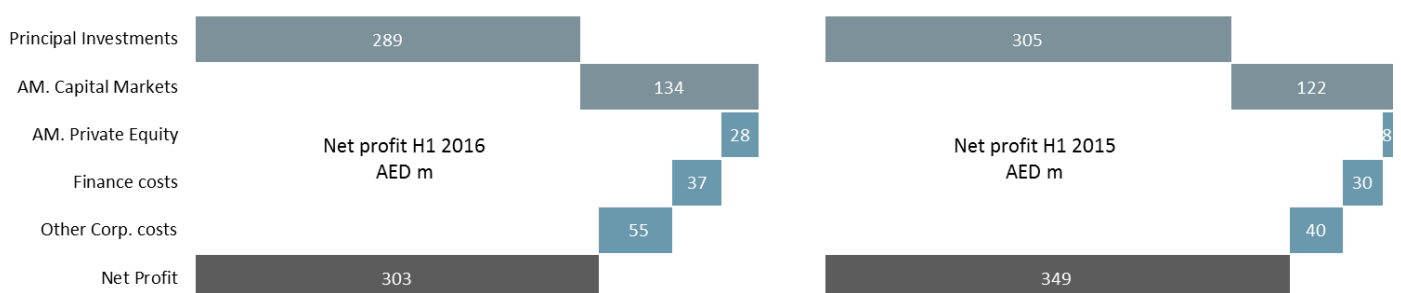
### Three month period ended 30 June 2016

Net profit for the three month period ended 30 June 2016 reached AED 130.0 million compared to net profit of AED 166.9 million earned during the corresponding period in 2015.

Return on Average Equity (RoAE) for the three month period ended 30 June 2016 stood at 3.1% compared to 4.8% for the same period during 2015.

Earnings per share was AED 0.07 for the three month period ended 30 June 2016, compared to AED 0.09 achieved for the corresponding period in 2015.

### Net profit composition



## Total income analysis

### Six month period ended 30 June 2016

Total income reported by the Group for the six month period ended 30 June 2016 was 622.2 million, compared to AED 580.8 million during the corresponding period in 2015, mainly comprised of:

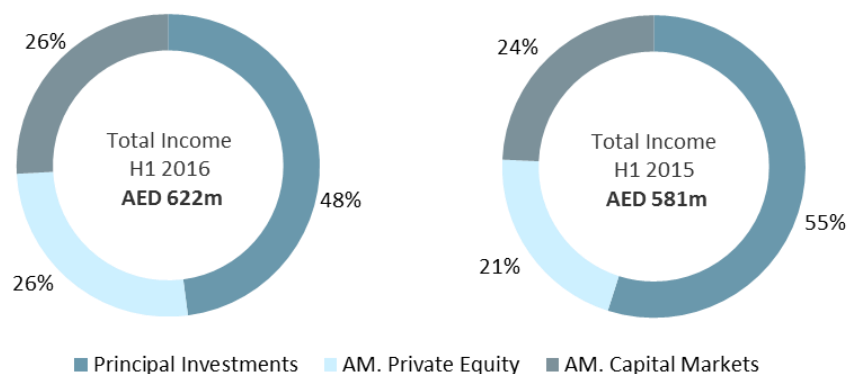
- Revenue from sale of goods and services, amounting to AED 174.9 million, an increase of 29.8% from the corresponding period in 2015, mainly due to the strong performance and consolidation of the Group's healthcare subsidiary (Anglo Arabian Healthcare), and rental income from the Industrial Real Estate subsidiary (Waha Land).
- Income from equity-accounted associates and joint ventures, amounting to AED 268.7 million, reflects the stable performance from AerCap and the Dunia Group amounting to AED 266.9 million and AED 24.0 million respectively; (2015: AED 292.8 million and AED 31.5 million respectively).
- Income from financial investments, amounting to AED 164.2 million, compared to AED 142.7 million during the corresponding period in 2015, mainly due to improved performance of the capital markets related funds.

### Three month period ended 30 June 2016

Total income reported by the Group for the three month period ended 30 June 2016 was 288.8 million, compared to AED 297.3 million during the corresponding period in 2015, mainly comprised of:

- Revenue from sale of goods and services, amounting to AED 88.6 million, an increase of 12.1% from the corresponding period in 2015, mainly due to the strong performance and consolidation of the Group's healthcare subsidiary (Anglo Arabian Healthcare), and rental income from the Industrial Real Estate subsidiary (Waha Land).
- Income from equity-accounted associates and joint ventures, amounting to AED 132.3 million, reflects the stable performance from AerCap and the Dunia Group amounting to AED 142.5 million and AED 10.7 million respectively; (2015: AED 148.1 million and AED 16.6 million respectively).
- Income from financial investments, amounting to AED 60.4 million, compared to AED 64.6 million during the corresponding period in 2015.

## Total income composition



## Balance sheet highlights

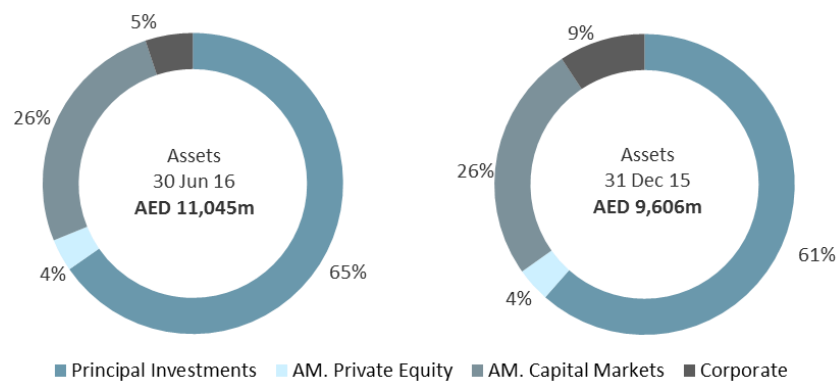
AED `000	As at 30-Jun-16	As at 31-Dec-15
Investments in equity-accounted associates and joint ventures	5,488,053	4,714,977
Investment property	696,354	696,010
Financial investments	3,176,053	2,220,908
Investments in finance leases and loans	247,617	250,737
Other assets	550,012	571,646
Cash and cash equivalents	887,295	1,151,658
<b>Total assets</b>	<b>11,045,384</b>	<b>9,605,936</b>
Borrowings	6,193,700	5,322,255
Trade and other payables	323,557	356,367
Total equity	4,528,127	3,927,314
<b>Total liabilities and equity</b>	<b>11,045,384</b>	<b>9,605,936</b>

The Group's reported total assets of AED 11,045.4 million as at 30 June 2016 compared to AED 9,605.9 million as at 31 December 2015, comprised of:

- Investments in equity-accounted associates and joint ventures**, which increased by AED 773.1 million due to share of profit aggregating AED 268.7 million – mainly from AerCap and Dunia Group, an additional acquisition of AerCap shares for AED 519.1 million and NPS shares for AED 7.1 million; offset by dividend distributions of AED 21.9 million.
- Financial investments**, which increased by AED 955.1 million; mainly representing an increase of AED 433.2 million in capital market portfolios, an increase of AED 592.6 million in equity price collar; offset by a capital reduction in the unquoted fund of AED (77.0) million.
- Cash and cash equivalents**, which decreased by AED 264.4 million; mainly representing AED 519.1 million used towards additional investment in AerCap and AED 7.1 million used towards additional investment in NPS, AED 370.3 million for dividends, AED 315.0 million for investments in capital markets (net of debt); offset by increase in cash balance due to loans drawn down of AED 868.1 million, and proceeds from MENA IF Fund of AED 81.9 million.

The Group's leverage ratio increased to 46.2% as at 30 June 2016 compared to 41.5% as at 31 December 2015, mainly due to increase in net debt following draw down of the Group's credit facility.

## Total asset composition



## BUSINESS AND PORTFOLIO COMPANIES ANALYSIS

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

The Principal Investments division comprises the Group's core investments. The Asset Management division comprises the Group's Capital Markets and Private Equity businesses.

### Principal Investments

Waha Capital's Principal Investments business includes equity and loan investments in individual companies. The Principal Investments portfolio holds five core investments: (a) AerCap Holdings, (b) Waha Land, (c) NPS Holdings Limited, (d) Dunia Group and (e) MENA Infrastructure Fund.

#### 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.

On 4 June 2015, AerCap acquired 15,698,588 of its own shares held by American International Group, Inc. (AIG) for a total purchase consideration of US\$ 750 million, followed by additional buybacks through an open market buyback program in H1 2016. On 13 December 2015, the Group acquired a further 124,846 AerCap shares and in Q1 2016, the Group acquired an additional 3,875,154 shares, for a total consideration of US\$ 146.03 million. As a result of these transactions and AerCap's share buyback program, Waha Capital remains the largest beneficial shareholder of AerCap with ownership interest increasing from 13.5% at 31 December 2015 to 16.4% at 30 June 2016.

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 six month period ended 30 June 2016 were as follows:

- 199 aircraft transactions executed, as follows:
  - Signed lease agreements for 127 aircraft;
  - Purchased 12 aircraft; and
  - Executed sale transactions for 60 aircraft.
- Signed financing transactions for US\$ 2.1 billion.

As of 30 June 2016, AerCap's portfolio consisted of 1,640 aircraft that were either owned, managed, or under contract to purchase.

For the six month period ended 30 June 2016, AerCap has contributed 43% of the Group's total income and its carrying value of AED 4,858.8 million represents 44% of the Group's total assets representing a key component of the Group's strong balance sheet.

#### 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 U.A.E. The ALMARKAZ development is on a 6 km<sup>2</sup> area of land, which was granted by the Government of Abu Dhabi.

Phase 1 of the project occupies 25% of the total land area (1.5 km<sup>2</sup>). Stage 1 of Phase 1 involved the construction of roads and services infrastructure for the 1.5 km<sup>2</sup> of land and 90,000 m<sup>2</sup> of small industrial units (SIU's). The SIU's are fully leased out with a range of tenants from diverse industry segments in the SME space such as plastic and paper manufacturing, food preparation, oil & gas, defence and logistics.

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 m<sup>2</sup> of premium industrial and logistics facilities and will also include retail and commercial amenities to enhance the business park experience of ALMARKAZ.

The Stage 2 development will include flexible industrial buildings, as well as fitted industrial units, dedicated warehouse and storage facilities, commercial offices and food and beverage outlets to serve the growing working population at ALMARKAZ. This expansion is in line with 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.

Stage 2 will be constructed in two packages, with the initial 92,500 m<sup>2</sup> of built up area available for occupancy commencing June 2017. Waha Land has entered into a contract for the construction of Stage 2 with a commitment of AED 158.8 million.

Waha Land's continuing investment objective is to maximise shareholder value by achieving long-term growth in net asset value. Key elements of the ALMARKAZ growth strategy include maximizing portfolio cash flow, maintaining focus on core markets, continuing to attract a diversified tenant base, developing new tenant services, providing exceptional tenant service and to meet the needs of the Abu Dhabi manufacturing and logistics market in addition to SME's.

During the six month period ended 30 June 2016, Waha Land reported:

- Rental revenue and other income of AED 19.3 million (six month period ended 30 June 2015: AED 16.7 million); and
- Net profit of AED 11.4 million (six month period ended 30 June 2015: AED 10.7 million)

The carrying value of Waha Land was AED 738.9 million as at 30 June 2016.

### NPS Holdings Limited

The Group acquired a 20.2% stake in NPS Holdings Limited ("NPS Holdings") in June 2014, as part of a consortium, including Fajr Capital and APICORP. During Q1 2016, the Group acquired an additional stake equivalent to 0.57% which increased the Group's total ownership to 20.7% in NPS Holdings.

NPS Holdings, through its various subsidiaries and joint ventures, has a significant presence in Saudi Arabia, Qatar, United Arab Emirates, Brunei, India, Libya, Bahrain, Iraq, Algeria and Malaysia. NPS Holdings' principal activities include oil well maintenance services such as cementing, coiled tubing, well drilling, well testing and wireline services.

During the six month period ended 30 June 2016, NPS Holdings reported the following:

- Secured contracts worth AED 1,240.4 million (H1 2015: AED 105.1 million), taking current contracts-in-progress to AED 1,927.9 million (30 June 2015: AED 1,611.3 million) – the remaining value as of 30 June 2016;
- Invested AED 147.9 million in capital expenditure (H1 2015: AED 143.1 million);
- Available banking facilities with regional banks for a limit of AED 734 million bearing interest of LIBOR+ 2.9% per annum. The undrawn balance of the facility was AED 94.2 million as at 30 June 2016 (31 December 2015: AED 51.3 million);
- Reported revenue of AED 379.5 million (H1 2015: AED 357.0 million); and
- Reported a gross book value of property, plant and equipment as at 30 June 2016 of AED 1,525.2 million (31 December 2015: AED 1,395.4 million).

The Group's stake in NPS Holdings as an equity-accounted investee was carried at AED 288.0 million as at 30 June 2016.

### Dunia Group

The Group owns a 25% stake in Dunia Finance and a 25% stake in Dunia Services (together "Dunia Group").

*Dunia Finance* is a finance company regulated by the Central Bank of the U.A.E. that offers a range of financial solutions including personal loans, auto loans, credit cards, guarantees and deposits to its customers in the U.A.E. Dunia Finance has demonstrated impressive growth, stable net interest margins and rising profits over the last few years. Net interest margins have consistently been in the 25-35% range. Serving the salaried and mass affluent market enabled Dunia to grow its loan book at a 43.1% CAGR over 2009 to Q2 2016.

During the six month period ended 30 June 2016, Dunia Finance achieved the following:

- Net interest income of AED 291.2 million, an increase of 14.1% on the corresponding period in 2015;
- Net income of AED 84.5 million;
- Loan book expanded to a customer base of 234,000 with 12.5% growth in its loan portfolio on 30 June 2016;
- Cost to income ratio reduced to 16.9% from 30.7% in Q2 2015;
- Customer deposits grew to AED 1.2 billion as at 30 June 2016, an increase of 18.1% compared to 30 June 2015. Customer deposits comprise a mix of deposits pledged for the issue of guarantees, interbank sources, deposits and regular time deposits.
- Prudent impairment reserve of 2.9% of total loans and advances, providing a non-performing loan cover of 1.0x.
- Paid a final dividend of AED 50 million for the financial year 2015.

*Dunia Services FZ LLC* was established in 2012 under the Dubai Technology and Media Free Zone Authority. Dunia Services' principal activity is to offer a range of services including strategy and management consulting and knowledge and business process outsourcing to a range of customers including commercial banks, finance companies and insurance companies.

During the six month period ended 30 June 2016, Dunia Services recorded net income of AED 13.9 million, which is an increase of 20.6% on the corresponding period in 2015. Dunia Services also paid a dividend of AED 33 million for the financial year 2015.

The carrying value of Dunia Group was AED 206.1 million as at 30 June 2016.

### **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 Fund has invested US\$ 222 million over seven years 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 Q1 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%.
- 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 Q1 2016.
- d) Sohar Power Company: Owns and operates a 585MW of combined-cycle gas-fired power generation and 150,000m<sup>3</sup> of water desalination capacity in Oman. The Fund's ownership in the project is 20%.

During the first quarter 2016, the Fund successfully exited from AICT and UPC for which Waha Capital received gross distributions of AED 81.9 million including dividend and capital repayment.

The Fund's dividend yield is c. 7.4%. The Group originally committed to fund AED 197.7 million (17.9% of total commitment); 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 157 million in distributions.

As at 30 June 2016, the Group carried its LP stake in the Fund at AED 71.7 million.

### **Asset Management**

The Asset Management division comprises the Group's Capital Markets and Private Equity businesses.

#### **Asset Management - Capital Markets**

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

During the period, the Capital Markets business has outperformed its indices for both portfolios – fixed income and equities. The investment process is complemented by dedicated in-house research and robust risk management.

Capital Markets invest in securities such as bonds, sukuk, convertibles, equities, hybrids, IPOs and pre-IPOs. Capital Markets manages two 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 launched the Waha CEEMEA Fixed Income Fund SP and the Waha MENA Equity Fund SP on 26 June 2015 and 3 July 2015 respectively, which are now being offered to 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, a U.A.E Central Bank licensed Investment Manager.

Capital Markets is in process of launching two more funds – Credit Opportunities Fund and MENA Value Fund – by committing US\$ 50 million seed money for each. The Credit Opportunities Fund will focus on income-generating private debt instruments such as senior debt, subordinated paper including loans, mezzanine facilities, notes, bonds and convertibles in MENA while the Value Fund will seek long-term capital appreciation by investing in equities and other securities in MENA.



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.

Capital Markets strengthened the sales team and is now focused on actively marketing the funds to investors as well as focusing on continuing the growth of current Assets Under Management.

Capital Markets generated AED 126.8 million from private and public transactions during the period ended 30 June 2016. The carrying value of Capital Market assets was AED 2,877.5 million as at 30 June 2016.

### **Asset Management - Private Equity**

Waha Capital's Asset Management – Private Equity business portfolio holds the Group's investment in Anglo Arabian Healthcare.

#### **Anglo Arabian Healthcare**

In 2013, the Group made its first investment in the healthcare sector by acquiring Anglo Arabian Healthcare (AAH), a group established to deliver healthcare services throughout the United Arab Emirates. AAH owns and operates more than 26 business assets, employs more than 900 people and serves over 540,000 registered outpatients.

AAH's operating assets consist of 13 clinics, 5 pharmacies, 6 diagnostics centres, 1 medical education provider, 1 day-hospital and 1 new hospital which opened in Q4 2015. Subsequent to the launch of the new hospital, the inpatient capacity of 1,872 per annum has increased to c. 23,400 per annum. The launch of the new hospital, which will offer inpatient and outpatient services, was a significant milestone in the history of AAH.

AAH is well placed and plans to expand rapidly over the next few years, both organically and through further strategic acquisitions, in particular from the roll out of mandatory medical insurance in the United Arab Emirates.

During the six month period ended 30 June 2016, AAH has achieved the following:

- Consolidated revenue of AED 159.0 million, a 32.5% increase on AED 120.0 million in the corresponding period in 2015. Consolidated revenue is comprised of AED 89.2 m (2015: AED 52.4m) from laboratory services, AED 57.4m (2015: AED 59.1m) from patient fees and AED 12.4m (2015: AED 8.5m) from sale of pharmaceuticals
- Shareholders' equity base of AED 250.7 million as at 30 June 2016 compared to AED 209.8 million as at 31 December 2015

The carrying value of AAH's net assets was AED 231.7 million as at 30 June 2016.

### **Outlook**

Waha Capital's second quarter 2016 results show that the company continues to perform well and in-line with its strategy of diversifying its revenue streams. Earnings were driven by solid performance across the business and, in particular, by key assets in Waha Capital's Principal Investments division and a robust performance from the company's capital markets portfolio.

The company has successfully streamlined its divisional structure to enhance its recurring revenues and has invested in developing and growing new lines of fee-generating businesses. Waha Capital now offers its investment expertise to third-party investors and its funds have continued to outperform their benchmarks, having established an excellent track-record over the last four years. The Asset Management division is central to the Group's future growth strategy and the new structure enables Waha Capital to capitalise on a wider pool of potential investment opportunities.

Looking at the rest of the year, Waha Capital expects the current volatile market conditions to generate attractive valuations providing unique opportunities for the Group's private equity team to deploy capital in small to mid-cap sectors across the GCC and the wider MENA region.

With a strong balance sheet in place, Waha Capital remains well positioned to deliver steady and sustained growth that will add to shareholder value and generate attractive returns.

#### **Salem Rashid Al Noaimi**

CEO & Managing Director, Al Waha Capital PJSC  
10 August 2016