

الواحة كابيتال  
WAHA CAPITAL



# Q3 REPORT

Management discussion and analysis  
for the period ended 30 September 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 295.1 million for the nine month period ended 30 September 2018 compared to net profit of AED 267.8 million for the corresponding period of 2017.

### Key Activities during the period

On 6<sup>th</sup> August 2018, the Group, along with co-investors, entered into a conditional subscription agreement to acquire 35% stake in Dubai-based Petronash. The transaction closed on 10<sup>th</sup> October 2018 which includes options, pursuant to which the Group can increase its ownership up to 50% in Petronash.

During the period, equity price collars on 6.88 million shares of AerCap Holdings N.V. ("AerCap") matured and were settled. As part of the transaction, 6.68 million shares of AerCap were disposed (4.55%) for total consideration of AED 1,333.1 million and the corresponding borrowing of AED 923.3 million.

During the period, 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 12<sup>th</sup> 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 142.3 million and total consideration of AED 426.5 million, comprising cash proceeds of AED 245.5 million and 5.8% equity stake in NESR Corp. During the period, the Group recognised gain on disposal of AED 92.1 million and total consideration of AED 312.3 million, comprising cash consideration of AED 130.6 million and 5.8% equity stake in NESR Corp.

During the period, the Group raised a net amount of AED 188.6 million from non-controlling interest holders in the three public market funds. Total assets under management reached AED 2.6 billion as at 30 September 2018 compared to AED 2.1 billion as at 31 December 2017, an increase of 23.8%. The assets under management attributable to Owners of the Company were AED 1.6 billion as at 30 September 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 period, attributable to Owners of the Company were; Waha CEEMEA Credit Fund SP (previously named Waha CEEMEA Fixed income fund) of 10.1%, MENA Equity Fund SP of 9.6% and MENA Value Fund SP of -0.6%. During the period, the Group also invested AED 110.3 million in public market funds which returned 6.3% in Waha CEEMEA Credit Fund SP (previously named Waha CEEMEA Fixed income fund) and -0.6% in MENA Equity Fund SP.

## KEY PERFORMANCE MEASURES

### Total income

#### Nine month period ended 30 September 2018

Total income of AED 812.2 million for the nine month period ended 30 September 2018, compared to AED 806.7 million for the corresponding period of 2017, was driven by the following:

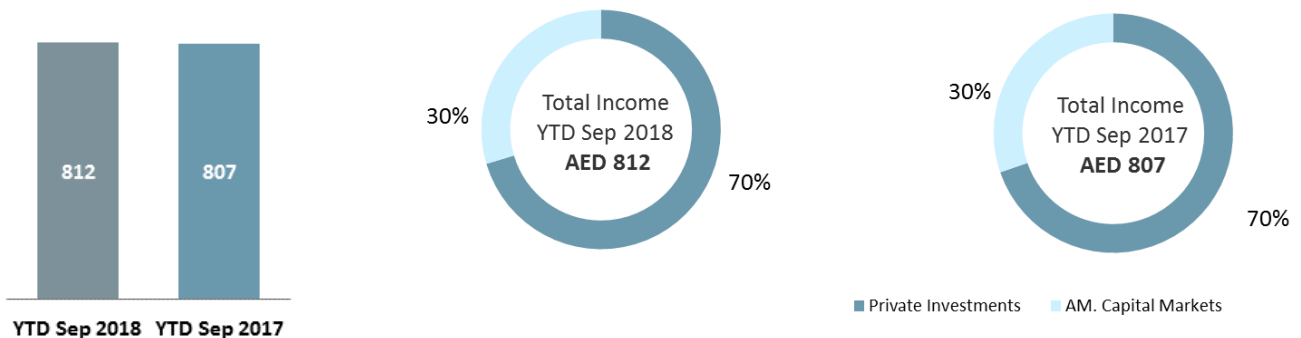
- Private Investments of AED 571.6 million (70.4% of total income) compared to AED 562.2 million in 2017 (69.7% of total income), reflecting an adjustment of AED 147.3 million (30 September 2017: AED 193.2 million) following a conservative reassessment of AerCap's recoverable amount.
- Asset Management – Capital Markets of AED 240.6 million (29.6% of total income) compared to AED 244.5 million in 2017 (30.3% of total income).

#### Three month period ended 30 September 2018

Total income of AED 199.4 million for the three month period ended 30 September 2018, compared to AED 265.6 million for the corresponding period of 2017, was driven by the following:

- Private Investments of AED 199.3 million (99.9% of total income) compared to AED 182.9 million in 2017 (68.9% of total income), reflecting an adjustment of AED 3.5 million (30 September 2017: AED 67.8 million) following a conservative reassessment of AerCap's recoverable amount.
- Asset Management – Capital Markets of AED 0.1 million (0.1% of total income) compared to AED 82.7 million in 2017 (31.1% of total income).

AED in millions



### Net profit (attributable to Owners of the Company)

#### Nine month period ended 30 September 2018

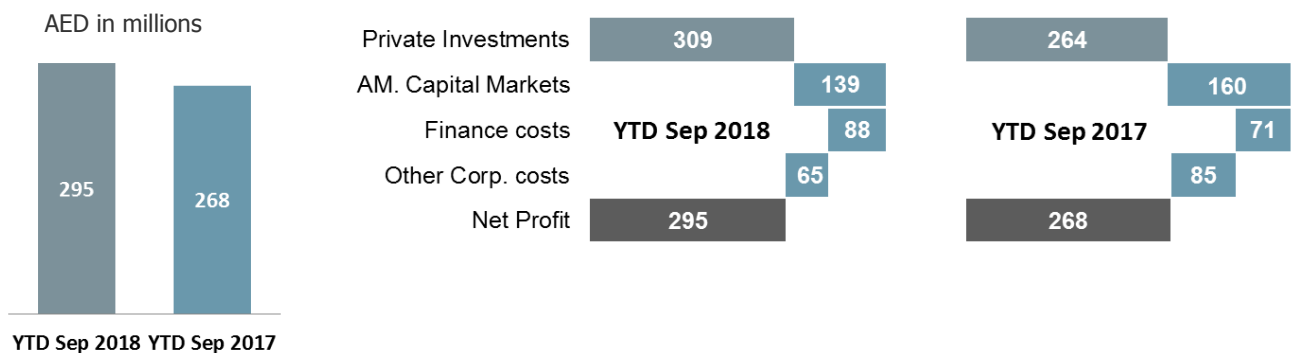
Net profit of AED 295.1 million for the nine month period ended 30 September 2018, compared to AED 267.8 million for the corresponding period of 2017, was driven by the following:

- Private Investments of AED 309.2 million compared to AED 264.4 million during the corresponding period in 2017.
- Asset Management – Capital Markets of AED 138.8 million compared to AED 160.1 million during the corresponding period in 2017.

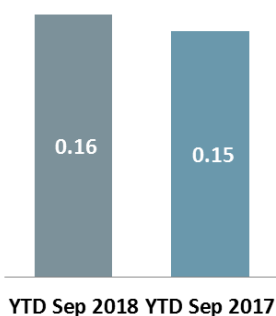
#### Three month period ended 30 September 2018

Net profit of AED 55.4 million for the three month period ended 30 September 2018, compared to AED 84.7 million for the corresponding period of 2017, was driven by the following:

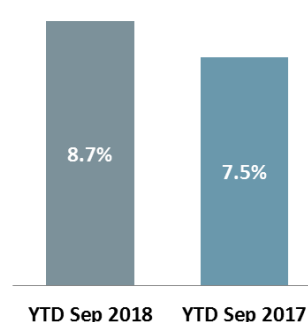
- Private Investments of AED 113.2 million compared to AED 90.2 million during the corresponding period in 2017.
- Asset Management – Capital Markets loss of AED 6.2 million compared to AED 50.0 million during the corresponding period in 2017.



### Earnings per share (AED)

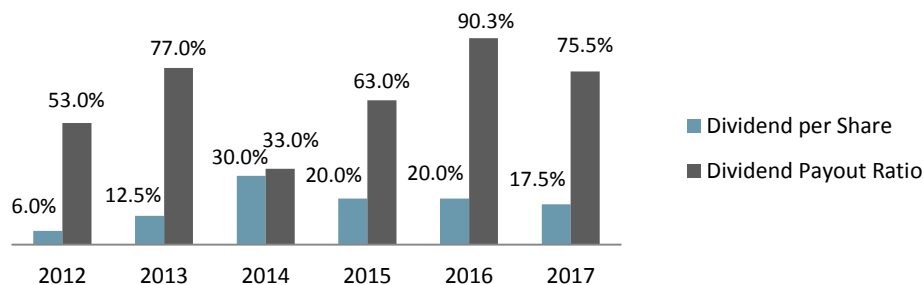


### Return on Average Equity (%)



## DIVIDEND PROFILE

The Company held its Annual General Meeting on 25<sup>th</sup> March 2018, during which the shareholders approved a cash dividend amounting to AED 321.7 million representing AED 0.175 per share (22 March 2017: cash dividend of AED 367.7 million representing AED 0.20 per share). Historically the dividend trend is as follows:



## KEY FINANCIAL HIGHLIGHTS

	Nine month period ended 30 Sep		Three month period ended 30 Sep	
	2018	2017	2018	2017
<b>Summary income statement AED '000</b>				
Revenue from sale of goods and services	211,070	244,683	66,867	77,944
Share of profit and gain on disposal of equity accounted associates and joint ventures, net	470,697	471,538	164,535	167,192
Gain on disposal of asset held for sale	92,098	-	-	-
Impairment of equity-accounted associates and joint ventures	(147,266)	(205,822)	(3,521)	(67,833)
Income from financial investments	161,645	281,175	(37,890)	90,133
Other income, net	23,929	15,111	9,411	(1,830)
<b>Total income</b>	<b>812,173</b>	<b>806,685</b>	<b>199,402</b>	<b>265,606</b>
Cost of sale of goods and services	(162,570)	(172,025)	(53,005)	(51,717)
General and administrative expenses - company	(90,256)	(117,935)	(30,162)	(39,126)
General and administrative expenses - subsidiaries	(113,195)	(132,918)	(41,959)	(45,332)
Finance cost, net	(113,110)	(91,427)	(39,502)	(33,082)
<b>Total expenses</b>	<b>(479,131)</b>	<b>(514,305)</b>	<b>(164,628)</b>	<b>(169,257)</b>
<b>Profit for the period</b>	<b>333,042</b>	<b>292,380</b>	<b>34,774</b>	<b>96,349</b>
Non-controlling interests	(37,925)	(24,572)	20,615	(11,677)
<b>Profit attributable to owners of the Company</b>	<b>295,117</b>	<b>267,808</b>	<b>55,389</b>	<b>84,672</b>
<b>Basic and diluted earnings per share (AED)</b>	<b>0.16</b>	<b>0.15</b>	<b>0.03</b>	<b>0.05</b>

## TOTAL INCOME ANALYSIS

### Nine month period ended 30 September 2018

Total income reported by the Group for the nine month period ended 30 September 2018 was AED 812.2 million, compared to AED 806.7 million during the corresponding period in 2017, mainly comprised of:

- a) Revenue from sale of goods and services, amounting to AED 211.1 million (30 September 2017: AED 244.7 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. A reduction in laboratory fees of AED 47.6 million mainly due to the sale of Proficiency Healthcare Diagnostics (PHD) in December 2017, was partially offset by an increase in patient fees of AED 10.8 million.
- b) Share of profit and gain on disposal of equity accounted associates and joint ventures, net, amounting to AED 470.7 million (30 September 2017: AED 471.5 million), mainly includes:
  - AerCap Holdings NV:
    - share of profit of AED 460.6 million (30 September 2017: AED 475.2 million);
    - gain on disposal of AED 64.1 million relating to the disposal of 6.68 million shares;
  - Channel VAS: share of profit of AED 2.0 million (30 September 2017: AED nil); and
  - NPS Holdings Limited: share of profit of AED nil (30 September 2017: AED 21.9 million).
- c) Gain on disposal of asset held for sale, amounting to AED 92.1 million (30 September 2017: AED nil), 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) Impairment of equity accounted associates and joint ventures, amounting to AED 147.3 million (30 September 2017: AED 205.8 million), includes:
  - AerCap Holdings NV: AED 147.3 million (30 September 2017: AED 193.2 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 (30 September 2017: AED 12.6 million).
- e) Income from financial investments, amounting to AED 161.6 million compared to AED 281.2 million in 2017, mainly due to:

#### Capital Markets:

- Higher income from private transactions by AED 19.9 million; and
- Increase of AED 20.0 million due to better performance of the fixed income fund portfolio; offset by
- Decrease of AED 43.9 million due to lower income of the equity funds portfolio.

#### Private Investments:

- Decrease of AED 36.6 million due to mark-to-market movement in SDX Energy Inc.;
- Loss due to hedge reserve reclassification on the maturity of equity price collar amounting to AED 103.1 million;
- Decrease of AED 4.9 million due to mark-to-market movement in MENA LP Fund.; offset by
- Increase of AED 29.4 million due to mark-to-market movement in NESR.

### Three month period ended 30 September 2018

Total income reported by the Group for the three month period ended 30 September 2018 was AED 199.4 million, compared to AED 265.6 million during the corresponding period in 2017, mainly comprised of:

- a) Revenue from sale of goods and services, amounting to AED 66.9 million (30 September 2017: AED 77.9 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. A reduction in laboratory fees of AED 14.3 million mainly due to the sale of Proficiency Healthcare Diagnostics (PHD) in December 2017, was partially offset by an increase in patient fees of AED 34.5 million.
- b) Share of profit and gain on disposal of equity accounted associates and joint ventures, net, amounting to AED 164.5 million (30 September 2017: AED 167.2 million), mainly includes:
  - AerCap Holdings NV:
    - share of profit of AED 148.6 million (30 September 2017: AED 168.9 million);
    - gain on disposal of AED 39.1 million relating to the disposal of 2.91 million shares;
  - Channel VAS: share of profit of AED 1.2 million (30 September 2017: AED nil); and
  - NPS Holdings Limited: share of profit of AED nil (30 September 2017: AED 3.2 million).
- c) Impairment of associates and joint ventures, amounting to AED 3.5 million (30 September 2017: AED 67.8 million), includes:



- AerCap Holdings NV: AED 3.5 million (30 September 2017: AED 67.8 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.
- d) **Income from financial investments**, amounting to a loss of AED 37.9 million compared to an income of AED 90.1 million in 2017, mainly due to:

*Capital Markets:*

- Higher income from private transactions by AED 5.9 million; and
- Increase of AED 29.9 million due to better performance of the fixed income fund portfolio; offset by
- Decrease of AED 119.3 million due to lower income from the equity funds portfolio.

*Private Investments:*

- Increase of AED 23.0 million due to mark-to-market movement in NESR; offset by
- Decrease of AED 10.7 million due to mark-to-market movement in SDX Energy Inc;
- Loss due to hedge reserve reclassification on the maturity of equity price collar amounting to AED 53.9 million; and
- Decrease of AED 2.9 million due to market-to-market movement in MENA LP Fund.

## TOTAL EXPENSE ANALYSIS

### Nine month period ended 30 September 2018

Total expenses reported by the Group for the nine month period ended 30 September 2018 was AED 479.1 million, compared to AED 514.3 million during the corresponding period in 2017, mainly comprised of:

- a) **Cost of sale of goods and services**, amounting to AED 162.6 million decreased from AED 172.0 million in the corresponding period of 2017, mainly due to disposal of PHD in December 2017, which had reported cost of sales of AED 28.6 million in the corresponding period in 2017 which was offset by the increase of revenue from other entities.
- b) **General and administrative expenses - Company**, amounting to AED 90.3 million compared to AED 117.9 million in the corresponding period of 2017, a reduction of AED 27.6 million, mainly due to lower staff costs and legal and professional expenses.
- c) **General and administrative expenses - Subsidiaries**, amounting to AED 113.2 million, reduced from AED 132.9 million in the corresponding period of 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 87.5 million, compared to AED 71.7 million in the corresponding period of 2017, an increase of AED 15.8 million, mainly due to higher utilisation of the corporate credit facility.
- e) **Finance costs, net - Subsidiaries**, amounting to AED 25.6 million, compared to AED 19.7 million in the corresponding period of 2017, an increase of AED 5.9 million, mainly due to higher utilisation of repurchase liabilities.

### Three month period ended 30 September 2018

Total expenses reported by the Group for the three month period ended 30 September 2018 was AED 164.6 million, compared to AED 169.3 million during the corresponding period in 2017, mainly comprised of:

- a) **Cost of sale of goods and services**, amounting to AED 53.0 million decreased from AED 51.7 million in the corresponding period of 2017, mainly due to disposal of PHD in December 2017, which had reported cost of sales of AED 9.5 million in the corresponding period in 2017.
- b) **General and administrative expenses - Company**, amounting to AED 30.2 million compared to AED 39.1 million in the corresponding period of 2017, a reduction of AED 8.9 million, mainly due to lower staff costs.
- c) **General and administrative expenses - Subsidiaries**, amounting to AED 42.0 million, reduced from AED 45.3 million in the corresponding period of 2017. The reduction was mainly due to the disposal of PHD, offset by increase in expenses of public market funds.
- d) **Finance costs, net - Company**, amounting to AED 30.9 million, compared to AED 26.1 million in the corresponding period of 2017, an increase of AED 4.8 million, mainly due to higher utilisation of the corporate credit facility.
- e) **Finance costs, net - Subsidiaries**, amounting to AED 8.6 million, compared to AED 7.0 million in the corresponding period of 2017, an increase of AED 1.6 million, mainly due to higher utilisation of repurchase liabilities.

## Balance sheet highlights

AED `000	As at 30-Sep-18	As at 31-Dec-17
Investments in associates and joint ventures	4,618,016	5,321,224
Investment property	772,667	758,666
Financial investments	5,018,475	3,575,184
Investments in finance leases and loans	235,798	242,893
Other assets	833,124	717,269
Cash and cash equivalents	871,024	519,626
Asset classified as held for sale	-	219,480
<b>Total assets</b>	<b>12,349,104</b>	<b>11,354,342</b>
Borrowings	6,917,974	6,584,012
End of service benefit provision	32,873	32,608
Derivative liabilities	70,402	123,263
Trade and other liabilities	944,663	444,609
<b>Total liabilities</b>	<b>7,965,912</b>	<b>7,184,492</b>
<b>Total equity</b>	<b>4,383,192</b>	<b>4,169,850</b>
<b>Total liabilities and equity</b>	<b>12,349,104</b>	<b>11,354,342</b>

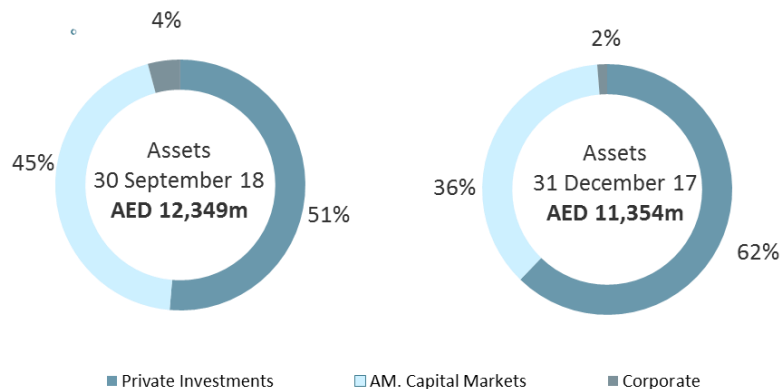
The Group's total assets of AED 12,349.1 million as at 30 September 2018, compared to AED 11,354.3 million as at 31 December 2017, an increase of AED 994.8 million, comprised of:

- a) **Investments in associates and joint ventures** of AED 4,618.0 million compared to AED 5,321.2 million in 2017, a decrease of AED 703.2 million; mainly representing the disposal of 6.68 million AerCap shares of AED 1,273.3 million; dividends received from Channel VAS and ICCG amounting to AED 13.6 million and AED 5.5 million respectively; impact of adoption of new accounting standards of AED 103.5 million; offset by the share of profit, net of impairment of AED 259.3 million.
- b) **Investment property** of AED 772.7 million compared to AED 758.7 million in 2017, an increase of AED 14.0 million; representing development cost of industrial real estate.
- c) **Financial investments** of AED 5,018.5 million compared to AED 3,575.2 million in 2017, an increase of AED 1,443.3 million, mainly due to public market funds and acquisition of NESR, a NASDAQ-listed entity.
- d) **Other assets** of AED 833.1 million compared to AED 717.3 million in 2017, an increase of AED 115.8 million; mainly represents increase in working capital movement of Capital Markets transactions amounting to AED 95.2 million.
- e) **Cash and cash equivalents** of AED 871.0 million compared to AED 519.6 million in 2017, increase of AED 351.4 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 293.5 million and proceeds from net settlement of AerCap shares of AED 281.8 million;
  - Capital Markets: investments of AED 1,010.4 million; funded by repurchase liabilities of AED 914.3 million and net contributions from non-controlling interest holders of AED 188.6 million; and
  - Private Investments: NPS Holdings Limited disposal proceeds of AED 245.5 million.
- f) **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.

The Group's total liabilities of AED 7,965.9 million as at 30 September 2018 compared to AED 7,184.5 million as at 31 December 2017, an increase of AED 781.4 million, comprised of:

- a) **Borrowings** of AED 6,918.0 million compared to AED 6,584.0 million in 2017, an increase of AED 334.0 million mainly represents net loan drawdowns from Corporate, Capital Markets and Private Investments amounting to AED 293.5 million, AED 914.3 million and AED 9.4 million respectively; offset by settlement of collar borrowings of AED 923.3 million.
- b) **Derivative liabilities** of AED 70.4 million compared to AED 123.3 million in 2017, a decrease of AED 52.9 million; due to fair value movement and partial settlement of AerCap collar.
- c) **Trade and other liabilities** of AED 944.7 million compared to AED 444.6 million in 2017, an increase of AED 500.1 million; relates mainly to the acquisition consideration of an equity accounted investment amounting to AED 444.1 million.

## Total assets composition



## Cash flows analysis

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

### AED `000

Cash flows generated from / (used in) operating activities  
Cash flows generated from / (used in) investing activities  
Cash flows (used in) / generated from financing activities  
Net increase / (decrease) in cash and cash equivalents

	30-Sep-18	30-Sep-17
	<b>1,153,107</b>	(648,739)
	<b>14,453</b>	(150,668)
	<b>(816,052)</b>	726,513
	<b>351,508</b>	(72,894)

### Nine month period ended 30 September 2018

Cash flows from operating activities generated AED 1,153.1 million in the nine month period ended 30 September 2018 compared to AED 648.7 million used in 2017, was mainly driven by:

- Partial disposal of investment in AerCap of AED 1,333.1 million (30 September 2017: AED nil);
- Disposal of investment in NPS Holdings Limited of AED 245.5 million (30 September 2017: AED nil);
- Fund Investments in public securities of AED 96.0 million, net of repurchase liabilities (30 September 2017: AED 478.6 million).

Cash flows used in financing activities were AED 816.1 million in the nine month period ended 30 September 2018 compared to cash generated of AED 726.5 million in 2017, as follows:

- Dividend payment of of AED 321.7 million (30 September 2017: 367.7 million);
- Net corporate facility loan drawdown of AED 293.5 million (30 September 2017: AED 735.6 million).
- Repayment of Collar financing amounting to AED 923.3 million (30 September 2017: AED nil);
- Contribution from non-controlling interest holders amounting to AED 198.1 million (30 September 2017: AED 302.8 million).

## Leverage

The Group's leverage was 28.9% as at 30 September 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 eight core investments: (a) AerCap Holdings NV (AerCap), (b) Waha Land, (c) National Energy Services Reunited, (d) Dunia Group, (e) MENA Infrastructure Fund, (f) Channel VAS, (g) Petronash and (h) Anglo Arabian Healthcare.

Private Investments reported total income of AED 571.6 million and net profit attributable to owners of AED 309.2 million for the period ended 30 September 2018, compared to total income of AED 562.2 million and net profit attributable to owners of AED 264.4 million during the corresponding period in 2017. Total income from Private Investments represented 70.4% of the Group's total income for period ended 30 September 2018 compared to 69.7% during the corresponding period 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 period, the Group disposed 6.68 million shares equivalent to 4.55% stake in AerCap for a consideration of AED 1,333.1 million, resulting in the recognition of gain on disposal of AED 64.1 million. Consequently, the Group's stake in AerCap reduced from 17.55% to 13.00%. Further, during the period, AerCap carried out a share buyback program, which the Group did not participate in. Consequently, the Group's beneficial ownership increased from 13.00% to 13.72%.

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 period ended 30 September 2018 were as follows:

- 291 aircraft transactions executed, as follows:
  - Signed lease agreements for 185 aircraft;
  - Purchased 39 aircraft;
  - Executed sale transactions for 67 aircraft;
- Signed financing transactions for USD 3.5 million.
- AED 40.5 billion of available liquidity and adjusted debt/equity ratio of 2.7 to 1.

As of 30 September 2018, AerCap's portfolio consisted of 1,457 aircraft that were owned, on order or managed. The average age of owned fleet was 6.6 years and the average remaining contracted lease term was 7.1 years.

For the period ended 30 September 2018, AerCap has contributed 46.5% of the Group's total income and its carrying value of AED 3,988.3 million represents 32.3% of the Group's total assets.

### 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 6<sup>th</sup> 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 142.3 million and total consideration of AED 426.5 million, comprising cash proceeds of AED 245.5 million and 5.8% equity stake in NESR Corp.

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 June 2018, the Group recognised gain on disposal of AED 92.1 million and total consideration of AED 312.3 million, comprising cash consideration of AED 130.6 million and 5.8% equity stake in NESR Corp.

The key highlights of NESR for the six month period ended 30 June 2018 were as follows:

- Revenue growth was strong for NESR and, in particular, NPS grew revenues approximately 38% year over year when comparing the first half of 2018 to the same prior year period. On a combined basis, NESR grew revenues by 12% between Q1 and Q2 of 2018 and 14% when comparing the first half of 2018 to prior year.
- Awarded new contracts worth US\$360 million (or AED 1,324.1 million) in the second quarter of 2018;
- Reported net income of US\$2.8 million (or AED 10.3 million) and adjusted EBITDA of US\$66 million (or AED 242.7 million) for the combined entities; and
- Integration activities are on track and are anticipated to yield incremental synergies across all subsidiaries in the second half of 2018 and into 2019.

The carrying value of NESR Corp was AED 211.1 million as at 30 September 2018.

### Channel VAS

In September 2017, Waha Capital acquired a 20% stake in Dubai-based fintech firm Channel VAS at a consideration of AED 200.5 million. Incorporated in 2012, Channel VAS is a premium provider of fintech solutions for mobile network operators and financial institutions. Company offerings include Airtime Credit Services, Mobile Financial Services, Handset Loans, Value Added Services, Micro Cash Loans, Data Loans, etc.

The company is present in over 25 countries and has grown rapidly to provide over US\$ 871 million Nano loans in the fiscal year 2017 compared with US\$ 755 million in 2016. Channel VAS currently has access to over 500 million mobile subscribers, who utilize the company's credit scoring and delivery service. The company sees high potential for growth in what is currently a US\$ 69 billion airtime credit industry as well as a much larger untapped market for newer Channel VAS product lines including micro cash loans and hand set finance loans

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

During the nine month period ended 30 September 2018, Channel VAS reported the following performance:

- Revenue of AED 141.3 million, compared to AED 123.1 million in the corresponding period 2017; and
- Paid a dividend of AED 71.3 million, compared to AED 43.3 million in the corresponding period 2017.

The carrying value of Channel VAS was AED 184.4 million as at 30 September 2018.

## SDX Energy

SDX Energy is engaged in the exploration for and development and production of oil and natural gas, with principle properties located in the Arab Republic of Egypt and the Kingdom of Morocco. SDX Energy shares trade on the Toronto Venture Stock Exchange ("TSX-V") in Canada and on the London Stock Exchange's Alternative Investment Market ("AIM") in the United Kingdom under the symbol "SDX". SDX Energy was created in October 2015 through the merger of Sea Dragon Energy and privately owned Madison PetroGas. 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. SDX Energy's portfolio contains interests in 6 concessions – a) Egypt – NW Gemsa, b) Egypt – Meseda, c) Egypt – South Disouq, d) Egypt – South Ramadan, e) Morocco – Sebou, and f) Morocco – Lalla Mimouna.

The Group has 19.5% stake in SDX Energy which has been classified as Associate carried and measured at FVTPL.

During the six month period ended 30 June 2018, SDX Energy reported the following performance:

- Significant operational progress across portfolio with discoveries from 20 of the 23 wells drilled, representing success rate of 87%;
- Production of 3,234 boe/d compared to 3,180 boe/d in corresponding 2017;
- Net realized average oil price of US\$61.97/barrel compared to US\$ 43.44/barrel in corresponding 2017;
- Net realized average Morocco gas price of US\$10.27/mcf compared to US\$ 9.38/mcf in corresponding 2017;
- Revenue of AED 89.9 million, compared to AED 66.3 million in corresponding 2017;
- Gross profit of AED 70.9 million, compared to AED 47.9 million in corresponding 2017;
- Cash flow from operations of AED 74.7 million, compared to AED 40.8 million in corresponding 2017;
- Invested AED 79.2 million into capital expenditure, compared to AED 6.7 million in corresponding 2017; and
- Cash balance of AED 92.8 million at 30 June 2018, compared to AED 95.1 million at 31 December 2017.

The carrying value of SDX Energy was AED 109.9 million as at 30 September 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 km<sup>2</sup> 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 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 (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, and 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 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. Stage 2 is being constructed in two packages (2a & 2b), with the initial Stage 2a consisting of 92,500 m<sup>2</sup> of built up area.

The construction of Stage 2a is complete with initial batch of tenants starting to commence their operations from the units. The Stage 2 development includes flexible industrial buildings, as well as ready to occupy industrial units, warehouse and storage facilities, commercial office retail units and other amenities to serve the expanding 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.

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 the nine month period ended 30 September 2018, Waha Land reported:

- Rental revenue and other income of AED 24.6 million (30 September 2017: AED 28.1 million);
- Cumulative development cost of AED 190.3 million (31 December 2017: AED 176.3 million) incurred for the construction of Stage 2A;
- Net profit of AED 11.4 million (30 September 2017: AED 16.7 million).

The carrying value of investment property was AED 772.7 million as at 30 September 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 150,000m<sup>3</sup> 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. 5.7%. 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 30 September 2018, the Group carried its LP stake in the Fund at AED 59.0 million.

## 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 30 business assets, employs more than 900 people and serves over 800,000 registered outpatients.

A portfolio of 30 operating assets consist of 20 clinics, 7 pharmacies, 1 diagnostics centre, 1 medical education provider and 1 hospital with inpatient capacity of c. 10,000 per annum.

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 nine month period ended 30 September 2018, AAH has achieved the following:

- Consolidated revenue of AED 188.4 million, a 15.1% decrease on AED 222.0 million in the corresponding period in 2017, mainly due to the disposal of PHD in December 2017;
- Consolidated revenue is comprised of AED 42.2 million (2017: AED 89.8 million) from laboratory services, AED 115.9 million (2017: AED 105.1 million) from patient fees and AED 30.3 million (2017: AED 27.1 million) from sale of pharmaceuticals; and
- Shareholders' equity base attributable to owners of AED 228.3 million as at 30 September 2018 compared to AED 364.4 million as at 31 December 2017.

The Group's carrying value of AAH's net assets was AED 217.8 million as at 30 September 2018.

## Asset Management

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

### Asset Management - Capital Markets

Total income from Capital Markets from public funds and private transactions was AED 240.6 million for the period ended 30 September 2018 (29.6% of total income) compared to AED 244.5 million during the corresponding period in 2017 (30.3% of total income). Capital Markets generated a net profit of AED 190.4 million during the period ended 30 September 2018 (AED 138.8 million attributable to the Owners of the Company) compared to AED 203.8 million during the corresponding period in 2017 (AED 160.1 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 six-plus-year track record of managing a portfolio of global credit market investments and four-plus-year track record of managing a portfolio of regional equities.

During the period, the Capital Markets business has outperformed the index for its fixed income portfolio and was in line with the index for its equity portfolio. 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 UAE Central Bank and the Securities & Commodities Authority. Total assets managed by Waha Investment PrJSC, including third party subscriptions, amount to AED 2.6 billion as of 30 September 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.

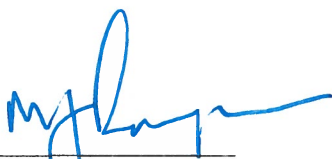
Capital Markets sales team is focused on actively marketing the funds to investors as well as focusing on continuing the growth of current Assets Under Management.

## Outlook

Waha Capital's nine month period ended 30 September 2018 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 Private Investments division and a robust performance from the Company's Capital Markets portfolio.

The Company continues to streamline 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 established an excellent track-record over the last six years.

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



**Michael Raynes**

Chief Executive Officer, Al Waha Capital PJSC  
7 November 2018