

الواحة كابيتال
WAHA CAPITAL



Q1 REPORT

Management discussion and analysis
for the period ended 31 March 2017

RECALIBRATION OF PERFORMANCE

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 87.6 million for the first quarter 2017 compared to net profit of AED 175.8 million in 2016.

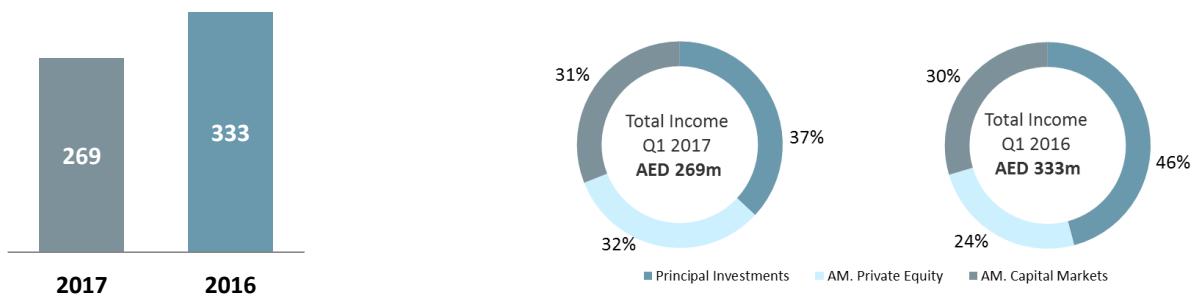
Total income in the first quarter 2017 were driven by the following:

- Principal Investments of AED 99.3 million (37% of total income) compared to AED 152.8 million in 2016 (46% of total income), reflecting an adjustment of AED 58.8m following a conservative reassessment of Aercap's recoverable amount.
- Capital Markets of AED 83.4 million (31% of total income) compared to AED 98.6 million in 2016 (30% of total income).
- Private Equity of AED 86.2 million (32% of total income) compared to AED 81.9 million in 2016 (24% of total income).

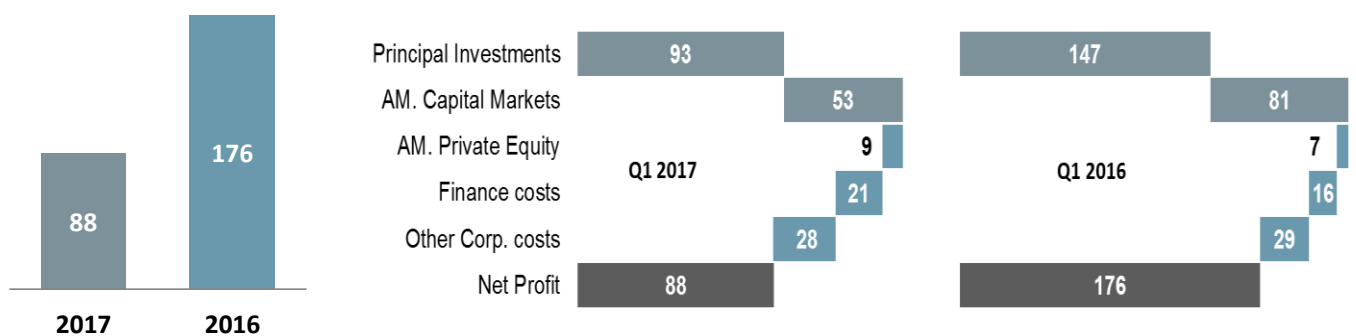
The Group's total income is reasonably balanced between the Principal Investments and Asset Management divisions in-line with its strategy of diversifying its revenue streams.

KEY PERFORMANCE MEASURES

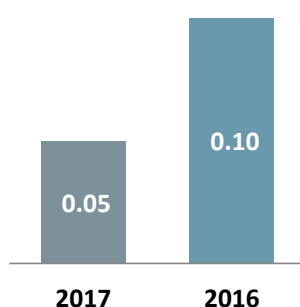
Total income



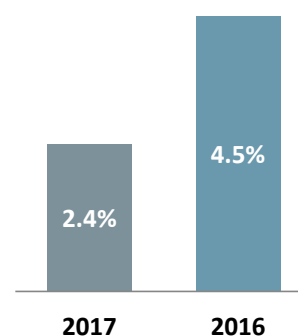
Net profit (attributable to owners of the Company)



Earnings per share (AED)

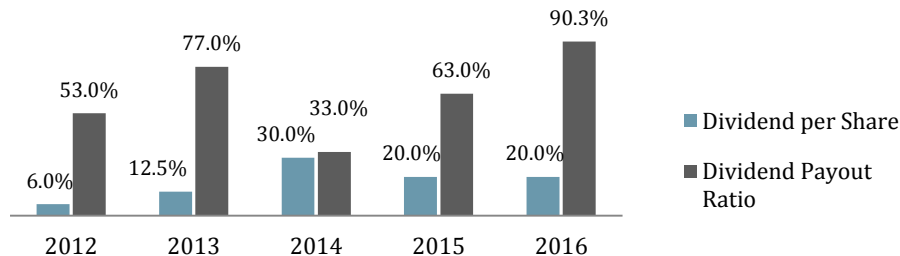


Return on Average Equity



DIVIDEND PROFILE

On 22 March 2017, the shareholders approved a 2016 dividend of 20% which amounts to AED 367.7 million. This represents a dividend payout ratio of 90% of the Group's 2016 net profit. Historically the dividend trend has been as follows:



The Group concluded its share repurchase program in October 2016 acquiring 106.0 million shares, representing 5.45% of outstanding shares acquired at a cost of AED 267.2 million.

KEY FINANCIAL HIGHLIGHTS FOR FIRST QUARTER 2017

Summary income statement For the three month period ended 31 March

	2017 AED '000	2016 AED '000
Revenue from sale of goods and services	83,391	86,357
Income from equity-accounted associates and joint ventures, net	67,177	136,403
Income from financial investments	107,473	103,787
Other income, net	10,949	6,839
Total income	268,990	333,386
Cost of sale of goods and services	(50,144)	(37,606)
General and administrative expenses - company	(43,249)	(40,161)
General and administrative expenses - subsidiaries	(49,557)	(55,700)
Finance cost, net	(28,672)	(23,801)
Total expenses	(171,622)	(157,268)
Net profit for the period		
Non-controlling interest	(9,791)	(273)
Net profit attributable to owners of the Company	87,577	175,845
Basic and diluted earnings per share (AED)	0.05	0.10

TOTAL INCOME ANALYSIS

Total income reported by the Group for the first quarter of AED 269.0 million, compared to AED 333.4 million during the corresponding period in 2016, mainly comprised of:

- Revenue from sale of goods and services, amounting to AED 83.4 million, a decrease of 3.4% from the corresponding period in 2016, representing increase of AED 15.7m from the launch of Amina Hospital and expansion of Healthbay, offset by provision taken on account of delay in collection on insurance and lab-to-lab claims amounting AED 16.8m
- Income from equity-accounted associates and joint ventures, net, amounting to AED 67.2 million, includes:
 - Aercap Holdings NV: AED 79.5 million (2016: AED 124.4 million), net of an adjustment of AED 58.8 million following a conservative reassessment of the investment's recoverable amount due to its share price trading at lower multiples over a prolonged period, among other relevant factors;
 - NPS Holdings Limited: AED 11.4 million (2016: AED 3.0 million); offset by
 - Dunia Group: Share of loss amounting to AED 11.1 million (2016: share of profit AED 13.3 million) representing higher provisions pursuant to challenging economic environment;
 - Other non-core assets: Share of loss and write downs of AED 12.6 million (2016: AED 4.3 million).
- Income from financial investments, amounting to AED 107.5 million, compared to AED 103.8 million during the corresponding period in 2016.

TOTAL EXPENSE ANALYSIS

Total expenses reported by the Group for the first quarter ended 31 March 2017 was AED 171.6 million, compared to AED 157.3 million during the corresponding period in 2016, mainly comprised of:

- Cost of sale of goods and services, amounting to AED 50.1 million, an increase of 33% from the corresponding period in 2016, mainly due to Anglo Arabian Healthcare's expansion of Health Bay Polyclinic and Amina Hospital business; and the launch of In-Vitro-Fertilization (IVF) business.
- General and administrative expenses - company, amounting to AED 43.2 million, an increase of 8% from the corresponding period in 2016 mainly due to the expansion of the asset management business and set up of new funds.
- General and administrative expenses - subsidiaries, amounting to AED 49.6 million, a decrease of 11% from the corresponding period in 2016, resulting from prior year cost saving initiatives taken across healthcare subsidiary.
- Finance costs, amounting to AED 28.7 million, compared to AED 23.8 million during the corresponding period in 2016, mainly due to higher interest costs on the Group's borrowings following replacement of a portion of its equity price collar hedges in 2016.

Balance sheet highlights

AED '000	As at 31-Mar-17	As at 31-Dec-16
Investments in equity-accounted associates and joint ventures	5,100,686	5,033,561
Investment property	737,304	680,569
Financial investments	3,127,432	2,820,952
Investments in finance leases and loans	242,661	244,351
Other assets	877,966	662,286
Cash and cash equivalents	414,857	572,262
Total assets	10,500,906	10,013,981
Borrowings	6,207,633	5,464,877
End of service benefit provision	30,873	29,268
Trade and other liabilities	522,937	334,271
Total equity	3,739,463	4,185,565
Total liabilities and equity	10,500,906	10,013,981

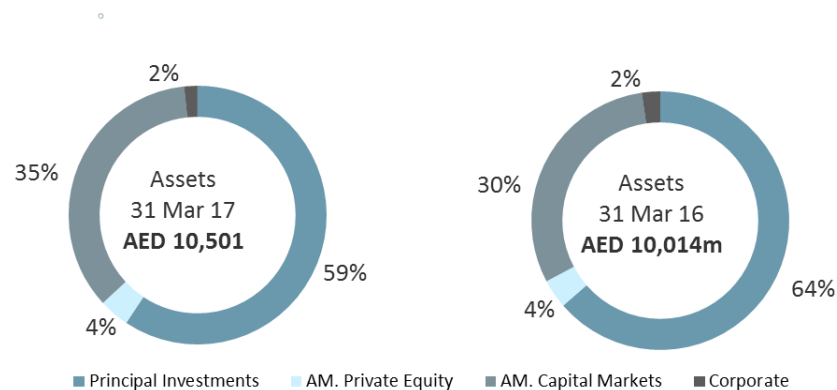
The Group's reported total assets of AED 10,500.9 million as at 31 March 2017 compared to AED 10,014.0 million as at 31 December 2016, comprised of:

- Investments in equity-accounted associates and joint ventures, an increase of AED 67.1 million represents the net share of income mainly from AerCap, NPS and Dunia Group during Q1 2017.
- Investment property, an increase of AED 56.7 million; representing additional investments during Q1 2017 in Waha Land on account of additional construction of small industrial units on Stage 2A of Phase 1 of industrial real estate; which is funded by a bank debt.
- Financial investments, an increase of AED 306.5 million; mainly representing an increase of AED 541.8 million in Capital Market funds (mainly Fixed income fund); AED 45.6 million in Principal Investments; offset by a revaluation reduction of AED 280.9 million in fair value of equity price collars in AerCap.
- Other assets, a net increase of AED 215.7 million; mainly represents receivables from capital markets on settlement of trades.
- Cash and cash equivalents, decrease of AED 157.4 million; mainly due to:
 - Corporate: payments of AED 367.7 million for 2016 dividends offset by loan drawdown of AED 404.6 million.
 - Capital markets: investments of AED 460.0 million offset by net loan drawdowns of AED 288.3 million and contributions from non-controlling interest holders of AED 93.2 million.
 - Principal Investments: investment of AED 43.4 million in Waha Land funded by a loan of AED 42.3 million and investment in Equity securities of AED 21.2 million.

The Group's reported total liabilities of AED 6,761.4 million as at 31 March 2017 compared to AED 5,828.4 million as at 31 December 2016, comprised of:

- Borrowings, an increase of AED 742.8 million mainly represents net loan drawdowns of AED 728.4 million.
- Trade and other liabilities, an increase of AED 188.7 million mainly represents payables from capital markets on settlement of trades.

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

Principal Investments

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

Principal Investments reported total income of AED 99.3 million and net profit of AED 92.5 million for Q1 2017, compared to total income of AED 152.8 million and net profit of AED 147.1 million during the corresponding period in 2016. Total income from Principal Investments represented 37% of the Group's total income for the year 31 March 2017 compared to 46% during the corresponding period in 2016.

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 Q1 2017, AerCap carried out a share buyback program, which the Group did not participate in. Consequently, the Group's beneficial ownership increased from 15.23% to 15.81%.

During Q1 2017, the Group recorded an impairment of AED 58.8 million against the share of income from its investment in AerCap of AED 138.3 million.

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 Q1 2017 were as follows:

- 105 aircraft transactions executed, as follows:
 - Signed lease agreements for 69 aircraft.
 - Purchased 11 aircraft.
 - Executed sale transactions for 25 aircraft
- Signed financing transactions for \$7.2 billion

As of 31 March 2017, AerCap's portfolio consisted of 1,541 aircraft that were either owned, managed, or under contract to purchase.

For Q1 2017, AerCap has contributed 29.6% of the Group's total income and its carrying value of AED 4,628.7 million represents 44.1% of the Group's total assets.

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 km² 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 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 (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 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, with the initial 92,500 m² of built up area available for occupancy commencing late 2017. The construction of Stage 2 commenced in June 2016.

The Stage 2 development will include flexible industrial buildings, as well as ready to occupy industrial units, warehouse and storage facilities, commercial office and retail units to serve the growing 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 Q1 2017, Waha Land reported:

- Rental revenue and other income of AED 9.0 million (Q1 2016: AED 9.5 million)
- Net profit of AED 5.6 million (Q1 2016: AED 6.4 million)

The carrying value of Waha Land was AED 727.3 million as at 31 March 2017.

NPS Holdings Limited

The Group acquired a 20.15% stake in NPS Holdings Limited 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%.

NPS Holdings Limited, through its various subsidiaries and joint ventures, has presence in Saudi Arabia, Qatar, United Arab Emirates, Brunei, India, Libya, Bahrain, Iraq, Algeria and Malaysia. Its principal activities include well services (such as cementing, coiled tubing, stimulation and other), drilling and workover, well testing and wireline services.

During Q1 2017, NPS Holdings Limited reported the following:

- Secured & extended contracts worth AED 105.9 million (2016: AED 939.9 million), taking current contracts-in-progress to AED 2,280.7 million (2016: AED 1,936.1 million) – the remaining value as of 31 March 2017;
- Invested AED 15.0 million in capital expenditure (2016: AED 68.6 million);
- Available banking facilities with regional banks for a limit of AED 734.0 million bearing a competitive interest. The undrawn balance of the facility was AED 176.9 million as at 31 March 2017 (2016: AED 80.1 million);
- Reported revenue of AED 200.9 million (2016: AED 187.8 million); and
- Reported a gross book value of property, plant and equipment as at 31 March 2017 of AED 1,606.8 million (2016: AED 1,470.7 million).

The Group's carrying value of NPS Holdings Limited was AED 282.1 million as at 31 March 2017.

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. and 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 healthy profits over the last few years. The company serves predominantly the salaried mass market and mass affluent segments in the UAE and has successfully grown its loan book at a 33.3% CAGR over 2009 to 2016.

During Q1 2017, Dunia Finance achieved the following:

- Net interest income of AED 127.7 million;
- Customer base expanded to 265,000 customers, an increase of 19.1% compared to 31 March 2016;
- Loan portfolio consciously reduced to AED 1.9 billion (Q1 2016: AED 2.1 billion);
- Cost to income ratio of 23.3%;
- Customer deposits grew to AED 1.3 billion as at 31 March 2017, an increase of 4.2% compared to 31 March 2016. Customer deposits comprise a mix of deposits pledged for the issue of guarantees, interbank sources, regular time deposits and deposits without pre-termination ability;
- Prudent impairment reserve of 3.7% of total loans and advances, providing a non-performing loan cover of 1.0x;
- Maintained its bank facility at AED 565 million and bank placements of AED 225.4 million.

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 Q1 2017, Dunia Services achieved the following:

- Recorded a revenue of AED 19.6 million; and
- Recorded net income of AED 0.3 million;

The carrying value of Dunia Group was AED 174.7 million as at 31 March 2017.

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 GP (General Partner).

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 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 150,000m³ of water desalination capacity in Oman. The Fund's ownership in the project is 20%.

During Q1 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. 6.8%. 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 March 2017, the Group carried its LP stake in the Fund at AED 72.6 million.

Asset Management

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

Asset Management - Capital Markets

Total income from capital markets from private and public transactions was AED 83.4 million for Q1 2017 (31% of total income) compared to AED 98.6 million during the corresponding period in 2016 (30% of total income). Capital Markets generated a net profit of AED 66.4 million during Q1 2017 (AED 52.7 million attributable to the owners of the Group) compared to AED 85.2 million during the corresponding period in 2016 (AED 81.0 million attributable to the owners of the Group).

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

During Q1 2017, the Capital Markets business has outperformed its indices for all 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, sukuku, convertibles, equities, 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 launched the Waha CEEMEA Fixed Income Fund SP, Waha MENA Equity Fund SP, and MENA Value Fund SP on 26 June 2015, 3 July 2015, and 22 November 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, 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 1.6 billion as of 31 March 2017.

Capital Markets is in process of launching an additional fund – Credit Opportunities Fund– by committing US\$ 50 million seed money. 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.

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.

Asset Management - Private Equity

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

Total income from Private Equity was AED 86.2 million for Q1 2017 (32% of total income) compared to AED 81.9 million during the corresponding period in 2016 (24% of total income). Private Equity segment recorded a loss of AED 12.9 million during Q1 2017 (AED 9.0 million attributable to the owners of the Group) compared to AED 10.7 million during the corresponding period in 2016 (AED 6.8 million attributable to the owners of the Group).

Anglo Arabian Healthcare

In 2013, the Group made its first investment in the healthcare sector by acquiring 90% stake in Anglo Arabian Healthcare (AAH), a platform established to deliver healthcare services throughout the United Arab Emirates. AAH owns and operates more than 30 business assets, employs more than 1,000 people and serves over 540,000 registered outpatients.

AAH's operating assets consist of 15 clinics, 5 pharmacies, 7 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 is offering inpatient and outpatient services, was a significant milestone in the history of AAH.

During Q1 2017, AAH has achieved the following:

- Consolidated revenue of AED 76.2 million, a 2.9% decrease on AED 78.5 million in the corresponding period in 2016;
- Consolidated revenue is comprised of AED 31.3 million (Q1 2016: AED 44.5 million) from laboratory services, AED 35.8 million (Q1 2016: AED 28.0 million) from patient fees and AED 9.1 million (Q1 2016: AED 6.0 million) from sale of pharmaceuticals; and
- Shareholders' equity base attributable to owners of AED 244.1 million as at 31 March 2017 compared to AED 215.9 million as at 31 December 2016

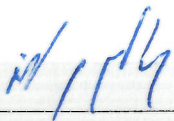
The Group's carrying value of AAH's net assets was AED 205.1 million as at 31 March 2017.

Outlook

Waha Capital's first quarter of 2017 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.

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 May 2017