



MONTHLY SHAREHOLDER LETTER // August 2011

- **ADC continues to show profitable results, Half-Year Figures will be published next week**
- **All investment performances are on track or are exceeding our expectations**
- **BANGE pays a dividend, for the first time**
- **Significant new investments are projected for the next three months**
- **Share Price constitutes a significant undervaluation of ADC**

Dear Shareholders, Business Partners & Friends,

In the last weeks, thinking about investment opportunities in Africa has certainly not been your first priority. Europe’s debt crisis, the almost-default of the US and the decline of the international stock markets have been the hot topics superceding every other issue.

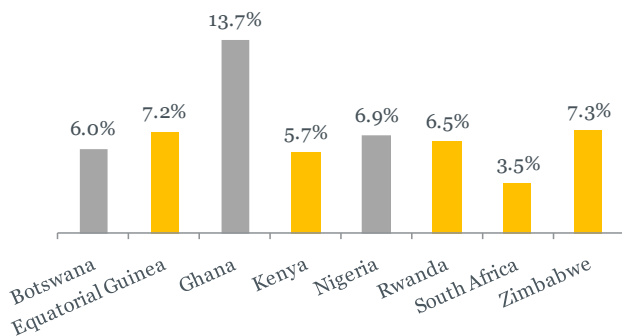
But it is exactly these global problems that are a good reason to once again bring to attention why we decided to invest in Africa in 2007: The dominance of the Western world is over, and Europe and the US are struggling for survival as economic forces. Of course, over the next decades both regions will still play an important role, but not a dominant one. The new pacemakers of the world are the booming states in Asia, especially China, India and AFRICA.

PUT YOUR MONEY WHERE GROWTH IS

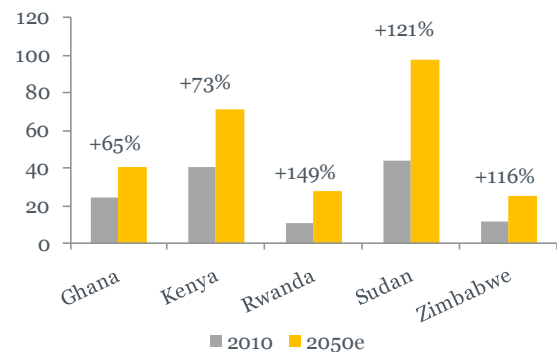
As the international investment community is already heavily invested in Asia, we have seen significant amounts flowing into Africa during the past 12 months, as Africa offers GROWTH potential in every aspect – at very low valuations. Due to the strong fundamental growth triggered by the enormous wealth in natural resources, but also by growing onshore consumer demand and growing onshore industrial production, there is little or no correlation of Africa’s success with the EURO debt crises, the US debt crisis or with China’s potential real estate bubble.

The charts below show the impressive potential for Sub-Saharan Africa (SSA) and selected ADC target markets compared to the expected stagnation in the industrialized countries:

Expected GDP growth in 2011

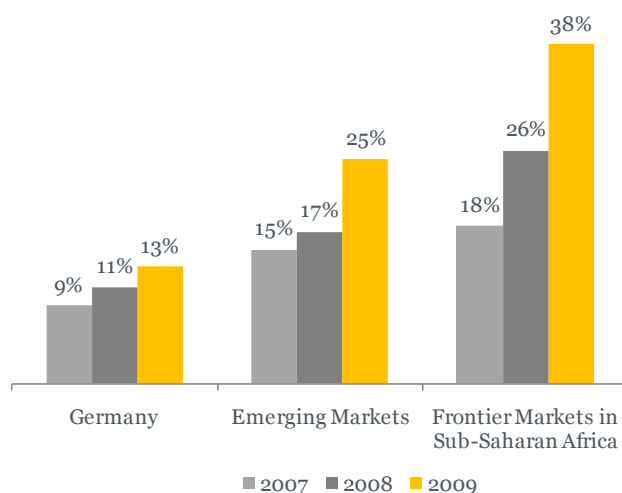


Population growth





Return on average equity in banking sector (%)



ADC – YOUR GATEWAY TO AFRICA

We are proud that our progress and our financial figures impressively prove that our business model is successful. You will receive more details on the financial numbers next week, but we can already announce that ADC has been profitable in the first half year. This is even more impressive, as ADC only consolidates SIMTEL, therefore just operating expenses including transaction fees for new acquisitions as well as mark-to-market revaluations of listed portfolio companies are shown on the profit-and-loss statement at the end of each quarter, while the positive development of non-listed portfolio companies is just shown in the year-end accounts as revaluation gains have a major positive impact on full-year results. We can confirm our prior statements that we expect the 2011 numbers at year-end to exceed the 2010 full year consolidated net profits, which totaled to EUR 6.6 million.

Our presence on the ground combined with our financial services know-how grants us not only access to a strong deal pipeline, it also allows us unique access to countries that do not even have stock markets yet like Equatorial Guinea (the 3rd largest oil exporter in Africa). In fact, ADC is the only stock that enables investors to participate in the success of Equatorial Guinea – and in the success of 8 other emerging markets in Sub-Saharan-Africa. We will increase our presence even further by opening an office in Nairobi at the end of August to manage all our Eastern African activities from Kenya.



PORTFOLIO DEVELOPMENT AND PIPELINE

All our investments are fully on track. Whilst you will receive more detailed information and financials next week, let me give you a short overview today:

- **BANGE** (Banco Nacional de Guinea Ecuatorial, ADC shareholding: 25% + option for another 25%) is further expanding. The bank introduced several electronic payments methods such as Point-of-Sales (POS)-terminals to the market for the African Union summit at the end of June and is constantly expanding its customer base under the new CEO Fernando Gomez. At the end of June, the general assembly decided to pay a dividend to the shareholders, the first dividend ever, proving the success of ADC's restructuring work.
- **BancABC** (ADC shareholding: 20.1%), our only stock market listed investment, is attracting more and more attention from international investors. The share price increased significantly during the past months and the bank is expanding its business significantly in all its countries (Botswana, Zimbabwe, Zambia, Tanzania, Mozambique). The half-year figures and more details about the operational progress are expected to be published at the beginning of September.
- **SIMTEL** (ADC shareholding: 70%), the national payment switch in Rwanda, has expanded the number of ATMs (today >120) and debit/credit cards (today >100,000) in the country significantly. A new, more efficient IT system is currently being installed. SIMTEL is in the process of entering into negotiations to cooperate with regional and international partners to expand its presence to the entire East African Community.
- **iVeri** (ADC shareholding: 49%), our electronic payment subsidiary in South Africa, will start a new business line during the next weeks and is currently preparing to cooperate with new partners in Kenya, Ghana and Nigeria, opening also the biggest SSA markets for iVeri products.
- **Premierbank** in Zimbabwe is now re-branded into Ecobank Zimbabwe (ADC shareholding: 13.5%). The restructuring is in the final stages and business is picking up significantly with growth in deposits, loan book and market share. Together with our partner Ecobank, we will participate in the strong growth of the country, especially in the field of mining and infrastructure.
- **RHEAL Insurance** (ADC shareholding: 25.1%), our investment in Kenya, is exceeding our expectations. The customer growth is higher than forecasted, based on a strong sales force and customer/claims management. We expect to reach our forecasts and to be ready for an IPO by 2013.

At the moment, we are, amongst others, working on investment opportunities in Nigeria, Ghana and Eastern Africa. Each of these opportunities has the potential to increase the profitability and the high profile of ADC in SSA significantly. Our team has already been working on these deals for several months and we expect a closing during the next 3 months.



STOCK MARKET DEVELOPMENT & VALUATION APPROACH

Let's have a look at our current valuation. ADC (ISIN DE000A1E8NW9) has 7.65 million shares outstanding and therefore at EUR 6.00, a market capitalization of EUR 46 million.

The current cash position of ADC is approximately EUR 28 million. This cash position and the value of BANGE alone represent this value in our books as of Dec 2010 (which does NOT reflect the positive progress in 2011 of BANGE and which was done with very conservative valuation methods). Investors are currently availing of the other 5 investments for free – amongst them our stake in BancABC that currently has a market value of EUR 14 million. Analysts that did add up the total value of our portfolio and pipeline come to a fair market value of EUR 15 – 20 per share (i.e. with EUR 18.20 target of DZ Bank).

MERCHANT BANKING APPROACH

In fact, this view on ADC – seeing it as a pure holding and therefore its value as “sum of the parts” – does not reflect the real value of ADC, as it does not at all take into consideration our unique know-how, access to markets, team, network, brand name and especially the strategic importance and potential of our investments.

In discussions we sometimes hear the argument that these criteria do not pay off in cash flow, but this is wrong: ADC is well on its way not only to become one of the most successful investors in Africa, but also to be considered a trustworthy partner that is building bridges between Africa and Europe, acting as a “Gateway to Africa”. We are about to set up a new business segment “Merchant Banking” to allow us to capitalize our network and know-how and to support international companies that strive for access to Africa as well as African corporations that want to access the European market. This business segment is a logical expansion of our current business model and will allow ADC not only to profit directly from the performance of its investments, but also to generate an additional revenue stream via investment banking services.



SIGNIFICANT “DIRECTOR’S DEALINGS”

If you have a look at the directors` dealings (ADC is listed in the highest regulated stock market segment in Germany and directors have to announce when buying and selling shares), you will see significant ones. This is also a good sign of the strong confidence that we have in ADC.

Summarized in a nutshell, the recent share price development decline is contrary to the very good operational performance of ADC. Therefore, a prudent analytical investor should come to the conclusion that the current share price level offers a great buying opportunity

Last but not least, if you would like to gain a more personal impression of ADC, please come and see us at the Standard Bank Africa Small & Mid Cap Conference in Cape Town on Friday, 19th August 2011 and the Standard Bank Africa Equities Conference in New York on Monday, 26th September and Tuesday, 27th September 2011. Please send an email to my colleague Olaf Meier (meier@african-development.com) if you require further information.

Sincerely,

Dirk Harbecke
CEO

