



## MONTHLY LETTER // July 2011

Dear Shareholders & Friends,

The ADC management team strives to inform you constantly on the progress of our company. In addition to the quarterly reports and corporate news that we publish according to the regulatory information requirements of our Prime Standard listing (the highest regulatory segment of the German Stock Exchange), we aim to publish this “Letter to the Shareholders” on a monthly basis in future to give you more background and “color” on our work and progress.

In a nutshell: **The development of ADC is fully on track.** Since foundation, ADC has become a key player in the Sub-Saharan African financial services market.

Our access to the most interesting opportunities on the African continent has further increased, and we are working together with strong partners such as international Development Financial Institutions (DFI's) and well-known African and international brand names. ADC is now an established, trusted brand name in Africa, based on our active management business model and the operational as well as the financial success.

### DEVELOPMENT OF THE PORTFOLIO

During the past months, ALL of our portfolio companies developed extremely well. One example is clearly visible in the price of our only stock-market listed investment, **BancABC** (ADC shareholding: 20.1%). The stock closed at USD 0.70 on June 30 – an increase of more than 40% compared to our entry price at the end of February. We still see the fair market value significantly beyond USD 1.00. This price increase is mainly driven by the strong prospect of the bank and the latest achievements of its management team. ADC, as biggest single shareholder, supports the development of BancABC actively, especially the planned, profitable expansion of the business in the existing and new markets. BancABC is on its way to becoming a key corporate and commercial banking player in the SADC (Southern African Development Community) region - especially in its core countries Botswana, Zimbabwe, Zambia, Tanzania and Mozambique – and is already competing with Tier 1 banks in that region, attracting a lot of interest from international investment and banking partners.

At **BANGE (Banco National de Guinea Equatorial)** (ADC shareholding: 25% + option for another 25%), the one and only local bank in Equatorial Guinea, we are attracting - in close association with our co-shareholders who wield considerable influence over the largest clients in the country - more and more businesses and profiting from the growth of the economy that is mainly driven by the lucrative oil and gas sector. As scheduled at the initial time of our investment end of 2008, we are now replacing the CEO Cor Verheezen, specialized in operations and restructuring, with a new CEO whose focus is on business expansion and growth of loan book and client numbers. We see BANGE as one of the most promising investments in our portfolio, as the bank is operating at the center of an economy that is reminiscent of Dubai some 20 years ago. Given the growth of the economy and the enormous



wealth in oil, gas and other mineral resources, BANGE should be able to come to a cruising speed of annual net earnings of over EUR 30 million within the next 5 years.

In Zimbabwe, we are close to break-even in our bank investment “Premier Bank”. The bank, rebranded “**Ecobank Zimbabwe**” (ADC shareholding: 13.5%) following the entry of Ecobank Group, has shown an impressive turnaround during the past months. Although we adapt our valuations for the non-listed portfolio companies at year-end only, we are confident of regaining at least the value that we lost during the year 2010 by December 2011. The bank will fully profit from Ecobank’s pan African network, its operational skills and is now functioning as the regional center for Ecobank’s expansion into the Southern African countries. This has had an immediate positive effect on the results and the projections for this year are very positive. Based on the pure financial performance, the question arises in our discussions with shareholders whether we had the right timing with this investment or whether we have entered that market too early and therefore had to face a “J-curve”: We don’t think so and we actually see the merits of our early investment (in 2009) in this economy. ADC is today considered a very trustworthy and valuable business partner by the local community which currently pays off in form of excellent new investment opportunities. ADC management is convinced that we will see significant profits from Ecobank Zimbabwe and other new investments in Zimbabwe in the very near future.

Finally, ADC is currently a driving force behind the consolidation of the payment services industry in Eastern and Southern Africa. Based on our investments in **Simtel** (Rwanda) (ADC shareholding: 70%) and **iVeri** (South Africa) (ADC shareholding: 49%), we plan a further expansion with the aim to become the leading payment services provider in the COMESA region, leveraging economies of scale and therefore achieving a significant profitability. The payment industry in Africa, driven by innovations such as mobile phone banking and small-merchant access to international credit card networks, even has the chance to create products that can be exported to the rest of world, attracting big partners from industrialized countries. ADC’s investments are at the top of the innovation in this industry. Again, due to our conservative German accounting standards, these two investments have not been re-evaluated since our investments, so that both portfolio companies have significant hidden value that will be revealed in any transaction that might come up in the future.

Our insurance segment which is currently being build up together with one of the biggest international DFI’s is preparing further investments in Kenya, Zambia, Rwanda and South Africa, following the success of its investment in **RHEAL Insurance** (ADC shareholding: 25.1%), Nairobi, a leading and the fastest growing health insurance in Kenya. RHEAL is performing well, far exceeding all internal targets, and preparing its expansion from Nairobi into the East African Community (EAC). We expect that we will be able to write up the value of our investment into RHEAL significantly at end of this year. In parallel, we are in final discussions with two potential technical assistance partners and co-investors for our insurance segment, both well-known names in the African insurance sector.

In general, during the past months, we were also able to **generate significant synergies** between our investments. For example, iVeri and its subsidiary Touchpoint (a provider of point-of-sales (POS)



terminals and software) have entered into contracts with Simtel and BANGE to deliver hundreds of POS. iVeri supports the implementation of international credit card terminals in Equatorial Guinea to prepare the country for the African Union meeting in Malabo, currently taking place under the presidency of Equatorial Guinea.

## **UPCOMING TRANSACTIONS**

Based on our track record and our country focus, we are working hard on further investments in African frontier markets. We expect to acquire a significant stake in a financial services institution in West Africa during the next months. Furthermore, we are preparing our further expansion into the East African Community as well as into Mozambique. So please be prepared for significant and positive news flows in the next months also regarding new investments.

## **FINANCIAL OUTLOOK 2011 AND BEYOND**

As explained, potential revaluations of our existing, non-listed investments are just shown in the year-end accounts. And still then, due to very conservative German accounting standards, just really significant operational improvements justify an upside valuation. So far for example, SIMTEL and iVeri are still valued at cost. Only BancABC, as it is stock market listed, is valued quarterly at market value in our reporting. As the current portfolio develops very well and still bears interesting potential and synergies which we aim to leverage, 2011 should well exceed the 2010 full year consolidated net profits, which totalled EUR 6.6 million.

The two banks that cover us today – Silvia Quandt & Cie. AG and DZ Bank – see target prices of EUR 15.00 and EUR 18.20 respectively. We are optimistic that further banks will start coverage in the second half of 2011.

## **STOCK MARKET PERFORMANCE**

Based on such a strong outlook, it is, of course, needless to say that we are very disappointed with the performance of our share price development that is contrary to the fundamental success of ADC. The current share price is below book value and far below fair market value, and does not at all reflect our unique know-how, access to markets, networks, brand name and especially the strategic importance and potential of our investments. Given our sound fundamentals and balance sheet, the current share price is unjustified and gives an opportunity for existing and new investors to maybe increase their stake in ADC at very favorable valuations. The management is looking into ways of enhancing future trading in the stock in cooperation with institutional partners. Additionally, we are also confident that we will be able to convince further investors in the coming months and develop the share price of ADC towards its fair market value.



And last but not least: A letter does not replace personal contact and exchange. Olaf Meier, Managing Director for Finance and Investor Relations, as well as my team and I are regularly in Frankfurt, London, Geneva, Zurich and New York for 1on1 investors meetings. Please do not hesitate to contact us should you require a personal update. Of course, if you decide on a business or holiday trip to one of our countries, our local colleagues will be pleased to show you the respective subsidiary and the country.

Sincerely yours,



Dirk Harbecke  
CEO