Citadel Capital Reports First Quarter 2010 Results

Leading private equity firm reports 4.1% growth in principal investments. Existing investments are on track as the firm continues an incremental build-out of platform companies and prepares to complete greenfield investments.

16 May 2010

(Cairo, Egypt) — Citadel Capital (CCAP.CA on the Egyptian Stock Exchange), the leading private equity firm in the Middle East and Africa, announced today its standalone financial results for the first quarter of 2010, reporting a 4.1% quarter-on-quarter rise in principal investments. Citadel Capital continues to note improved performance at its current investments, with its Platform Companies completing two greenfield projects in the quarter on time and on budget; four additional projects are on track to begin operations in the second quarter.

With no significant exits in the first three months of the year, Citadel Capital reported net earnings of US$ 0.3 million (EGP 1.5 million) in 1Q10 on revenues of US$ 7.7 million (EGP 42.3 million).[1]

Total assets under management (committed) were stable from the end of 4Q09 to the end of the first quarter of 2010 at US$ 3.7 billion (EGP 20.4 billion), while total invested assets under management rose 2.3% (or US$ 64.5 million) to US$ 2.9 billion (EGP 16.2 billion) in the same period. Limited partners answered capital calls worth a combined US$ 32.9 million (EGP 181.9 million), accounting for 51% of new invested AUM. Total invested AUM at the end of 1Q10 included US$ 1.9 billion (EGP 10.5 billion) of third-party fee-earning assets under management, a rise of 1.0% from the end of 4Q09.[2] The firm had total investments under control[3] of US$ 8.3 billion (EGP 45.5 billion) as of 31 March 2010.

"Citadel Capital made substantial progress last quarter, growing our principal equity investments while reporting a declining balance of loans to platform companies as targeted," said Citadel Capital Chairman and Founder Ahmed Heikal. "We maintained a close eye on business plans at our existing investments, delivering profitability while bringing greenfield projects to completion and restocking our deal pipeline with two new investments."

Details of Citadel Capital's 1Q10 standalone financials are below; full financials are available for download at www.citadelcapital.com.

1 Due to the nature of private equity investing, revenues and earnings fluctuate significantly depending on the number and frequency of exits and of gains on investments. Revenues and profits in any particular period are not necessarily indicative of future results.

2 Third-party fee-earning assets under management are a sub-set of total third-party invested assets under management (drawn equity) of US$ 2.1 billion (EGP 11.8 billion). Management notes that an historical agreement structured in 2004 entitles anchor limited partners to 34.8% of the carried interest and advisory fees from Citadel Capital's Opportunity-Specific Funds. Management is presently in negotiations for Citadel Capital to buy back the right to these asset management fees.

3 Management considers total investments under control (defined as committed debt + committed equity) as an appropriate indicator of the firm's scope.

CCAP.CA on the Egyptian Stock Exchange

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Performance Highlights with Comparatives

Financial Highlights (in EGP mn)	**1Q09**	**FY09**	**1Q10**
Revenue	25.0	438.9	42.3
EBITDA	(10.8)	213.2	(10.8)
Net Income	(20.3)	211.4	1.5
Principal Investments (own balance sheet)			
Total Principal Investments	3,637	4,250	4,415
Of which Equity	3,001	3,284	3,520
Of which Loans	636	441	433
Of which Convertibles	-	525	463
New Investments in the Period	217	866	165
Gains from Sale	-	272.5	9.6
Portfolio NAV CPNAV	n/a	6,840	n/a
Asset Management			
Total AUM	n/a	20,350	20,350
Invested AUM	15,264	15,886	16,223
Invested Third-party AUM	11,627	11,636	11,808
Third-party Fee-earning AUM	n/a	10,450	10,535
New Invested AUM	140	1,083	337
Revenue from Advisory Fees	25.0	103.7	24.8
Revenue from Carried Interest	-	-	-
Asset Management Value (AMV)	n/a	3,420.0	n/a
Net Asset Value			
Total NAV (TNAV)	n/a	10,260.0	n/a
TNAV per Share (in EGP)	n/a	15.50	n/a

First Quarter 2010 Highlights

I. Citadel Capital as a Principal Investor (Own Balance Sheet)

- **Total principal investments** (including convertibles and interest-bearing loans to Platform Companies) stood at US$ 788.3 million (EGP 4.4 billion)[4] at the end of 1Q10, a 4.1% rise over the previous quarter.
- **New investments by Citadel Capital as a principal investor** in 1Q10 stood at US$ 30.1 million (EGP 165.3 million), all in existing Platform Companies (primarily in upstream oil and gas, transportation and logistics, and agriculture). The firm reported a declining balance of both interest-bearing loans and convertibles to platform and portfolio companies, while investing new equity of US$ 31.6 million (EGP 173.8 million).
- **Gains from the sale of principal investments** from a partial exit of ASCOM stood at US$ 1.7 million (EGP 9.6 million) in 1Q10 compared with nil in the same quarter the previous year.

II. Asset Management Business

- **Total assets under management (committed)**[5] in Citadel Capital's 19 Opportunity-Specific Funds (OSFs) were unchanged in 1Q10 from US$ 3.7 billion (EGP 20.4 billion) at the end of the fourth quarter of 2009.
- **Total invested AUM** rose 2.3% quarter-on-quarter to US$ 2.9 billion (EGP 16.2 billion). Limited partners (LPs) accounted for 51% of new invested AUM.
- **Total invested third-party AUM** rose 1.6% in 1Q10 to US$ 2.1 billion (EGP 11.8 billion). New LP investments in the period were weighted toward oil and gas, transportation and logistics, and specialty real estate.
- **Total third-party fee-earning AUM** stood at US$ 1.9 billion (EGP 10.5 billion) at the end of 1Q10, a rise of 1.0%.
- **Net new invested AUM** from both Citadel Capital and the LPs in its OSFs stood at US$ 63.2 million (EGP 347.8 million) in 1Q10. Citadel Capital invested equity of US$ 31.6 million (EGP 173.8 million) in 12 OSFs, while LPs invested equity of US$ 32.9 million (EGP 181.0 million) in six OSFs.
- **Revenue from advisory fees**[6] stood at US$ 4.5 million (EGP 24.8 million), on par with those recorded in the same period last year.

III. Financial Highlights

- **Citadel Capital revenue** in 1Q10 reached US$ 7.7 million (EGP 42.3 million), a 69.3% increase from US$ 4.5 million (EGP 25.0 million) the previous year.
- **EBDITA** for the period stood at a negative US$ 2.0 million (EGP 10.8 million), unchanged from the same quarter of last year.
- **Net income** after taxes in 1Q10 totaled US$ 0.3 million (EGP 1.5 million) against a loss of US$ 3.7 million (EGP 20.3 million) in 1Q09.
- **Debt-to-equity ratio** stood at 22% as at 31 March 2010.

4 Figures relating to financial results in 1Q10 are converted using spot rate of EGP 5.50 : US$ 1.00. Citadel Capital typically analyzes its own financial statements in EGP and investments in US$.

5 Following international practices, Citadel Capital defines Assets Under Management (AUM) as committed amounts, not amounts drawn.

6 Citadel Capital earns a 1% advisory fee on fee-earning assets under management. See III. Asset Management an IV. Financial Performance for a discussion of its composition in this quarter.

Citadel Capital at a Glance

(for the quarter ending 31 March 2010 unless otherwise indicated)

Asset Management Business

Total investments under control	EGP 45.5 billion	US$ 8.3 billion
Total assets under management	EGP 20.4 billion	US$ 3.7 billion
Total invested assets under management	EGP 16.2 billion	US$ 2.9 billion
Total invested third-party AUM	EGP 11.8 billion	US$ 2.1 billion
Third-party fee-earning assets under management	EGP 10.5 billion	US$ 1.9 billion
Total Citadel Capital principal investments (own balance sheet)	EGP 4,415.3 mn	US$ 0.8 billion

Track Record

Investments made since 2004 (acquisitions and new company formations)		54
Number of Platform Companies as at 31 March 2010		19
Total number of countries in which Citadel Capital invests		14
Number of industries in which Citadel Capital invests		15
Total equity raised and invested since 2004	EGP 23.7 billion	US$ 4.3 billion
Cash returns to shareholders and LPs since 2004 (on equity investments of US$ 650 million)	EGP 13.8 billion	US$ 2.5 billion

Shareholder Structure

Citadel Capital Partners (CCP)		42%
Board members other than CCP		14%
Shareholders owning more than 1%		20%
Others		24%
Number of shares outstanding		661,625,000
Paid-in capital of Citadel Capital	EGP 3.3 billion	US$ 0.6 billion

Valuations[7] (as at 31 December 2009)

Total net asset value (TNAV)	EGP 10.3 billion	US$ 1.9 billion
Total net asset value per share (TNAVPS)	EGP 15.50	US$ 2.83
Portfolio net asset value (PNAV)	EGP 6.8 billion	US$ 1.2 billion
Portfolio net asset value per share (PNAVPS)	EGP 10.33	US$ 1.89
Asset management value (AMV)	EGP 3.4 billion	US$ 0.62 billion
Asset management value per share (AMVPS)	EGP 5.17	US$ 0.94

7 Citadel Capital disseminates a total net asset valuation (TNAV, capturing the present-day value of both its principal investments and of the asset management side of the business) semi-annually at the first-half and full-year marks. The firm will next publish a TNAV with its 1H10 Business Review.

I. Business Activity in 1Q10

Citadel Capital continues to note improved performance at its current investments, a result attributable to the firm's careful oversight of Platform Company business plans and to improving macroeconomic conditions across Citadel Capital's 14-country footprint. Against that backdrop, management's emphasis in the first quarter of 2010 was on the incremental build-out of existing platforms, completion of two greenfield investments, and significant progress toward completion of four additional greenfields. The quarter just ended also saw a cautious restocking of the firm's deal pipeline.

Importantly, Citadel Capital's limited partners continued to answer calls for capital in 1Q10, accounting for US$ 32.9 million (EGP 181.0 million) or 51% of new invested AUM in the period. Also in the first quarter, Citadel Capital made continued progress toward the first close of both the MENA and Africa Joint Investment Funds. Moreover, appetite among development finance institutions, multilaterals and banks for the debt financing package backing the Egyptian Refining Company (ERC) remained strong as management worked toward financial close on what stands as Africa's largest-ever private sector led development project.

As a result of the firm's continued close monitoring of Platform Company business plans, NOPC / Rally Energy Group reported 58% growth in production, particularly at its larger Issaran heavy oil field onshore in Egypt's Gulf of Suez. Citadel Capital supported a series of interventions in the second half of 2009 that have helped raise production at Issaran from 3,044 barrels of oil per day (BOPD) in December 2009 to 4,240 BOPD in March 2010. The Salsabil field in Pakistan recorded a rise in production from 471 barrels of oil equivalent per day to 1,312 BOEPD in the same period. The increase in production came as a direct result of Citadel Capital's support, both in terms of financing and of management change.

Meanwhile, Finance Unlimited Portfolio Company Tanmeyah, a greenfield microfinance business, continued its rapid expansion in 1Q10, growing its loan book to EGP 97.5 million at the end of March 2010 from EGP 58.2 million at year-end 2009. This came as Tanmeyah continued to expand its branch network, growing from 38 at year's end to 54 at the end of the quarter just past.

On the greenfield front, Citadel Capital's sharp focus on execution ensured that Sphinx Glass, the firm's EGP 1.1 billion greenfield float glass facility under the GlassWorks platform, began operations in 1Q10 as scheduled.

Similarly, river port operator National River Port Management Company (NRPMC) began official operations at its Tanash Port in the Greater Cairo Area last quarter.

As management closely monitors execution at the platform and portfolio levels, it maintains a particularly watchful eye on greenfield projects. In the quarter just past, several Platform Companies made substantial progress toward the completion of four new greenfield projects, including Al-Takamol Cement and Berber for Electrical Power (both in Sudan) as well as ASEC Ready-Mix and Bonyan's Designopolis (both in Egypt). At the same time, Citadel Capital began re-stocking its deal pipeline with two new early-stage ventures, including Nile Valley Railways (NVR, which will operate cargo transport services in Sudan using the Sudanese National Railways Corporation's track under a revenue-sharing agreement) and Wafra's Al-Nahda Integrated Solutions (which will establish Sudan's first commercial rice farm).

Also in the first quarter, Platform and Portfolio Companies announced new funding packages (Designopolis), new management (Finance Unlimited), and the addition of new production capacity (Dina Farms, a portfolio company of Gozour). Additional detail of these operational developments is included in the *Investment Reviews*, at the end of this document.

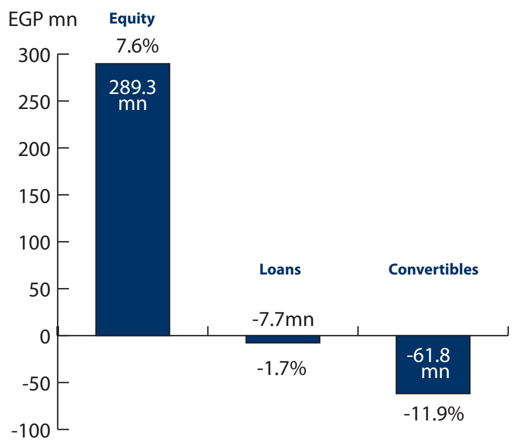
As noted below in the analysis of principal investments, Citadel Capital formed no new Platform Companies in 1Q10, but invested US$ 31.6 million (EGP 173.8 million) of new equity in 12 existing platforms. The firm reported a declining balance of investments in bridge loans (down 1.7%) and convertibles (11.9% lower) to Platform and Portfolio Companies. Although Citadel Capital will continue to offer bridge financing to ensure business plans are fully funded, the firm will target a gradually declining balance.

With a very healthy debt-to-equity ratio of 22% at the end of 1Q10 (down 1 percentage point from 31 December 2009), the firm is currently restructuring debt at the Citadel Capital level to ensure its balance sheet has the liquidity to support the planned pace and tenor of investments. The additional leverage will not see Citadel Capital surpass a debt-to-equity ratio of 50%.

Given management's focus on maximizing the value of current investments — and amid market conditions still not conducive to substantial exits — Citadel Capital's only exit activity in the first quarter of 2010 was the on-market sale of shares in ASCOM for Geology & Mining, a listed Platform Company.

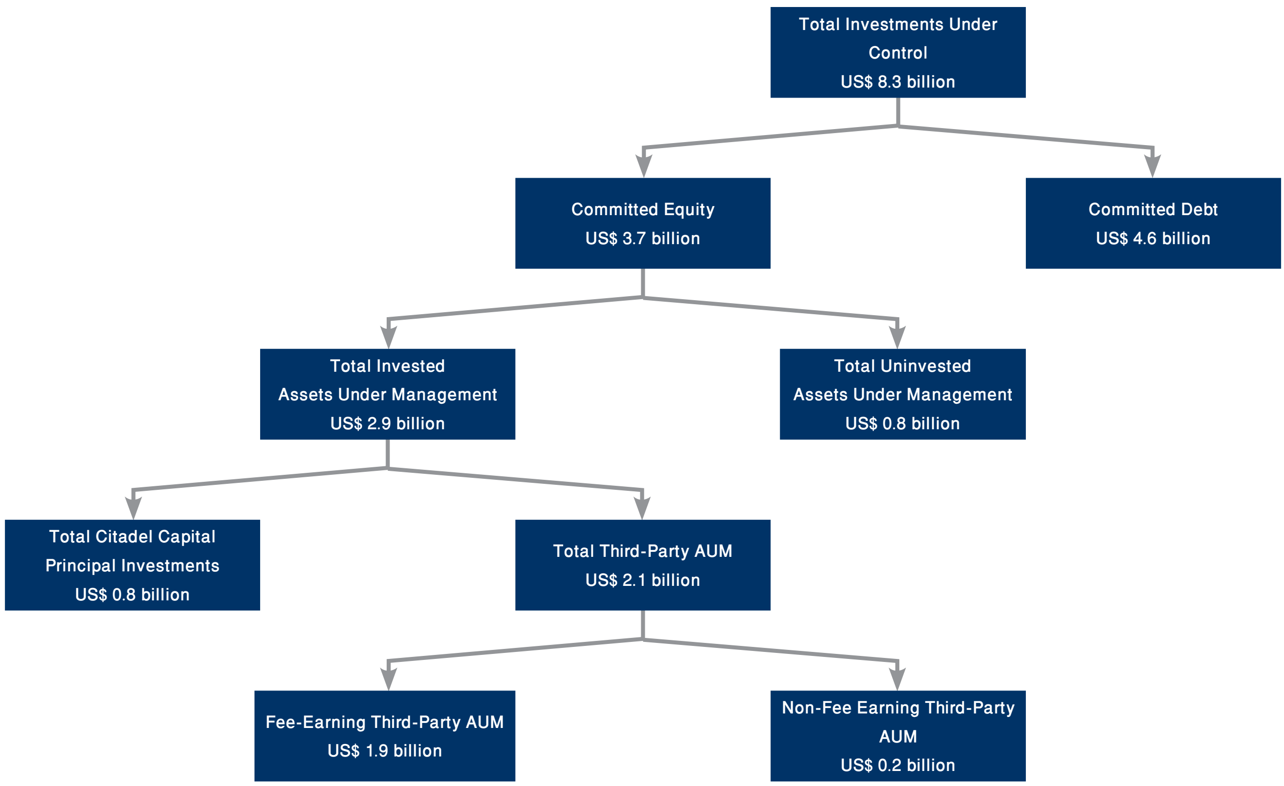
Breakdown of New Citadel Capital Investments in 1Q10

(Equity, interest-bearing loans, convertibles)



II. Citadel Capital as a Principal investor

Citadel Capital raises Opportunity-Specific Funds (OSF) to control a Platform Company in a specific industry. Each Platform Company may, in turn, control one or more Portfolio Companies. As a principal investor, Citadel Capital typically contributes 10-20% of the equity in each of its OSFs under shareholder agreements that give the firm management control. Gains from the eventual sale of these investments constitute one of two Citadel Capital revenue streams, the other being asset management related: advisory fees and carried interest (see below).



Citadel Capital controlled total investments of US$ 8.3 billion (EGP 45.5 billion) at the end of 1Q10, representing both committed equity and committed debt.

Citadel Capital's total principal investments (including convertibles and interest-bearing loans to its Platform Companies) stood at US$ 788.3 million (EGP 4.4 billion) at the end of 1Q10, a 4.1% rise from US$ 757.2 million (EGP 4.2 billion) the previous quarter. The firm's total principal investments break down as 79.7% equity, 10.5% convertible notes, and 9.8% loans extended to Platform Companies.

All 12 equity investments made in the period were in existing Platform Companies, with a particular focus on oil and gas, agriculture and logistics. The firm grew its total investments (representing the sum of equity, loans and convertibles) in oil and gas platforms NOPC / Rally Energy Group, National Petroleum Company and Nile Valley Petroleum by 7.2% to just under US$ 196.0 million (EGP 1.1 billion). The firm's net investment in equity and convertibles in this sector climbed 2.1% to US$ 166 million (EGP 930 million) on the back of an increased investment in Sudanese oil platform NVPL, with the balance being short-term loans extended as bridge financing for repayment in 2Q10. New investments in the sector follow substantial rises in production at NOPC / Rally Energy Group following a series of interventions executed in 2H09 (as outlined in Business Activity in 1Q10, above).

Meanwhile, Citadel Capital's principal investment in Sudanese agriculture platform Wafra grew to US$ 10.6

million (EGP 58.4 million) as portfolio companies Sabina and SEAC made continued progress and the platform announced the creation of El-Nahda for Integrated Solutions, which will establish Sudan's first commercial rice farm. Investments in regional agriculture and multicategory consumer foods platform Gozour, a more mature business, remained unchanged in the first quarter.

On the logistics front, Citadel Capital reported a 24.3% rise in total investments to US$ 66.2 million (EGP 371.3 million) in river transport operator Nile Logistics and Rift Valley Railways of Kenya and Uganda. Loans to Nile Logistics declined 14.0% to US$ 15.8 million (EGP 86.8 million), while equity in the same platform climbed 21.4% to US$ 27.5 million (EGP 139.3 million). The firm's equity investment in RVR grew 73.8% to US$ 26.3 million (EGP 144.4 million).

Citadel Capital's principal equity investment in mining platform ASCOM eased 11.8% as the firm executed on-market sales of ASCOM shares. This sale was partly offset by an increase in loans that consequently saw the firm's total investment in ASCOM decline just 5.8% by the end of 1Q10.

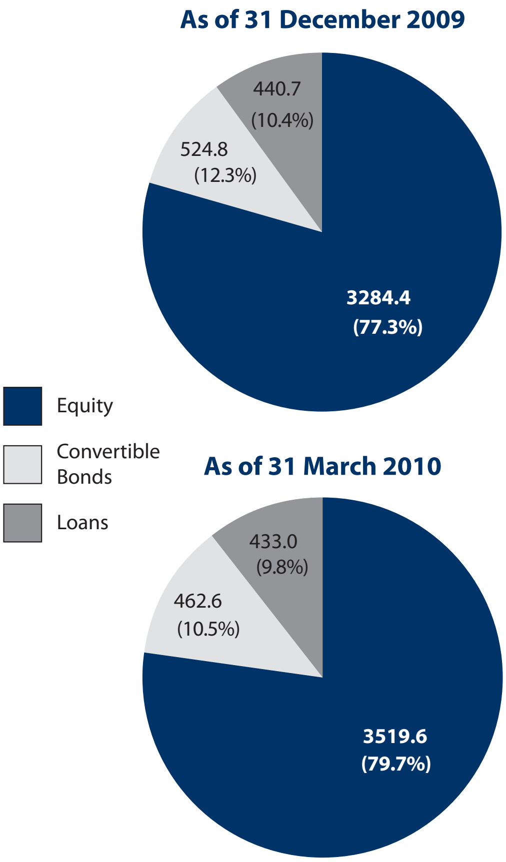
In FY08 and FY09, Citadel Capital extended loans to a number of Platform and Portfolio Companies to bridge short-term funding gaps resulting from co-investor delays on outstanding capital calls. Although the firm will continue to extend bridge financing as needed to ensure platform and portfolio business plans remain fully on track, management aims to substantially reduce this balance over the medium term. Total outstanding loans eased 1.7% from end-FY09 to the end of the first quarter.

On a separate note, convertibles held as principal investments fell 11.9% in 1Q10 compared the end of 2009 as Citadel Capital sold ASEC Holding convertibles worth US$ 11.6 million (EGP 62.2 million) to a limited partner. This sale was related to a series of transactions that saw Citadel Capital partially exit ASEC Holding in December 2009. Under the terms of the US$ 55 million (EGP 302.5 million) deal, the firm sold a 6% stake in ASEC Holding and 6% of United Foundries to an LP, establishing a value of EGP 28.50 per share of ASEC Holding (approximately 3x the investment cost). In a related transaction, ASEC Holding subsequently raised its stake in ASEC Cement to 61.04% by purchasing an additional 9.48% of ASEC Cement from the same LP in a deal that valued ASEC Cement at EGP 14.68 per share against a par value of EGP 10.00.

Notably, the balance of loans to specialty real estate platform Bonyan fell 89.8% to under US$ 1.5 million (EGP 8.2 million) as the firm capitalized part of a bridge loan it had extended, raising its equity investment to US$ 26.9 million (EGP 147.3 million). Bonyan has meanwhile announced the signing of an EGP 185 million syndicated loan to finance completion of Designopolis, the Middle East and North Africa's first home accessories and furnishings mega-mall.

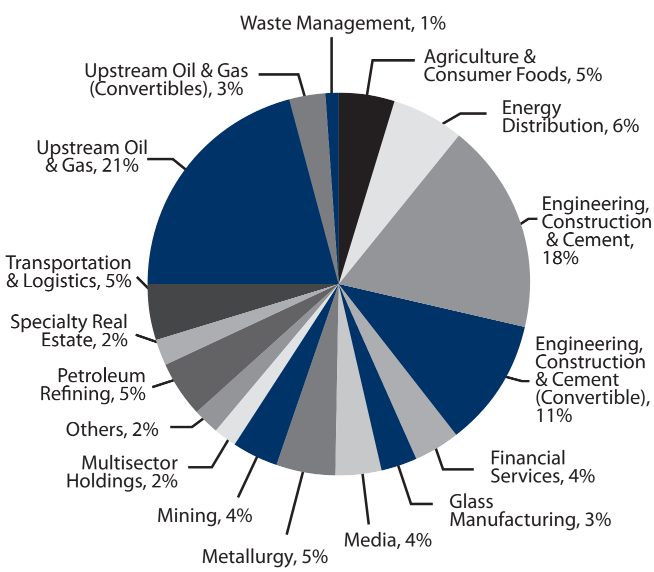
Total Citadel Capital Investments

in EGP mn (% of total investments)



Citadel Capital's principal investments are weighted toward Engineering, Construction and Cement (29% of all Citadel Capital investments when convertible notes are included), Upstream Oil and Gas (21%), Energy Distribution (6%), Agriculture and Consumer Foods (5%), and Transportation and Logistics (5%).

Citadel Capital Principal Investments by Industry



Citadel Capital Principal Investments as at 31 March 2010

Platform Company	Industry	% CC Ownership	4Q09 Invest. Cost (in EGP mn)	1Q10 Invest. Cost (in EGP mn)
ASEC Holding	Engineering, Construction and Cement	49.5	668.2	668.2
ASEC Holding (Convertible)	Engineering, Construction and Cement	49.5	400.3	338.1
ASCOM Geology & Mining	Mining	39.2	168.9	149.0
Nile Logistics	Transportation and Logistics	25.0	114.8	139.3
Rift Valley Railway	Transportation and Logistics	n/a	83.1	144.4
Gozour	Agriculture and Consumer Foods	20.0	186.4	186.4
Wafra	Agriculture and Consumer Foods	49.0	18.7	58.4
National Petroleum Company	Upstream Oil and Gas	15.0	323.2	323.2
National Petroleum Company (Convertible)	Upstream Oil and Gas	n/a	52.4	52.4
NOPC / Rally Energy Group	Heavy Oil	14.9	359.1	359.1
NOPC / Rally Energy Group (Convertible)	Heavy Oil	n/a	72.1	72.1
Nile Valley Petroleum	Upstream Oil and Gas	15.0	104.0	124.3
Egyptian Refining Company	Petroleum Refining	8.2	175.7	175.7
TAQA Arabia	Energy Distribution	33.5	212.4	212.4
Mashreq	Energy Distribution	31.2	34.0	34.0
GlassWorks	Glass Manufacturing	20.0	110.5	119.4
Finance Unlimited	Financial Services	100.0	161.5	165.9
Bonyan	Specialty Real Estate	30.7	71.5	147.3
Tawazon	Solid Waste Management	100.0	37.8	48.1
Tanweer	Media	100.0	148.2	155.4
United Foundries Company	Metallurgy	49.3	174.5	174.5
Grandview	Mid-Cap / Multisector	13.0	69.9	69.9
Funds and Others	Various	n/a	62.2	64.9
	Total Principal Investments		**3,809.3**	**3,982.2**
	Loans to Platforms		440.7	433.0
	Total Citadel Capital Investments		**4,250.0**	**4,415.3**

See *I. Business Activity* and the relevant Investment Review for additional detail on new and existing investments.

III. Asset Management Business

In addition to gains on the sale of its Principal Investments, Citadel Capital generates revenues from advisory fees on the total invested assets under management (drawn equity) it has under control as well as from a carried interest over a hard hurdle on capital gains it makes for the limited partners in its OSFs.

Citadel Capital's 19 OSFs recorded total assets under management (committed by Citadel Capital and limited partners) of US$ 3.7 billion at 31 March 2010, unchanged from the end of the previous quarter. AUM split as 20.3% committed by Citadel Capital as a principal investor and 79.7% from the limited partners in its OSFs.

Total invested AUM (drawn equity) stood at US$ 2.9 billion (EGP 16.2 billion) at the end of the first quarter, a rise of US$ 63.2 million (EGP 347.8 million), with limited partners contributing US$ 32.9 million (EGP 181.0 million) of that figure. Accordingly, third-party invested AUM stood at US$ 2.1 billion (EGP 11.8 billion), a rise of 1.6% from 4Q09. The balance represents Citadel Capital principal investments of US$ 788.3 million (EGP 4.4 billion).

Third-party fee-earning assets under management stood at US$ 1.9 billion (EGP 10.5 billion) at the end of the quarter, a rise of 1.0%.

New invested AUM from limited partners flowed into three OSFs and two convertibles, including: US$ 11.6 million (EGP 63.8 million) in ASEC Holding Convertibles, US$ 7.6 million (EGP 41.8 million) in Bonyan, US$ 5.7 million (EGP 31.4 million) in NOPC / Rally Energy Group Convertibles, just under US$ 5.7 million (EGP 31.1 million) in Nile Valley Petroleum, and nearly US$ 5.2 million (EGP 28.6 million) in Nile Logistics.

Citadel Capital recorded revenues of US$ 4.5 million (EGP 24.8 million) in 1Q10 from the 1% advisory fee it earns on fee-earning assets under management, a decline of 0.7% from 1Q09. The dip came as fee-earning assets under management eased in 2009 as a result of a planned, temporary decrease in equity invested in the Egyptian Refining Company that was completed by the end of last year.

In the absence of a significant exit, revenue from the carried interest was nil in 2009, as it was in 2008.[8]

Including equity drawn into exited funds, Citadel Capital has raised a total of US$ 4.3 billion in equity since inception. Since inception, Citadel Capital has generated cash returns of US$ 2.5 billion to shareholders and limited partners on investments of US$ 650 million.

8 Management notes that while Citadel Capital typically earns a carried interest of 20% on LP capital gains over a hard hurdle rate of 12% on most investments, some older investment vehicles have a carried interest of 15% over a hurdle of 15%. See also footnote #1 for a related disclosure item..

IV. Financial Performance

(A) Standalone Results

As previously noted, Citadel Capital's financial performance is highly dependent on any exits from current investments the firm may execute in a given period. At exit, Citadel Capital may record both capital gains on its principal investments and a carried interest in the capital gains it makes for the limited partners in its OSFs. Having said that, 1Q10 did not witness significant exits and, accordingly, Citadel Capital's profits were marginal, standing at US$ 0.3 million (EGP 1.5 million).

Revenues grew to US$ 7.7 million (EGP 42.3 million) in 1Q10, an increase of 69.3% from US$ 4.5 million (EGP 25.0 million) in the same quarter of 2009.

- Advisory fees were esased slightly to US$ 4.5 million (EGP 24.8 million) on the back of a dip in 2009 in equity invested in ERC (see previous section for discussion).

- Gains on the sale of investments stood at US$ 1.7 million (EGP 9.6 million), up from zero in 1Q09. This was the result of a partial exit of ASCOM, a listed platform.

- Other operating income of US$ 1.0 million (EGP 5.5 million) was recorded predominantly from a one-time pre-operating cost recovery on solid waste platform Tawazon to Citadel Capital.

- Net profit after tax stood at US$ 0.3 million (EGP 1.51 million) for 1Q10 compared with a loss of US$ 3.7 million (EGP 20.3 million) in the same quarter of last year.

- Notably, operating expenses (OPEX) stood at US$ 9.0 million (EGP 49.5 million, representing 117% of 1Q10 revenues) as opposed to US$ 5.0 million (EGP 27.5 million, or 110% of revenues) the same quarter last year. OPEX rose in part due to the distribution of a larger employee bonus (excluding the executive committee) in 1Q10 than that distributed in the same quarter of last year at the height of the economic crisis. It is worth noting that the rest of the bonus will be paid in 2Q2010. Moreover, the firm added senior employees to support both fundraising and new deals. Travel expenses rose year-on-year as a result of the firm's continued screening for new transactions in Africa and the Middle East as well as to follow-up on current investments. Travel expenses related to currently-under-review projects may be recovered in the future as pre-operating expenses in the event that those deals are successfully closed. For the period, OPEX breaks down as:

Operating Expenses (in EGP Mn)	**1Q10**	**1Q09**
Salaries, Travel and Communications	25.4	17.2
Employee Bonus	11.8	5.5
Consultancy Fees, Audit Fees, Publications & Events	8.4	3.2
Depreciation	1.1	0.1
Others	2.8	1.5
Total	**49.5**	**27.5**

- Meanwhile, the sharp shift from a negative net interest figure of US$ 1.5 million (EGP 8.3 million) in 1Q09 to a positive figure of US$ 2.5 million (EGP 14.0 million) in the first quarter of this year was a direct result of a year-on-year increase in interest-bearing loans and convertibles to the firm's portfolio of companies.

- Management notes a significant reduction in dues from related parties on Citadel Capital's balance sheet to US$ 25.3 million (EGP 139.2 million) at the end of 1Q10 versus US$ 34.2 million (EGP 188.0 million) at the end of last year. This was in line with the firm's effort to recover receivables from Platform Companies, thereby strengthening Citadel Capital's balance sheet. The balance sheet should further improve with the reduction in Dues from Related Parties over the course of the year.

- Loans to Platform Companies declined from US$ 80.1 million (EGP 440.7 million) at the end of last year to US$ 78.7 million (EGP 433.0 million) at the end of 1Q10, a development that also reflects the ongoing restructuring of the firm's balance sheet. This trend is expected to persist in the coming period, particularly as the MENA and Africa Joint Investment Funds reach first close and warehoused investments (bridging) will be paid — and as co-investors meet new capital calls. The firm had stepped in to bridge short-term funding gaps resulting from co-investors' delays on outstanding capital calls, a trend that began easing in the first quarter.

- The total debt of Citadel Capital (as distinct from that of its Platform Companies) stood at US$ 145.5 million (EGP 800.2 million) as at 31 March 2010 with a debt-to-equity ratio of 22% (compared with EGP 807.9 million and a ratio of 23% at 31 December 2009). Debt is primarily in the form of a four-year dollar bullet loan. The firm is currently in negotiations to add leverage at the Citadel Capital level to ensure the balance sheet has the liquidity it needs to support the planned pace and tenor of investment. The firm will not exceed a debt-to-equity ratio of 50%.

(B) Consolidated Results

As required by law, Citadel Capital reports both its standalone and consolidated financial results each quarter. However, management believes that the standalone financials better reflect the company's financial performance, noting that consolidated statements are a better reflection of the performance of a conglomerate, something that Citadel Capital most emphatically is not. The firm does not have operational control of businesses covering a broad segment of industries with the objective of enhancing dividends paid at the Citadel Capital level. Instead, Citadel Capital invests in platform companies with the aim of creating long-term value at each of these investments. The firm's targeted income stream is not dividends, but the realization of (a) advisory fees during the lifetime of the investment; (b) capital gains on Citadel Capital's principal investment in a platform realized at exit; (c) a carried interest in the capital gains of the limited partners in Citadel Capitals OSFs, also realized at exit. Exits may take the form of a sale to a strategic investor or through a listing on a national stock exchange.

Simply stated, Citadel Capital is in the business of generating revenues from investing in and then selling companies, not from running those businesses on a long-term basis.

Furthermore, it is management's view that consolidated results are disproportionately affected by the fact that many of Citadel Capital's investments are either in the start-up phase or are greenfields, which inflates OPEX figures by a wide margin: US$ 14.3 million (EGP 78.5 million) for 1Q10, for example. This is reflected in the reported consolidated loss of US$ 5.6 million (EGP 31 million) in the quarter just ended. The current reporting period's loss is also impacted by the firm's Share in Associates' Results, which is strongly influenced by ASEC Cement having two greenfield projects (Al-Takamol in Sudan and Djelfa in Algeria) and one brownfield (Zahana in Algeria). As a result of these projects and other similar ones, the contribution is of a negative USD 1.2 million (EGP 6.6 million) in 1Q10.

Citadel Capital and its portfolio companies benefit from synergies realized via an arm's-length relationship. Profits from those operations are eliminated at the consolidated level, but are in fact considered added value at the Platform Company level. One current example is TAQA Arabia (Citadel Capital's energy distribution platform), a subsidiary of which is building — and will run — a power-generation station for Al-Takamol in Sudan. The subsidiary also holds a significant equity stake in the power-generation venture.

Accordingly, management believes that standalone results together with the total net asset value (TNAV) reported semi-annually at the 1H and FY marks are better reflections of the firm's value.

V. Summary Financials: Standalone

Standalone Income Statement

EGP million	Q1 2009	Q1 2010
Advisory fee	24.95	24.78
Carry		
Gain from sale of investments	0.00	9.58
Dividends income		2.40
Other income	0.00	5.49
Total Revenues	**24.95**	**42.25**
OPEX	(27.48)	(49.45)
Management earn out[9]	0.00	(0.17)
Forex & Others	(8.30)	(3.46)
EBITDA	**(10.82)**	**(10.83)**
Depreciation	(2.01)	(2.17)
EBIT	(12.83)	(13.00)
Net interest	(8.32)	14.00
Profit Before Taxes	**(21.15)**	**0.99**
Deferred Tax	0.82	0.52
Profit After Taxes	**(20.33)**	**1.51**

Standalone Balance Sheet

EGP million	FY 2009	Q1 2010
Fixed assets (net)	83.90	81.86
Investments[10]	3,284.42	3,519.63
Convertibles	524.84	462.61
Deferred Taxable Assets	0.69	1.21
Total Non Current Assets	**3,893.85**	**4,065.31**
Due from Related Parties & Other Debit Balances	187.98	139.20
Related Parties - Loans	440.69	433.03
Cash & cash equivalent	248.43	138.46
Total Current Assets	**877.10**	**710.70**
Total Assets	**4,770.95**	**4,776.01**
Paid in capital	3,308.13	3,308.13
Reserves	62.13	68.56
Retained Earning	22.15	222.93
Current year profit	211.35	1.51
Dividends Distribution		
Total equity	**3,603.75**	**3,601.13**
LT Borrowing	807.86	800.22
Others		
Total non current liabilities	**807.86**	**800.22**
ST Borrowing		
Due to CCP	305.13	332.33
Accrued, Provision & Other liab.	54.24	42.33
Total current liabilities	**359.36**	**374.66**
Total Equity & Liabilities	**4,770.97**	**4,776.01**

9 Citadel Capital pays Citadel Capital Partners a management incentive fee equal to 10% of the firm's net profits. This agreement has been effective since 1 January 2008 and will remain in effect so long as Citadel Capital Partners owns 15% or more of the preferred shares of Citadel Capital.

10 Citadel Capital's investments are recorded in its 1Q10 stand-alone financial statements under the following line items: Available-for-sale investments (EGP 26.4 million), Investments in Subsidiaries and Associates (EGP 2.33 billion), Payments for Investments (EGP 1.29 billion), and Long-Term Debt Receivables (EGP 338.12 million). This results in total investments of EGP 3.92 billion (investments + convertibles).

VI. Summary Financials: Consolidated

Consolidated Income Statement

EGP million	Q1 2009	Q1 2010
Advisory fee	20.00	22.93
Gain from sale of investments	2.81	12.92
Share in associates' results	6.03	(6.65)
Other income	1.90	4.69
Total Revenues	**30.74**	**33.89**
OPEX	(31.31)	(75.82)
Other expenses	0.00	(1.43)
EBITDA	**(0.57)**	**(43.37)**
Depreciation	(2.17)	(2.72)
EBIT	**(2.74)**	**(46.09)**
Net finance income (expense)	(16.79)	11.94
Profit BT	**(19.53)**	**(34.15)**
Deferred tax	0.82	0.47
Profit AT from continued operations	**(18.72)**	**(33.68)**
Net results from discontinued operations	12.53	0.00
Profit	**(6.18)**	**(33.68)**
Attributable to:		
Majority shareholders	(19.75)	(31.34)
Non-controlling shareholders	13.56	(2.34)
Net (loss) profit for the period	**(6.18)**	**(33.68)**

Consolidated Balance Sheet

EGP million	FY 2009	Q1 2010
Fixed assets (net)	101.25	94.61
Intangible assets	2.08	0.00
Investments[10]	3,302.72	3,439.99
Convertibles	543.13	489.24
Deferred tax assets	0.28	1.21
Total Non Current Assets	**3,949.47**	**4,025.05**
Inventories	0.98	0.00
Due from Related Parties & Other Debit Balances	261.72	177.72
Related parties - loans	440.69	431.49
Cash & cash equivalent	268.59	152.37
Total Current Assets	**971.96**	**761.57**
Total Assets	**4,921.44**	**4,786.63**
Paid in capital	3,308.13	3,308.13
Reserves	33.79	10.71
Retained Earning	93.30	238.84
Net (losse) profit for the period	159.11	(31.34)
Total equity attributable to the majority shareholders	**3,594.33**	**3,526.34**
Total equity attributable to the non-controlling shareholders	**31.91**	**15.19**
Total equity	**3,626.24**	**3,541.53**
LT borrowings	808.03	800.40
LT liabilities	58.53	52.70
Total non current liabilities	**866.56**	**853.11**
ST Borrowing	2.38	0.04
Due to CCP	305.13	332.33
Due to Related Parties & Other Credit Balances	101.63	43.69
Provisions	19.50	15.92
Total current liabilities	**428.63**	**391.99**
Total Equity & Liabilities	**4,921.44**	**4,786.63**

VII. Outlook

With existing investments on track, two greenfields delivered and four others about to enter operations, management has set six goals that will figure heavily in our agenda through year's end. These include:

1 **Closing the financing package for the Egyptian Refining Company (ERC),** our greenfield petroleum refinery in the Greater Cairo Area. This US$ 3 billion greenfield project's compelling economics has won substantial interest from export credit agencies, development finance institutions, and leading banks. We look forward to financial close of ERC's US$ 2.25 billion financing facility in the coming period.

2 **First close on the MENA and Africa Joint Investment Funds,** our first standing funds, is nearing. We have completed a very substantial dry close with the International Finance Corporation and the European Investment Bank and are targeting a combined US$ 150 million close for both funds. These two sister funds will match Citadel Capital's principal investments on a 2:1 basis in every transaction into which the firm enters from the closing of the funds onward.

3 **We will continue to fine-tune our balance sheet.** While we are committed to providing bridge financing as necessary to our platform and portfolio investments, Citadel Capital is not a bank. We thus target a declining balance of loans, and management will also restructure Citadel Capital's current US$ 145 million in debt into a larger facility that will better match our investment plans without exceeding a debt-to-equity ratio of 50%.

4 **We will continue to closely monitor business plans at the platform and portfolio levels.** An unwavering focus on execution has allowed us to bring four greenfield projects to near-simultaneous close while making substantial progress at our brownfields. Post-acquisition value enhancement is at the heart of what Citadel Capital does.

5 **We will continue to evaluate opportunities to exit at least one relatively mature investment** at a lucrative valuation should market conditions hold up.

6 **We will continue to pay attention to share price** and get Citadel Capital's story out by participating in roadshows while building the list of global research houses that cover our shares.

VIII. Select Investment Review[12]

ASEC Holding (NDT)

ASEC Holding (ASEC) is a leading regional cement, engineering and construction group with operations in the Middle East and Africa. With 32 years of experience, ASEC's portfolio of services includes plant engineering, technical management, automation and construction. Portfolio Company ASEC Cement is emerging as a leading regional cement production group that will control 13 million tons of cement per annum by 2013 in five countries spanning from Algeria to Iraq-Kurdistan.

Industry: Engineering, Construction and Cement

Investment Date: December 2004

Investment Type: Distressed and Greenfield

Citadel Capital Ownership: 49.8%

- ASEC Holding announced in February 2010 that it had acquired an additional 9.48% of ASEC Cement, one of its key Portfolio Companies, in a deal worth US$ 80 million in cash and shares. The transaction saw ASEC Holding raise its stake in ASEC Cement to 61.04%. The selling party was the Emirates International Investment Company (EIIC), a long-time limited partner in a number of Citadel Capital's Opportunity-Specific Funds (OSFs) and a shareholder in the firm. The transaction valued ASEC Cement at EGP 14.68 per share against a par value of EGP 10.00.
- ASEC Cement is nearing full operations at Al-Takamol, its state-of-the-art greenfield cement plant some 320 kilometers north of the Sudanese capital of Khartoum. The plant, built with technology that meets or exceeds national environmental standards, will have a nominal capacity of 1.45 million tons per annum (MTPA) of clinker and 1.6 MTPA of cement. Production is slated to begin in June. ASEC Cement constructed 15 kilometers of roads to connect the plant to government roads, erected a water treatment station connected to the plant by a 15-km-long pipeline, and contracted to build its own 42 MW captive power plant to cover all of Takamol's electricity needs. The plant, Berber for Electrical Power, was built by Global Energy, a portfolio company of Citadel Capital platform company TAQA Arabia. Al-Takamol plant will reduce by half Sudan's annual cement deficit of 3 MTPA.
- ASEC Cement's greenfield plant at Djelfa reported 88% overall progress as at the end of April 2010, with more than 67,500 cubic meters of concrete poured from a target of 77,000 cubic meters.
- At the Zahana Cement Company, staff completed an overhaul of the dry kiln in February-March 2010 where four sections of the kiln were changed and other major modifications complete. Marking a major accomplishment, the overhaul was completed on time and with no accidents. Klinker production hit a record of 75,479 tons in April 2010 against 49,768 tons in the same month of 2009.\

Nile Logistics (formerly NRTC / NRPMC / Keer Marine)

Nile Logistics is Citadel Capital's Platform Company in the regional logistics, river transport and port management sector. Nile Logistics encompasses three Portfolio Companies: Nile Cargo (previously known as the National River Transportation Company); the National River Port Management Company (NRPMC); and Keer Marine.

Industry: Transportation and Logistics

Investment Date: September 2006

Investment Type: Greenfield

Citadel Capital Ownership: 25.0%

- Nile Logistics Portfolio Company National River Port Management Company (NRPMC), Egypt's leading operator of river ports, began service in February on a five-year contract to transport up to 2 million tons of wheat annually along the River Nile for Egypt's General Company for Silos and Storage (GCSS), a key state-owned importer and distributor of wheat. The contract is the first to be serviced at NRPMC's Tanash Port in Imbaba (20 kilometers north of Cairo). The 27,500-square-meter port, which has been operational since late 2009, is capable of handling 2 million tons of grain and other bulk material and 110,000 TEUs (twenty-foot equivalent units) per annum. Tanash is located 1.5 kilometers away from the Cairo Ring Road, giving it direct access to the industrial hubs of Sixth of October and Tenth of Ramadan cities. NRPMC has invested over US$ 3 million to upgrade facilities and purchase new handling equipment.

Rift Valley Railways

Rift Valley Railways (RVR) of Kenya-Uganda has a 25-year concession to operate a century-old rail line with some 2,000 kilometers of track linking the Indian Ocean port of Mombasa in Kenya with the interiors of both Kenya and Uganda, including Kampala.

Industry: Transportation and Logistics

Investment Date: November 2009

Investment Type: Consolidation

Citadel Capital Ownership: n/a

- Citadel Capital and Trans-Century (a Kenyan investment firm) agreed in March 2010 to the restructuring of Rift Valley Railways, in which Citadel Capital had acquired

12 Information about Citadel Capital's 19 Platform Investments may be found at www.citadelcapital.com

an indirect 17.5% stake in late 2009. Citadel Capital and Trans-Century further agreed a capital expenditure program that will see US$ 250 million injected to rehabilitate RVR's infrastructure and rolling stock.

Gozour

Gozour is a regional multi-category integrated agri-foods platform. The group includes three primary lines of business: agriculture, dairy, and dry consumer foods. Gozour Portfolio Companies include Dina Farms, Rashidi El-Mizan, El-Misriyeen, El-Aguizy International and Mom's Foods in Egypt as well as confectioner Al-Musharraf in Sudan.

Industry: Agriculture and consumer foods	
Investment Date: September 2007	
Investment Type: Consolidation	
Citadel Capital Ownership: 20.0%	

- Portfolio Company Dina for Agricultural Investments SAE (Dina Farms), the largest privately owned farm in Egypt, announced in February that it has concluded a deal to import an additional 850 Holstein heifers from the United States. The company expects to take receipt of the new cows by the middle of 2010. The total herd of milking cows at Dina Farms is expected to reach 10,000 by 2012.
- Also this quarter, Dina Farms signed a US$ 2 million agreement to acquire a state-of-the-art equipment for its dairy facility. The high-tech climate control system, which is the first of its kind in Egypt, will increase milk productivity by 10% from late spring through early fall, when temperatures peak. The announcement came as Dina launched its first own-brand line of packaged milk products.

Wafra

Wafra is Citadel Capital's Platform Company for agricultural production in Sudan. Wafra includes the rights to more than 500,000 feddans of land through investments held under Portfolio Companies Sabina (254,000 feddans in northern Sudan) and Sudanese Egyptian Agricultural Crops Company (SEAC, 250,000 feddans in southern Sudan).

Industry: Agriculture and consumer foods	
Investment Date: September 2007	
Investment Type: Consolidation	
Citadel Capital Ownership: 49%	

- El-Nahda for Integrated Solutions, a Portfolio Company of Wafra, signed in late March an agreement with the White Nile Governorate for a 30-year lease on 60,000 feddans of land in Ed Dueim (150 kilometers south of Khartoum) on which it will establish that nation's first large-scale commercial rice farm. El-Nahda is Wafra's third Portfolio Company and will grow high-quality long-grain rice, which El-Nahda will process at a new rice mill to be constructed on the site. Wafra has engaged industry expert Peter Draper, an Australian national, to serve as Managing Director of El-Nahda.
- Sabina is on track to have 3,000 feddans under cultivation by June, while SEAC will be ready to seed 20,000 feddans by the onset of the rainy season in mid-2011.

Egyptian Refining Company (ERC)

The Egyptian Refining Company (ERC) is building a state-of-the-art US$ 3 billion greenfield second-stage oil refinery in the Greater Cairo Area, which will produce over 4 million tons of refined products when completed, including 2.3 million tons of EURO V diesel, the cleanest fuel of its type in the world.

Industry: Petroleum Refining	
Investment Date: June 2007	
Investment Type: Greenfield	
Citadel Capital Ownership: 8.2%	

- Talks continue with leading development finance institutions including European Investment Bank (EIB) and the African Development Bank (AfDB) as well as export credit agencies Export-Import Bank of Korea (Kexim) and Japan Bank for International Cooperation (JBIC).

TAQA Arabia

TAQA Arabia is the parent company of a full-service Middle East energy distribution group with a focus on gas and electricity distribution as well as the storage and distribution of refined products.

Industry: Energy Distribution	
Investment Date: June 2006	
Investment Type: Industry Roll-Up	
Citadel Capital Ownership: 33.5%	

- Global Energy, the power arm of TAQA Arabia, finalized construction of Berber for Electrical Power, a 42 MW captive power generation operation that will provide all of the electricity needs of Al-Takamol, ASEC Cement's 1.6 million ton per annum greenfield cement plant in Sudan, under a 20-year offtake agreement. Global Energy will manage Berber, a US$ 67 million facility in which it holds a 51% equity stake.

GlassWorks

GlassWorks is Citadel Capital's platform for glass investments in the Middle East and Africa. GlassWorks currently owns a 35% stake in Misr Glass Manufacturing S.A.E. (MGM), a leading manufacturer and exporter of glass containers in the Middle East and North Africa, and 51% of Sphinx Glass, a state-of-the-art, EGP 1.1-billion (US$ 200 million) greenfield float glass plant in Egypt.

Industry: Glass manufacturing

Investment Date: September 2007

Investment Type: Roll-up and greenfield

Citadel Capital Ownership: 20.0%

- Portfolio Company Sphinx Glass has completed commissioning at its state-of-the-art, EGP 1.1 billion, 198,000 ton-per-annum float glass facility in Sadat City.

Finance Unlimited

Finance Unlimited is a Platform Company for Citadel Capital's investments in the regional financial services industry with exposure to the microfinance, banking and investment banking sectors.

Industry: Financial Services

Investment Date: September 2006

Investment Type: Greenfield

Citadel Capital Ownership: 100%

- Finance Unlimited announced in March 2010 that it had engaged Amr Seif as Chief Executive Officer. Seif joined from London-based Investec Asset Management, where he started and led the company's MENA equity practice and was portfolio manager for Investec's MENA and Africa-Middle East funds. He previously served at JPMorgan, where he managed a number of Middle Eastern and Eastern European equity mutual funds and institutional portfolios. At the time of his departure from JPMorgan he had in excess of US$ 2 billion under management. He assumed his duties on 1 April 2010.
- Portfolio Company Tanmeyah, a greenfield microfinance business, continued its rapid expansion in 1Q10, growing its loan book to EGP 97.5 million at the end of March from EGP 58.2 million at year-end 2009. This came as Tanmeyah continued to expand its branch network, growing from 38 at year's end to 54 at the end of the quarter just past.

Bonyan for Real Estate and Development

Bonyan is a specialty real estate developer operating in Egypt and the wider MENA region. In Egypt, Bonyan is building two state-of-the-art commercial real estate projects, namely design, furniture and home accessories malls under its Designopolis brand.

Industry: Real Estate

Investment Date: August 2007

Investment Type: Greenfield

Citadel Capital Ownership: 30.7%

- Bonyan has finalized an EGP 185 million syndicated loan to finance the completion of Designopolis, the first furniture and home accessories mega-mall in the Middle East and North Africa. CIB is lead arranger for the loan. Also participating are Housing and Development Bank (EGP 50 million), the Egyptian-Arab Land Bank (EGP 50 million), the Arab Investment Bank (EGP 45 million) and Bank Audi (EGP 40 million). The seven-year loan includes a grace period of two years and a five-year repayment term. Phase one of the project, located in Sixth of October City, is on track to officially open in Spring 2010 with major international, regional and local brands as anchor tenants.
- The official opening of Bonyan is scheduled for spring 2010.

About Citadel Capital S.A.E.

Citadel Capital (CCAP.CA on the Egyptian Stock Exchange) is the leading private equity in the Middle East and Africa. Citadel Capital focuses on building regional platforms in select industries through acquisitions, turnarounds, and greenfields executed via Opportunity Specific Funds. Citadel Capital's 19 OSFs now control Platform Companies with investments worth more than US$ 8.3 billion in 14 countries spanning 15 industries, including mining, cement, transportation, food and energy. Since 2004, the firm has generated more than US$ 2.5 billion in cash returns to its co-investors and shareholders, more than any other private equity firm in the region. Citadel Capital is the largest private equity firm in Africa by PE assets under management (2004-2009, as ranked by Private Equity International). For more information, please visit www.citadelcapital.com.

Forward-Looking Statements

Statements contained in this Earnings Release that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of the Citadel Capital. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. Certain information contained herein constitutes "targets" or "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "seek," "should," "expect," "anticipate," "project," "estimate," "intend," "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Actual events or results or the actual performance of Citadel Capital may differ materially from those reflected or contemplated in such targets or forward-looking statements. The performance of Citadel Capital is subject to risks and uncertainties.