# Citadel Capital Reports Second Quarter 2011 Results

Leading regional private equity firm announces stable AUM base, reports an additional US$ 210.5 million in debt and equity financing not included in the quarter's figures, completes rights issue adding EGP 718 million (US$ 120 million) in fresh cash to its balance sheet.

**CCAP.CA on the Egyptian Stock Exchange**

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## 24 October 2011

(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 second quarter of 2011, reporting a stable base of total assets under management (AUM) at US$ 4.1 billion quarter-on-quarter. That figure represents an 8.1% rise year-on-year.

Not included in this total is US$ 210.5 million (EGP 1.2 billion) in equity and debt fundraising for platform and portfolio companies including US$ 164 million in senior debt financing for Rift Valley Railways from six leading global financial institutions and a leading East African private-sector bank signed in 3Q11; US$ 21.5 million in institutional funds raised in the quarter just ended for Nile Logistics, to be drawn down in 3Q11; and US$ 25.5 in debt and equity invested by International Finance Corporation in a portfolio company of Citadel Capital's mid-cap fund.

As of 30 June 2011, the portfolio net asset valuation (PNAV) of Citadel Capital's principal investments rose 6.4% from December 2010 to US$ 0.9 billion (EGP 5.3 billion), including the effect of the recently-completed capital increase via rights issue at par.[1] Conversely, PNAV per share (PNAVPS) declined 19.2% to US$ 1.02 (EGP 6.07) owing to the dilutive effect of newly issued shares and a change in valuation methodology to fair value on investments previously held at market.

On a standalone basis, Citadel Capital reports a net loss of US$ 4.2 million (EGP 25.0 million) for 2Q11 on revenues of US$ 2.7 million (EGP 16.3 million).[2] This compares with a net profit of US$ 0.05 million (EGP 0.3 million) in the same quarter of 2010. In the first half, the firm recorded a standalone net loss of US$ 8.7 million (EGP 51.7 million), on par with expectations in a period with no exits and after upstream oil and gas write-downs taken at the end of FY10 impaired some US$ 3.4 million (EGP 20.33 million) in advisory fees that are recorded in the notes to the Firm's audited statutory standalone financials, but which are not on the revenue line.

That decision also impairs interest income from convertibles, with the firm impairing 50% of the interest recorded from the NPC convertible and 100% from the NOPC / Rally Energy convertible. This income is also recorded on separate books. The final disposition of both advisory and interest income will be determined at the write-back or exit of these investments.

Commenting on the outlook for the balance of the year, Citadel Capital Chairman and Founder Ahmed Heikal said:

> "The macro picture in Egypt is today essentially as we had forecast: We see ongoing macroeconomic challenges continuing to prompt foreign investors to sit on the sidelines waiting for visibility, a reality we expect will continue to play out over the coming 12-18 months.
>
> "Since the Revolution, we have engaged in housecleaning and ensured that our investments

1 All PNAV and PNAVPS figures in this document are reflect principal investments valued as at 30 June 2011, but factor in the capital raised and 210 million shares issued during the rights issue completed 17 October 2011.

2 Citadel Capital principal investments are converted per exchange rates carried in Citadel Capital's balance sheet. All other figures relating to financial results in 2Q11 are converted using a spot rate of EGP 5.9397 : US$ 1.00 and EGP 8.5455 : EUR 1.00. Historical figures have been re-stated using the same exchange rate. Citadel Capital typically analyzes its own financial statements in EGP and investments in US$. Management notes that private equity earnings are by definition 'lumpy,' with significant revenues and profits typically generated at exit of investments.

are in the best positions possible to weather the economic fallout from political changes that we are convinced will be positive for business in the long run. Our investments are firmly on the right side of these trends: Our platforms are heavily weighted toward exporters, which will benefit from any further devaluation, as will our commodity plays in sectors including agriculture, mining and oil and gas. We have important investments outside Egypt that continue to deliver results, and energy deregulation in Egypt and beyond has always been one of our core investment theses. Time is accordingly on our side: We are not fighting the currents, but sailing with them. This is a very large part of why we have been so successful this year in winning substantial repeat investment from sophisticated global LPs and regional co-investors alike.

"We have anticipated since the earliest days of the Revolution that liquidity would be king in 2011-12, leading us to impose the same fiscal discipline at the Citadel Capital level as we have at our platforms. This effort began with a program of cost-control and cash preservation that has seen the cash component of the firm's OPEX spending decline more than 30% year-on-year in the first half while total OPEX spending has eased 16.1% in the same period.

"At the same time, we have taken steps to substantially strengthen our balance sheet, putting Citadel Capital in a robust financial position heading into 2012. Ultimately, we expect this will mean adding more than US$ 200 million (EGP 1.2 billion) to our war chest — more than sufficient to ensure our 19 platform companies weather any additional economic headwinds. In the event of an improving business climate, this capital will provide us with the flexibility to both accelerate the development of our portfolio and to pursue compelling new opportunities of new forms at the platform and Citadel Capital levels. We will, however, remain very cautious.

"This effort began with our recently concluded US$ 175.6 million (EGP 1.05 billion) rights issue via a capital increase at par, including US$ 120 million in fresh cash. As we recently disclosed, the rights issue has been fully covered with strong participation from our long-term Gulf investors —as well as participation from international and regional institutional investors — that we take as a strong endorsement of our business' fundamentals.

"We are also now finalizing a US$ 150 million (EGP 900 million) long-term financing facility about which we will be able to speak in more detail in the coming weeks.

"Meanwhile, we expect to add further to our cash balances through minor divestitures (rebalancing of our portfolio) over the coming six months at the same time as we begin recovery of substantial loans advanced to platform and portfolio companies whose cashflow positions will soon make repayment possible.

"In sum, our balance sheet is strong with fresh cash leaving us ideally situated to grow our portfolio, weather any economic challenges in 2012-13, and prepare for transformative exits in the years ahead as we chart a new future for Citadel Capital — all while maintaining the caution that has been the hallmark of 2011."

Management's discussion of operational performance as well as details of Citadel Capital's 2Q11 standalone and consolidated financials are below; full financials are available for download at www.citadelcapital.com.

## I. Performance Highlights

| Financial Highlights (in EGP mn) | 2Q10 | FY10 | 1Q11 | 2Q11 |
|---|---|---|---|---|
| Revenue | 38.5 | 165.0 | 15.9† | 16.3† |
| EBITDA | (3.8) | (141.8) | (23.5) | (24.7) |
| Net Income / Loss | 0.29 | (298.3) | (26.6) | (25.0) |
| | | | | |
| Principal Investments* (in EGP mn as carried on balance sheet) | | | | |
| Total Principal Investments | 4,455 | 4,912 | 5,056 | 5,024 |
| Of which Equity | 3,833 | 4,095 | 4,195 | 4,273 |
| Of which Loans | 222 | 307 | 355 | 233 |
| Of which Convertibles | 400 | 509 | 506 | 517 |
| New Investments in the Period | 37.8 | 662 | 144 | (33.2) |
| Gains from Sale of Investments in the Period | – | 26 | – | – |
| **Portfolio Net Asset Value (PNAV, EGP mn)** | **not issued** | **4,969** | **not issued** | **5,289††** |
| **Portfolio Net Asset Value per Share (PNAVPS, EGP)** | **not issued** | **7.51** | **not issued** | **6.07††** |
| | | | | |
| Asset Management (in US$ bn, as at the date) | | | | |
| Total Investments Under Control | 8.3 | 8.7 | 8.7 | 8.7 |
| Total AUM | 3.7 | 4.0 | 4.1 | 4.1 |
| Invested AUM | 2.9 | 3.1 | 3.1 | 3.1 |
| Invested Third-party AUM | 2.1 | 2.2 | 2.2 | 2.2 |
| Third-party Fee-earning AUM | 1.9 | 2.1 | 2.1 | 2.1 |
| New Invested AUM (in US$ mn, for the period) | 63.6 | 265.9 | 13.6 | - |
| Revenue from Advisory Fees (in US$ mn, for the period) | 4.4 | 17.3 | 2.68 | 2.7 |
| Revenue from Carried Interest (in US$ mn, for the period) | - | - | - | - |
| Asset Management Value (AMV) (in EGP mn) | not issued | n/a | - | n/a |
| | | | | |
| Net Asset Value** | | | | |
| Total NAV (TNAV) (in EGP mn) | not issued | n/a | - | n/a |
| TNAV per Share (in EGP) | not issued | n/a | - | n/a |

| Track Record (for the quarter ending 30 June 2011 unless otherwise indicated) | | |
|---|---|---|
| Investments made since 2004 (acquisitions and new company formations) | | 54 |
| Number of Platform Companies | | 19 |
| Number of Funds (Opportunity-Specific Funds + Standing Funds) | | 21 |
| Total number of countries in which Citadel Capital invests | | 15 |
| Number of industries in which Citadel Capital invests | | 15 |
| Total equity raised and invested since 2004 | EGP 27.0 billion | US$ 4.7 billion |
| Cash returns to shareholders and LPs since 2004 (on equity investments of US$ 650 million) | EGP 13.1 billion | US$ 2.2 billion |
| | | |
| Shareholder Structure | | |
| Citadel Capital Partners (CCP) | | 33.1% |
| Board members other than CCP | | 18.6% |
| Investors Owning More than 1% | | 14.1% |
| Others | | 34.2% |
| Number of shares outstanding | | 661,625,000 |
| Paid-in capital of Citadel Capital | EGP 3.3 billion | US$ 0.6 billion |

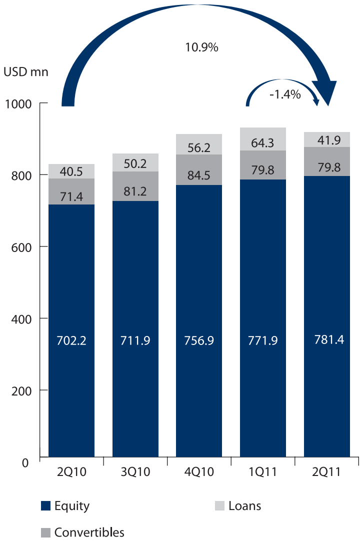
† Revenue from contractual advisory fees as recorded in Note 21.1 to the firm's audited statutory standalone financials stands at EGP 52.5 million in 1H11. The firm does not record on the revenue line EGP 20.3 million in 1H11 advisory related to impaired upstream oil and gas investments for conservative reasons.

†† PNAV and PNAVPS are calculated using principal investments valued as at 30 June 2011, but factor in the capital raised and 210 million shares issued during the rights issue completed 17 October 2011.

* This summary is provided for parties interested in dissecting Principal Investments on Citadel Capital's standalone balance sheet as presented on page 18. That said, the majority of Citadel Capital principal investments are made in US dollars. Management accordingly analyzes both principal investments and AUM in US dollars. The balance of this document uses USD as the currency for analysis and comparison of investments, whether by the firm or its co-investors.

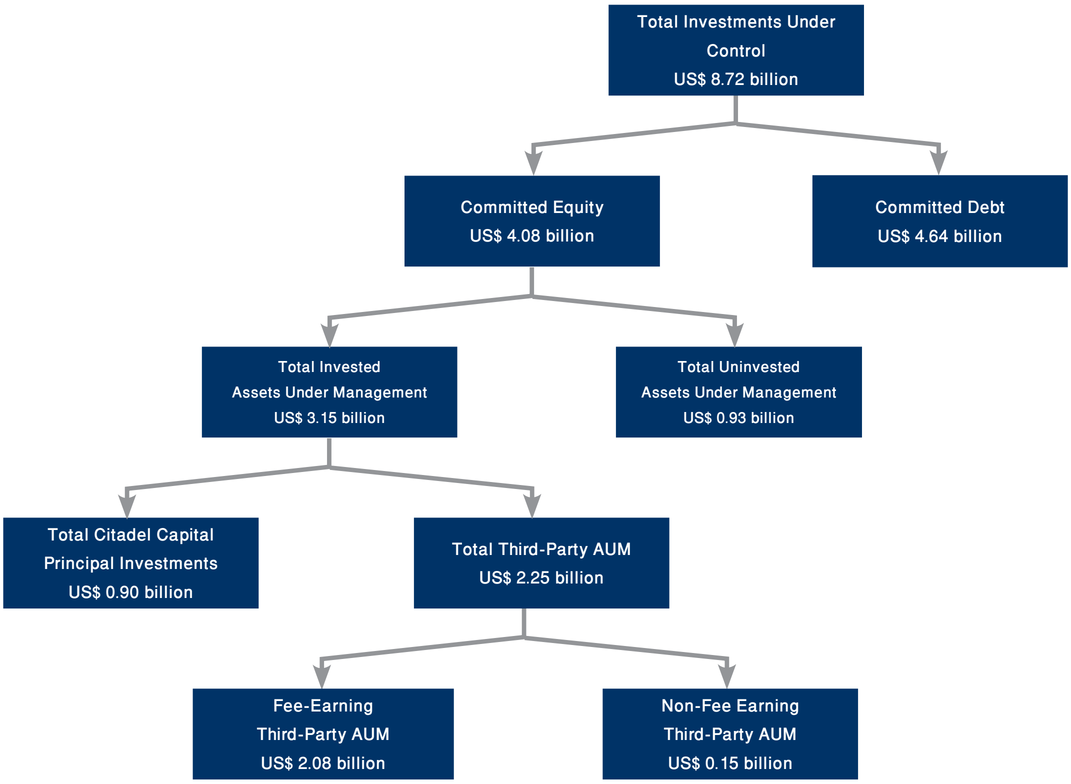
** As noted previously, Citadel Capital suspended guidance on TNAV as of 31 December 2010 as a result of its decision not to offer estimates of its AMV.

Citadel Capital Principal Investments




## II. Citadel Capital as a Principal Investor

Citadel Capital raises Opportunity-Specific Funds (OSFs) 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$ 8.7 billion (EGP 51.8 billion) at the end of 2Q11, representing both committed equity and committed debt, on par with the previous quarter.

### A. Principal Investments

Citadel Capital's total principal investments (including convertibles and interest-bearing loans to its platform companies) stood at US$ 903.2 million (EGP 5,024 million) at the end of 2Q11, a 1.4% decline from US$ 916.0 million (EGP 5,056 million) the previous quarter and a 0.6% rise year-to-date. The quarter-on-quarter decline came as the firm recovered loans to platform and portfolio companies.

The firm made US$ 9.6 million (EGP 57.0 million) in new principal equity investments in the second quarter while recovering US$ 22.4 million (EGP 133.0 million) in loans. Investments in convertibles were unchanged quarter-on-quarter.

Citadel Capital's total principal investments at 30 June 2011 break down as 86.5% equity investments, 8.8% investments in convertibles and 4.6% interest-bearing loans to platform and portfolio companies.

### Equity

Citadel Capital made new principal equity investments of US$ 9.6 million (EGP 79.3 million) in 2Q11. Accordingly, the firm's total principal equity investments rose 1.2% quarter-on-quarter to US$ 781.5 million (EGP 4,273.9 million), with the rise partially offset by a reduction in equity investments in the Egyptian Refining Company (ERC).

As they were in 1Q11, new equity investments in the quarter just ended tended towards promising non-Egyptian platforms, with the bias expanding to just over 78%. Sudanese agriculture platform Wafra accounted for 50.0% of new equity investment, while Africa Railway absorbed 28.1% of Citadel Capital's new equity investments in the quarter.

Wafra finalized its first commercial wheat harvest at the end of 2Q11 (with the announcement following in the first days of July), taking a 3,000-feddan (3,114 acre) harvest to market at US$ 450 per ton, more than US$ 100 per ton above target. Management has since prioritized the acceleration of 2012 development plans. Meanwhile, Africa Railways Portfolio Company Rift Valley Railways, which operates the national railway of Kenya and Uganda, announced in August 2011 a US$ 164 million financing package to back a US$ 287 million capital expenditure program. The package is provided by six leading development finance institutions and one local bank.

Other equity investments in the quarter were made in platform companies including Tanweer, Finance Unlimited and Gozour.

Also in 2Q11, Citadel Capital temporarily reduced its equity investment in Egyptian Refining Company (ERC) by US$ 2.6 million (EGP 15.4 million) as the project had been on hold. Management notes that ERC has since gained momentum and is now working toward equity closure.

### Convertibles

Citadel Capital holds four investments in convertibles: ASEC Holding, United Foundries, NPC and NOPC / Rally Energy. The firm made no new investments in convertibles in 2Q11.

### Loans

As it did in 2008-09 when the global financial crisis spilled over into the Middle East and Africa, Citadel Capital continues to extend loans to a number of platform and portfolio companies to bridge short-term funding gaps. Although the Firm will continue to extend bridge financing as needed to ensure platform and portfolio business plans remain fully on track, Management had aimed in the period spanning from 1Q10 through 25 January 2011 to substantially reduce this balance over the medium term.

With economic conditions across the footprint largely stable, Citadel Capital recovered US$ 22.4 million (EGP 133 million) in loans in the quarter just ended, reducing the outstanding balance by 34.8% quarter-on-quarter and 25.3% since the beginning of the year. Loans had briefly climbed in 1Q11 as the firm extended financing to assist select platform and portfolio companies better weather the economic fallout from the Egyptian Revolution.

Management expects to continue loan recovery activity through year's end.

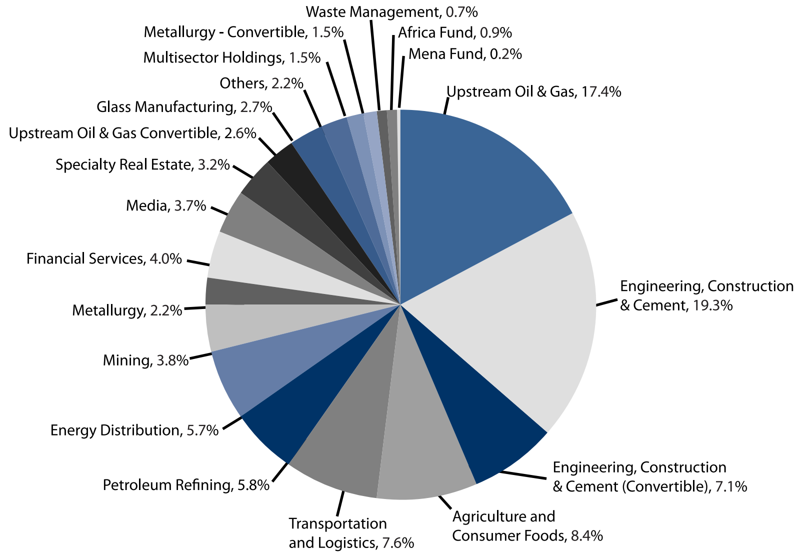
## Summary of Investments in Citadel Capital Platform Companies as of 30 June 2011 (USD mn)

| Platform | Industry | Citadel Capital | Change 2Q11 | Co-investors | Change 2Q11 | Africa Investment Fund: Citadel Capital | Africa Investment Fund: New 2Q11 | Africa Investment Fund: LPs | Africa Investment Fund: New 2Q11 | MENA Investment Fund: Citadel Capital | MENA Investment Fund: New 2Q11 | MENA Investment Fund: LP | MENA Investment Fund: New 2Q11 | Total Citadel Capital** | Change 2Q11** | Total Co-investors** | Change 2Q11** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ASEC Holding | Engineering, Construction and Cement | 162.8 | - | 134.4 | - | - | - | - | - | - | - | - | - | 162.8 | - | 134.4 | - |
| ASCOM Mining & Geology | Mining | 32.4 | - | - | - | - | - | - | - | - | - | - | - | 32.4 | - | - | - |
| Nile Logistics | Transportation & Logistics | 33.3 | - | 77.2 | - | - | - | - | - | - | - | - | - | 33.3 | - | 77.2 | - |
| Africa Railways | Transportation & Logistics | 33.7 | 2.7 | - | - | 6.2 | - | 14.4 | - | - | - | - | - | 39.9 | 2.7 | 14.4 | - |
| Gozour | Agriculture & Consumer Goods | 41.1 | 0.7 | 203.6 | - | - | - | - | - | - | - | - | - | 41.1 | 0.7 | 203.6 | - |
| Wafra | Agriculture & Consumer Goods | 28.5 | 4.8 | - | - | - | - | - | - | - | - | - | - | 28.5 | 4.8 | - | - |
| NPC | Upstream Oil & Gas | 63.4 | - | 357.7 | - | - | - | - | - | - | - | - | - | 63.4 | - | 357.7 | - |
| NOPC / Rally Group | Upstream Oil & Gas | 65.0 | - | 561.9 | - | - | - | - | - | - | - | - | - | 65.0 | - | 561.9 | - |
| NVPL | Upstream Oil & Gas | 27.5 | - | 55.1 | 10.0 | - | - | - | - | - | - | - | - | 27.5 | - | 55.1 | 10.0 |
| ERC | Petroleum Refining | 50.8 | (2.6) | 266.8 | - | - | - | - | - | - | - | - | - | 50.8 | (2.6) | 266.8 | - |
| TAQA Arabia | Energy Distribution | 41.2 | - | 55.1 | - | - | - | - | - | - | - | - | - | 41.2 | - | 55.1 | - |
| Mashreq Petroleum | Energy Distribution | 6.2 | - | 13.2 | - | - | - | - | - | - | - | - | - | 6.2 | - | 13.2 | - |
| GlassWorks | Glass Manufacturing | 24.5 | - | 131.2 | - | - | - | - | - | - | - | - | - | 24.5 | - | 131.2 | - |
| Finance Unlimited | Financial Services | 43.9 | 1.4 | - | - | - | - | - | - | - | - | - | - | 43.9 | 1.4 | - | - |
| Bonyan | Speciality Real Estate | 28.1 | - | 59.4 | - | - | - | - | - | - | - | - | - | 28.1 | - | 59.4 | - |
| Tawazon | Waste Management | 8.5 | - | - | - | 1.4 | - | 3.3 | - | 1.4 | - | 3.7 | - | 11.3 | - | 7.1 | - |
| Tanweer | Media | 31.6 | 1.7 | - | - | - | - | - | - | - | - | - | - | 31.6 | 1.7 | - | - |
| UCF | Metallurgy | 18.9 | - | 39.0 | - | - | - | - | - | - | - | - | - | 18.9 | - | 39.0 | - |
| Grandview | Multisector Holdings | 12.4 | - | 82.8 | - | - | - | - | - | - | - | - | - | 12.4 | - | 82.8 | - |
| ASEC Cement | Cement | 191.9 | - | 387.3 | - | - | - | - | - | - | - | - | - | 191.9 | - | 387.3 | - |
| Others | Others | 18.7 | 0.7 | - | - | - | - | - | - | - | - | - | - | 18.7 | 0.7 | - | - |
| Eliminations* | | (191.9) | - | (346.7) | - | - | - | - | - | - | - | - | - | (191.9) | - | (346.7) | - |
| **Total Equity Investments** | | **772.5** | **9.6** | **2,078.1** | **10.0** | **7.6** | **-** | **17.7** | **-** | **1.4** | **-** | **3.7** | **-** | **781.5** | **9.6** | **2,099.5** | **10.0** |
| NOPC / Rally Convertible | Upstream Oil & Gas - Convertible | 13.1 | - | 57.3 | - | - | - | - | - | - | - | - | - | 13.1 | - | 57.3 | - |
| NPC Convertible | Upstream Oil & Gas - Convertible | 9.8 | - | 35.7 | - | - | - | - | - | - | - | - | - | 9.8 | - | 35.7 | - |
| ASEC Holding Convertible | Engineering, Construction and Cement - Convertibles | 49.0 | - | 49.6 | - | - | - | - | - | - | - | - | - | 49.0 | - | 49.6 | - |
| UCF Convertible | Metallurgy - Convertible | 7.9 | - | 5.1 | - | - | - | - | - | - | - | - | - | 7.9 | - | 5.1 | - |
| **Total Convertibles** | | **79.8** | **-** | **147.7** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **79.8** | **-** | **147.7** | **-** |
| **Loans to Platforms** | | **42.0** | **(22.4)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **42.0** | **(22.4)** | **-** | **-** |
| **Total Investments** | | **894.2** | **(12.8)** | **2,225.8** | **10.0** | **7.6** | **-** | **17.7** | **-** | **1.4** | **-** | **3.7** | **-** | **903.2** | **(12.8)** | **2,247.2** | **10.0** |

* Eliminations represent the cross-ownership of Citadel Capital in Platform Companies.

** Including Joint Investment Funds (JIFs).

Distribution of Citadel Capital Principal Investments by Industry as of 2Q11




## B. Portfolio Net Asset Value (PNAV)

The net asset value of Citadel Capital's principal investments in its OSFs stood at US$ 0.9 billion (EGP 5.3 billion) as at 30 June 2011, a rise of 6.4% since the last PNAV was issued at the end of 2010. This figure includes freshly added capital as a result of the recently concluded rights issue. PNAV per share (PNAVPS) stood at US$ 1.02 (EGP 6.07) at the end of 1H11 against US$ 1.30 (EGP 7.51) at December 2010 on the back of the dilutive effect of 210 million newly issued shares.

The 1H11 PNAV reflects more conservative platform company business plans due to the economic fallout from both the Egyptian Revolution and still-unfolding regional events.

Management notes that PNAV is by definition based on a theoretical present-day exit based on market conditions prevailing at the current time and projected forward on that basis. PNAV accordingly does not take into consideration the potential for changed economic circumstances to allow additional growth and value to be unlocked in the medium term.

Economic fallout from the Egyptian revolution and ongoing regional turmoil continue to impact the performance of select platform companies, prompting management to take a more conservative view in estimating the present-day value of the firm's principal investments. PNAV also reflects the shift in valuation methodology to fair value for ASEC Holding, Gozour and United Foundries. All three companies were held at market value in the FY10 PNAV, but have moved to fair value as no transactions have taken place in the past six months.

## Citadel Capital Portfolio Net Asset Value Comparison: December 2010 vs June 2011

| Platform Company | | Targeted % Citadel Capital Ownership | Multiple Dec 2010 | Investment Value at Dec 2010 (per share) | Multiple Jun 2011 | Investment Value at Jun 2011 (per share) |
|---|---|---|---|---|---|---|
| ASEC Holding | Engineering, Construction & Cement | 48.5% | 1.7x | 2.4 | 1.2x | 1.7 |
| ASEC Holding (Convertible) | Engineering, Construction & Cement | 49.7% | 2.9x | 1.2 | 2.7x | 1.2 |
| ASCOM Mining & Geology | Mining | 39.2% | 0.9x | 0.3 | 0.8x | 0.2 |
| Nile Logistics | Transportation and Logistics | 30.1% | 1.0x | 0.3 | 1.0x | 0.3 |
| Africa Railways | Transportation and Logistics | 20.0% | 1.0x | 0.3 | 1.0x | 0.3 |
| Gozour | Agriculture and Consumer Foods | 20.0% | 1.3x | 0.4 | 1.0x | 0.4 |
| Gozour Real Estate | Real Estate | 20.0% | 4.8x | 0.4 | 4.4x | 0.4 |
| Wafra | Agriculture | 37.5% | 1.0x | 0.2 | 1.0x | 0.2 |
| National Petroleum Company | Upstream Oil & Gas | 15.0% | 0.5x | 0.3 | 0.2x | 0.1 |
| NPC (Convertible) | Upstream Oil & Gas | N/A | 0.5x | 0.0 | 1.0x | 0.1 |
| NOPC / Rally Energy Group | Upstream Oil & Gas | 10.4% | 0.0x | 0.0 | 0.0x | 0.0 |
| NOPC / Rally Energy Group (Convertible) | Upstream Oil & Gas | N/A | 0.0x | 0.0 | 0.0x | 0.0 |
| Nile Valley Petroleum | Upstream Oil & Gas | 15.0% | 1.0x | 0.1 | 1.0x | 0.1 |
| Egyptian Refining Company | Petroleum Refining | 13.1% | 1.0x | 0.4 | 1.0x | 0.4 |
| TAQA Arabia | Energy Distribution | 35.2% | 2.4x | 0.8 | 2.1x | 0.8 |
| Mashreq | Energy Distribution | 27.3% | 1.0x | 0.1 | 1.0x | 0.1 |
| GlassWorks | Glass Manufacturing | 21.0% | 1.2x | 0.2 | 1.1x | 0.2 |
| Finance Unlimited | Financial Services | 100.0% | 1.7x | 0.5 | 1.7x | 0.5 |
| Bonyan | Specialty Real Estate | 32.1% | 1.0x | 0.2 | 1.0x | 0.2 |
| Tawazon | Solid Waste Management | 33.3% | 1.0x | 0.1 | 1.0x | 0.1 |
| United Foundries Company | Metallurgy | 30.0% | 1.2x | 0.2 | 1.3x | 0.2 |
| United Foundries (Convertible) | Metallurgy | 77.8% | 2.1x | 0.2 | 2.0x | 0.3 |
| Tanweer | Media | 100.0% | 1.0x | 0.2 | 1.0x | 0.3 |
| Grandview | Mid-Cap / Multisector | 13.0% | 1.7x | 0.2 | 1.6x | 0.2 |
| **Total Investments** | | | **1.3x** | **8.99** | **1.1x** | **8.24** |
| | | | | | | |
| Cash and Other Assets | | | | 0.65 | | 0.71 |
| Due to CCP | | | | (1.07) | | (1.25) |
| Due from Platform Companies and Related Parties | | | | 0.51 | | 0.44 |
| Due to Platform Companies and Related Parties | | | | (0.12) | | (0.19) |
| Bank Debt | | | | (1.45) | | (1.54) |
| **Total** | | | | **(1.48)** | | **(1.84)** |
| Effect of Capital Increase via Rights Issue | | | | - | | (0.34) |
| **Portfolio Net Asset Valuation Per Share (EGP)** | | | | **7.51** | | **6.07** |

Also impacting PNAV and PNAVPS is the effect of the rights issue completed 17 October 2011, which added EGP 1.05 billion to PNAV while diluting PNAVPS through the addition of 210 million new shares.

ASEC Holding's contribution to PNAV (an investment value of EGP 1.097 billion in 1H11 versus EGP 1.570 billion at the end of 4Q10) has been substantially impacted by the delays in government approvals for both Zahana and Djelfa as well as by a slowdown in sales at Sudan's Al-Takamol Cement on the back of political turmoil. Also impacting valuation is the current state of turnkey industrial contractor ESACO — a primary contributor to Citadel Capital's consolidated loss — where the firm's management is now addressing outstanding issues. (See V(B.) Consolidated Results for more on ESACO.)

The change in valuation of the National Petroleum Company (NPC) reflects Management's continued desire to maintain a conservative position, with an impairment on the equity investment of 80% versus 50% in the FY10 PNAV. By contrast, Citadel Capital has opted to cease running an impairment on the NPC Convertible owing primarily to the seniority of the convertible vehicle. The net effect of the change in valuation of both the convertible and equity investments results in a c.30% reduction in NPC's aggregate contribution to PNAVPS. (Kindly note that these changes to the level of impairment of NPC equity and the convertible apply only to the PNAV. The methdology for their impairment in the firm's audited standalone financials remains unchanged.)

The decline in contribution from ASCOM owes largely to the market effect: As an EGX-listed company, its share price is the determinant of its contribution to PNAV. At time of writing, the EGX is trading c. 40% off its January 2011 high.

While underlying Portfolio Company Rift Valley Railways (RVR) has posted significant operational improvements (including its first monthly positive EBITDA since Citadel Capital's investment), Africa Railways is still held at cost, reflecting management's believe that a fair-value estimation would be more appropriate after drawdown and first deployment of some US$ 234 million in recently arranged senior debt and equity. A similar conservatism has seen management opt to hold Wafra at cost despite a very successful first commercial harvest.

TAQA Arabia remains at fair value methodology at 10x 2011 earnings, a stance that — while conservative — continues to reflect the fact that TAQA Arabia, although not a mature business, is at a relatively advanced stage of development in comparison with investments held at cost and with investments valued on the basis of future earnings. TAQA Arabia had been held at 11x 2011 earnings, with the reduction in multiple reflecting current equity market conditions.

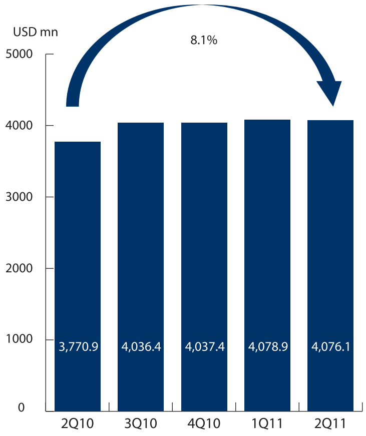
Grandview, which holds investments in a broad range of small- and mid-cap companies, is also calculated using the fair value methodology, edging to 1.6x from 1.7x based on revised portfolio company business plans in light of prevailing economic circumstances.

Please see Annex 1 for a discussion of the methodology used in the calculation of PNAV.

## Citadel Capital Portfolio Net Asset Value as of 30 June 2011

| Platform Company | | Pro-forma Investment Cost | | Citadel Capital Portfolio Valuation | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Investment Cost (EGP mn) | Ownership | Method | Summary Valuation Assumptions | Investment Value | Multiple | % Valuation | Value / Share (EGP) |
| ASEC Holding | Engineering, Construction & Cement | 924 | 48.5% | Fair Value | 10x 2016e earnings, discounted 20% p.a. | 1,097 | 1.2x | 25.9 | 1.7 |
| ASEC Holding (Convertible) | Engineering, Construction & Cement | 291 | 49.7% | Fair Value | 10x 2016e earnings, discounted 20% p.a. | 776 | 2.7x | 18.3 | 1.2 |
| ASCOM Mining & Geology | Mining | 183 | 39.2% | Market Value | Stock price as of 30 June 2011 | 155 | 0.8x | 3.6 | 0.2 |
| Nile Logistics | Transportation and Logistics | 184 | 30.1% | Cost | | 184 | 1.0x | 4.3 | 0.3 |
| Africa Railways | Transportation and Logistics | 225 | 20.0% | Cost | | 225 | 1.0x | 5.3 | 0.3 |
| Gozour | Agriculture and Consumer Foods | 247 | 20.0% | Fair Value | 10x 2015e earnings, discounted 20% p.a. | 255 | 1.0x | 6.0 | 0.4 |
| Gozour Real Estate | Real Estate | 54 | 20.0% | Fair Value | 40 million square meters @ EGP 30 / sqm | 240 | 4.4x | 5.7 | 0.4 |
| Wafra | Agriculture | 161 | 37.5% | Cost | | 161 | 1.0x | 3.8 | 0.2 |
| National Petroleum Company | Upstream Oil & Gas | 360 | 15.0% | Impaired | 80% impairment on investment cost | 72 | 0.2x | 1.7 | 0.1 |
| NPC (Convertible) | Upstream Oil & Gas | 52 | N/A | Cost | | 52 | 1.0x | 1.2 | 0.1 |
| NOPC / Rally Energy Group | Upstream Oil & Gas | 359 | 10.4% | Impaired | 100% impairment on investment cost | 0 | 0.0x | 0.0 | 0.0 |
| NOPC / Rally Energy Group (Convertible) | Upstream Oil & Gas | 72 | N/A | Impaired | 100% impairment on investment cost | 0 | 0.0x | 0.0 | 0.0 |
| Nile Valley Petroleum | Upstream Oil & Gas | 67 | 15.0% | Cost | | 67 | 1.0x | 1.6 | 0.1 |
| Egyptian Refining Company | Petroleum Refining | 278 | 13.1% | Cost | | 278 | 1.0x | 6.6 | 0.4 |
| TAQA Arabia | Energy Distribution | 250 | 35.2% | Fair Value | 10x 2011E earnings | 514 | 2.1x | 12.1 | 0.8 |
| Mashreq | Energy Distribution | 39 | 27.3% | Cost | | 39 | 1.0x | 0.9 | 0.1 |
| GlassWorks | Glass Manufacturing | 136 | 21.0% | Fair Value | 10x 2015e earnings, discounted @ 20% p.a. | 156 | 1.1x | 3.7 | 0.2 |
| Finance Unlimited | Financial Services | 191 | 100.0% | Fair Value | Sum of the Parts of Sudanese Egyptian Bank, Pharos and Tanmeyah | 325 | 1.7x | 7.7 | 0.5 |
| Bonyan | Specialty Real Estate | 154 | 32.1% | Cost | | 154 | 1.0x | 3.6 | 0.2 |
| Tawazon | Solid Waste Management | 48 | 33.3% | Cost | | 48 | 1.0x | 1.1 | 0.1 |
| United Foundries Company | Metallurgy | 107 | 30.0% | Fair Value | 10x 2015e earnings, discounted 20% p.a. | 141 | 1.3x | 3.3 | 0.2 |
| United Foundries (Convertible) | Metallurgy | 113 | 77.8% | Fair Value | 10x 2015e earnings, discounted 20% p.a. | 225 | 2.0x | 5.3 | 0.3 |
| Tanweer | Media | 179 | 100.0% | Cost | | 179 | 1.0x | 4.2 | 0.3 |
| Grandview | Mid-Cap / Multisector | 70 | 13.0% | Fair Value | | 110 | 1.6x | 2.6 | 0.2 |
| **Total Investments** | | **4,746** | | | | **5,455** | **1.1x** | **128.7** | **8.24** |
| | | | | | | | | | |
| Cash and Other Assets | | | | | | 469.4 | | 11.1 | 0.71 |
| Due to CCP | | | | | | (825.9) | | (19.5) | (1.25) |
| Due from Platform Companies and Related Parties | | | | | | 288.6 | | 6.8 | 0.44 |
| Due to Platform Companies and Related Parties | | | | | | (126.1) | | (3.0) | (0.19) |
| Bank Debt | | | | | | (1,021.4) | | (24.1) | (1.54) |
| **Total** | | | | | | **(1,215.3)** | | **(28.7)** | **(1.84)** |
| | | | | | | | | | |
| **Impact of Capital Increase via Rights Issue** | | | | | | **1,050** | | | **(0.34)** |
| | | | | | | | | | |
| **Portfolio Net Asset Valuation POST CAPITAL INCREASE** | | | | | | **5,289** | | **100%** | **6.07** |

Total Assets Under Management




## 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.

### Total Assets Under Management

Citadel Capital recorded total assets under management (committed by Citadel Capital and limited partners to the OSFs as well as the JIFs) of US$ 4.1 billion at 30 June 2011, largely unchanged from the previous quarter as new equity investments by both Citadel Capital as a principal investor in its OSFs and by limited partners were balanced by the firm's recovery of loans to platform and portfolio companies.

Including equity drawn into exited funds, Citadel Capital has raised a total of US$ 4.7 billion in equity since inception and has generated cash returns in excess of US$ 2.2 billion to shareholders and limited partners on investments of US$ 650 million.

### Invested vs Uninvested AUM

Total invested AUM (drawn equity) stood at US$ 3.2 billion (EGP 19.0 billion) at the end of 2Q11, unchanged from the previous quarter and a rise of 0.3% year-to-date. The recovery in the quarter of loans to platforms and portfolios by Citadel Capital offset US$ 10 million (EGP 59.4 million) in new investment in Sudanese oil exploration platform Nile Valley Petroleum Limited by a co-investor. The latter investment saw invested third-party AUM rise 0.4% quarter-on-quarter to US$ 2.2 billion.

In this respect, Management notes that Citadel Capital will not record the US$ 25.5 million equity and debt invested in Grandview Holdings' Al-Motaheda paper mill (a subsidiary of Modern Shorouk for Printing and Packaging). While the investment by the International Finance Corporation announced in April 2011 includes an equity investment of up to US$ 10 million and a loan of up to US$ 15.5 million, the contractual agreement is not with Citadel Capital SAE, but rather at the portfolio level.

Also, Management notes that the agreement with DEG and the European Investment Bank to invest US$ 21 million in Nile Logistics' Egyptian assets was concluded at the very end of 2Q11; drawdown was completed at a later date.

Uninvested AUM totalled US$ 925.7 million (EGP 5.5 billion) as at the end of the second quarter, unchanged from the previous quarter. Uninvested AUM include US$ 100 million from OPIC (non-fee-earning), US$ 109.6 million in un-drawn (but fee-earning) funds from the first close of the JIFs and US$ 716.1 million committed to the Egyptian Refining Company (ERC).

### Fee-Earning AUM

Fee-earning assets under management were unchanged from the previous quarter, closing 2Q11 at US$ 2.1 billion (EGP 12.5 billion).

Citadel Capital recorded revenues of US$ 2.7 million (EGP 16.3 million) in 2Q11 from the 1% advisory fee it earns on fee-earning assets under management. With no exits in the quarter, revenue from carried interest was nil in 1Q11, as it has been since 2009.

## IV. Recent Developments

### a) Capital Increase Via Rights Issue at Par

Citadel Capital announced on 19 October 2011 that shareholders had fully subscribed to its EGP 1.05 billion (US$ 175.6 million) capital increase via rights issue at par. The rights issue added EGP 718 million (US$ 120 million) in fresh cash to the Firm's balance sheet.

Shareholders subscribed to 210 million new shares (including 52.5 million preferred shares) at a par value of EGP 5 each. The Firm now reports capital of EGP 4,358,125,000 distributed across 871,625,000 shares, including 217,906,250 preferred shares and 653,718,750 common shares.

Long-term Gulf investors were key backers of the capital increase and were joined by leading international and regional institutional investors.

The rights issue was approved by shareholders at an Extraordinary General Meeting held 3 August 2010. Shareholders as of the close of the trading session on Thursday, 25 August 2011, were eligible to participate in the rights issue, the first round of which was carried out on a pro-rata basis lasting from 4 September until 3 October. The second seven-day, non-pro-rata round ended on 17 October 2011.

### b) US$ 25.5 mn from IFC for New Paper Mill

Grandview Investment Holdings, a company managed by Sphinx Private Equity Management, announced on 3 April 2011 that the International Finance Corporation (IFC) would invest to complete the construction of a new paper mill, a project initiated by El Motaheda S.A.E., a subsidiary of Modern Shorouk for Printing and Packaging.

The IFC will contribute an equity investment of up to US$ 10 million and a loan of up to US$ 15.5 million to complete the building of the facility, which began two years ago. The mill, to be located 60 kilometers outside Cairo in the Sadat City industrial zone, will use recycled fiber from local waste paper to produce duplex board, which is used to make boxes for retail products.

Egypt produces an estimated 60,000 tons of solid waste each day, of which around 12,000 tons is paper, yet the country imports wastepaper and pulp for its paper-product industries. El-Motaheda mill and its domestic supply chain promise to significantly reduce the volume of discarded wastepaper and help eliminate carbon emissions from its decay.

Grandview is Citadel Capital's mid-cap investment fund; Sphinx Private Equity Management is a subsidiary of Pharos Holding, which itself is a portfolio company of Citadel Capital's Finance Unlimited platform.

### c) US$ 21 mn in European Investment for Nile Logistics

Citadel Capital announced on 28 June 2011 that the German development finance institution DEG (Deutsche Investitions- und Entwicklungsgesellschaft mbH) and the European Investment Bank (EIB) will jointly invest US$ 21 million in the Opportunity-Specific Fund controlling Citadel Capital's Egyptian river transport investments. DEG has contributed US$ 14 million of the investment, while EIB has invested a further US$ 7 million.

The investment gives DEG and EIB a combined 19% ownership of the fund. The balance is held by Nile Logistics (69%) and Banque Misr (12%).

NMT will use the infusion of equity to rapidly scale-up its operations, building additional barges and procuring new handling equipment for its ports. To accelerate the build-out of the new fleet, NMT will be commissioning barges at both local and international shipyards going forward. Nile Cargo has 31 reconditioned 50-meter barges and four custom-designed 100-meter barges (each with a capacity of 1,500 tons) presently in service. The company's goal is to have an additional three pushers and six dumb barges in service by the beginning of 2012 and a further 10-18 pushers and barges by the end of that year.

The latest barge design Nile Cargo is now commissioning has been developed to optimize carrying capacity at current draft levels, thereby increasing operating cost efficiency of its targeted 116-vessel fleet.

**d) NVPL Farmout**

Nile Valley Petroleum Ltd, Citadel Capital's platform company in the Sudanese oil exploration sector, announced on 19 June the farming-out of 30% participating interest in two exploration blocks in Sudan. State-owned Sudanese oil company Sudapet would pay US$ 10 million to increase its participating interest in Blocks 9 and 11 to 59% from 29%. NVPL has consequently reduced its participating interest to 41% and is entitled to recover almost all of the recoverable cost pool — US$ 73 million —for Blocks 9 and 11.

As lead shareholder, Citadel Capital had been funding NVPL's monthly running costs including salaries, accrued payables and state entitlements. The US$ 10 million in consideration will be used to meet NVPL's obligations to fund a pre-budgeted work program that centers primarily on the two blocks.

**e) Gozour**

Gozour revenues grew 2% year-on-year in 1H11 despite the slowdown in the Egyptian economy following the Revolution. Growth was driven primarily by sales at Dina Farms and confectioner Rashidi El-Mizan. Dina sales grew by more than 35% year-on-year in the first half, driven by improving agricultural productivity and higher prices, while EBITDA margins climbed 80% on the back of high-value crops including potatoes, wheat, parsley and apricots. Notably, Dina Farms now commands a 54% share of the market for fresh (Pasteurized, non-UHT) milk approximately one year after introduction to the local market.

Rashidi's local market sales climbed 12% year-on-year in the same period, while exports grew 50%, resulting in an 8% rise in gross profits. Rashidi's halawa and tehina products remain the clear market leaders, while its jams line is number two nationally two years after launch. Notably, Rashidi's Sudanese subsidiary Al-Musharraf (acquited November 2009) has completed its turnaround, with revenues doubling year-on-year in 1H11 and EBITDA turning positive in the same time period.

Milk and juice products manufacturer Enjoy and cheese producer El-Misriyyeen have been most impacted by the fallout from the Revolution, due to by delays in supplies and raw materials (owing in part to industrial action by milk producers) as well as by labor issues. Importantly, export sales were sharply affected by civil war in Libya and market conditions in Algeria. Total sales at Enjoy fell 30% year-on-year in the first half of 2011, while El-Misriyeen's total receipts were off 40%.

**f) Wafra Harvest**

Wafra, Citadel Capital's Platform Company for investments in the Sudanese agricultural industry, announced on 4 July 2011 that it had completed its first commercial wheat harvest at Sabina, the Portfolio Company that is developing 254,000 feddans (263,652 acres) in northern Sudan. The 3,000-feddan (3,114 acres) harvest was taken to market at US$ 450 per ton, more than US$ 100 per ton above target.

Sabina has so far developed 9,500 feddans (9,861 acres) for the next cotton crop, which is currently being planted for harvest in December. Plans are currently underway to fast-track development at Wafra both at Sabina in Sudan and at Concord in South Sudan.

**f) End of talks with Abraaj Capital**

Citadel Capital disclosed on 26 July 2011 that its principal shareholder, Citadel Capital Partners Ltd (CCP), had ended talks with Abraaj Capital, a Dubai-based private equity firm, regarding a potential investment in Citadel Capital. CCP stated that the parties did not reach agreement on terms that would — in the view of CCP and of its advisors, Citigroup — maximize value for all Citadel Capital shareholders equally, and adequately protect the interests of the firm's stakeholders and co-investors.

### f) Latest Class of Citadel Capital Scholars Announced

The Citadel Capital Scholarship Foundation, the largest scholarship foundation in Egypt, announced on 15 July 2011 that it will fully fund the graduate educations of 14 talented young Egyptians, 12 of whom will undertake masters-level studies and two of whom will pursue their doctorates. This brings to more than 80 the number of students whose graduate educations at leading international institutions has been funded by the Foundation.

Scholarship recipients study across all disciplines with only the condition that they return to Egypt to work after their graduation. CCSF recipients have studied a variety of disciplines, including filmmaking, anthropology, art, human rights and law, business, engineering, architecture, development, medicine and more.

The CCSF has awarded scholarships to students from across Egypt, including Cairo, Giza, Alexandria, Menoufia, Ismailia, Assuit, Tanta and Aswan.

Recipients of Citadel Capital Scholarships have attended institutions including Harvard, Stanford and Columbia universities in the United States, Oxford, Cambridge and University College London in the United Kingdom, Lund University in Sweden, University of Heidelberg in Germany, University of Helsinki in Finland and ESADE Business School in Spain, in addition to other world-class institutions.

# V. Financial Performance

## (A) Standalone Results

Management consistently notes that standalone results provide the best indicator of the financial health of Citadel Capital as a firm, believing that consolidated results are better suited for benchmarking a conglomerate than a private equity firm that takes substantial stakes in a range of investments which it controls to grow value before exit (see below, "Consolidated Results," for discussion). This is particularly the case when investments run the gamut from greenfields to brownfields, from mature enterprises to growth-phase concerns.

As is the case with any private equity firm or investment company, 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 Funds.

Citadel Capital revenues in 2Q11 stood at US$ 2.7 million (EGP 16.3 million), a 2.2% rise from the previous quarter and down 36.1% year-on-year. With no sale of principal investments in the quarter just ended, the firm recorded revenues only from advisory fees, which stand lower compared with 2Q10 owing to impairment of advisory fees related to written-down upstream oil and gas investments NOPC / Rally Energy and the National Petroleum Company (NPC). As recorded in note 21.1 to the Firm's statutory audited standalone financial statements, the Firm recorded US$ 8.8 million (EGP 52.5 million) in advisory fees from signed contractual agreements in 1H11. To maintain a conservative posture, Management has opted not to record the same on the revenues line. Instead, it records EGP 20.33 million in 1H11 fees relating to the impaired platforms on separate accounts, the disposition of which will be decided (a) when and if NOPC / Rally achieves a technical breakthrough allowing it to bring its substantial reserves into production or (b) at exit.

- Operating expenses (OPEX) declined 16.1% year-on-year in the first half to US$ 12.6 million (EGP 75.1 million). A 22.9% quarter-on-quarter rise in 2Q11 to US$ 7.0 million (EGP 41.4 million) reflects the uneven pace of activity that is typical of private equity firms. Notably, cash spending on opex is down 32.7% year-on-year in the first half and 4.5% quarter-on-quarter in 2Q11. Management believes the firm will close 2011 with a total OPEX outlay less than in 2010.

**Operating Expenses (in EGP mn)**

| Element | 1H10 | 1H11 |
|---|---|---|
| Salaries, Bonuses and Benefits | 65.2 | 53.2 |
| Travel | 8.5 | 3.5 |
| Consultancy Fees, Audit Fees, Publications and Events | 11.3 | 11.9 |
| Others | 4.5 | 6.6 |
| **Total** | **89.5** | **75.1** |
| Of which cash | 89.5 | 60.2 |

- EBITDA stood at a negative US$ 4.2 million (EGP 24.7 million) in 2Q11 in the absence of exits in the period.

- Citadel Capital recorded net interest gains of US$ 0.1 million (EGP 0.7 million) in 2Q11; Management again notes that the firm continues to pay and record interest on loans while not recording 100% of NOPC / Rally Energy's convertible and a further 50% of the NPC convertible vehicle.

- Discussion of own-balance sheet investments (including equity, convertibles and loans) appears starting on page 4 of this document.

- The total debt of Citadel Capital (as distinct from that of its platform companies) stood at US$

171.9 million (EGP 1,021.38 million) as at 30 June 2011 with a debt-to-equity ratio of 31% compared with EGP 1,135.44 million and a ratio of 34% at 30 June 2011. Debt is primarily in the form of a four-year dollar loan. The 10.0% decline in total debt came on the back of Citadel Capital's repayment of $19.1 million (EGP 113.5 million) in debt in the month of May 2011.

## (B) Consolidated Results

On a consolidated basis, Citadel Capital reported a net loss of US$ 49.1 million (EGP 291.8 million) in 1H11 on the back of a negative top line as a result of revenues from advisory fees being outweighed by US$ 33.0 million (EGP 196.0 million) in Citadel Capitals share of its associates' losses. Associates include ASEC Holding, United Foundries, ASCOM, Tawazon, Finance Unlimited, TAQA Arabia and Nile Logistics.

This compares with a net loss of US$ 21.7 million (EGP 128.7 million) on revenues of US$ 2.9 million (EGP 17.2 million) in the same period last year. In 2Q11, the firm posted a net loss of US$ 30.4 million (EGP 180.5 million) on revenues of negative US$ 19.7 million (EGP 116.9 million).

The economic slowdown of the Egyptian Revolution continues to have a substantial impact on consolidated performance, with 61.9% of the 1H11 loss being recorded in the second quarter.

### Share of Associates' Profit / Loss

Citadel Capital's share in its associates losses owes largely to the contribution of ASEC Holding, which remains the platform most sharply impacted by events associated with the Revolution. In 1H11, ASEC Holding reported a net loss of US$ 54.1 million (EGP 321.2 million), accordingly contributing losses of US$ 25.1 million (EGP 148.9 million) to Citadel Capital's Share of Associates' Profit / Loss.

#### i) ASEC Holding

Factors underpinning ASEC Holding's net loss include:

- Turnkey contractor ESACO's losses of US$ 34.2 million (EGP 203.2 million) account for the lion's share of ASEC Holding's consolidated losses in 1H11. ESACO has faced a range of challenges including cost overruns and a weak backlog of projects from 2010. Cost overruns have arisen from a slowdown in work on the back of labor action, sub-optimal cost controls at key projects, and penalties incurred as a result of delays. The impact of the weak backlog has been further problematic in that a number of projects were won at very low initial gross margins, meaning that overheads could not be fully covered by projects on hand.

  ARESCO has taken full control of ESACO as part of a joint management committee established by ASEC Holding and will look to resize the operation, restructure debt as appropriate as first steps to minimizing the impact of ESACO on ASEC Holding's consolidated financials.

- Despite a nearly four-fold rise in revenues year-on-year in 1H11 (owing to the start of production at greenfield operations in the second half of 2010), Portfolio Company ASEC Cement reported a loss in 1H11. This came largely as a result of a 28% contraction of sales revenues in 2Q11 underpinned by Al-Takamol Cement in Sudan, lower 1Q11 in Algeria as a result of delays in receiving spare parts, and ASEC Ready Mix in Upper Egypt, with the latter being affected by a slowdown of construction activity post-Revolution and a decline in concrete prices. Notably, G&A spending eased on the back of cost-saving measures.

- Post-Revolutionary turmoil also had a notable impact on the performance of ASEC Engineering, resulting in a net loss in 1H11 compared with a substantial net profit in the same period last year. Operations in Sinai remain affected by the security environment. That said, the group has recently signed three five-year contracts to manage new plants, a development that should strengthen both the top and bottom lines in 2012. Meanwhile, sister company ASENPRO saw net profits ease in 1H11 on the back of postponed maintenance contracts and lower production at clients as a result of client-side labor actions and related issues.

- Finally, performance at ARESCO continued to buoy performance at the group. Net revenues surged more than 200% year-on-year in the first half, allowing the company to post a net profit in 1H11 against a substantial net loss in the same period last year. ARESCO continues to build its construction backlog this year, winning both regional and international mandates. The company continues to build its 2012 backlog and is actively seeking projects in Africa and Russia.

#### ii) ASCOM

ASCOM, the Firm's geology and mining platform, made a negative contribution on the back of work stoppages in the cement industry in 1Q11 as well as foreign exchange losses in the same period. Also in the first quarter, the company's calcium carbonate venture suffered work stoppages and a halt to exports, as previously reported. While these issues have largely been addressed, ASCOM made negative contribution in 2Q11 on the back of write-downs associated with investments.

#### iii) Newly Operational Greenfields

Newly operational greenfields including Nile Logistics (river transportation), GlassWorks (glass manufacturing) and Tanmeyah (microfinance) continue to post modest losses which made negative contributions to Citadel Capital's Share of Associates Loss / Profit. These losses are in line with expectations given the early stage of development of each of the platforms and some impact from the economic fallout of the Revolution.

#### iv) TAQA Arabia

Management is pleased to note continuing improvement of margins on gas sales at TAQA Arabia on the back of rising sales to industrial clients (resulting in a 28.5% increase in contribution to EGP 22.1 million in 1H11).

#### v) Sudanese Egyptian Bank

Finally, Finance Unlimited's Sudanese Egyptian Bank posted growth in bottom-line earnings (contributing EGP 4.2 million, a 31.2% rise year-on-year in the first half).

### OPEX

On a consolidated basis, OPEX declined 35.2% year-on-year in the first half to US$ 16.8 million (EGP 99.6 million). The decline owes in part to lower OPEX at the Citadel Capital SAE standalone level (see page 15) as well as to lower costs recorded by special purpose vehicles (SPVs). As noted in previous Business Reviews, expenditures made at the SPV level are to support underlying investments and may include legal and financial consultancies as well as research studies. These SPV costs relate primarily to greenfields and turnarounds.

### Net Financing Expenses

Net financing expenses continued to lag in 2Q11 at US$ 1.1 million (EGP 6.6 million), but eased 63.7% from the previous quarter. On a half-year basis, net financing expenses stood at US$ 4.2 million (EGP 24.9 million) against a net gain of US$ 3.1 million (EGP 18.6 million) in the same period of 2010.

As is the case at the standalone level, the Firm continues to pay and record interest on loans, but no longer records interest income from convertibles in under-performing upstream oil and gas platforms.

## VI. Summary Financials

### Standalone Income Statement

| EGP mn | | 1H 2010 | 1H 2011 | 1Q 2011 | 2Q 2011 |
|---|---|---|---|---|---|
| | Advisory fee | 50.23 | 32.20 | 15.92 | 16.27 |
| | Carry | - | - | - | - |
| | Gain from sale of investments | 9.58 | - | - | - |
| | Dividends income | 2.4 | - | - | - |
| | Other income | 18.59 | - | - | - |
| **Total Revenues** | | **80.79** | **32.2** | **15.92** | **16.27** |
| | OPEX | (89.55) | (75.09) | (33.69) | (41.41) |
| | Management earnout* | (0.2) | - | - | - |
| | Forex & Others | (5.69) | (5.22) | (5.71) | 0.49 |
| | Impairment-Invest | - | - | - | - |
| | Impairment Inter-Company | - | - | - | - |
| **EBITDA** | | **(14.64)** | **(48.11)** | **(23.47)** | **(24.65)** |
| | Depreciation | (4.34) | (2.32) | (1.20) | (1.13) |
| **EBIT** | | **(18.98)** | **(50.44)** | **(24.67)** | **(25.77)** |
| | Income from sale of Fixed Assets | - | - | - | - |
| | Net interest | 20.44 | (1.28) | (2.01) | 0.73 |
| | Provisions | - | - | - | - |
| **Profit/Loss BT** | | **1.46** | **(51.72)** | **(26.68)** | **(25.04)** |
| | Income Tax | - | - | - | - |
| | Deferred Tax | 0.35 | 0.06 | 0.04 | 0.02 |
| **Profit/Loss AT** | | **1.80** | **(51.66)** | **(26.64)** | **(25.02)** |

### Standalone Balance Sheet

| EGP mn | | FY 2010 | 1Q 2011 | 2Q 2011 |
|---|---|---|---|---|
| | Fixed assets (net) | 31.69 | 30.79 | 29.66 |
| | Investments** | 4,095.49 | 4,194.64 | 4,273.90 |
| | Convertibles | 509.08 | 506.44 | 516.75 |
| | Deferred Tax Assets | 1.72 | 1.75 | 1.78 |
| **Total Non Current Assets** | | **4,637.98** | **4,733.62** | **4,822.08** |
| | Due from Related Parties & Other Debit Balances | 122.43 | 113.28 | 129.57 |
| | Related Parties - Loans | 307.41 | 355.11 | 233.35 |
| | Cash & cash equivalent | 148.66 | 211.45 | 156.43 |
| **Total Current Assets** | | **578.51** | **679.84** | **519.35** |
| **Total Assets** | | **5,216.49** | **5,413.45** | **5,341.43** |
| | Paid in capital | 3,308.13 | 3,308.13 | 3,308.13 |
| | Reserves | 89.58 | 89.58 | 89.58 |
| | Retained Earning | 222.93 | (75.40) | (75.40) |
| | Current year profit / Loss | (298.32) | (26.64) | (51.66) |
| | Dividends Distribution | | | |
| **Total equity** | | **3,322.31** | **3,295.67** | **3,270.64** |
| | LT Borrowing | 865.75 | 1,021.89 | 794.4 |
| | Others | - | - | - |
| **Total non current liabilities** | | **865.75** | **1,021.89** | **794.40** |
| | CPLTD | 96.19 | 113.54 | 226.97 |
| | Due to CCP | 705.95 | 769.38 | 825.95 |
| | Accrued, Provision & Other liabilities | 226.29 | 212.97 | 223.47 |
| **Total current liabilities** | | **1,028.43** | **1,095.89** | **1,276.39** |
| **Total Equity & Liabilities** | | **5,216.49** | **5,413.45** | **5,341.43** |

* 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.

**Citadel Capital's investments are recorded in its 2Q11 audited statutory stand-alone financial statements under the following line items: Available-for-sale investments (EGP 26.39 million), Investments in Subsidiaries and Associates (EGP 2.698 billion), Payments for Investments (EGP 1.673 billion), and other investments (Convertibles) (EGP 392.26 million). This results in total investments of EGP 4.79 billion (investments + convertibles).

## Consolidated Income Statement

| EGP mn | | 1H 2010 | 1H 2011 | 1Q 2011 | 2Q 2011 |
|---|---|---|---|---|---|
| | Advisory fee | 45.52 | 31.03 | 15.54 | 15.49 |
| | Gain from sale of investments | 12.92 | 0.00 | .00 | - |
| | Share in associates' results | (41.25) | (195.98) | (63.62) | (132.36) |
| | Other income | 0.00 | 0.00 | .00 | - |
| **Total Revenues** | | **17.19** | **(164.95)** | **(48.08)** | **(116.87)** |
| | OPEX | (153.85) | (99.56) | (43.12) | (56.44) |
| | Other expenses | (0.93) | (0.05) | (0.65) | (0.60) |
| | Impairment | - | - | - | - |
| **EBITDA** | | **(137.60)** | **(264.56)** | **(91.85)** | **(172.71)** |
| | Depreciation | (4.93) | (2.39) | (1.21) | (1.18) |
| **EBIT** | | **(142.53)** | **(266.95)** | **(93.06)** | **(173.89)** |
| | Net finance income (expense) | 18.56 | (24.92) | (18.28) | (6.64) |
| **Profit BT** | | **(123.97)** | **(291.87)** | **(111.34)** | **(180.53)** |
| | Deferred tax | 0.35 | 0.06 | 0.03 | 0.02 |
| | Current income tax | 0.00 | - | 0.00 | - |
| **Profit AT from continued operations** | | **(123.62)** | **(291.81)** | **(111.30)** | **(180.51)** |
| | Turning subsidiaries into associates | (5.09) | | | |
| **Profit** | | **(128.71)** | **(291.81)** | **(111.30)** | **(180.51)** |
| | Attributable to: | | | | |
| | Majority shareholders | (126.09) | (287.73) | (108.45) | (179.28) |
| | Non-controlling shareholders | (2.62) | (4.08) | (2.85) | (1.23) |
| **Net (loss) profit for the period** | | **(128.71)** | **(291.81)** | **(111.30)** | **(180.51)** |

## Consolidated Balance Sheet

| EGP M | | FY 2010 | 1Q 2011 | 2Q 2011 |
|---|---|---|---|---|
| | Fixed assets (net) | 146.35 | 145.45 | 74.76 |
| | Intangible assets | - | - | - |
| | Investments | 3,607.68 | 3,640.10 | 3,566.74 |
| | Convertibles | 538.09 | 564.60 | 574.82 |
| | Deferred tax assets | 1.72 | 1.76 | 1.78 |
| **Total Non Current Assets** | | **4,293.84** | **4,351.91** | **4,218.10** |
| | Inventories | - | - | - |
| | Investments | 20.30 | 23.13 | 23.72 |
| | Due from Related Parties & Other Debit Balances | 148.15 | 128.28 | 187.87 |
| | Related parties - loans | 377.97 | 405.00 | 363.00 |
| | Cash & cash equivalent | 162.62 | 220.90 | 164.21 |
| **Total Current Assets** | | **709.03** | **777.30** | **738.79** |
| **Total Assets** | | **5,002.88** | **5,129.21** | **4,956.89** |
| | Paid in capital | 3,308.13 | 3,308.13 | 3,308.13 |
| | Reserves | 132.35 | 181.75 | 206.43 |
| | Retained Earning | 273.68 | (1,096.89) | (1,099.38) |
| | Net (loss) profit for the period | (1,354.90) | (108.45) | (287.73) |
| | **Total equity attributable to the majority shareholders** | **2,359.26** | **2284.53** | **2,127.44** |
| | **Total equity attributable to the non-controlling shareholders** | **197.00** | **195.11** | **193.82** |
| **Total Equity** | | **2,556.26** | **2,479.65** | **2,321.27** |
| | LT borrowings | 1,155.92 | 1,324.21 | 1,101.18 |
| | LT liabilities | 74.13 | 71.75 | 29.70 |
| **Total Non Current Liabilities** | | **1,230.06** | **1,395.96** | **1,130.89** |
| | Current portion of long term loans | 96.19 | 113.54 | 226.97 |
| | Due to CCP | 707.54 | 769.68 | 825.95 |
| | Due to Related Parties & Other Credit Balances | 192.38 | 161.16 | 250.21 |
| | Provisions | 220.45 | 209.21 | 201.61 |
| **Total Current Liabilities** | | **1,216.56** | **1,253.60** | **1,504.74** |
| **Total Equity & Liabilities** | | **5,002.88** | **5,129.21** | **4,956.89** |

# ANNEX 1: Valuing Citadel Capital

## A) Portfolio Net Asset Value

For the purposes of the PNAV calculation, Management divides Citadel Capital's principal investments into four categories:

### 1. Investments Held at Cost

These are investments that are not yet operational or are at a very early stage of development and which are accordingly held at cost. Examples include Nile Logistics, Africa Railways, Wafra, Nile Valley Petroleum, Egyptian Refining Company, Mashreq, Bonyan, Tawazon and Tanweer. While some of these investments have already begun operations (notably Nile Logistics, which is serving contracts from an evolving network of ports using both refurbished and custom-built barges while it builds out its custom-designed fleet, and Wafra, which has recorded outstanding results with its first commercial crop), the Firm has opted to hold them at cost in the interest of being conservative.

### 2. Investments Having a Market Value

These include investments that are listed on the Egyptian Exchange (EGX), such as ASCOM, for which the NAV uses the closing share price on the date at which the NAV is calculated. This category also includes investments on which there has been a transaction in the previous six months. In the absence of such transactions in the six months to 30 June 2011, ASEC Holding, United Foundries and Gozour have been re-designated as investments held at Fair Value.

### 3. Investments at Fair Value

Those are investments which are in a mature stage of development and which have fully funded business plans. Examples include ASEC Holding, Gozour, TAQA Arabia, GlassWorks, Finance Unlimited, United Foundries and Grandview. Management has calculated an NAV for these investments using the following assumptions:

1. Applying a 10x multiple to 2015 earnings for all investments (10x being an average of the industry averages).

2. Discounting the resultant figure by 20% annually.

TAQA Arabia, being at a more advanced stage of development, is valued at 10x 2011 earnings. ASEC Holding is valued at 10x 2016e earnings, discounted 20% annually owing to the impact of recent developments.

Convertibles for ASEC and United Foundries are carried at Fair Value.

The fair value method uses the current business plans of the underlying companies and does not incorporate any future enhancements of those plans that might result in great improvements in platform company profitability.

### 4. Impaired Investments

Citadel Capital has run an impairment on two upstream oil and gas investments, namely the National Oil Production Company (NOPC / Rally Energy Group) and the National Petroleum Company (NPC) as a result of delays in the expected performance of NOPC / Rally Energy; NPC is impaired as a result of its equity investment in NOPC / Rally. Both continue to be fully operational companies.

## B) Asset Management Business

Traditionally, the asset management value (AMV) estimates the present value of the Citadel Capital's carried interest in the capital gains of the limited partners in its funds, as well as of the advisory fees Citadel Capital earns on the private equity assets it has under management.

Management notes there are several important key differentiators between Citadel Capital as a private equity asset manager and a traditional asset manager, including the fact that Citadel Capital manages long-term funds with no redemptions. Furthermore, the Firm's AUM are privately held assets that are insulated from market fluctuations. Citadel Capital's performance fees are US-dollar based (hedging against FX volatility), and these fees are moreover earned on an investment-by-investment basis.

That said, Citadel Capital suspended guidance on its AMV at year-end 2010 in light of prevailing fundraising conditions across the region, believing that an appropriately conservative stance is to allow analysts and shareholders to reach their own determinations as to how this value may be factored into the total net asset valuation of the Firm.

## About Citadel Capital

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$ 8.7 billion in 15 countries spanning 15 industries, including mining, cement, transportation, food and energy. Since 2004, the Firm has generated more than US$ 2.2 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 (2006-2011, as ranked by Private Equity International). For more information, please visit www.citadelcapital.com.

### Forward-Looking Statements

Statements contained in this Business Review 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.