Citadel Capital Reports Second Quarter 2012 Results

Firm reports financial close on US$ 3.7 bn refinery, US$ 228.8 mn rise in invested AUM, sharp narrowing of both standalone and consolidated losses

CCAP.CA on the Egyptian Stock Exchange

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(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 financial results for the second quarter of 2012, reporting a 6.9% quarter-on-quarter rise in total invested equity as it began drawing down funds following financial close on a US$ 3.7 billion petroleum refining investment.

Total investments under control across the firm's 15-industry footprint stood US$ 9.5 billion as of 2Q12, while the firm's standalone net loss narrowed 69.8% quarter-on-quarer and 63.4% year-on-year to US$ 1.5 million (EGP 9.2 million).

The firm's principal investments in its own transactions rose 14.8% in the first half of the year to US$ 1.1 billion (EGP 6.3 billion), with US$ 138.9 million in new investments this year being driven in large part by US$ 93.4 million in new equity invested in the Egyptian Refining Company (ERC), which reached financial close during 2Q12 in what stands as the largest single equity raising in Egypt since 2007 and the largest in the MENA region year-to-date.

ERC reached financial close with total equity commitments of US$ 1.1 billion and a US$ 2.6 billion debt package. Participants in the equity component include leading investors from Egypt, the Gulf Cooperation Council (GCC) and international development finance institutions (DFIs).

"Financial close on ERC represents a substantial de-risking for Citadel Capital as we closed one of the largest-ever project finance transactions in Africa," said Citadel Capital Chairman and Founder Ahmed Heikal. "We now look forward to a fall and winter period as we continue a strategic transformation that will see us take on more and more of the characteristics of a traditional investment / holding company. Management is fully committed to driving the growth of core platform and portfolio companies that are increasingly on the right side of macro fundamentals, as recent moves toward subsidy reform and energy deregulation in Egypt suggest."

With no exits in the quarter, Citadel Capital registered a standalone net loss of US$ 1.5 million (EGP 9.2 million) for 2Q12 on revenues of US$ 3.2 million (EGP 19.3 million).[1] This represents a substantial narrowing from the previous quarter, where losses were inflated by net one-time up-front fees of US$ 9.0 million (EGP 54.3 million) related to the refinancing of Citadel Capital's pre-existing US$ 175 million credit facility and the arrangement of new debt backed by the United States Overseas Private Investment Corporation (OPIC). These facilities are being deployed to drive growth at core platform and portfolio companies in view of the value management sees to holding select investments over a longer period.

Net losses of US$ 6.6 million (EGP 39.7 million) in 1H12 represent a 23.2% contraction from the same period last year despite the impact of the up-front fees, reflecting the impact of a sustained reduction in OPEX spending.

Citadel Capital revenues from advisory fees eased 20.9% quarter-on-quarter as all AUM related to the Egyptian Refining Company became non-fee-earning at the time of first draw-down, in keeping with the firm's contractual agreements. Moreover, management

1 Citadel Capital principal investments are converted per exchange rates carried in Citadel Capital's balance sheet. All other figures relating to financial results in 2Q12 are converted using a spot rate of EGP 6.05 : US$ 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.

again adopted a conservative stance with regard to the outlook on the National Petroleum Company (NPC) and accordingly opted not to record advisory fees related to NPC in 2Q12.

On a consolidated basis, Citadel Capital reports a net loss of US$ 20.6 million (EGP 124.2 million) on revenues of negative US$ 10.6 million (EGP 63.8 million) in 2Q12, a 19.2% narrowing from the previous quarter and a 45.4% improvement from 2Q11. On a first-half basis, the firm's net loss contracted 2.9% year-on-year to US$ 46.9 million (EGP 283.5 million).

The better consolidated performance came as key platform and portfolio companies held as Associates posted improvements in performance. Citadel Capital recorded US$ 11.2 million (EGP 67.6 million) in losses from its Share of Associates' Results in 2Q12, a fractional improvement from the previous quarter and a 47.4% narrowing year-on-year. On a first-half basis, Citadel Capital's Share of Associates' Losses narrowed 29.6% year-on-year to US$ 22.3 million (EGP 135.2 million), reflecting better performance of the underlying Associates.

Notably, the firm's 2Q12 Share of Associates' Results includes US$ 8.1 million (EGP 49 million) in non-cash foreign exchange losses due to Al-Takamol Cement Co. in Sudan's revaluation of its foreign currency obligations to related parties following devaluation of the Sudanese pound. Al-Takamol's related parties in this instance include Berber for Electrical Power, ASEC Cement, ASEC Engineering and ASCOM. In addition to these forex losses, the firm's first half results included interest charges booked in 1Q12 from one-time fees related to Citadel Capital's refinanced US$ 175 million loan and a US$ 150 million OPIC-backed facility.

Setting aside both sets of extraordinary charges, the firm would have recorded a 36.4% narrowing of its consolidated net loss year-on-year in 1H12.

"The return of our Associates to pre-Revolutionary levels of performance — a time at which the core companies among them were on clear paths toward break-even and profitability — has come through hands-on management during the course of the past year's events," said Heikal. "We look forward to accelerated development in the coming 12 months on the back of new equity deployed at key companies via our US$ 150 million OPIC facility. This move is very much in line with our view to both increase our stakes in core investments and to shift toward longer holding periods create maximum value for both our limited partners and our public markets investors."

Management's discussion of operations and details of Citadel Capital's 2Q12 standalone and consolidated financials follows; full financials are available for download at citadelcapital.com.

I. Performance Highlights

Financial Highlights (in EGP mn)	2Q11	FY11	1Q12	2Q12
Revenue	16.3	69.5	24.4	19.3
EBITDA	(24.8)	(77.9)	6.6	(6.7)
Net Income / Loss	(25.1)	(110.1)	(30.5)	(9.2)
Principal Investments*				
Total Principal Investments	5,024	5,397	6,133	6,266
Of which Equity	4,273	4,438	4,740	5,026
Of which Convertibles	233	467	420	421
Of which Bridge Finance	517	493	480	200
Of which Long-term Finance (OPIC Facility)	-	-	493	619
New Investments in the Period	(33.2)	531	736	133
Gains from Sale of Investments in the Period	-	-	-	-
Portfolio Net Asset Value (PNAV, EGP mn)**	**5,289**	**5,173**	not issued	**TBD** †
Portfolio Net Asset Value per Share (PNAVPS, EGP)	**6.07**	**5.93**	not issued	**TBD** †
Asset Management (in US$ bn)				
Total Investments Under Control	8.7	9.5	9.5	9.5
Total AUM	4.1	4.3	4.4	4.3
Invested AUM	3.1	3.3	3.3	3.6
Invested Third-party AUM	2.2	2.3	2.3	2.5
Third-party Fee-earning AUM	2.1	2.1	2.1	1.8
New Invested AUM (in US$ mn, for the period)	-	197.4	54.4	229
Revenue from Advisory Fees (in US$ mn, for the period)	2.7	11.6	4.0	3.2
Revenue from Carried Interest (in US$ mn, for the period)	-	-	-	-

Track Record (for the quarter ending 30 June 2012 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 Employees of Citadel Capital Portfolio and Platform Companies (as of end-FY11)		42,317
Total Equity Raised and Invested Since 2004	EGP 27.0 billion	US$ 4.9 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 (as of 30 June 2012)		
Citadel Capital Partners (CCP)		28.49%
Board Members other than CCP		29.58%
Investors Owning More than 1%		12.04%
Others		29.90%
Number of Shares Outstanding		871,625,000
Paid-in Capital of Citadel Capital	EGP 4.4 billion	US$ 0.7 billion

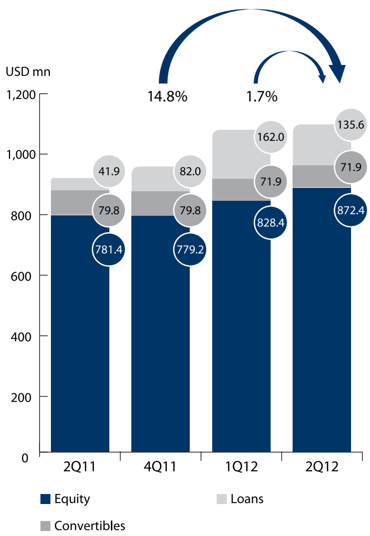
* The majority of Citadel Capital principal investments are made in US dollars, with the two exceptions being ASEC Holding and United Foundries. Management accordingly analyzes both principal investments and AUM in US dollars within this document. All principal investments refer to total investment cost.

† Citadel Capital will disclose its 1H12 PNAV in a separate document upon completion of work by RisCura, the independent valuator of the firm's principal investments. See page 6 for more information.

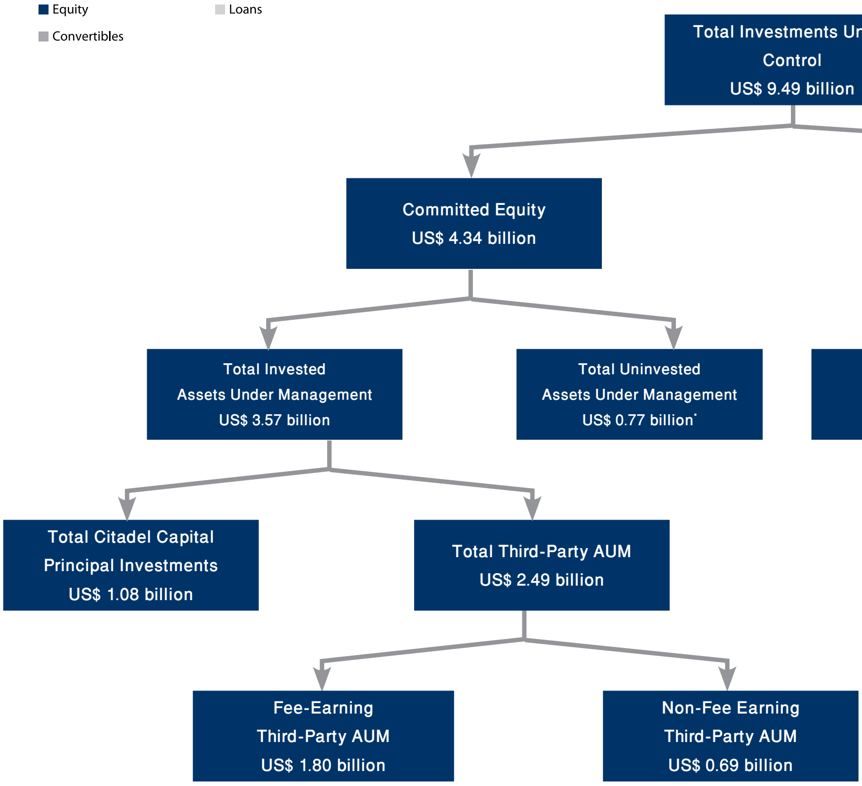
** Citadel Capital suspended guidance on TNAV as of 31 December 2010 as a result of its decision not to offer estimates of its AMV. Similarly, RisCura, which provides independent valuation services to Citadel Capital beginning with the FY11 Business Review, does not take the AMV into consideration. Analysts and other parties may assign their own value to this component of the business.

II. Citadel Capital as a Principal Investor†

Citadel Capital Principal Investments



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).



* Includes uninvested portions of MENA and Africa Joint Investment Funds, Egyptian Refining Company and undrawn portion of Africa Railways equity and committed funds from OPIC (distinct from new financing facility for Citadel Capital).

Citadel Capital controlled total investments of more than US$ 9.5 billion (EGP 57.5 billion) at the end of 2Q12, comprising both committed equity and committed debt.

† Kindly note: As part of Citadel Capital's decision to source its Portfolio Net Asset Valuation (PNAV) from an independent third party, management has opted henceforth to redefine slightly the classification of both its principal equity investments and the investments of its co-investors to better reflect reality. Accordingly, all equity investments discussed in this document represent the actual investment cost to Citadel Capital and its limited partners. It is management's view that this change in methodology ensures consistency across all of its information products (for lenders, limited partners and shareholders). Historical figures have been restated.

A. Principal Investments

Citadel Capital's total principal investments (including equity, convertibles, bridge financing and long-term finance for its platform companies) stood at US$ 1.1 billion (EGP 6.3 billion) at 30 June 2012, a 1.7% rise from the previous quarter and growth of 14.8% year-to-date.

The firm made a total of US$ 17.6 million (EGP 133.1 million) in new principal investments in the second quarter, investing new equity of US$ 44.1 million (EGP 285.8 million), extending new long-term OPIC-backed financing to select platforms amounting to USD 20.4 million (EGP 126.8 million), while recovering bridge finance totalling US$ 46.9 million (EGP 280.3 million).

Citadel Capital's total principal investments at 30 June 2012 break down as 80.8% equity investments, 6.6% convertibles, 3.1% bridge financing and 9.5% long-term OPIC-backed financing.

Equity (80.8% of total principal investments)

Citadel Capital's principal equity investments rose US$ 44.1 million (EGP 285.8 million) in 2Q12 to close the quarter at US$ 872.4 million (EGP 5,025.6 million). This came primarily on the back of new investment in Egyptian Refining Company (ERC) as well as modest new investments in Wafra (Sudanese and South Sudanese agriculture), Gozour (multicategory agriculture and consumer foods) and Nile Logistics (river transport).

New investment in the quarter was dominated by US$ 40.9 million (EGP 247.7 million) injected into ERC, bringing total new equity investment in the platform of US$ 93.4 million since 31 December 2011. Funds invested in 2Q12 included US$ 14.5 million in fresh cash invested through the Joint Investment Funds as well as US$ 26.4 million in both capitalized advisory and overfunding interest as well as amounts pre-funded by Citadel Capital in the past and now being capitalized.

The latest injection of equity came as the US$ 3.7 billion ERC project reached financial close in 2Q12; equity raised from Citadel Capital and its limited partners in the first half to complete the US$ 1.1 billion equity component was the largest equity raising in Egypt since 2007 and the largest in the MENA region year-to-date.

Also in the quarter, the firm made US$ 1.8 million in new equity investments in Wafra and a further US$ 1.4 million in Gozour on the back of promising operational results at both companies, with a further US$ 0.9 million flowing into Nile Logistics.

Management notes that the firm's principal investments in ASEC Holding and United Foundries Company declined US$ 0.4 million and US$ 0.05 million, respectively, in US dollar terms as a result of foreign exchange movement. These are the sole platforms held on Citadel Capital's balance sheet in Egyptian pounds. All other investments in platform and portfolio companies are held in US dollars and hence stand to benefit from any potential devaluation of the Egyptian pound going forward.

Convertibles (6.6% of total principal investments)

As of the end of 2Q12, Citadel Capital held three investments in convertibles — ASEC Holding, NPC and NOPC / Rally Energy. As previously reported, the firm wound-down a convertible vehicle for United Foundries (UCF) in 1Q12 and reshaped the facility into bridge financing. Citadel Capital made no new investments in its three convertibles in 2Q12 and thus holds total investments of US$ 71.9 million in convertibles.

Bridge-Financing (3.1% of total principal investments)

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. Bridge financing in the form of interest-bearing loans accordingly represent a distinct form of Citadel Capital principal investment in its platform and portfolio companies.

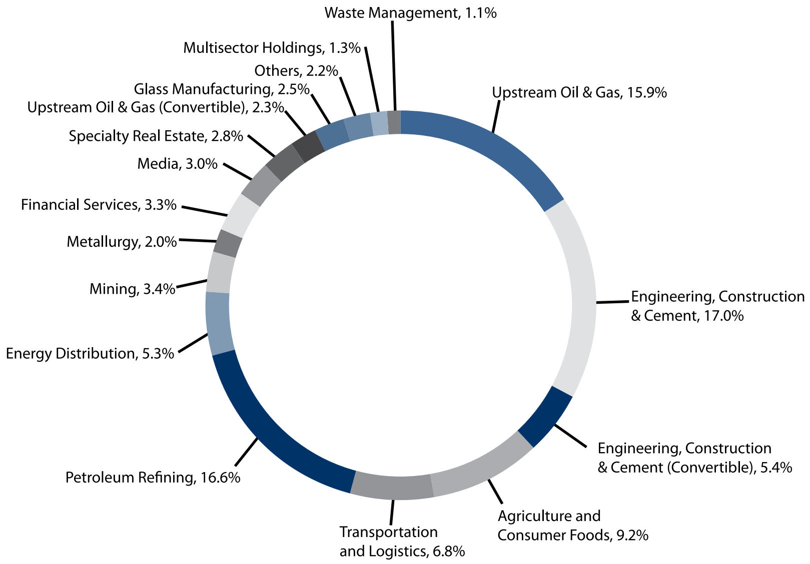
Bridge financing to platform and portfolio companies declined by US$ 46.9 million (EGP 333.1 million) to a total of US$ 33.1 million (EGP 200.2 million) in the second quarter as the firm recovered previously advanced funds and instead deployed long-term financing for select platform and portfolio companies on terms better suited to the development plans for each of the platforms. This marks the second consecutive quarter in which bridge financing has declined.

Long-Term Finance (9.5% of total principal investments)
Citadel Capital drew in 2Q12 a further US$ 19.2 million of a US$ 150 million OPIC-backed facility to support the growth of its investments. This followed first drawdown of US$ 81.25 million in 1Q12. Long-term finance is recorded on the firm's balance sheet as Inter-Company Loans. Interest income from long-term finance is recorded on the firm's standalone income statement.

Deployment of these ten-year-term funds is allowing Citadel Capital to accelerate the development of select platform companies while, in some cases, recovering equity and / or bridge finance previously advanced to certain companies.

Notable in the quarter was the extension of US$ 17.7 million (EGP 106.9 million) in long-term finance to UCF, which allowed the recovery of bridge financing to the platform.

Distribution of Citadel Capital Principal Investments by Industry at end 2Q2012



B. Portfolio Net Asset Value (PNAV) by RisCura

Beginning with FY11, Citadel Capital has sourced its portfolio net asset valuation (PNAV) from RisCura Fundamentals, a leading provider of independent valuation, risk and performance analysis to investors in unlisted instruments in Africa. Use of a RisCura-calculated PNAV has been approved by Citadel Capital's lenders as well as anchor investors in the MENA and Africa Joint Investment Funds. Sourcing a single PNAV from a single, independent provider will provide shareholders, international LPs, regional co-investors and lenders alike with a common view of Citadel Capital's net asset valuation.

The issuance of the firm's 1H12 PNAV has been delayed due to the time required to complete new business plans for Citadel Capital's underlying portfolio companies. Since the beginning of the year, the firm has deployed more than US$ 100 million of a US$ 150-million, OPIC-backed facility to accelerate development of core platform and portfolio companies. This financing and the fluid macroeconomic environment in Egypt have made necessary changes to the underlying business plans that are central to RisCura's work.

In the interest of timely disclosure and transparency, management has decided to issue the firm's 2Q12 financial results and not to wait for the finalization of 1H12 PNAV by RisCura. The PNAV document will be released separately as soon as it is completed.

This table is designed to link investments as recorded on Citadel Capital's balance sheet with a more accurate picture of the investment cost by company. In some instances, investments are recorded on the firm's balance sheet as Loans to Platform and Portfolio Companies for technical accounting reasons, while some investments made through SPVs were not counted as equity.

Analysis of Principal Investments in Balance Sheet vs. Investment Cost (30 June 2012)

		Citadel Capital Principal Investments				
Platform Company	**Industry**	**Investment as in Balance Sheet (EGP mn)**	**Adjustments (EGP mn)**	**Explanation of Adjustment**	**Total Investment Cost (EGP mn)**	**Total Investment Cost (USD mn)**
ASEC Holding	Engineering, Construction and Cement	924.4	-		924.4	152.9
ASCOM Mining & Geology	Mining	183.1	-		183.1	30.3
Nile Logistics	Transportation & Logistics	201.5	13.8	US$ 2.5 million invested through other vehicle	215.3	36.5
Africa Railways	Transportation & Logistics	152.5	-		152.5	27.0
Gozour	Agriculture & Consumer Goods	261.8	28.8	US$ 3.2 million invested through other vehicle	290.6	52.2
NPC	Upstream Oil & Gas	323.2	31.0	US$ 5.4 million invested through other vehicle	354.2	63.4
NOPC / Rally Group	Upstream Oil & Gas	359.1	-		359.1	65.0
ERC	Petroleum Refining	581.7	324.3	US$ 3.6 million over-funding interest and US$ 50.0 million investment reclassified from third-party funds to a principal investment of Citadel Capital	906.0	154.8
TAQA Arabia	Energy Distribution	247.1	-		247.1	43.3
Mashreq Petroleum	Energy Distribution	39.4	-		39.4	6.8
GlassWorks	Glass Manufacturing	128.5	8.3	US$ 1.6 million Citadel Capital management fees	136.8	24.5
Bonyan	Specialty Real Estate	154.1	-		154.1	28.1
Tawazon	Waste Management	59.9	-		59.9	10.6
UCF	Metallurgy	106.5	-		106.5	17.6
Tanweer	Media	165.0	-		165.0	30.4
Finance Unlimited	Financial Services	178.0	-		178.0	32.6
Grandview	Multisector Holdings	70.1	-		70.1	12.4
Wafra	Agriculture & Consumer Goods	212.6	-		212.6	37.1
NVPL	Upstream Oil & Gas	152.8	-		152.8	27.5
Others	Others	118.2	-		118.2	19.6
ASEC Cement	Cement	1,146.3	-		1,146.3	189.6
Eliminations*		(1,146.3)	-		(1,146.3)	(189.6)
Total Equity Investments		**4,619.4**	**406.1**		**5,025.6**	**872.4**
ASEC Holding Convertible	Engineering, Construction and Cement - Convertibles	385.2	(88.8)	Removal of Convertible Interest from Investment Cost	296.4	49.0
UCF Convertible	Metallurgy - Convertible	-	-		-	-
NPC Convertible	Upstream Oil & Gas - Convertible	52.4	-		52.4	9.8
NOPC / Rally Convertible	Upstream Oil & Gas - Convertible	72.1	-		72.1	13.1
Total Convertibles		**509.7**	**(88.8)**		**420.9**	**71.9**
Bridge Finance to Platforms		**229.0**	**(28.8)**	Reflecting reclassification of principal investments classified as Loans to Platforms due to technical accounting reasons	**200.2**	**33.1**
Long-term Finance to Platforms (OPIC Facility)		**619.4**	**-**		**619.4**	**102.4**
Total Investments		**5,977.5**	**288.6**		**6,266.1**	**1,079.9**

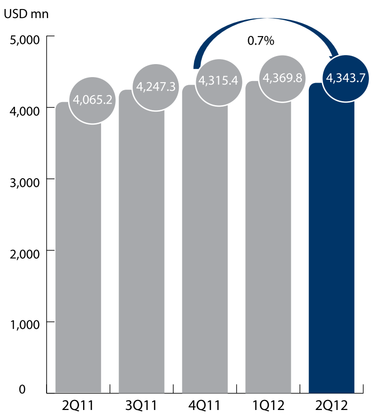
* Eliminates effect of cross-ownership of one Citadel Capital platform company by another.

Summary of Investments in Citadel Capital Platform Companies as of 30 June 2012 (USD mn)

Platform	Industry	Citadel Capital	Change in the Q	Co-investors	Change in the Q	Africa Investment Fund: Citadel Capital	Africa Investment Fund: New in the Q	Africa Investment Fund: LPs	Africa Investment Fund: New in the Q	MENA Investment Fund: Citadel Capital	MENA Investment Fund: New in the Q	MENA Investment Fund: LP	MENA Investment Fund: New in the Q	Total Citadel Capital*	Change in the Q*	Total Co-investors*	Change in the Q*
ASEC Holding	Engineering, Construction and Cement	152.9	(0.4)	125.6	(0.3)	-	-	-	-	-	-	-	-	152.9	(0.4)	125.6	(0.3)
ASCOM Mining & Geology	Mining	30.3	(0.1)	-	-	-	-	-	-	-	-	-	-	30.3	(0.1)	-	-
Nile Logistics	Transportation & Logistics	36.5	0.9	93.6	(3.0)	-	-	-	-	-	-	-	-	36.5	0.9	93.6	(3.0)
Africa Railways	Transportation & Logistics	20.8	-	35.0	-	6.2	-	13.8	-	-	-	-	-	27.1	-	48.8	-
Gozour	Agriculture & Consumer Goods	52.2	1.4	206.1	(0.1)	-	-	-	-	-	-	-	-	52.2	1.4	206.1	(0.1)
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	-
ERC†	Petroleum Refining	142.8	28.9	429.3	186.6	6.2	6.2	13.8	13.8	5.8	5.8	14.1	14.1	154.8	40.9	457.3	214.6
TAQA Arabia	Energy Distribution	43.3	-	76.2	-	-	-	-	-	-	-	-	-	43.3	-	76.2	-
Mashreq Petroleum	Energy Distribution	6.8	-	20.1	-	-	-	-	-	-	-	-	-	6.8	-	20.1	-
GlassWorks	Glass Manufacturing	24.5	-	131.2	-	-	-	-	-	-	-	-	-	24.5	-	131.2	-
Bonyan	Specialty Real Estate	28.1	-	59.4	-	-	-	-	-	-	-	-	-	28.1	-	59.4	-
Tawazon	Waste Management	6.4	-	-	-	2.2	-	4.9	-	2.1	-	5.0	-	10.6	-	9.9	-
UCF	Metallurgy	17.6	(0.05)	32.6	-	-	-	-	-	-	-	-	-	17.6	(0.05)	32.6	-
Tanweer	Media	30.4	-	-	-	-	-	-	-	-	-	-	-	30.4	-	-	-
Finance Unlimited	Financial Services	32.6	-	-	-	-	-	-	-	-	-	-	-	32.6	-	-	-
Grandview	Multisector Holdings	12.4	-	82.8	-	-	-	-	-	-	-	-	-	12.4	-	82.8	-
Wafra	Agriculture & Consumer Goods	37.1	1.8	-	-	-	-	-	-	-	-	-	-	37.1	1.8	-	-
NVPL	Upstream Oil & Gas	27.5	-	45.7	-	-	-	-	-	-	-	-	-	27.5	-	45.7	-
Others	Others	19.6	(0.3)	-	-	-	-	-	-	-	-	-	-	19.6	(0.3)	-	-
ASEC Cement	Cement	189.6	-	360.6	-	-	-	-	-	-	-	-	-	189.6	-	360.6	-
Eliminations**		(189.6)	-	(325.6)	-	-	-	-	-	-	-	-	-	(189.6)	-	(325.6)	-
Total Equity Investments		**850.0**	**32.0**	**2,292.1**	**183.2**	**14.6**	**6.2**	**32.5**	**13.8**	**7.9**	**5.8**	**19.1**	**14.1**	**872.4**	**44.1**	**2,343.8**	**211.2**
ASEC Holding Convertible	Engineering, Construction and Cement - Convertibles	49.0	-	49.6	-	-	-	-	-	-	-	-	-	49.0	-	49.6	-
UCF Convertible‡	Metallurgy - Convertible	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NPC Convertible	Upstream Oil & Gas - Convertible	9.8	-	35.7	-	-	-	-	-	-	-	-	-	9.8	-	35.7	-
NOPC / Rally Convertible	Upstream Oil & Gas - Convertible	13.1	-	57.3	-	-	-	-	-	-	-	-	-	13.1	-	57.3	-
Total Convertibles		**71.9**	**-**	**142.6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**71.9**	**-**	**142.6**	**-**
Bridge Financing to Platforms		**33.1**	**(46.9)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**33.1**	**(46.9)**	**-**	**-**
Long-term Finance to Platforms (OPIC Facility)		**102.4**	**20.5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**102.4**	**20.5**	**-**	**-**
Total Investments		**1,057.4**	**5.6**	**2,434.7**	**183.2**	**14.5**	**6.2**	**32.5**	**13.8**	**7.9**	**5.8**	**19.1**	**14.1**	**1,079.9**	**17.6**	**2,486.4**	**211.2**

* Including Joint Investment Funds (JIFs)
** Eliminates effect of cross ownership of one Citadel Capital platform company by another
† Includes US$ 50 million reclassified into Principal Investments from Third-Party Funds via an SPV
‡ Re-shaped into bridge financing (from Citadel Capital) and direct loan (from LPs)

Total Assets Under Management (Committed)



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$ 4.3 billion (EGP 26.0 billion) at 30 June 2012, a rise of 0.7% year-to-date. AUM were stable between 1Q12 and 2Q12.

Including equity drawn into exited funds, Citadel Capital has raised a total of US$ 4.9 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$ 3.6 billion (EGP 21.8 billion) at the end of 2Q12, a rise of US$ 228.8 million (6.9%) quarter-on-quarter and US$ 283.2 million (8.6%) year-to-date. Invested third-party AUM stood at US$ 2.5 billion (EGP 15.1 billion) at the end of June 2012 following first draw-down of third-party equity into ERC as the project reached financial close in the quarter.

As previously noted, LPs in the MENA and Africa Joint Investment Funds (JIFs) made new investments in ERC at financial close. LPs in the MENA JIF invested US$ 14.2 million, while LPs in the Africa JIF invested US$ 13.8 million. Other international LPs contributed US$ 186.6 million. Accordingly, third-party invested (drawn) funds in ERC now total US$ 457.3 million. The balance of the committed, un-drawn funds will be drawn down as the project proceeds. Meanwhile, LP investments in Nile Logistics eased US$ 3 million on the back of minor adjustments to co-investors' positions.

Uninvested AUM eased 32.8% to US$ 0.8 billion (EGP 4.84 billion) at the end of 2Q12 following the drawdown of funds into ERC. Uninvested AUM now include US$ 576.5 million committed to ERC, US$ 100 million in OPIC funding (non-fee-earning and distinct from the new US$ 150 million OPIC finance guarantee), US$ 65.9 million committed to the Africa and MENA Joint Investment Funds, and US$ 35.0 million in funds committed to Africa Railways.

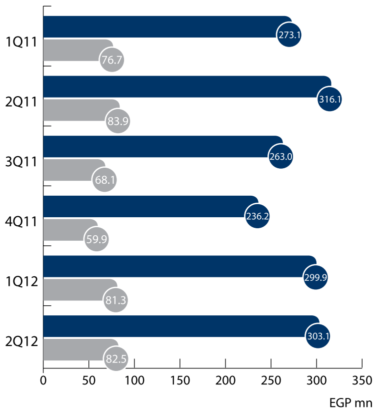
Fee-Earning AUM

Fee-earning assets under management were down 14.3% quarter-on-quarter in 2Q12 to US$ 1.8 billion (EGP 10.9 billion) as all ERC equity became non-fee-earning as of financial close as contractually mandated.

Citadel Capital recorded revenues of US$ 3.2 million (EGP 19.3 million) in 2Q12 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.

IV. Recent Developments at Non-Consolidated Platforms*

Gozour Revenues and Gross Profit



a) Gozour

On a consolidated basis, integrated multi-category agriculture and consumer foods platform Gozour reported a 2.3% year-on-year rise in first-half revenues to EGP 603.0 million, with EBITDA rising 11.7% to EGP 53.3 million.

- In Egypt, leading regional confectioner **Rashidi Al Mizan (REM)** reported 16% year-on-year revenue growth in 1H12, driven by national marketing campaigns to support the company's new innovation in the halawa category (Halawa Spread and Choco Spread). Net sales were 4% higher quarter-on-quarter driven by increased volumes. EBITDA rose 26.0% year-on-year in 1H12 due primarily to volume growth and improved profitability resulting from favorable material costs. The company reports 1H12 gross margins of 27.5%, half a point better than the same period of 2011.

- Confectioner **Rashidi for Integrated Solutions' (RIS)** in Sudan reports a 28% surge in 1H12 sales driven by increase in volumes. RIS nonetheless made a net negative contribution to Gozour's consolidated financials in 2Q12 (compared with a profit the previous quarter) on the back of devaluation of the Sudanese pound. Notably this is a non-cash expense recorded as a foreign exchange loss; all RIS operations are carried out in Sudan and in SDG.

- Cheese maker **Elmisrieen** reports slowing sales in 1H12. After facing fierce competition in the market — supported by substantial promotional activities by competitors — the brand became less visible in the market and its health became a concern. The company is now adopting a drainage strategy to minimize its cash losses taking into consideration the likelihood of slow sales in the coming quarters. Gozour is exploring options to sell Elmisrieen.

- Milk and juice producer **Enjoy** saw first-half sales ease 9% year-on-year on the back of cash constraints suffered late in 4Q11 and early in 1Q12 as well as production challenges. The complete overhaul of the factory and cash injections from Citadel Capital see management expecting a pick up in both sales and market share. Enjoy's management team is laying the groundwork for the re-launch of the brand and the introduction of innovative new juice products in 4Q12. The early impact of the cash injection and strategic moves by management is clear in the company's 18% rise in sales quarter-on-quarter in 2Q12.

- As noted in our 1Q12 Business Review, **Dina Farms** recorded an 8% dip in sales following lower production levels due to the impact of a national outbreak of foot and mouth disease at the beginning of the year. Dina Farms' livestock was affected by the disease in March 2012, and management moved swiftly to minimize damage. The outbreak reduced both productivity per head and the number of head of cattle, negatively impacting both sales and productivity. Net sales dropped 3% quarter-on-quarter in 2Q12, with the impact of lower sales eased by substantial price hikes implemented by management.

  Also, Dina Farms closed in 2Q12 a syndicated facility to support the purchase of an additional 2,000 heifers and the corresponding expansion of the farm's accommodations stations and milking facilities. The first of the heifers are expected by the end of 2012, with a second and final group due to arrive by mid-2013.

- **Investment Co. for Dairy Products (ICDP)**, which markets Dina Farms fresh milk (the nation's leading fresh milk brand) saw an 8% year-on-year dip in first-half sales. Management continues to implement a new sales strategy that repositions its products as "fresh produce" to appear on shelves as premium-priced goods. EBITDA rose 32.8% year-on-year in 1H12. Sales now are beginning to rise, with 2Q12 seeing a 20% jump in net sales quarter-on-quarter.

* This section includes updates for companies that are not consolidated in Citadel Capital's financials. Investments consolidated in whole or held as Associates are discussed beginning on page 15.

In addition, a tight focus on containment of operating expenses saw EBITDA climb 250% quarter-in-quarter in 2Q12.

b) Egyptian Refining Company

Egyptian Refining Company reached financial close on 14 June 2012 on a landmark investment that stands as the largest equity raising in Egypt since 2007 (and the largest year-to-date in the Middle East).

The US$ 3.7 billion project will reduce Egypt's present-day diesel import needs by 50%, improve air quality in the Greater Cairo Area, help reduce Egypt's annual subsidy bill, result in more than US$ 300 million in additional direct benefits to the state annually, and spur job creation.

The state-of-the-art facility — one of the largest-ever project finance transactions in Africa — will produce over 4.1 million tons of refined products and high-quality oil derivatives per year, including more than 2.3 million tons of Euro V diesel (the cleanest-burning diesel fuel in the world).

ERC will deliver diesel and other high-value products to the Egyptian General Petroleum Corporation (EGPC) at the heart of the consumption market in the Greater Cairo Area under a 25-year offtake agreement at international prices.

Financing for the project includes US$ 2.6 billion in debt and a further US$ 1.1 billion in equity. Equity investors include EGPC (which has invested US$ 270 million for a 23.8% interest), Qatar Petroleum International (QPI, which has committed over US$ 362 million for an effective 27.9% interest) and Citadel Capital (which has directly and indirectly invested over US$ 155 million and holds an effective equity stake of 11.7%).

Among top global DFIs investing in the project are the International Finance Corporation (US$ 85 million, 6.4% ownership), the Dutch development bank FMO (US$ 29 million, 2.2% ownership) and Germany's DEG (US$ 26 million, 2.0% ownership). The InfraMed Fund, the largest investment vehicle dedicated to infrastructure in the Mediterranean area, is also an investor with an effective ownership of 7.5% on an investment of US$ 100 million.

ERC is also backed by a US$ 2.6 billion debt package announced in August 2010 which was arranged by ERC's financial advisor Société Générale and supported by ERC's legal advisors, Shearman & Sterling and Arab Legal Consultants.

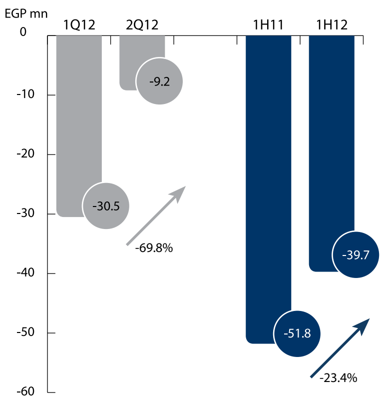
The package includes US$ 2.35 billion of senior debt and US$ 225 million of subordinated debt. With the Bank of Tokyo-Mitsubishi serving as the global coordinator, institutions participating in the senior debt package include the Japan Bank for International Cooperation (JBIC), Nippon Export and Investment Insurance (NEXI), the Export-Import Bank of Korea (KEXIM), the European Investment Bank (EIB) and the African Development Bank (AfDB).

Mitsui & Co. (which is part the contractor consortium building the refinery) and the African Development Bank are providing the subordinated debt financing.

ERC is being engineered and constructed by GS Engineering & Construction of Korea and Mitsui & Co. of Japan. WorleyParsons is ERC's project manager and the operations and maintenance of the refinery will be performed by the Egyptian Projects Operation & Maintenance Company (EPROM), an EGPC-affiliated company.

Engineering is underway and is expected to be completed in late 2013, at which time construction activity will begin at the site. Operations are scheduled to start in 2016.

Citadel Capital Net Profits



V. Financial Performance

(A) Standalone Results

Citadel Capital reports a net loss of US$ 1.5 million (EGP 9.2 million) on revenues of US$ 3.2 million (EGP 19.3 million) in 2Q12, narrowing 69.8% from a net loss of US$ 5.0 million (EGP 30.5 million) the previous quarter. The firm's net loss for 1H12 accordingly stood at US$ 6.6 million (EGP 39.7 million) against US$ 8.6 million (EGP 51.8 million) in the first half of last year.

The net loss for the half was inflated by one-time net up-front fees of US$ 9.0 million (EGP 54.3 million) related to the refinancing of Citadel Capital's pre-existing US$ 175 million credit facility and the arrangement of new OPIC-backed debt booked in the first quarter. Setting aside the one-time up-front fees (which in the case of the OPIC facility cover the entire useful life of the funds), Citadel Capital would have reported a standalone net profit of USD 2.4 million (EGP 14.6 million) in 1H12.

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.

Revenues

Citadel Capital revenues in 2Q12 stood at US$ 3.2 million (EGP 19.3 million), an 18.4% rise from the previous year and a decline of 20.9% quarter-on-quarter. All revenues for the quarter were in the form of advisory fees. The quarter-on-quarter decline came as AUM invested in ERC became non-fee-earning at financial close on 14 June 2012; moreover, 1Q12 advisory fee income included EGP 2.85 million in retroactively booked advisory fees relating to the National Petroleum Company (NPC) in 4Q11. With the cancellation of the sale of NPC-Egypt to Sea Dragon, management has again opted to maintain a conservative stance regarding NPC. Contractual advisory fees from NPC are recorded in the notes to the firm's standalone financials, but are not reflected in the top line.

1H12 revenues of US$ 7.2 million (EGP 43.7 million) represent a 35.7% rise over revenues recorded in the same period of last year.

Operating Expenses

Spending on OPEX declined 34.9% in 1H12 on the back of a sustained program to control costs and preserve cash implemented last year. The firm has made particularly notable reductions in spending on compensation (down 43.4%), travel (down 22.9%) and consultancy and audit fees (down 19.3%).

Operating Expenses (in EGP mn)

Element	1H11	1H12
Salaries, Bonuses and Benefits	53.2	30.1
Travel	3.5	2.7
Consultancy Fees, Audit Fees, Publications and Events	11.9	9.6
Others	6.6	6.5
Total	**75.1**	**48.9**

EBITDA

EBITDA dropped to negative US$ 1.1 million (EGP 6.7 million) in 2Q12 from a positive US$ 1.1 million (EGP 6.6 million) the previous quarter. EBITDA was weighed down by the Q-o-Q dip in advisory fee income (see above) as well as by the absence of foreign exchange gains in 2Q12 against an FX gain of EGP 5.2 million last quarter. EBIDTA for 1H12 stood at negative US$ 33,057.8 (EGP 0.2 million) against a negative US$ 8.0 million (EGP 48.2 million) in the same half of last year.

Interest Income / Expenses

Citadel Capital recorded net interest expenses of US$ 0.2 million (EGP 1.4 million) against US$ 6.0 million (EGP 36.0 million) in 1Q12. Interest expenses in the first quarter were inflated by one-time net upfront fees (arrangement fees) payable to the firm's banks and related to the refinancing of the firm's US$ 175 million facility and the securing of a US$ 150 million OPIC-backed facility. The upfront fees related to the OPIC loan represent 100% of the fees pertaining to the loan for the entire useful life of the facility.

Principal Investments

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

Current Liabilities

Total current liabilities were essentially unchanged from 31 March 2012 at EGP 651.5 million, rising less than EGP 1 million. The current portion of long-term debt remained stable, while dues to Citadel Capital Partners Ltd. (the firm's lead shareholder and the vehicle through which senior management holds its equity) eased EGP 3.1 million. Accrued provisions and other liabilities rose a modest EGP 3.5 million quarter-on-quarter.

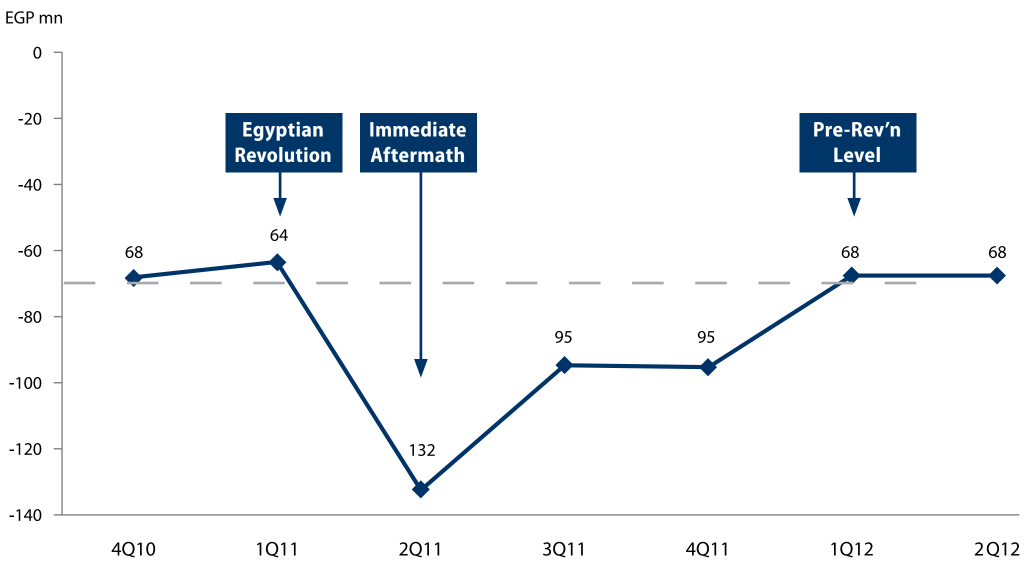
Debt Position

The total debt of Citadel Capital (as distinct from that of its platform companies) stood at US$ 281.0 million (EGP 1.7 billion) as at 31 June 2012, with a debt-to-equity ratio of 39.4%. As previously disclosed, Citadel Capital has refinanced its pre-existing US$ 175 million facility and secured an additional US$ 150 million in OPIC-backed debt. Of US$ 325 million in total debt committed at the firm level, Citadel Capital has drawn the entire refinanced US$ 175 million facility and in 1H12 drew US$ 100.4 million of the OPIC-backed loan, with US$ 19.1 million of that being drawn in 2Q12. Management again notes that fully US$ 125 million of the OPIC facility are for investments in Egypt, with the balance of US$ 25 million being earmarked for South Sudan.

(B) Consolidated Results and Operational Updates

On a consolidated basis, Citadel Capital reports a net loss of US$ 20.6 million (EGP 124.2 million) in 2Q12, a 22.0% narrowing from US$ 26.3 million (EGP 159.3 million) the previous quarter and a 32.2% dip from US$ 29.8 million (EGP 180.5 million) the same quarter of last year. The narrowing came as the firm reported stability in its Share of Associates' Results and a net financing gain as opposed to a net interest expense in 1Q12 (see details in Standalone Financial Discussion, above).

Citadel Capital Share of Associates Results



The negative top line in 2Q12 came as revenues from advisory fees were outweighed by US$ 11.2 million (EGP 67.6 million) in losses from Citadel Capital's Share of Associates' Results, which management views as having recorded sustained improvements in operational and financial performance in the first half of this year.

On a first-half basis, the firm's net loss contracted 2.9% year-on-year to US$ 46.9 million (EGP 283.5 million).

Associates include ASEC Holding, United Foundries, ASCOM, Tawazon, Finance Unlimited, TAQA Arabia and Nile Logistics, among others. Stability in the firm's Share of Associates' Results indicates its platforms are emerging from the challenges of the post-Revolutionary period, having returned to 4Q10 levels, which at that time suggested strong progress toward break-even. Management believes 1H12 will mark a turning point for the firm's investments as operational improvements in the period will be underpinned going forward by the disbursement of OPIC-backed funds, which are being used to accelerate the development of core platform and portfolio companies.

Notably, the EGP 67.7 million in losses consolidated as Citadel Capital's Share of Associates' Results includes EGP 49 million in non-cash foreign exchange losses related to Al-Takamol Cement Company's revaluation of its foreign currency obligations to related parties (namely Berber, ASEC Cement, ASEC Engineering and ASCOM).

Setting aside the impact of the up-front fees booked in 1Q12 and Al-Takamol's FX losses in 2Q12, the firm's 1H12 net loss would have stood at US$ 31.2 million (EGP 188.5 million), a 36.4% narrowing year-on-year.

Consolidated revenues in 1H12 also include US$ 2.7 million (EGP 16.2 million) in losses contributed by "Other Income" related to operational losses at Wafra, the firm's greenfield platform for agriculture investments in Sudan and South Sudan. Operational losses are in line with both the cyclicality of the business and management's expectations of an early-stage greenfield investment. Wafra is the first Citadel Capital platform company to be fully consolidated.

I) Wafra

In Sudan, portfolio company Sabina reports that 4,000 feddans of sorghum are now planted as a summer crop for fall harvest, with revenues expected to be booked in 4Q12. Fully 1,013 feddans were developed in the second quarter, while 2Q12 sales of 457 tons were split between a mix of sorghum and sunflower crops. Total land developed in 1H12 stands at 6,033 feddans to the benefit of Sabina, with a further 9,000 feddans handed to local farmers.

The company reported 54% quarter-on-quarter drop in revenues in 2Q12 to EGP 0.6 million on the back of seasonality and the effect of some crop losses, while operating expenditures rose 33% to EGP 2.0 million as a result of accelerated development.

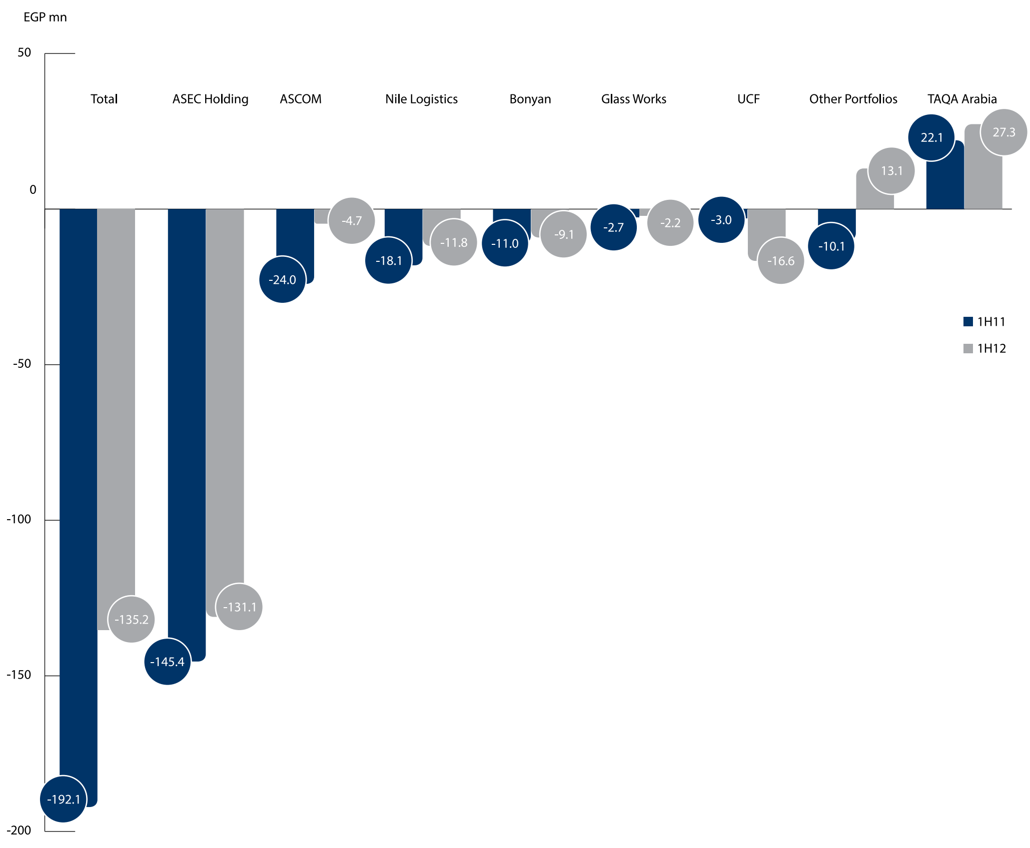
Sabina nevertheless reported a 79.3% contraction in its net loss of EGP 1.2 million in 2Q12 on the back of foreign exchange gains following devaluation of the Sudanese pound in the quarter.

II) Share of Associates' Profit / Loss

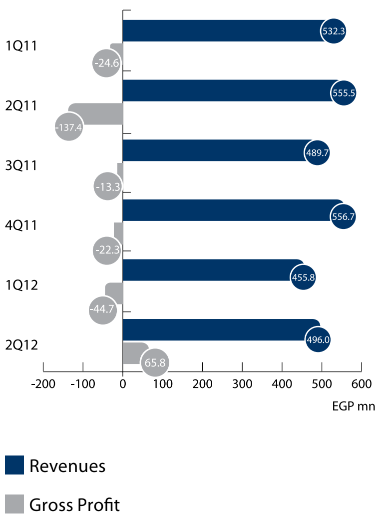
Citadel Capital recorded US$ 11.2 million (EGP 67.6 million) in losses from its Share of Associates' Results in 2Q12, a fractional improvement from the previous quarter and a 47.4% narrowing year-on-year. On a first-half basis, Citadel Capital's Share of Associates' Losses narrowed 30.9% year-on-year to US$ 22.3 million (EGP 135.2 million). Notable in this respect is that the 2Q12 figure includes EGP 49 million in non-cash foreign exchange losses related to Al-Takamol Cement Company as the latter revalued its foreign currency obligations to related parties following devaluation of the Sudanese pound.

As noted in the graph below, the firm reports improved first-half performance at 10 of 14 companies held as Associates in both 2011 and 2012 (a fifteenth company, a vehicle related to energy distribution platform Mashreq, was added to the list of Associates only in 2012).

Breakdown of Citadel Capital's Share of Associates' Results, 1H11 vs 1H12



ASEC Holding Revenues and Gross Profit



Factors underpinning this contribution include:

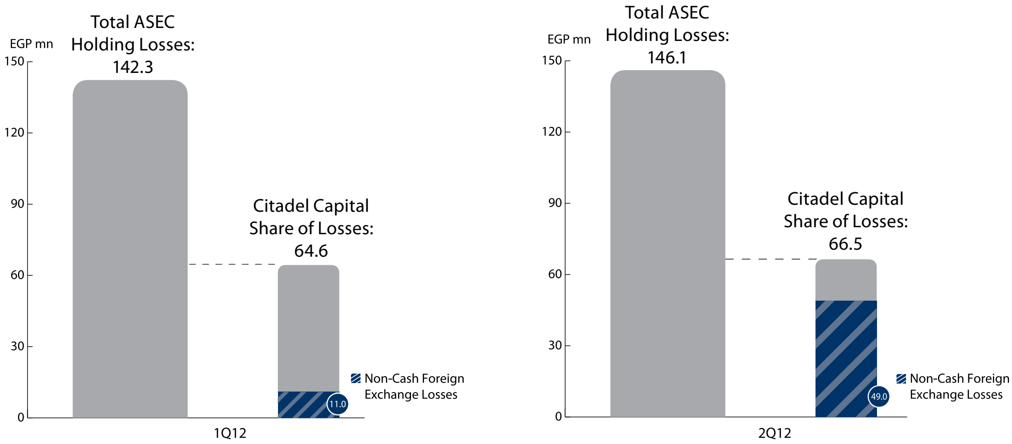
a) ASEC Holding

Total revenues at ASEC Holding (Citadel Capital's regional engineering, construction and cement platform) stood at US$ 82.0 million (EGP 496.0 million) in 2Q12, a rise of 8.8% quarter-on-quarter.

ASEC Holding reports total 1H12 revenues of US$ 157.3 million (EGP 951.9 million), a decline of 12.5% year-on-year due to the lower revenues from the group's construction arm. Net losses nonetheless narrowed 10.2% to US$ 47.7 million (EGP 288.3 million) as a result of better margins across the group. Notably, ASEC Holding's 2Q12 results include US$ 38.8 million (EGP 234.9 million) in foreign exchange losses contributed primarily by Al-Takamol Cement Co. in Sudan following the revaluation of Al-Takamol's foreign current obligations to related parties in the second quarter.

The company accordingly contributed losses of US$ 11.0 million (EGP 66.5 million) to Citadel Capital's Share of Associates' Results in 2Q12, a rise of 2.9% quarter-on-quarter and a 36.9% improvement compared with the same quarter of 2011. Citadel Capital's share of ASEC Holding's losses included US$ 8.1 million (EGP 49.0 million) in non-cash foreign exchange losses. See graph (below) showing the major components of the losses consolidated from ASEC Holding. Setting aside the FX losses, ASEC Holding's contribution would have improved 60.7%.

Citadel Capital Share of Total ASEC Holding Losses



Standout performers in the quarter included ASEC Engineering, ASEC Automation and ASENPRO. Within ASEC Holding:

- Total consolidated revenues at **ASEC Cement** rose 16.3% year-on-year in 2Q12 while net losses rose 119% in the same period to US$ 22.8 million (EGP 137.8 million) on the back of substantial foreign exchange losses consolidated from Al-Takamol Cement in Sudan (see below). Excluding Al-Takamol's figures entirely, revenues for the cement group would have risen 67% to US$ 18.1 million (EGP 109.3 million) while net losses would have contracted 77% to US$ 1.0 million (EGP 6.1 million) as all other operations made substantial progress in the quarter. Excluding Al-Takamol, the group's gross and EBITDA margins would have registered at 59% and 54%, respectively, for 2Q12.
    - In Egypt, ASEC Cement portfolio company **Misr Qena Cement Company** reports a 9% rise in market demand in 1H12, with average market selling prices rising 27% to EGP 465 per ton. While Misr Qena reported a 9% rise in volumes sold in the first half, revenues eased 6% as discounts are applied directly on the revenues line as opposed to having been recorded on a separate line, which was company practice in the past. EBITDA margins nonetheless improved 5 percentage points quarter-on-quarter in 2Q12 to 44%; the previous quarter's EBITDA margins had been constrained by a work stoppage for repairs and maintenance. Overall in 1H12, margins were squeezed by rising packaging, technical management, electricity and quarry rental fees. Gross profit and EBITDA margins were 44% and 42%, respectively, in 1H12 compared to 51% and 48% in the same half last year, resulting in a 24% drop in net income for the quarter just ended.
    - Also in Egypt, **ASEC Ready Mix** (ARM) reports a steady rise in volumes (up 89% year-on-year in 2Q12) and revenues (up 65% year-on-year, reflecting the impact of a dip in market prices since 2H11), with particularly strong results in Assiut, which serves three industrial zones at which large-scale projects are underway. EBITDA improved significantly year-on-year and quarter-on-quarter as contained COGS and SG&A spending offset a rise in fuel and spare parts prices. ARM is presently gearing up to launch a new plant Aswan this year with studies underway to examine the feasibility of opening two new stations.

- In Algeria, **Zahana Cement Co.** reports a strong improvement in both production and sales levels following the major overhaul completed in 1Q12, the most extensive ever undertaken in the plant's long history. Volumes rose 35% year-on-year in 2Q12 while revenues surged 56% on the back of better year-on-year selling prices and higher production volumes. Gross margins and EBITDA margins for the quarter came in at 51% and 47%, respectively, compared to 20% and 17% in the pervious quarter on the impact of the overhaul. Gross and EBITDA margins doubled in the first half despite the impact of the 1Q12 shutdown due to the reversal of perequation charges to the benefit of Algerian cement producers rather than state coffers, a decision implemented in the second half of 2011. Zahana's net profits for 1H12 quadrupled year-on-year.

- **Al-Takamol Cement Company** in Sudan continues to suffer constrained margins and bottom-line losses. Average selling prices have increased by 25%, but management reports a 15% drop in sales on the back of production stoppages made necessary by fuel shortages that translated into a 20% dip in sales volumes. In light of increasing downward pressure on margins due to the current economic situation, management continues to work to constrain raw material supply, electricity supply and administrative expenses and continues to screen for opportunities to reduce or optimize costs. Notably, Al-Takamol's net loss of SDG 142 million reflects SDG 107 million in forex losses resulting from a revaluation of the company's foreign currency obligations to related parties. This is an unrealized, non-cash charge, the majority of which will be written off as soon as the company's in-progress acquisition of Berber for Electrical Power (its captive power plant) is finalized. Completion of the transaction (expected as early as 4Q12) will see the company charged for actual consumption of electricity at cost and not on a "take-or-pay" basis as is presently the case, a fact that is currently causing substantial pressure on the firm's operating margins.

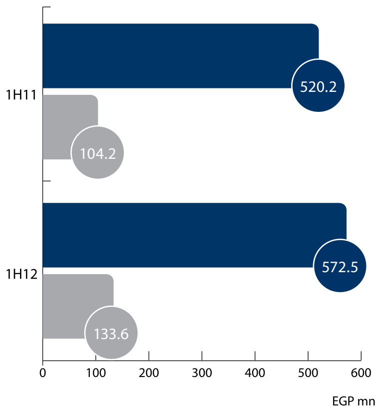
- **ASEC Engineering**, a leading provider of management and engineering services for the cement industry, swung to a net profit of US$ 1.1 million (EGP 6.8 million) in 2Q12 from a net loss of US$ 2.1 million (EGP 12.5 million) the previous quarter, buoyed by a 17.2% rise in revenues and a substantial reduction in COGS that saw gross margin rise to 27% from a negative 3% the pervious quarter. Revenues climbed 10% in 1H12 on the introduction of new plants (including El-Nahda, South Valley and BMIC). ASEC Engineering has also won renewal of its operations and maintenance contract for Misr Qena Cement Co. and an overhaul contract for Lafarge's Tasluja cement plant in Kurdistan, Iraq. Within Egypt, production volumes lag expectations somewhat on the back of delays at the startup of new plants (El-Nahda, BMIC) and security issues in Sinai.

- **ASEC Automation** reports a 68% rise in net income year-on-year in 1H12 to US$ 1.1 million (EGP 6.4 million) on the back of a near-doubling of its top line. Work on its Arab National Cement Company (ANCC) contract in Minya continues on schedule while working with modified time tables due to overall project delays at two other large Egyptian projects. A major revamp at another Egyptian client has been postponed by the client for one year, while ASA has begun work on two overseas projects in the quarter just ended, including an RDF plant for Holcim in the Philippines and a cement handling automation project in France. The company is in the final phases of delivering projects in Egypt including Suez Steel, a Qattameya water treatment plant, and a power plant in Sixth of October City (the latter in partnership with Orascom Construction Industries). ASA continues to work on business development to build a project backlog in Egypt, Saudi Arabia, Iraq and Algeria.

- Management and consultancy arm **ASENPRO** reports a 156% improvement in net profits to US$ 1.1 million (EGP 6.8 million) on the back of a 26.5% rise in revenues and careful management of COGS. ASENPRO won renewal of its management contract with the National Cement Company (NCC) for a five-year period and also won from NCC a kiln maintenance contract. The company has completed two maintenance projects for Titan (in Alexandria and Beni Suef) as well as an EP conversion project for the same company. The company continues to build its backlog and has made substantial progress toward completion of its new workshop, which will allow the company to export workshop projects and substantially boost its quality competitiveness.

- Turnkey contractor **ARESCO** saw its net loss contract 84% to US$ 0.8 million (EGP 5.1 million) in 2Q12 on the back of tight management of COGS and a reduction in SG&A spending. The company saw revenues ease in 2Q12 as it completed work on key projects. ARESCO continues to optimize its head count and has won a substantial contract as a subcontractor on a Saudi project.

TAQA Revenues and Gross Profit



b) TAQA Arabia

Energy distribution player TAQA Arabia's contribution to Citadel Capital's Share of Associates' Results in 2Q12 improved 33.3% year-on-year and 21.0% quarter-on-quarter to US$ 2.5 million (EGP 14.9 million).

On a consolidated basis, TAQA Arabia reported a 10% year-on-year rise in 1H12 sales to US$ 94.6 million (EGP 572.5 million), outpacing a 5% rise in cost of sales. Careful attention to cost control on administrative and other expenses saw EBITDA improve 43% to US$ 13 million (EGP 78.5 million), while net profit doubled to US$ 10.9 million (EGP 65.7 million). (Management notes that comparative figures for 1H11 have been restated to exclude discontinued operations at Berber for Electrical Power in Sudan.)

Revenue growth in the first half was driven by a 12% rise in total distribution to 150.1 M kWh, while total generation climbed 80% to 110.9 M kWh. Notably, TAQA Power began testing and commissioning of its 120 MVA Nabq substation. Generation volumes rose on expansion of capacity at South Valley Cement, while rising hotel occupancy in Nabq accounted for a substantial rise in distribution.

The company's gas arm meanwhile reported a 4.0% Q-o-Q rise in natural gas sales in 2Q12 to 1.47 BCM, added more than 20,000 new residential clients in the second quarter, and reported a 7.0% rise in CNG sales to 5.46 BCM in the same period. TAQA Gas also EGAS approvals for a number of factory supplies, the largest of which is a brick factory in Minya with a demand of 5.9 million m^3 per year. Notably, the company recorded rising revenues from residential and industrial commissions on gas distribution, sending gross profit in the division up 11% year-on-year in 1H12. The EPC division meanwhile completed the first phase of its Kurdistan network project and delivered the E-Styrenics project for TAQA Power.

TAQA Marketing, the company's fuels marking arm, reported increased sales of gasoline (compensating in part for a shortage of diesel) as it brought three new station online in the first half and expects a further two in the third quarter.

c) ASCOM

Citadel Capital's share of geology and mining platform ASCOM's losses stood at US$ 0.3 million (EGP 1.9 million) in 2Q12 against contributed losses of US$ 0.5 million (EGP 2.8 million) the previous quarter, an improvement of 31.7%. Year-on-year, ASCOM's contributed losses narrowed 89.3% from US$ 3.0 million (EGP 17.9 million) in 2Q11.

On a consolidated basis, ASCOM reported a net loss of US$ 2.5 million (EGP 15.2 million) in 1H12 compared with a net loss of US$ 11.9 million (EGP 72.3 million) in the same period last year, a 79.0% improvement that came largely on improved provisions and financing costs. Subsidiary ASCOM for Carbonates and Chemicals Manufacturing (ACCM) saw its losses ease to US$ 0.6 million (EGP 3.6 million) in 1H12 against USD 2.1 million (EGP 12.7 million) in the first half of last year on the back of upgrade and expansion projects. An expansion project to double production capacity at the company's fine milling site will add a further 120,000 tons of fine and superfine ground calcium carbonate (GCC) annually. The expansion will bring ACCM's total production capacity for all grades of GCC in Minya to 450,000 tons per annum. The expansion will further give ACCM superfine capacity to serve the high-quality paints, polymers and paper markets that are the largest consumers of GCC. The new line should be operational in 1Q13.

Meanwhile, subsidiary GlassRock Insulation Co.'s rockwool line began operations in June with a total capacity of 30,000 tons, while the glasswool line is expected to be operational in the third quarter with a capacity of 20,000 tons. Glasswool and rockwool are insulation materials that play an important role in the conservation of energy in a wide range of industries. By helping reduce waste energy, they curb the use of fuels that contribute to climate change through the emission of greenhouse gasses. The products are broadly used in the construction, HVAC, industrial, marine and automotive sectors as well as the agricultural sector.

Finally, the company's gold exploration sector is advancing, with results now being evaluated by its independent consultant.

d) Finance Unlimited

The three portfolio companies of Finance Unlimited are each held as individual Associates for the purpose of Citadel Capital's consolidated financial results.

- Investment bank **Pharos Holding** contributed a small net loss of US$ 8,260 (EGP 50,000) to Citadel Capital's Share of Associates' Results in 2Q12 against a net profit of US$ 3,310 (EGP 20,000) the previous quarter as the company posted a net loss of US$ 14,880 (EGP 90,000) in 2Q12. That said, management notes performance improved significantly compared with the previous four quarters. In the first half of 2012, trading volumes on listed securities on the Egyptian market reached US$ 22.2 billion (EGP 134.1 billion) compared to US$ 12.9 billion (EGP 77.9 billion) in 2H11. Pharos is now ranked sixth in total executions with a market share of 2.9% and ranks second on OTC settlements. While the stock market is slowly recovering, the investment banking environment remains challenging, with no significant appetite for corporate finance deals. Sphinx Private Equity Management continued its solid performance given the nature of its business, as AUM are locked-in for longer periods.

- Sudan-based **Sudanese Egyptian Bank (SEB)** saw its contribution to Citadel Capital's Share of Associates' Results rise 27.2% quarter-on-quarter (and quadruple year-on-year) to US$ 2.0 billion) EGP 12.3 million in 2Q12. The Central Bank of Sudan devalued the Sudanese pound in the second quarter, which gifted the bank a foreign currency revaluation gain of SDG 37.3 million (EGP 50.4 million), helping the bank report 2Q12 net income of SDG 36.3 million (EGP 49.0 million). Overall, the bank's first half performance in 2012 is the best since inception (net income of SDG 46.9 million [EGP 63.3 million]). This was, however, largely due to one-time events as the banking environment in Sudan remains challenging, the result of which has been subdued performance in core banking operations. Total assets and deposits increased significantly to reach SDG 738.8 million (EGP 997.4 million) and SDG 452.8 million (EGP 611.3 million), respectively, while net loans to deposits remained at 73%. Furthermore, the loan book's quality continues to remain one of the best among its peers with a NPL ratio below 3%.

- Egyptian microfinance firm **Tanmeyah** entered profitability in 2Q12 and accordingly contributed USD 0.1 million (EGP 0.6 million) to Citadel Capital's share of Associates Results against the contribution of losses of US$ 0.09 million (EGP 0.5 million) the previous quarter and US$ 0.7 million (EGP 4.3 million) a year ago. In the quarter just ended, Tanmeyah recorded revenues of US$ 3.0 million (EGP 18.2 million) and a net profit of US$ 0.2 million (EGP 1.2 million). The company's lending portfolio remained at approximately US$ 38.3 million (EGP 232 million) and it continues to serve over 76,000 clients. Furthermore, the company's total branch network reached 99 outlets after five branches opened in Upper Egypt. Management's focus continues to be improving operational efficiency, branch profitability and bad loan recovery.

e) Bonyan

Specialty real estate developer Bonyan (which operates the Designopolis destination mall in Sixth of October City) contributed losses of US$ 0.8 million (EGP 4.6 million) to Citadel Capital's Share of Associates' Results in 1Q12, a rise of 0.8% quarter-on-quarter and 4.2% year-on-year. Bonyan reported a 40.7% rise in revenues to US$ 0.7 million (EGP 4.2 million) on the back of insurance payments collected on cancelled contracts dating to FY11. This gain was offset by a rise in operating expenses on the back of seasonal effects, including higher summertime use of air conditioning and annual maintenance for the mall's climate control system. Management maintained tight control of SG&A spending (down 14.3% quarter-on-quarter and 59.7% year-on-year), while marketing expenses rose slightly as expenses associated with the Easter Bazaar held in April 2011 were booked in 2Q12. Net losses at Bonyan accordingly widened 3.6% quarter-on-quarter.

III) OPEX and Other Expenses

On a consolidated basis, OPEX declined 8.4% year-on-year in 1H12 to US$ 15.1 million (EGP 91.2 million). The decline owes in part to lower OPEX at the Citadel Capital SAE standalone level (see page 13), balanced against the consolidation for the first time of operating expenditures related to Wafra, the firm's platform company in the Sudanese and South Sudanese agriculture sector. Total OPEX spending contributed by Wafra, which is fully consolidated in the firm's results, stood at US$ 2.0 million (EGP 11.8 million) in 1Q12 and US$ 2.3 million (EGP 14.0 million) in the second quarter, for a first-half total of US$ 4.3 million (EGP 25.8 million).

Also contributing to the reduction in OPEX are 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. SPV costs relate primarily to greenfields and turnarounds.

IV) Net Interest Expense

Net interest expense swung from an expense of US$ 8.4 million (EGP 50.7 million) in 1Q12 (on the back of up-front fees related to the refinancing of Citadel Capital's existing US$ 175 million loan and the new US$ 150 million OPIC-backed facility) to a net gain of US$ 1.2 million (EGP 7.5 million) in the second quarter. Net interest includes interest charged on both bridge loans and long-term finance extended to platform and portfolio companies.

VI. Summary Financials

Standalone Income Statement

EGP mn	2Q 2011	FY 2011	1Q 2012	2Q 2012
Advisory Fee	16.27	69.48	24.39	19.29
Carry	-	-	-	-
Gain from Sale of Investments	-	-	-	-
Dividends Income	-	-	-	-
Other Income	-	-	-	-
Total Revenues	**16.27**	**69.48**	**24.39**	**19.29**
OPEX	(41.52)	(161.0)	(23.00)	(25.86)
Management Earnout*	-	-	-	-
Forex & Others	0.49	0.5	5.17	(0.15)
Impairment-Invest	-	-	-	-
Impairment Inter-Company	-	13.1	-	-
EBITDA	**(24.76)**	**(77.9)**	**6.56**	**(6.73)**
Depreciation	(1.13)	(4.4)	(0.89)	(0.84)
EBIT	**(25.89)**	**(82.3)**	**5.67**	**(7.57)**
Net Interest	0.73	(11.6)	(35.97)	(1.40)
Provisions	-	(16.3)	-	-
Profit/Loss BT	**(25.16)**	**(110.17)**	**(30.30)**	**(8.97)**
Income Tax	-	-	-	-
Deferred Tax	0.02	(0.04)	(0.22)	(0.24)
Profit/Loss AT	**(25.14)**	**(110.13)**	**(30.52)**	**(9.21)**

Standalone Balance Sheet

EGP mn	FY 2011	1Q 2012	2Q 2012
Fixed Assets (net)	28.00	27.11	26.26
Investments**	4,303.56	4,287.81	4,619.44
Convertibles	544.69	498.33	509.70
Deferred Tax Assets	1.76	1.54	1.29
Total Non Current Assets	**4,878.01**	**4,814.78**	**5,156.69**
Due from Related Parties & Other Debit Balances	173.31	153.08	111.43
Related Parties - Loans (Bridge Finance)	574.24	562.16	229.02
Related Parties - OPIC	-	492.57	619.36
Cash & Cash Equivalent	151.69	193.82	210.53
Total Current Assets	**899.24**	**1,401.64**	**1,170.35**
Total Assets	**5,777.25**	**6,216.42**	**6,327.04**
Paid-in Capital	4,358.13	4,358.13	4,358.13
Reserves	89.58	89.58	89.58
Retained Earning	(75.40)	(185.53)	(185.53)
Current year profit / Loss	(110.13)	(30.52)	(39.74)
Dividends Distribution			
Total Equity	**4,262.17**	**4,231.65**	**4,222.44**
LT Borrowing	822.73	1,334.14	1,453.11
Others	-	-	
Total Non Current Liabilities	**822.73**	**1,334.14**	**1,453.11**
CPLTD	210.25	211.05	211.60
Due to CCP	225.37	208.01	204.87
Accrued, Provision & Other liabilities	256.72	231.57	235.02
Total Current Liabilities	**692.35**	**650.63**	**651.49**
Total Equity & Liabilities	**5,777.25**	**6,216.42**	**6,327.04**

* 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 2Q12 standalone financial statements under the following line items: Available-for-sale investments (EGP 23.8 million), Investments in Subsidiaries and Associates (EGP 2.698 billion), Payments for Investments (EGP 2.021 billion), and Other Investments (EGP 385.2 million). This results in total investments of EGP 5.129 billion (investments + convertibles).

Consolidated Income Statement

EGP mn		1H 2011	1H 2012	1Q 2012	2Q 2012
	Advisory Fee	31.03	34.16	17.75	16.41
	Gain from Sale of Investments	-	-	-	-
	Share in Associates' Results	(194.98)	(135.23)	(67.65)	(67.58)
	Other Income	-	(16.22)	(3.62)	(12.60)
Total Revenues		**(164.95)**	**(117.29)**	**(53.51)**	**(63.77)**
	OPEX	(99.56)	(91.23)	(40.48)	(50.75)
	Other Expenses	(0.05)	(22.47)	(9.86)	(12.61)
EBITDA		**(264.56)**	**(230.99)**	**(103.86)**	**(127.13)**
	Depreciation	(2.39)	(8.80)	(4.44)	(4.36)
EBIT		**(266.95)**	**(239.78)**	**(108.30)**	**(131.49)**
	Net Finance Income (Expense)	(24.92)	(43.24)	(50.74)	7.50
Profit BT		**(291.87)**	**(283.02)**	**(159.03)**	**(123.99)**
	Deferred Tax	0.06	(0.46)	(0.22)	(0.24)
	Current Income Tax	-	-	-	-
Profit		**(291.81)**	**(283.48)**	**(159.26)**	**(124.23)**
	Attributable to:				
	Majority Shareholders	(287.73)	(279.08)	(156.12)	(122.96)
	Non-Controlling Shareholders	(4.08)	(4.41)	(3.14)	(1.27)
Net (Loss) Profit for the Period		**(291.81)**	**(283.48)**	**(159.26)**	**(124.23)**

Consolidated Balance Sheet

EGP mn		FY 2011	1Q 2012	2Q 2012
	Fixed Assets (net)	72.96	270.33	290.61
	Investments	3,197.94	3,140.36	3,336.34
	Convertibles	660.95	615.80	627.81
	Deferred Tax Assets	1.76	1.54	1.29
Total Non Current Assets		**3,933.61**	**4,028.02**	**4,256.05**
	Investments	18.17	18.23	17.92
	Due from Related Parties & Other Debit Balances	164.50	188.81	153.42
	Related Parties - Loans	758.40	970.68	916.01
	Cash & Cash Equivalent	166.24	230.92	238.87
Total Current Assets		**1,107.30**	**1,408.64**	**1,326.22**
Total Assets		**5,040.91**	**5,436.66**	**5,582.26**
	Paid-in Capital	4,358.13	4,358.13	4,358.13
	Reserves	187.34	178.74	107.92
	Retained Earning	(1,093.81)	(1,949.40)	(1,945.98)
	Net (Loss) Profit for the Period	(773.54)	(156.12)	(279.08)
	Total Equity Attributable to Majority Shareholders	**2,678.11**	**2,431.34**	**2,240.99**
	Total Equity Attributable to Non-Controlling Shareholders	**379.71**	**376.17**	**375.89**
Total Equity		**3,057.83**	**2,807.51**	**2,616.87**
	LT Borrowings	1,142.44	1,687.87	1,849.36
	LT Liabilities	21.86	10.79	10.79
Total Non Current Liabilities		**1,164.30**	**1,698.66**	**1,860.14**
	Current Portion of Long Term Loans	210.25	237.07	237.42
	Due to CCP	225.37	396.04	204.87
	Due to Related Parties & Other Credit Balances	176.60	89.55	455.08
	Provisions	206.56	207.83	207.88
Total Current Liabilities		**818.78**	**930.49**	**1,105.25**
Total Equity & Liabilities		**5,040.91**	**5,436.66**	**5,582.26**

About Citadel Capital

Citadel Capital (CCAP.CA on the Egyptian Stock Exchange) is the leading private equity firm 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 (OSFs). Citadel Capital's 19 OSFs control Platform Companies with investments of more than US$ 9.5 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 (2007-2012, 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.