Citadel Capital (CCAP.CA)

INITIATION

A hidden value play

Rating	OUTPERFORM* [V]
Price (18 Oct 10, £E)	7.60
Target Price (£E)	11.62[1]
Market cap. (£E m)	5,028.35
Enterprise value (£E m)	5,952.6

*Stock ratings are relative to the relevant country benchmark.
[1]Target price is for 12 months.
[V] = Stock considered volatile (see Disclosure Appendix).

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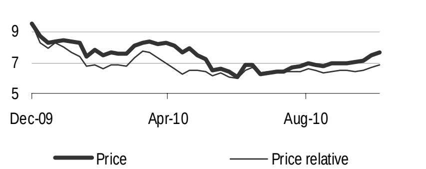
- **We initiate coverage on Citadel Capital, the largest private equity firm in Africa, with an Outperform rating and a target price of EGP11.62 per share, suggesting 53% upside potential from current levels.**
- **There are four key drivers of our positive view:** 1) Citadel offers differentiated exposure to sectors such as infrastructure, transportation, agriculture, consumer, and oil & gas across the Middle East and Africa, with 84% of its current investment exposure in Egypt. We believe this offers an attractive investment opportunity in potentially lucrative sectors that are difficult to access through other public equities in Egypt; 2) On our valuation, the current market price implies a c2% discount to what we consider a floor valuation for Citadel, which only accounts for the value of major investments that have market proxies (i.e., EGP 7.8/sh, or 67% of our SOTP based TP of EGP 11.62/sh) and misses the value of the asset management business as well as the optional value of other investments at cost; 3) Citadel's management has a strong track record in terms of successful exits, generating US$2.4bn in realised value over 2004-2007 via five exits with weighted average IRRs ranging between 133% and167%; and 4) Potential partial exit of Taqa Arabia in H1 2011 via IPO—Taqa Arabia represents 5% of our SOTP TP at EGP 388m (EGP 0.6 per Citadel share), implying a CoC multiple of 1.86x.
- **Catalysts:** A partial exit of TAQA Arabia at an attractive multiple would act as a positive catalyst for the stock in our view. On the other hand, potential negative catalysts would include failure on exits and/or any write-offs for investments.
- **Valuation:** Citadel is currently trading at a discount to H1 2010 NAV of 53% and our TP of EGP 11.62 per share is at a 28% discount.

Share price performance



The price relative chart measures performance against the Egypt Financial Group Index index which closed at 322.26 on 18/10/10
On 18/10/10 the spot exchange rate was £E7.97/Eu 1. - Eu .72/US$1

Performance Over	1M	3M	12M
Absolute (%)	8.6	17.5	—
Relative (%)	4.1	5.2	—

Financial and valuation metrics

Year	12/09A	12/10E	12/11E	12/12E
Revenue (£E m)	438.9	158.2	228.1	229.8
EBITDA (£E m)	219.73	-20.57	42.17	36.42
Net Income (£E m)	211.3	-103.2	-114.9	-126.8
CS adj. EPS (£E)	0.34	-0.16	-0.17	-0.19
Prev. EPS (£E)	—	—	—	—
ROIC (%)	5.08	-2.33	-2.63	-2.87
P/E (adj., x)	22.35	NM	NM	NM
P/E rel. (%)	158.2	NM	NM	NM
EV/EBITDA	25.4	-289.4	142.6	169.9

Dividend (12/10E, £E)	—	IC (12/10E, £E m)	4,424.8
Dividend yield (%)	—	EV/IC	1.3
Net debt (12/10E, £E m)	924.3	Current WACC	12.0
Net debt/equity (12/10E, %)	26.4	Free float (%)	44.0
BV/share (12/10E, £E)	5.3	Number of shares (m)	661.63

Source: Company data, Thomson Financial Datastream, Credit Suisse estimates.

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Investment summary

What does Citadel offer exposure to?

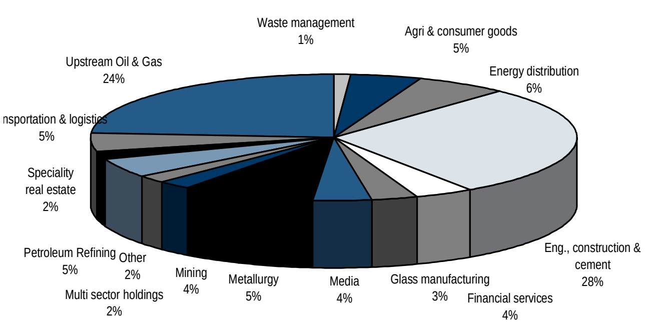
Offers exposure to differentiated sectors that are difficult to access through other Egyptian equities

Citadel Capital is a Cairo based private equity firm, with investments of more than EGP 46bn (US$8.3bn) across the Middle East and Africa (MEA). We believe Citadel offers differentiated exposure to sectors such as infrastructure and building materials, transportation and logistics, agriculture and consumer, petroleum refinery and upstream oil & gas across the MEA region. Currently 84% of Citadel's investment exposure is in Egypt, which we believe offers an attractive investment opportunity in potentially lucrative sectors that are difficult to access through other public equities in the Egyptian market.

Strategy focused on diversified, domestic-demand-driven and underserved economies in the MEA region

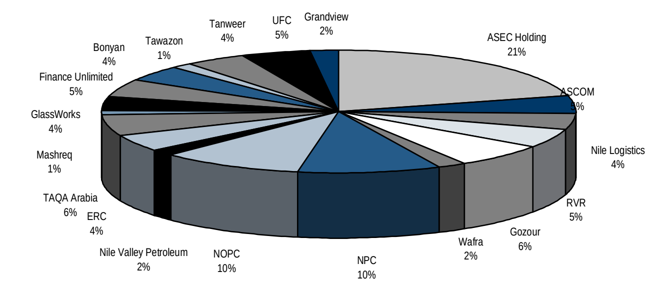
Citadel Capital has a strong investment focus on diversified, domestic–demand-driven and underserved economies in the MEA region. It currently has major investments in Egypt and East Africa. Diversified economies such as Egypt have been better able to handle the financial crises as oil and gas formed only 15% of Egypt's GDP in FY 2008/2009. With an 87 million-strong working population, non-GCC countries form 85% of the total work force in MENA thus underpinning the domestic demand in these economies. We believe Citadel should be able to leverage off the domestic demand growth story in Egypt and the wider MEA region, mainly through its exposure to the energy, consumer, agriculture, logistics and building materials sectors.

Figure 1: Investment cost breakdown by industry
% of total as of H1 2010



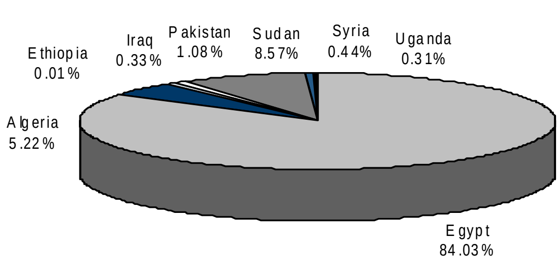
Source: Company data

Figure 2: Principal investments in platform companies breakdown
% of total as of H1 2010



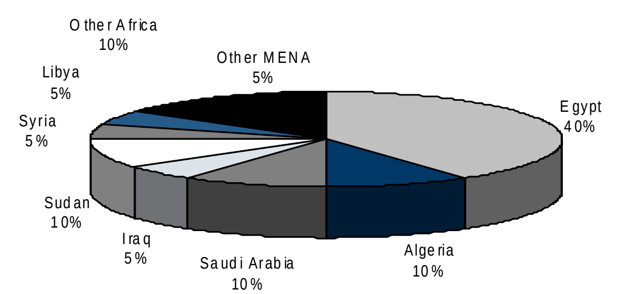
Source: Company data

Figure 3: Current investment geographical breakdown
% of total as of December 2009



Source: Company data

Figure 4: Target future investment geographical breakdown
% of total



Source: Company data

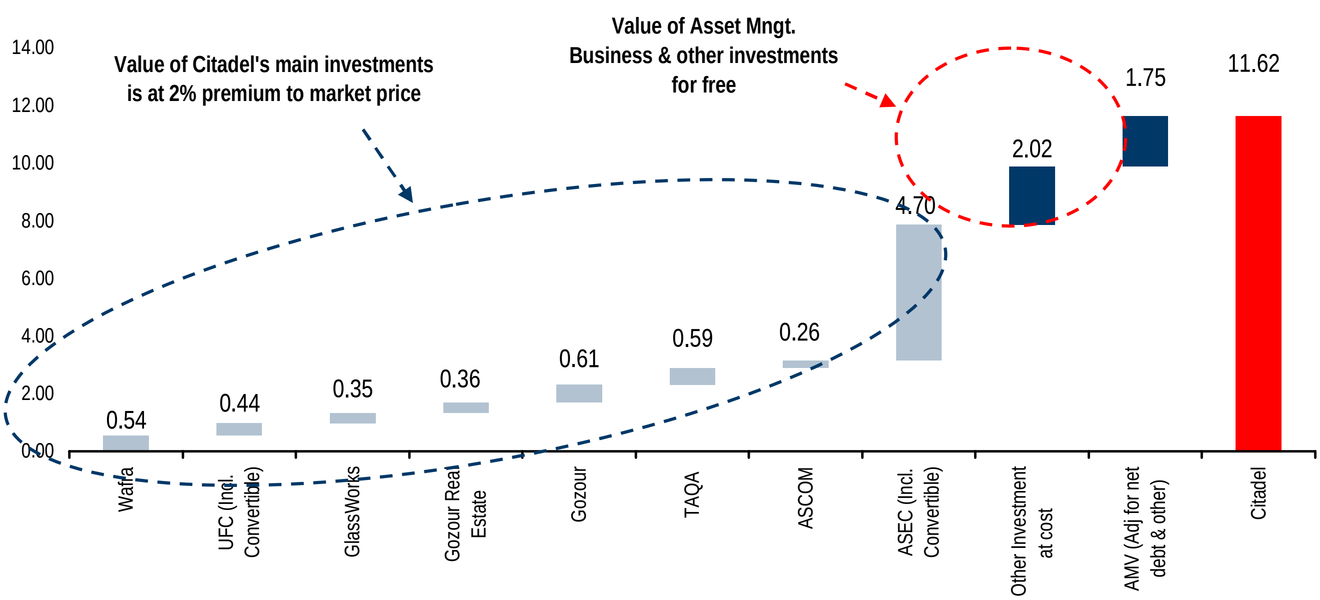
What is the market missing?

We believe the market is currently pricing in a valuation scenario that ignores the value of investments that lack market comparables, as well as the value of the asset management business. According to our valuation, the current market price implies a c2% discount to what we consider a floor valuation for Citadel, which only accounts for the value of major investments that have market proxies or can be valued on the basis of precedent transactions such as ASEC Holding, Taqa, Gozour, Wafra, UFC and Glass Works. We value these investments at EGP 7.8 per share, which contributes 67% of our SOTP based TP of EGP 11.62 per share. Accordingly, we believe that the market is missing the value of the asset management business as well as the optional value of other investments at cost (see Figure 5).

Asset management business and other investments 'for free'…

Figure 5: Citadel: Our SOTP TP breakdown by investment: Market seems to be missing the value of AM business and other investments

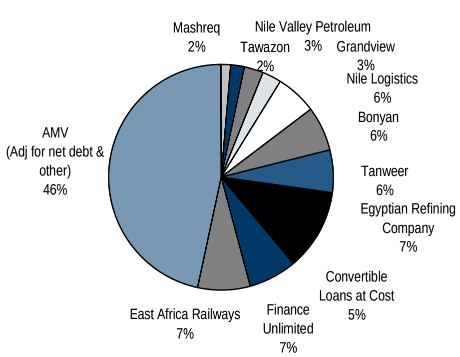
in EGP per share, unless otherwise stated



Source: Credit Suisse estimates

Figure 6: Estimated breakdown value of AM business & other investments

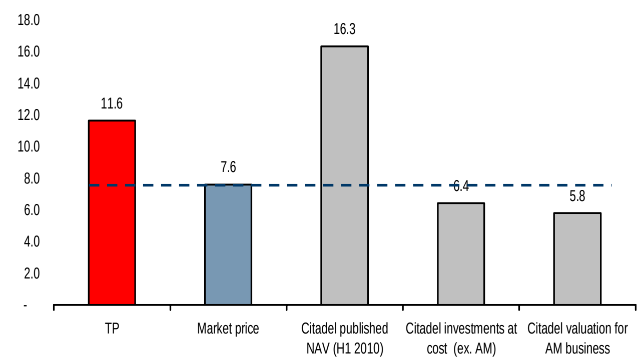
100%= EGP 3.77 per share



Source: Credit Suisse estimates

Figure 7: Market price is at 18.3% premium to investments at cost (ex. AM business)

in EGP per share, unless otherwise stated



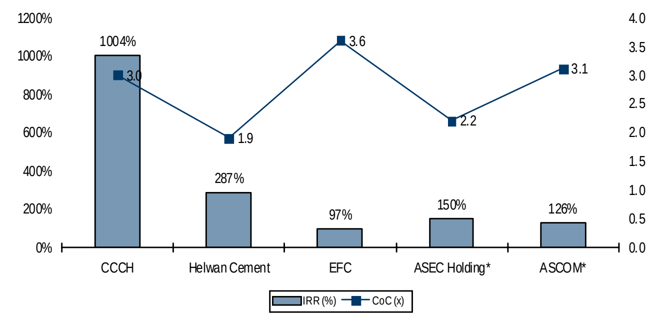
Source: Company data, Credit Suisse estimates, Thomson Reuters prices as of October 18, 2010.

Management track record supports the investment case

Citadel's management has a strong track record in terms of successful exits, generating US$2.4bn in realised value for five exits (2004–07). Full exits generated a weighted average value of US$1.8bn with an IRR of 167% and a Cash-on-cash (CoC) multiple of c3.0x, while partial exits yielded a weighted average of US$832m with an IRR of 133% and 2.3x CoC (see Figure 8 and Figure 9).

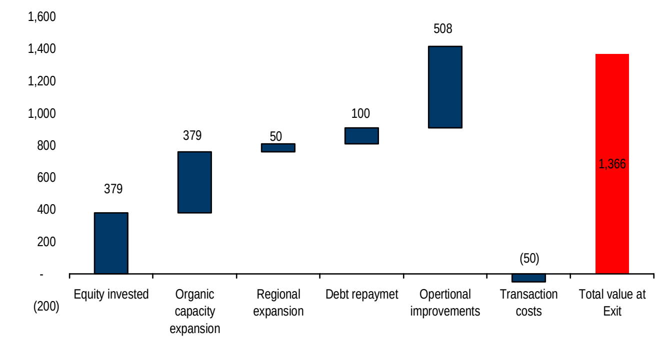
Historical exit averages generated IRRs ranging between 133% (partial) and 167% (full)

Figure 8: Citadel: Return on exits



*Source: Company data, * partial exits*

Figure 9: Citadel: EFC value creation model
in US$ millions, unless otherwise stated



Source: Company data

Taqa Arabia's potential IPO seems the most likely near term catalyst

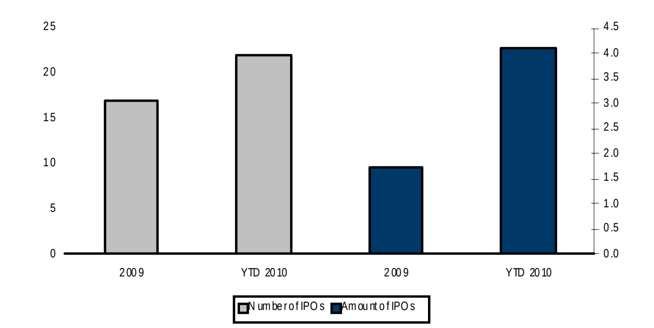
Taqa Arabia is Citadel's 41.4% owned Energy company specialising in downstream gas distribution, power generation, and distribution and marketing of oil products. As Taqa is one of Citadel's few mature investments, management has said that it would be its main potential partial exit in H1 2011 through an IPO. Taqa Arabia represents 5% of our SOTP based TP of EGP 11.62 per share for Citadel with a value of EGP 388m (EGP 0.6 per Citadel share) based on a relative trailing PE multiple valuation of 13x for 2009A, this implying a CoC multiple of 1.86x.

We value Taqa Arabia at EGP 0.6 per share implying a CoC multiple of 1.86x

Exits are the main value driver for the stock in our view, as the firm earns returns on its own investment along with Carried Interest on limited partner's capital (20% of LP's profit, if 12% hurdle crossed). A recovery in investor confidence has led to an increase in the number, as well as the size of Initial Public Offerings in MENA—by 29% and 134%, respectively YTD versus 2009. The number of IPOs 2010 to date stands at 22 with a value of US$4.07bn, versus 17 IPOs in 2009, valued at US$1.7bn.

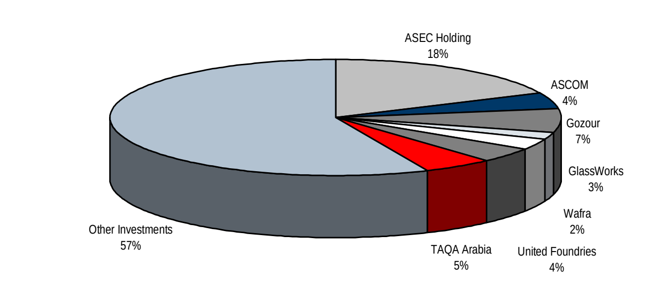
Improved IPO activity in MENA in the near term would in our view facilitate Citadel's near term potential exits, such as Taqa Arabia

Figure 10: Improving Investor Confidence- IPOs on rise
No. of IPOs (LHS); Value in US$ billions (RHS)



Source: the BLOOMBERG PROFESSIONAL™ service

Figure 11: Taqa Arabia - 5% of total portfolio at Cost as at H1 2010

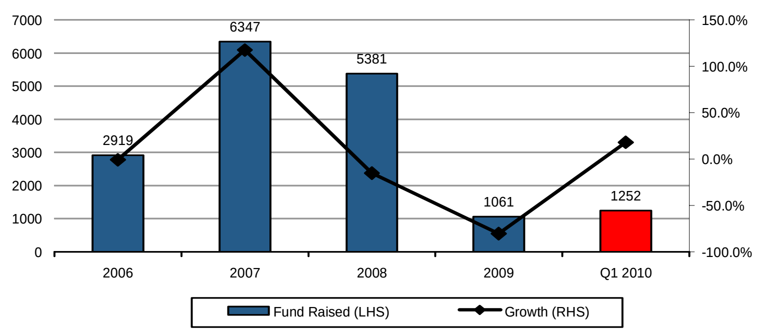


Source: Company data

Recovery in fund raising started

FY2009 saw a sharp decline in funds raised by private equity players in the MENA region due to the global financial crisis, with only US$1,061m raised from 6 funds against US$5,381m from 17 funds in 2008, a decline of 80% yoy. However recovery in funds raised has already started as investor confidence returns, with funds raised touching US$1,252m from 6 funds with all except one announced in 2010, an increase of 18% over the total funds raised in 2009. We believe that a recovery in MENA private equity has started on account of recovery in regional economies and improving investor confidence, and should see an improvement in the number as well as size of funds raised in the near term.

Figure 12: Recovery in fund raising has started (MENA)
US$ in millions, unless otherwise stated

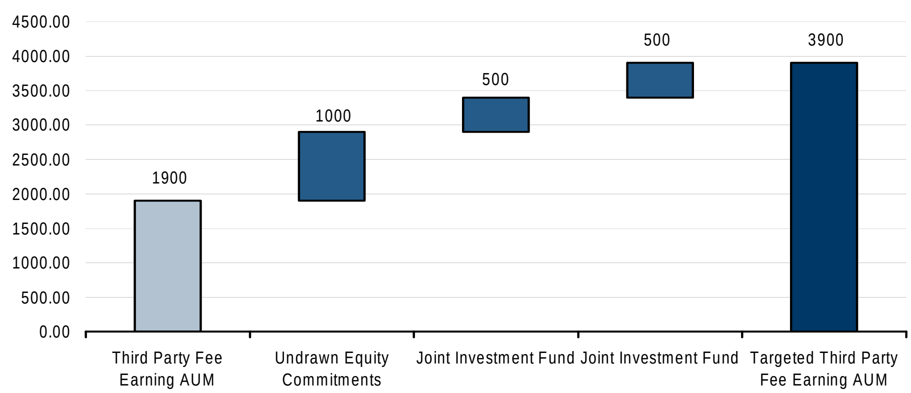


Source: GVCA, Zawya

Citadel targeting AUM of US$3.9bn by 2011, up from the current US$1.9bn

Citadel Capital's current fee earning assets are US$1.9bn, which the company expects to rise to US$3.9bn by 2011, with additions of US$1bn for Egyptian Refining Company (ERC), US$500m for MENA and Africa joint investment funds (US$140m already closed) and US$500m in committed capital for existing platform companies. We value the asset management business at EGP2.6 per share, contributing 22% to our TP of EGP 11.62 per share.

Figure 13: Expected Third Party Fees Earning AUM- Citadel Capital (2011)
in US$ millions, unless otherwise stated



Source: Company data

Risks to our call

Despite providing high returns on investments for the firms it has exited to date, we think Citadel is prone to a number of risks, including business, political and market risks.

- Citadel mostly operates in politically unstable countries. These countries provide opportunities for private equity firms such as Citadel as their markets have remained relatively untapped and economic reforms are under way in many of them. An indication of this are the high returns registered by Citadel on exits. But political instability also results in greater risks for Citadel's assets and business, in the absence of fixed regulations.
- Besides this, potential lack of liquidity in these countries could make it difficult for Citadel to exit its investments, a factor that is very important for private equity firms.
- Citadel currently operates in a number of industries where it does not have prior experience. A number of these projects are Greenfield projects and it may be difficult for Citadel to convert them into profits.
- The company also faces litigation risk. Recently Citadel Capital has been named in a lawsuit brought by Citadel Investment Group, LLC and KCG IP Holdings, LLC in United States, claiming trademark infringement and related causes of action, although Citadel Capital's management does not expect the outcome to have any adverse effect on the company.

Valuation

Our TP of EGP 11.62 per share is at a 28% discount to published NAV (H1 2010)

Figure 14: **Credit Suisse SOTP valuation summary (TP calculation)**

In EGP millions, unless otherwise stated

Principal Investment Cost as of Q2 2010				**Credit Suisse estimates**			
Platform Company	**Industry**	**Investment Cost (EGPm)**	**Investment Cost (USDm)**	**Value(EGPm)**	**Value (USDm)**	**Per Share, EGP**	**Valuation Method**
ASEC Holding	Eng, Construction and Cement	772	135	1,694	297	2.6	CF- SOTP (WACC 17%, terminal growth 3%)
ASCOM Mining & Geology	Mining	183	32	175	30.6	0.3	Three Month Trading Average
Nile Logistics	Transportation and Logistics	150	26	150	26.3	0.2	At Cost
East Africa Railways	Transportation and Logistics	189	33	189	33.2	0.3	At Cost
Gozour	Agriculture and Consumer Foods	232	41	406	71.2	0.6	10x 2014E earnings- Discounted at 15.5%
Gozour Real Estate	Agriculture & Consumer Foods	51	9	240	42.1	0.4	40 mn sq m x EGP 30 per sq m (co guidance)
Wafra	Agriculture	81	14	359	63	0.5	DCF
National Petroleum Company	Upstream Oil and Gas	360	63	-	-	-	100% Impairment
NOPC / Rally Energy Group	Heavy Oil	359	63	-	-	-	100% Impairment
Nile Valley Petroleum	Upstream Oil and Gas	66	12	66	11.6	0.1	At Cost
Egyptian Refining Company	Petroleum Refining	163	29	163	28.6	0.2	At Cost
TAQA Arabia	Energy Distribution	208	36	388	68.0	0.6	Trailing 2009 Industry Average PE of 13x
Mashreq	Energy Distribution	38	7	38	6.7	0.1	At Cost
GlassWorks	Glass Manufacturing	136	24	230	40.3	0.3	P/B of 2.1x (Industry average)
Finance Unlimited	Financial Services	175	31	175	30.7	0.3	At Cost
Bonyan	Specialty Real Estate	154	27	154	27.0	0.2	At Cost
Tawazon	Solid Waste Management	48	8	48	8.4	0.1	At Cost
Tanweer	Media	159	28	159	27.9	0.2	At Cost
United Foundries Company	Metallurgy	177	31	222	38.9	0.3	Precedent Transaction
Grandview	Mid-Cap / Multi sector	70	12	70	12.3	0.1	At Cost
Total Equity Investments		**3,771**	**675**	**4,925**	**864**	**7.4**	
ASEC Holding (Convertible)	Eng, Construction and Cement	288	50.5	1416	248.4	2.1	Based on CS valuation for ASEC
National Petroleum Company (Convertible)	Upstream Oil and Gas	52	9.1	52	9.1	0.1	At Cost
NOPC / Rally Energy Group (Convertible)	Heavy Oil	72	12.6	72	12.6	0.1	At Cost
United Foundries Company (Convertible)	Metallurgy	69	12.1	69	12.1	0.1	At Cost
Total convertible Invs		**481**	**84.4**	**1609**	**282.2**	**2.4**	
Total Principal Invs		**4,327**	**754.5**	**6,533**	**1,146**	**9.9**	
Net Debt and Other Dues		(536.6)	(94.1)	(536.6)	(94.1)	(0.8)	
Portfolio Net Asset Value		**3790**	**664.9**	**5996**	**1052**	**9.06**	
Asset Management				**1704**	**299**	**2.56**	**DCF**
Total Value				**7,701**	**1,351**	**11.62**	

Source: Company data, Credit Suisse estimates

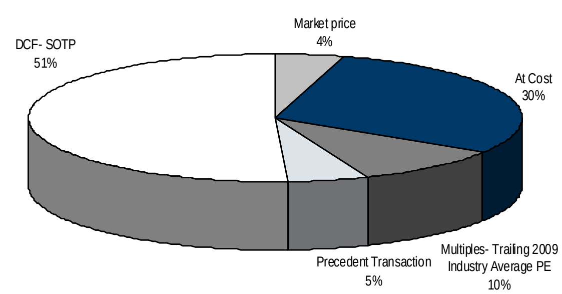
Asset management valuation summary

Figure 15: Citadel: Asset management business DCF valuation summary
in EGP millions, unless otherwise stated

	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	TV
Advisory fee	158.2	212.8	229.8	248.2	268.0	289.5	312.6	337.6	364.6	393.8	
Carry	-	15.3	-	50.5	113.9	424.9	331.7	1,155.2	-	-	
Operating Expenditure/ SG&A	(178.8)	(185.9)	(193.4)	(201.1)	(209.1)	(217.5)	(226.2)	(235.3)	(244.7)	(254.5)	
Management Earn Out	-	-	-	-	-	(19.2)	(17.0)	(89.8)	-	-	
EBIT	(20.6)	42.2	36.4	97.6	172.8	477.6	401.1	1,167.7	120.0	139.4	
NOPAT	(20.6)	42.2	36.4	97.6	172.8	477.6	401.1	1,167.7	120.0	139.4	
Add: NCC	2.9	4.2	4.3	5.6	7.1	13.3	12.0	27.8	6.8	7.3	
Less: Capex	(13.4)	(14.4)	(12.5)	(10.8)	(9.3)	(8.0)	(6.9)	(6.0)	(5.2)	(4.5)	
Free Cash Flow To Firm	(31.0)	32.0	28.2	92.4	170.6	482.8	406.2	1,189.5	121.6	142.2	1,636
	-	-									
Discount Factor	0.9	0.8	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.3	
Discounted Cash Flow	(27.7)	25.5	20.1	58.8	97.0	245.2	184.3	482.0	44.0	46.0	
PV of FCF	**1,175**										
PV of Terminal Value	**529**										
EV	**1,704**										
WACC used	12.0%										
Terminal growth rate (%)	3.0%										
No. of shares (m)	662										
Value per share (EGP)	**2.6**										

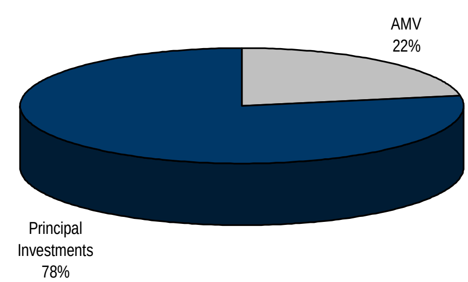
Source: Credit Suisse estimates

Figure 16: Breakdown of Credit Suisse principal investments' valuation by valuation method



Source: Credit Suisse estimates

Figure 17: TP breakdown by business segment
100%= EGP 11.62 per share



Source: Credit Suisse estimates

Citadel Capital

Corporate Profile

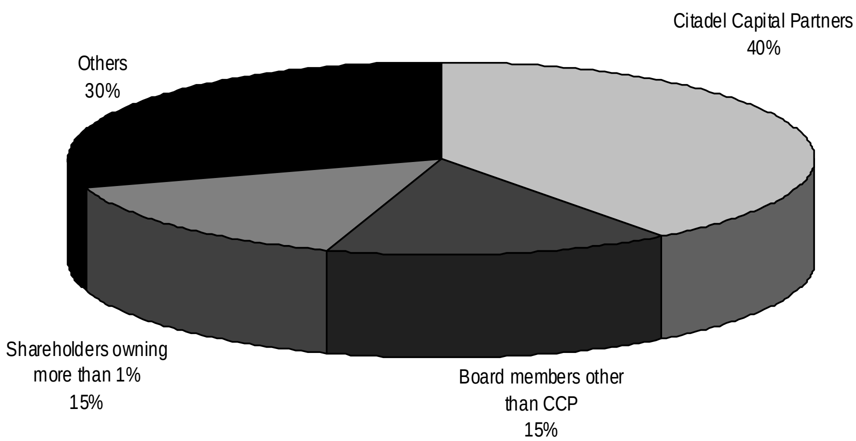
Citadel Capital (Citadel) is a Cairo based private equity firm, with total investments under control of more than EGP 46bn (US$8.3bn) as at end of H1 2010 across Middle East and Africa (MEA). Founded in 2004, Citadel has to date raised and invested around US$4.3bn in equity (over US$780m of its own capital), currently controlling 19 Platform Companies in 15 industries across 12 countries. The Egyptian Exchange (EGX) listed company has offices in Algiers and Nairobi, besides its headquarters in Cairo. Citadel is also opening an office in Dubai.

Citadel generates revenue through capital gains on its principal investments, carried interest from limited partners over a hurdle rate on capital gains and also charges management fees on the equity investments.

Shareholding Structure

Citadel has 661.6m shares outstanding, with a paid up capital of EGP 3.3bn. Citadel Capital Partners (CCP) is the largest shareholder with a 40% stake. 25% of the company shares are preference shares, held by CCP, each having the voting power of three ordinary shares. CCP is fully owned by Citadel's senior management; hence their interests are closely aligned to that of the firm's shareholders, in our view.

Figure 18: **Current shareholding structure**



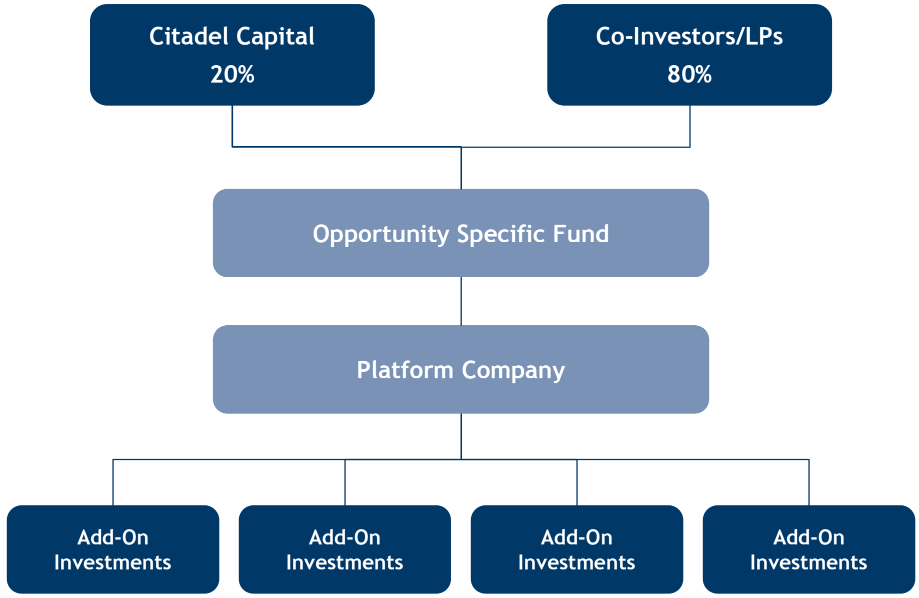
Source: Company presentation

Operations and strategy

Citadel acts both as principal investor and manager. It operates through Opportunity-Specific Funds (OSF) to control a single platform investment, taking 10–20% equity stakes in its investments, controlled through shareholder agreements. Citadel Capital has raised 20 OSFs to date that control Platform Companies in 15 industries. The platform company acts as a holding company for a number of add-on investments in the same industry, thus enabling it to capture the whole value chain.

These companies grow organically in the regional markets once they have established their position in the local market. Once they have become profitable, Citadel exits these investments, thus creating value for the investors. Citadel since its inception has realised US$2.4bn from 3 full exits (US$1.8bn at a weighted average IRR of 167%) and 2 partial exits (US$832m at a weighted average IRR of 133%) on equity investments of US$650m.

Figure 19: **Original Transaction Structure**



Source: Company presentation

According to Citadel, using Platform Companies for investments gives following benefits:

- Right size to attract best management
- Reduced risk entering new frontier markets
- Greater ability to secure expansion opportunities
- Better insight on potential M&A opportunities
- More attractive exit opportunities

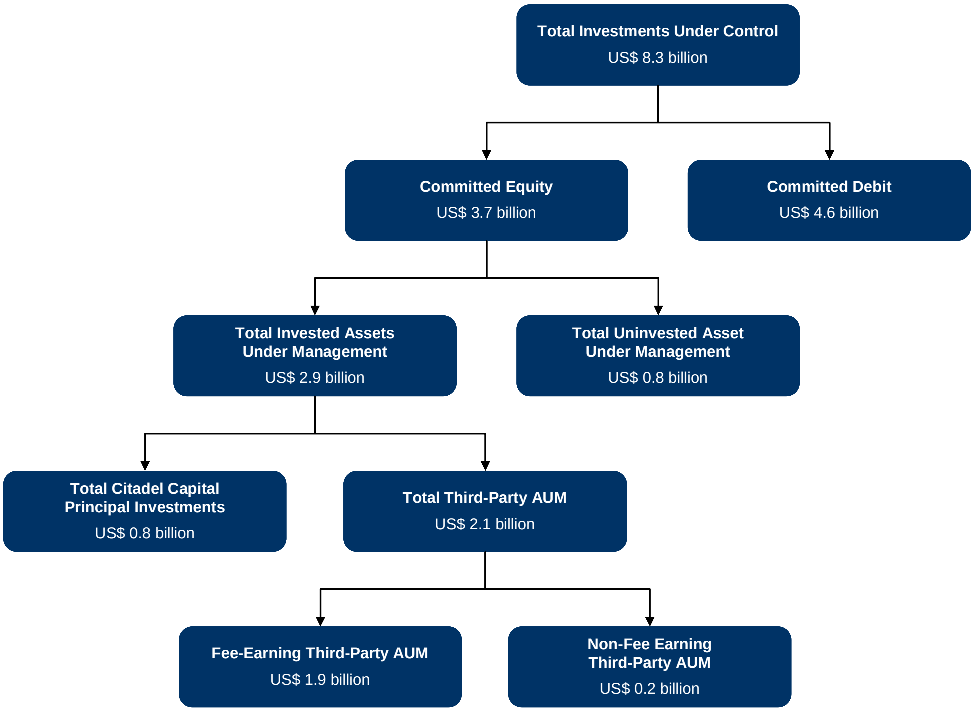
Figure 20: **Characteristics of acquired/created companies**

Acquisition Types	**Characteristics**	**Companies**
Leveraged Buyouts	Capacity to support prudent debt levels and good growth potential at local or regional levels	Egyptian Fertilizers Company
Distressed Investments	Attractive underlying assets permitting unlocking of significant value in turnaround scenarios	ASEC Holding, El-Misriyeen
Consolidation Plays / Industry Roll-Ups	Group smaller companies to create economies of scale and premium valuations	TAQA Arabia, ASEC Cement
Greenfield Investments	Creating a completely new sector play having strong opportunity to create value	National River Transportation Co., Egyptian Refining Co.

Source: Company data

Gains from sale of OSFs and asset management constitute Citadel's two main revenue streams. Asset management constitutes advisory fees and carried interest. Citadel as an asset manager charges 1% p.a. on drawn capital as its advisory fee. Citadel also charges 20% over a 12% hurdle rate as carried interest. Citadel controlled a total investment of US$8.3bn (EGP 45.5bn) at H1 2010, including both committed equity and committed debt.

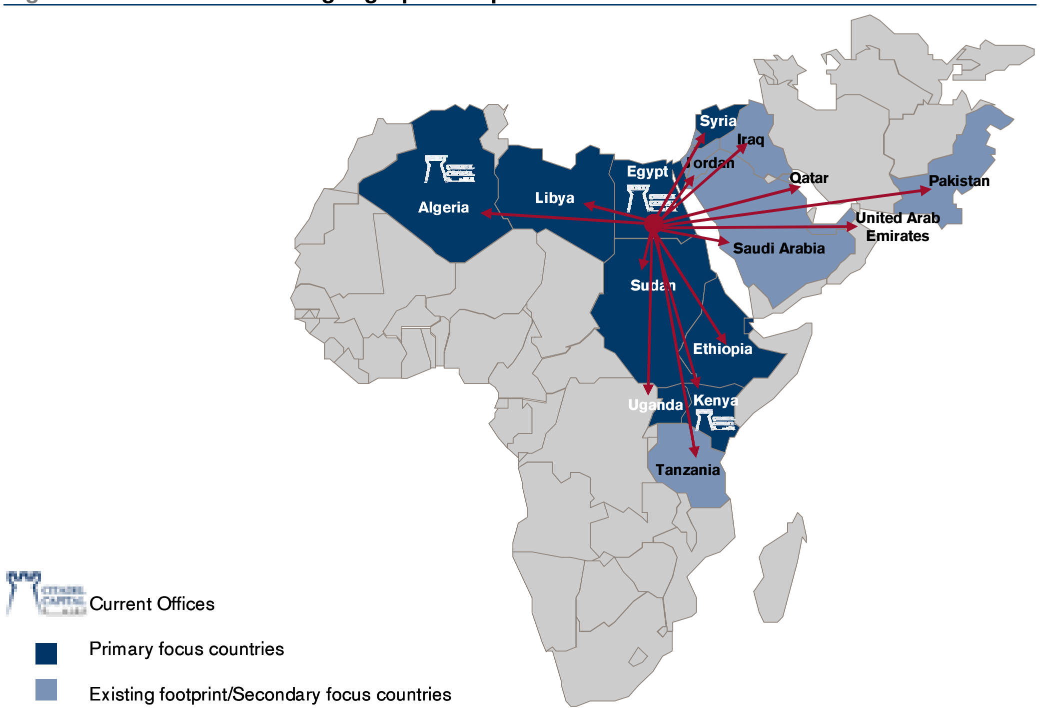
Figure 21: Citadel's investment breakdown as at Q2 2010A



Source: Company presentation

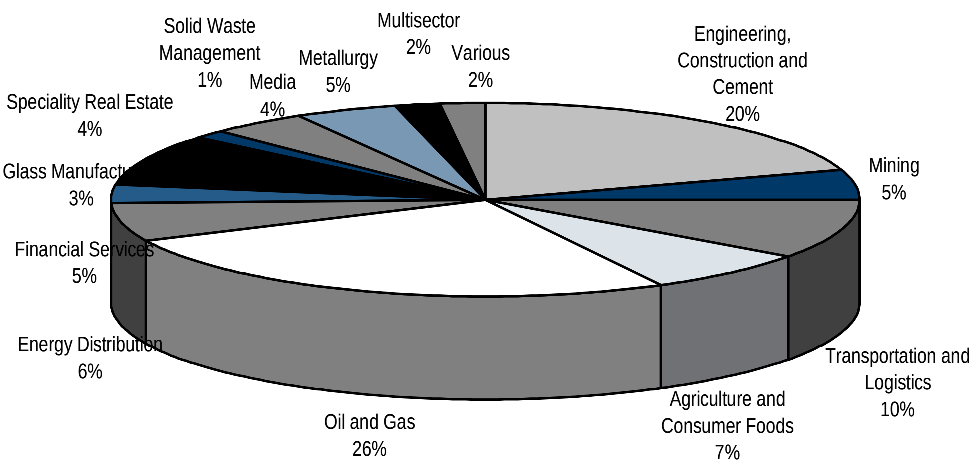
Citadel's investments are spread across different countries in Middle East, Africa and Asia.

Figure 22: Citadel's current geographical spread



Source: Company presentation

Figure 23: **Principal Investment by Industry- Q2 2010**



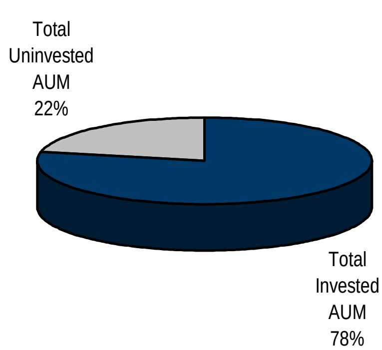
Source: Company data

Asset Management Business in brief

The company manages a total investment portfolio of US$8.3bn, of which committed equity is US$3.7bn and US$4.6bn is debt. Citadel Capital has invested 78% committed equity, leaving US$0.8bn in uninvested assets under management. Citadel has made principal equity investments of US$0.8m against US$2.1bn for Limited partners, of which only US$1.9bn are fee earning assets.

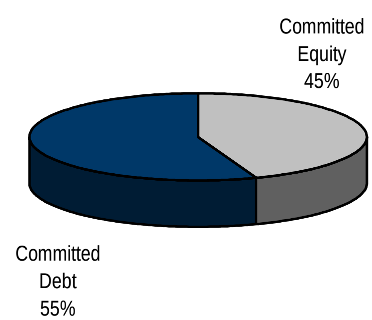
Citadel Capital's current fee earning assets are US$1.9bn, which the company expects to rise to US$3.9bn by 2011, with additions of US$1bn for Egyptian Refining Company (ERC), US$500m for MENA and Africa joint investment funds (US$140m already closed) and US$500m in committed capital for existing platform companies.

Figure 24: **Committed Capital – Breakup as of H1 10**



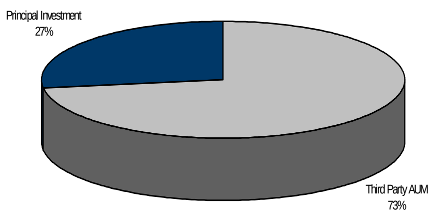
Source: Company data

Figure 25: **Total Asset under management as of H1 10**



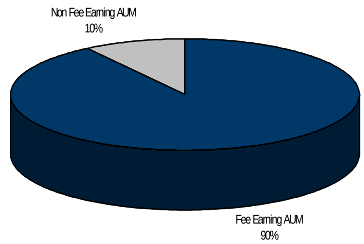
Source: Company data

Figure 26: Total Invested Capital as of H1 10



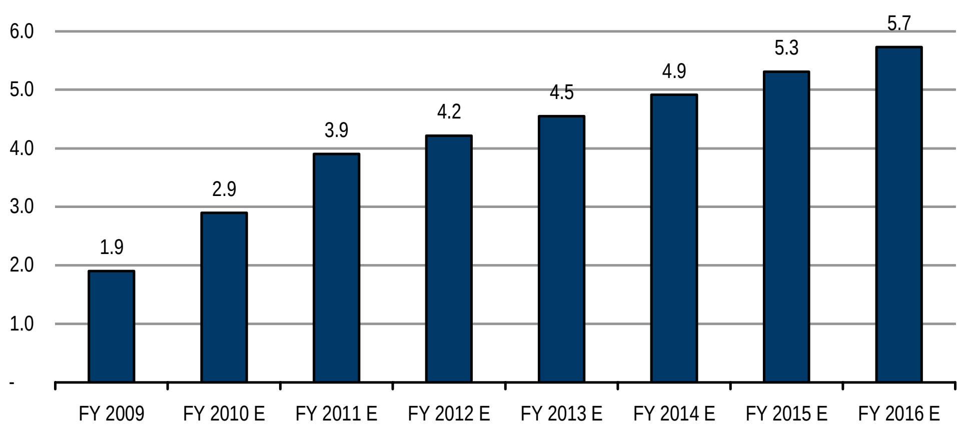
Source: Company data

Figure 27: Third Party AUM breakup as of H1 10



Source: Company data

Figure 28: Fees Earning AUM
in US$ billions



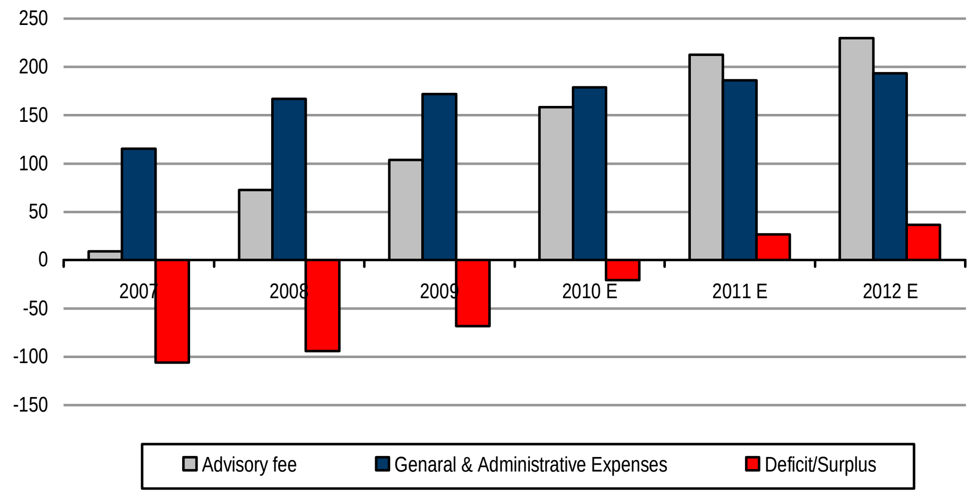
Source: Company data (company guidance 2011), Credit Suisse estimates

Business Structure and value drivers

Advisory Fees

Advisory fees from fee earning third party AUM is one of the most important and only fixed source of revenues for the company. As mentioned earlier the company earns 1% on the total fee earning third party AUM. Citadel expects to earn 1.5% as advisory fees on some of its fee earning assets under management. Advisory fees do not, however, cover the Management and administrative cost of the company, but the deficit should decrease as fee earning assets under management increase. Other sources of revenues are the main value driver for the company such as carried interest and profit from sale of investments.

Figure 29: Advisory fees vs. SG&A expenses
in EGP millions, unless otherwise stated



Source: Company data, Credit Suisse estimates

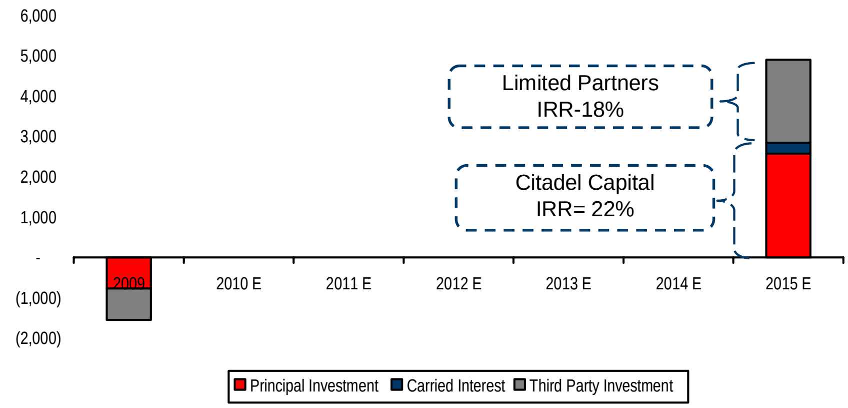
Carried Interest

Citadel Capital charges a carried interest of 20% on the capital of Limited partners (fee earning AUM) for the investments it exits, either via selling to a strategic investor or through listing on a stock exchange, over a hurdle rate of 12%. If investments at exit generate an IRR of more than 12%, this implies that Citadel Capital gets 20% of the profit generated by the investment, i.e., the difference between the initial cash outflow and cash inflow during exit for the general partners. Citadel has been unable to earn any carried interest in the past three years due to a lack of any major exits.

Carried interest is primarily dependent upon the investment horizon, i.e., the exit date and the value of the exit, which can either be calculated by assuming an IRR or by taking a forecast earnings multiple (possibly based on company guidance). Citadel Capital partners earn carried interest on a deal by deal basis, so there is no provision for a clawback of carried interest from LPs, which works in Citadel's favour.

For the example, we assume a conservative IRR of 20% and an investment horizon of 6 years for the investment in ASEC Holding; however due to carried interest Citadel Capital's IRR increases from 20% to 22% and limited partners' IRR decreases from 20% to 18%.

Figure 30: ASEC Holding- Gross IRR of 20% generates a Net IRR of 22% for Citadel Capital
EGPm



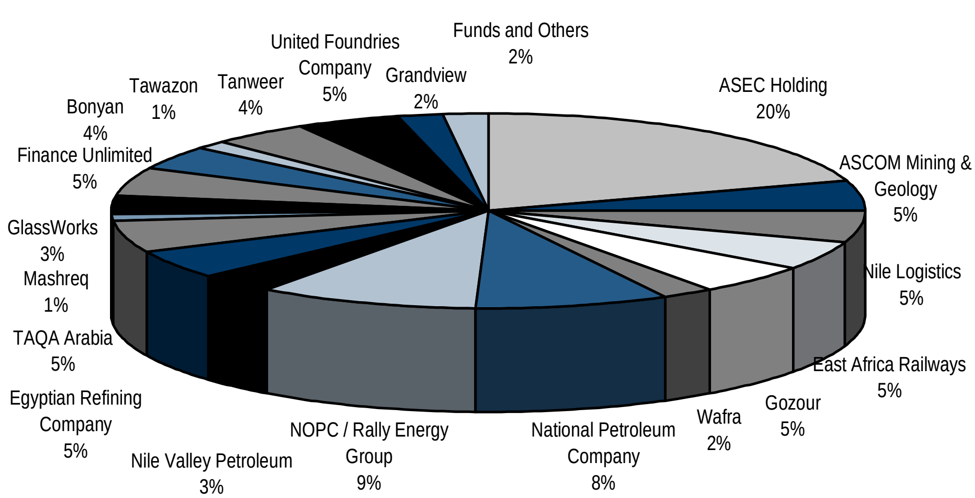
Source: Company data, Credit Suisse estimates

Principal Investments

The value of principal investment (Citadel Capital's Investment) is the main value driver of the company. As of Q2 2010 the company had investments of US$0.7bn in its platform companies.

Citadel Capital has a considerable portfolio in greenfield projects compared to acquisitions, since greenfield was previously more attractive. This has resulted in the company making losses in its consolidated statements.

Figure 31: Principal Investment Breakdown (Q2 2010)



Source: Company data

Figure 32: Portfolio Net Asset Value as of 30th June 2010 (Citadel own valuation)

(EGP Millions)		Investment Cost		Citadel Capital and Total Net Asset Valuation					
Platform Company	**Industry**	**Investment Cost (EGPm)**	**Ownership**	**Method**	**Summary Valuation Assumptions**	**Investment Value**	**Multiple**	**% Valuation**	**Value/ Share, EGP**
ASEC Holding	Engineering, Construction, Cement	772	49.8%	Fair Value	10X 2014E earnings, Discounted @ 20%	2,007	2.6X	28.9%	3.0
ASCOM Mining & Geology	Mining	183	39.2%	Market Value	Stock price as of June 30th 2010	164	0.9X	2.4%	0.2
Nile Logistics	Transportation and Logistics	150	25.0%	Cost		150	1.0X	2.2%	0.2
East Africa Railways	Transportation and Logistics	189	20.0%	Cost		189	1.0X	2.7%	0.3
Gozour	Agriculture and Consumer Foods	232	20.0%	Fair Value	10X 2014E earnings, Discounted @ 20%	463	2.0X	6.7%	0.7
Gozour Real Estate	Agriculture and Consumer Foods	51	20.0%	Fair Value	40 million square meters @ EGP 30	289	5.7X	4.2%	0.4
Wafra	Agriculture	81	37.5%	Cost		81	1.0X	1.2%	0.1
National Petroleum Company	Upstream Oil and Gas	360	14.9%	Impaired	60% impairment on Investment Cost	140	0.4X	2.0%	0.2
NOPC / Rally Energy Group	Heavy Oil	359	10.4%	Impaired	50% impairment on Investment Cost	180	.5X	2.6%	0.3
Nile Valley Petroleum	Upstream Oil and Gas	66	15.0%	Cost		66	1.0X	0.9%	0.1
Egyptian Refining Company	Petroleum Refining	163	8.2%	Cost		163	1.0X	2.3%	0.2
TAQA Arabia	Energy Distribution	208	34.6%	Fair Value	10X 2014E earnings, Discounted @ 20%	475	2.3X	6.8%	0.7
Mashreq	Energy Distribution	38	27.3%	Cost		38	1.0X	0.5%	0.1
GlassWorks	Glass Manufacturing	136	21.0%	Fair Value	10X 2014E earnings, Discounted @ 20%.	218	1.6X	3.1%	0.3
Finance Unlimited	Financial Services	175	100.0%	Fair Value	Sum of the Parts	343	2.0X	4.9%	0.5
Bonyan	Specialty Real Estate	154	32.1%	Bonyan	10X 2013E earnings, Discounted @ 20%.	273	1.8X	3.9%	0.4
Tawazon	Solid Waste Management	48	33.3%	Cost		48	1.0X	0.7%	0.1
Tanweer	Media	159	100.0%	Cost		159	1.0X	2.3%	0.2
UFC	Metallurgy	177	33.3%	Fair Value	10X 2014E earnings, Discounted @ 20%	178	1.0X	2.6%	0.3
Grandview	Mid-Cap / Multi sector	70	13.0%	Fair Value	10X 2014E earnings, Discounted @ 20%	168	2.4X	2.4%	0.3
Total Equity Investments (in Mn)		**3,771**				**5,792**	**1.5X**	**83.3%**	**8.8**
ASEC Holding (Convertible)	Engineering, Construction,Cement	288			Conversion in 2014 at par, discounted @ 17%.	1,445	5.0X	20.8%	2.2
NPC (Convertible)	Upstream Oil and Gas	52				52	1.0X	0.7%	0.1
NOPC (Convertible)	Heavy Oil	72				72	1.0X	1.0%	0.1
UFC (Convertible)	Metallurgy	69			Conversion in 2014 at par, discounted @ 17%	130	1.9X	1.9%	0.2
Total convertible Investments		**481.0**				**1,699**	**3.5X**	**24.4%**	**2.6**
Total Investments		**4,252**				**7,491**	**1.7X**	**107.7%**	**11.3**
Cash and Other Assets						402.6		5.8%	0.6
Due to CCP						(391.9)		-5.6%	(0.6)
Due from Platform Companies and Related Parties						439.3		6.3%	0.7
Due to Platform Companies and Related Parties						(185.7)		-2.7%	(0.3)
Bank Debt						(800.9)		-11.5%	(1.2)
Total						**(536.6)**		**-7.7%**	**(0.8)**
Portfolio Net Asset Valuation						**6,954**		**100.0%**	**10.51**
Citadel's own valuation for AM									**5.83**
Citadel published NAV									**16.34**

Source: Company data

Citadel's track record

Short but strong

The company has a short but strong track record, with three major exits – namely Egyptian Fertilizer Company (EPC), Helwan Portland Cement Company (HPCC) and ASCOM Geology & Mining (partial exit).

Egyptian Fertilizer Company (EFC)

Egyptian Fertilizer Company was acquired in July 2005 for US$0.38bn and sold in March 2007 to Abraaj capital, another leading private equity player in MENA, US$1.4bn—to an IRR of 97.8%.

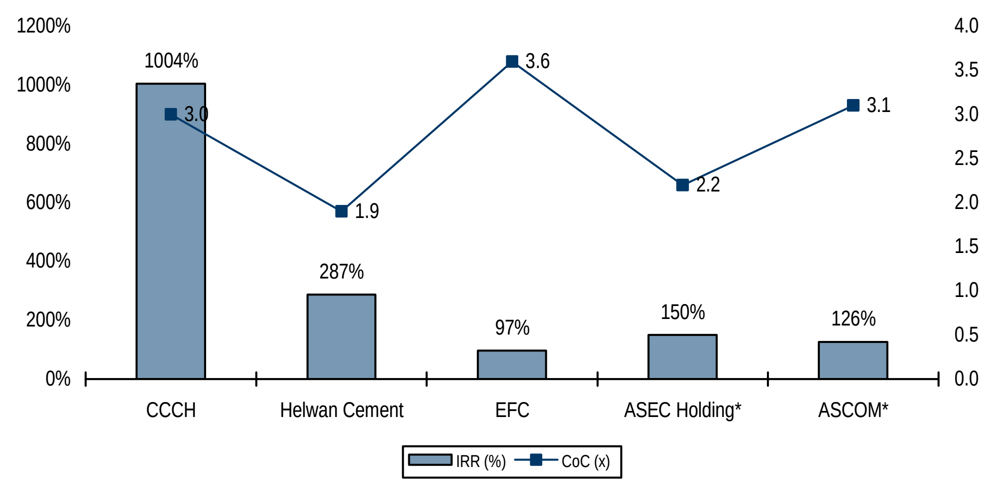
Helwan Portland Cement Company

Citadel acquired HPCC in a series of transactions from 2004 to 2005 for US$418m and sold its stake in August 2005 to Suez cement for US$795m. During this short period Citadel Capital changed the top management and restructured the firm finances.

ASCOM Geology and Mining (Partial Exit)

Citadel acquired ASCOM as part of ASEC Holding in 2004 and spun it off in February 2007. Citadel made a partial exit from ASCOM in 2007 achieving an IRR of 150% and a multiple of 3.1x of its initial investment. ASCOM is now listed on the Egyptian stock exchange.

Figure 33: **Return on Exits**



*Source: Company data * partial exits*

Financial statements summary

Figure 34: Citadel Capital- Income Statement Summary

EGP in millions, unless otherwise stated

Year end Dec	2007	2008	2009	2010E	2011E	2012E
Advisory fee	9	73	104	158	213	230
Carry	-	-	-	-	15	-
Gain from sale of investments	14	198	46	-	-	-
Dividends income	727	-	240	-	-	-
Other income	50	5	49	-	-	-
Revenues	800	275	439	158	228	230
Revenue Growth %		-66%	60%	-64%	44%	1%
EBITDA	619	77	220	(21)	42	36
EBITDA Margin %	77%	28%	50%	-13%	18%	16%
D & A	7	8	9	3	4	4
EBIT	612	69	211	(24)	38	32
EBIT Margin	76%	25%	48%	-15%	17%	14%
Finance cost	11	47	1	80	153	159
Pre-Tax Profit	601.0	21.7	210.3	(103.2)	(114.9)	(126.8)
Net Income	600	23	211	(103)	(115)	(127)
NPM	75%	8%	48%	-65%	-50%	-55%
Net income Growth %		-96%	807%	-149%	11%	10%
EPS (EGP)	3.11	0.05	0.34	(0.16)	(0.17)	(0.19)

Source: Company data, Credit Suisse estimates

Figure 35: Citadel Capital- Cash Flow Statement Summary
EGP in millions unless otherwise stated

	2007	2008	2009	2010 E	2011 E	2012 E
Net Profit	601	22	210	(103)	(115)	(127)
Fixed Asset Depreciation	7	8	9	3	4	4
Gains on sale of investments in subsidiaries	(14)	(198)	(45)	-	-	-
Impairment loss on assets	-	18	21	-	-	-
Provisions	-	11	3	-	-	-
Unrealized foreign currency differences	-	26	(4)	-	-	-
Gains on sale of available for sale Investments	-	-	(1)	-	-	-
Other Revenue	(22)	(1)	-	-	-	-
Operating Profit before WC changes	572	(114)	193	(100)	(111)	(123)
Increase in assets	-	-	-	-	-	-
Due from related parties	(148)	(622)	(109)	(322)	(75)	(81)
Other Debit Balances	(26)	(6)	(3)	(23)	(14)	(4)
Share holder current Accounts	(576)	-	-	-	-	-
Increase in Liabilities	-	-	-	-	-	-
Due to related parties	142	142	167	78	132	41
Other Credit Balances	(54)	(9)	15	16	19	6
Net Cash Provided from operating Activities	(91)	(609)	264	(351)	(48)	(160)
Cash flow from investing activities						
Payment to purchase fixed assets	(14)	(15)	(14)	(13)	(14)	(12)
Payments to purchase investments	(554)	(805)	(3)	-	-	-
Proceeds from sale of investments	100	180	31	-	-	-
Payment for investments	(233)	(358)	(309)	-	-	-
Proceeds from sale of available for sale investments	22	-	11	-	-	-
Loans to associates	-	-	(400)	-	-	-
Payments to purchase available for sale investments	(10)	(22)	-	-	-	-
Net cash used in Investing Activities	(689)	(1,019)	(685)	(13)	(14)	(12)
Cash Flow from Financing Activities						
Proceeds from issuing of share capital	737	1,100	558	-	-	-
Dividends paid	-	(98)	(0)	-	-	-
Payments for/ proceeds from loans	85	704	(3)	741	62	173
Hedging reserve	-	(3)	(11)	-	-	-
Banks Overdraft	100	(100)	-	-	-	-
Net Cash provided from financing activities	922	1,603	544	741	62	173
Net cash in cash and cash equivalent during the year	142	(25)	123	376	-	-

Source: Company data, Credit Suisse estimates

Figure 36: Citadel Capital- Balance Sheet Summary

EGP in millions unless otherwise stated

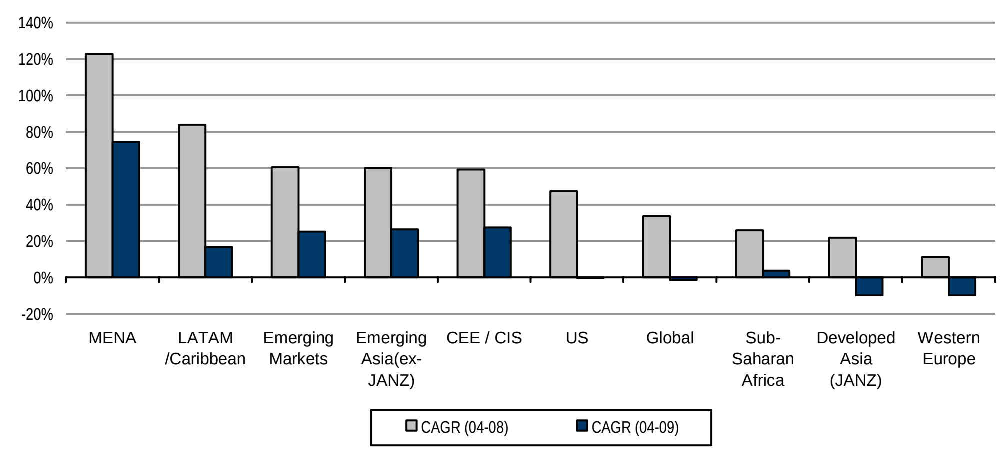
	2007	2008	2009	2010 E	2011 E	2012 E
C&CE	151	126	248	625	625	625
Due from Related Parties	90	662	611	933	1,008	1,089
Other Debit Balances	28	25	17	40	54	58
Total Current Assets	268	813	877	1,598	1,686	1,771
Current Liabilities						
Short Term Loans	39	-	-	-	-	-
Banks Overdraft	100	-	-	-	-	-
Due to related Parties	142	138	305	383	515	556
Other Credit Balances	28	23	40	55	75	81
Provisions	-	11	14	14	14	14
Total Current Liabilities	310	172	359	453	604	651
Working Capital	(42)	640	518	1,145	1,082	1,120
Non Current Assets						
Available for sale investments	19	40	31	31	31	31
Investment in Subsidiaries & Associates	962	2,184	2,352	2,352	2,352	2,352
Payment for investments	773	719	1,027	1,027	1,027	1,027
Fixed Assets	71	79	84	94	105	113
Loans to associates	-	-	400	400	400	400
Total Non Current Assets	1,825	3,022	3,894	3,904	3,915	3,923
Total Investment	**1,783**	**3,662**	**4,412**	**5,049**	**4,997**	**5,043**
Liability						
Equity						
Share Capital	1,650	2,750	3,308	3,308	3,308	3,308
Legal Reserve	48	78	79	79	79	79
Hedging Reserve	-	(4)	(17)	(17)	(17)	(17)
Retained Earnings	14	-	22	233	130	15
Net profit for the year	600	23	211	(103)	(115)	(127)
Shareholder's Current Account	(576)	-	-	-	-	-
Total Equity	1,736	2,848	3,604	3,501	3,386	3,259
Non Current Liabilities						
Loans	45	815	808	1,549	1,611	1,784
Deferred Tax Liabilities	2	-	-	-	-	-
Total Non current Liabilities	47	815	808	1,549	1,611	1,784
Total Shareholders equity and Non Current liabilities	**1,783**	**3,662**	**4,412**	**5,049**	**4,997**	**5,043**

Source: Company data, Credit Suisse estimates

Private Equity in the MENA region

Private equity activity in the Middle East and North Africa (MENA) region saw strong growth between 2004 and 2009 owing to the inflow of petro dollars (from the high oil price) into private equity. Most of the investments by private equity firms were in the form of minority stakes in family owned businesses, which still account for a large proportion of the private sector in the MENA region.

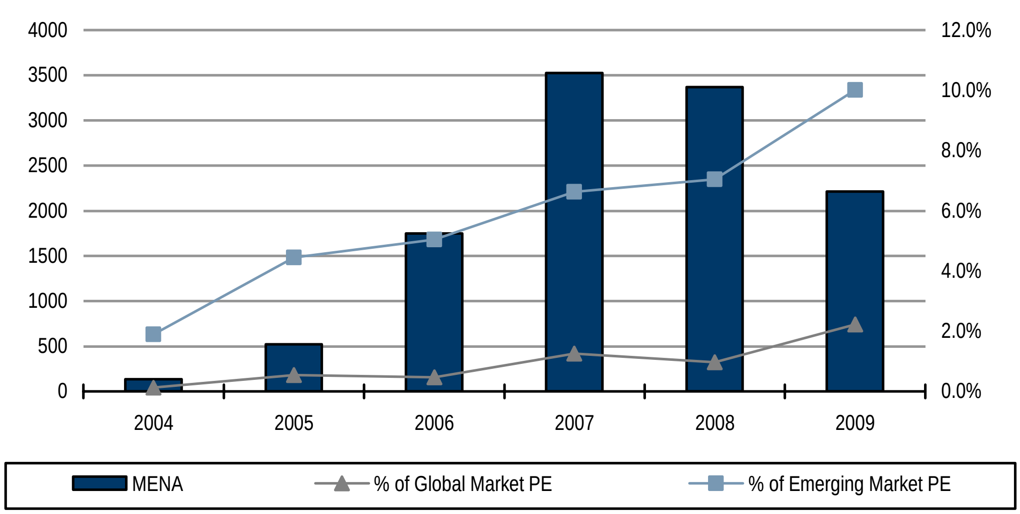
Figure 37: **Global Private Equity Investment CAGR (%)**



Source: Emerging Markets Private Equity Association

Over the last few years, a number of private equity firms have emerged in the MENA region, taking investments into private equity from US$0.14bn in 2004 to US$2.21bn in 2009, a CAGR of 74% and the highest among all regions over the period. Investment of US$2.21bn from 34 deals in 2009 was sluggish however, compared to US$3.37bn from 67 deals in 2008. MENA private equity funds managed to raise US$1.07bn in 2009 (from a high of US$6.88bn in 2008), despite slowdown of the economy.

Figure 38: **Private Equity Investment in MENA (US$m) and its share (%)**

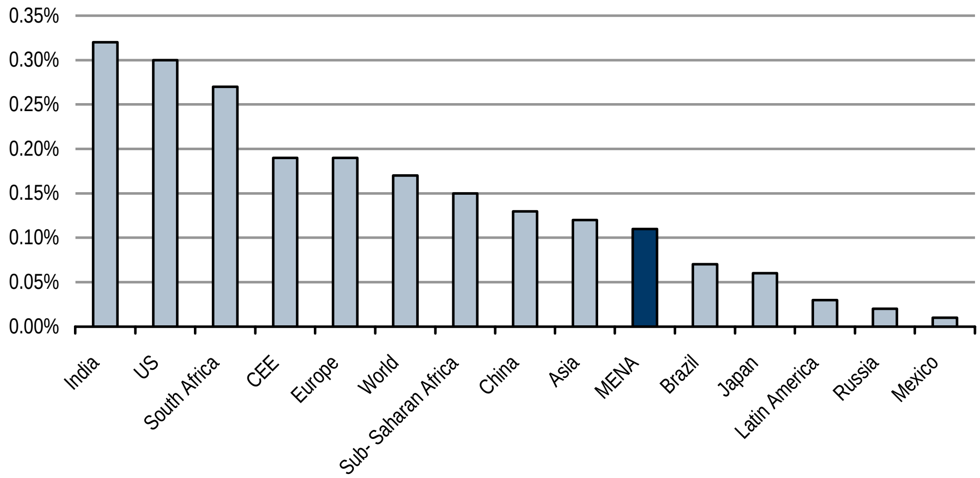


Source: Emerging Markets Private Equity Association

Despite this strong growth, penetration of private equity firms in the MENA region is below the global average. According to data compiled by Emerging Markets Private Equity Association and IMF, private equity penetration in MENA at the end of 2009 was 0.11%

against a global average of 0.17%, suggesting ample growth opportunities exist in the region.

Figure 39: Private Equity Penetration, 2009



Source: Emerging Markets Private Equity Association, IMF

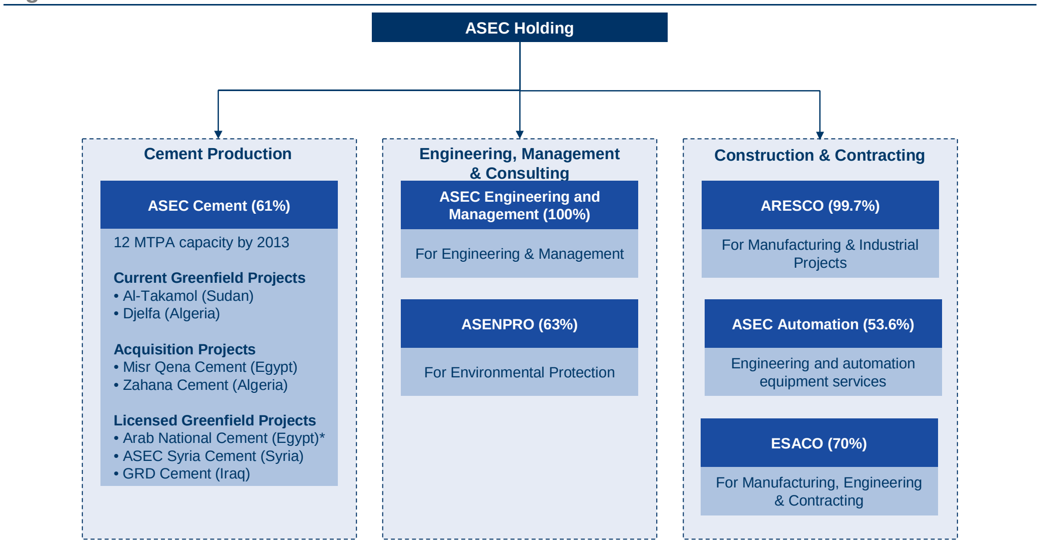
Appendix—Principal investments

ASEC Holding

Citadel acquired Cairo-based Arab Swiss Engineering Company (ASEC) in 2003 and created ASEC Holding in 2004 to consolidate and restructure all the cement related businesses. ASEC Holding is a regional leader in cement plant management and turnkey construction.

As a part of the restructuring programme, ASEC Holding created three primary business lines and spun off the remaining businesses, including mining activities and foundries. The structure of the three business lines is shown in Figure 40.

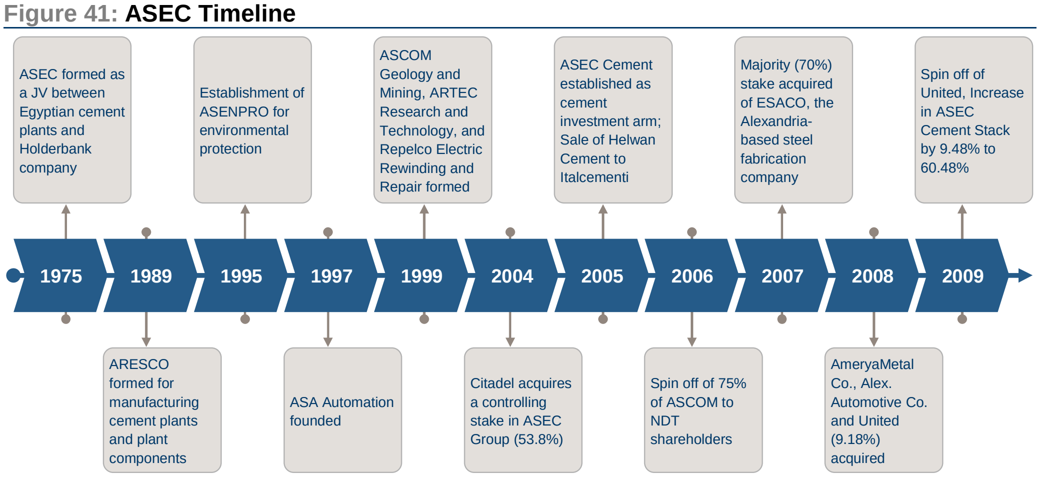
Figure 40: ASEC Structure



Source: Company presentation, Credit Suisse research

History: Cairo-based ASEC was Egypt's first joint venture company, formed in 1975 between Egyptian companies and Holcim to transfer international know-how and technology to the Egyptian cement sector. The group later made a strategic move towards other activities in the cement industry including cement production, technical management and construction of cement plants and fabrication of cement equipment.

Figure 41: ASEC Timeline



Source: Company presentation, Credit Suisse research

ASEC Cement Holding: Formed in 2005 by Citadel Capital as a platform for cement manufacturing, it currently has the following assets and projects:

- **2 Greenfield projects in Sudan and Algeria**
  - Sudan: Al Takamol has its Green field plant in Atbara (1.5 mtpa capacity); production started in July 2010. Algeria: Building a US$550m, 3.6 MTPA Greenfield cement plant in the central Algerian region of Djelfa; Line I scheduled to start by April 2011 while line 2 should be operational by October 2012.
- **2 Acquisition Projects**
  - Algeria: 35% stake in Zahana Cement Company; which increased production from 0.7 MTPA to 1.1MTPA in April 2010. in addition,a new production line is planned by 2013.
  - Egypt: 27.55% stake in Misr Qena Cement Company; production capacity of 1.48 MTPA of clinker and 1.97 MTPA of cement per year as of December 31, 2008; utilisation 125% of design capacity in 2009.
- **3 Green field licences**
  - Egypt: ASEC Cement owns 5% of ANCC Egypt in addition to a management contract.; license to build 1.5mtpa plant in El Minya
  - Syria (1.5 mtpa)
  - Iraq: 85% stake in GRD Cement Co

ASEC Engineering and Management (100%): ASEC Engineering and management provide consultancy and engineering services for cement plants in the MENA region. These include performing feasibility studies until plant is operational and technical management. ASEC Engineering currently manages close to 15 MTPA of cement production.

ASENPRO (63%): Established in 1995, the subsidiary provides services to help cement companies control pollution and dust emission from cement production. ASENPRO owns and operates a facility in El Tebbin region – south of Cairo for manufacturing filters, dust and material handling equipment, environmental protection equipments and spare parts.

ARESCO (99.7%): Established in 1989, ARESCO provides design and engineering, manufacturing and erection, rehabilitation, procurement and maintenance services for cement, power, petroleum, infrastructure and heavy industries as a turnkey contractor.

Manufacturing Capacity:

Total Production Capacity of El-Tebbin workshop = 36,000 T/Y

Steel structure (work shops): 24,000 TPA

Plate work (work shops): 11,000 TPA

Piping (work shop): 1,000 TPA

ASEC Automation (53.6%): ASEC Automation is an electrification and atomization subsidiary, providing engineering, automation and equipment services to cement plants, petrol sector and heavy industries

ESACO (70%): Established in 1987, ESACO is a supplier and turnkey contractor for large scale heavy industrial projects. ESACO acquired by ASEC Holding in 2007, the subsidiary acts as a civil arm for the Group's industrial mega projects.

ASCOM Geology & Mining

ASCOM is a geological and mining services company that providing quarrying services as well as geological investigations to cement manufacturers across the region. Established in 1975, ASCOM was the geological and mining arm of ASEC Holding. ASEC Holding was acquired by Citadel Capital and its co-investors in late 2004 and ASCOM was spun off as a separate listed company in February 2007. Since then, it has started various subsidiaries across Egypt, Ethiopia, Sudan, Syria, Algeria and United Arab Emirates. ASCOM's growth strategy is based upon capitalising on the need to increase cement production in the MENA region and the presence of as yet undiscovered mineral reserves in Africa.

Capacity: It has the raw material production capacity of 28 MTPA, providing 65% of the raw materials for the Egyptian cement companies. ASCOM has also moved into production of calcium carbonate and glass and rockwool insulation. In March 2009, it started operations at a €20m, 0.18 MTPA calcium carbonate factory in Minya. Calcium carbonate thus produced will be used for paper, ceramics, glazing paint, plastics, pharmaceuticals and rubber. ASCOM Precious Metals also purchased a 9.1% stake in GMA Resources that has 52% interest in a gold producing asset in Algeria. ASCOM also specialises in mining Armoured Blocks, Gypsum, Gravel, Silica Sand and Kaolin.

Figure 42: **Production capacity**

Products	Location	Capacity	Production start
Calcium Carbonate	Minya Industrial Zone	180,000 TPA	2008
Glass Sand	Red Sea Governorate	120,000 TPA	2007
Gravel	Beni Suef Governorate	300 m3/h	2007
Gypsum	South Sinai Governorate	216,000 TPA	2008

Source: Company data

Figure 43: **ASCOM subsidiaries**

Subsidiary	Location	Share
ASCOM Emirates	UAE	49.0%
ASCOM Carbonate and Chemical Manufacturing	Free Zone	99.0%
Glass rock Insulation	Free Zone	75.0%
Naptah for Geology & Mining	Sudan	99.0%
ASCOM Mining Ethiopia	Ethiopia	96.0%
Nubia Mining Development (Via ASCOM Mining Ethiopia)	Ethiopia	*55.0%*
ASCOM Syria for Geology & Mining	Syria	95.0%
ASCOMA	Algeria	99.0%
Lazreg	Algeria	70.0%
ASCOM Precious Metals Mining (Egypt)	Egypt	99.0%
Valencia Services Holding (ASCOM Precious Metals Mining)	*BVI*	*99.0%*
GMA Resources Plc(Valencia Services Holding)	*UK*	*9.1%*

Source: Company presentation

United Foundries

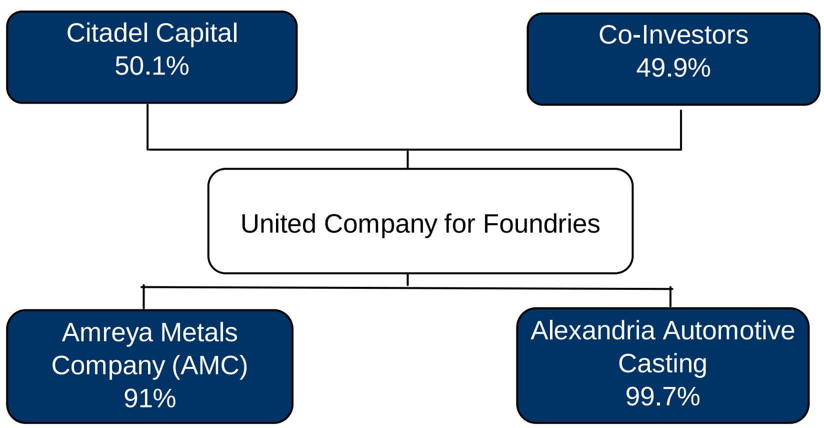
Established in 1998, United Company for Foundries was a part of ASEC Holding (ARESCO division), but was spun off as a separate entity in 2008, to act as a Citadel platform for metallurgy and foundry sectors.

The company produces cement plants consumables. It has strategic relationships with cement producing companies including Italcementi, Cemex, Lafarge and Holcim. By the end of 2009 it had increased its capacity from 7,000 TPA of molten metal to 30,000 TPA, at a cost of EGP103m.

United Foundries acquired two subsidiary foundry factories in 2008 for €22m. The three factories together produce 47,000 TPA. The two subsidiaries are:

- **Amreya Metal Company (AMC):** AMC was formed in 1979 to produce different types of casting products, with capacity for 3,600 tons of grey iron casting. AMC is currently implementing an expansion plan that will increase its capacity to 20,000 TPA at the cost of EGP 55m.
- **Alexandria Automotive Casting (AAC):** AAC was formed in 2001 and produces high performance automotive cast parts. It has capacity for 21,600 TPA of grey and ductile iron castings. It expects to increase its capacity to 40,000 TPA at a cost of €10m. The expansion plan should be concluded in the next 6 months. The expansion will increase total production capacity of the foundries from 30,000 TPA to 60,000 TPA.

Figure 44: **United Foundries structure**

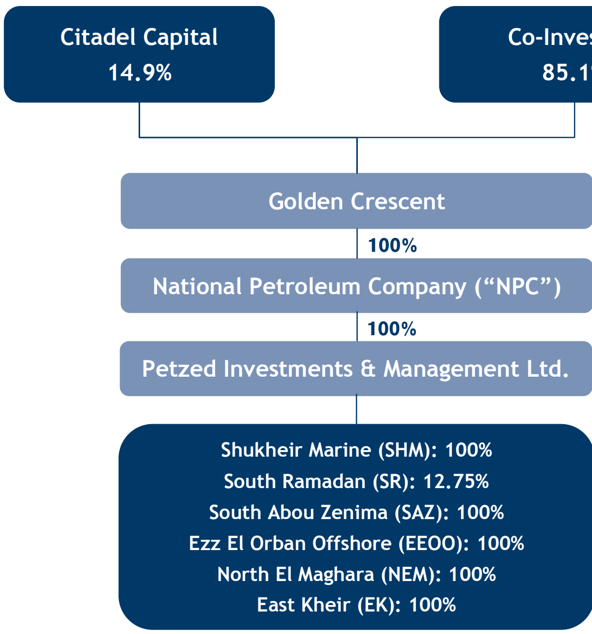


Source: Company presentation, Credit Suisse research

National Petroleum Company

National Petroleum Company (NPC) was formed in 2005 at an equity investment of US$475m by Citadel and its partners, with the aim of acquiring, exploring, developing and producing upstream petroleum assets. NPC acquired 100% of Egyptian operator Petzed in 2006, through which it gained a stake in six Egyptian Concessions. NPC recently made a discovery in the South Abu Zenima Concession, which is expected to yield an initial production rate of 10,000 BOPD. This new addition is likely to take total production up to approximately 11,000 BOPD.

Figure 45: **NPC structure**



Source: Company presentation, Credit Suisse research

The company has the following assets through Petzed, covering approximately 4,039 square km in the Gulf of Suez and Northern Sinai.

- Exploration Assets: EEOO, NEM and EK
- Development & Production Assets: SAZ, SHM & SR

Figure 46: **National Petroleum structure**

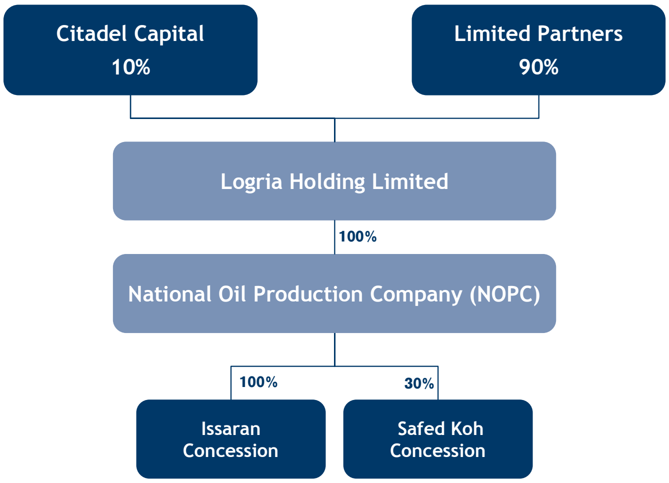
Concession	Effective date	Current Status	Future Plans
Ezz El Arab Offshore	May-07	May 2008: 120 Km2 of 3D–OBC Seismic Acquisition was completed; processing & Interpretation completed; prospect generation nearly finished	One exploratory well is planned to be drilled in 2010
East Kheir Offshore		Awarded on April 2007; agreement is in the process of ratification by the Egyptian Peoples Assembly	Plan to start exploration once ratified
North El Maghara	Jul-07	Reprocessing 1,887 LKM of 2D seismic September 2008; first phase of Geosat, Micro biogeochemical & Magneto Telluric surveys completed in Q2 2009; A minimum of 100 sq km of 3D Seismic data to be acquired Q3 2009.	Two exploratory wells are planned to be drilled in 2010.

Source: Company presentation

National Oil Production Company / Rally Energy Group

The National Oil Production Company (NOPC) is a Cairo-based upstream oil and gas exploration and production company. In 2007, Citadel Capital, NPC and other investors together acquired a full stake in Calgary-based Rally Energy Corp for US$868m. Rally Energy Corp had operations in Canada, Egypt and Pakistan.

Figure 47: **NOIC/Rally Energy Group**



Source: Company presentation, Credit Suisse research

Figure 48: **Upstream Group Reserves* and Production**

Category	Issaran (MMBOE)	Safed Koh** (MMBOE)	Total (MMBOE)
1P	200	32	232
2P	330	44	374
3P	373	87	460

*Audited reserves by DeGoyler and MacNaughton as of January 2009 for Issaran and Safed Koh

** Reserves are stated according to NOPC's 30% interest

Source: Company presentation, Credit Suisse research

Reserves and Production: NOPC/Rally Energy holds 100% operating interest in the Issaran oilfield in Egypt and 30% non-operated working interest in Safed Koh block in central Pakistan. These two oil fields have reported a 55% increase in total production since December 2009 to 5,200 barrels of oil equivalent per day (BOEPD).

Figure 49: **NOPC fields**

Category	Issaran	Safed Koh
Location	Gulf of Suez, Egypt	Punjab Project, Pakistan
Block Size	72 km2	850 km2
Reserves (mBOE)	254.8	35.2
Project Type	Onshore	Onshore
Ownership	100%	30%
Contract Type	Petroleum Service Agreement	Production Sharing Agreement
Effective Date	6 May, 1998	18 January, 2002

Source: Company presentation

- **Issaran Concession:** Rally holds a 100% interest in the Issaran Concession through its subsidiary Scimitar Production Egypt Ltd. The field, discovered in 1981, was brought onstream in 1987. Schimitar holds 20-year rights for development and production with provisions for two five-year extensions. In 2008, 3P reserves in Issaran area were audited at approximately 3 times the estimated 3P reserves at the time of the Rally acquisition by NPC and co-investors. Production from Issaran has increased from 3,000 BOPD in December 2009 to 4,000 BOPD in April 2010.

- **Safed Koh:** Gas was discovered in 2005 and was declared commercial in 2006. In 2008, 3P reserves in Safed Koh area were assessed by an independent auditor at more than 4 times the estimated 3P reserves at the time of the Rally acquisition by NPC and co-investors. Production at Safed Koh has increased from 8 MMCF/D in Dec 2009 to 25 MMCF/D.

Nile Valley Petroleum Ltd.

Nile Valley Petroleum Ltd (NVPL) is Citadel's Sudanese oil and gas exploration and production platform. The arm is a Special Purpose Vehicle established to acquire interests in three concessions in Sudan in June 2008 (Block A, 9 and 11). NVPL is currently engaged in exploration of these three assets. NVPL is capitalised at US$80m.

Zaver Petroleum, a Pakistani contractor and Sudan Petroleum (Sudapet), a wholly owned company of Sudan Government formed a JV, Sudapak Operating Company. The JV has a contractor interest in the blocks and currently operates these blocks.

NVPL has full control over all operational and financial related decisions for three blocks for as long as it is funding the concessions. Later NVPL will exercise control proportionate to its participating interests in each block.

Figure 50: **NVPL fields**

	Block A	Block 9	Block 11
Area (KM2)	44,285	126,000	125,480
Location	South Sudan, adjacent to Mellute and Muglad basins	Central Sudan	Central Sudan
Resources (MMBO)	80	30	24
Crude	28 –42 API	25 –35 API	25 –35 API
Stake	NVPL(58%), Sudapet(17%) and Zaver(25%)	NVPL(36%), Sudapet(15%) and Zaver(49%); NVPL has option to buy an additional 28%	NVPL(36%), Sudapet(15%) and Zaver(49%); NVPL has option to buy an additional 28%
Other details	Accessibility to nearby pipe line infrastructure	6 prospective basins; accessibility to main trunk lines passing through the block; trucking possible to marine terminal	
Current status	Airborne gravity & magnetic survey of 50,000 Line/Km was completed in May 2009	20,000 line/Km of Gravity and Magnetic Survey commenced in June 2009	Land exploratory well was drilled Q2 2009
Future plan	1,000 Km of 2D seismic planned for 2010	Drilling of 1 well planned for 2010	20,000 Line/Km of Gravity and Magnetic Survey is contingent on the results of the well

Source: Company presentation, Credit Suisse research

Egyptian Refining Company

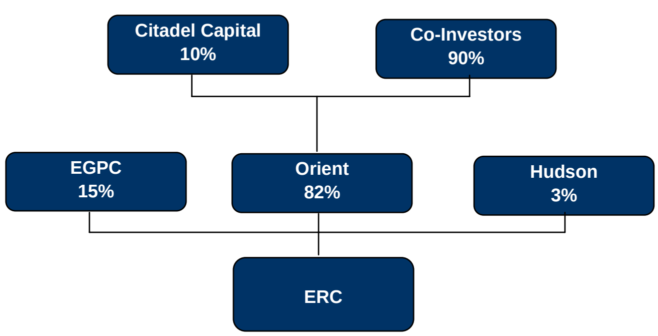
Citadel formed Egyptian Refining Company (ERC) in late 2007 to pursue investment opportunities in the Egyptian oil refining sector. ERC is currently building a US$3.75bn Greenfield second-stage oil refinery adjacent to the refining units Cairo Oil Refinery Company (CORC) and storage facilities of the Petroleum Pipeline Company (PPC). ERC will produce over 4 million tons of refined products including 2.3 million tons of EURO V diesel (cleanest fuel) when commercial operations start by May 2014. Regulatory and environmental approvals for the project have already been obtained.

- ERC is owned by Citadel and other private investors (85%). Egyptian General Petroleum Corporation (EGPC), parent company of CORC and PPC owns a 15% stake in the company. Citadel has a committed equity of US$640m in ERC. ERC finalised a debt package worth US$2.6bn in august 2010, as shown in Figure 52.
- Diesel : 2,300,000 tons
- Gasoline: 850,000 tons
- Jet fuel: 600,000 tons

Company agreements:

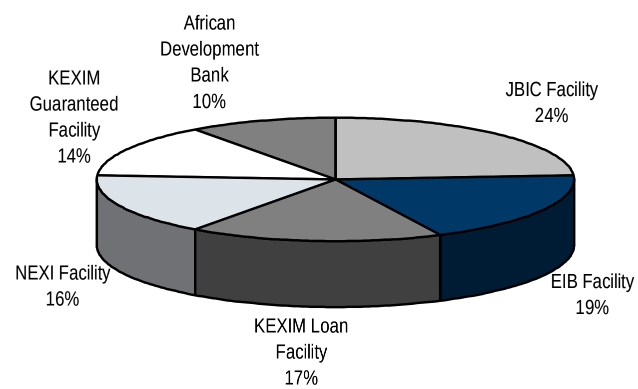
- ERC has signed a 25-year contract with CORC, dating from the start of ERC's commercial operations, to supply a minimum of 3.5mt p.a. of atmospheric residue. Additional quantities will be provided on priority basis.
- ERC has also signed an off-take agreement for the sale of refined products to EGPC. The agreement is on a take or pay basis in US dollars and is based in international prices of the product.
- ERC has also signed an operations and maintenance contract with the Egyptian Projects Operations and Maintenance Co. (EPROM). EPROM is owned and controlled by EGPC.

Figure 51: **ERC structure**



Source: Company presentation, Credit Suisse research

Figure 52: **Debt Package as of August 2010**



Source: Company presentation, Credit Suisse research

Taqa Arabia

Taqa Arabia, established in March 2006 as an Egyptian shareholding company, is Egypt's leading integrated energy solutions provider group. The company provides downstream gas and power distribution, power generation and oil product marketing. Citadel Capital has 41.4% ownership in Silverstone, which in turn holds an 83% stake in Taqa Arabia. Taqa Arabia raised a capital of US$30m, thus raising its total paid up capital to EGP 615m.

Gas Distribution & Construction: TAQA Arabia's gas distribution arm has long term licences for natural gas distribution covering 11 Egyptian governorates distributing around 4bn cm of natural gas per year. Its construction arm has connected 0.75m households to the national gas grid in Egypt. The gas distribution arm also has operations in the UAE, Qatar, Libya, Jordan and Syria. Construction and Engineering sub-divisions account for majority of the Gas division's revenues.

Power Generation and Distribution: Taqa Arabia has also entered Power generation and distribution through its stake in Global Energy, a private-sector Egyptian company. Taqa Arabia is the largest IPP player in Egypt covering the whole power value chain. In 2009, Taqa Arabia concluded a JV agreement with El Takamul Cement for a 42 MW power plant on BOO basis. To be built at the cost of US$78m, the plant is scheduled to be operational by Q1-2010.

Oil Marketing: TAQA Arabia for Marketing Oil Products, established in January 2008 was the first private Egyptian company with a licence to market petroleum products in Egypt. It has started rolling out branded retail network of service stations with TAQA Arabia brand name.

Figure 53: **Taqa Arabia subsidiaries**

Company	Stake
Gas	
House Gas	90.0%
City Gas	97.9%
Pharaonic	100.0%
Repco Gas	100.0%
EGUSCO	97.9%
Nile Valley	100.0%
Master Gas CNG	100.0%
Trans gas	91.6%
Al-Fanar Abu Dhabi	50.0%
Arab Libyan Energy Co.	65.0%
Al-Fanar Dubai	50.0%
Arab Gas Co – Libya	49.0%
Gulf Gas and Energy –Dubai	50.0%
Qatar Gas Group "QGG"	45.0%
Power	
Global Energy	100.0%
TAQA for District Cooling	100.0%
Industr.Zones	100.0%
Oil Products Marketing	
TAQA Marketing Oil Products	100.0%

Source: Company presentation, Credit Suisse research

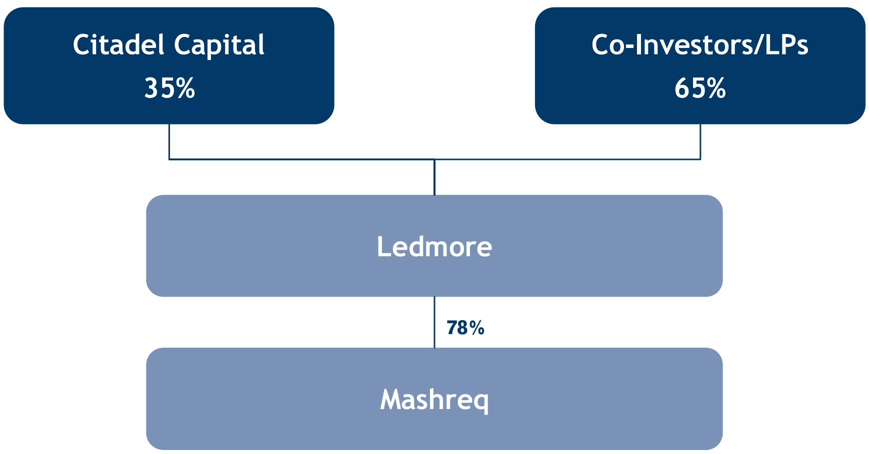
Mashreq

Mashreq is a Citadel Capital Platform Company formed to establish a green-field marine bunkering operation in East Port Said Port. The bunkering facility will take advantage of the high traffic of vessels passing through the Suez Canal. The terminal is expected to have total capacity of 520,000cm to handle 4-6MM of bunker fuels and provide other bunkering facility to ships passing Suez Canal.

Taqa Arabia acquired 95% of Mashreq Petroleum Company in February 2007. Taqa Arabia acquired a lease for 210,000 sq.m plot of land in East Port Said near the entrance of the Suez Canal in 2008. Mashreq was spun off to the shareholders of Taqa Arabia in May 2009. The lease is for 25 years starting April 2005. Mashreq is now developing an Egyptian hub for the storage and bunkering of petroleum products on this plot.

Mashreq plans to provide fuel and other services to ships as they wait for their convoys to pass through the Canal. Mashreq also plans a 500,000 cu mt tank at terminal enabling it to store, blend and trade in refined products.

Figure 54: **Mashreq structure**



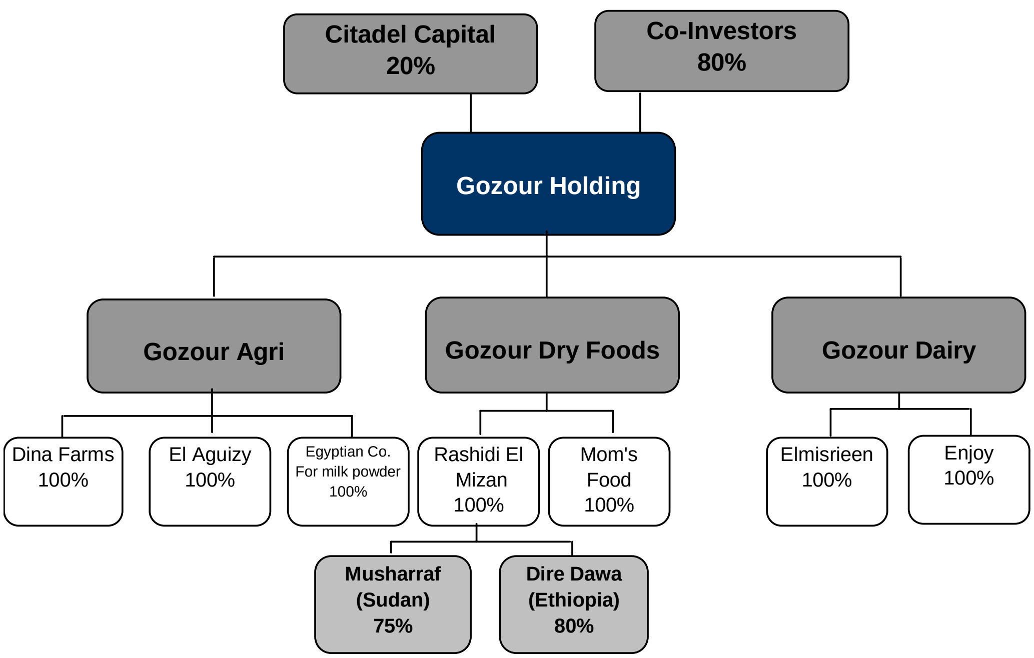
Source: Company presentation, Credit Suisse research

Gozour Holding

Gozour Holding is a Citadel Capital Platform Company for an integrated Agriculture and Food Business and aims to capture the agricultural value chain from cultivation/production to the end consumer. The platform was launched with the acquisition of Dina Farms in August 2007. Gozour is held by Citadel through Falcon platform, with investment of investment of US$257m.

Gozour has four primary lines of business. These are agri-foods and dairy (Gozour Agri), fast-moving consumer goods (FMCG, Gozour Foods), intermediate industries such as wet-corn milling and sugar processing (Gozour Intermediate) and dry foods (Gozour Dry Foods).

Figure 55: **Gozour Holding**



Source: Company presentation, Credit Suisse research

Dina Farms is Egypt's largest private farm with 10,000 feddans. It is also the leading producer of fresh milk in Egypt with capacity of 45,000 TPA which is projected to rise to 60,000 TPA in 2010. Milk is supplied to producers of processed dairy products. It also supplies fruit and vegetable products both locally and regionally. Dina farms added 1,900 heifers in 2009 and 850 heifers were added in early 2010, taking the total number to 6,850.

Rashidi El-Mizan is a regional player in confectionery. The company launched recently Jams and Tomato Paste with capacity of 3,500 and 1,600 tons respectively. It acquired 75% of Sudanese confectioner Al-Musharraffor in 2009 for an EV of USD19mn. It has 80% stake in Dire Dawa (Ethiopia).

El-Misriyeen is a manufacturer of a variety of cheese products with processing and filling capacity in its cheese operations at 11,664TPA (39 t/d) and 18,150TPA (61t/d) respectively.

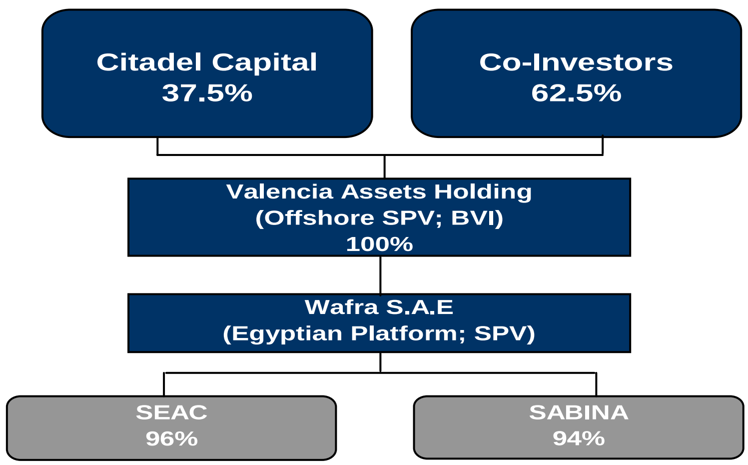
National Company for Maize Products produces natural corn-based sweeteners such as fructose, glucose and sorbitol. It also produces starch and multi-purpose starch derivatives. Gozour sold 5.6% of its stake in H1-2009 realising approximately 2x its original entry price (IRR of 41%) 2009. In early 2010, Gozour sold further 10% and 14% stakes in NCMP at an average IRR of 20% and capital gain of EGP 65m.

WAFRA

Wafra is Citadel Capital's Platform Company for agricultural production in Sudan. Citadel Capital has established Valencia Holding (Valencia) as OSF to raise capital for Sabina for Integrated Solutions Ltd (Sabina) and Sudanese Egyptian Agriculture Company Ltd. (SEAC).

Wafra has the rights to more than 560,000 feddans of land through SABINA (254,700 feddans in northern Sudan), SEAC (250,000 feddans in southern Sudan) and El-Nahda (60,000 feddans of land in Ed Dueim, 150 km south of Khartoum to be developed as rice farms). According to Citadel estimates, Valencia will be capitalised at US$70m, and will additionally require an investment of about US$21m of project/vendor finance (from 2009 to 2012). The fund will be used for land preparation for agricultural development and also for purchasing equipments to be used in cultivation. Citadel expects 195,000 feddans by the end of 2015.

Figure 56: WAFRA Group Structure



Source: Company presentation, Credit Suisse research

Sabina was created in September 2008 by Citadel Capital as a Portfolio Company for investment in Sudanese agricultural production. Sabina's plot is located close to Keer Marine's port, which again is one of the Citadel Capital's platform in Sudanese river transportation and logistics sector.

SEAC plans to grow a variety of cash crops including rice, grain sorghum, maize, sunflower and various grain legumes (pulses) but primarily will be involved in production of maize. SEAC also plans to establish a poultry farm and an animal husbandry division.

Figure 57: Land holdings

Subsidiary	Stake	Land feddans	Lease Years	Location	Purpose
El-Nahda	100%	60,000	30	Ed Dueim(150km south of Khartoum)	Commercial rice farm; new rice mill to be constructed on the site for processing rice
SABINA	94%	254,700	30	North Sudan; 38km on the west bank of White Nile River	Cultivation of maize, forage sorghum, sorghum and legume; 3000 feddans being cultivated and will reach 5000 by 2010 end
SEAC	96%	250,000	25	South Sudan, located near Bentiu and North West of Bahr El Ghazal river	Cultivation of maize; ready to seed 20,000 feddans by mid-2011

Source: Company presentation, Credit Suisse research

Glass Works

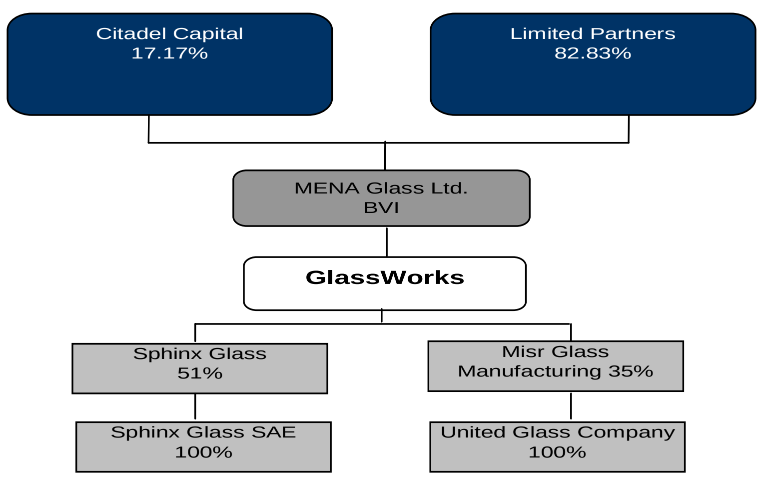
MENA Glass Ltd is a platform created by Citadel Capital to pursue investments in the glass industry in Egypt and MENA region, with a focus on container glass and float glass. MENA Glass Ltd., formed with equity of US$116.6m, owns a 35% stake in Misr Glass Manufacturing S.A.E. (MGM) for container glass investment and a 51% stake in Sphinx Glass SAE for float glass.

Availability of raw materials such as high-silicon-content sand and cheap energy in Egypt provides a natural advantage to the Egypt based glass producers.

Misr Glass Manufacturing (MGM): MGM manufactures container glass and currently holds a 40% market share in the Egyptian Market. Its plant at Mostorod near Cairo has a capacity of 0.103 TPA and it is set to increase to 0.309 TPA by 2013. To date, MENA Glass Ltd has invested a total of US$$71m in MGM. MGM holds a 100% stake in United Glass Company, a new Greenfield facility coming up with a first year full capacity of 0.114 TPA. The first phase of this project is scheduled to be complete by January 2011.

Sphinx Glass SAE: Sphinx Glass is a subsidiary of MENA Glass and it recently completed and brought into operation a Greenfield Float Glass factory with a capacity of 0.22 MTPA. The EGP1.1bn (US$200m) plant occupies a 210,000 square-metre area, located 70km outside Cairo in Sadat City. The company plans to divide its sales evenly between local markets and exports.

Figure 58: **Glass Works structure**

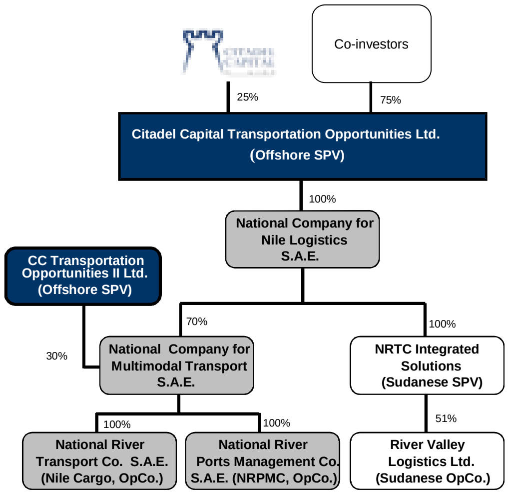


Source: Company presentation, Credit Suisse research

Nile Logistics

Nile Logistics is Citadel's platform that caters to regional logistics, river transport and port management. Nile logistics has three subsidiaries, as shown in Figure 59.

Figure 59: Nile Logistics structure



Source: Company presentation

Nile Cargo began operations in May 2008, when it won a EGP 20m (US$3.6m) contract to transport 750,000 tons of coal and coke on the River Nile. The company currently operates 30 refurbished river barges. It is further building 62 barges with a capability to transport up to 15 mt of goods by 2012. These are being built by Alexandria Shipyard (30) and Arab Contractors Shipyard in Helwan (32). The company has already procured equipment and material for the first 10 new barges.

The company plans to provide a complete supply chain solution by integrating sea ports (connected to in-land waterways), river ports, storage areas, stevedoring and inland trucking handling grains, sugar, coal and coke, cement, corn, phosphates, fertilisers, limestone, slag and steel.

Nile Cargo recently obtained a licence for 31 barges for night operation. The company has also resolved some operational issues such as Waterway maps, licensing and draughts. New contracts signed are as follows:

- Contract to transport 0.75MT of wheat in 2010 using the door-to-door service
- Starting operations for Coke and Coal Project
- Contract with Italcimenti to transfer cement from Minya-Alex and Minya-Damietta

National River Port Management Company (NRPMC) is the platform's ports management arm that builds and operates river ports and logistics hubs along the River Nile. These ports are being built at Cairo South (in Tebbin), Cairo North (in Imbaba), Alexandria, Beni Suef, Minya, Assiut and Aswan.

(a) El Tibbeen: NRPMC acquired 55,373 square-metre plot of land in Tebbin (15km south of Cairo) in May, 2007. Operations at Tebbin port are due to start by 2010.

(b) Tanash: In March 2008, NRMPC won a public tender to rent 27,500 square-metre river port from Nasr Casting for a period of 15 years. The port, 20 km north of Cairo in Tanash, Imbaba, was declared operational in late 2009.

(c) Alexandria: NRPMC acquired an 81,000 square-metre plot of land on the Nubariya Canal, about 800m from one of the main gates (Gate 54) of Alexandria Port. NRPMC has reclaimed the entire land area and is now finalising the foundation and civil works. The 340m long waterfront will enable the simultaneous operation of three barges.

Keer Marine serves as Nile Logistics' platform in Sudan. Nile Logistics was formed in January 2009 when Citadel acquired a 51% stake in Keer Marine through River Valley Logistics Ltd. The deal also included five pushers, 16 barges with carrying capacity at 150,000 TPA and two plots of land to be developed into ports with storage facilities. The company aims to develop a larger fleet of barges and river ports for transporting goods from Kosti to Juba (capital of the southern region); and back a 1,436 KM trip (one way).

Nile Logistics currently incorporates the following:

- 31 operational refurbished barges
- 53 new barges under construction
- 2 operational river ports
- 5 in process river ports

Finance Unlimited

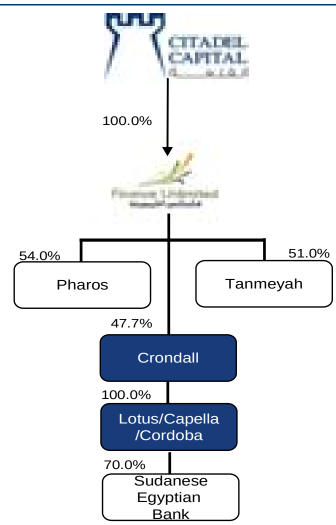
Finance Unlimited is Citadel Capital's platform for the regional financial services industry. It has stakes in banking and corporate finance sectors through the Sudanese Egyptian Bank and Sphinx Egypt, and an investment bank Pharos Capital.

Pharos Holding (54%): Pharos is a fully fledged Investment Bank incorporating investment banking, security brokerage, research, asset management and private equity. It has AUM of EGP 520m and managing private equity funds valued at US$300m.

Sudanese Egyptian Bank (37%): Established in 2004 and acquired in late 2006, the bank aims to finance trade between Egypt and Sudan for the Egyptian exporters. The bank has six branches in Sudan and one representative office in Cairo, with Equity of US$32m.

Tanmeyah (51%): Although the company only started in July 2009, it spread to 46 branches by 2010 and has a portfolio of EGP 73.5m. It provides microloans to low and medium income entrepreneurs, and plans to open 420 branches by 2013.

Figure 60: **Finance Unlimited structure**



Source: Company presentation

Bonyan for Real Estate & Development

Bonyan for Real Estate & Development (Bonyan) is Citadel Capital's platform company for investments in specialty real estate. Formed in 2007, Bonyan is working on two commercial real estate projects under Designopolis brand. The first is located in Sixth of October City in Western Cairo while the other is located in New Cairo (east). Citadel Capital holds a 30.7% stake while its partners hold the remaining stake in MENA Malls, which holds a 100% stake in Designopolis.

Designopolis (Sixth of October-West Cairo): Bonyan purchased a 116,824 sqm plot of land from Sixth of October Development Company (SODIC) to developed a design, furniture and home accessories mall on Cairo Alexandria highway. The mixed use centre will also include galleries, special events and seminars and will accommodate up to 220 shops on 55,000 sq ft of leasable space.

The mall is strategically located with Solidere new city centre, Allegria/ Greg Norman golf compound/ British International School and The Smart Village near it. Bonyan was officially launched in November 2008, and successfully leased phase 1 and phase 2.

Bonyan also plans to operate the malls with tenants. These include leading names home furnishings and accessories market.

Designopolis (New Cairo, East): Designopolis is developing its second facility in Katameya as part of SODIC's East Town project.

Tanweer

Tanweer is Citadel's platform for investment into media companies, publishing houses and book retailers. The platform has three subsidiaries:

Dar El-Shorouk (51.8%): Founded in 1968, the subsidiary is involved in book publishing, bookstores, TV production and publishing newspapers and magazines. Dar El-Shorouk has 96–100% ownership in all businesses except the newspaper business.

Figure 61: **Dar El-Sorouk**

Subsidiary	Activity
Book Publishing	Formed in 1968, it has copyrights for over 4,500 titles; it has exclusive Arab-world rights to works of Egyptian Nobel laureates Naguib Mahfouz and Ahmed Zewail
Bookstores	9 outlets each with areas ranging from 40 to 400 sqm in greater Cairo and Alexandria
TV Production	Involved in creating TV programmes, documentaries, biographies and investigative reports
Newspapers and magazines	Newspaper named El Shorouk and an Arabic book review magazine named Weghat Nazar are published

Source: Company presentation, Credit Suisse research

Diwan Bookstores (40%): Started in 2002, Diwan is a chain of boutique bookstores with 11 bookstores in Cairo and a seasonal outlet on the northern coast. It offers services including building corporate library solutions, corporate gift services and also a home delivery service. It also has the rights to five international music labels and distributes music CDs to local retailers.

Al-Kateb (49%): Al Kateb Publishing Company acquired Egyptian Company for Marketing and Distribution (63% stake), owner of financial daily newspaper Al Mal, in 2008. Egyptian Company for Marketing and Distribution holds a 99.5% stake in New Content Publishing and a 50% stake in Al Mal. Al Mal has extensive coverage on financial markets, banking, and industrial and commercial businesses.

Grandview Investment Holding

The platform was formed in 2005 to invest in Midcap companies in MENA region, focusing on Egypt. Grandview, with paid-up capital of US$103m, targets companies with EVs of less than US$25m, with stable cash flows and potential for growth. Its funds are managed by Sphinx Egypt, a dedicated private equity management company formed by Citadel Capital and Marianne Ghali.

Grandview has investments in printing and packaging, specialty building materials, oil services, textiles and electrical cables as well as restaurants and hospitality.

Tawazon

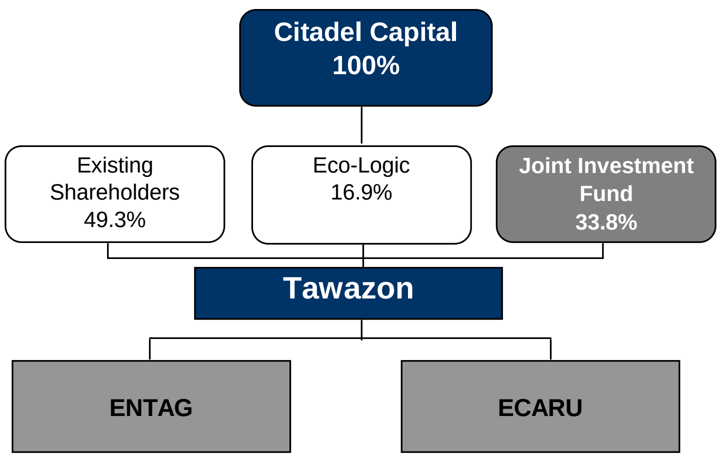
Tawazon is Citadel Capital's platform company for investment in the solid waste management industry. Citadel holds a stake in a solid waste management operator ECARU and a solid waste management Engineering and Contracting company ENTAG, through holding company Eco-Logic Ltd..

ECARU: ECARU was formed in 1997. It currently has the capacity to process more than 500,000 TPA of agricultural solid waste, particularly rice straw. It also has the capacity to treat 547,500 tons of solid waste per year.

The company is currently in discussion with two Sudanese sugar companies to convert their sugarcane waste into compost and also planning expansions in Saudi Arabia and Oman.

ENTAG: ENTAG was formed in 1995, to act as a solid waste management contractor in MENA region. It has built a total of 74 sorting and composting facilities worldwide with 61 of them in Egypt, using both imported and local equipments.

Figure 62: **Tawazon**



Source: Company presentation, Credit Suisse research

East Africa Railways

East Africa Railways is Citadel Capital's opportunity specific fund (OSF) dedicated to investment in railways across the African continent, focusing specifically on Sub-Saharan Africa. East Africa Railways, through Ambience Ventures Ltd, acquired a stake in Rift Valley Railways of Kenya and Uganda, (RVR). RVR has a 25-year concession to operate 2,000 km track that links port of Mombasa in Kenya with the interiors of Kenya and Uganda (including Kampala).

Figure 63: East Africa Railways ownership structure

Source: Company presentation

Figure 64: East Africa Railways route

Source: Company presentation

Companies Mentioned *(Price as of 18 Oct 10)*
Citadel Capital (CCAP.CA, £E7.60, OUTPERFORM [V], TP £E11.62)

Disclosure Appendix

Important Global Disclosures

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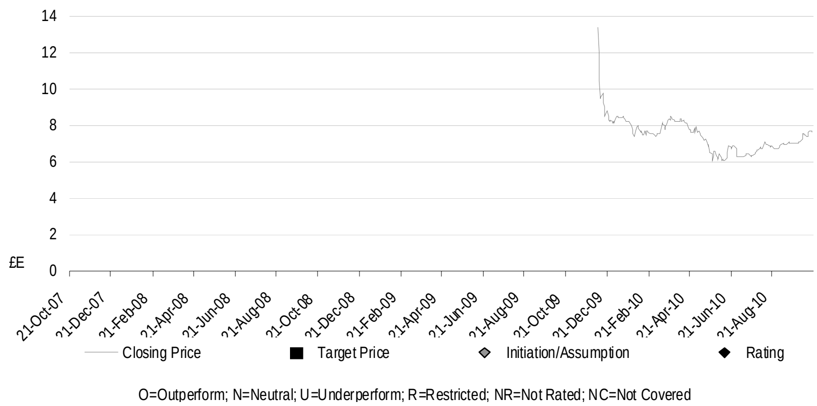
3-Year Price, Target Price and Rating Change History Chart for CCAP.CA

CCAP.CA Date	Closing Price (£E)	Target Price (£E)	Rating	Initiation/ Assumption



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Method: Our TP of EGP 11.62 per share is derived from a SOTP valuation whereby we value Citadel's principal investments separately and then add our DCF valuation for the Asset Management Business (WACC of 12%, 3% terminal growth).

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