Citadel Capital Reports First Quarter 2011 Results

Limited partners honor contractual commitments, seeing Citadel Capital add AUM in 1Q11 and attract new investment from international institutional LPs in the months since. Emphasis remains on execution and cash-preservation

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 standalone financial results for the first quarter of 2011, reporting total assets under management of US$ 4.1 billion (EGP 24.4 billion) as the Firm added US$ 41.6 million (EGP 247.2 million) in new AUM despite the disruptions caused by recent regional events including the Egyptian Revolution.

“The post-Revolutionary period has not been easy. Citadel Capital is still in a cash-preservation posture, our previously planned IPOs remain postponed, and we continue to expect lower-than-usual fundraising momentum for the balance of the year,” noted Citadel Capital Chairman and Founder Ahmed Heikal. “That said, I note several developments that give us reason to ask whether cautious optimism may be in order, including the removal of my name from the list of individuals prohibited from traveling, regulatory approval to hold an EGM to vote on our proposed US$ 175 million rights issue, our receipt of a comfort letter from the Ministry of Petroleum for the Egyptian Refining Company, and our ranking as the largest private equity firm in Africa for the third year running.

“Importantly, we are also very pleased with the performance of many of our key non-Egyptian investments. Rift Valley Railways, the national rail operator of Kenya and Uganda, has reported substantial operational improvements, from new tariffs and passenger lines to substantial reductions in turnaround times and rising freight volumes. In Sudan, Wafra has finished its first commercial wheat harvest and taken the crop to market at prices significantly above our forecast. In at least one case, a non-Egyptian investment has bolstered the performance of an Egyptian platform, as is the case with TAQA Arabia, which posted a substantial year-on-year rise in EBITDA despite conditions in Egypt thanks to its Sudanese Portfolio Company Berber for Electrical Power,” Heikal noted.

Management continues to monitor business developments at all 19 of the Firm’s platform companies, Heikal said, with a view to ensuring the businesses remain on track for their revised goals as set in the weeks after the Revolution.

“I note that our Firm remains entirely committed to all of its investments across the Middle East and Africa, as underscored by our decision to make US$ 18.4 million in new principal investments in the quarter just ended,” Heikal added.

As previously reported, Management has written down Citadel Capital’s principal investment in upstream oil and gas platform NOPC / Rally Energy Group by 100% owing to technical difficulties in bringing the asset’s substantial reserves into production. Similarly, the Firm’s investment in the National Petroleum Company (NPC) has been written-down by 50% owing to its substantial equity investment in NOPC / Rally.

This decision results in the impairment of fully US$ 1.7 million (EGP 10.2 million) in revenues from advisory fees related to these platforms in 1Q11; these impaired fees are recorded in the notes to the Firm’s audited statutory standalone financials, but are not recorded on the revenue line as revenue from advisory fees. Revenue from contractual advisory fees for the period stand at over US$ 4.4 million (EGP 26.1 million), including those impaired fees.

On a standalone basis, Citadel Capital accordingly reports a net loss of US$ 4.5 million (EGP 26.6 million) for 1Q11 on revenues of US$ 2.7 million (EGP 15.9 million). This compares with a net profit of US$ 0.25 million (EGP 1.5 million) in the same quarter of 2010.[1]

"Adding nearly US$ 42 million in new AUM while in the midst of a Revolution is an accomplishment. Moreover, international institutional investors trusted Citadel Capital and its Platform Companies with a further US$ 46.5 million in the second quarter — including the IFC's investment in a paper mill controlled by our mid-cap fund and a combined US$ 21 million in our Egyptian river transport investments from the European Investment Bank and German Investment Corporation (DEG) is even more telling," Heikal concluded.

Management's discussion of operational performance as well as details of Citadel Capital's 1Q11 standalone and consolidated financials are below; full financials are available for download at www.citadelcapital.com.

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 1Q11 are converted using a spot rate of EGP 5.9427 : 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$.

I. Performance Highlights

Financial Highlights (in EGP mn)	1Q10	4Q10	FY10	1Q11
Revenue	42.3	40.1	165.0	15.9†
EBITDA	(10.8)	(131.8)	(141.8)	(23.5)
Net Income / Loss	1.5	(318.6)	(298.3)	(26.6)
Principal Investments* (in EGP mn as carried on balance sheet)				
Total Principal Investments	4,415	4,912	4,912	5,056
Of which Equity	3,520	4,095	4,095	4,195
Of which Loans	433	307	307	355
Of which Convertibles	463	509	509	506
New Investments in the Period	165	288	662	144
Gains from Sale of Investments in the Period	9.6	16	26	–
Portfolio Net Asset Value (PNAV, EGP mn)	**not issued**	**4,969**	**4,969**	**not issued**
Portfolio Net Asset Value per Share (PNAVPS, EGP)	**not issued**	**7.51**	**7.51**	**not issued**
Asset Management (in US$ bn, as at the date)				
Total Investments Under Control	8.3	8.7	8.7	8.7
Total AUM	3.7	4.0	4.0	4.1
Invested AUM	2.9	3.1	3.1	3.1
Invested Third-party AUM	2.1	2.2	2.2	2.2
Third-party Fee-earning AUM	1.9	2.1	2.1	2.1
New Invested AUM (in US$ mn, for the period)	63.6	116.4	265.9	13.6
Revenue from Advisory Fees (in US$ mn, for the period)	4.4	4.1	17.3	2.68
Revenue from Carried Interest (in US$ mn, for the period)	-	-	-	-
Asset Management Value (AMV) (in EGP mn)	not issued	n/a	n/a	-
Net Asset Value**				
Total NAV (TNAV) (in EGP mn)	not issued	n/a	n/a	-
TNAV per Share (in EGP)	not issued	n/a	n/a	-

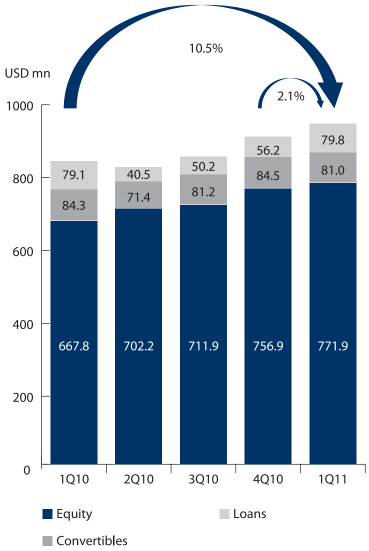
Track Record (for the quarter ending 31 March 2011 unless otherwise indicated)		
Investments made since 2004 (acquisitions and new company formations)		54
Number of Platform Companies as at 31 March 2011		19
Number of Funds (Opportunity-Specific Funds + Standing Funds) as at 31 March 2011		21
Total number of countries in which Citadel Capital invests		14
Number of industries in which Citadel Capital invests		15
Total equity raised and invested since 2004	EGP 27.0 billion	US$ 4.7 billion
Cash returns to shareholders and LPs since 2004 (on equity investments of US$ 650 million)	EGP 13.1 billion	US$ 2.2 billion
Shareholder Structure		
Citadel Capital Partners (CCP)		37.94%
Board members other than CCP		18.9%
Investors Owning More than 1%		14.8%
Others		28.4%
Number of shares outstanding		661,625,000
Paid-in capital of Citadel Capital	EGP 3.3 billion	US$ 0.6 billion

† Revenue from contractual advisory fees as recorded in Note 21.1 to the firm's audited statutory standalone financials stands at EGP 26.1 million. The firm does not record on the revenue line EGP 10.2 million in advisory related to impaired upstream oil and gas investments for conservative reasons.

* This summary is provided for parties interested in dissecting Principal Investments on Citadel Capital's standalone balance sheet as presented on page 13. That said, the majority of Citadel Capital principal investments are made in US dollars. Management accordingly analyzes both principal investments and AUM in US dollars. The balance of this document uses USD as the currency for analysis and comparison of investments, whether by the Firm or its co-investors.

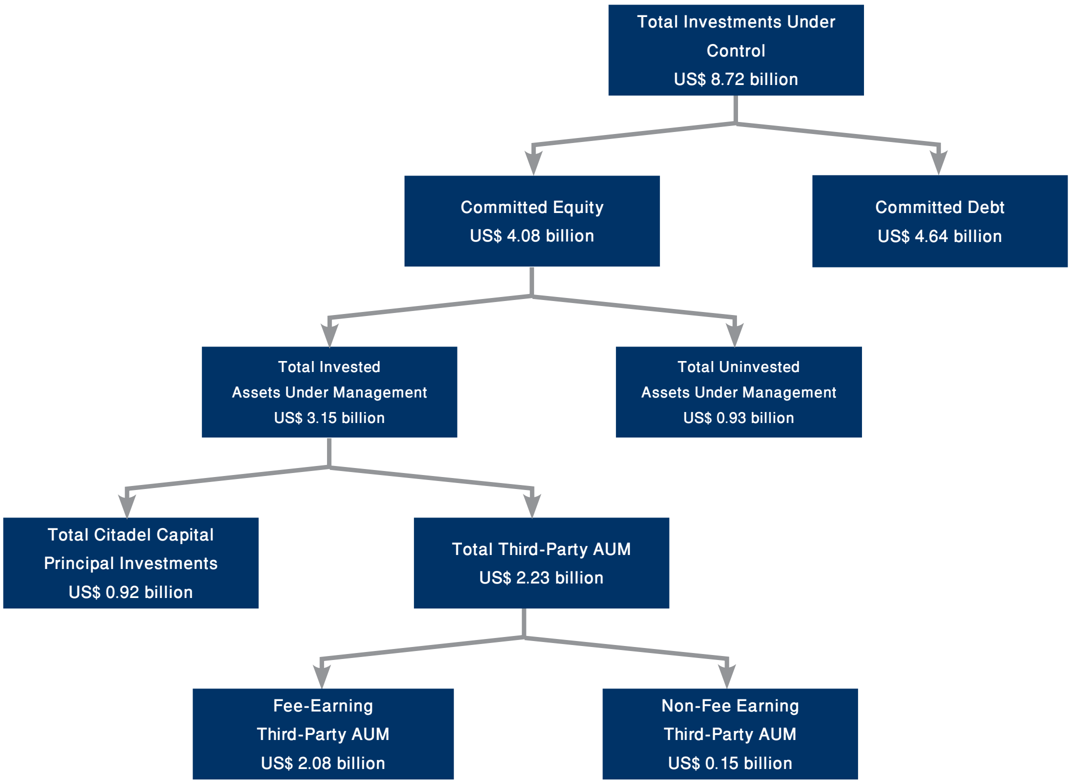
** As noted previously, Citadel Capital suspended guidance on TNAV as of 31 December 2010 as a result of its decision not to offer estimates of its AMV.

a) Citadel Capital Principal Investments



II. Citadel Capital as a Principal Investor

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



Citadel Capital controlled total investments of US$ 8.7 billion (EGP 51.8 billion) at the end of 1Q11, representing both committed equity and committed debt, a rise of 0.4% from the previous quarter.

A. Principal Investments

Citadel Capital's total principal investments (including convertibles and interest-bearing loans to its Platform Companies) stood at US$ 916.0 million (EGP 5.1 billion) at the end of 1Q11, a 2.1% rise from US$ 897.6 million (EGP 4.9 billion) the previous quarter and a 10.5% rise year-on-year.

The Firm made US$ 18.4 million (EGP 109.3 million) in new principal investments in the first quarter, with new investments biased toward equity (81% of new investments in the period) and loans to platform and portfolio companies (19%).

Citadel Capital's total principal investments at 31 March 2011 break down as 84% equity investments, 9% investments in convertibles and 7% interest-bearing loans to platform and portfolio companies.

Equity

Citadel Capital made new principal equity investments of US$ 15.0 million (EGP 99.1 million) in 1Q11. Accordingly, the Firm's total principal equity investments rose 2.4% quarter-on-quarter to US$ 771.9 million (EGP 4.2 billion).

New equity investments in the quarter were biased toward rail transportation (38%), Egyptian agriculture and consumer foods (33%) and Sudanese agriculture (16.6%), followed by retail and media, upstream oil and gas and financial services. Management notes that investments in Rift Valley Railways follows substantial operational improvements, including a 9% rise in Net Ton KM compared to the comparable period in 2010, a 10% decrease in accidents per train KM, and a 27% reduction in turnaround times (and thus asset utilization) on the strategic Mombasa-Kampala route. Also of note is that during the quarter RVR implemented a new pricing strategy to maximize value accruing to the company from the recent oil price hikes.

Fresh investment in Wafra was encouraged by the success of the Sudanese agriculture platform's first commercial wheat harvest (which recorded a price per ton in excess of forecast) and came in advance of the planting of a 9,500 feddan cotton crop for December harvest as well as plans to accelerate cultivation for 2012. New investment in Gozour backs ongoing management work to engineer considerable synergies between the agriculture and consumer foods platform's various arms and to back growth plans of divisions including Dina Farms' retail activities, where opening of new outlets continues.

Convertibles

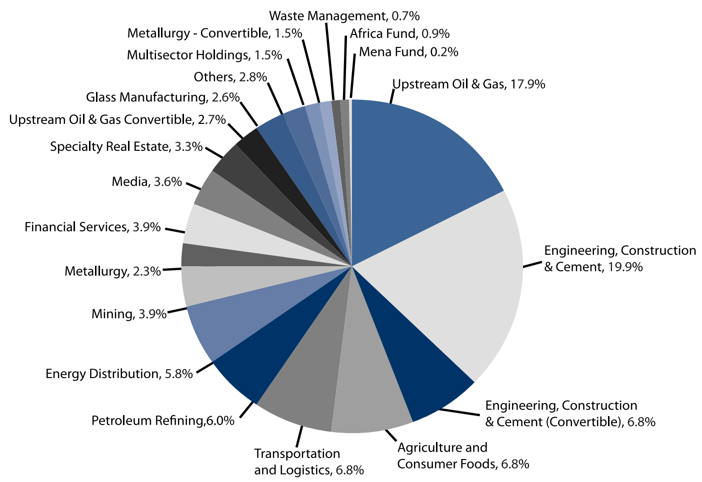
Citadel Capital holds four investments in convertibles: ASEC Holding, United Foundries, NPC and NOPC / Rally Energy. The total value of investments in convertibles declined 5.6% quarter-on-quarter to US$ 79.8 million (EGP 506.4 million) as co-investors took positions in the United Foundries convertible.

Loans

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

Interest-bearing loans to platform and portfolio companies rose 14.5% year-on-year to US$ 64.4 million (EGP 355.1 million).

b) Distribution of Citadel Capital Principal Investments by Industry as of 1Q11



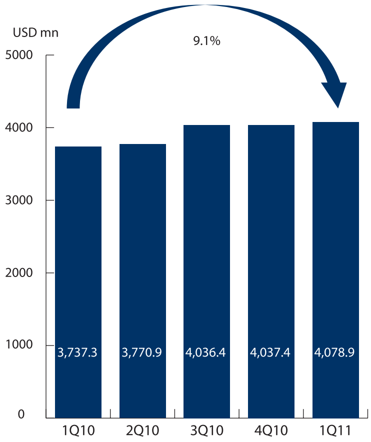
Summary of Investments in Citadel Capital Platform Companies as of 31 March 2011 (USD mn)

Platform	Industry	Citadel Capital	Change 1Q11	Co-investors	Change 1Q11	Africa Investment Fund: Citadel Capital	Africa Investment Fund: New 1Q11	Africa Investment Fund: LPs	Africa Investment Fund: New 1Q11	MENA Investment Fund: Citadel Capital	MENA Investment Fund: New 1Q11	MENA Investment Fund: LP	MENA Investment Fund: New 1Q11	Total Citadel Capital**	Change 1Q11**	Total Co-investors**	Change 1Q11**
ASEC Holding	Engineering & Construction / Cement	162.8	-	134.4	-	-	-	-	-	-	-	-	-	162.8	-	134.4	-
ASCOM	Mining	32.4	-	-	-	-	-	-	-	-	-	-	-	32.4	-	-	-
Nile Logistics	Transportation & Logistics	33.3	-	77.2	-	-	-	-	-	-	-	-	-	33.3	-	77.2	-
Africa Railways	Transportation & Logistics	31.0	5.7	-	-	6.2	-	14.4	-	-	-	-	-	37.2	5.7	14.4	-
Gozour	Agriculture & Consumer Goods	40.4	5.0	203.6	-	-	-	-	-	-	-	-	-	40.4	5.0	203.6	-
Wafra	Agriculture & Consumer Goods	23.7	2.5	-	-	-	-	-	-	-	-	-	-	23.7	2.4	-	-
NPC	Upstream Oil & Gas	63.4	-	357.7	-	-	-	-	-	-	-	-	-	63.4	-	357.7	-
NOPC / Rally Group	Upstream Oil & Gas	65.0	-	561.9	-	-	-	-	-	-	-	-	-	65.0	-	561.9	-
NVPL	Upstream Oil & Gas	27.5	0.5	45.1	0.6	-	-	-	-	-	-	-	-	27.5	0.5	44.5	0.6
ERC	Petroleum Refining	53.4	-	266.8	0.2	-	-	-	(13.8)	-	-	-	(14.1)	53.4	-	266.8	(27.8)
TAQA Arabia	Energy Distribution	41.2	-	55.1	-	-	-	-	-	-	-	-	-	41.2	-	55.1	-
Mashreq Petroleum	Energy Distribution	6.2	-	13.2	-	-	-	-	-	-	-	-	-	6.2	-	13.2	-
GlassWorks	Glass Manufacturing	24.5	-	131.2	-	-	-	-	-	-	-	-	-	24.5	-	131.2	-
Finance Unlimited	Financial Services	42.4	0.4	-	-	-	-	-	-	-	-	-	-	42.4	.4	-	-
Bonyan	Speciality Real Estate	28.1	-	59.4	-	-	-	-	-	-	-	-	-	28.1	-	59.4	-
Tawazon	Waste Management	8.5	(0.06)	-	-	1.4	-	3.3	-	1.4	-	3.7	-	11.3	(0.06)	7.1	-
Tanweer	Media	29.9	0.7	-	-	-	-	-	-	-	-	-	-	29.9	0.7	-	-
UCF	Metallurgy	18.9	-	39.0	-	-	-	-	-	-	-	-	-	18.9	-	39.0	-
Grandview	Multisector Holdings	12.4	-	82.8	-	-	-	-	-	-	-	-	-	12.4	-	82.8	-
ASEC Cement	Cement	191.9	-	387.3	-	-	-	-	-	-	-	-	-	191.9	-	387.3	-
Others	Others	18.0	0.3	-	-	-	-	-	-	-	-	-	-	17.9	0.3	-	-
Eliminations*		(191.9)	-)	(346.7)	-	-	-	-	-	-	-	-	-	(191.9)	-	(346.7)	-
Total Equity Investments		**762.9**	**15.0**	**2,068.1**	**0.8**	**7.6**	**7.6**	**17.7**	**(13.8)**	**1.4**	**-**	**3.7**	**(14.1)**	**771.9**	**15.0**	**2,089.5**	**(27.2)**
NOPC / Rally Convertible	Upstream Oil & Gas - Convertible	13.1	-	57.3	5.8	-	-	-	-	-	-	-	-	13.1	-	57.3	5.8
NPC Convertible	Upstream Oil & Gas - Convertible	9.8	-	35.7	11.5	-	-	-	-	-	-	-	-	9.7	-	35.7	11.5
ASEC Holding Convertible	Engineering & Construction / Cement - Convertibles	49.0	-	49.6	-	-	-	-	-	-	-	-	-	49.0	-	49.6	-
UCF Convertible	Metallurgy - Convertible	7.9	(4.7)	5.1	5.1	-	-	-	-	-	-	-	-	7.9	(4.7)	5.1	5.1
Total Convertibles		**79.8**	**(4.7)**	**147.7**	**22.4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**79.8**	**(4.7)**	**147.7**	**22.4**
Loans to Platforms		**64.4**	**8.2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**64.4**	**8.1**	**-**	**-**
Total Investments		**907.1**	**18.4**	**2,215.8**	**23.1**	**7.6**	**-**	**17.7**	**(13.8)**	**1.4**	**-**	**3.7**	**(14.1)**	**916.0**	**18.4**	**2,237.2**	**(4.8)**

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

** Including Joint Investment Funds (JIFs).

c) Total Assets Under Management



III. Asset Management Business

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

Total Assets Under Management

Citadel Capital recorded total assets under management (committed by Citadel Capital and limited partners to the OSFs as well as the JIFs) of US$ 4.1 billion at 31 March 2011, a rise of more than 1.0% quarter-on-quarter. New AUM in 1Q11 include investments by Citadel Capital as a principal investor in its OSFs as well as new investments by regional co-investors.

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

Invested vs Uninvested AUM

Total invested AUM (drawn equity) stood at US$ 3.1 billion (EGP 18.4 billion) at the end of 1Q11, a rise of 0.4% quarter-on-quarter, tempered by the return of US$ 28.0 million (EGP 166.4 million) in equity drawn into escrow for the Egyptian Refining Company (ERC) from the MENA and Africa Joint Investment Funds. This sum returned from escrow after equity closure on ERC was delayed by the Egyptian Revolution. Notably, the sum returned continue to be fee-earning, as all funds committed to the MENA and Africa JIFs are fee-earning from time of commitment.

Accordingly, invested third-party AUM eased 0.4% on the quarter to US$ 2.2 billion (EGP 13.1 billion). New third-party AUM were almost exclusively raised for investment in convertibles associated with upstream oil and gas platforms as part of a previously agreed transaction. Neither the MENA nor the Africa Joint Investment Funds made new investments in 1Q11.

Uninvested AUM totalled US$ 925.7 million (EGP 5.5 billion) as at the end of 1Q11, a rise of 3.1% owing to the return of US$ 28.0 million previously drawn into ERC. Uninvested AUM include US$ 100 million from OPIC (non-fee-earning), US$ 109.6 million in un-drawn (but fee-earning) funds from the first close of the JIFs and US$ 716.1 million committed to the Egyptian Refining Company (ERC).

Fee-Earning AUM

Fee-earning assets under management were unchanged from the previous quarter, closing 1Q11 at US$ 2.1 billion (EGP 12.5 billion). Management again notes that the Firm's base of third-party fee-earning AUM now includes US$ 740.8 million in equity related to platform companies on which the Firm has impaired all or part of its principal investments. While those funds remain under management as part of the equity of companies that continue operations — and while those portfolio companies have contractual commitments to pay advisory fees on that equity — Management will continue to charge advisory on separate accounts and will examine their disposition pending a resolution to technical difficulties at both assets or at divestment.

Citadel Capital recorded revenues of US$ 2.68 million (EGP 15.9 million) in 1Q11 from the 1% advisory fee it earns on fee-earning assets under management. With no exits in the quarter, revenue from carried interest was nil in 1Q11, as it has been since 2009.[2]

2 See footnote on page 3 and Financial Performance page 10 regarding revenues from advisory fees. Management notes that while Citadel Capital typically earns a carried interest of 20% on LP capital gains over a hard hurdle rate of 12% on most investments, some older investment vehicles have a carried interest of 15% over a hurdle of 15%.

IV. Recent Developments

The lion's share of Citadel Capital's firm- and platform-level activity in 1Q11 has previously been disclosed in our FY10 Business Review as material events after the reporting period. Accordingly, the below focuses only on a handful of noteworthy developments arising after the release of the FY10 Business Review. In this context, management notes that its work in late 1Q11 / early 2Q11 has been on building a pipeline of strong developments for late in 2Q11 / early in 3Q11. These include a number of previously-announced developments (details of which are available on the Citadel Capital website), among them:

- **The Nile Valley Petroleum Ltd. farm-out agreement** (The agreement entitles NVPL to almost all of the US$ 73 million recoverable cost pool for Blocks 9 and 11 and US$ 10 million in cash in return for a 30% participating interest in the two blocks. The Platform Company will use this to fund its ongoing obligations, thereby easing the burden on Citadel Capital, which as lead shareholder had been funding NVPL's monthly running costs including salaries, state entitlements and accrued payable.)

- **First commercial wheat harvest at Wafra in Sudan** (The harvest netted prices significantly above budget and has prompted both an expanded fall planting and accelerated 2012 development plan.)

- **US$ 25.5 million agreement with the International Finance Corporation to finalize completion of Al-Motaheda's paper mill** (A significant vote of confidence in a key investment of Grandview, the firm's mid-cap investment fund.)

- **Investments in Nile Logistics portfolio companies total US$ 21 million made by DEG and EIB, among others.** (A key international endorsement of the Platform Company's fundamentals that will simultaneously allow a more rapid build-out of both fleet and ports.)

a) Announcement of Capital Increase

As a material event after the reporting period, Management is pleased to announce that it has received regulatory permission to hold an Extraordinary General Assembly Meeting to vote on a capital increase of EGP 1.05 billion, having successfully appealed an earlier decision. Citadel Capital Partners Ltd (CCP), the largest shareholder in Citadel Capital SAE, will participate pro-rata in the rights issue.

b) Travel Ban Lifted

As noted on page 1 of this document, the Prosecutor General's Office has informed Citadel Capital that the Prosecutor General has approved the removal of Dr. Ahmed Heikal from the list of persons who are banned from travel. Dr. Heikal had been named in a third-party complaint made to the Prosecutor General against former Prime Minister and Minister of Public Enterprise Atef Ebeid

c) Largest Firm in Africa — Third Year Running

Citadel Capital, previously named African Business' 2010 African Business of the Year, was again found to be the largest private equity firm in Africa by a wide margin. The ranking was made by Private Equity International in its annual PEI 300 edition and is the third year in a row during which the firm has been ranked tops in Africa according to PE AUM raised in a trailing five-year period. Meanwhile, 2011 marks the debut of PEI 300's Emerging Markets Top 10 list, on which Citadel Capital has placed. The PEI 300 is the only global ranking of private equity programs.

d) Positive Indications of Gold Mineralization at ASCOM's Ethiopia Concession

ASEC Company for Mining — ASCOM (ASCM.CA on the Egyptian Stock Exchange), Citadel Capital's Platform Company in the regional mining industry, announced in late March that subsidiary ASCOM Precious Metals Mining (APM) has received encouraging indications of gold mineralization in the company's Asosa Concession in Western Ethiopia.

The news came two years into the company's Ethiopian gold exploration activities in the West and stem from the first 17 drill holes at Dish Mountain. Results of these initial holes have thus far identified at least three potential areas of gold mineralization along a 1.6-kilometer mineralized zone. The mineralized zone requires considerably more drilling to determine its economic potential, which will be confirmed by a bankable feasibility study.

f) Sale Negotiations by Major Shareholder

Citadel Capital SAE was informed by Citadel Capital Partners Ltd. (CCP) in late June 2011 that the latter is in talks with one or more potential strategic investors regarding the sale of its stake in the firm.

CCP is the leading shareholder in Citadel Capital with a 33.15% stake that includes the Firm's entire block of preferred stock; CCP's beneficial owners are the six members of the Firm's Executive Committee. (CCP's shareholding of 38.1%, reported as of 31 March 2011 on page 3 of this document, was prior to the share sale noted in point "a" above.)

Although early-stage verbal talks are underway, no formal contracts or agreements with any interested party have yet been signed. Management again notes that negotiations of this type are not always successfully completed, and further states that any sale agreement reached by CCP would include the balance of the firm's shares. Management believes any transaction would need to be in the best interests of all stakeholders, from shareholders and LPs / co-investors to employees.

Citadel Capital continues to operate on a "business-as-usual" footing in the interim.

f) Continuing Impact of the Egyptian Revolution on Platform Company Performance

As noted in the analysis of Citadel Capital's consolidated financial results (page 11, below), the Egyptian Revolution had a noticeable impact on a number of platform and portfolio companies in the first quarter. Companies were affected by work stoppages (ASCOM, ESACO) and worker protests (ESACO), industry shutdowns (ASEC Engineering, ASCOM) and lost sales (ASEC Cement, Nile Logistics). External events, such as the impact of worker protests at third-parties in the case of Nile Logistics, have also had an effect.

Against the backdrop, Management notes strong operational performances at Rift Valley Railways, Wafra and Gozour (see above) as well as the important contribution from Sudanese operations to TAQA Arabia's year-on-year EBITDA growth.

V. Financial Performance

(A) Standalone Results

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

As is the case with any private equity firm or investment company, Citadel Capital's financial performance is highly dependent on any exits from current investments the Firm may execute in a given period. At exit, Citadel Capital may record both capital gains on its principal investments and a carried interest in the capital gains it makes for the limited partners in its Funds.

Citadel Capital revenues in 1Q11 stood at US$ 2.68 million (EGP 15.9 million), a 60.3% dip from the previous quarter.

- Revenue from advisory fees stood at US$ 2.68 million (EGP 15.9 million) in 1Q11, a decline of 33.3% from the previous quarter owing to impairment of advisory fees related to written-down upstream oil and gas investments NOPC / Rally Energy and the National Petroleum Company (NPC). As recorded in note 21.1 to the Firm's statutory audited standalone financial statements, the Firm recorded US$ 4.4 million (EGP 26.1 million) in advisory fees from signed contractual agreements. To maintain a conservative posture, Management has opted not to record the same on the revenues line. Instead, it records EGP 10.1 million in fees relating to the impaired platforms on separate accounts, the disposition of which will be decided (a) when and if NOPC / Rally achieves a technical breakthrough allowing it to bring its substantial reserves into production or (b) at exit.

- Gains on the sale of investments stood at nil in 1Q11 against US$ 2.8 million (EGP 16.2 million) the previous quarter.

- Operating expenses (OPEX) declined 15.8% quarter-on-quarter and 31.9% from the same quarter last year to US$ 5.7 million (EGP 33.7 million). In 1Q10, salary expenses reflected the payment of accrued bonuses; 1Q11 reflects no similar expenses as well as the impact of two months of cost-saving measures. The most significant savings in OPEX for the quarter was on travel expenses, as part of the Firm's cash-management plan.

Operating Expenses (in EGP mn)

Element	1Q10	4Q10	1Q11
Salaries, Bonuses and Benefits	30.8	17.5	23.2
Travel	5.4	7.7	1.0
Consultancy Fees, Audit Fees, Publications and Events	8.4	6.0	4.8
Others	4.8	8.8	4.8
Total	49.5	40.0	33.7

- EBITDA stood at a negative US$ 3.9 million (EGP 23.5 million) in 1Q11.

- Net interest expenses of US$ 0.34 million (EGP 2.0 million) in 1Q11 come as Citadel Capital continues to pay interest on loans while not recording 100% of NOPC / Rally Energy's convertible and a further 50% of the NPC convertible vehicle.

- Cash on the balance sheet rose 5.3% from 31 December 2010 largely due to draw-down on existing loan facilities as well as cash injections from Citadel Capital Partners Ltd.

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

- The total debt of Citadel Capital (as distinct from that of its platform companies) stood at US$ 191.1 million (EGP 1,135.4 million) as at 31 March 2011 with a debt-to-equity ratio of 34% compared with EGP 962.0 million and a ratio of 29% at 31 December 2010. Debt is primarily in the form of a four-year dollar bullet loan. As an event occurring after the reporting period, Management notes that Citadel Capital repaid $19.1 million (EGP 113.5 million) in debt in the month of May 2011.

(B) Consolidated Results

On a consolidated basis, Citadel Capital reported a net loss of US$ 18.7 million (EGP 111.3 million) on revenues of negative US$ 8.1 million (EGP 48.1 million). Revenues reflect a negative contribution of US$ 10.7 million (EGP 63.6 million) from Citadel Capital's share of the net losses of its associates. Associates include ASEC Holding, United Foundries, ASCOM, Tawazon, Finance Unlimited, TAQA Arabia and Nile Logistics.

This compares with a net loss of US$ 5.7 million (EGP 33.7 million) on revenues of US$ 5.6 million (EGP 33.6 million) in the same quarter last year.

Fallout from the Egyptian Revolution had a substantial impact on consolidated performance in 1Q11, due in large part of work stoppages of up to one month at plants run by select portfolio companies.

Share of Associates' Profit / Loss

Citadel Capital's share in its associates losses owes largely to the contribution of ASEC Holding, which was most sharply impacted by events associated with the Revolution. Industrial construction contractor ESACO, an ASEC Holding Portfolio Company that specializes in civil, mechanical and steel works, suffered on-site stoppages and worker protests in 1Q11. ESACO also reported cost over-runs on some projects in the first quarter and may report similar news in future.

ASEC Engineering (which manages cement plants with a combined production capacity of c.16 million tons of clinker per year on contracts across Egypt) contributed net losses in 1Q11 as the cement industry essentially closed in late January and much of the month of February. (ASEC Engineering's revenues are directly linked to production and / or sales targets at the factories it manages.) Management also notes that ASEC Cement's results were impacted by sales at Al-Takamol Cement Company in Sudan, which remains in the early stages of its development and is still penetrating export markets to help compensate for the oversupply on the Sudanese market.

ASCOM, the Firm's geology and mining platform, also made a negative contribution on the back of work stoppages in the cement industry, to which the company is the leading Egyptian supplier of quarrying services. The company was further impacted by foreign exchange losses, while ASCOM's calcium carbonate plant experienced both work stoppages and halts to exports during a good portion of the first quarter. Also worth noting is that while ASCOM continues to report very positive exploration results in Ethiopia, the project has not entered production phase.

Management notes that Nile Logistics is a recently operational greenfield which still incurs losses due to its limited total capacity; these losses will decline as construction of its targeted 116-vessel fleet is accelerated following the injection of US$ 21 million by new LPs. The company was adversely affected in 1Q11 by labor action at the River Transportation Authority, which saw workers at river locks working only eight hours daily as opposed to the standard 24. Transportation volumes were also lower in 1Q11 than projected pre-Revolution and further suffered at the height of civil disobedience.

Finally, on a positive note, TAQA Arabia (the Firm's energy distribution platform) recorded a 53% rise in EBITDA year-on-year to EGP 71.7 million in 1Q11 despite ongoing turbulence in the market.

OPEX

On a consolidated basis, OPEX declined 56.3% quarter-on-quarter to US$ 7.2 million (EGP 43.1 million). The decline owes in part to lower OPEX at the Citadel Capital SAE standalone level (see page 10) as well as to lower costs recorded by special purpose vehicles (SPVs). As noted in previous Business Reviews, expenditures made at the SPV level are to support underlying investments and may include legal and financial consultancies as well as research studies. These SPV costs relate primarily to greenfields and turnarounds.

Net Financing Expenses

Net financing expenses deteriorated from a net gain of US$ 2.0 million (EGP 11.94 million) in 1Q10 to a net expense of US$ 3.1 million (EGP 18.3 million) in the quarter just ended. As is the case at the standalone level, the Firm continues to service its debt, but no longer records interest income from convertibles in under-performing upstream oil and gas platforms.

VI. Summary Financials

Standalone Income Statement

EGP mn	1Q 2010	4Q 2010	1Q 2011
Advisory fee	24.78	23.88	15.92
Carry	-	-	-
Gain from sale of investments	9.58	16.24	-
Dividends income	2.40	-	-
Other income	5.49	-	-
Total Revenues	**42.25**	**40.12**	**15.92**
OPEX	(49.45)	(55.53)	(33.69)
Management earnout*	(0.17)	2.48	-
Forex & Others	(3.46)	-3.18	(5.71)
Impairment-Invest	-	(33.02)	-
Impairment Inter-Company	-	(82.66)	-
EBITDA	**(10.83)**	**(131.79)**	**(23.47)**
Depreciation	(2.17)	(2.12)	(1.20)
EBIT	**(13.00)**	**(133.91)**	**(24.67)**
Income from sale of Fixed Assets	-	10.20	-
Net interest	14.00	(22.84)	(2.01)
Provisions	-	(173.56)	-
Profit/Loss BT	**0.99**	**(320.11)**	**(26.68)**
Income Tax	-	1.40	-
Deferred Tax	0.52	0.16	0.04
Profit/Loss AT	**1.51**	**(318.56)**	**(26.64)**

Standalone Balance Sheet

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

* 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 1Q11 statutory stand-alone financial statements under the following line items: Available-for-sale investments (EGP 26.4 million), Investments in Subsidiaries and Associates (EGP 2.698 billion), Payments for Investments (EGP 1.59 billion), and other investments (EGP 381.95 million). This results in total investments of EGP 4.701 billion (investments + convertibles).

Consolidated Income Statement

EGP mn		1Q 2010	4Q 2010	1Q 2011
	Advisory fee	22.93	24.13	15.54
	Gain from sale of investments	12.92	32.73	.00
	Share in associates' results	-6.65	-68.36	-63.62
	Other income	4.44	6.58	.00
Total Revenues		**33.64**	**-4.92**	**-48.08**
	OPEX	-75.82	-98.75	-43.12
	Other expenses	-1.19	0.35	-0.65
	Impairment	-	-861.86	-
EBITDA		**-43.37**	**-965.17**	**-91.85**
	Depreciation	-2.72	-2.18	-1.21
EBIT		**-46.09**	**-967.35**	**-93.06**
	Net finance income (expense)	11.94	-28.1	-18.28
	Provisions	-	-206.14	-
Profit BT		**-34.15**	**-1,201.65**	**-111.34**
	Deferred tax	0.52	0.67	0.03
	Current income tax	-0.05	1.40	0.00
Profit AT from continued operations		**-33.68**	**-1,199.58**	**-111.30**
	Net results from discontinued operations			
Profit		**-33.68**	**-1,199.58**	**-111.30**
	Attributable to:			
	Majority shareholders	-31.34	-1,199.17	-108.45
	Non-controlling shareholders	-2.34	-0.42	-2.85
Net (loss) profit for the period		**-33.68**	**-1,199.58**	**-111.30**

Consolidated Balance Sheet

EGP M		FY 2010	1Q 2011
	Fixed assets (net)	146.35	145.45
	Intangible assets	-	-
	Investments	3,607.68	3640.10
	Convertibles	538.09	564.60
	Deferred tax assets	1.72	1.76
Total Non Current Assets		**4,293.84**	**4351.91**
	Inventories	-	-
	Investments	20.30	23.13
	Due from Related Parties & Other Debit Balances	148.15	128.28
	Related parties - loans	377.97	405.00
	Cash & cash equivalent	162.62	220.90
Total Current Assets		**709.03**	**777.30**
Total Assets		**5,002.88**	**5129.21**
	Paid in capital	3,308.13	3308.13
	Reserves	132.35	181.75
	Retained Earning	273.68	-1096.89
	Net (loss) profit for the period	-1,354.90	-108.45
	Total equity attributable to the majority shareholders	**2,359.26**	**2284.53**
	Total equity attributable to the non-controlling shareholders	**197.00**	**195.11**
Total Equity		**2,556.26**	**2479.65**
	LT borrowings	1,155.92	1324.21
	LT liabilities	74.13	71.75
Total Non Current Liabilities		**1,230.06**	**1395.96**
	Current portion of long term loans	96.19	113.54
	Due to CCP	707.54	769.68
	Due to Related Parties & Other Credit Balances	192.38	161.16
	Provisions	220.45	209.21
Total Current Liabilities		**1,216.56**	**1253.60**
Total Equity & Liabilities		**5,002.88**	**5129.21**

About Citadel Capital

Citadel Capital (CCAP.CA on the Egyptian Stock Exchange) is the leading private equity in the Middle East and Africa. Citadel Capital focuses on building regional platforms in select industries through acquisitions, turnarounds, and greenfields executed via Opportunity Specific Funds. Citadel Capital's 21 OSFs now control 19 Platform Companies with investments worth more than US$ 8.7 billion in 14 countries spanning 15 industries, including mining, cement, transportation, food and energy. Since 2004, the Firm has generated more than US$ 2.2 billion in cash returns to its co-investors and shareholders, more than any other private equity firm in the region. Citadel Capital is the largest private equity firm in Africa by PE assets under management (2006-2011, as ranked by Private Equity International). For more information, please visit www.citadelcapital.com.

Forward-Looking Statements

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