المجموعة المالية - هيرميس

EFG HERMES

INVESTOR RELATIONS

1Q2009 Earnings Release

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Stock Exchange & Symbol

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1Q2009 in Review

EFG-Hermes net reported total consolidated revenues of EGP326 mn and net profit after tax and minority interest of EGP140.1 mn for the quarter ending March 31, 2009. Total revenue growth over the quarter was 17% (4Q2008 revenues EGP279 mn) while net profit growth was over 6 fold (4Q2008 net profits EGP19.7 mn).

Business Highlights

- 1Q2009 net consolidated revenues of EGP326 mn, predominantly booked through the operations of the Investment Bank, declined 49.3% from EGP644 mn during 1Q2008 compared to declines in equity values in the markets where EFG-Hermes operates in excess of 62%. Total consolidated revenues in 1Q2009 increased 17% over 4Q2008;
- Total fee and commission income booked by the Investment Bank declined 68% to EGP151 mn in 1Q2009, down from EGP470 mn in 1Q2008 due to contracting volumes on all regional markets, delays in Investment Banking transactions, increasing redemptions above usual levels and incentive fees became none existent. As challenging market conditions spilled into 1Q2009 from 4Q2008, fee and commissions only slightly decreased by 4.7% compared to market volumes decreasing by an average of 21.6% over the same period;
- Total operating expenses declined by EGP45.3 mn (24.1%) versus 4Q2008 as the impact of the cost cutting plan starting to show, with the full effect expected during 2Q2009;
- Net operating profit, reflecting the Group's core agency based business, was above breakeven at EGP7.5 mn, compared to loss of EGP30.3 mn in 4Q2008. The Investment Bank remained profitable against a background of global and regional competitors which continued to struggle;
- Net profit after tax and minority interests decreased by 59.8% to EGP140.1 mn during the quarter, down from EGP348.5 mn in 1Q2008; resulting in a margin of 43% compared to 55% in 1Q2008. The 1Q2009 result was a a 6 fold increase over 4Q2008 levels;
- Regional operations during 2008 accounted for 48.3% of the total fee and commission income in 1Q2009 up from 25.97% a year earlier;
- The Brokerage arms in Egypt and the UAE (on the DFM and ADSM) continued to maintain their number one market share positions. The Kuwaiti operations oscillated between the #1 and #2 position during the quarter while the Omani operation ended the quarter in third position. In markets where institutional trading declined sharply, some market share loss was witnessed (mainly Dubai and Oman);
- Total assets under management within the Group decreased to USD4.82 bn, USD3.67 bn of which are in listed equities and money market funds and the remainder in private equity. AuMs in listed equities declined 12.1% since the end of 2008 with nearly 40% of the decline as a result of market conditions;
- EFG-Hermes' shareholding structure remains dominated by institutional shareholders. As at the end of 1Q2009, the top 50 shareholders owned 79% of the shares and included 32 western institutions;

Post 1Q2009 Events

- After laying the ground work in 1Q2009, Private Equity launched the EFG-Hermes InfraMed Fund early in 2Q2009, a long-term investment fund and the first financing facility of the Union for the Mediterranean, in conjunction with Caisse des Dépôts (France), Cassa depositi e prestiti (Italy), and Caisse de Dépôt et de Gestion (Morocco);
- EFG-Hermes is taking advantage of the global financial crisis by beefing up its senior ranks in order to position the firm for long-term success in the region. The firm has recently filled two previously open senior positions with executives from the global competition. The positions to head the Saudi and GCC (ex-Saudi) operations provide added depth to an already strong franchise. Both gentlemen will officially join EFG-Hermes at different times during 2Q2009;
- During May 2009 EFG-Hermes Asset Management launched an open-ended Money Market Fund in Egypt in partnership with Bank Audi that targets both institutional and retail investors.

Market Commentary

Despite a decline in both the indices and volumes traded in the 1Q2009 relative to both the 4Q2008 and 1Q2008, the latter part of March 2009 signaled a slight improvement in investor sentiment across the MENA region. Valuations and volumes traded declined on average 7.4% and 19.5% respectively over the quarter versus 4Q2008. However, after ten straight months of declines, the broad MENA market weighted average equity indices registered a gain of 7.4% during March 2009. Regional markets recovered some of their poise after the drastic declines of the past 2 months as a combination of global and regional factors led to some optimism that the worst of the global financial crisis may come to an end and a period of recovery, albeit a slow one, may lay ahead. On the hope that the G20 US$1.1 trillion economic stimulus plan will further boost sentiment at least in the short term, regional markets traded in tandem with other global markets as key equity markets such as the US, Europe and Hong Kong gained anywhere from 4 to 8%, with even stronger gains in key emerging markets such as China and Brazil. Furthermore, commodities including oil and copper also posted strong gains over the final month of the quarter as the improved sentiment encouraged some risk-taking by global investors.

Across the region the focus during 1Q2009 was towards the measures taken by each government to counter the effects of the global financial crisis. Several bond programs which were launched across the GCC have helped thwart the potential of credit defaults and have opened up new sources of funding for public and private corporations as traditional venues have closed up or become prohibitively expensive.

On a cautious note of optimism, gains across the region during March 2009 were fairly uniform, with the exception of Oman which lost close to 5%, Morocco (losing 7%) and Lebanon (losing close to 2%) over the month. The largest market, Saudi Arabia, gained 7.3% as optimism about banking sector profits and an improved oil price boosted sentiment. UAE markets gained ground as local and foreign selling eased amidst improving credit and interbank deposit markets. Qatari equities gained 10.1% on the back of firmer oil prices and the government's plan to purchase banks' investment portfolios. The Kuwaiti market gained close to 5% despite uncertainties over the much-awaited economic stimulus plan. The Egyptian market gained over 17% amidst improved emerging market sentiment and steadily falling interest rates that boosted both domestic investment and spending.

For most of 1Q2009, EFG-Hermes continued to experience deteriorating market conditions impacting the assets under management, trading volumes, and the ability to close Investment Banking deals. The slight improvements in valuations during March 2009 have yet to be reflected in improved investor activity as volumes traded, with the exception of Egypt, have either declined or only slightly improved on the back of mostly retail trading. Currently, longer term institutional investors are still holding back from sizably re-entering the regional markets.

Management continues to expect 2009 to be a difficult year and thus is adamant about adhering to all the cost cutting measures and continues to be vigilant on third party risk and the use of the balance sheet. Nonetheless, the Group's integrated business model, diverse geographic presence and the continued pursuit of a universal banking platform coupled with the increasing retail facet have been key advantages for the Group over its regional as well as International peer group.

Table 1: Performance of Markets in the Arab Region during 1Q2009

	Activity During Quarter Difference Beginning & Ending Indices			Indices	Volumes	Indices	Volumes	Indices	Volumes
	1Q08	4Q08	1Q09	1Q09 Vs. 1Q08	1Q09 Vs. 1Q08	1Q09 Vs. 4Q08	1Q09 Vs. 4Q08	March 09	March Vs. Feb 09
Egypt	6.84%	-32.29%	-6.21%	-59.56%	-69.87%	-6.21%	-3.95%	17.47%	94.65%
Dubai	-9.78%	-60.36%	-4.15%	-70.69%	-77.99%	-4.15%	-26.62%	0.61%	2.17%
Abu Dhabi	0.10%	-39.60%	4.10%	-45.40%	-86.21%	4.10%	-47.00%	4.69%	-30.86%
Saudi Arabia	-18.54%	-35.60%	-2.07%	-47.69%	-56.80%	-2.07%	-6.64%	7.28%	-14.44%
Kuwait	13.77%	-39.38%	-13.33%	-52.79%	-72.21%	-13.33%	-45.71%	4.67%	34.80%
Lebanon	2.27%	-31.71%	-10.76%	-31.27%	-41.72%	-10.76%	-57.14%	-1.96%	14.55%
Morocco	15.67%	-12.85%	-4.42%	-29.16%	-9.26%	-4.42%	-49.17%	-7.20%	-24.07%
Oman	11.81%	-35.94%	-14.93%	-54.18%	-62.88%	-14.93%	3.24%	-4.64%	99.63%
Qatar	-0.27%	-26.07%	-29.03%	-48.85%	-53.18%	-29.03%	-53.22%	10.12%	86.39%
Total Average	**-4.22%**	**-36.34%**	**-7.17%**	**-50.51%**	**-63.30%**	**-7.17%**	**-21.58%**	**5.43%**	**-1.41%**
Average of Egypt & GCC	**-5.64%**	**-37.96%**	**-7.39%**	**-52.64%**	**-64.22%**	**-7.39%**	**-19.46%**	**6.98%**	**-0.26%**
Average for Egypt, UAE & KSA	**-10.91%**	**-39.48%**	**-2.20%**	**-53.02%**	**-62.97%**	**-2.20%**	**-10.29%**	**7.44%**	**-7.88%**

Sources: Regional markets and EFG-Hermes

Performance

Total Revenue

Table 2: Breakdown of Total Revenue

Total Revenue (EGP mn)	1Q09		4Q08		1Q08		Change 1Q09 Vs. 1Q08	Change 1Q09 Vs. 4Q08
Toral Fee & Commission Revenue	151	46.1%	158	56.6%	470	73.0%	-68.0%	-4.7%
Net Treasury Operations*	88	27.0%	83	29.7%	42	6.5%	109.4%	6.0%
Net Principal Account & Gain on Investments	(3)	-0.8%	(123)	-44.1%	52	8.1%	-105.2%	-97.8%
Total Revenue From the Investment Bank	*236*	*72.2%*	*118*	*42.3%*	*564*	*87.6%*	*-58.2%*	*99.8%*
Bank Audi	85	26.0%	84	30.1%	74	11.5%	14.9%	1.2%
Sundry Revenue	6	1.7%	77	27.6%	6	0.9%	-	-92.8%
Total Revenue	326	100%	279	100%	644	99%	-49.3%	17.0%

Sums and percentages may not add up exactly due to rounding
* net of interest expense and bank charges
Sources: EFG-Hermes audited financial statements and management accounts

EFG-Hermes' net consolidated revenue dropped nearly 50% from 1Q2008 levels to EGP326 mn; but increased 17% over 4Q2008 levels. Excluding revenues and losses booked from the proprietary trading account, which was wound down by October 2008, total consolidated revenues in 1Q2009 declined 44.4% and 18.2% from 1Q2008 and 4Q2008 levels respectively. Revenues from the Investment Bank remain the prominent contributor comprising 72.2% of total revenue down from 87.6% a year earlier.

Fee and commission income continued to decline as both market volumes and valuations declined across the region. Fee and commission revenue decreased 68% from EGP470 mn[1] in 1Q2008 (EGP158 mn in 4Q2008) to EGP151 mn in 1Q2009, a similar change when compared to the 63.3% decline in market volumes during the year. As revenue from the agency business declined as a proportion of total revenues, revenues booked from treasury operations increased to EGP88 mn[2] up from EGP42 mn in 1Q2008 and EGP83 mn in 4Q2008, maintaining the revenue from the Investment Bank above 70% of the total. It must be noted that the increase in revenues booked by the Treasury Department in a declining interest rate environment hinges upon its participation in the fixed income market, whether Egyptian Eurobonds, treasury bills or corporate bonds.

Revenue consolidated from Bank Audi increased 14.9% over 1Q2008 to EGP85 mn in 1Q2009 increasing to 26% of the total consolidated revenue up from 11.5% a year earlier. The stable revenues consolidated from the commercial bank have helped reduce the volatility of the overall Group as revenues from the Investment Bank dwindled as market conditions deteriorated; pursuing a universal banking strategy is paying off during dire market conditions.

Operating Revenues

With the continued decline in regional markets extending into 1Q2009, in both valuations and volumes traded, EFG-Hermes operating revenues continued to decline for the second quarter in a row; albeit at slower rates than the market declines. Total operating revenue declined to EGP148 mn in 1Q2009, a 85.1% decline over the same period the previous year and 23.4% decline versus 4Q2008. As the Group wound down its principal activity during 4Q2008, the Firm has not directly participated in the market rally that started during the latter half of March 2009.

1 includes EGP34.6 mn of realised incentive fees in 1Q2008
2 Includes EGP34.2 mn of net interest and bank charges, EGP10.8 mn of realised capital gains and EGP15.7 mn of unrealised capital gains on fixed income respectively

Table 3: Contribution of the Different Divisions to Operating Revenue on a Quarterly Basis

Division Revenues (EGP mn)	1Q09		4Q08		1Q08		Change 1Q09vs. 1Q08	Change 1Q09vs. 4Q08
Brokerage: Egypt	55	36.7%	49	31.0%	185	18.7%	-70.2%	12.7%
Brokerage: UAE	9	5.9%	15	9.5%	63	6.4%	-85.9%	-40.5%
Brokerage: Saudi Arabia	4	2.7%	3	1.9%	8	0.9%	-51.9%	35.9%
Brokerage: Oman	3	1.7%	5	3.2%	-	-	-	-50.0%
Brokerage: Kuwait	14	9.2%	16	10.1%	-	-	-	-13.3%
Asset Management: Egypt	9	5.8%	6	3.8%	52	5.2%	-83.0%	46.5%
Asset Management: Regional	26	17.0%	40	25.3%	48	4.9%	-47.0%	-35.9%
Private Equity	24	16.2%	24	15.2%	28	2.8%	-12.6%	1.5%
Investment Banking: Egypt	6	4.2%	-	-	83	8.4%	-92.4%	-
Investment Banking: UAE	1	0.6%	-	-	2	0.2%	-56.5%	-
Total Fee & Commission Revenue	**151**	**100%**	**158**	**100%**	**470**	**47%**	**-68.0%**	**-4.7%**
Prop. Account & Gain (or loss) on Investments*	(3)	-1.8%	(123)	-	52	5.2%	-	-97.8%
Total	**148**	**-**	**193**	**-**	**992**	**100%**	**-85.1%**	**-23.4%**

Sums and percentages may not add up exactly due to rounding
* excluding Treasury Operations
Sources: EFG-Hermes audited financial statements and management accounts

1Q2009 was one of the lowest quarters that EFG-Hermes has encountered in terms of fee and commission income in recent history. Having said that, operationally EFG-Hermes has gained market share in several markets, has witnessed a low level of redemptions, is working on several Investment Banking mandates and most recently launched the first long-term investment fund and the first financing facility of the Union for the Mediterranean (InfraMed) in conjunction with Caisse des Dépôts, Cassa Depositi e Prestiti, and Caisse de Dépôt et de Gestion.

Brokerage operations remained the core contributor to the business accounting for 56.2% of total operating revenues up from 54.6% in 1Q2008. Asset Management is the second largest contributor to revenue, booking 22.9% of total fee and commission income. The increase in revenues booked by Private Equity was minimal as no major funds were launched during 2008 and with no exits revenue remains predominantly management fees. Investment Banking revenue booked only 4.8% of the total fee and commission income collected from a small M&A deal concluded at the beginning of the year.

In line with the Group's regionalisation and geographic expansion strategy the Investment Bank's revenues emanating from the region totaled 48.3%[3] in 1Q2009 up from 25.97% a year earlier and is expected to further increase as the full effect of the Saudi, Kuwaiti, Qatari and Omani businesses are felt and regional market recovery is sustained.

Hereunder is an analysis of the company's main operational divisions:

Brokerage

The Brokerage Division, while not immune to the turmoil in the capital markets, has successfully maintained its position as the leading brokerage house in the MENA region by offering the most complete trading capabilities in the region, through physical presence or channeling orders through third parties. This, combined with the diversity of the client base, whether through type, origin or sophistication has ensured the Group's market shares are generally maintained. More importantly the strict corporate governance, documentation requirements and compliance and risk management procedures have safeguarded the Group during the market downturn, and have been key in attracting new clients and increased business from existing ones as investor sentiment slowly began to pick up at the end of 1Q2009.

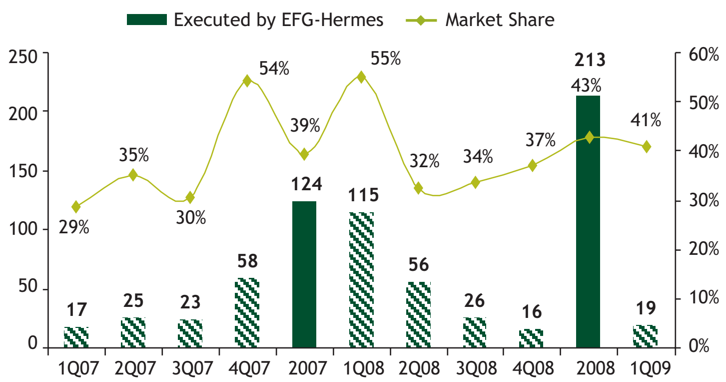
During 1Q2009, Brokerage hosted its 7th annual One-on-One conference in Sharm El Sheikh. Despite the conference being held at the most recent low point in the financial markets, participation in the conference was robust with 47 presenting corporate with senior representation at CEO and CFO levels and 183 institutional investors, predominantly from the US and Europe.

3 including the revenues from trading regional markets that are reported within Brokerage Egypt numbers

Egypt

During 1Q2009 value traded and valuations on the EGX decreased by 4% and 6.2% respectively from 4Q2008 levels while growth in EFG-Hermes executions on the market increased 18.8% to EGP19 bn resulting in the increase of the Group's share of total market executions to 41% up from 37% during 4Q2008. Accounting for the EGP71.3 bn worth of special transactions EFG-Hermes executed during 1Q2008, total executions declined only 56.5% from 1Q2008 to 1Q2009 compared to 69.9% and 59.6% declines in volumes executed and valuations respectively. EFG-Hermes ended the quarter in the #1 position on EGX.

Figure 4: EFG-Hermes Executions and Share of Total Market Executions



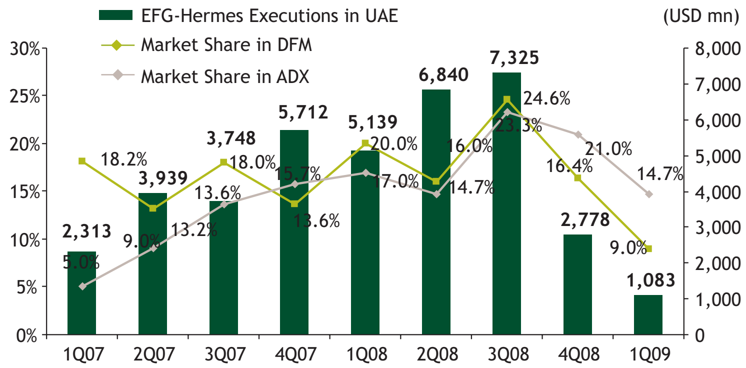
Sources: EGX and EFG-Hermes

With the retail business becoming a more important component of brokerage activity in Egypt, both Online Brokerage and Call Centre activities operations have picked up during the quarter. The number of clients using the Online service increased around 30% over 1Q2008

Revenue from brokerage activity in Egypt decreased 70.2% over 1Q2008 levels (up 12.7% over 4Q2009) to EGP 55 mn constituting 36.7% of the Group's consolidated revenue.

UAE

Figure 5: Progression of Volumes Executed and Share of Total Market Executions



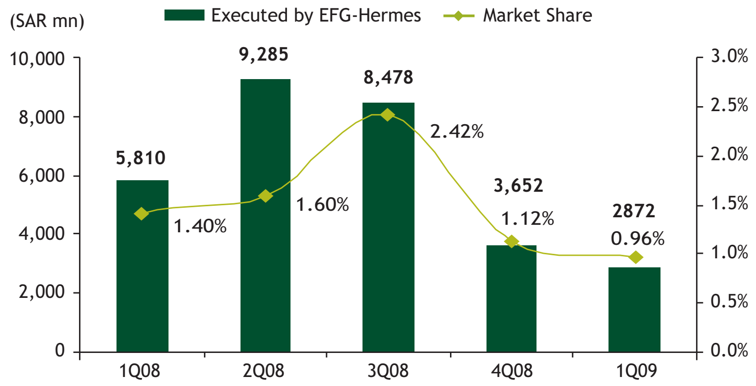
Sources: DFM, ADX and EFG-Hermes

Although EFG-Hermes remained the #1 broker in the UAE, its market shares declined to 9% and 14.7% on the DFM and ADSM respectively as trading by western institutional clients, EFG-Hermes' core competence area, came to a near standstill. Total executions during 1Q2009 declined by 61% from 4Q2008 levels to USD1.083 bn compared to market declines of 26.6% and 47% in volumes on the DFM and ADSM coupled with declines in valuations of around 4% in both markets over the similar period.

Revenues from Brokerage operations out of the UAE have decreased 40.5% from 4Q2008 to the equivalent of EGP9 mn and constituted 5.9% of the Group's total consolidated revenues.

Saudi Arabia

Figure 6: Progression of Volumes Executed and Share of Total Market Executions



Sources: TADAWUL and EFG-Hermes

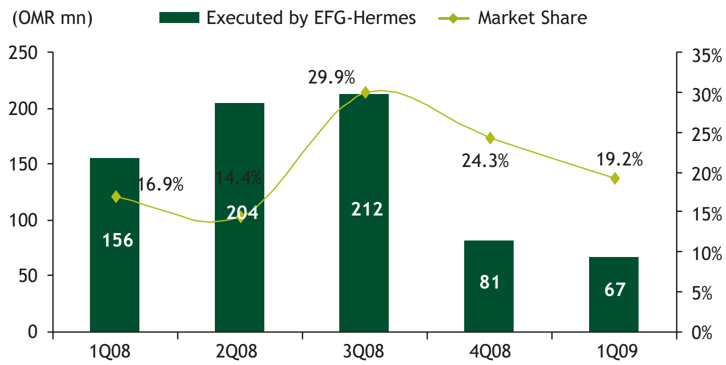
Total executions have declined slightly more than the average decline in market volumes mainly as a result of the market being dominated by retail activity, a segment that is not yet fully penetrated by the Group.

Our business model in Saudi Arabia is somewhat different from other markets as we concentrate on selling portfolios and Asset Management products utilising the Brokerage arms reach. To spearhead our advancement in this area, EFG-Hermes has recently hired a Saudi national as CEO of EFG-Hermes KSA in order to help in penetrating the market with the Group's other business lines.

Brokerage in Saudi Arabia has locked in the equivalent of EGP4 mn in agency fees, corresponding to 2.7% of the Group's consolidated operating revenues.

Oman

Figure 7: Progression of Volumes Executed and Share of Total Market Executions



Sources: Oman Stock Exchange and EFG-Hermes

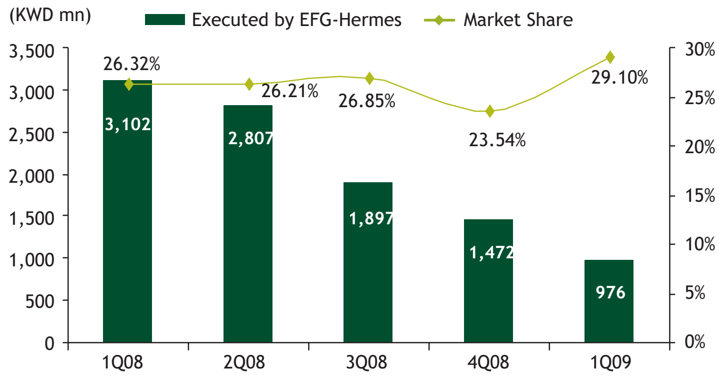
EFG-Hermes's brokerage operations in Oman ended the quarter in the # 3 position with a 19.2% market share, executing the equivalent of USD177.2 mn in transactions.

The Omani operations have been fully integrated into the EFG-Hermes platform since the beginning of the year and all the Group's business practices, documentation requirements and compliance and risk management processes are fully implemented.

Revenue consolidated from Vision Securities' activities recorded the equivalent of EGP3 mn in agency fees, corresponding to 1.7% of the Group's consolidated operating revenues during 1Q2009.

Kuwait

Figure 8: Progression of Volumes Executed and Share of Total Market Executions



Sources: Kuwait Stock Exchange and EFG-Hermes

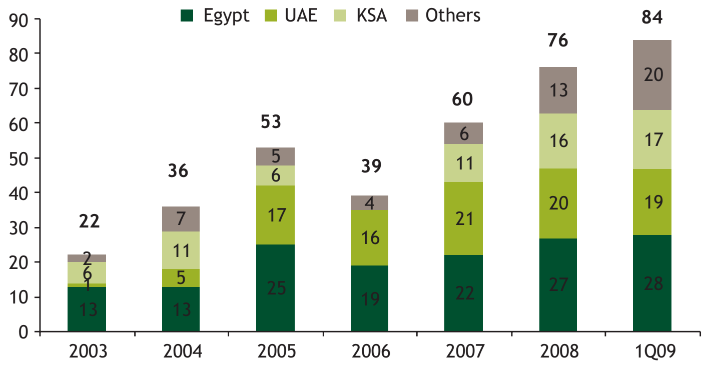
Uncertainty and continued delays in the government's bail out plan for the local financial sector. Having said that, with the general wave of market turnarounds during the latter part of March 2009, the Kuwaiti market was one of the prime benefactors of such growth. As EFG-Hermes' executions declined 33% versus 4Q2008 levels compared to 45.7% declines in overall market volumes, the Group's market share increased to 29.1% with its positioning oscillating between #1 and #2 during the quarter.

The integration process of the Kuwaiti operations is continuing and is taking longer than the Omani subsidiary did due to both the larger size of the acquired company as well as market conditions in general. Full integration is expected by 3Q2009.

The Kuwaiti subsidiary in 1Q2009 is the equivalent of EGP14 mn corresponding to 9.2% of the Group's total operating revenues.

Research

Figure 9: Development of Active Research Coverage

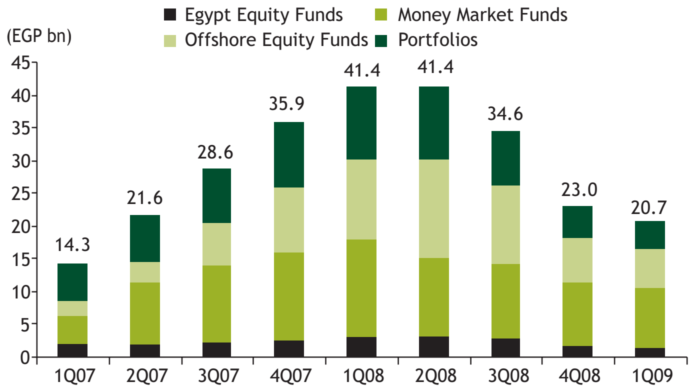


Source: EFG-Hermes

Research has continued to be the backbone supporting the Group's distribution and investment banking arms. The Division was very active during the quarter and is on track to beat last year's record level of output. At the end of 1Q2009, the Team had 84 stocks under active coverage across 8 countries as well as providing coverage of all countries with stock markets in the GCC, the Levant and North Africa from a macro standpoint and 5 countries from a strategy perspective. EFG-Hermes Research continues to have the widest breadth and most in-depth coverage of the regional markets from a stock, economics and strategy perspective and benefits from having its analysts on the ground in most of the key economies in the region. During 1Q2009 the Research Division published its Egypt Yearbook (in January). In addition, supported the Firm's key One-on-One conference in Sharm El Sheikh.

Asset Management

Figure 10: Development of Listed Assets under Management (totals in EGP bns)



Source: EFG-Hermes

Assets under management continued to decline during 1Q2009 on the back of weak global investor sentiment and difficult market conditions which prevented meaningful new assets being raised. As at the end of 1Q2009 total assets under management declined to EGP20.6 bn. Unlike previous quarters the 12.1% decline since the yearend 2008 was mostly due to redemptions (62.4%), predominantly from the regional funds. This has been partly offset by net inflows into the money market funds and fixed income portfolios. The MENA Opportunities Fund and the MEDA Fund ended the quarter with USD530 mn and USD321 mn respectively down from around USD1 bn each 9 months ago. All categories of assets under management ended the quarter lower due to a combination of redemptions and/or onerous market conditions. Recently the Team has been awarded new mandates totaling approximately USD55 mn. The flexibility and active investment style of the EFG-Hermes' Asset Management Team was underscored in the asset allocation across the various funds and managed accounts.

Going into 2Q2009 Asset Management's client base continues to be diverse to include endowments, family offices, institutional investors and sovereign wealth funds from across the world.

Revenues of the Asset Management business decreased 25.2% over 4Q2008 to EGP34 mn as the AuMs declined and the lower-earning money market and fixed income portfolios increased as a proportion of the total AuMs. Setting aside the incentive fees which were non-existent in both 4Q2008 and 1Q2009, total revenues booked by Asset Management declined 65.6% over 1Q2008 mirroring the 52% decline on AuMs over the similar period. Asset Management contributed 22.8% to the Group's consolidated net operating revenues.

Investment Banking

Investment Banking continued to face difficult market conditions during 1Q2009. Although the pipeline in terms of signed mandates for equity offerings remains quite strong, the complete halt in regional market activity continued from 2H2008. Given such unfavorable market conditions and the highly dilutive nature of the prevailing valuations, the Team has advised its clients to postpone IPO and equity raising plans.

During 2008 the Investment Banking Team started to increase the focus on M&A transactions as a hedge to the slowdown in the equity markets, a focus which continued into 1Q2009. Having said that, the main challenge to finalising or executing M&A transactions remains the continued disconnect between buyers and sellers when it comes to valuations as well as the lack of proper financing tools

The Team has also been active in building the M&A pipeline through intensive pitching across the region. Consequently, EFG-Hermes is currently advising on a sizeable regional acquisition in several sectors that are still in the early stages of development. On the sell side of the business, EFG-Hermes has managed to secure several high profile mandates in both Egypt and the region.

Revenues booked by the Investment Banking Division 1Q2009 recoded EGP7 mn compared to EGP85 mn during 1Q2008. It must be noted that Investment Banking revenue booked during 1Q2008 was predominantly the unbilled portion relating to the Talaat Mustafa Group private placement and IPO that took place at the end of 4Q2007. Investment Banking revenue contributes 4.8% to the Group's consolidated revenues Although the Investment Banking Team is currently working on several mandates, going forward, it is expected to have a lower level of contribution to the total fee and commission income as the within the framework of the expected future growth of Asset Management and Private Equity.

Private Equity

Funds under management at the end of 1Q2009 of USD1.15 bn remained at the same level as 4Q2008. In general the Team continued to develop the pipeline of investments along the articulated strategy that hinges on expanding the investment scope beyond Egypt and North Africa as well as increasing the investor base beyond the MENA region; the latter which has successfully begun through the partnerships with CDC and CDP. In addition, the pipeline for investments and level of activity has grown with the Team currently reviewing several investment opportunities.

Over the course of 1Q2009, Private Equity worked extensively on developing the Inframed opportunity that culminated in signing the memorandum of understanding between the sponsoring parties under the auspices of the Egyptian Minister of Trade and Industry on 30th April 2009. InfraMed, a long-term investment fund and the first financing facility of the Union for the Mediterranean, is to be an equity investor in primarily greenfield projects to build urban, energy and transport infrastructure in the Southern and Eastern Mediterranean region. EFG-Hermes and the governing bodies of Caisse des Dépôts (France), Cassa depositi e prestiti (Italy), and Caisse de Dépôt et de Gestion (Morocco) have approved a joint commitment of up to €400 mn for InfraMed. InfraMed will be open to other long-term investors, particularly in Europe, the Middle East and North Africa with the aim of raising in excess of €1 bn over the coming months, with the first closing expected by the beginning of 3Q2009.

Removing the success fees booked during 1Q2008 (EGP4.9 mn), revenues from Private Equity slightly increased in 1Q2009 to EGP24 mn as a result of the funds raised during 2Q and 3Q2008. The business line contributed 16.2% to the Group's consolidated operating revenues.

Operating Expenses

Table 11: Breakdown of Operating Expenses

(EGP mn)	1Q09	4Q08	1Q08	1Q09 Vs. 4Q08	Absolute Savings 1Q09 Vs. 4Q08	1Q09 Vs. 1Q08
Total Operating Revenue	**151**	**158**	**470**	**-4.72%**		**-67.97%**
Total Operating Expenses	**143**	**188**	**192**	**-24.08%**	**-45**	**-25.51%**
Net Operating Profit	**8**	**-30**	**278**	**-124.86%**		**-97.29%**
Net Operating Margin	5.01%	-19.21%	59.16%			
Employee Expenses	**80**	**87**	**110**	**-8.46%**	**-7**	**-27.65%**
Employee Expenses/Total Oper. Revenue	53.10%	55.27%	23.51%			
Employee Expenses/Total Oper. Expenses	55.90%	46.36%	57.55%			
Other Operating Expenses	**63**	**101**	**81**	**-37.57%**	**-38**	**-22.60%**
Other Operating Expenses/Total Oper. Revenue	41.89%	63.94%	17.34%			
Other Operating Expenses/Total Oper. Expenses	44.10%	53.64%	42.45%			

Sources: EFG-Hermes audited financial statements and management accounts

Cost cutting measures introduced across the major expense items have began to bear fruit in 1Q2009. Fully loaded consolidated total operating expenses have decreased by EGP45 mn (by 24.1%) over 4Q2008 levels to EGP143 mn. The 25.5% decline versus 1Q2008 levels is even more significant given that during 1Q2008 neither the Omani nor Kuwaiti operations were accounted for.

Due to the nature of the business, employee expenses remains the single largest component of operating expenses. Fully loaded employee expenses decreased 27.7% from 1Q2008 levels and 8.5% from 4Q2008 levels to reach EGP80 mn. The decrease is despite headcount rising from 762 in 1Q2008 to a total of 870 as at the end of 1Q2009, and can be attributed to the salary reductions implemented across the Group's top 200 employees starting in March, the full effect of which will become apparent during 2Q2009. Coupled with the reduction in salaries, the fixed portion of the expense has in fact decreased by a total of 28.1% over 4Q2008.

Other operating expenses include occupancy expenses, office expenses, communication expenses (data and telecommunication), travel and marketing expenses, promotion and advertising expenses and consultant and service fees, have declined over 4Q2008 levels as the cost curbing measures were immediately implemented starting the end of 4Q2008 and the full effect is mostly reflected in the current levels. Other operating costs declined 22.6% over 1Q2008 levels to EGP 63 mn down from EGP81 mn a year earlier when the Group's operating expenses did not include the Kuwaiti and Omani operations and down 35.6% from EGP101 mn in 4Q2008. Major cost saving came from the decline in promotional and advertising expenses by decreasing by 79.5% (EGP13.1 mn) over 4Q2008 as the Group downsized all promotional and advertising to a minimum. The Group did not sponsor any major conferences, bar its own One-on-One conference, reversing the trend of sponsoring major conferences and events in its key markets during 2008. Several cost curbing measures have been introduced with respect to travel and marketing expenses starting the beginning of the year that has restricted use to particular airlines and hotels with which the Group has corporate rates, as well as limiting entertainment and other expenses have brought down travel and marketing expenses a 43.9% reduction in 1Q2009 to EGP5.96 mn from EGP10.6 mn in 4Q2008 and EGP9.4 mn in 1Q2008.

Despite the sharp decline in operating revenues, the Investment Bank remained profitable over 1Q2009; this in itself is an achievement given the near collapse of the investment banking industry in general and the turmoil and dire conditions regional markets are experiencing . Net operating profit declined to EGP8 mn from a profit of EGP278 mn in 1Q2008 (of which EGP34.6 mn were incentive fees) but up from a loss of EGP30 mn in 4Q2008.

Other Revenue

The major components of other revenue are the consolidated portion of EFG-Hermes' 27.87% ownership stake in Bank Audi Saradar and the net income from treasury operations and balance sheet management.

Banque Audi: The importance of pursuing a universal banking model has proved advantageous. With the contraction of fee and commission income, revenues consolidated from the investment in Bank Audi has provided a stable revenue stream. In terms of performance, the consolidated portion from the Bank Audi investment during 1Q2009 is the equivalent of EGP85 mn, 14.9% above 1Q2008.

Treasury Operations: The Treasury Department has been increasingly capturing opportunities in the fixed income market in order to maximise returns on the Group's cash balances. Accordingly, the combined revenue from treasury operations has been reclassified into net interest, realised and unrealised capital gains (or losses) on fixed income instruments.

During 4Q2008, net revenues consolidated from the treasury operations amounted to the equivalent of EGP83 mn. The amounts booked during 1Q2009 increased to a total of EGP88 mn as the EGP slightly depreciated (from 1USD=EGP5.52 to EGP5.59) locking in an FX gain of EGP27.1 mn. As more of the Group's liquidity was channeled to fixed income instruments, predominantly Egyptian treasury bills and bonds with the only corporate bond being the Weather bond, the net interest earned declined to EGP34.3 mn during 1Q2009 and is being replaced by revenue booked from fixed income (both realised and unreaslised) of EGP26.5 mn.

Given the above, Treasury operations earned a total of a total of EGP88 mn in 1Q2009 constituting 27% of total revenue, up from around 6.5% a year earlier.

Balance Sheet

In the continuing ominous market conditions EFG-Hermes' balance sheet continued to be strong, liquid, unleveraged and free of toxic assets. High levels of cash, cash equivalents and other investments (namely T/Bills, bank deposits and investment in money market funds and fixed income products[4]) reaching EGP3.002 bn down slightly from EGP3.004 bn at the end of 2008. Working towards maintaining that Investment Banking platform is profitable and closing the proprietary trading account during the latter part of 2008 ensured that the Group did not burn cash during 1Q2009 and has the firepower to expand its business whether organically or through acquisitions at anytime.

As EFG-Hermes wound down the Principal and Proprietary Trading accounts and has not traded any of its seed capital positions, the available for sale investments declined to EGP660 mn as at the end of 1Q2009 down from EGP704.7 mn at the yearend 2008. A large part of the decline is the due to the decline in the market valuations that have caused the value of the Group's stake in SODIC to drop to a total of EGP145.8 mn down EGP175.7 mn as at the end of 2008 as the investment was marked-to-market as well as the sale of a portion of bonds.

Total receivables and payables resulting from operations resulted in a net payable to clients of EGP247.7 mn incurred mainly due to the normal course of business concentrated within the Brokerage and Asset Management divisions. This is down slightly from EGP344.1 mn as at the end 2008.

The increase in property, plant and equipment since the end of 2008 to EGP392.7 mn relates mainly to the continued work on EFG-Hermes' new headquarters in Egypt.

The increase over the year of the total, current and non-current, amounts relating to the EFG-Hermes Employee Trust from EGP305.8 mn as at the end of 2008 to EGP409.1 mn as at the end of 1Q2009 reflects the transfer of the latest tranche to the Trust from the treasury shares during January 2009.

As at the end of 1Q2009 the treasury shares for a total of EGP94.8 mn correspond to a total of 5,150,000 shares that the Firm's extraordinary general assembly approved redeeming on 7th April 2008.

On the liability side, the Group continues to carry very little bank debt. The only debt outstanding as at the end of 1Q2009 is a total of EGP127.5 mn of long term loans to DEG and IFC.

As at the end of 1Q2009 shareholders' equity increased to EGP8.19 bn up from EGP7.97 bn as at the end of 2008 in spite of having a total of EGP94.8 mn worth of treasury shares on the balance sheet as at the end of 1Q2009.

Taxes

The effective tax rate for 1Q2009 has decrease to 11.3% down from 12.6% in 1Q2008 as revenues emanating outside Egypt and from non-taxable entities have increased.

Profitability

Net income after tax and minority interest decreased 59.4% to EGP140.1 mn in 1Q2009 down from EGP348.5 mn in 1Q2008. Of the bottom line EGP34.6 mn relate to incentive fees realised on the listed equity funds and portfolios in 1Q2008 and none in 1Q2009. Compared to 4Q2008, net profit after tax and minority interest increased over 6 fold. However, adjusting for the one-off impairment of EGP102 mn taken during 4Q2008, the bottom line increased only marginally (around 15%) above the adjusted 4Q2008 profit after tax and minority interest despite capital markets in general weakening over the course of 1Q2009.

4 EGP431.7 mn of investment in money market funds and bonds is reported in the EGP521.7 mn trading investment figure

In this earnings release EFG-Hermes may make forward looking statements, including, for example, statements about management's expectations, strategic objectives, growth opportunities and business prospects. Such forward looking statements by their nature may involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by these statements. Examples may include financial market volatility; actions and initiatives taken by current and potential competitors; general economic conditions; and the effect of current, pending and future legislation, regulations and regulatory actions. Furthermore, forward looking statements contained in this document that reference past trends or activities should not be taken as a representation that such trends or activities will continue. EFG-Hermes does not undertake any obligation to update or revise any forward looking statements. Accordingly, readers are cautioned not to place undue reliance on forward looking statements, which speak only as of the date on which they are made.

This document is provided for informational purposes only. It does not constitute an offer to sell or a solicitation of an offer to buy any securities or interests described within it ("Investments") in any jurisdiction. We strongly advise potential investors to seek financial guidance when determining whether an investment is appropriate to their needs.

EFG-Hermes Holding SAE has its address at 58 El Tahrir Street, Dokki, Giza and has an issued capital of EGP 1,939,320,000.

المجموعة المالية هيرميس القابضة شركة مساهمة 58 شارع التحرير – الدقى – الجيزة رأس المال المصدر: 1,939,320,000 جم

Stock Exchange & Symbol:
Cairo: HRHO.CA
London: HRHOq.L
Bloomberg: EFGH
Reuters pages: EFGS .HRMS .EFGI .HFISMCAP .HFIDOM

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EFG – Hermes Holding Company
(Egyptian Joint Stock Company)

Consolidated financial statements
for the period ended 31 March 2009
&
Review Report

KPMG

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Public Accountants & Consultants

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Review Report

To the Board of Directors of the EFG - Hermes Holding Company

Introduction

We have performed a limited review for the accompanying consolidated balance sheet of EFG – Hermes Holding Company and its subsidiaries as of 31 March 2009 and the related consolidated statements of income, changes in equity and cash flows for the three-month then ended, and a summary of significant accounting policies and other explanatory notes. The company's management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Limited Review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 31 March 2009, and of its consolidated financial performance and its consolidated cash flows for the three-month then ended in accordance with Egyptian Accounting Standards.

Hazem Hassan

KPMG Hazem Hassan

Cairo, May 10, 2009

KPMG Hazem Hassan
Public Accountants and Consultants

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated balance sheet
as at 31 March, 2009

	Note No.	31/3/2009 LE	31/12/2008 LE
Current assets			
Cash and cash equivalents	(4,23)	2 035 172 708	1 891 078 295
Treasury bills	(5)	535 271 382	520 037 696
Trading investments	(6)	521 663 603	690 588 550
Accounts receivables (net)		531 668 109	476 137 971
Due from EFG- Hermes Employee Trust (current tranche)	(20)	102 217 877	72 422 903
Due from related parties		16 318 042	12 667 362
Other brokerage companies		2 698 774	137 635 119
Other debit balances	(7)	463 573 480	516 943 843
Total current assets		4 208 583 975	4 317 511 739
Non - current assets			
Fixed assets (net)	(10)	169 176 287	168 422 643
Projects under construction	(11)	223 536 831	207 644 611
Available -for- sale investments	(12)	660 015 138	704 666 828
Investments in subsidiaries & associates	(13)	4 142 020 491	4 040 280 838
Investment property	(14)	178 167 117	178 167 117
Settlement Guarantee Fund	(15)	31 333 579	31 324 099
Due from EFG- Hermes Employee Trust (non-current tranche)	(20)	306 895 126	233 345 392
Intangible assets	(16)	699 497 013	699 450 213
Total non - current assets		6 410 641 582	6 263 301 741
Total assets		10 619 225 557	10 580 813 480
Current liabilities			
Banks - overdraft		16 163	300 118
Accounts receivables - credit balances		882 070 699	957 861 846
Creditors and other credit balances	(8)	398 998 794	511 451 534
Due to related parties		15 237 818	15 235 000
Provisions	(9)	147 968 322	153 171 660
Current tranche of long term loans	(18)	37 504 000	37 732 000
Total current liabilities		1 481 795 796	1 675 752 158
Shareholders' equity			
Share capital	(20)	1 939 320 000	1 939 320 000
Legal reserve		982 419 740	980 337 393
Share premium		3 350 287 675	3 345 518 887
Reserves		40 868 546	3 263 897
Other equity	(19)	(607 200 000)	(607 200 000)
Retained earnings		2 442 067 436	1 616 624 918
Shareholders' equity		8 147 763 397	7 277 865 095
Treasury shares	(20-1)	(94 845 163)	(239 381 358)
		8 052 918 234	7 038 483 737
Net profit for the period / year		140 093 423	933 497 922
Shareholders' equity including net profit for the period / year		8 193 011 657	7 971 981 659
Minority interest		211 795 513	213 767 624
Total shareholders' equity		8 404 807 170	8 185 749 283
Non - current liabilities			
Long term loans	(18)	89 960 000	91 116 000
Deferred tax liabilities	(25)	21 556 491	20 089 322
Long term liabilities	(19)	621 106 100	608 106 717
Total non - current liabilities		732 622 591	719 312 039
Total shareholders' equity and liabilities		10 619 225 557	10 580 813 480

The accompanying notes from page (5) to page (25) are an integral part of these financial statements and are to be read therewith.

Review Report "attached"

Mona Zulficar
Chairperson

Yasser El Mallawany
Executive Managing Director

Hassan Heikal
Executive Managing Director

EFG - Hermes Holding Company

(Egyptian Joint Stock Company)

Consolidated income statement

for the period ended 31 March, 2009

	Note No.	For the period ended 31/3/2009 LE	For the period ended 31/3/2008 LE
Income from fees, commission & management of investments		150 539 443	469 938 616
Share of profit of associate - Bank Audi - Lebanon	(3-1-2)	85 021 362	73 589 519
Interest income	(23)	41 875 895	27 497 614
Dividend income		3 609	4 753 109
Unrealized gain (loss) on trading investments		12 998 910	(10 680 015)
Gain on sale of investments		10 810 648	87 939 030
Gain (loss) on sale of fixed assets		978	(115)
Foreign currencies differences		27 144 356	(22 415 224)
Other income		5 571 314	803 088
Total revenues		333 966 515	631 425 622
Deduct:			
General administrative expenses		142 996 237	192 004 748
Finance costs		7 605 733	10 915 055
Provisions	(9)	6 887 612	6 659 449
Fixed assets depreciation	(10)	7 947 451	5 428 070
Total expenses		165 437 033	215 007 322
Net profit before income tax		168 529 482	416 418 300
Income tax expense	(24)	(19 075 112)	(52 480 577)
Net profit for the period		149 454 370	363 937 723
Equity holders of the parent		140 093 423	348 507 552
Minority interest		9 360 947	15 430 171
		149 454 370	363 937 723
Earnings per share	(26)	0.37	0.90

The accompanying notes from page (5) to page (25) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company

(Egyptian Joint Stock Company)

Consolidated statement of changes in equity

for the period ended 31 March, 2009

	Note No.	Sahre capital	Legal reserve	Share premium	Reserves: General reserve	Reserves: Special Reserve	Reserves: Translation reserve	Reserves: Fair value reserve	Reserves: Hedging reserve	Reserves: Cumulative adjustments	Reserves: Company's share of items recognized in associate equity	Other equity	Retained earnings	Treasury shares	Net profit for the year / period	Total
		LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance as at 31December,2007		1 939 320 000	973 176 967	3 337 714 692	158 271	-	11 127 221	864 901 347	68 504 120	(3 539 433)	95 330 342	-	750 728 343	-	1 281 240 358	9 318 662 228
Foreign currencies translation differences		-	-	-	-	-	3 387 900	-	-	-	-	-	-	-	-	3 387 900
Effective portion of changes in fair value of cash flow hedges (net of tax)		-	-	-	-	-	-	-	33 544 640	-	-	-	-	-	-	33 544 640
Company's share of items recognized in associate equity		-	-	-	-	-	-	-	-	-	(36 298 896)	-	-	-	-	(36 298 896)
Net changes in the fair value of available -for-sale investments		-	-	-	-	-	-	(1 915 488)	-	-	-	-	-	-	-	(1 915 488)
Cumulative adjustments		-	-	-	-	-	-	-	-	3 206 942	-	-	-	-	-	3 206 942
2007 dividend payout		-	7 160 426	-	-	-	-	-	-	-	-	-	1 261 031 566	-	(1 281 240 358)	(13 048 366)
Net profit for the period ended 31 March, 2008		-	-	-	-	-	-	-	-	-	-	-	-	-	348 507 552	348 507 552
Balance as at 31 March, 2008		1 939 320 000	980 337 393	3 337 714 692	158 271	-	14 515 121	862 985 859	102 048 760	(332 491)	59 031 446	-	2 011 759 909	-	348 507 552	9 656 046 512
Balance as at 31December,2008		1 939 320 000	980 337 393	3 345 518 887	158 271	-	5 081 503	(784 971)	5 669 734	(51 314 320)	44 453 680	(607 200 000)	1 616 624 918	(239 381 358)	933 497 922	7 971 981 659
Foreign currencies translation differences		-	-	-	-	-	(16 126 524)	-	-	-	-	-	-	-	-	(16 126 524)
Effective portion of changes in fair value of cash flow hedges (net of tax)		-	-	-	-	-	-	-	(9 216 001)	-	-	-	-	-	-	(9 216 001)
Company's share of items recognized in associate equity		-	-	-	-	-	-	-	-	-	17 974 671	-	-	-	-	17 974 671
Net changes in the fair value of available -for-sale investments		-	-	-	-	-	-	(31 511 371)	-	-	-	-	-	-	-	(31 511 371)
Cumulative adjustments		-	-	-	-	-	-	-	-	2 168 999	-	-	-	-	-	2 168 999
Purchase of treasury shares	120-1)	-	-	-	-	-	-	-	-	-	-	-	-	(30 528 161)	-	(30 528 161)
Selling of treasury shares	(20-1)	-	-	4 768 788	-	-	-	-	-	-	-	-	-	175 064 356	-	179 833 144
2008 dividend payout		-	2 082 347	-	214 875	74 100 000	-	-	-	-	-	-	825 442 518	-	(933 497 922)	(31 658 182)
Net profit for the period ended 31 March, 2009		-	-	-	-	-	-	-	-	-	-	-	-	-	140 093 423	140 093 423
Balance as at 31 March, 2009		1 939 320 000	982 419 740	3 350 287 675	373 146	74 100 000	(11 045 021)	(32 296 342)	(3 546 267)	(49 145 321)	62 428 351	(607 200 000)	2 442 067 436	(94 845 163)	140 093 423	8 193 011 657

The accompanying notes from page (5) to page (25) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated cash flows statement
for the period ended 31 March, 2009

	For the period ended 31/3/2009 LE	For the period ended 31/3/2008 LE
Cash flows from operating activities		
Net profit before income tax	168 529 482	416 418 300
Adjustments to reconcile net profit to net cash provided by operating activities		
Fixed assets depreciation	7 947 451	5 428 070
Provisions	6 887 612	6 659 449
Amounts used from provisions	(25 405 763)	(10 115 265)
provisions no longer needed	(3 265 971)	-
(Gain) loss on sale of fixed assets	(978)	115
Gain on sale of available -for- sale investments	-	(59 860 805)
Unrealized (Gain) loss on trading investments	(12 998 910)	10 680 015
Impairment on assets	-	42 500
Foreign currency translation differences	24 833 196	(5 491 360)
Share of profit of associates - Bank Audi - Lebanon	(85 021 362)	(73 589 519)
Operating profit before changes in working capital	81 504 757	290 171 500
Decrease (increase) in other debit balances	57 246 704	(143 657 535)
Decrease in creditors and other credit balances	(168 342 318)	(176 987 873)
(Increase) decrease in accounts receivables -(debit balances)	(38 287 349)	367 601 555
Decrease in accounts receivables - (credit balances)	(61 916 333)	(691 579 812)
Increase in due from related parties	(6 113 490)	(509 906 346)
(Decrease) increase in due to related parties	(66 163 816)	647 132 868
Decrease (increase) in trading investments	182 195 062	(520 215 649)
Increase in EFG- Hermes Employee Trust (current tranche)	(29 794 974)	(922 383)
(Increase) decrease in EFG- Hermes Employee Trust (non - current tranche)	(71 380 735)	36 657 577
Decrease (increase) in other brokerage companies- Misr clearance	134 754 632	(74 899 502)
(Decrease) increase in long term loans - current tranche	(228 000)	1 938 500
Net cash provided from (used in) operating activities	13 474 140	(774 667 100)
Cash Flows from Investing Activities		
Payments to purchase fixed assets	(6 898 484)	(16 496 298)
Proceeds from sale of fixed assets	15 691	500
Payments for projects under construction	(14 463 941)	(67 234 972)
Payments to purchase treasury bills	(15 233 686)	-
Payments to purchase available -for- sale investments	-	(1 922 435 311)
Proceeds from sale of available -for- sale investments	15 129 023	1 462 283 413
Payments to increase companies' share in Settlement Guarantee Fund	(167 220)	(7 167 545)
Net cash used in investing activities	(21 618 617)	(551 050 213)
Cash flows from financing activities		
Proceeds from sale of treasury shares	179 833 144	-
Payments to purchase treasury shares	(30 528 161)	-
Increase in retained earnings	18 924 635	84 195 307
(Decrease) increase in bank overdraft	(290 076)	306 097 093
Paid dividends	(3 044 035)	(73 920 977)
(Decrease) increase in long term loans	(1 136 617)	3 092 502
Changes in reserves	(11 520 000)	-
Net cash provided from financing activities	152 238 890	319 463 925
Net change in cash and cash equivalents during the period	144 094 413	(1 006 253 388)
Cash and cash equivalents at the beginning of the period	1 891 078 295	3 455 612 963
Cash and cash equivalents at the end of the period	2 035 172 708	2 449 359 575

The accompanying notes from page (5) to page (25) are an integral part of these financial statements and are to be read therewith.

EFG- Hermes Holding Company
(Egyptian Joint Stock Company)
Notes to the consolidated financial statements
for the period ended 31March, 2009

1- General

1-1 Legal status

- EFG - Hermes Holding Company -Egyptian Joint Stock Company- was founded in pursuance of decree No. 106 of 1984.
- The company's extraordinary general meeting held on July 22, 1997 resolved to adjust the company's status and convert it in pursuance to the provisions of law No. 95/1992 and its executive regulation.

1-2 Purpose of the company

- The company's purpose is participation in the companies establishment which issue securities or in increasing their share capitals.
- The company's extraordinary meeting held on March 14,2004 decided to add the Custody Activity to the purpose of the company.
- The company obtained the approval of Capital Market Authority on February 5, 2007 to execute the Marginal Trading Activity.

2- Basis of preparation

2-1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian laws and regulations.

2-2 Basis of measurement

The consolidated financial statements are prepared on the historical cost basis, except for the following assets and liabilities which are measured as fair value

- Derivative financial instruments.
- Financial instruments at fair value through profit and loss.
- Available-for-sale financial assets.

2-3 Functional and presentation currency

These consolidated financial statements are presented in Egyptian pounds (LE) which is the Company's functional currency.

2-4 Use of estimates and judgments

The preparation of financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note (9) – provisions.
- Note (21) – Contingent liabilities, valuation of financial instruments.
- Note (25) – recognition of deferred tax liabilities.

3- Significant accounting policies applied

The accounting policies set out below have been applied consistently with those applied in the previous year presented in these consolidated financial statements and applied consistently by Group's entities.

3-1 Basis of consolidation

The consolidated financial statements include the following companies:

3-1-1 Subsidiaries

- The consolidated financial statements include all subsidiaries that are controlled by the parent company and which the management intends to continue to control. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
- Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. EAS 24 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.
- Minority interests shall be presented in the consolidated balance sheet within equity, separately from the parent shareholder's equity. Minority interests in the profit or loss of the group shall also be separately disclosed.
- A parent loses control when it loses the power to govern the financial and operating policies of an investee so as to obtain benefit from its activities.

3-1-2 Associates

Investments in associates are stated at equity method. Under the equity method the investment in associates is initially recognize at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the associates after the date of acquisition. Distributions received from associates reduce the carrying amount of the investment.

Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognized, unless the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of the acquisition over the Company's share of the net faire value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

3-2 Translation of the foreign currencies transactions

The holding company and some of its subsidiaries maintain their books of accounts in Egyptian Pound. Transactions denominated in foreign currencies are recorded at the prevailing exchange rate at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the prevailing exchange rates at that date. The foreign currencies exchange differences arising on the settlement of transactions and the translation at the balance sheet date are recognized in the income statement.

3-3 Translation of the foreign subsidiaries' financials

As at the balance sheet date the assets and liabilities of these consolidated subsidiaries are translated to Egyptian Pound at the prevailing rate as at the year end, and the shareholders' equity accounts are translated at historical rates, where as the income statement items are translated at the average exchange rate prevailing during the year of the consolidated financial statements. Currency translation differences are recorded in the shareholders' equity section of the balance sheet as translation reserves adjustments.

3-4 Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financial and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges
Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss.
If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognized in equity is transferred to the carrying amount of the asset when it is recognized. In other cases the amount recognized in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Fair value hedges
Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged item also is stated at faire value in respect of the risk being hedged, with any gain or loss being recognized in profit or loss.

3-5 Fixed assets depreciation

Fixed assets are stated at historical cost and presented in the balance sheet net of accumulated depreciation and impairment (Note 3-10). Depreciation is charged to the income statement over the estimated useful-life of each asset using the straight-line method. The following are the estimated useful lives, for each class of assets, for depreciation calculation purposes:

	Estimated useful life	
- Buildings	33.3	years
- Office furniture, equipment & electrical appliances	2-16.67	years
- Computer equipment	3.33 - 5	years
- Transportation means	3.33 - 4	years

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the property and equipment. All other expenditure is recognized in the income statement as an expense as incurred.

3-6 Projects under construction

Projects under construction are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use. Property and equipment under construction are transferred to property and equipment caption when they are completed and are ready for their intended use.

3-7 Intangible assets

3-7-1 Goodwill

Goodwill (positive and negative) represents amounts arising on acquisition of subsidiaries, associates. Goodwill (positive and negative) represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired at acquisition date.

- Positive goodwill is stated at cost less impairment losses (note 3-10).
- While negative goodwill arose from business combinations after applying International Financial Reporting Standards (IFRS3) will be recognized directly in the income statement.
- Goodwill resulting from further acquisitions after control is obtained is determined on the basis of the cost of the additional investment and the carrying amount of net assets at the date of acquisition, accordingly, no fair value adjustments would be recognized.

3-7-2 Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses (note 3-10). Amortization is recognized in the income statement on a straight – line basis over the estimated useful lives of intangible assets.

3-7-3 Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3-8 Treasury Bills

Treasury bills are recorded at nominal value and the unearned income is recorded under the item of "creditors and other credit balances". Treasury bills are presented on the balance sheet net of the unearned income.

3-9 Investments

3-9-1 Investments at fair value through profit and loss

An instrument is classified as at fair value through income statement if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through income statement if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognized in income statement when incurred. Financial instruments at fair value through income statement are measured at fair value, and changes therein are recognized in income statement.

3-9-2 Available-for-sale financial investments

Available-for-sale financial investments are valued at fair value, with any resultant gain or loss being recognized in equity, except for impairment losses which is recognized in the income statement. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in the income statement. The fair value of investments available for sale, identifies based on quoted price of the exchange market at the balance sheet date, investments that are not quoted, and whose fair value can not be measured reliably, are stated at cost less impairment loss.

3-9-3 Investment property

- Investment property is recorded at cost. Any decline in the fair value (impairment) is charged to income statement.
- The accounting policy has been changed in order to be measured by fair value on the balance sheet date and any gain or loss arising from a change in the fair value of investment property shall be recognized in profit or loss for the period in which it arises.

3-10 Impairment

3-10-1 Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

3-10-2 Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3-11 Cash and cash equivalents

For the purpose of preparing the cash flow statement, cash and cash equivalent are represented in the cash on hand, cheques under collection, current accounts, call accounts, time deposits with banks and treasury bills maturing within 3 months or less from its acquisition date.

3-12 Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, Interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

3-13 Other debit balances

Other debit balances are recognized at cost less impairment losses (note 3-10).

3-14 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event and it's probable that a flow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at the balance sheet date and amended (when necessary) to represent the best current estimate.

3-15 Legal reserve

The company's Statutes provides for deduction of a sum equal to 5% of the annual net profit for formation of the legal reserve. Such deduction will be stopped when the total reserve reaches an amount equal to half of the company's issued capital and when the reserve falls below this limit, it shall be necessary to resume the deduction.

3-16 Share capital

3-16-1 Repurchase of share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity.

Repurchased shares are classified as treasury stock and presented as a deduction from total equity.

3-16-2 Dividends

Dividends are recognized as a liability in the year in which they are declared.

3-17 Revenues recognition

3-17-1 Gains (losses) from sale of investments

Gains (losses) resulted from sale of investments are recognized on transaction date and measured by the difference between cost and selling price less selling commission and expenses.

3-17-2 Dividend income

Dividend income is recognized when declared.

3-17-3 Custody fees

Custody fees is recognized when provide service and issue invoice.

3-17-4 Interest income

Interest income is recognized on accrual basis.

3-17-5 Brokerage commission

Brokerage commission resulting from purchase of and sale of securities operations in favor of clients are recorded according to the accrual basis (when the invoice is issued).

3-17-6 Management fee

Management fee is calculated as determined by the management contract of each investment fund & portfolio and recorded on accrual basis.

3-17-7 Incentive fee

Incentive fee is calculated based on certain percentages of the annual return realized by the fund and portfolio, however these incentive fee will not be recognized until revenue realization conditions are satisfied and there is adequate assurance of collection.

3-18 Expenses

3-18-1 Borrowing costs

Borrowing costs are recognized as expenses in the income statement when incurred based on the effective interest rate.

3-18-2 Employees' pension

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law. Under this law, the employees and the employers contribute into the system on a fixed percentage-of-salaries basis. The Company's liability is confined to the amount of its contribution. Contributions are charged to income statement using the accrual basis of accounting.

3-18-3 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3-19 Earnings per share

The company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3-20 Profit sharing to employees

The holding company pays 10% of its cash dividends as profit sharing to its employees provided that it will not exceed total employees annual salaries. Profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the Company's shareholders.

4- Cash and cash equivalents

	31/3/2009 LE	31/12/2008 LE
Cash on hand	1 758 697	1 066 791
Cheques under collection	1 748 179	204 769
Banks - current accounts	708 116 987	724 798 518
Banks - call accounts	11 784 467	17 946 716
Banks - time deposits	1 311 764 378	1 147 061 501
Balance	2 035 172 708	1 891 078 295

5- Treasury Bills

	31/3/2009 LE	31/12/2008 LE
Treasury Bills 365 days maturity	570 000 000	570 000 000
Unearned income	(34 728 618)	(49 962 304)
Net	535 271 382	520 037 696

6- Trading investments

	31/3/2009 LE	31/12/2008 LE
Treasury bonds	220 968 000	213 435 000
Mutual fund certificates	124 002 668	159 028 066
Shares	89 931 653	97 244 462
Bonds	86 761 282	220 881 022
Balance	521 663 603	690 588 550

7- Other debit balances

	31/3/2009 LE	31/12/2008 LE
Deposits with others *	23 780 452	191 737 739
Down payments to suppliers	10 092 461	12 293 192
Prepaid expenses	88 768 507	22 304 339
Employees' advances	16 347 150	19 438 445
Accrued revenues	21 557 376	45 064 804
Taxes withheld by others	52 557 959	50 147 101
Unrealized swap losses	2 874 106	4 406 858
Payments for purchase of investments	43 323 848	43 323 848
Perching Brokerage	4 322 716	10 136 556
Due from Ara inc. company	20 840 055	20 403 885
Horus Tourism Investment Company Limited	14 095 000	13 800 000
Kuwait Real Estate Investments Company	63 111 580	--
Asset derivatives – hedge agreements	--	4 800 000
Sundry debtors	104 757 483	82 069 029
	466 428 693	519 925 796
Accumulated impairment	(2 855 213)	(2 981 953)
Net	463 573 480	516 943 843

* The balance of deposits with others includes an amount of LE 20.638 million in the name of the subsidiaries, Financial Brokerage Group Company and Hermes Securities Brokerage Company represents the blocked deposit for same Day Trading Operations Settlement which takes place in the Egyptian Stock Exchange. Both companies are not entitled to use this amount without prior approval from Misr Clearance Company.

8- Creditors and other credit balances

	31/3/2009 LE	31/12/2008 LE
Tax Authority	157 654 792	151 982 121
Social Insurance Association	284 816	290 634
Unearned revenues	7 074 357	9 199 379
Interest & commission payable	2 778 123	926 465
Suppliers	1 614 269	1 587 553
Accrued expenses	97 213 070	270 030 376
Clients' coupons- Custody Activity	20 769 665	23 699 349
Industry Modernization Center	17 533 047	17 127 201
Kuwait Invest Holding	29 401 818	–
Credit balances – proceeds from clients under subscription	–	73 753
Dividends payable	50 932 655	10 603 203
Sundry creditors	13 742 182	25 931 500
Balance	398 998 794	511 451 534

9- Provisions

	Expected liabilities provision LE	Severance pay provision LE	Total LE
Balance at the beginning of the period	136 362 847	16 808 813	153 171 660
Formed during the period	5 501 668	1 385 944	6 887 612
Foreign currency differences	–	9 607	9 607
Amounts used during the period	(9 715 620)	(784 937)	(10 500 557)
Provisions no longer needed *	(1 600 000)	–	(1 600 000)
Balance at the end of the period	130 548 895	17 419 427	147 968 322

* Provisions no longer needed are recorded in other income item.

10- Fixed assets

Particular	Land LE	Buildings LE	Lease hold improvements LE	Office furniture, equipment & electrical appliances LE	Computer equipment LE	Vehicles LE	Total LE
Balance as at 1/1/2009	5 360 000	94 112 241	8 219 489	80 558 593	49 973 866	11 038 875	249 263 0
Additions	--	–	883 251	3 498 031	2 631 961	–	7 013 2
Disposals	–	–	–	(89 044)	–	–	(89 04
Foreign currency translation difference	–	1 253 791	–	427 409	368 363	28 245	2 077 8
Total cost as at 31/3/2009	5 360 000	95 366 032	9 102 740	84 394 989	52 974 190	11 067 120	258 265 07
Accumulated depreciation as at 1/1/2009	–	7 734 254	2 028 778	38 087 359	25 978 442	7 011 588	80 840 42
Depreciation	–	711 799	406 808	3 552 326	2 745 978	530 540	7 947 45
Disposals' accumulated depreciation	–	–	–	(74 331)	–	–	(74 331
Foreign currency translation difference	–	72 078	–	91 391	199 424	12 350	375 24
Accumulated depreciation as at 31/3/2009	–	8 518 131	2 435 586	41 656 745	28 923 844	7 554 478	89 088 78
Carrying amount as at 31/3/2009	5 360 000	86 847 901	6 667 154	42 738 244	24 050 346	3 512 642	169 176 287

11- Projects under construction

The balance of projects under construction presented in the balance sheet with an amount of LE 223 536 831 as at March 31, 2009, represents an amount of LE 16 million being the value of 4000 square meter in the Smart Village designated to establish the Company's new headquarters (under construction) and an amount of LE 132 531 995 represents the value of establishments attached thereon and an amount of LE 6 950 382 represents the value of preparation of alternative quarter to be used in emergency cases and an amount of LE 68 054 454 (the equivalent amount of US.$ 12 070 673) represents the payment to acquire an office space in United Arab Emirates.

12- Available - for- sale investments

	31/3/2009 LE	31/12/2008 LE
Quoted investments	163 973 129	187 396 188
Non - quoted investments	496 042 009	517 270 640
Balance	660 015 138	704 666 828

13- Investments in subsidiaries & associates

	Ownership %	31/3/2009 LE	31/12/2008 LE
Arab Visual Company *	74.99	3 749 500	3 749 500
Bank Audi Sal – Lebanon **	27.87	4 095 161 503	3 993 421 850
EFG- Hermes Holding - Lebanon *	100	153 713	153 713
EFG- Hermes Lebanon *	99	27 705 775	27 705 775
Financial Group for Real Estate *	100	250 000	250 000
EFG- Hermes Mutual Funds *	100	10 000 000	10 000 000
EFG- Hermes Securitization*	100	5 000 000	5 000 000
Balance		4 142 020 491	4 040 280 838

* The investee companies have not started their activities and no financial statements have been issued.

** The ownership percentage is computed based on the voting ordinary shares, the investment is listed in Lebanon and London Stock Exchanges. The market value of the investment amounted to the equivalent of LE 2 525 128 705 as at March 31, 2009.

14- Investment property

The balance of investment property presented in the balance sheet as at March 31, 2009 with an amount of LE 178 167 117 represents the value of the area owned by the company in Nile City Building.

15- Settlement Guarantee Fund

	31/3/2009 LE	31/12/2008 LE
Financial Brokerage Group	13 262 035	13 041 368
Hermes Securities Brokerage	12 386 838	12 440 285
Vision Securities Co. (LLC) – Oman	682 111	667 581
EFG- Hermes IFA Financial Brokerage - (KSC)	4 829 750	5 002 020
Flemming CIIC group (S.A.E) – Egypt	172 845	172 845
Balance	31 333 579	31 324 099

16- Intangible assets

	31/3/2009	31/12/2008
	LE	LE
Goodwill	697 299 943	697 299 943
Other intangible assets	2 197 070	2 150 270
Balance	699 497 013	699 450 213

16-1 Goodwill is relating to the acquisition of the following subsidiaries:

	31/3/2009	31/12/2008
	LE	LE
Flemming CIIC group (S.A.E) – Egypt	63 483 756	63 483 756
Vision Securities Co. (LLC) – Oman	66 039 857	66 039 857
EFG- Hermes IFA Financial Brokerage Company (KSC) - Kuwait	567 776 330	567 776 330
Balance	697 299 943	697 299 943

16-2 Other intangible assets are represented in brokerage license acquired by Vision Securities Co. (one of company's subsidiaries – 51%) from Oman Capital Market Authority.

17- European Investment Bank Contract

According to the contract signed between EFG- Hermes – Holding Company and the European Investment Bank dated March 1, 2001, EFG- Hermes Holding Company purchases investments in its name in favor of the bank in a range of 5 Million Euro for each investment individually. The total amount of these investments is limited to 25 Million Euro and the participation of European Investment Bank is limited to 50% of total investment. This contract is valid until August 30, 2013. The company has sold the investments in the bank's favor during the year 2006.

18- Long term loans

A- On December 28, 2005, a loan agreement has been signed with International Finance Corporation "IFC" whereby the company is entitled to obtain long term loan with an amount of US$ 20 million with an applied annual floating interest rate in order to Finance Regional expansion of the company. The loan will be repaid on 10 equal semi-annual installments with an amount of US$ 2 million for each installment and the first installment was due on May 15,2007 and the last installment will due on November 15, 2011 and the interest is due on May 15, and November 15 and the first interest was due on November 15,2006. The loan agreement provides for that the company's subsidiaries will guarantee the loan repayment through an irrevocable unconditional guarantee and the company got the full amount of the loan amounted to US$ 20 million on September 3, 2006. The company paid 4 installments which equivalent to US$ 8 million accordingly, the loan balance amounted to US$ 12 million (the equivalent amount of LE 67 656 000) as at March 31, 2009.

- The current portion (the amount that will due within one year) of that loan amounts to US$ 4 million (the equivalent amount of LE 22 552 000).

B- On December 29,2005 a loan agreement has been signed with the Foundation of (DEG)- DEUTSCHE INVESTITIONS- UND ENTWICKLUNGSGESELLSCHAFT MBH whereby the company is entitled to obtain a long term loan with an amount of Euro 10 million with a variable annual interest rate in order to finance the regional expansion of the company. The loan will be repaid on 10 equal semi-annual installments with an amount of one million Euro per installment. The first installment was due on May 15, 2008 and the last installment will due on November 15, 2012 and the interest is due on May 15, November 15 each year. The first interest was due on November 15, 2006.

The loan agreement provides for that the company's subsidiaries will guarantee the loan repayment through an irrevocable unconditional guarantee. The company has obtained the full amount of the loan amounted Euro 10 million on September 17, 2006. The company has paid one million Euro on May 15, 2008 and November 15,2008 accordingly, the loan balance as of March 31, 2009 amounted Euro 8 million (the equivalent amount of LE 59 808 000).

- The current portion (the amount that will due within one year) of the loan amounts to Euro 2 million (the equivalent amount of LE 14 952 000).

19- Long term liabilities

	31/3/2009	31/12/2008
	LE	LE
Excepted consideration to be paid (liability) *	620 180 000	607 200 000
Other liabilities	926 100	906 717
Balance	621 106 100	608 106 717

* EFG – Hermes Regional Investments Ltd. – subsidiary - entered – through the parent company - EFG- Hermes Holding Company- into call/ put option agreement with a minority shareholder who holds 35% interest in a subsidiary company. As per the agreement, the options are exercisable throughout the period from March 1st, 2010 to February 28th, 2013. The call option's exercise price is US$ 130 million whereas the put option's exercise price is US$ 110 million (equivalent to LE 620 180 000 as at 31 March 2009), both options carry an annual interest 7%.
In line with EAS 25 requirements the Group has accounted for the present value of the put option as a financial liability with a corresponding debt to equity using the Present Access Method of accounting. Changes in the fair value of the put option are recognized in equity whereas changes in the present value of the financial liability are recognized in the income statement.

20- Share capital

- The company's authorized capital amounted LE 3 200 million and issued and paid in capital amounted LE 1 939 320 000 distributed on 387 864 000 shares of par value LE 5 per share.

20-1 Treasury shares

- During 2008 the company has purchased a number of 25 million treasury shares with an amount of LE 564 193 958 with percentage of 6.45% from the issued shares and at the end of year the company has changed these shares to 12.5 million Global Depository Receipts (GDR) and the company has transferred the ownership of 7 196 386 Global Depository Receipts (GDR) to EFG-Hermes Employee Trust (equivalent to 14 392 772 local shares). Accordingly the Global Depository Receipts (GDR) retained by the company are 5 303 614 GDR (equivalent to 10 607 228 local shares) with percentage of 2.73% and at cost of LE 239 381 358.
- During the current period the company has sold a number of 3 878 640 Global Depository Receipts (GDR) (equivalent to 7 757 280 local shares) & purchased 2 300 052 local shares as treasury shares. Accordingly the local shares retained by the company are 2 300 052 local shares and the Global Depository Receipts are 1 424 974 GDR (equivalent to 2 849 948 local shares) with percentage of 1.33% and at cost of LE 94 845 163.

21- Contingent liabilities

- The company guarantees its subsidiaries – Financial Brokerage Group, Hermes Securities Brokerage against the credit facilities granted from banks and each of EFG- Hermes Brokerage – UAE for the purpose of issuance of the letters of guarantee amounting to AED 250 million (equivalent to LE 381 500 000) and EFG- Hermes KSA for the purpose of issuance of the letter of guarantee amounting to SAR 50 million (equivalent to LE 75 050 000) and US$ 40 million (equivalent to LE 225 520 000).
- The company has executed C-SWAP contracts to cover its needs of foreign currencies with the banks which will be settled according to specific rates for the foreign currencies implied in such contracts. The mentioned contracts are as follows:

Transaction date	Transaction	Amount	Currency	Expiry date
5/3/2009	Selling Euro	Euro 8 000 000	Buying US$	6/4/2009
30/3/2009	Selling US$	US$ 12 283 760	Buying Euro	2/4/2009
26/3/2009	Selling US$	US$ 3 395 975	Buying GBP	2/4/2009

- Hermes Corporate Finance Company (a subsidiary – 99.37%) issued by a bank a letter of guarantee with an amount of LE 292 500 in favor of Egyptian Electricity Authority. The issuer bank has blocked the company's time deposit which amounts LE 573 950 on March 31, 2009 as a margin for this letter of guarantee.

22- Incentive fee revenue

Due to inadequate assurance concerning the revenue recognition conditions and collection of the incentive fee on managing investment funds and portfolios, the assets management companies (subsidiaries) deferred the recognition of Incentive Fee with no amount till March 31, 2009 versus LE 140 199 775 till March 31, 2008 as no revenues are recognized if there are any uncertainties regarding the recovery of the consideration due.

Subsidiary's Name	For the period ended 31/3/2009 LE	For the period ended 31/3/2008 LE
EFG- Hermes Financial Management (Egypt) Ltd.	--	80 529 361
Egyptian Portfolio Management Group Company	--	19 909 316
Hermes Fund Management Co.	--	20 123 150
EFG- Hermes – UAE Ltd.	--	19 637 948
Total	--	140 199 775

23- Related party transactions

- Interest income item presented in the income statement includes an amount of LE 2 020 422 represents the interest income on time deposits placed at Bank Audi – Egypt which is owned by Bank Audi - Lebanon (one of company's associates – 27.87%).
- Current accounts with banks item presented in the balance sheet includes an amount of LE 45 656 184 represents the current accounts with Bank Audi- Egypt which is owned by Bank Audi - Lebanon (one of company's associates- 27.87%).
- Time deposits item presented in the balance sheet includes an amount of LE 194 760 000 representing the time deposits placed at Bank Audi – Egypt which is owned by Bank Audi - Lebanon (one of company's associates – 27.87%).

24- Income tax

	For the period ended	
	31/3/2009	31/3/2008
	LE	LE
Current income tax	14 145 469	35 280 471
Deferred tax	4 929 643	17 200 106
Total	19 075 112	52 480 577

25- Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Deferred tax	31/3/2009		31/12/2008	
	Assets	Liabilities	Assets	Liabilities
	LE	LE	LE	LE
Fixed assets depreciation	--	1 721 647	--	1 795 091
Capital gain	--	42 901	--	42 705
Expected claims provision	3 443 853	--	3 579 626	--
Impairment of assets	3 588 536	--	3 588 536	--
Company's share of affiliated and subsidiaries profit	--	27 712 899	--	24 004 265
Total deferred tax assets / liabilities	7 032 389	29 477 447	7 168 162	25 842 061
Deferred tax recognized directly in equity	888 567	--	--	1 415 433
Net deferred tax liabilities		21 556 491		20 089 322

26- Earnings per share

	For the period ended	
	31/3/2009	31/3/2008
	LE	LE
Net profit for the period	140 093 423	348 507 552
Weighted average number of shares	383 345 870	387 864 000
Earning per share	0.37	0.90

27- Tax status

- The competent tax inspectorate has examined the parent company's books for the period till year 2004 and disputed points have been agreed upon before the internal committee and the settlement procedures are currently taking place.
- As to years 2005/2008 the parent company has submitted its tax return and paid the tax due according to the tax law No. 91 for 2005.
- As to salaries tax, the parent company's books have been examined till the year 2004 and all the disputed points have been agreed upon before the internal committee and the settlement procedures are currently taking place. As to years 2005/2008 have not been inspected as yet.
- As to stamp tax, the parent company's books have been examined from year 1998 till 31/7/2006 and the disputed points has been transferred to appeal committee . As for the period from1/8/2006 till 31/12/2008 have not been inspected as yet.

28- Group's entities

EFG- Hermes Holding company, the parent company, owns the following subsidiaries:

	Direct ownership %	Indirect ownership %
Financial Brokerage Group	99.76	0.04
Egyptian Fund Management Group	88.51	11.49
Egyptian Portfolio Management Group	66.33	33.67
Hermes Securities Brokerage	97.58	2.42
Hermes Fund Management	89.95	10.05
Hermes Corporate Finance	99.37	0.53
EFG - Hermes Advisory Inc.	100	--
EFG- Hermes Financial Management (Egypt) Ltd.	100	--
EFG – Hermes Promoting & Underwriting	99.88	--
Bayonne Enterprises Ltd.	--	100
EFG- Hermes Fixed Income	99	1
EFG- Hermes Private Equity (Egypt)	96.3	3.7
EFG- Hermes Private Equity (BVI)	1.59	63.41
EFG- Hermes Brokerage – UAE Ltd.	--	90
Flemming CIIC Holding	100	--
Flemming Mansour Securities	--	99.33
Flemming CIIC Securities	--	96
Flemming Corporate Finance	--	74.92
EFG- Hermes UAE Ltd.	100	--
EFG- Hermes Holding - Lebanon	100	--
EFG- Hermes KSA	73.1	26.9
October Property Development Ltd.	94.10	--
Financial Group for Real Estate	100	--
EFG- Hermes Lebanon	99	0.5
Mena Opportunities Management Limited	--	66.5
EFG- Hermes Mena (Caymen) Holding	--	100
Mena (BVI) Holding Ltd.	--	66.5
EFG – Hermes Mena Securities Ltd.	--	100
Mena Financial Investments W.L.L	--	100
EFG – Hermes Qatar LLC	51	--
Vision Securities Company LLC	--	51
EFG- Hermes Regional Investment Ltd.	100	--
Offset Holding KSC	--	50
EFG- Hermes IFA Financial Brokerage	--	45

29- Financial instruments and management of related risks:

The Company's financial instruments are represented in the financial assets and liabilities. Financial assets include cash balances with banks, investments and debtors while financial liabilities include loans and creditors. Note (No. 2) of notes to financial statements includes significant accounting policies applied regarding basis of recognition and measurement of the important financial instruments and related revenues and expenses by the company to minimize the consequences of such risks.

29-1 Market risk:

Market risk is represented in the factors which affect values, earnings and profits of all securities negotiated in stock exchange or affect the value, earning and profit of a particular security.

According to the company's investment policy, the following procedures are undertaken to reduce the effect of this risk.

- Performing the necessary studies before investment decision in order to verify that investment is made in potential securities.
- Diversification of investments in different sectors and industries.
- Performing continuous studies required to follow up the company's investments and their development.

29-2 Foreign currencies risk

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.
- As disclosed in note (3-2) the company has used the prevailing exchange rates to revaluate monetary assets and liabilities at the balance sheet date.
- As disclosed in note no. (21) the company has executed Currency SWAP agreements and Hedge agreement to cover its needs of foreign currencies and meet the risks of exchange rate and interest rates related thereto.

29-3 Financial instruments' fair value

The financial instruments' fair value do not substantially deviated from their book value at the balance sheet date. According to the valuation basis applied, in accounting policies to the assets and liabilities, which included in the notes to the financial statements, note No. (13) of the notes to financial statements disclose the fair values of investments, which are reported at cost.

29-4 Derivative financial instruments and hedge accounting

- Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value, according to the valuation basis applied, in accounting policies to derivative financial instruments, (note no. 3-4).
- In accordance with an arrangement between the subsidiary, EFG Hermes MENA Securities Limited Co. and its customers ("the customers"), the Company from time to time enters into fully paid Shares Swap Transaction Contracts ("the Contracts") with the customers. Under the Contracts the customers pay to the Company a pre-determined price, which is essentially the market price at the trade date, in respect of certain reference securities. In return for such shares swap transactions the Company pays to the customers the mark to market price of the reference securities at a pre-determined date (normally after one year). However, the Contracts can be terminated at any time by either of the parties, which shall be the affected party.

In order to hedge the price risks with respect to the reference securities under the Contracts, the Company enters into back-to-back fully paid Share Swap Transaction Contracts with other subsidiaries, MENA Financial Investments W.L.L. ("MENA-F") and EFG-Hermes KSA.

Accordingly, the Shares Swap Transactions are measured at fair value based on underlying reference securities under the Contracts.

30- Subsequent events

The company's extraordinary general assembly approved in its session held on April 7,2009 to reduce the company's issued capital from LE 1 939 320 000 to LE 1 913 570 000 through cancelling 5 150 000 shares of treasury shares.