EFG-HERMES INVESTOR RELATIONS

EFG - Hermes

1H2006 Earnings Release- 15 August 2006

Operating Revenues up 103% to EGP487 million in 1H06 from EGP240 million in 1H05

Net Operating Profit up 118% to EGP340 million from EGP156 million

Net Operating Margin up to 70% from 65%

Net Income up almost four folds to EGP358 million up from EGP92 million

STRATEGIC PLAN - ON TRACK...

"To become the leading Investment Bank in the Middle East as measured by profits and revenue quality, ranking as one of the 10 most profitable Financial Institutions in the region" is our mission. Several key events took place during the previous quarter to date that were in line with the implementation of our strategic plan.

1. EFG-Hermes was granted the Saudi License: The Capital Market Authority of the Kingdom of Saudi Arabia granted EFG-Hermes Saudi Arabia a full fledged investment banking license on the 15th of May 2006.

The Saudi market is by far, the largest financial market in the region representing around 70% of Egypt, Levant and GCC region's Investment Banking fee wallet (including brokerage and asset management). Through our successful businesses in Egypt and the UAE, we currently address around 16% of the region's fee wallet and the addition of Saudi Arabia will increase our footprint to over 85%. The roll out plan for our operations in the Kingdom is now in the execution phase.

We expect a soft launch of our brokerage operations in the Saudi market during the last quarter of 2006. However, on the investment banking side, our team has already managed to land two large M&A mandates.

2. Organizational Restructure: In a step to support our regional expansions and maintain a tight grip over operations, EFG-Hermes has undertaken the following organizational restructure:

i) Saudi Operation: Ramsay Zaki, EFG-Hermes Holding's CFO, was relocated to Saudi Arabia to lead the establishment of our newest operation. His focus is to build the core infrastructure and oversee the early stages of the operation. Ramsay's appointment to this role underlines the importance we place on this new operation which we believe will be a significant revenue generator for us in the future.

ii) UAE Operation: Hassan Heikal, EFG-Hermes Holding's Co-Chairman & CEO will assume the role of Acting CEO for UAE and will dedicate more of his time to assist the team in building the business further.

iii) Support Functions: Shayne Elliott was recently appointed as the Chief Operating Officer of the group allowing EFG-Hermes to streamline the support functions. Audit and Compliance, Legal, Human Resources, Marketing, Technology, Investor Relations and Risk Unit will all be centralized under the COO office.

3. New Services: The call center is a new service that is introduced by our brokerage divisions both in Egypt and the UAE and soon in Saudi Arabia, while the online trading is a service that is introduced in the UAE and soon to be launched in Egypt and Saudi Arabia. These two services will support our efforts in maintaining and even expanding our brokerage market share by facilitating access to retail investors without stretching our human resources and at the same time by allowing us to offer a higher quality service to our retail clients.

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i) UAE: The call center was introduced early this year to our clients in UAE, while online trading was soft launched in June. Around 7% of our trading volumes are currently executed online and the number is expected to grow further as soon as we launch our marketing campaign for the service.

ii) Egypt: The call center was introduced during the third quarter through an intense marketing campaign and the service proved to be a great success with number of calls mounting on a daily basis. Online trading is ready for soft launch pending the finalization of the license which should take place within the coming few weeks. Our client base is mainly comprised of corporate accounts and retail investors are not a major contributor to our daily trading activity. The online trading and call center are retail-focused services and will massively support our efforts to further penetrate the retail investors market which comprises more than 70% of the daily trading volumes, thus increasing our brokerage market share. It is worth mentioning that the introduction of the call center in Egypt came at a minimal marginal cost since we used the same technology that was already used by our UAE brokerage arm in addition to the availability of human resources at a relatively cheap cost.

BUSINESS HIGHLIGHTS

Abraaj Capital Offers to Inject USD500 million Fresh Funds in EFG-Hermes

Abraaj Capital is a premiere investment firm that specializes in private equity investments in the Middle East, North Africa and South Asia region with Assets Under Management exceeding USD1.5 billion. Abraaj offered to inject EGP2.9 billion through subscribing to a capital increase in EFG-Hermes Holding by issuing an additional 97,074,010 ordinary shares at EGP30 per share, to own 25% of EFG-Hermes Holding after the capital increase. The proceeds of this capital increase should be mainly invested in our regional expansion initiatives in the financial services sector. One of the merits of this investment is having a 25% of the company in the hands of an anchor investor which should offer more stability to our shareholder base by decreasing the free float as a percentage of the total capital.

EFG-Hermes Holding's board of directors has approved the offer during its meeting that was held on June 29th, 2006. The approval of Abraaj's offer is pending the approval of EFG-Hermes' general assembly and the relevant regulatory authorities.

Investment in Bank Audi

The war on Lebanon has definitely affected our investment in Bank Audi. However, a UN brokered cease fire took effect on Monday, 14th of August 2006.

According to Bank Audi's management, out of 78 operational branches only eight were closed. Domestic conversions from Lebanese Pounds to foreign currencies and the net transfers of deposits abroad were not large and were containable. The bank published its first half results where profits surged 91% to USD86 million up from USD45 million in 1H05. Management also assured that activity progresses as usual in Syria and Jordan. In Egypt the constitution of the management team was finalized and quick growth is expected in activities. In Saudi Arabia, work is underway for the launching of activities prior to year-end. In addition, acquisition of the majority of the National Bank of Sudan was finalized, providing the bank with a presence in a high value added market. These initiatives consolidate the bank's regional presence within the context of a more balanced activity between Lebanon and the region.
From an economic point of view, JP Morgan has published some views on the economic situation in Lebanon of which we quote the following:

"Lebanon: Foreign Exchange Risk is Minimal

The Central Bank of Lebanon (BDL) has released bi-monthly data showing the loss in reserves since the crisis began at approximately US$1.38 billion, starting from a reserve position of US$12.0 billion at the onset of the crisis on July 12. Five-year deposits made by the Saudi and Kuwaiti governments at the BDL amounting to US$1.5 billion bring total reserves to US$12.2 billion. These same governments also deposited grant funds at the BDL intended for humanitarian and reconstruction efforts, and amounting to US$1.1 billion. Given that such funds take time to disburse, total foreign exchange reserves at the BDL are currently about US$13.22 billion (plus US$6 billion in gold). Total LBP deposits in the Lebanese banking system amounted to US$16.5 billion at the end of June. If the amount of US$1.35 already converted is subtracted, the system now contains US$15.15 billion in LBP deposits, meaning that even if gold reserves are left out of the calculation the BDL is capable of covering almost all LBP to US$ conversions if that were required. The BDL is likely to receive further deposits from GCC countries if this crisis is extended."

We also quote JP Morgan on:

"Lebanon: The financial sector will weather the storm

- The impact on of the crisis on the financial sector to date is 50% of the impact subsequent to the death of Hariri, and pres sure on the system has now eased by 70%.
- The dollarization ratio has risen to 74% from 72% before the crisis, compared with 80% arrived at in the 2 weeks subsequent to the death of Hariri.
- Economic damage from the crisis is estimated at US$2 billion to infrastructure to date, and the opportunity cost of the aborted tourism season plus stalled industrial output at another US$2 billion.
- The Saudi US$1.5 billion transfer of funds to the Central Bank (US$1 billion in deposits and US$500 million in reconstruction /humanitarian assistance), have helped relieve pressure off the currency and banking system. The Central Bank expects more such transfers could be forthcoming if necessary."

Stock Market Performance in Egypt and the UAE

The Egyptian market's performance during the first quarter of 2006 was relatively strong with the HFI index initially going up to reach its peak in February with daily traded values exceeding the EGP1.5 billion mark. However, starting mid March and into the second quarter, the Egyptian market witnessed a wave of decline with the HFI index slashing 25% of its value and daily trading values drying up to break the EGP0.5 billion downwards. This made it difficult for our operations in the Egyptian market, namely brokerage and investment banking to maintain their strong performance of the first quarter. Despite increasing our brokerage market share (net of special transactions) from 15.7% in 1Q06 to 23.2% in 2Q06, our brokerage revenues declined during the quarter.

The UAE market witnessed even more difficult times where Abu Dhabi index declined 14% during the first quarter and 21% during the second quarter. On the other hand daily turnover dropped from an average of AED310 million during the first quarter to below the AED190 million mark during the second quarter. Dubai's stock market also suffered with the index dropping 32% during 1Q06 and another 38% during 2Q06 with daily turnover slashing from AED1.5 billion to less than AED0.5 billion during the second quarter. Despite the difficult conditions, our UAE brokerage team managed to increase our overall market share from 2.2% in 1Q06 to 2.4% in 2Q06 resulting in a 29% increase in revenues over the same period.

FINANCIAL HIGHLIGHTS

Revenues from Operations

Revenues from operations witnessed an impressive increase of more than 100% to reach EGP487 million during the first half of 2006 compared to EGP240 million during the same period of last year. This increase is due to the growth in business volumes almost across all divisions. It is worth noting that our investment banking team based in the UAE has recorded its first revenue stream during the second half of the year to reach EGP23 million. In addition, our UAE brokerage arm has also shown notable growth of 68% in revenues to reach EGP27 million during the first half of 2006 compared to the same period of last year. Thus, a full 10% of revenues are currently generated from operations outside our base country, Egypt.

This supports the success of our strategy that is aiming at generating more than 50% of revenues from the region in two years time. Revenue diversification helped buffer our performance from the decline in the Egyptian market that took place during the second quarter of 2006. Accordingly, revenues generated from the Egyptian operation witnessed a steep decline of 50% in 2Q06 while revenues from operations, including regional arms, dropped by a milder 40% in 2Q06 to reach EGP183 million down from EGP303 million in 1Q06.

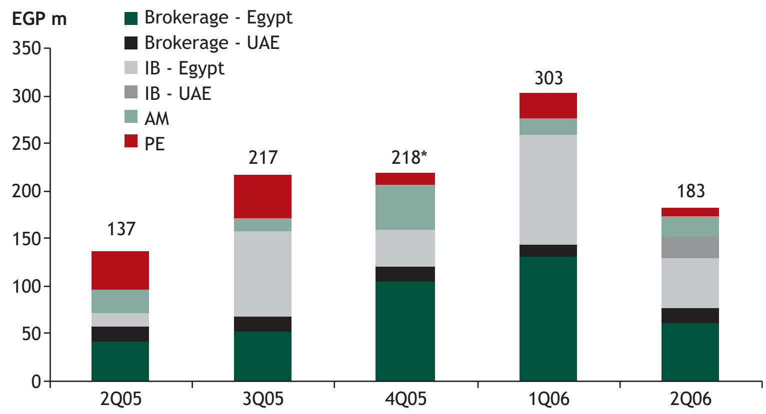
The inauguration of the Saudi operation, though not expected to generate significant revenues during 2006, will also help in diversifying our revenue stream going forward, especially when taking into consideration the material size of the Saudi market compared to our current markets.

Figure 1: Contribution of Respective Divisions to Total Operating Revenues

Division Revenues (EGP m)	1H2006*	Rev. Contrib.	1H2005	Rev. Contrib.	YoY Growth
Brokerage - Egypt	193	40%	89	37%	116%
Brokerage - UAE	27	5%	16	7%	68%
Asset Management	36	7%	32	13%	12%
IB - Egypt	169	35%	59	24%	189%
IB - UAE	23	5%	0	N/A	N/A
Private Equity	37	8%	44	18%	-16%
Total Operating Revenues	**485**	**100%**	**240**	**100%**	**102%**

**Excluding EGP2.7 million HC revenues*
Source: EFG-Hermes

Figure 2: Breakdown of Quarterly Operating Revenue by Division in 2Q2006 and Previous Quarters



*Excluding EGP120 million asset management incentive fees unrealized during the first three quarters of 2005 and realized in 4Q05.
Source: EFG-Hermes

Other Revenues - Equity Consolidation of Bank Audi

Bank Audi's contribution of EGP103 million reached 17% of total revenues in the first half of 2006; EGP41 million in 1Q06 rising 48% to EGP62 million in 2Q06, mainly generated from the growth in the bank's operations. This is another tax free addition to our revenue stream from outside our Egypt based operation.

Profitability

EFG-Hermes reported EGP358 million in profits in 1H06, 290% up when compared to the same period of last year and exceeds the EGP350 million profits realized during the full year of 2005. However, when compared to the first quarter of 2006, profits declined 27.5% to EGP150.7 million down from EGP208 million. This decline is mainly due to the slowdown that took place in the Egyptian market, resulting in much lower average daily traded values thus decreasing revenues generated from brokerage and increased difficulty in closing investment banking deals. On the other hand, NOP margin increased from 65% during the first half of 2005 to 70% during the same period of 2006, with NOP up 118% to reach EGP340 million in 1H06 up from EGP156 in 1H05. This is mainly induced by the faster growth in revenues when compared to expenses.

Operating Expenses

Operating expenses declined as a percent of revenues from 35% in the first half of 2005 to 30% in the first half of 2006. In absolute terms, however, expenses surged 74% compared to 1H05 to record EGP148 million. However, when compared to 2H05 where operating expenses recorded EGP137 million (excluding EGP50 million, the one-off employee-related expense booked in 4Q05), the sequential growth records only 8%.

The increase in 1H06 operating costs is due to several factors; the most prominent is related to adding new employees in line with the expansion of our operations in the region. This added 48% to our overall employee costs in the first half of 2006 as opposed to the same half of 2005. In addition, consultant and service fees more than doubled to reach EGP14 million in 1H06 as opposed to 1H05 which was mainly due to the higher deal flow executed during 2006 and the booking of the legal advisory and due diligence costs related to the acquisition of Bank Audi and our capital increase. Another factor was the increase in advertising and promotional expenses which surged by more than 250% to reach EGP11 million in 1H06 as opposed to EGP3 million in 1H05 due to the increased spending on this item in both UAE and Egypt. Another very important contributor to our increased operational expenses are the costs related to setting up the operation in KSA that involves plenty of legal and advisory costs.

Financing Expenses

Net interest expense for the period stood at EGP7.5 million; it is worth noting that the net cost of acquiring our stake in Bank Audi is EGP13.3 million attributable to the bridge financing we resorted to in order to meet our deadline requirement to acquire the 20% stake of the bank until the proceeds of the capital increase were collected to finance our obligations. This leaves us with EGP5.8 million net interest income generated from managing our cash balances.

Taxes

The company is subject to 20% tax rate under the new tax law. The law exempts consolidated offshore subsidiaries (whether full or proportionate consolidation) from taxes; however, it is worth noting that dividends paid by those subsidiaries are still subject to tax. Accordingly, our effective tax rate stands at 14% after adjusting for the EGP8 million that were deducted from our tax bill for the FY 2005 and were added to our net profit during 1Q06.

PERFORMANCE OF BUSINESS DIVISIONS

BROKERAGE

Egypt

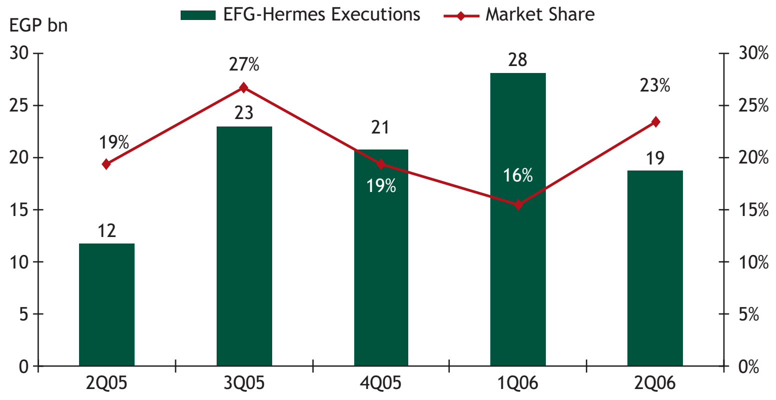
The first half of 2006 witnessed a surge of more than 140% in total market trading values to reach EGP293 billion compared to EGP120 billion for the same period of last year. EFG-Hermes maintained its market share at 21% and grew its trading values in line with the growth in the market to record EGP62 billion in trading volumes, up 147% when compared to the first half of 2005. Revenues on the other hand witnessed a rise of 116% in 1H2006 to reach EGP193 million compared to EGP89 million during the same period of last year.

The Egyptian market suffered from a very difficult 2Q06 which resulted in dried up volumes. Accordingly, total market executions (net of special transactions) were slashed by more than 50% to EGP80 billion as opposed to the first quarter of 2006 which recorded EGP178 billion in executions.

EFG-Hermes total executions (net of special transactions) dropped by a less pronounced percentage of 33% to record EGP18.7 billion in 2Q06 down from EGP28 billion in 1Q06. The disproportionate decrease in our executions resulted in an increase in market share to 23.2% in 2Q06 up from 15.7% in 1Q06. This is mainly due to the fact that the very small retail investors, who are not a major contributor to our client base (prior to the introduction of the call centre), have exited the market due to its poor performance. Accordingly, the larger investors, who constitute the majority of our client base, were the main market participants during the quarter, leading us to control a bigger portion of the market. The introduction of the call centre during the third quarter has helped us access the small investors market which should result in maintaining our market share when the smaller investors come back to the market.

The call centre and the online trading services should help the company in further increasing its market share through giving more emphasis on the dominant retail investor base of the market. The call centre is already a great success serving a large portion of our retail client base. We expect the online trading license to be finalized during the coming few weeks after which our clients will have direct access to execute trades on the exchange for their own accounts. This will alleviate the pressure on our human resources and help us serve a larger client base at a higher quality of service.

Figure 3: EFG-Hermes Executions and Market Share of Total Market Executions



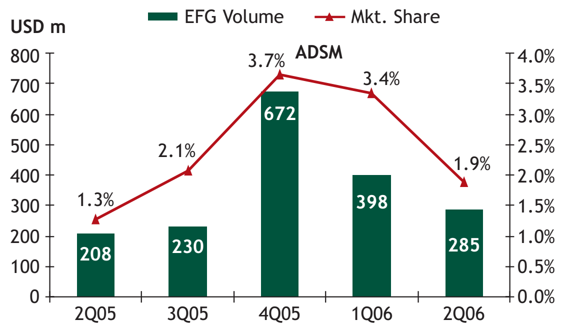
Source: EFG-Hermes

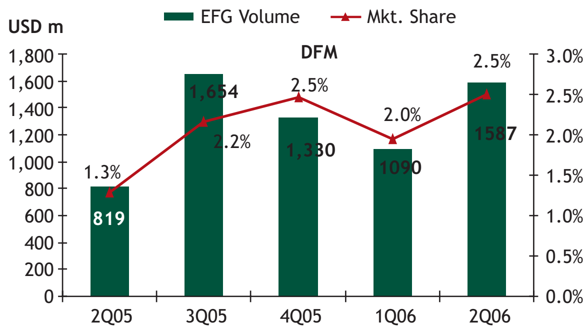
UAE

EFG-Hermes overall market share in Dubai and Abu Dhabi more than doubled from 1% of the total market executions during the first half of 2005 to 2.3% during the same period of 2006. It is worth noting that in our previous earnings releases we used to report market shares as a percentage of daily traded values. Starting this release we are reporting market shares as a percentage of total market executions. On the other hand, our executions climbed from USD1.1 billion in 1H05 to USD3.3 billion in 1H06 while the overall market in Dubai and Abu Dhabi grew from USD109 billion to USD147 billion over the same period. Accordingly, UAE brokerage revenues surged 68% from EGP16 million during the first half of 2005 to EGP27 million during the same period of 2006. Overall market share in Dubai and Abu Dhabi also increased on a quarterly basis from 2.2% in 1Q06 to 2.4% in 2Q06 with revenues growing 29% to reach EGP15 million in 2Q06 compared to EGP12 million in 1Q06.

The call centre and online trading are already up and running in our UAE brokerage arm and around 7% of our trading volumes are currently executed online after less than three months of soft launching the service.

Figures 4: UAE Brokerage Market Shares on DFM and ADSM





Source: EFG-Hermes

When comparing market shares in individual markets, EFG-Hermes' market share in Dubai increased 25% to 2.5% in 2Q06 up from 2% during the previous quarter, while our market share in Abu Dhabi declined to 1.9% in 2Q06 from 3.4% in 1Q06. This is mainly due to the concentration of trading in one share, Abu Dhabi Islamic Bank, and the fact that the majority of our client base are corporate clients whose activity is concentrated on the more liquid market of Dubai rather than Abu Dhabi.

INVESTMENT BANKING

Egypt

Investment banking revenues generated by our Egypt based team surged 190% to EGP169 million during the first half of 2006 compared to the same period of last year. Almost 70% of these revenues were generated during the first quarter while the second quarter was less active and recorded EGP52.7 million in revenues compared to EGP 117 in 1Q06. Deals closed during the second quarter were Sewedy Cables (IPO), Suez Cement (rights issue) and OCI (rights issue). Our investment banking team in Egypt has a backlog of around USD7 billion, the majority of which are M&As and private placements rather than IPOs due to the difficulty of closing IPOs during the phase financial markets are currently going through.

UAE

Our regional investment banking team in Dubai closed two very high profile deals, du, the second telecom operator in the UAE and Al Thuraya, the first Arab satellite telecom company, with a combined amount of USD950 million during the first quarter of 2006. Al Thuraya deal was a private placement of USD300 million while du was a USD650 million IPO that was 167x oversubscribed. Revenues generated from the two deals were booked during the second quarter and amounted to EGP23 million. The team still has a pipeline of USD1.6 billion.

Despite the fact that our operations in Saudi Arabia are not yet up and running, our investment banking team managed to land two large M&A mandates from Saudi Arabia bringing our total investment banking backlog to over USD10 billion, up from USD4.5 billion at the end of 1Q06.

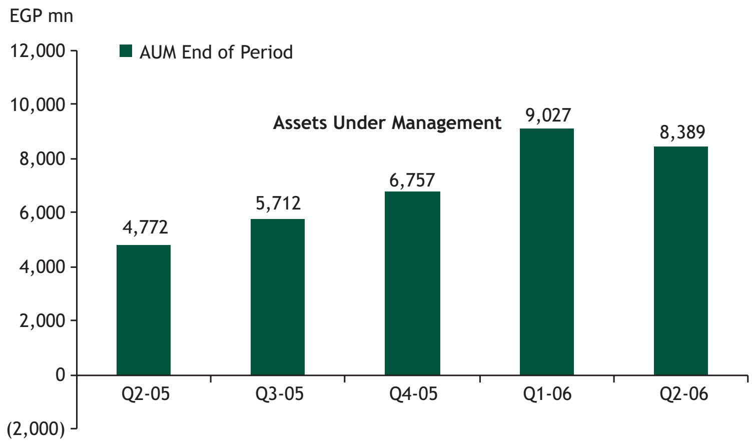
ASSET MANAGEMENT

Asset management revenues witnessed an increase of 12% to reach EGP36 million in the first half of 2006 compared to EGP32 million during the same period of last year. EGP8.2 million of the EGP36 million were realized incentive fees compared to EGP15 million during the same period of last year. Unrealized incentive fees for the first half of 2006 stand at a trivial amount of EGP0.2 million due to the weak performance of financial markets during the second quarter of 2006. When compared to 1Q06, asset management revenues witnessed an increase of 26% to EGP20 million during 2Q06 compared to EGP16 million in the previous quarter.

During the second quarter of 2006 to date four funds were closed:
1. Bank of Alexandria money market fund for an amount of EGP200 million.
2. Egyptian Saudi Finance Bank Islamic Fund for EGP75 million.
3. Saudi Faransi Bank Islamic Fund - Al-Danah for SAR90 million.
4. Al Watany Bank of Egypt capital guaranteed fund for EGP135 million (closed during 3Q06), the first capital guaranteed fund in Egypt that involves no recourse on EFG-Hermes.

AUM witnessed a 7% decline to reach EGP8.4 billion by the end of 2Q06 down from EGP9 billion by the end of the previous quarter. Net cash injections during the quarter amounted to EGP636 million while performance related decline amounted to EGP1.27 billion and was mainly responsible for the decline our asset base.

Figure 5: End of Period Assets Under Management



Source: EFG-Hermes

PRIVATE EQUITY

Revenues from private equity witnessed a 16% decline to EGP37 million during the first half of 2006 compared to EGP44 million during the same period of last year. This mainly arises from the nature of the private equity business where revenues fluctuate in accordance with the realization of success fees booked upon the sale of profitable investments.

Total private equity assets under management are currently stable at around USD500 million. Several deals are currently being negotiated to raise more funds, thus increasing our asset base and further stabilizing our revenue stream generated from management fees. The second issue of the Technology Development Fund is expected to be launched during the last quarter of 2006 with a total size ranging between EGP150-200 million which is three to four times as big as the first issue of the fund of EFG50 million.

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Bloomberg: EFGH | Reuters pages: EFGS .HRMS .EFGI .HFISMCAP .HFIDOM

EFG – Hermes Holding Company
(Egyptian Joint Stock Company)

Consolidated Financial Statements
For the period ended June 30, 2006
&
Review Report Thereon

<u>REVIEW REPORT</u>

To The Board of Directors of The
<u>EFG - Hermes Holding Company</u>

We have reviewed the accompanying consolidated statement of financial position of EFG - Hermes Holding Company and Subsidiaries as of June 30, 2006, and the related consolidated statements of income, changes in equity and cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

we conducted our review in accordance with the Egyptian Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of Company's personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true and fair view in accordance with the Egyptian Accounting Standards.

KPMG Hazem Hassan

Cairo, 30 July ,2006

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated Statement of Financial Position
As of June 30,2006

	Note No.	30/6/2006 LE.	31/12/2005 LE.
Current Assets			
Cash on hand and with banks			
Cash on hand		561 158	1 053 267
Cheques under collection		1 143 034	7 830 516
Banks - current accounts	(5)	460 637 563	892 181 590
Banks - time deposits		57 139 441	11 639 509
Saving certificates		4 800 000	4 800 000
Total cash on hand and with banks		524 281 196	917 504 882
Treasury Bills and other bills eligible for rediscounting	(6)	289 052 543	59 057 199
Trading investments		170 968 098	18 878 888
Accounts receivable (net of accumulated impairment)	(10)	662 283 685	641 672 937
EFG- Hermes Employee Trust (current tranche)		23 831 090	23 831 090
Other debit balances	(7,10)	83 593 334	66 398 785
Total current assets		1 754 009 946	1 727 343 781
Non - Current Assets			
Fixed assets (net)	(11)	46 728 372	28 983 463
Available -for- sale investments	(12)	142 540 332	123 703 401
Investment in subsidiaries & associates	(13)	2 806 002 435	15 289 500
Property Investment	(14)	139 973 492	139 973 492
Settlement Guarantee Fund	(15)	22 646 516	8 346 578
EFG- Hermes Employee Trust (non-current tranche)		99 912 096	67 503 694
Goodwill (net)		67 012 832	69 365 547
Deferred tax assets	(23)	2 548 987	2 771 186
Total non - current assets		3 327 365 062	455 936 861
Total assets		5 081 375 008	2 183 280 642
Current Liabilities			
Accounts receivable - credit balances		743 646 252	1 166 563 804
Creditors and other credit balances	(9)	161 960 417	243 903 626
Provisions	(10)	60 913 358	53 972 847
Other brokerage companies		3 879 232	(225 820 716)
Total current liabilities		970 399 259	1 238 619 561
Shareholders' equity			
Issued & paid - in capital	(17)	1 456 110 150	405 370 050
Legal reserve		245 208 522	108 978 135
General reserve		158 271	158 271
Special reserve		1 633 936 456	20 391 205
Retained earnings		363 477 990	24 576 713
Total shareholders' equity		3 698 891 389	559 474 374
Deduct: Treasury shares	(18)	(27 501 538)	(60 944 470)
		3 671 389 851	498 529 904
Net profit for the period/year		358 754 499	350 139 955
Total shareholders' equity including net profit		4 030 144 350	848 669 859
Minority interest		34 635 259	35 538 938
Total shareholders' equity and minority interest		4 064 779 609	884 208 797
Non - Current Liabilities			
Long term loans	(19)	45 250 000	59 511 072
Other liabilities		946 140	941 212
Total non - current liabilities		46 196 140	60 452 284
Total shareholders' equity and liabilities		5 081 375 008	2 183 280 642

The accompanying notes from No. (1) to No. (24) form an integral part of the financial statements and are to be read therewith .

Review Report "Attached'

Yasser El Mallawany
Chairman & CEO

Hassan Heikal
Co- Chairman & CEO

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated Income Statement
for the period ended June 30, 2006

	Note No.	For the period ended 30/6/2006 L.E.	For the period ended 30/6/2005 L.E.
Income from fees, commission & management of investments		487 597 657	240 214 717
Share of profit of associates (Bank Audi)		103 371 508	-
Interest income		27 072 689	2 371 015
Dividend income		1 729 680	1 428 321
Other income		1 767 817	1 303 008
Total revenues		621 539 351	245 317 061
Deduct:			
General administrative expenses		147 936 038	84 505 006
Interest expense		34 613 815	7 287 179
Provisions	(10)	7 052 399	13 475 808
Fixed assets depreciation	(11)	3 933 948	2 003 937
Unrealized loss (gain) on trading investments		1 231 012	(3 690 386)
Goodwill impairment		2 352 717	2 352 717
Deferred expenditure amortization		-	873 632
Impairment of assets	(21)	229 958	12 534 796
loss arising from sale of investments		3 081 169	616 347
Foreign currency differences		1 077 708	(962 174)
Loss arising from sale of fixed assets		18 000	51 619
Total expenses		201 526 764	119 048 481
Net profit before income tax		420 012 587	126 268 580
Deduct:			
Current income tax		50 903 104	21 461 311
Deferred income tax	(23)	222 199	-
Net profit for the period		368 887 284	104 807 269
Attributable to:			
Equity holders of the parent		358 754 499	91 996 134
Minority interest		10 132 785	12 811 135
		368 887 284	104 807 269

The accompanying notes from No. (1) to No. (24) form an integral part of the 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 June 30,2006

	Issued and Paid - in Capital	**Legal Reserve**	**General Reserve**	**Special reserve**			**Retained (Losses) Earnings**	**Treasury Shares**	**Total**
				Share Issuance Premium	**Revaluation Differences**	**valuation difference of available -for-sale investments**			
	L.E.	**L.E.**	**L.E.**	**L.E.**	**L.E.**	**L.E.**	**L.E.**	**L.E.**	**L.E.**
Balance as at 31/12/2004	405 370 050	103 764 279	158 271	4 755 384	(761 762)	(677 689)	(25 978 635)	(46 232 310)	440 397 588
Purchasing of treasury shares	-	-	-	-	-	-	-	(109 069 996)	(109 069 996)
Selling of treasury shares	-	4 090 345	-	7 717 108	-	-	-	94 357 836	106 165 289
Special reserve - revaluation differences	-	-	-	-	(536 271)	-	-	-	(536 271)
Valuation differences of available -for-sale investments - credit	-	-	-	-	-	9 894 435	-	-	9 894 435
Transfer to reserves & retained earnings	-	1 123 511	-	-	-	-	50 555 348	-	51 678 859
Balance as at 31/12/2005	405 370 050	108 978 135	158 271	12 472 492	(1 298 033)	9 216 746	24 576 713	(60 944 470)	498 529 904
Increase in capital	1 050 740 100	129 574 400	-	1 628 609 600	-	-	-	-	2 808 924 100
Purchasing of treasury shares	-	-	-	-	-	-	-	(14 682 594)	(14 682 594)
Selling of treasury shares	-	4 815 050	-	-	-	-	-	48 125 526	52 940 576
Special reserve- revaluation differences	-	-	-	-	1 000 715	-	-	-	1 000 715
Valuation differences of available -for-sale investments - debit	-	-	-	-	-	(16 065 064)	-	-	(16 065 064)
Transfer to reserves & retained earnings	-	1 840 937	-	-	-	-	338 901 277	-	340 742 214
Balance as at 30/6/2006	1 456 110 150	245 208 522	158 271	1 641 082 092	(297 318)	(6 848 318)	363 477 990	(27 501 538)	3 671 389 851

The accompanying notes from No. (1) to No. (24) form an integral part of the financial statements and are to be read therewith.

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated Cash Flow Statement
For the period ended June 30, 2006

	For the period ended 30/6/2006 L.E.	For the period ended 30/6/2005 L.E.
Cash Flows from Operating Activities		
Net profit before income tax	420 012 587	126 268 580
Adjustments to reconcile net profit to net cash provided by operating activities		
Fixed assets depreciation	3 933 948	2 003 937
Provisions	7 052 399	13 475 808
Amount used from provisions	(113 004)	(2 300 000)
Deferred expenditures amortization	-	873 632
Goodwill impairment	2 352 717	2 352 717
Loss arising from sale of fixed assets	18 000	51 619
Loss arising from sale of available -for- sale investments	591 210	2 400 446
Unrealized loss (gain) on trading investments	1 231 012	(3 690 386)
Impairment of assets	229 958	12 534 796
Foreign currency translation differences	1 147 923	1 104 158
Share of profit of associates (Bank Audi)	(103 371 508)	-
Income tax paid	(79 577 060)	(4 667 848)
Operating profit before changes in working capital	253 508 182	150 407 459
Increase in other debit balances	(29 104 042)	(20 508 089)
(Decrease) increase in creditors and other credit balances	(49 079 046)	20 160 219
Increase in accounts receivable -(debit balances)	(20 170 429)	(541 787 317)
(Decrease) increase in accounts receivable - (credit balances)	(423 578 599)	251 862 238
Increase in affiliated companies (debit balances)	(442 241 567)	(265 387 841)
Increase in affiliated companies (credit balances)	453 247 967	265 310 249
Increase in trading investments	(194 230 276)	(18 684 702)
Increase in EFG- Hermes Employee Trust (current tranche)	-	(180 995)
(Increase) decrease in EFG- Hermes Employee Trust (non current tranche)	(32 408 402)	6 595 000
Increase in other brokerage companies	230 754 539	318 210 286
Net cash (used in) provided from operating activities	(253 301 673)	165 996 507
Cash Flows from Investing Activities		
Payments to purchases of fixed assets	(21 835 199)	(5 057 303)
Proceeds from sale of fixed assets	32 245	28 083
Proceeds from redemption of treasury bills	56 952 555	5 129 134
Payments to purchase of available -for- sale investments	(139 378 633)	(24 352 075)
Payments to purchase of investments in subsidiaries and associates	(2 608 420 546)	(151 461)
Proceeds from sale of available -for- sale investments	48 356 721	20 197 506
Payments to increase company's share in Settlement Guarantee Fund	(14 263 766)	(1 174 538)
Payments to purchase of property investment	-	(1 950 000)
Net cash used in investing activities	(2 678 556 623)	(7 330 654)
Cash Flows from Financing Activities		
Increase in paid - in capital	1 073 720 100	7 850 000
Payments to purchase treasury shares	(14 682 594)	(108 471 220)
Proceeds from sale of treasury shares	52 940 576	53 949 418
Paid dividends	(24 259 816)	(6 262 595)
Decrease in banks - overdraft	-	(19 042 554)
Decrease in long term loans	(14 261 072)	(32 812 770)
Increase in other liabilities	4 928	-
Increase in reserves	1 752 120 387	-
Net cash provided from (used in) financing activities	2 825 582 509	(104 789 721)
Net change during the period	(106 275 787)	53 876 132
Cash and cash equivalent at the beginning of the period	917 504 882	133 095 279
Cash and cash equivalent at the end of the period	811 229 095	186 971 411
Cash & Cash Equivalent are represented in:		
Cash on hand	561 158	1 579 337
Cheques under collection	1 143 034	9 217 137
Banks- current account	460 637 563	166 609 286
Banks- time deposits	57 139 441	4 765 651
Saving certificates	4 800 000	4 800 000
Treasury bills and other bills eligible for rediscounting	289 052 543	-
Treasury bills and other bills eligible for rediscounting (more than 3 months)	(2 104 644)	-
	811 229 095	186 971 411

The accompanying notes from No. (1) to No. (24) form an integral part of the 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 June 30, 2006

1. Purpose of Preparation

The consolidated financial statements and accompanying notes were prepared for the purpose of submitting them to the Egyptian Stock Exchange and London Stock Exchange as one of the requirements of local laws and Global Depositary shares (GDS).

2. General

- 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 and amend the company's purpose to become 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.
- EFG- Hermes holding company, the parent company, owns the following subsidiaries:

	Direct ownership %	Indirect ownership %
Financial Brokerage Group (FBG)	99.76	0.04
Egyptian Fund Management Group (EFMG)	88.51	11.49
Egyptian Portfolio Management Group (EPMG)	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 Ltd.	100	--
EFG – Hermes for 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)	65	--
EFG- Hermes Brokerage – UAE Ltd.	--	90
Flemming CIIC Holdings	100	--
Flemming Mansour Securities	--	99.33
Flemming CIIC Securities	--	96
Flemming Corporate Finance	--	74.92
EFG- Hermes UAE Ltd.	100	--
EFG- Hermes Lebanon	100	--

3 . Significant Accounting Policies Applied

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

3-1 Basis of Preparation of Financial Statements

The financial statements were prepared in accordance with Egyptian Accounting Standards, and applicable local laws and regulations.

3-2 Basis of Consolidation

The consolidated financial statements include all subsidiaries that are controlled by the parent company. Basis of the consolidation are as follows:

- All intragroup balances and transactions are eliminated.
- Minority interest, in the equity and results of the entities that are controlled by the parent company , is shown as a separate item in the consolidated financial statements .
- The cost of acquisition is allocated as follows:
  a) The fair value of the assets and liabilities acquired as of the date of the exchange to the extent of the parent's interest obtained in the exchange, and
  b) The minority's proportion of the pre-acquisition carrying amounts of the assets and liabilities of the subsidiary.
  c) Goodwill represents amounts arising on acquisition of subsidiaries and represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less accumulated impairment losses.

3-3 Foreign Currencies Transactions

- The company maintains its accounts in Egyptian Pounds. Transactions denominated in foreign currencies are recorded at the prevailing exchange rate at the dates of transactions. Balances of monetary assets and liabilities denominated in foreign currency at the financial position date are translated at the prevailing exchange rates. The exchange differences are recorded in the income statement.
- Assets and liabilities of financial statements for foreign companies were translated using the prevailing exchange rates at the financial position date, shareholders’ equity items are translated using historical rates, while revenues and expenses were translated using an average of the prevailing rates during the financial year. The resulted translation differences are included within the shareholders’ equity in the financial position as a special reserve- foreign currency translation differences.

3-4 Revenues Recognition

- 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.
- Dividend income is recognized when declared.
- Deposits and bonds interest are recognized on accrual basis.
- 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).
- Management fee is calculated as determined by the management contract of each investment fund & portfolio and recorded on accrual basis.
- 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.

3-5 Fixed Assets Depreciation

Fixed assets are recorded at the historical cost and are depreciated by the straight line method over the estimated productive life for each type of asset as the following:

	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

3-6 Amortization of deferred expenditure

The cost of obtaining long term loans is capitalized and amortized over the loan year (Note No. 19).

3-7 Treasury Bills

Treasury bills are recorded at nominal value, and the issuance discount is recorded under the item of "credit balances and other liabilities". Treasury bills are presented on the financial position net of the issuance discount

3-8 Trading Investments

Trading investments are valued on the basis of prevailing market value at the financial position date and the revaluation differences are recorded in the income statement.

3-9 Investments in Subsidiaries

Investments in subsidiaries are recorded at cost. However, when there is an impairment in the market or computed value of the investments compared to book value, the book value should be adjusted with the impairment value and charge the impairment to the income statement.

3-10 Investment in Associates

Investments in associates are accounted for using equity method. Under the equity method, the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the company's share of the profit or loss of the associate after the date of acquisition. The company's share of the profit or loss of the associate is recognized in the company's income statement.

The company computes its share of profits or losses after adjusting for the dividends of preferred shares whether or not the dividends have been declared.

3-11 Available –for- sale Investments

- Available -for- sale investments are recorded at cost. Quoted investments are revalued at fair value (market value) and non quoted investments are revalued at computed value of the investments (based on latest certified financial statements) and the valuation differences will be recorded as a special reserve revaluation difference of available–for– sale investments in the shareholder's equity. When selling the investments, its interest in the special reserve will be added to the income statement.

- Concerning the non active available –for- sale securities (have no market value in an active market) and the fair value of which can not be determined reliably, such investments are recognized at cost, the book value of these investments is to be amended by any impairment concerning the value of these investments and the impairment value is to be charged to income statement for every investment individually.

3-12 Property Investment

Property investment is recorded at cost. Any decline in the fair value (impairment) is charged to income statement.

3-13 Impairment of Assets

At the financial position date, the company reviews the value of its assets to determine if there are any indication of impairment in the values of such assets. In case of any asset impairment indicators, the company determines the net realizable value of such asset. When the net realizable value is less than the carrying amount of such asset, the reduction in the asset's value is charged to the income statement.

3-14 Treasury Shares

Treasury shares are recorded at its acquisition cost and deducted from the total shareholders' equity in the statement of financial position.

3-15 Income Tax

- 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 financial position date, and any adjustment to tax payable in respect of previous years.
- Deferred tax is provided using the financial position 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 realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position 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 utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3-16 Cash Flow Statement

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, time deposits with banks, saving certificates, margin of letters of guarantee and treasury bills and other bills eligible for rediscounting maturing within 3 months or less from its acquisition date.

4. 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 banks – overdraft and creditors. Note (No. 3) 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.

4/1 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.

4/2 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 at the financial position date, the company has assets and liabilities in foreign currencies equivalent to LE. 1 508 111 146 and LE. 1 419 270 511 respectively. The company's net exposures in foreign currencies are as follows:

	Surplus/ (Deficit)
	LE.
U.S. Dollar	87 205 593
Euro	391 787
GBP	6 903
UAE Derham	1 213 729
BHD	(10 197)
KWD	32 820

- As disclosed in note 3-3, the company has used the prevailing exchange rates to revaluate monetary assets and liabilities at the financial position date.
- As disclosed in note no. (20) the company has executed Currency SWAP agreements to cover its deficit and required needs of foreign currencies and meet the risks of exchange and interest rates related thereto.

4/3 Financial Instruments' Fair Value

The financial instruments' fair value do not substantially deviated from their book value at the financial position 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. (12, 13) of the notes to financial statements disclose the fair values of investments, which are reported at cost.

5. **Banks – Current Accounts**

The banks - current accounts item stated in the financial position includes blocked amount of LE. 10 million in the name of the subsidiaries, Financial Brokerage Group company and Hermes Securities Brokerage company represents the value of the deposit of One Day Operations settlement which takes place in the Egyptian Stock Exchange (LE. 5 million each). Both companies are not entitled to use this amount without prior approval from Misr Clearance Company.

6. **Treasury Bills and other bills eligible for rediscounting**

	30/6/2006 LE.	31/12/2005 LE.
Treasury bills purchased with commitment to resale	265 087 076	--
Treasury bills 182 days maturity	--	57 800 000
Treasury bills 364 days maturity	2 125 000	2 825 000
Central bank of Egypt Notes	22 000 000	--
	289 212 076	60 625 000
Less: Unearned income	(159 533)	(1 567 801)
Net	289 052 543	59 057 199
	========	========

7. **Other Debit Balances**

	30/6/2006 LE.	31/12/2005 L.E
Deposits with others	1 986 633	1 037 058
Downpayments to suppliers	15 878 28323	500
Prepaid expenses	12 059 111	5 111 344
Employees advances	1 873 6851	537 913
Accrued revenues	15 965 2632	341 781
Taxes withheld by others	28 382 19320	670 474
Commercial International Investment Company (CIIC)	43 760	1 204 652
Payment under purchasing investments *	47 20012	152 880
Unrealized SWAP Losses (gains)	468 850	(416 252)
Sundry debtors	8 041 406	23 888 485
	84 746 384	67 551 835
Less: impairment of other debit balance	(1 153 050)	(1 153 050)
Net	83 593 334	66 398 785

* The balance represents the amount paid under the capital increase of Al Ahly for Development and Investment Company.

8. Short Term Loans

- On January 3, 2006 a loan agreement has been signed with CitiBank where by, the company is entitled to obtain short term loan with an amount of USD 150 million (the equivalent of LE. 859 Million). The purpose of the loan is to partially finance the acquisition of a stake in the share capital of Audi Bank – Lebanon. The loan was due on April 12,2006 with monthly interest rate of Libor+2. The loan has been paid on May 12,2006.

9. Creditors and Other Credit Balances

	30/6/2006	31/12/2005
	LE.	L.E
Tax Authority	1 739 453	103 096 753
Social Insurance Association	191 397	189 058
Unearned revenues	5 962 333	7 854 875
Interest & commission payable	468 844	1 698 905
Suppliers	1 360 000	1 360 000
Accrued expenses	77 431 754	72 754 380
Dividend payable	601 510	601 510
Clients' coupons- Custody Activity	19 620 439	7 123 277
Credit Suisse Securities (Europe) Limited	--	31 156 933
Industries modernization Centre	35 143 765	--
Sundry creditors	19 440 92218	067 935
	161 960 417243	903 626

10. Provisions

	*Accumulated Impairment of accounts receivable And other debit balance	Contingent Liabilities provision	Severance pay provision	Total
	L.E	L.E	L.E	L.E
Balance as at 1/1/2006	65 951 885	53 747 564	225 283	119 924 732
Formed during the period	--	7 052 399	--	7 052 399
Amounts used during the period	--	(60 785)	(52 219)	(113 004)
Foreign currency differences	--	--	1 116	1 116
Balance as at 30/6/2006	65 951 885	60 739 178	174 180	126 865 243

* It is deducted from accounts receivable item and other debit accounts in the statement of financial position.

11. Fixed Assets

Particulars	Land	Buildings	Lease Hold Improvements	Office Furniture, equipment & Electrical Appliances	Computer Equipment	Transportation Means	Total
	LE.	LE.	LE..	LE.	LE .	LE.	LE.
Balance as of 1/1/2006	5 360 000	13 685 823	1 698 820	18 728 069	12 539 757	4 708 229	56 720 698
Additions during the period	--	--	276 129	13 963 728	4 597 362	2 997 980	21 835 199
Disposals during the period	--	--	--	(119 755)	--	(6 713)	(126 468)
Total cost as of 30/6/2006	5 360 000	13 685 823	1 974 949	32 572 042	17 137 119	7 699 496	78 429 429
Accumulated depreciation							
At the beginning of the period	--	2 751 494	1 540 909	13 080 514	7 889 694	2 580 721	27 843 332
Depreciation during the period	--	205 287	61 456	2 041 128	947 245	678 832	3 933 948
Disposals' accumulated Depreciation	--	--	--	(69 510)	--	(6 713)	(76 223)
Accumulated depreciation as of 30/6/2006	--	2 956 781	1 602 365	15 052 132	8 836 939	3 252 840	31 701 057
Net cost as of 30/6/2006	5 360 000	10 729 042	372 584	17 519 910	8 300 180	4 446 656	46 728 372
Net cost as of 31/12/2005	5 360 000	10 934 329	237 050	5 674 514	4 650 063	2 127 507	28 983 463

12. Available - for- sale investments

	30/6/2006 LE.	31/12/2005 LE.
Quoted investments	42 465 354	12 117 704
Non - quoted investments	100 074 978	111 585 697
	142 540 332	123 703 401

13. Investments in subsidiaries & Associates

	Ownership %	30/6/2006 LE.	31/12/2005 LE.
Arab Visual Company *	74.99	3 749 500	3 749 500
EFG-Hermes UAE Ltd.	100	--	11 540 000
Bank Audi Sal (Lebanon Bank)**	23.866	2 802 099 222	--
EFG- Hermes Holding Lebanon *	100	153 713	--
		2 806 002 435	15 289 500

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

** The ownership percentage is computed based on the voting ordinary shares.

14- Property Investment

- The balance of property investment stated in the financial position as at June 30,2006 with an amount of LE. 139 973 492 represents the value of 9 318.57 square meters of the building owned by Nile City Investment Company.
- The market value of this property investment amounted LE. 141 497 826 as of June 30,2006.

15- Settlement Guarantee Fund

The Settlement Guarantee Fund balance stated in the statement of financial position amounting LE. 22 646 516 represents the Brokerage Companies' shares in the Settlement Guarantee Fund.

16- 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 European Investment Bank pays the value of these investments. The proceeds are reported as a liability on the company versus the investments reported as an asset. An off-setting is made between the asset and liability at the financial position date. The company has sold the total amount of bank's investments during the period:

Company's Name	**Balance as of**		
	30/6/2006	**31/12/2005**	
	LE.	**LE.**	
Gas & Energy Group Limited	--	8 104 041	
EFG- Hermes Holding Company	--	13 028 400	
	--21	132	441
	=========	========	

17. Capital

- The company's authorized capital amounts LE. 700 million and issued and paid in capital amounts LE. 405 370 050 distributed on 81 074 010 shares of par value LE. 5 per share.
- On February 2,2006 the Company's Extraordinary General Assembly approved the following decisions:
    - Increasing the issued capital of the Company from LE. 405 370 050 to LE. 485 370 050 through a First Tranche by issuing 16 million shares at the fair value of LE. 115 approved by the Company's Board of Directors and validated by the Company's auditor. This increase will be allocated to purchase a percentage in the share capital of Audi Bank – Lebanon.
    - Offering the First Tranche of the capital increase to qualified investors in a private placement at the fair value (to be paid in USD + $1 per share as placement fee). This will include the waiving of the pre-emptive rights of the current shareholders in subscribing to the First Tranche. The minimum subscription was set at $10 million;
    - Inviting existing shareholders to participate in the private placement each according to his percentage of ownership according to the rules of private placement while waiving the minimum requirements of $10 million subscription;

  The capital increase has been fully paid.

- Increasing the Company's authorized capital from LE. 700 million to LE. 3 200 million and the issued capital from LE. 485 370 050 to LE. 1 456 110 150 through a second trnache by issuing 194 148 020 shares at the par value of the share (LE. 5) through a 1:2 right issue.

The mentioned increase in the issued capital has been fully paid and accordingly, the company's issued and paid in capital amounted to LE. 1 456 110 150 distributed on 291 222 030 shares with par value of LE. 5 each.On May 14,2006, the increase has been registered in the Commercial Register.

18. Treasury Shares

The balance of Treasury Shares stated in the statement of financial position represents a number of 1 553 827 shares of the company's shares which represents approximately 0.53% of company's issued capital with total cost of LE. 27 501 538.

19- Long term loans

A- A loan contract has been signed on March 28,2001 between EFG- Hermes Holding Company and International Finance Corporation (IFC), this contract provides for that EFG- Hermes Holding borrows a long term loan amounting to USD 30 Million for five years ending on May ١٥,2006 with two years as a grace period and annual floating interest rate over Libor based on the return rate on equity.

This loan will be used in financing the company's expansions in the Middle East and North Africa besides new activities. According to the loan contract the company has received the first installment amounting to US$ 15 Million on May 15, 2001.

The loan principal is payable on 7 semi annual installments amounted to US$ 4 285 700 each starting from May 15,2003 and interest is due semi annually on May 15 and November 15, the first interest was due on November 15, 2001.

The loan contract stipulated to provide the following guarantees.

- An irrevocable power of attorney from the Borrower and the borrower's subsidiaries to IFC enabling IFC to create at will (a) a first – ranking real estate mortgage over the land and the building owned by Financial Brokerage Group S.A.E. (a subsidiary company 99.76 %) at 58 El Tahrir Street, Dokki – Giza, Arab Republic of Egypt and (b) a first – ranking commercial mortgage on the tangible and intangible assets of the Borrower and Borrower's subsidiaries. Including such asset as may be acquired after the signature of this agreement.

- An irrevocable and unconditional guarantee by the Egyptian guarantors except Egyptian portfolio management group company in a form acceptable to IFC for the benefit of IFC, payable on first demand by IFC to guarantee the Borrower's payment obligations to IFC under this agreement.
- A pledge of the shares that the Borrower holds in Egyptian Portfolio Management Group S.A.E. to IFC (with par value of LE. 1 990 000).
- On March 13, 2002, the company paid an amount of US$ 4 144 630 to the IFC as a partial repayment of the loan. The company has paid an amount of US$ 1 550 762 on May 15,2003, November 12,2003, May 13,2004, November 10,2004 and May 12,2005 and November 14,2005. The company has paid an amount of US$ 1 550 798 on May 10,2006 as a last installment of the loan.
- On December 28,2005, a loan agreement has been signed with International Finance Corporation " IFC" where by the company is entitled to obtain long term loan with an amount of US$ 20 Million to Finance Regional expansion of the company. The loan will be repaid on 10 equal semi Annual installment with US$ 2 million for each installment and the first installment will 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 will due on May 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 has not obtained any amounts from this loan till financial position date.

B- On January 4,2002, a loan contract has been signed with the Foundation of (DEG)- DEUTSCHE INVESTITIONS- UND ENTWICKLUNGSGESELLSCHAFT MBH. The said contract provides for that EFG- Hermes Holding Company borrows a long term loan with amount of EURO 15 Million with an applied annual floating interest rate. The loan principal is to be repaid on 12 semi annual installments of 1.25 million EURO each. The first installment was due on May 15, 2003 and the loan interest is due semi annually on May 15, and

November15, The Company is committed to render some guarantees to the lender as stipulated by the contract. On July 4, 2002 the company has received an amount of EURO 10 420 000 , and EURO 4 580 000 on December 24,2002 representing the full amount of the mentioned loan.

The company has paid an amount of EURO 1,25 million to DEG on May 15,2003, and November 12,2003. The company has paid EURO 2 500 000 on May 13,2004, EURO 1 250 000 on May 12,2005 and November 14,2005.

The company has paid EURO 1.25 million on May 10,2006. Accordingly, the loan balance as of June 30,2006 amounted EURO 6.25 million (Equivalent amount of LE. 45 250 000).

- On December 29,2005 a loan agreement has been signed with (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. The loan's purpose is 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 will 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 will due with the first installment.
The loan agreement provides for that the company's subsidiaries will guarantee the loan repayment through an irrevocable unconditional guarantee. According to the loan contract, the company is entitled to receive the loan on two installments with an amount of EURO 5 million and the company has not obtained any amounts from this loan till financial position date.

20. Contingent Liabilities

- The company undertakes its subsidiaries – Financial Brokerage Group, Hermes Securities Brokerage against the credit facilities granted from banks and EFG- Hermes Brokerage – UAE. against letters of guarantee amounting to AED 86 Million (the equivalent amount of LE. 134 160 000) issued by banks upon the request of Financial Brokerage Group Company (one of company's subsidiaries – 99.76%) in favour of Dubai and Abo Dhabi Market Authorities to guarantee the brokerage activity of the subsidiary EFG- Hermes Brokerage Company – UAE Ltd.
- The company and its subsidiaries have executed SWAP contract with 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 operation**	**Amount**	**currency**	**Expiry Date**
29/6/2006	Selling Euro	6 250 000	Buying USD	26/7/2006
28/6/2006	Selling EGP	262 421 250	Buying USD	12/7/2006

- Hermes Corporate Finance Company (a subsidiary – 99.37%) issued through a bank a letter of guarantee in 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. 486 779 on June 30,2006 as a margin for this letter of guarantee.

21. Impairment Of Assets

	30/6/2006	30/6/2005
	LE.	LE.
Impairment of accounts receivable & debit accounts	2 436	8 719 983
Impairment of subsidiaries current accounts	105 022	--
Impairment of investment in subsidiaries	122 500	--
Impairment of available –for– sale investments	--	3 814 813
	229 95812	534 796

22. Incentive Fee Revenues

Due to inadequate assurance concerning the revenue recognition conditions and collections of the incentive fee on managing investment funds and portfolios, the assets management companies (subsidiaries) deferred the recognition of Incentive Fee with an amount of LE. 199 815 for the period ended June 30,2006 versus LE. 82 904 298 for the same period last year as no revenues are recognized if there are any uncertainties regarding the recovery of the consideration due.

Subsidiary's Name	Amount LE.	
	30/6/2006	30/6/2005
EFG- Hermes Financial Management (Egypt) Ltd.	637	23 874 997
Egyptian Portfolio Management Group Company	199 178	32 919 146
Hermes Fund Management Co.	--	26 110 155
	199 815	82 904 298

23. Deferred Tax Assets And Liabilities

Deferred tax assets and liabilities are attributable to the following:

	30/6/2006		31/12/2005	
Deferred Tax	**Assets**	**Liabilities**	**Assets**	**Liabilities**
	LE.	**LE.**	**LE.**	**LE.**
Fixed assets' depreciation	--	(701 321)	--	(385 410)
Capital losses	7 581	--	3 982	--
Provisions	3 242 727	--	3 152 614	--
Total deferred tax assets (liabilities)	3 250 308	(701 321)	3 156 596	(385 410)
Net deferred tax assets	2 548 987	--	2 771 186	--

24. Corresponding figures

Certain corresponding figures have been reclassified to conform with the current period classification.