

SCOPE METALS GROUP LTD.

AND ITS SUBSIDIARIES

**SUMMARY OF ANNUAL BALANCE SHEET AND STATEMENT OF
INCOME FOR THE YEAR ENDED DECEMBER 31, 2008**

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SCOPE METALS GROUP LTD.**BALANCE SHEET****Consolidated****December 31st****2008** **2007**
Audited **Audited****In Thousands of US dollars****CURRENT ASSETS**

| | | |
|---------------------------|----------------|----------------|
| Cash and cash equivalents | 33,524 | 9,122 |
| Marketable securities | 13,358 | 19,061 |
| Trade receivables, net | 83,481 | 108,760 |
| Other receivables | 10,800 | 11,928 |
| Inventory | <u>221,982</u> | <u>238,238</u> |
| | 363,145 | 387,109 |
| | ----- | ----- |

LONG -TERM ASSETS

| | | |
|-----------------------------|--------------|--------------|
| Prepaid rental payments | 11,103 | 9,398 |
| Property and equipment, net | 71,830 | 67,542 |
| Goodwill | 3,570 | 3,604 |
| Intangible assets, net | 4,296 | 4,001 |
| Deffered taxes | <u>7,506</u> | <u>2,790</u> |
| | 98,305 | 87,335 |
| | ----- | ----- |
| | 461,450 | 474,444 |
| | ===== | ===== |

The amounts were translated into US \$ at a rate of 3.802 NIS =1 US\$

SCOPE METALS GROUP LTD.**BALANCE SHEET****Consolidated****December 31st****2008**
Audited**2007**
Audited**In Thousands of US dollars****CURRENT LIABILITIES**

| | | |
|---|--------------|---------------|
| Short - term credit from banks and others | 67,649 | 47,925 |
| Current portion of debentures | 13,526 | 8,267 |
| Trade payables | 39,502 | 48,520 |
| Other payables | <u>9,933</u> | <u>10,713</u> |
| | 130,610 | 115,425 |
| | ----- | ----- |

LONG - TERM LIABILITIES

| | | |
|---|--------------|--------------|
| Long - term loans from banks and others | 91,819 | 105,455 |
| Debentures | 70,503 | 80,174 |
| Long - term operating lease | 375 | 327 |
| Accrued severance pay, Net | 276 | 159 |
| Deferred taxes | <u>6,537</u> | <u>4,533</u> |
| | 169,510 | 190,648 |
| | ----- | ----- |

TOTAL LIABILITIES

| | | |
|--|---------|---------|
| | 300,120 | 306,073 |
| | ----- | ----- |

SHAREHOLDERS' EQUITY

| | | |
|--|----------------|----------------|
| Share capital | 3,873 | 3,873 |
| Additional paid in capital and capital funds | 86,801 | 86,801 |
| Warrants | 9,076 | 9,076 |
| Retained earnings | 63,666 | 71,301 |
| Foreign currency translation fund | <u>(2,086)</u> | <u>(2,680)</u> |
| | 161,330 | 168,371 |
| | ----- | ----- |

| | | |
|--|---------|---------|
| | 461,450 | 474,444 |
| | ===== | ===== |

March 31st, 2009

SCOPE METALS GROUP LTD.**STATEMENT OF INCOME****Consolidated**

| | For the year ended December 31 <u>2008</u> <u>Audited</u> | For the year ended December 31 <u>2007</u> <u>Audited</u> |
|--|--|--|
|--|--|--|

**In Thousands of US dollars (except
Earnings (Loss) Per Share data)**

| | | |
|---|----------------|---------------|
| Revenues | 349,513 | 337,873 |
| Cost of goods sold | 265,660 | 244,074 |
| Provision for reduction in inventory value (*) | <u>11,205</u> | <u>-</u> |
| Total cost of goods sold | 276,865 | 244,074 |
| Gross profit | 72,648 | 93,799 |
| | ----- | ----- |
| Warehouse, delivery, seling and marketing expenses | 43,374 | 37,766 |
| General and administrative expenses | 17,958 | 13,068 |
| Other expenses, net | <u>70</u> | <u>1,170</u> |
| Operating income | 11,246 | 41,795 |
| | ----- | ----- |
| Finance income | 1,620 | 2,173 |
| Finance expenses | <u>20,294</u> | <u>22,436</u> |
| Income (Loss) before taxes on income | (7,428) | 21,532 |
| Income Taxes (Tax Benefit) | <u>(2,424)</u> | <u>7,359</u> |
| Net income (Loss) | (5,004) | 14,173 |
| | ----- | ----- |
| <u>Net income (Loss) per share attributed to the company's shareholders (NIS)</u> | | |
| Basic Earnings (Loss) per share | <u>(0.46)</u> | <u>1.31</u> |
| Deluted Earnings (Loss) per share | <u>(0.46)</u> | <u>1.27</u> |
| | ===== | ===== |

(*) Primarily as a result of the decline in metals prices.