

GB Auto Reports 2Q15 Results

Leading automotive player reports top-line growth as local market grapples with currency challenges and regional markets face difficult operating environment

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10 August 2015 — (Cairo, Egypt) — GB Auto (AUTO.CA on the Egyptian Exchange), a leading automotive assembler and distributor in the Middle East and North Africa, announced today its consolidated results for 2Q15, reporting revenues of LE 3,205.2 million, up 4.0% year-on-year. Net profits were up 26% at LE 50.3 million, with net margins rising 0.3 percentage points to 1.6% in the quarter.

In the first half, revenues rose 11.4% year-on-year to LE 6,405.6 million; net profits rose 16.5% to LE 102.4 million, with net profit margins remaining somewhat flat y-o-y at 1.6%.

“I am pleased to report that, despite continued currency challenges and difficult operating environments in our expansion markets, we managed to grow sales across most of our LOBs in our home market of Egypt. Our top-line growth in the quarter came even as Egypt witnessed a downturn market-wide, particularly in the first two months of the quarter,” said GB Auto Chief Executive Officer Dr. Raouf Ghabbour.

“As I’ve noted before, bumps in the road are nothing new to GB Auto, whether in our home or regional expansion markets. We, as always, are pressing ahead with the successful model that has allowed us to thrive during trying times — a model has seen us continuously expand our product portfolio and seek further integration in our expansion markets, effectively bolstering our operational strengths and allowing us to weather the less than favorable market conditions.”

The Passenger Cars division saw a 10.2% y-o-y decrease in revenues in 2Q15 to LE 2,089.4 million, as an overall modest increase in revenues in Egypt proved inadequate to compensate for obstacles in Iraq and the residual effects of management’s decision to withhold Geely supplies to the market to clear wholesale and dealer-level oversupply that accumulated in 4Q14.

The Motorcycles & Three-Wheelers line of business continued to be buoyed by strong demand in Egypt, resulting in this LOB reporting a nearly two-fold increase in its total revenues y-o-y to LE 488.1 million in the quarter.

Meanwhile, the Commercial Vehicles & Construction Equipment LOB registered another solid quarter in 2Q15, reporting a 33.3% y-o-y increase in revenues to LE 299.7 million, while sales revenues for the Tires line of business were down for a second straight quarter due to the effect on local market demand of a switch to a cash-and-carry sales model.

Financing Businesses continued to perform exceptionally, with each of its four units again posting solid revenue and gross profit growth. The LOB overall reported a 47.8% increase in sales revenue to LE 230.4 million in 2Q15.

GB Auto’s Startups line of business reported revenues of LE 14.0 million in 2Q15, as it continues to benefit from the full integration of the Pre-Owned Vehicles line in GB Auto-owned points of sale and the continued roll-out of Lubricants sales.

“As we move into the third quarter, I would like to again reiterate the pressing need for the Government of Egypt to address the unfair customs advantage enjoyed by European, Turkish and Moroccan vehicles against assembled-in-Egypt cars. Our industry as a whole remains optimistic that the government will act on the matter, sooner rather than later,” concluded Ghabbour. “We are also preparing for a period in which currency challenges in our home market are likely to persist. That said, market trends towards the tail end of the quarter leave us feeling confident about the months ahead, as the softness witnessed early on was reversed in June, where we saw a recovery not only in our sales, but in market performance on a broader level.”

Highlights of GB Auto’s 2Q15 results along with management’s analysis of the company’s performance and complete financials are available for download on ir.ghabbourauto.com.

Financial Statements

Income Statement

(LE million)	Three Months Ended			Six Months Ended		
	2Q14	2Q15	% Change	HY14	HY15	% Change
Passenger Cars Revenues	2,326.8	2,089.4	-10.2%	4,319.7	4,020.3	-6.9%
Motorcycles & Three-Wheelers Revenues	253.2	488.1	92.8%	502.4	976.8	94.4%
Commercial Vehicles & Construction Equipment Revenues	224.9	299.7	33.3%	434.7	753.2	73.3%
Tires Revenues	116.8	83.6	-28.4%	208.4	166.0	-20.3%
Financing Businesses Revenues	155.9	230.4	47.8%	278.7	462.6	66.0%
Other Revenues	4.0	14.0	-	5.4	26.7	-
Total Sales Revenues	3,081.5	3,205.2	4.0%	5,749.2	6,405.6	11.4%
Total Gross Profit	398.0	389.1	-2.2%	759.6	791.5	4.2%
<i>Gross Profit Margin</i>	<i>12.9%</i>	<i>12.1%</i>	<i>-0.8</i>	<i>13.2%</i>	<i>12.4%</i>	<i>-0.9</i>
Selling and Marketing	-111.7	-131.4	17.6%	-214.0	-244.7	14.4%
Administration Expenses	-61.9	-99.4	60.4%	-123.8	-175.8	42.0%
Other Operating Income (Expenses)	10.6	7.5	-28.9%	19.6	15.1	-22.9%
Operating Profit	234.9	165.9	-29.4%	441.4	386.1	-12.5%
<i>Operating Profit Margin (%)</i>	<i>7.6%</i>	<i>5.2%</i>	<i>-2.4</i>	<i>7.7%</i>	<i>6.0%</i>	<i>-1.6</i>
Net Provisions and Non-Operating	-17.4	-8.3	-52.6%	-27.8	-12.9	-53.7%
EBIT	217.5	157.6	-27.5%	413.6	373.2	-9.8%
<i>EBIT Margin (%)</i>	<i>7.1%</i>	<i>4.9%</i>	<i>-2.1</i>	<i>7.2%</i>	<i>5.8%</i>	<i>-1.4</i>
Foreign Exchange Gains (Losses)	-50.8	-17.4	-65.8%	-68.7	-75.2	9.5%
Net Finance Cost	-88.6	-85.2	-3.8%	-178.1	-174.6	-2.0%
Earnings Before Tax	78.1	55.0	-29.6%	166.8	123.4	-26.0%
Income Taxes	-14.5	-32.6	124.7%	-31.7	-53.8	70.0%
Net Profit Before Minority Interest	63.6	22.4	-64.8%	135.1	69.5	-48.5%
Minority Interest	-23.7	27.9	-	-47.2	32.8	-169.5%
Net Income	39.9	50.3	26.0%	87.9	102.4	16.5%
<i>Net Profit Margin (%)</i>	<i>1.3%</i>	<i>1.6%</i>	<i>0.3</i>	<i>1.5%</i>	<i>1.6%</i>	<i>0.1</i>

Head Office

Cairo-Alex Desert Road, Km 28
Industrial Zone
Abu Rawash, Giza, Egypt

Investor Relations

Menatalla Sadek, CFA
Chief Investment Officer

Hoda Yehia
AVP - Corporate Finance

Rania El Shenoufy
Investor Relations Manager

Direct: +202 3910 0485
Tel: +202 3539 1201
Fax: +202 3539 0139
e-mail: ir@ghabbour.com

ir.ghabbourauto.com

Shareholder Information

Reuters Code: AUTO.CA
Bloomberg Code: AUTO.EY

Shares Outstanding:
1,094,009,733

About GB Auto S.A.E.

GB Auto S.A.E. (AUTO.CA on the Egyptian Exchange) is a leading automotive producer and distributor in the Middle East and North Africa. Across five primary lines of business — Passenger Cars, Motorcycles & Three-Wheelers, Commercial Vehicles & Construction Equipment, Tires and Financing — the company's main business activities include assembly, manufacturing, sales and distribution, financing and after-sales services. GB Auto's portfolio of brands includes Hyundai, Mazda, Geely Emgrand, Bajaj, Marcopolo, Iveco, Volvo Truck & Bus, Volvo Construction Equipment, Mitsubishi Fuso, YTO, Karry, SDLG, Aksa, Lassa, Yokohama, Goodyear, Westlake, Triangle, Grandstone, Diamond Back, Double Coin, Jumbo, Monroe and Gazpromneft. GB Auto has operations in Egypt, Iraq, Libya and Algeria, and is actively pursuing opportunities in new geographies within its core footprint. The company is headquartered in Giza, Greater Cairo Area, Egypt. www.ghabbourauto.com

Forward-Looking Statements

This document may contain certain "forward-looking statements" relating to the Company's business. These may be identified in part through the use of forward-looking terminology such as "will," "planned," "expectations" and "forecast" as well as similar explanations or qualifiers and by discussions of strategy, plans or intentions. These statements may include descriptions of investments planned or currently under consideration or development by the Company and the anticipated impact of these investments. Any such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance, decisions or achievements of the Company to be materially different from any future results that may be expressed or implied by such forward-looking statements.