GB Auto Reports 1Q13 Results

Leading regional automotive assembler and distributor reports strong top- and bottom-line growth on the back of growth in Tires, Motorcycles & Three-Wheelers, and Iraq Passenger Car sales; expects the start of commercial operations in Algeria, Libya in 2Q13

16 May 2013

(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 the first quarter of 2013, reporting a 21.6% year-on-year surge in revenues to LE 2,082.0 million. Net income rose 160.5% to LE 47.3 million from a comparatively weak 1Q12, while the company's net profit margin rose to 2.3%, an increase of 1.2 percentage points from the previous year.

"I am pleased to report a strong performance in the first quarter of this year, particularly so given the headwinds the industry as a whole has faced in Egypt in the three months just ended," said Dr. Raouf Ghabbour, Chief Executive Officer of GB Auto. "Our growth this quarter reflects strong showings from regional operations in Iraq and the Motorcycles & Three-Wheelers, Tires and Financing Businesses in Egypt. Given that the first quarter is typically the weakest quarter of the year, we are pleased to have delivered what is, to-date, the strongest first quarter revenues the company has ever recorded despite the prevailing economic climate."

Of the group's five lines of business, four contributed increased revenues to the top-line compared to their contributions in 1Q12. The Passenger Cars line of business, which has grown to include Geely passenger cars, has once again contributed the lion's share of revenues to the group's top-line, with 69.8% of the total.

"Set against lower Passenger Car unit sales in Egypt, the division's overall top-line and bottom-line growth as well as its improving margins is the payoff of a strategy pursued since 2008 to diversify operations geographically and by line of business," continued Ghabbour. "Going forward, we have plans to further improve the profitability of this key line of business through enhancing the efficiency of its distribution network."

The company's other divisions also posted excellent performances in the first quarter. Motorcycles and Three-Wheelers reported a 74.9% increase in total unit sales and a 97.3% rise in revenue year-on-year to LE 313.1 million, and a gross profit margin of 17.1%. Revenue from the Tires line of business surged 71.5% to LE 111.3 million, bolstered by LE 9.7 million in revenue from regional tires operations. Gross profit margin for the Tires line of business came in at a healthy 15.0%.

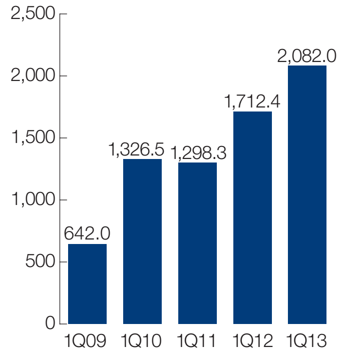
The Financing Businesses also continue to deliver strong performance, growing revenues 108.5% in the first quarter to LE 84.7 million. The division's gross profit margin was 33.3%.

"For four years we have been fine-tuning a strategy for growing our product offering and our geographical footprint. This quarter's results show the strength of that strategy, backed as it is by a dedicated and tireless team," concluded Ghabbour. "This process is a long-term one, and our efforts as we seek continued success are ongoing."

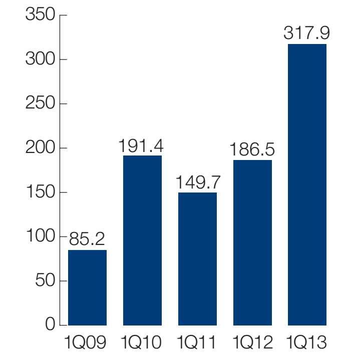
Highlights of GB Auto's 1Q13 results follow, along with Management's analysis of the company's performance. Complete financials are available for download on ir.ghabbourauto.com.

Key Indicators
(all figures in LE million)

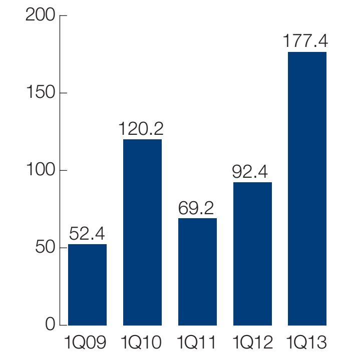
Revenues (LE million)



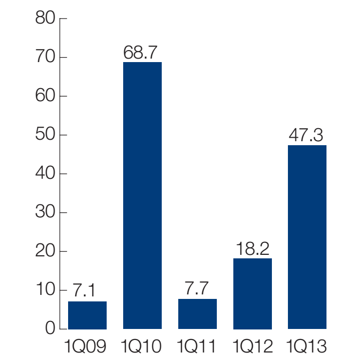
Gross Profits (LE million)



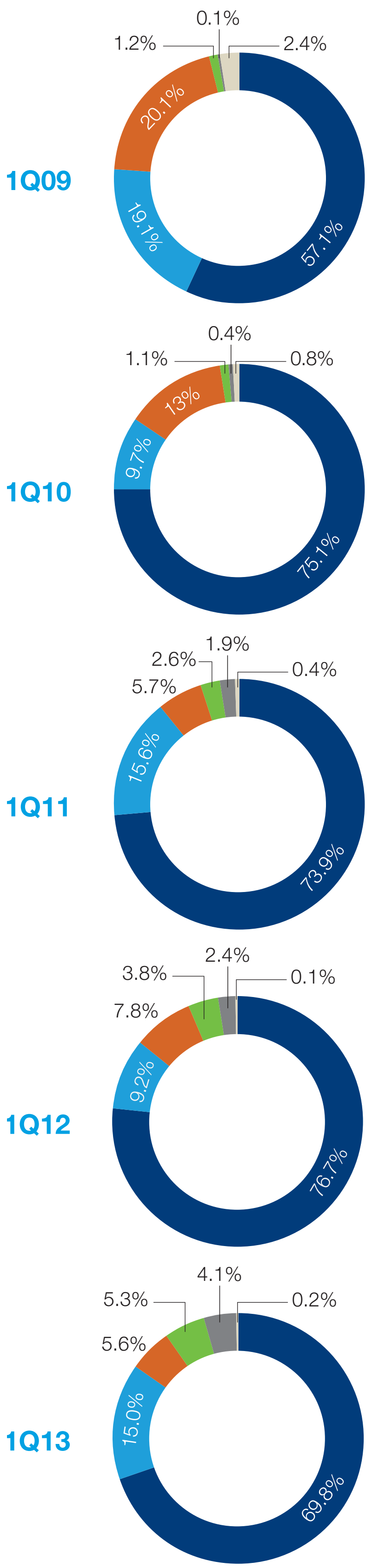
EBIT (LE million)



Net Income (LE million)



Revenue Contribution by Line of Business



First Quarter 2013 Highlights

- GB Auto revenue rose 21.6% to LE 2,082.0 million in the first quarter of 2013, up from LE 1,712.4 million in 1Q12, as Passenger Cars, Motorcycles & Three-Wheelers, Tires and the Financing Businesses all reported strong performances.
- Consolidated gross profit reached LE 317.9 million, a 70.5% increase over LE 186.5 million in 1Q12. Gross profit margin rose 4.4 percentage points to 15.3% supported by strong Passenger Car margins in both Egypt and Iraq.
- EBIT was LE 177.4 million, a 92.0% increase over LE 92.4 million over the same period of last year; EBIT margin was a strong 8.5% in 1Q13 versus 5.4% in 1Q12.
- Net income was up 160.5% over the relatively weak first quarter of 2012, reaching LE 47.3 million. Net profit margin was up 1.2 percentage points over 1.1% in 1Q12 to 2.3% this quarter.

Passenger Car revenue rose 10.6% year-on-year to LE 1,453.4 million in 1Q13 on a standout performance from Iraqi operations and the After-Sales division. Gross Profit for the line of business reached LE 212.6 million, an increase of 67.5% over the same period of 2012.

Motorcycle and Three-Wheeler revenue increased 97.3% to LE 313.1 million in 1Q13 compared to LE 158.7 million in 1Q12. Gross profit for the LOB was up 58.6% to LE 53.6 million.

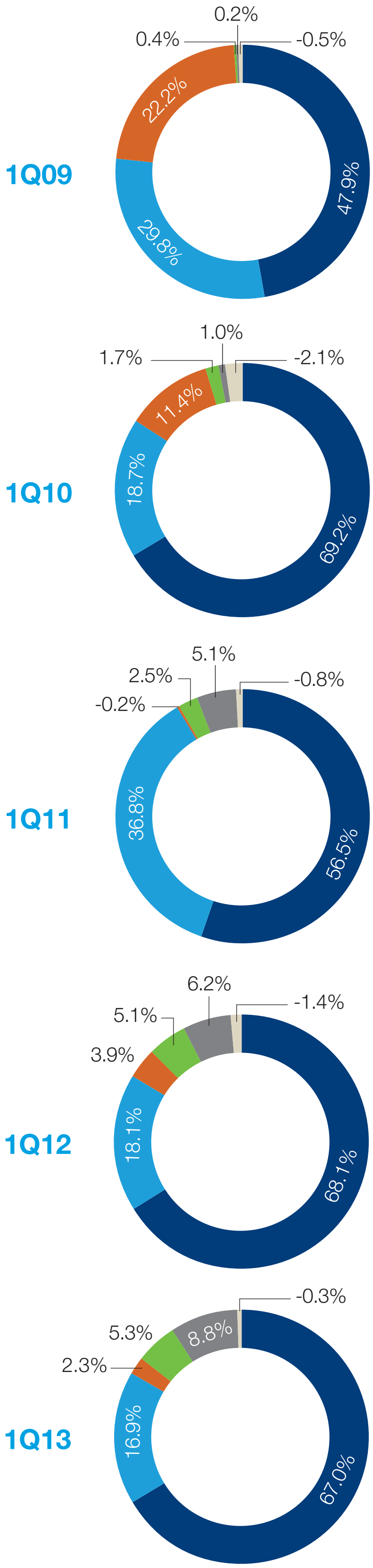
Commercial Vehicle and Construction Equipment revenue is LE 116.2 million in 1Q13, down 12.5% from 1Q12, although the division posted a 7.5% quarter-on-quarter raise over 4Q12. Gross profit rose 4.9% to LE 7.6 million from LE 7.3 million in 1Q12, and LE 3.9 million in 4Q12, as the LOB liquidated old stock and reported increased sales of select high-margin items.

Tires revenue rose 71.5% year-on-year in 1Q13, coming in at LE 111.3 million, up from LE 64.9 million in 1Q12. Gross profit reached 16.7 million, a 76.4% increase y-o-y, while gross profit margin was essentially steady at 15.0%.

Financing Businesses reported revenue of LE 84.7 million, a 108.5% increase over LE 40.6 million in 1Q12. The line of business reported gross profit of LE 28.2 million and a strong gross profit margin of 33.3%.

Passenger Cars
Motorcycles & Three-Wheelers
Commercial Vehicles & Construction Equipment
Tires
Financing Businesses
Others

Gross Profit Contribution by Line of Business



Message from the CEO

GB Auto has delivered its best first quarter revenues ever despite prevailing macro conditions having a pronounced impact on the Egyptian market during what is typically the slowest sales season of the year. Higher margins alongside growth in both the top and bottom line are the fruits of a strategy that has seen us pursue both product line and geographical diversity over the past four years.

While I am delighted to report outstanding top- and bottom-line growth in the first quarter supported by a clear improvement in margins, we are preparing for a challenging second quarter as a result of headwinds from flagging consumer sentiment and prevailing economic conditions in Egypt, as well as the impact of a new regulatory decision in Iraq.

Given that we remain wholly confident in our original outlook for the year despite these headwinds, I will dwell on the present situation and the measures we are taking to mitigate its impact on the business.

In Egypt, the inflationary impact of devaluation and sharp constraints on the availability of FX — combined with ongoing political turmoil — is causing an erosion of consumer sentiment on the back of dwindling disposable income. We do see some recovery going forward, helped by measures we have taken, as I explain below.

In the course of 1Q13, we had success in passing on price rises to the market, particularly in the Tires, CKD Passenger Cars and Commercial Vehicles businesses. We were also able to price-in some of the impact of devaluation in spare parts and Motorcycles and Three-Wheelers, but faced challenges doing so in the CBU Passenger Car segment.

The erosion of our pricing power in the CBU segment owes not just to devaluation of the Egyptian pound against the US dollar, but also to the simultaneous (and broadly equivalent) weakening of the Japanese yen against the dollar at the same time as the Korean won remained stable. As a result, the price differential on Korean-made vs. Japanese-made cars has reversed: Distributors of Japanese vehicles now have greater ability to price for sales than those of us who import from Korea.

Meanwhile, market dynamics are changing in step with falling discretionary income with consumers tending toward less expensive models. The saving grace in this instance is that we have been here before: Consumer sentiment is similar to its state when the global financial crisis spilled over into the local market in 2008-09.

There are two primary and positive differences between now and then: We have much leaner inventory levels now than we did in 2008-09 (meaning current stocks will be liquidated at a slower-than-usual pace, but start from a much more reasonable position) and we have some ability to shift sales to higher-margin CKD models. Notably, as I write these words we have successfully liquidated our stock of CBU models and thus anticipate reporting higher 2Q13 CBU sales, albeit at somewhat reduced margins. This is a testament to our shift in sales strategy (below) and to the strong brand appeal of Hyundai models, as well as the successful launch of new CBU models, such as the ix35.

Against this backdrop, it is important to note we are strategically withholding from the market supplies of high-demand CBU models to allow us to redress imbalances that have crept into our distribution network in the past few years. In fact, we believe this to be an ideal time to restructure our distribution strategy to skew in favor of our

Our strong performance in 1Q13 owes to the depth of our management team, to the tireless work of our staff, and to a clear strategy emphasizing regional expansion at the same time as we consolidate our gains in our home markets.

own showrooms and wholesale activities rather than smaller third-party distributorships over which we have less influence.

By way of background: GB Auto's distribution network includes 38 authorized dealers and a further 400 sub-dealers, who typically buy wholesale from authorized dealers rather than directly from our company. GB Auto sells to authorized dealers at a set discount to sticker price, while sub-dealers are granted a discount more than 75% lower. Many dealers, however, have historically taken the liberty of selling onward to sub-dealers themselves. This has not been unhealthy in times of high demand. But in times of slight overstock and flagging demand, the balance of power shifts toward sub-dealers, who gain new pricing power in negotiations with dealers on the wholesale market. This impact on the pricing of CBU models became apparent in February, for instance.

To protect our market prices today — and to ensure our full control over prices going forward — we have during the quarter provided dealers with allocations sufficient only to satisfy direct end-user demand. Meanwhile, we are directly supplying the sub-dealer network with the same discount to which they have been accustomed, in essence taking over the wholesale market. We expect this process of supply restriction (from our side this time, rather than from the OEM's side as witnessed in 4Q12) to last c. three months in total, with the end result being a split of sales via distribution through our own channels (retail, taxi replacement and tenders), dealers and sub-dealers that better suits GB Auto.

While this strategy has had an obvious impact on our market share, ultimately the reconfiguration of our distribution network to place GB Auto fully in charge of the wholesale market will be a long-term positive to our margins beginning in 3Q13.

The other headwind is in Iraq, where beginning in the second quarter of this year we expect to see margins returning toward historical levels. This is due to a change in the regulatory environment that will see our Iraqi subsidiary cutting its sales to a high margin distributor to the Iraqi government; this distributor is the key contributor to the improvement in margins in Iraq in the past two quarters. As a result, we anticipate margins returning to 2011 / early 2012 levels, but foresee no impact on volumes.

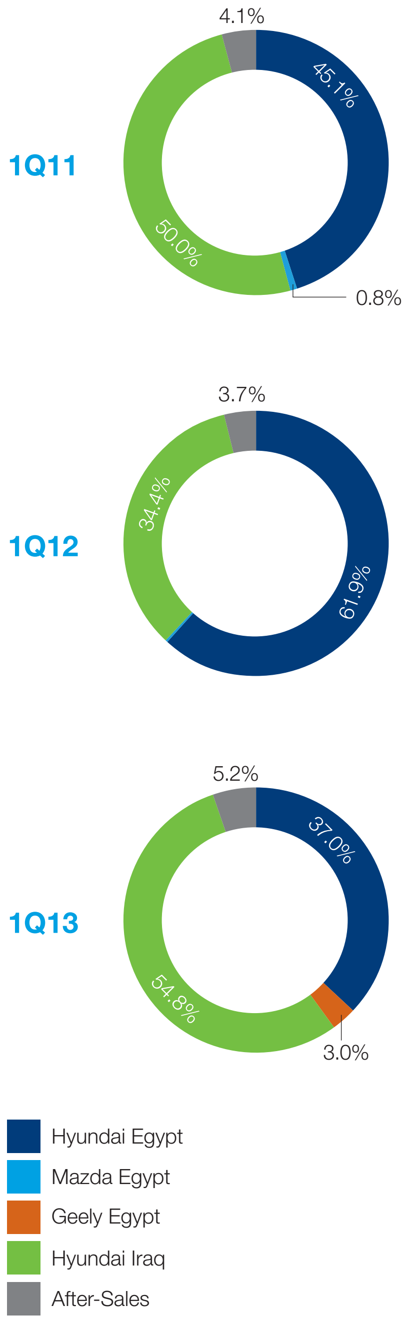
Also impacting sales in Iraq has been the shutdown of the Northern Iraqi (Kurdish) border to vehicle imports since February 2013, pending the release of new automotive standards. Readers will recall that the northern route overland from Turkey became our preferred logistics trail early last year following the acceleration of violence in Syria. The closure of the border to passenger car imports starting in February 2013 has impacted 1Q13 sales; that said, we expect the issue to be resolved and our imports to be in full compliance with the new standards by the time you read these words.

Finally, I note that there is downside risk to our sales expectations in Iraq from a rise in parallel market imports of Hyundai vehicles spurred by the rising cost-competitiveness of Japanese models in neighboring markets that are already under pressure from economic conditions. The result has been new impetus for distributors in some countries to re-export CBU stock overland to Iraq. Any acceleration of this trend would place pressure on our margins, and we look forward to strong action from HMC to ensure that we enjoy the full benefit of our status as the sole authorized distributor in Iraq. That said, we note that we have a favorable supply allocation for Iraq (25-30% over 2012 levels) and expect rising sales volumes as a result to ensure a stable bottom line.

As you will read in the balance of our Earnings Newsletter, our strong performance in 1Q13 owes to the depth of our management team, to the tireless work of our staff, and to a clear strategy emphasizing regional expansion at the same time as we consolidate our gains in our home markets. I look forward to reporting additional news in the quarters ahead.

Dr. Raouf Ghabbour, CEO

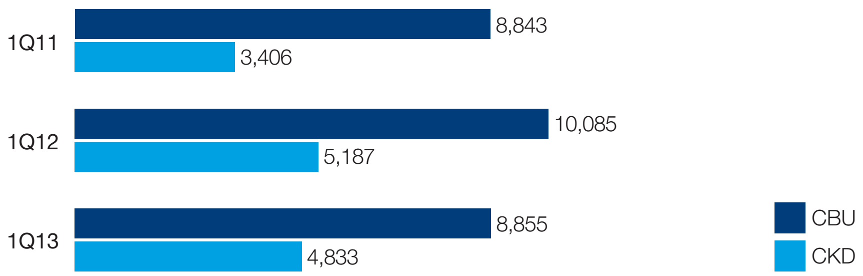
Passenger Car Revenue Breakdown by Segment



Passenger Car Line Of Business

GB Auto is a leading passenger car importer, assembler and distributor in the Middle East and North Africa. In Egypt, it is the largest player in the market, as the sole representative of Hyundai, Geely and Mazda passenger cars and owning the biggest nationwide distribution and after-sales service networks of any brand. Regionally, GB Auto distributes Hyundai passenger cars in Iraq and Geely passenger cars in Libya and Algeria. GB Auto serves the Egyptian market with both Completely Knocked Down (CKD) and Completely Built Up (CBU) products while operating in Iraq, Libya and Algeria with CBU units.

Breakdown of Units Sold, all brands and markets



Egypt

- The skew in favor of CKD sales reflects both the rising price consciousness of Egyptian consumers who face dwindling discretionary income in a higher-inflation environment as well as the addition of the Geely Emgrand7 to our product mix. Management expects CKD to remain the dominant component of the company's Egyptian Passenger Car sales mix through year's end.
- Also boosting CKD sales is the re-emergence of the Government of Egypt's taxi replacement program. GB Auto has again signed up to participate in this program and anticipates once again taking the lion's share of sales.
- High consumer acceptance of the Emgrand7 reflects both the previously mentioned rising price consciousness of consumers and the quality of the product offering. Management notes that full commercial assembly operations in early 3Q13 will allow maximum use of the newly renovated Prima facility.
- The company has placed its first new order since early 2012 for Mazda product in the expectation that the devaluation of the Japanese yen will make the brand more price-competitive in the local market. Management expects sales of the Mazda3 model to rise over the course of the year, ultimately delivering new sales with no erosion of Hyundai or Geely units sold.
- After-Sales revenues continue to surge on the back of our newly expanded service network and better utilization. The final pillar of our sales and after-sales expansion (which has seen GB Auto open 259 new service bays nationwide since 2010) will be completed in 2013 with the official opening of our c.70-bay Cairo Ring Road 3S facility.
- Gross profits and gross profit margin for the After-Sales division have improved year-on-year over 1Q12 as a result of a more effective price and chan-

> "Iraqi operations continue to enjoy strong sales on the back of an adequate allocation of products from HMC."

nel mix management, increased spare parts sales, and increased walk-ins to mechanical and body repair service centers.

- Rising gross profits for the division as a whole reflect both better selling prices, the rising proportion of CKD sales in our mix and significantly improved aftersales margins.
- GB Auto's strong liquidity position and ability to appropriately manage its foreign currency resources leaves management optimistic that the company will have continued access to the forex required to sustain operations in a difficult climate. This comes amid signals that select competitors are suffering from challenges related to the availability of foreign currency.

Iraq

- Iraqi operations continue to enjoy strong sales on the back of an adequate allocation of products from HMC.
- The temporary closure of the Northern Iraq (Kurdistan) border to automotive imports pending the issuance of new vehicle standards was lifted in early May. The closure had been in effect since February 2013.
- The gradual rollout in aftersales activity in Iraq is now generating important high-margin revenues; notably, margins on aftersales and service in Iraq exceed those in the more competitive Egyptian market. Management continues a measured expansion of the service center network and of consumer education programs to ensure consumers are fully aware of their rights under warranty programs.
- Downside risks to Iraqi sales and margins in the form of grey market / parallel imports from neighboring countries — as well as the erosion of margin as a result of a recent regulatory decision — are discussed at length in the CEO's Note.

Libya

- Management expects the start of retail operations in 2Q13 with sales of Geely passenger cars and Triangle tires; sales of Great Wall pickup trucks will begin in late 3Q13.

Algeria

- The company expects the beginning of commercial operations in 2Q13 with sales of Geely passenger cars as well as Lassa, Grandstone and Rotalla tires.
- The warm market reception accorded the Geely-branded cars following a major national automotive show leaves management optimistic that it will likely meet its sales target in Algeria despite the market's historical preference for smaller, more "European"-sized models.

Table 1A: Total Passenger Car Sales Activity — All Brands and Markets

		1Q12	1Q13	%Change 1Q12 v 1Q13
Total Sales Volume	**(Units)**	**15,272**	**13,688**	**-10.37%**
Sales Revenue	**(LE million)**	**1,265.90**	**1,378.33**	**8.88%**
Gross Profit	**(LE million)**	**112.72**	**185.17**	**64.27%**
Gross Profit Margin	*(%)*	*8.90%*	*13.43%*	*4.53*
After-Sales Revenue	**(LE million)**	**48.38**	**75.06**	**55.15%**
After-Sales Gross Profit	**(LE million)**	**14.25**	**27.46**	**92.77%**
After-Sales Gross Profit Margin	*(%)*	*29.45%*	*36.59%*	*7.14*
Total Passenger Car Revenues	**(LE million)**	**1,314.27**	**1,453.39**	**10.59%**
Total Passenger Car Gross Profit	**(LE million)**	**126.97**	**212.63**	**67.47%**
Passenger Car Gross Margin	**(%)**	**9.66%**	**14.63%**	**4.97**

Table 1B: Passenger Car Sales Activity — Egypt

		1Q12	1Q13	%Change 1Q12 v 1Q13
CBU Sales Volume (Hyundai)	(Units)	5,529	2,199	-60.23%
CBU Sales Volume (Mazda)	(Units)	5	0	-100.00%
CKD Sales Volume (Hyundai)	(Units)	5,187	4,177	-19.47%
CKD Sales Volume (Geely)	(Units)	0	656	#DIV/0!
Total Sales Volume	**(Units)**	**10,721**	**7,032**	**-34.41%**
Total Market*	**(Units)**	**31,192**	**33,355**	**7%**
GB Auto Market Share	***(%)***	***34.2%***	***22.3%***	***12.1***
Hyundai Egypt Sales Revenue	(LE million)	813.44	537.39	-33.94%
Geely Egypt Sales Revenue	(LE million)	0.00	43.97	#DIV/0!
Mazda Egypt Sales Revenue	(LE million)	0.55	0.00	-100.00%
Sales Revenue	**(LE million)**	**813.99**	**581.36**	**-28.58%**
Gross Profit	**(LE million)**	**82.62**	**87.87**	**6.36%**
Gross Profit Margin	*(%)*	*10.15%*	*15.12%*	*4.96*
After-Sales Revenue	**(LE million)**	**48.38**	**66.92**	**38.33%**
After-Sales Gross Profit	**(LE million)**	**14.25**	**23.71**	**66.45%**
After-Sales Gross Profit Margin	(%)	29.45%	35.43%	5.99
Total Egypt Passenger Car Revenues	**(LE million)**	**862.37**	**648.28**	**-24.83%**
Total Egypt Passenger Car Gross Profit	**(LE million)**	**96.87**	**111.59**	**15.19%**
Passenger Car Egypt Gross Margin	**(%)**	**11.23%**	**17.21%**	**5.98**

Table 1C: Hyundai Passenger Car Sales Activity — Iraq

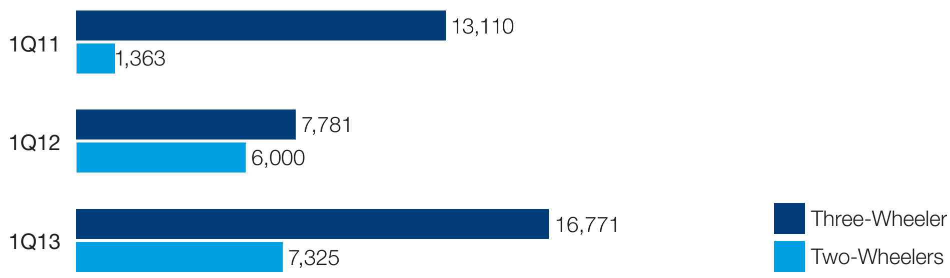
		1Q12	1Q13	%Change 1Q12 v 1Q13
Total Sales Volume	**(Units)**	**4,551**	**6,656**	**46.25%**
Sales Revenue	**(LE million)**	**451.90**	**796.98**	**76.36%**
Gross Profit	**(LE million)**	**30.10**	**97.30**	**223.22%**
Gross Profit Margin	*(%)*	*6.66%*	*12.21%*	*5.55*
After-Sales Revenue	**(LE million)**	**0.00**	**8.14**	**-**
After-Sales Gross Profit	**(LE million)**	**0.00**	**3.75**	**-**
After-Sales Gross Profit Margin	*(%)*	*-*	*46.07%*	*-*
Total Iraq Passenger Car Revenues	**(LE million)**	**451.90**	**805.11**	**78.16%**
Total Iraq Passenger Car Gross Profit	**(LE million)**	**30.10**	**101.05**	**235.68%**
Passenger Car Iraq Gross Margin	**(%)**	**6.66%**	**12.55%**	**5.89**

* As estimated by the Automotive Marketing Information Council of Egypt (AMIC). Please note that AMIC figures are based on individual companies willingly contributing / reporting their sales and that GB Auto cannot check the full accuracy of these or guarantee that all companies operating in Egypt report to AMIC.

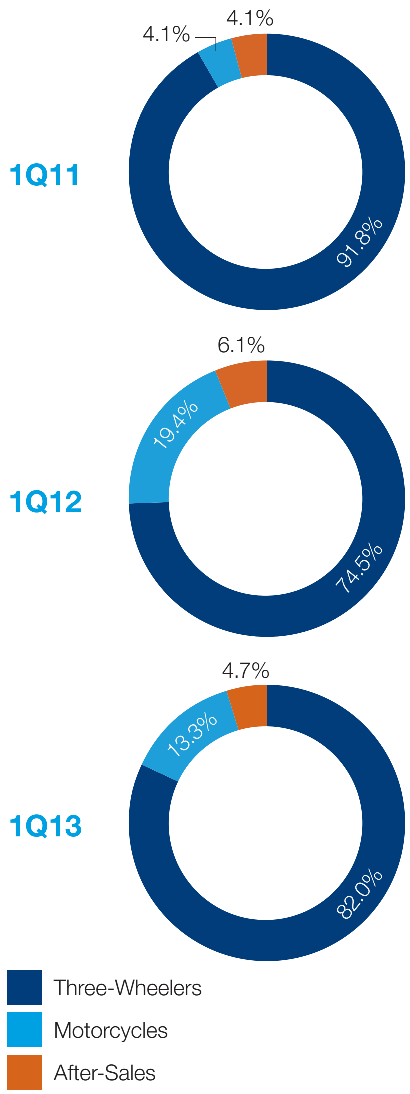
Motorcycle & Three-Wheeler Line of Business

GB Auto is the Egyptian agent and distributor for Bajaj three-wheelers ("tuk-tuks") and motorcycles.

Breakdown of Units Sold



Motorcycles & Three-Wheelers Revenue Breakdown by Segment



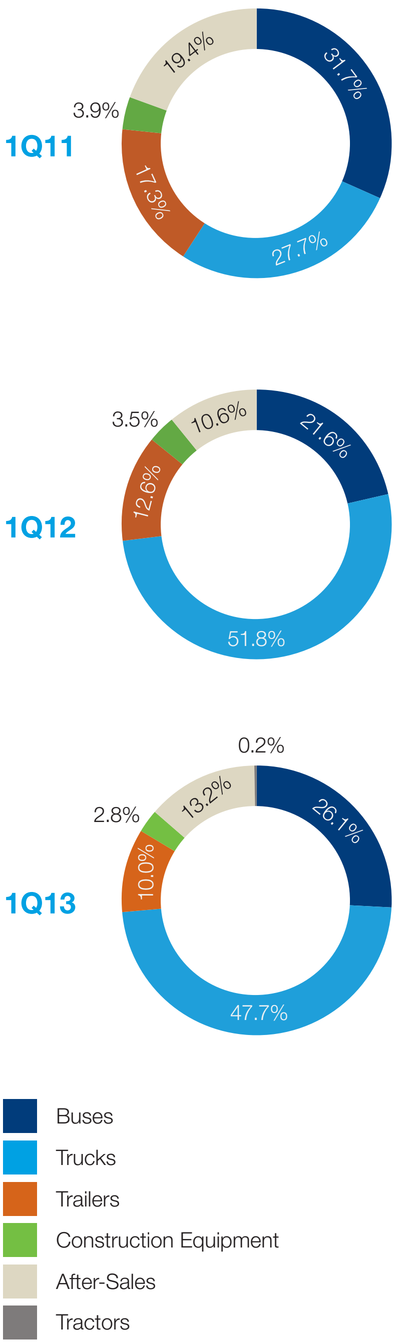
Motorcycles & Three-Wheelers

- The line of business has reported a very strong quarter despite what is traditionally the slowest sales season of the year. That said, management expects slower 2Q13 sales momentum in its second-largest line of business as a result of a doubling of customs duties on three-wheelers (tuk-tuks) to 20% as well as the impact of devaluation.
- The sharp year-on-year rise in sales figures for three-wheelers reflects both organic market growth and the artificial depression in 1Q12 sales as a result of the sudden imposition and later removal of taxes and customs duties on tuk-tuks.
- Management has partially passed-on to consumers the twin impact of customs duties and devaluation, the impact of which will be felt in 2Q13 before consumers adapt to the new pricing.
- Motorcycle sales continue to accelerate in the run-up to the traditional high season for sales beginning in May.
- After-Sales and service revenues for the division are growing on the back of a critical mass of product now in the market and we expect further improvement.

Table 2: Motorcycle & Three-Wheeler Sales Activity

		1Q12	1Q13	%Change 1Q12 v 1Q13
Three-wheeler Sales Volume	(Units)	7,781	16,771	115.54%
Two-Wheeler Sales Volume	(Units)	6,000	7,325	22.08%
Total Sales Volume	**(Units)**	**13,781**	**24,096**	**74.85%**
Sales Revenue	**(LE million)**	**149.05**	**298.38**	**100.19%**
Gross Profit	**(LE million)**	**32.17**	**50.40**	**56.70%**
Gross Profit Margin	*(%)*	*21.58%*	*16.89%*	*4.7%*
After-Sales Revenue	**(LE million)**	**9.63**	**14.69**	**52.56%**
After-Sales Gross Profit	**(LE million)**	**1.66**	**3.24**	**95.48%**
After-Sales Gross Profit Margin	*(%)*	*17.20%*	*22.04%*	*4.84*
Total Motorcycles & Three-Wheeler Revenues	**(LE million)**	**158.67**	**313.06**	**97.30%**
Total Motorcycle & Three-Wheeler Gross Profit	**(LE million)**	**33.82**	**53.64**	**58.60%**
Motorcycle & Three-Wheeler Gross Margin	**(%)**	**21.31%**	**17.13%**	**-4.18**

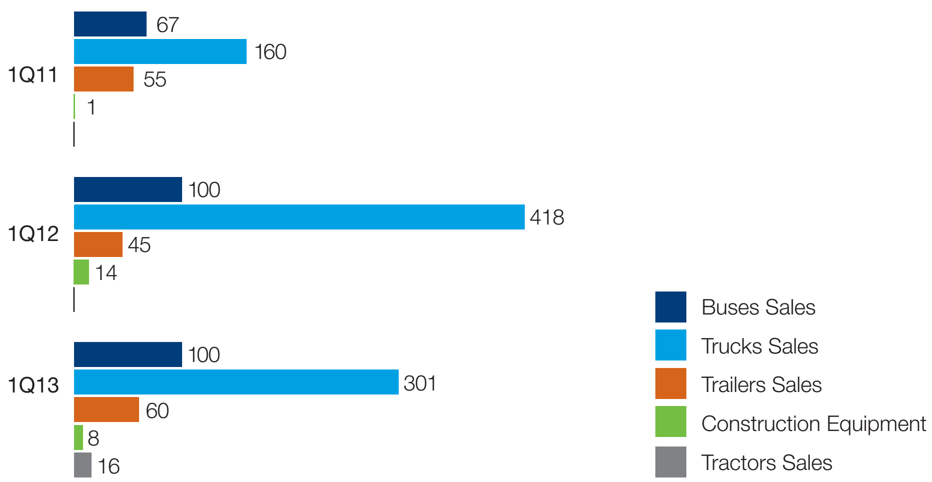
Commercial Vehicles & Construction Equipment Revenue Breakdown by Segment



Commercial Vehicles and Construction Equipment Line of Business

The Commercial Vehicles and Construction Equipment line of business offers a wide range of assembled-in-Egypt trucks and buses under exclusive agent and distributorship agreements with Mitsubishi and Volvo. GB Auto manufactures and distributes semi-trailers and superstructures (i.e., oil and chemical tankers as well as concrete mixers). The Commercial Vehicles LOB also distributes Volvo construction equipment and YTO tractors in Egypt, exports trailers to Algeria and produces buses for domestic and export markets through GB Polo, a state-of-the-art facility in partnership with global leader Marcopolo and using Iveco chassis. Most recently, the company added Sino trucks to its product line-up in the Egyptian market.

Breakdown of Units Sold



- Sales continue to exceed expectations in view of ongoing poor market conditions. Stable margins year-on-year moreover reflect the impact of a special transaction with a large corporate client that eased margins in the quarter.
- As has been the case throughout the post-Revolutionary period, market demand awaits the return of broad-based growth, infrastructure spending and tourism.
- Early signs of appetite for samples from offshore dealers are promising, and GB Polo continues to ramp up sales of components to a COMESA-based assembler.
- In the interim, management's emphasis has been on building a highly competitive product offering at GB Polo that will target both domestic and export markets with high-quality tourist coaches, intra-city and intercity busses, as well as mini- and micro-buses with outstanding value for money and strong design. Management is particularly optimistic about the 2H13 prospects for launching this new family of GB Polo products.

Table 3: Commercial Vehicles and Construction Equipment (CV & CE) Sales Activity

		1Q12	1Q13	%Change 1Q12 v 1Q13
Buses Sales Volume	(Units)	100	100	0.00%
Trucks Sales Volume	(Units)	418	301	-27.99%
Tractors Sales Volume	(Units)	0	16	-
Trailer Sales Volume	(Units)	45	60	33.33%
Construction Equipment Sales Volume	(Units)	14	8	-42.86%
Total Sales Volume	**(Units)**	**577**	**485**	**-15.94%**
Sales Revenue	**(LE million)**	**118.80**	**100.93**	**-15.04%**
Gross Profit	**(LE million)**	**5.19**	**5.18**	**-0.06%**
Gross Profit Margin	*(%)*	*4.36%*	*5.13%*	*0.77*
After-Sales Revenue	**(LE million)**	**14.05**	**15.28**	**8.77%**
After-Sales Gross Profit	**(LE million)**	**2.08**	**2.44**	**17.33%**
After-Sales Gross Profit Margin	*(%)*	*14.83%*	*16.00%*	*1.17*
Total Commercial Vehicles & Construction Equipment Revenues	**(LE million)**	**132.85**	**116.21**	**-12.52%**
Total Commercial Vehicles & Construction Equipment Gross Profit	**(LE million)**	**7.27**	**7.63**	**4.93%**
Commercial Vehicles & Construction Equipment Gross Margin	**(%)**	**5.47%**	**6.56%**	**1.09**

Tires

GB Auto has agreements with a number of OEMs to distribute a wide variety of tires in five countries. In Egypt, the company distributes Lassa, Yokohama, Westlake and Diamond Back tires while it distributes Westlake and Diamond Back tires in Iraq. In Jordan, the company distributes Diamond Back tires. Most recently, the company announced in the first quarter of 2013 that it is has secured agreements in Libya to distribute Triangle tires, and in Algeria to distribute Lassa, Rotalla and Grandstone tires.

- Management reports the best quarter ever for the Tires line of business with a wide growth horizon in Egypt considering GB Auto has yet to introduce tires for the agriculture industry and still lacks adequate supply high-demand Lassa truck tires.
- The rollout of Diamond Back tires in Egypt as well as the regional introduction of Diamond Back (Iraq and Jordan), Westlake (Iraq), Lassa, Grandstone and Rotalla (Algeria) and Triangle tires (Libya) continues.
- Management maintains a very optimistic long-term outlook for the fast-growing Tires business in Egypt, particularly as devaluation and the lack of foreign exchange liquidity force smaller players and parallel importers to leave the field, opening a new opportunity for consolidation.
- Management's vision is to become a major regional tires player in the medium term, and the company's efforts reflect that strategy.

Table 4: Tires Sales Activity

		1Q12	1Q13	%Change 1Q12 v 1Q13
Total Sales Revenues	**(LE million)**	**64.90**	**111.29**	**71.49%**
Total Gross Profit	**(LE million)**	**9.48**	**16.72**	**76.44%**
Gross Margin	(%)	14.61%	15.03%	0.4%

Financing Businesses

GB Auto's Financing Businesses currently include three entities. GB Lease, which was initially established to provide finance to GB Auto's commercial vehicles and corporate fleet clients, has diversified its field of operations into other asset classes. Mashroey, the Group's microfinance venture, sells GB Auto's Bajaj-branded two and three-wheelers on credit terms to microfinance-eligible clients. Drive is GB Auto's consumer finance and factoring subsidiary, and is the latest addition to GB Auto's Financing Businesses suite. Drive finances consumer purchases of passenger cars.

- Overall, the Financing Businesses continue to grow while maintaining a good asset quality.
- GB Lease provides business-to-business financial leasing solutions. It continues to report strong collections and portfolio quality to-date, is non-exclusive to GB Auto, and caters to a diversified client base ranging from top tier multinationals, to local corporations of various scales, as well as small and medium enterprises "SMEs."
- Mashroey continues to actively grow its portfolio. While two and three-wheelers continue to constitute the bulk of Mashroey's portfolio — accounting for c.80% of its business — the company has recently launched the sale of motor-tricycles, (a non-GB Auto product) and has introduced the sale of GB Auto's YTO agricultural tractors to its suite of products — all on credit basis.
- Mashroey operates out of 52 branches nationwide and continues to report strong collections and very satisfactory portfolio quality to-date.
- Drive, the division's consumer finance and factoring company, has made very substantial progress since its launch in 3Q12. The company has managed a positive imprint in the auto finance market and initiated widely successful exclusive promotions for GB Auto covering the Elantra, Verna, and most recently Geely. Drive's strategy in phase one was to focus on serving GB Auto's Hyundai and Geely passenger car sales out of GB Auto's showroom.
- With that complete ahead of schedule, the company has now advanced its operational plans and started expanding to GB Auto's independent dealer network, as well as spreading to retail client purchases of brands that are not exclusive to GB Auto. Management is optimistic that Drive may reach break-even in late 2013 or early 2014, far ahead of the original business plan on the back of steady growth.

Table 5: Financing Businesses Activity

		1Q12	1Q13	%Change 1Q12 v 1Q13
Total Sales Revenues	**(LE million)**	**40.6**	**84.7**	**108.5%**
Total Gross Profit	**(LE million)**	**11.5**	**28.2**	**144.9%**
Gross Margin	(%)	28.4%	33.3%	5.0%

* Please note that the contribution of both Drive and Mashroey to the total revenues figures for the Financing Businesses excludes intercompany accounts with passenger cars (for Drive) and two and three-wheelers (for Mashroey).

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> “The increase in gross profits enabled us to absorb higher financing costs, a higher level of inventory — discussed below — and higher foreign exchange losses, as the Egyptian pound continues to weaken against the US dollar.”

Financial Position and Working Capital Management

That GB Auto's revenues rose 21.6% despite the challenges presented by the economic and political situation in our core markets reflects remarkable performance by our Passenger Cars, Motorcycles and Three-Wheelers, Tires and Financing lines of business. Consolidated gross profit was LE 317.9 million, an increase of 70.5% over LE 186.5 million in 1Q12. Gross profit margin was up rose by 4.4 percentage points to 15.3% supported by the improvement of the margins of the lines of business, in particular Passenger Cars. The increase in gross profits enabled us to absorb higher financing costs, a higher level of inventory — discussed below — and higher foreign exchange losses, as the Egyptian pound continues to weaken against the US dollar.

Net income was LE 47.3 million in the quarter; net profit margins rose 1.2 percentage points to 2.3% in 1Q13.

The first quarter of the year saw significant pressures on GB Auto's cash flow position. This was mainly the result of the company opting to build high inventory levels to counter the ongoing depreciation of the Egyptian pound as well as to build up an inventory of Hyundai CKD kits. This choice has resulted in our Inventory Days on Hand increasing by about 1.5x compared to 2012 year-end levels (which were already higher than normal, as the inventory build-up had already begun). Management is closely monitoring the company's working capital cycle, and notes that we should see some release as the build up is liquidated through sales.

We also note that the temporary increase in our receivable days is solely the result of the long cash collection cycle with our Iraqi supplier to the Iraqi government. We, therefore, expect an improvement in this ratio going forward, despite this leading Iraqi margins to return to their previous lower levels, despite the higher volumes anticipated in our second largest market.

Overall, and despite the increase in the company's short-term debt to more than LE 2 billion on 31 March 2013 up from LE 1.8 billion on 31 December 2012, we maintain healthy coverage ratios (EBITDA interest coverage of more than 3x) while our Net Debt to Equity stood at 0.79x at the end of the quarter, versus 0.50x at the end of last year, as a result of the increase in short-term debt.

It is worth noting at this point that management continues to place a strong emphasis on measured growth, and thus higher SG&A costs during the quarter reflect the addition of new geographies.

Our strong margins during the quarter, which absorbed the extra costs, mainly reflect our current strategy of passing on most of the effect of devaluation to end-consumers, as well as the pay-off of our long-term strategy of diversifying our product portfolio, a strategy which we intend to continue going forward. This strategy will continue to be supported by our sound balance sheet which is a key differentiator for GB Auto.

Latest Corporate Developments

1) Coming Launch of New Family of Buses

GB Auto has been building a highly competitive product offering at GB Polo that will target both domestic and export markets with high-quality tourist coaches, intra-city and intercity busses, as well as mini- and micro-buses with outstanding value for money and strong design. This new family of products is expected to launch in 2H13.

“ In 2013, GB Auto will be focused on ensuring the stability and profitability of Egyptian operations, and, simultaneously, we will nurture our new regional and brand representations. ”

Outlook

GB Auto’s strategy for 2013 has not changed: We will be focused on ensuring the stability and profitability of Egyptian operations, and, simultaneously, we will nurture our new regional and brand representations.

As noted in the Message from the CEO (see page 3), management anticipates that GB Auto’s Passenger Cars line of business will have a challenging second quarter, mainly as regards the top line in Egypt, where we expect growth will continue to be limited, particularly for CBU models. However, we are confident that we can successfully navigate through this stage and ensure the resumption of strong sales growth. Recent regulatory changes that have prompted a change in the structure of our dealer network in Iraq will simultaneously see margins return to historical levels in Iraq, even as there is potentially room for volume growth.

Our new Libyan and Algerian operations will over the course of the year provide an increasingly important buffer against challenges in Egypt and Iraq, although their impact will be limited by their early stage of development.

GB Auto’s highly liquid balance sheet is likely to have more of a positive impact on performance going forward, as it provides us with a real edge over competitors who — management has reason to believe — are increasingly constrained by a lack of availability in the official foreign exchange market.

Despite its natural resilience, the Motorcycles and Three-Wheelers line of business is likely to experience slower-than-usual growth in the second quarter as it faces pressure from rising customs duties on tuk-tuks and price rises due to devaluation.

The prospect of the introduction by the Commercial Vehicles & Construction Equipment line of business in 2H13 of the new family of buses from GB Polo, which addresses one of this division’s historic difficulties, i.e., an incomplete product line-up. That said, this division will remain under pressure as long as the general economic downturn continues, as customers for the division’s current product lineup are particularly sensitive to economic shocks.

On the Financing Businesses front, management expects the business to continue to grow and thrive, potentially benefiting from decreased liquidity in the banking sector, as customers seek alternative financing options.

As noted last quarter, the ongoing devaluation of the Egyptian pound against key import currencies presents a serious downside risk in that the company’s ability to pass on price increases to consumers may be limited by developments in the broader economy as well as by the increasing cost-competitiveness of Japanese imports due to the parallel devaluation of the yen. GB Auto’s foreign currency position is, however, somewhat mitigated by the FX generated from our regional operations.

Finally, we note that our forecasts for the year do not include allowances for exogenous shocks that may have an impact on market sentiment. At present, these shocks are largely of a political nature, but extend to the potential for shocks related to economic policy swings. We believe, however, in our strong management team’s ability to rationalize the performance of the businesses in the coming period with their special focus on cost effectiveness and quick response to market changes. This is underpinned by a strong balance sheet as well as a sound liquidity position.

Financial Statements

Income Statement

	Three Months Ended		
(LE million)	1Q12	1Q13	% Change
Passenger Cars Revenues	1,314.27	1,453.39	10.59%
Motorcycles & Three-Wheelers Revenues	158.67	313.06	97.30%
Commercial Vehicles& Construction Equipment Revenues	132.85	116.21	-12.52%
Tires Revenues	64.90	111.29	71.49%
Financing Businesses Revenues	40.64	84.74	108.50%
Others	1.06	3.25	206.48%
Total Sales Revenues	**1,712.40**	**2,081.95**	**21.58%**
Total Gross Profit	**186.45**	**317.88**	**70.49%**
Gross Profit Margin	*10.89%*	*15.27%*	*4.38%*
Selling and Marketing	-57.94	-91.85	58.52%
Administration Expenses	-40.27	-46.62	15.77%
Other Operating Income (Expenses)	5.71	8.16	42.97%
Operating Profit	**93.94**	**187.57**	**99.67%**
Operating Profit Margin (%)	*5.49%*	*9.01%*	*3.52%*
Net Provisions and Non-Operating	-1.56	-10.18	551.92%
EBIT	**92.38**	**177.39**	**92.02%**
EBIT Margin (%)	*5.39%*	*8.52%*	*3.13%*
Foreign Exchange Gains (Losses)	-11.55	-19.53	69.09%
Net Finance Cost	-55.96	-78.24	39.81%
Earnings Before Tax	**24.87**	**79.62**	**220.15%**
Income Taxes	-6.31	-12.05	90.97%
Net Profit Before Minority Interest	18.56	67.58	264.05%
Minority Interest	-0.40	-20.26	4994.83%
Net Income	**18.16**	**47.32**	**160.49%**
Net Profit Margin (%)	*1.06%*	*2.27%*	*1.21%*

Balance Sheet

	As Of		
(LE million)	31-Dec-12	31-Mar-13	% Change
Cash	1,264.73	775.88	-38.65%
Net Accounts Receivable	781.48	1,094.51	40.06%
Inventory	1,752.27	2,394.14	36.63%
Assets Held For Sale	330.00	328.19	-0.55%
Other Current Assets	463.52	602.79	30.05%
Total Current Assets	**4,592.00**	**5,195.52**	**13.14%**
Net Fixed Assets	1,439.06	1,469.79	2.14%
Goodwill and Intangible Assets	269.06	274.66	2.08%
Lessor Assets	282.01	299.54	6.22%
Investment Property	3.12	3.12	0.00%
Other Long-Term Assets	61.24	245.75	301.27%
Total Long-Term Assets	**2,054.48**	**2,292.85**	**11.60%**
Total Assets	**6,646.47**	**7,488.37**	**12.67%**
Short-Term Notes and Debt	2,006.95	2,290.69	14.14%
Accounts Payable	1,267.37	1,968.42	55.31%
Other Current Liabilities	77.14	77.70	0.73%
Total Current Liabilities	**3,351.46**	**4,336.81**	**29.40%**
Long-Term Notes and Debt	510.70	432.77	-15.26%
Other Long-Term Liabilities	253.60	261.32	3.04%
Total Long-Term Liabilities	**764.30**	**694.09**	**-9.19%**
Minority Interest	**424.45**	**459.36**	**8.22%**
Common Stock	131.15	131.15	0.00%
Shares Held With the Group	-3.28	-3.28	0.00%
Legal Reserve	225.47	242.30	7.46%
Other Reserves	1,052.09	1,077.32	2.40%
Retained Earnings (Losses)	700.82	550.62	-21.43%
Total Shareholder's Equity	**2,106.26**	**1,998.10**	**-5.13%**
Total Liabilities and Shareholder's Equity	**6,646.47**	**7,488.37**	**12.67%**

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

Number of Shares Outstanding:
129,000,000

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, Bajaj, Marcopolo, Great Wall, Iveco, Volvo, Mitsubishi Fuso, Sino, YTO, Lassa, Yokohama, Westlake, Rotalla, Triangle, Grandstone and Diamond Back. 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