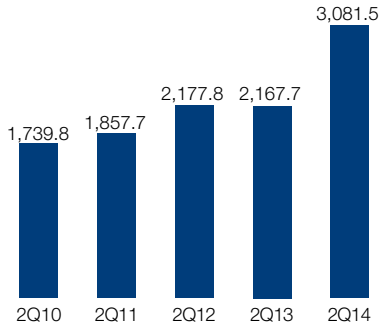
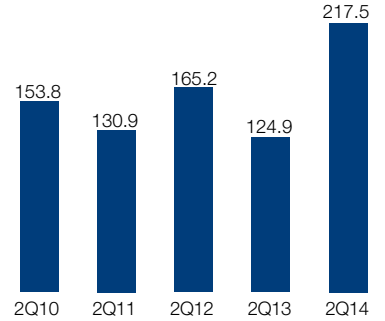
Key Indicators
(all figures in LE million)

Revenues

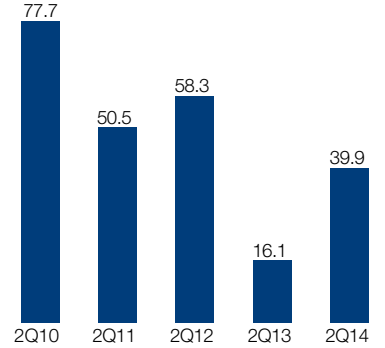


Gross Profits

EBIT



Net Income



GB Auto Reports 2Q14 Results

Leading automotive company reports strong results in 2Q across the board despite forex challenges; reports resumption of full operations in Motorcycles & Three-Wheelers LOB

6 August 2014 — (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 2Q14, reporting revenues of LE 3,081.5 million, up 42.2% year-on-year. Net profits were up 147.6% at LE 39.9 million, with net margins rising 0.6 percentage points to 1.3% in the quarter.

In the first half, revenues rose 35.3% year-on-year to LE 5,749.2 million; net profits rose 38.6% to LE 87.9 million, with the net profit margin holding steady at 1.5%.

"The Egyptian market is on the rise. Our 2Q sales figures were excellent across all lines of business. Indeed, we are approaching record highs, with our Passenger Cars LOB posting its strongest second-quarter and first-half sales performance in five years," said GB Auto Chief Executive Officer Dr. Raouf Ghabbour. "Following years of unrest, the market is ready for a breakthrough, and we expect continued strong sales through year's end."

"We expect sales in Egypt will help make up for challenges we expect to face in Iraq in the second half of the year given recent developments on the ground there after a very strong first half," Ghabbour said.

The Passenger Cars division reports a 29.8% year-on-year increase in unit sales in all brands and markets in 2Q14, while the company's superior product and pricing mix saw revenues on those sales rise 43.9% year-on-year to LE 2,326.8 million.

Operations at the Motorcycles & Three-Wheelers LOB have begun to normalize following the May expiration of the ban on the import of components for three-wheelers and motorcycles. That, coupled with some price reductions, led the division to report stronger than expected 2Q14 results, with revenues up 16.6% year-on-year to LE 253.2 million; management anticipates significant improvement going forward. The Commercial Vehicles & Construction Equipment LOB, meanwhile, is benefitting from renewed spending on Egypt's infrastructure and reports a 122.1% increase in unit sales and a 103.2% increase in revenues to LE 224.9 million.

The Tires line of business reported 5.7% year-on-year revenue growth as strong performance in its regional operations offset a weak domestic market. The Financing Businesses performed very well overall, reporting a 40.9% increase in revenues to LE 155.9 million in 2Q14.

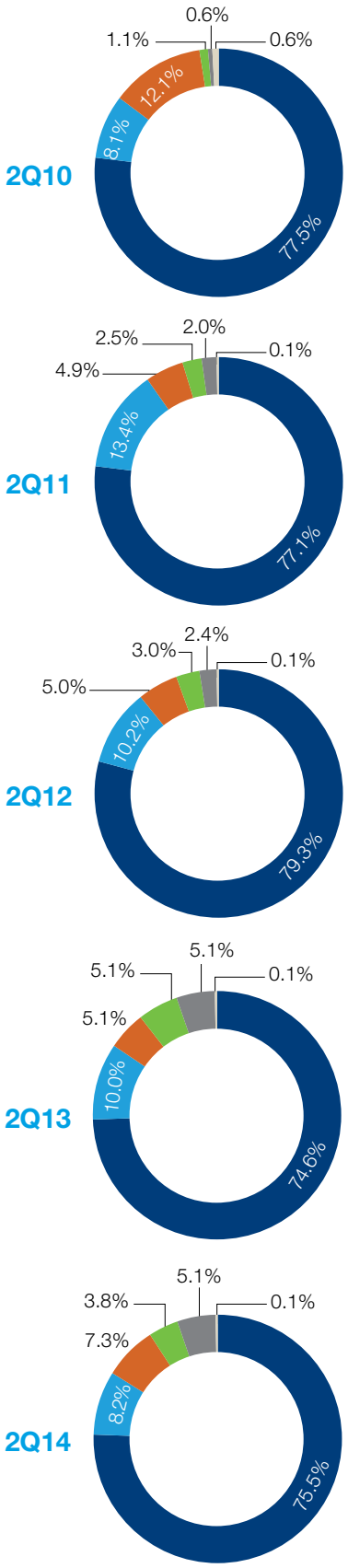
GB Auto's Other lines of business — which includes the new Lubricants, Retail and Pre-Owned Vehicles activities — reported continued progress in 1H14, as the company began marketing campaigns to educate consumers about the Pre-Owned Vehicles line and the Lubricants and Retail lines continue preparations for launching in second half 2014.

SG&A expenses once again dropped as a percentage of revenue, a key management goal for 2014. Meanwhile, GB Auto is in the process of presenting plans for the implementation and financing of the group's expansion strategy to the Board of Directors. If the Board approves the plans, the company intends to seek regulatory approval for an extraordinary general assembly to review the proposed capital increase through rights issue at par value.

"We continue to explore new markets, products and lines of business to further insulate the company from downturns in one market or line of business," Ghabbour concluded. "The Middle East and Africa abound with opportunities, and we are determined to capitalize on them in the years ahead."

Highlights of GB Auto's 2Q14 results follow, along with management's analysis of the company's performance. Complete financials are available for download on ir.ghabbourauto.com.

Revenue Contribution by Line of Business



Second Quarter 2014 Highlights

- GB Auto revenue rose 42.2% to LE 3,081.5 million from LE 2,167.7 million in 2Q13.
- Consolidated gross profit was up 53.1% in 2Q14 at LE 398.0 million from LE 260.0 million in 2Q13, while gross profit margin came in at 12.9% in the quarter.
- EBIT rose 74.1% to LE 217.5 million from LE 124.9 million in 2Q13. EBIT margin was up 1.3 percentage points to 7.1%.
- Net income rose 147.6% to LE 39.9 million in 2Q14 from LE 16.1 million in 2Q13. Net profit margin rose 0.6 of a percentage point to 1.3%, compared to 0.7% in 2Q13.

Passenger Cars revenue rose 43.9% year-on-year from LE 1,616.7 million in 2Q13 to LE 2,326.8 million in the quarter just ended. Gross profit for the line of business rose 54.3% to LE 270.9 million in 2Q14, and gross profit margin was up slightly to 11.6%.

Motorcycles & Three-Wheelers revenue rose 16.6% in 2Q14 compared to the same quarter of last year to LE 253.2 million, with gross profits up 40.9% to LE 43.9 million. Gross profit margin rose 3 percentage points to 17.3%.

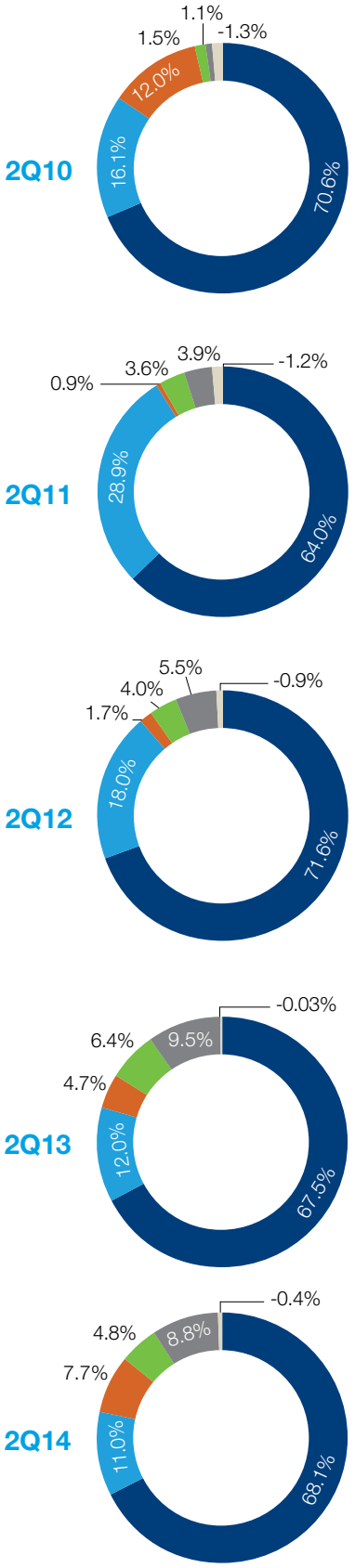
Commercial Vehicles & Construction Equipment revenue came in at LE 224.9 million, a 103.2% increase over LE 110.7 million in 2Q13. Gross profit was up 153.0% at LE 30.7 million, and gross profit margin rose 2.7 percentage points to 13.7%.

Tires revenue rose 5.7% year-on-year to LE 116.8 million in 2Q14, while gross profits for the division were up 14.9% to LE 19.1 million. Gross margins were up 1.3 percentage points to 16.4% compared to 15.1% in the same period of last year.

Financing Businesses revenue rose 40.9% to LE 155.9 million in 2Q14, with gross profits up 42.0% to LE 34.9 million. Gross profit margin was steady at 22.4%.

Others revenue reached LE 4.0 million for Pre-Owned Vehicles and legacy fleet transportation contracts. This line of business encompasses the Pre-Owned Vehicles, Lubricants, Retail and Transportation lines of business; management expects the Lubricants and Retail lines to begin contributing to the top line in the second half of the year.

Gross Profit Contribution by Line of Business



First Half 2014 Highlights

- GB Auto revenue in the first half of 2014 was up 35.3% at LE 5,749.2 million as compared to LE 4,249.7 million in 1H13.
- Consolidated gross profit was LE 759.6 million in 1H14, a 31.4% increase over the same period of 2013; gross profit margin was down very slightly year-on-year at 13.2%.
- EBIT rose 36.8% in 1H14 to LE 413.6 million, while EBIT margin was essentially steady at 7.2%.
- Net income was LE 87.9 million in 1H14, a 38.6% increase over LE 63.4 million in 1H13. Net profit margin held steady at 1.5%.

Passenger Cars revenue saw a 40.7% improvement year-on-year in 1H14 to LE 4,319.7 million, while gross profit rose 32.5% to LE 514.3 million. Gross margin was down 0.7 percentage points year-on-year to 11.9%.

Motorcycles & Three-Wheelers revenue dropped 5.2% in 1H14 to LE 502.4 million from LE 530.2 million in 1H13. Gross profit rose 8.0% y-o-y to LE 91.6 million, while gross profit margin was up 2.2 percentage points over 1H13 to 18.2%.

Commercial Vehicles & Construction Equipment revenue was LE 434.7 million, up 91.6% from LE 226.9 million in 1H13. Gross profit surged 179.6% to LE 55.3 million, and gross profit margin was up 4 percentage points to 12.7%.

Tires reported revenue of LE 208.4 million, a 6.0% drop from LE 221.8 million in 1H13, while gross profit fell 3.3% to LE 32.3 million. Gross profit margin was stable at 15.5%.

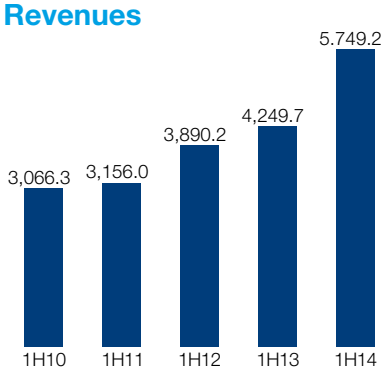
Financing Businesses revenue was up 42.3% year-on-year to LE 278.7 million. Gross profit rose 32.8% to LE 69.2 million in 1H14, while gross profit margin dropped 1.8 percentage points to 24.8% but remains sturdy.

Others revenue reached LE 5.4 million for Pre-Owned Vehicles and legacy fleet transportation contracts.

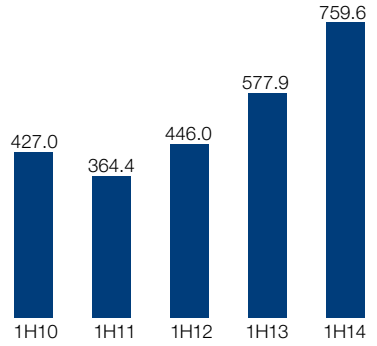
First Half 2014 at a Glance

Key Indicators
(all figures in LE million)

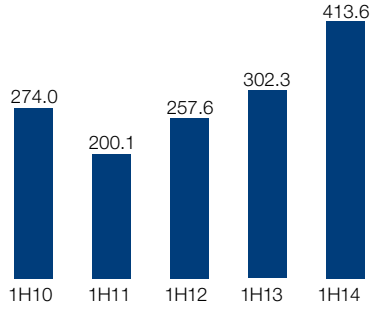
Revenues



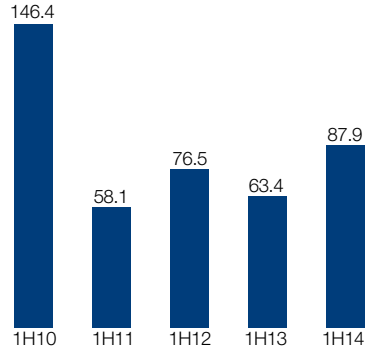
Gross Profits



EBIT

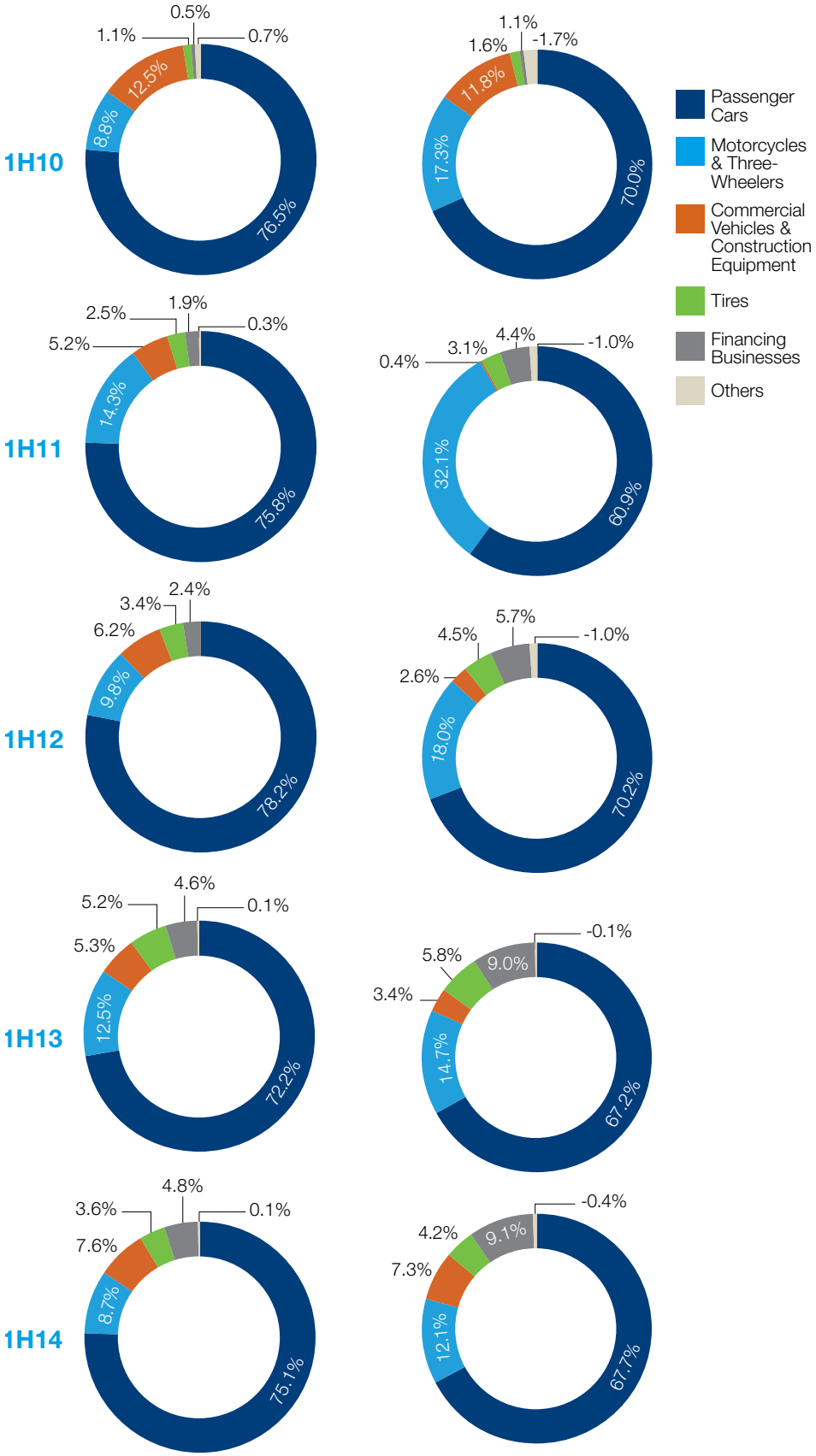


Net Income



Revenue Contribution by Line of Business

Gross Profit Contribution by Line of Business



Message from the CEO

"The expansion, which could include at least one new geography and a new line of business — and which may see us further diversify within existing lines of business — will require access to fresh capital."

Looking back, it is clear that the spillover of the "Great Recession" into our home market inoculated GB Auto against future turbulence. It was, after all, in this period that we first began articulating the strategy of geographic, line of business and product diversification that has allowed us to continue to grow despite the far greater challenges across our region that have followed the Egyptian Revolution of 2011.

This diversification drive has seen stages of rapid change followed by periods of consolidation as we optimize our approach to new markets and segments. After significant investment in our commercial vehicles manufacturing capacity, we are now seeing the payoff as we win large contracts. We invested in our CKD passenger car production capacity and in our bandwidth to market new brands, and the result was Geely's capture of a 10% market share in its first full year of operations. We penetrated the finance sector, and have grown to own subsidiaries that stand today as the second-largest corporate finance player in the market (GB Lease), one of the fastest-growing microfinance ventures (Mashroey), and an exciting factoring finance business (Drive).

Today, as we continue to optimize our approach to new markets as well as new lines of business including Lubricants, Retail and Pre-Owned Vehicles, we are simultaneously laying the groundwork for our next wave of expansion.

The expansion, which could include at least one new geography and a new line of business — and which may see us further diversify within existing lines of business — will require access to fresh capital. With extensive support from C-suite management, our Finance and Business Development departments have finalized a strategy to roll-out and finance our growth plan; we look forward to presenting this to our Board of Directors in the near term, after which we expect to invite shareholders to consider approval of a capital increase via rights issue at par.

Our shareholders will gather for that extraordinary general meeting knowing that management has worked consistently to grow their business, a fact that is nowhere as evident as it is in our 2Q14 results, which are backed by outstanding sales performances across our lines of business. Continued foreign exchange expenses due to the weakening of the Egyptian pound have seen our bottom line grow slower than has our top line. Moreover, we continue to support new businesses that are still in their earliest phases of development, a pattern we expect will hold through year's end until we begin delivering larger revenue contributions from Algeria, Drive, Retail and Pre-Owned Vehicles, among others.

In the Passenger Car segment, our record performance in the second quarter makes it clear to me that Egypt will continue to grow substantially in the second half on the back of pent-up demand for Hyundai and Geely vehicles. Moreover, we expect our fuel-efficient models will be sought-after as the government continues to remove fuel subsidies. Drive, our factoring finance business, will deliver a rising proportion of sales, and we see the growth horizon for our Pre-Owned Vehicles segment limited only by our ability to source inventory.

Our performance in Algeria (where we had a later-than-expected start due to regulatory procedures) will pick up in the new year as we bring in new models ideal for this market, and we will serve demand in Libya in a manner that minimizes our capital exposure there until stability begins to return to the market. We are similarly exposed to on-the-ground developments in Iraq, where we have taken steps to minimize risk in the south and will continue to cater to strong demand in the north, which has historically accounted for the lion's share of our Iraqi sales and which remains our primary logistics hub there.

Meanwhile, I am particularly gratified that the Egyptian government has allowed

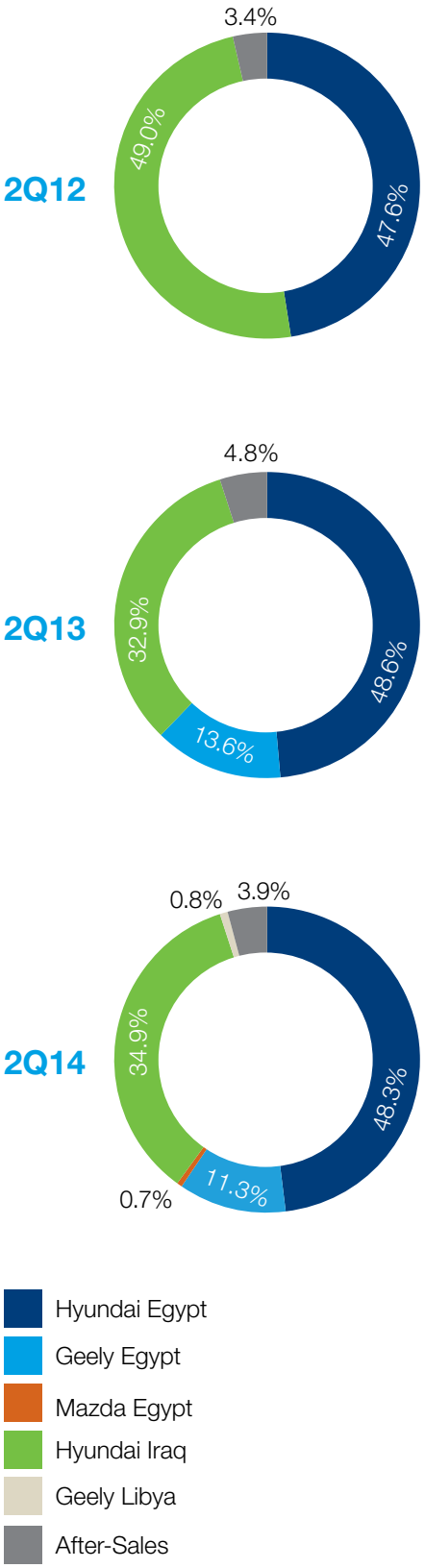
its ban on the import of components for motorcycles and three-wheelers to expire and look forward to this division returning to its historical levels of contribution to both the top- and bottom-lines. We will be particularly watchful here for new opportunities to cater to demand in a manner that satisfies local regulatory requirements and that continues to add value to the domestic economy.

On the Commercial Vehicles and Construction Equipment front, my optimism on 2H14 performance rises almost daily as we continue to capture a significant portion of new demand generated by infrastructure spending and the recovery of consumer sentiment. And as the Tires business begins to move past the market oversupply that characterized the first months of this year, we look forward to stronger pricing power and the start of sales for Goodyear in Algeria.

The Financing Business will continue to be one of our strongest engines of growth and profitability, and I expect the same prudent approach to management that has seen Financing grow so rapidly will also see us deliver strong results in the new year from our Retail and Lubricants segments.

Dr. Raouf Ghabbour, CEO

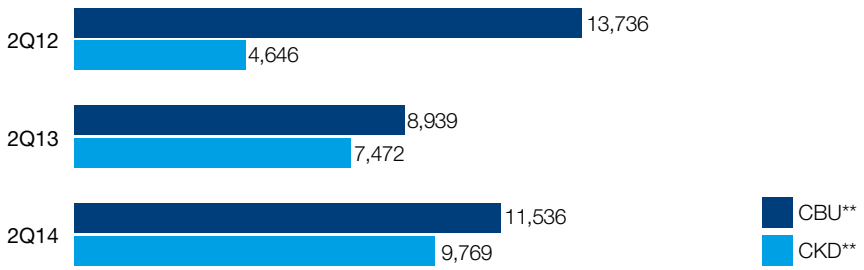
Passenger Car Revenue Breakdown by Segment



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*



*Markets currently include Egypt, Iraq, Libya and Algeria; Iraq, Libya and Algeria are CBU only
** CBU refers to Completely -Built-Up units; CKD refers to Completely-Knocked-Down units

Egypt

- The Egyptian passenger car market is showing signs of a sustainable recovery as the country's political situation has now stabilized and consumer sentiment is beginning to show tentative signs of a rebound. Market-wide, passenger car sales in 1H14 were up 30% over 1H13, with models from Japanese, South Korean and Chinese brands all posting increases.
- The Egyptian Automotive Marketing Information Council (AMIC) now releases a Passenger Car Value Report, in addition to its standard report on the Egyptian passenger car, bus and truck market. The PC Value Report analyzes passenger car sales by value and model size. According to this report, in 1H14 the value of passenger cars sold in Egypt rose 26.8%. Vehicles priced in the range of LE 70,000 to 90,000 accounted for 30.4% of all unit sales, although it was vehicles in the LE 150,000 to 200,000 range that generated the most value, accounting for 22.4% of all sales proceeds.
- GB Auto likewise saw total unit sales increase 24.4% y-o-y in 2Q14 and a full 48.8% in the 1H14, with a related uptick in revenues. While a great deal of the increase is attributable to pent-up consumer demand and the market challenges of early 2013, management is confident that the upswing is tenable going forward.
- Hyundai unit sales were up 26% year-on-year in 2Q14, with a 21.7% total market share. In an ongoing trend, Hyundai unit sales were weighted towards CKD units, which accounted for 56.3% of unit sales in 2Q and 59.7% of unit sale in 1H14.
- Geely, meanwhile, also saw sales increase year-on-year both in 2Q and 1H. The division captured a 7.7% market share in 2Q, as its products continue to achieve high points from consumers in terms of attractiveness, performance and reliability.
- Mazda overcame the impact of a strong Japanese yen to report quarter-on-quarter and year-on-year increases to unit sales, revenues and contributions to consoli-

> *"Notably, in the wake of cuts to fuel subsidies, the company has not seen any change in consumer appetites."*

dated gross profit.

- Management is confident that Mazda will continue to see improved performance in the remainder of 2014, given the warm market reception accorded to the late second-quarter launch of the new Mazda 3.
- Notably, in the wake of cuts to fuel subsidies, the company has not seen any change in consumer appetites, and management does not expect any, given the need and pent-up demand for passenger cars in Egypt. Management also believes that these subsidy cuts will see future car sales gradually shifted towards the smaller, more fuel efficient models on offer.

Iraq

- The Iraqi market began 2014 with increased consumer appetite, and GB Auto accordingly reports an uptick in 2Q and 1H14 unit sales and revenues. The unfortunate events of the 10th of June and subsequent troubles has impacted the market to the extent that, at least in the short-term, management is not terribly optimistic about the performance of our Iraqi operations.
- That said, the ongoing trend of relative market stability in the north, which has always been the primary source of sales for GB Auto, suggests that sales will continue, albeit at a slower pace than before, as consumers in the south of the country wait out the unrest.

Algeria

- In 2013, GB Auto's Algerian operations were largely focused on navigating the bureaucracy necessary to launch operations. Having successfully done that, and having learned the vagaries of this complex market, management is targeting a gradual ramp up of operations, albeit at a modest rate in the near-term, as the country's automotive market is currently quite soft.
- To supplement consumer sales, management is pursuing a foothold in additional market segments, including transportation.

Libya

- In Libya, exogenous factors including ongoing civil unrest, a slow-moving state bureaucracy, a depressed market and oversupply of dumped goods from other regional markets have taken a heavy toll on our operations.
- For the remainder of 2014, management is focused on keep minimal stock in Libya and revamping operations to be after-sales focused.
- This move will allow GB Auto to maintain a presence in this promising market with minimal capital infusion and minimal risk. This keeps GB Auto on the ground, building up country-specific knowledge and best practices which it can use to launch a more aggressive roll-out plan when the political and security situations stabilize.

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

		2Q13	2Q14	% Change 2Q13 v 2Q14	HY13	HY14	% Change HY13 v HY14
Total Sales Volume	(Units)	16,411	21,305	29.8%	30,099	41,401	37.5%
Sales Revenue	**(LE million)**	**1,538.5**	**2,235.2**	**45.3%**	**2,916.9**	**4,143.4**	**42.0%**
Gross Profit	**(LE million)**	**146.2**	**239.8**	**64.0%**	**331.4**	**457.2**	**37.9%**
Gross Profit Margin	*(%)*	*9.5%*	*10.7%*	*1.2*	*11.4%*	*11.0%*	*-0.3*
After-Sales Revenue	**(LE million)**	**78.1**	**91.6**	**17.2%**	**153.2**	**176.3**	**15.1%**
After-Sales Gross Profit	**(LE million)**	**29.3**	**31.0**	**6.0%**	**56.7**	**57.1**	**0.6%**
After-Sales Gross Profit Margin	*(%)*	*37.5%*	*33.9%*	*-3.6*	*37.0%*	*32.4%*	*-4.7*
Total Passenger Car Revenues	**(LE million)**	**1,616.7**	**2,326.8**	**43.9%**	**3,070.1**	**4,319.7**	**40.7%**
Total Passenger Car Gross Profit	**(LE million)**	**175.5**	**270.9**	**54.3%**	**388.2**	**514.3**	**32.5%**
Passenger Car Gross Margin	**(%)**	**10.9%**	**11.6%**	**0.8**	**12.6%**	**11.9%**	**-0.7**

Table 1B: Passenger Car Sales Activity — Egypt

		2Q13	2Q14	% Change 2Q13 v 2Q14	HY13	HY14	% Change HY13 v HY14
CBU Sales Volume (Hyundai)	(Units)	4,323	4,791	10.8%	6,522	8,145	24.9%
CBU Sales Volume (Geely)	(Units)	182	206	13.2%	182	617	239.0%
CBU Sales Volume (Mazda)	(Units)	1	140	-	1	246	-
CKD Sales Volume (Hyundai)	(Units)	4,381	6,174	40.9%	8,558	12,084	41.2%
CKD Sales Volume (Geely)	(Units)	3,091	3,595	16.3%	3,747	7,194	92.0%
Total Sales Volume	**(Units)**	**11,978**	**14,906**	**24.4%**	**19,010**	**28,286**	**48.8%**
Total Market*	**(Units)**	**37,565**	**49,191**	**30.95%**	**70,920**	**92,187**	**30.0%**
GB Auto Market Share*	***(%)***	**31.9%**	**29.7%**	**-2.2**	**26.1%**	**30.1%**	**4.0**
Sales Revenue	**(LE million)**	**1,006.4**	**1,403.7**	**39.5%**	**1,587.8**	**2,551.6**	**60.7%**
Gross Profit	**(LE million)**	**114.3**	**164.0**	**43.4%**	**202.2**	**301.6**	**49.2%**
Gross Profit Margin	*(%)*	*11.4%*	*11.7%*	*0.3*	*12.7%*	*11.8%*	*-0.9*
After-Sales Revenue	**(LE million)**	**66.6**	**77.8**	**16.7%**	**133.5**	**148.7**	**11.3%**
After-Sales Gross Profit	**(LE million)**	**24.9**	**26.0**	**4.4%**	**48.6**	**47.9**	**-1.4%**
After-Sales Gross Profit Margin	*(%)*	*37.4%*	*33.4%*	*-4.0%*	*36.4%*	*32.2%*	*-4.2*
Total Egypt Passenger Car Revenues	**(LE million)**	**1,073.0**	**1,481.5**	**38.1%**	**1,721.3**	**2,700.2**	**56.9%**
Total Egypt Passenger Car Gross Profit	**(LE million)**	**139.2**	**189.9**	**36.4%**	**250.8**	**349.5**	**39.4%**
Passenger Car Egypt Gross Margin	**(%)**	**13.0%**	**12.8%**	**-0.2**	**14.6%**	**12.9%**	**-1.6**

Table 1C: Hyundai Passenger Car Sales Activity — Iraq

		2Q13	2Q14	% Change 2Q13 v 2Q14	HY13	HY14	% Change HY13 v HY14
Total Sales Volume	**(Units)**	**4,433**	**6,204**	**40.0%**	**11,089**	**11,533**	**4.0%**
Sales Revenue	**(LE million)**	**532.1**	**812.3**	**52.7%**	**1,329.1**	**1,480.4**	**11.4%**
Gross Profit	**(LE million)**	**31.9**	**76.0**	**138.0%**	**129.2**	**152.6**	**18.1%**
Gross Profit Margin	*(%)*	*6.0%*	*9.4%*	*3.4*	*9.7%*	*10.3%*	*0.6*
After-Sales Revenue	**(LE million)**	**11.5**	**12.5**	**8.4%**	**19.6**	**25.5**	**29.9%**
After-Sales Gross Profit	**(LE million)**	**4.4**	**4.7**	**7%**	**8.1**	**9.2**	**13.6%**
After-Sales Gross Profit Margin	*(%)*	*38.2%*	*37.7%*	*-0.5*	*41.4%*	*36.2%*	*-5.2*
Total Iraq Passenger Car Revenues	**(LE million)**	**543.6**	**824.8**	**51.7%**	**1,348.7**	**1,505.9**	**11.7%**
Total Iraq Passenger Car Gross Profit	**(LE million)**	**36.3**	**80.7**	**122.2%**	**137.4**	**161.9**	**17.8%**
Passenger Car Iraq Gross Margin	**(%)**	**6.7%**	**9.8%**	**3.1**	**10.2%**	**10.7%**	**0.6**

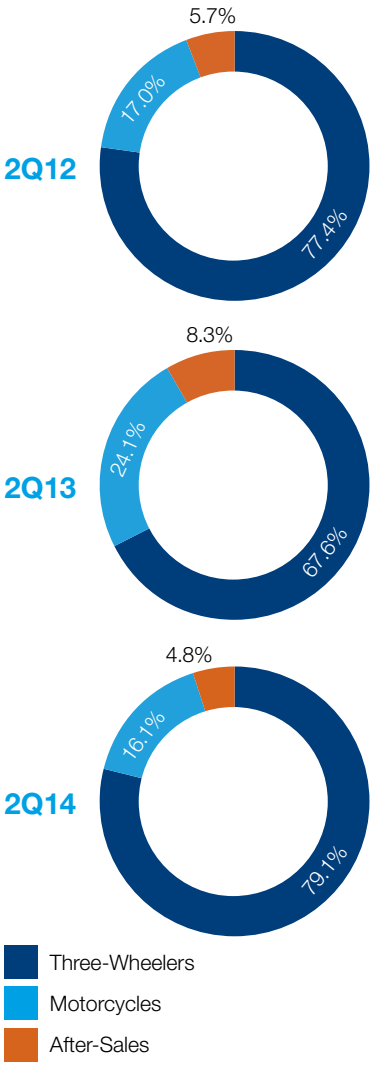
Table 1D: Geely Passenger Car Sales Activity — Libya

		2Q13	2Q14	% Change 2Q13 v 2Q14	HY13	HY14	% Change HY13 v HY14
Total Sales Volume	**(Units)**	**-**	**195**	**-**	**-**	**1,582**	**-**
Total Libya Passenger Car Revenues	**(LE million)**	**-**	**19.1**	**-**	**-**	**111.4**	**-**
Total Libya Passenger Car Gross Profit	**(LE million)**	**-**	**-0.1**	**-**	**-**	**3.0**	**-**
Passenger Car Libya Gross Margin	**(%)**	**-**	**-0.5%**	**-**	**-**	**2.7%**	**-**

* 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.

** As estimated by the Automotive Marketing Information Council of Egypt (AMIC).

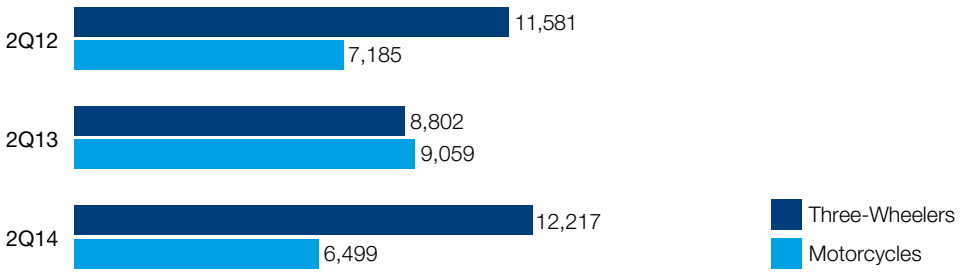
Motorcycle & Three-Wheeler Revenue Breakdown by Segment



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



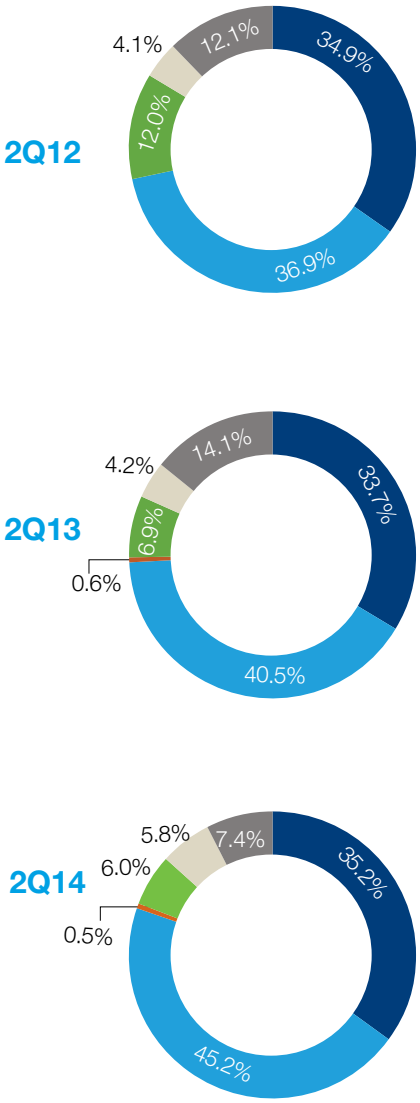
Motorcycles & Three-Wheelers

- Performance of this line of business in 1H14 was quite damp as a result of the unfortunate ban on the import of motorcycles and three-wheelers. In light of the expiration of the ban in late 2Q the sales rate of three-wheelers had returned to normal by the close of 2Q14, and the remainder of 2014 promises to be quite strong and revenues and gross profits were also up in the quarter.
- The company reduced prices to encourage sales, and management expects to see volume growth and margins at normal levels in the coming period.

Table 2: Motorcycle & Three-Wheeler Sales Activity

		2Q13	2Q14	% Change 2Q13 v 2Q14	HY13	HY14	% Change HY13 v HY14
Three-Wheeler Sales Volume	(Units)	8,802	12,217	38.8%	25,573	23,476	-8.2%
Motorcycle Sales Volume	(Units)	9,059	6,499	-28.3%	16,384	13,238	-19.2%
Total Sales Volume	**(Units)**	**17,861**	**18,716**	**4.8%**	**41,957**	**36,714**	**-12.5%**
Sales Revenue	**(LE million)**	**199.1**	**241.0**	**21.0%**	**497.5**	**474.3**	**-4.7%**
Gross Profit	**(LE million)**	**27.0**	**41.5**	**53.8%**	**77.4**	**86.8**	**12.2%**
Gross Profit Margin	*(%)*	*13.6%*	*17.2%*	*3.7*	*15.6%*	*18.3%*	*2.7*
After-Sales Revenue	**(LE million)**	**18.1**	**12.2**	**-32.5%**	**32.8**	**28.1**	**-14.1%**
After-Sales Gross Profit	**(LE million)**	**4.2**	**2.4**	**-42.8%**	**7.4**	**4.8**	**-35.3%**
After-Sales Gross Profit Margin	*(%)*	*23.1%*	*19.6%*	*-3.5*	*22.6%*	*17.0%*	*-5.6*
Total Motorcycle & Three-Wheeler Revenues	**(LE million)**	**217.2**	**253.2**	**16.6%**	**530.2**	**502.4**	**-5.2%**
Total Motorcycle & Three-Wheeler Gross Profit	**(LE million)**	**31.2**	**43.9**	**40.9%**	**84.8**	**91.6**	**8.0%**
Motorcycle & Three-Wheeler Gross Margin	**(%)**	**14.4%**	**17.3%**	**3.0**	**16.0%**	**18.2%**	**2.2**

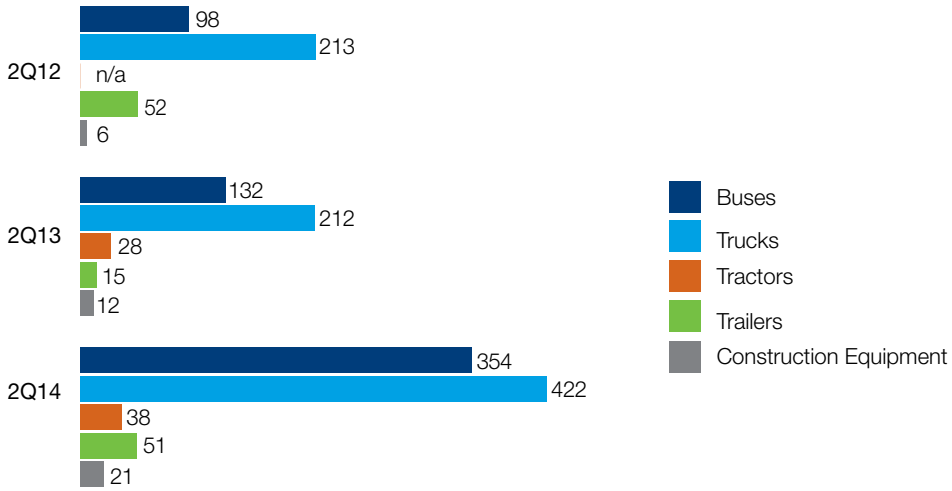
Commercial Vehicles & Construction Equipment Revenue Breakdown by Segment



Commercial Vehicles & Construction Equipment Line of Business

The Commercial Vehicles & Construction Equipment line of business offers a wide range of assembled-in-Egypt trucks and locally manufactured 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). In Egypt, this line of business also distributes earth moving equipment, road machinery and power generators under distribution agreements with Volvo Construction, SDLG and Aksa as well as YTO tractors, produces buses for domestic and export markets through GB Polo (a state-of-the-art facility in partnership with global leader Marcopolo) and sells Great Wall pickup trucks in Libya.

Breakdown of Units Sold



- The Commercial Vehicles & Construction Equipment line of business reports particularly strong performance across all of its divisions in both the second quarter and year-to-date. Management is confident that margins are sustainable at their current rates, and that this line of business will continue delivering growth.
- This growth stems in part from the upswing in economic activity made possible by political stability and aid packages from the Gulf, which have led to an uptick in government spending, especially for infrastructure projects.
- The nearly three-fold rise in volumes in the Bus division is driven by increased spending on public transportation projects, renewals of corporate fleets. Meanwhile, the first of 300 City buses will be delivered in the final quarter of 2014 and the remainder of the order will be delivered in January 2015. Management anticipates that tourism coach sales will pick up as the economy and security situation continue to improve, and tourist numbers rebound.

- The Trucks division reports that sales of heavy trucks are at historical highs, while light and medium trucks are also performing well. Overall, this division more than doubled unit sales in 1H14 as compared to 1H13.
- Also attributable to the infrastructure boom is the uptick in unit sales from the Construction Equipment and Trailers divisions, as well. Management is optimistic about these divisions going forward.

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

		2Q13	2Q14	% Change 2Q13 v 2Q14	HY13	HY14	% Change HY13 v HY14
Bus Sales Volume	(Units)	132	354	168.2%	232	585	152.2%
Truck Sales Volume	(Units)	212	422	99.1%	513	1,068	108.2%
Tractor Sales Volume	(Units)	28	38	35.7%	44	84	90.9%
Trailer Sales Volume	(Units)	15	51	240.0%	75	89	18.7%
Construction Equipment Sales Volume	(Units)	12	21	75.0%	20	30	50.0%
Total Sales Volume	**(Units)**	**399**	**886**	**122.1%**	**884**	**1,856**	**110.0%**
Sales Revenue	**(LE million)**	**95.0**	**208.3**	**119.2%**	**196.0**	**401.6**	**104.9%**
Gross Profit	**(LE million)**	**9.3**	**28.1**	**203.0%**	**14.5**	**49.2**	**240.0%**
Gross Profit Margin	*(%)*	*9.8%*	*13.5%*	*3.7*	*7.4%*	*12.2%*	*4.9*
After-Sales Revenue	**(LE million)**	**15.6**	**16.6**	**6.2%**	**30.9**	**33.1**	**7.0%**
After-Sales Gross Profit	**(LE million)**	**2.9**	**2.6**	**-8.8%**	**5.3**	**6.1**	**15.3%**
After-Sales Gross Profit Margin	*(%)*	*18.4%*	*15.8%*	*-2.6*	*17.2%*	*18.5%*	*1.3*
Total Commercial Vehicles & Construction Equipment Revenue	**(LE million)**	**110.7**	**224.9**	**103.2%**	**226.9**	**434.7**	**91.6%**
Total Commercial Vehicles & Construction Equipment Gross Profit	**(LE million)**	**12.2**	**30.7**	**153.0%**	**19.8**	**55.3**	**179.6%**
Commercial Vehicles & Construction Equipment Gross Margin	**(%)**	**11.0%**	**13.7%**	**2.7**	**8.7%**	**12.7%**	**4.0**

Tires Line of Business

GB Auto has agreements with a number of Original Equipment Manufacturers (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; in Libya it distributes Triangle tires; and in Algeria it distributes Lassa, Grandstone and Goodyear tires.

- The Tires line of business reported 150.8% year-on-year growth in its regional operations, while domestically, the division's performance was dampened by the impact of management's decision to withhold product from the market as management waits for an over-supply to correct itself, which is already happening in the third quarter.
- In Algeria, GB Auto's product offerings have been quite well-received and management expect sales of Goodyear tires to begin contributing to the top-line in the third quarter.

Table 4A: Total Tires Sales Activity

		2Q13	2Q14	% Change 2Q13 v 2Q14	HY13	HY14	% Change HY13 v HY14
Total Sales Revenues	**(LE million)**	**110.5**	**116.8**	**5.7%**	**221.8**	**208.4**	**-6.0%**
Total Gross Profit	**(LE million)**	**16.7**	**19.1**	**14.9%**	**33.4**	**32.3**	**-3.3%**
Gross Margin	(%)	15.1%	16.4%	1.3	15.1%	15.5%	0.4

Table 4B: Tires Sales Activity — Egypt

		2Q13	2Q14	% Change 2Q13 v 2Q14	HY13	HY14	% Change HY13 v HY14
Total Sales Revenues	**(LE million)**	**99.4**	**88.9**	**-10.6%**	**201.0**	**159.1**	**-20.8%**
Total Gross Profit	**(LE million)**	**16.0**	**17.0**	**5.8%**	**32.1**	**28.1**	**-12.2%**
Gross Margin	(%)	16.1%	19.1%	3.0	15.9%	17.7%	1.7

Table 4C: Tires Sales Activity — Regional

		2Q13	2Q14	% Change 2Q13 v 2Q14	HY13	HY14	% Change HY13 v HY14
Total Sales Revenues	**(LE million)**	**11.1**	**27.8**	**151.7%**	**20.8**	**49.3**	**137.2%**
Total Gross Profit	**(LE million)**	**0.6**	**2.2**	**243.4%**	**1.3**	**4.1**	**211.9%**
Gross Margin	(%)	5.8%	7.8%	2.1	6.4%	8.4%	2.0

Financing Line of Business

GB Capital serves as the Group's financial arm, and is responsible for the Financing Businesses line, which consists of four independent companies comprising GB Lease (financial leasing), Mashroey (microfinance), and Drive (factoring finance) and most recently Haram Tourism Transport (HTT), widely known as Haram Limousine, which is essentially an operational lease company. The Financing Business line is growing steadily and is strictly governed by robust credit policies specifically developed for each industry. The companies' credit approval and disbursement mechanisms are well advanced and comply with best practices of financial institutions in the country. Furthermore, asset quality and collections, being the backbone for the success of any financial institution, are closely monitored, well maintained and controlled within the group. The aim of GB Capital is to develop a well-diversified and synergetic group of financial services. To that end, GB Capital is also on the lookout for new additions to complement its portfolio.

- The Financing Business line grew steadily in 2Q14, with revenues up 40.9% year-on-year to LE 155.9 million and gross profit up 42.3% y-o-y to LE 34.9 million, despite the downturn caused by the ban (now-ended) on the import of motorcycles and three-wheelers into Egypt which impacted the performance of Mashroey for the majority of the first half of the year. At 24.8%, gross profit margin remains robust compared to market norms.
- **GB Lease** maintained its solid growth into the second quarter; the division has a strong foothold in the market and has successfully maintained its ranking as Egypt's second-largest leasing company (ranked by total contracts value as at May year-to-date), as declared by the Egyptian Financial Services Authority (EFSA). By law, GB Lease provides business-to-business financial leasing solutions. It is non-exclusive to GB Auto and caters to a diversified client base.
- **Mashroey** continued to exhibit solid profitability backed by strong pricing power despite the downturn caused by the ban on the import of motorcycles and three-wheelers into Egypt. Its product range remains extensive, covering three-wheelers (tuk-tuks), motorcycles, motor tricycles, agricultural tractors, minivans, pre-owned tuk-tuks, and animal feedstock. The company also plans to shortly embark on other product lines to further diversify its portfolio.
- **Drive** offers factoring services to a diverse client base. It also continued its solid growth in 2Q14, recording a 133% increase in sales y-o-y and anticipates a further boost from GB Auto's Pre-Owned Vehicles line as it picks up.
- **Haram Tourism Transport** (HTT, also known as Haram Limousine) recorded an impressive 255% growth in sales y-o-y. The company provides automotive operational leasing to a select range of top-tier multinational companies, with an average operational lease tenor of 3 years.
- Both GB Lease and Drive are regulated by EFSA and are strongly underleveraged compared to regulatory caps.
- Management notes that as Mashroey, Drive and Haram Tourism Transport transact with the Passenger Cars and the Motorcycles & Three Wheelers lines of business, there are invariably intercompany sales between them. Results after elimination of these intercompany sales are summarized in Table 5, overleaf.

Table 5: Financing Businesses Activity

		2Q13	2Q14	% Change 2Q13 v 2Q14	HY13	HY14	% Change HY13 v HY14
Total Sales Revenues	**(LE million)**	**110.6**	**155.9**	**40.9%**	**195.8**	**278.7**	**42.3%**
Total Gross Profit	**(LE million)**	**24.6**	**34.9**	**42.0%**	**52.1**	**69.2**	**32.8%**
Gross Margin	(%)	22.2%	22.4%	0.2	26.6%	24.8%	-1.8

Other Lines of Business

GB Auto's Pre-Owned Vehicles division is rolling-out a Western-style pre-owned car operation at all GB-owned points of presence in Egypt. Our newly launched Lubricants business distributes Gazprom Neft-Lubricants at GB Auto-branded and third-party points of presence in the Egyptian market under an exclusive strategic alliance with Gazprom Neft. Our Retail arm will operate retail After-Sales outlets to distribute tires, tire parts, batteries, parts and lubricants. These points of presence will also offer services including tire installation and balancing, battery service and the sale and injection of lubricants in select locations.

- **Retail** operations are now expected to launch in 2015, at 1-3 branches in prime locations in Cairo. Management has retained top notch international companies for creating the corporate identity for this LOB and gaining further knowledge of consumer dynamics in this market, and setting up the operations themselves.
- **Lubricant** operations are on-track with the first trial shipments in the warehouses; sales are set to begin in 3Q14. Management anticipates further announcements regarding product representations within GB Auto-branded service centers and and third-party points of sale in the near future.
- **Pre-Owned Vehicles** operations began in mid-March from the GB Auto Ring Road 3S Center, and reported LE 3.3 million in sales in its first full quarter of operations. The market has been receptive of this new offering, but given its status a greenfield operation, management anticipates that it may be some time before this division begins making strong contributions to gross profit.

Table 6: Other Sales Activity

		2Q13	2Q14	% Change 2Q13 v 2Q14	HY13	HY14	% Change HY13 v HY14
Transport Business Revenues	(LE million)	2.1	0.7	-64.7%	4.9	1.8	-62.5%
Pre-Owned Vehicles Sales Revenue	(LE million)	-	3.3	-	-	3.6	-
Total Sales Revenues	**(LE million)**	**2.1**	**4.0**	**92.9%**	**4.9**	**5.4**	**11.0%**
Transport Business Gross Profits	(LE million)	-0.1	-1.8	-	-0.4	-3.4	-
Pre-Owned Vehicles Gross Profit	(LE million)	-	0.3	-	-	0.3	-
Total Gross Profit	**(LE million)**	**-0.1**	**-1.5**	**-**	**-0.4**	**-3.1**	**-**
Gross Margin	*(%)*	*-3.6%*	*-37.9%*	*-34.3*	*-7.4%*	*-57.5%*	*-50.0*

Financial Position and Working Capital Management

"Management believes this broad-based growth reflects the acceleration of a trend (noted since late 2013) of improving consumer sentiment as well as early signs of real recovery in some sectors of the economy."

Perhaps more notable than the 42.2% year-on-year surge in 2Q14 revenues is the fact of it having taken place across all core lines of business. Management believes this broad-based growth reflects the acceleration of a trend (noted since late 2013) of improving consumer sentiment as well as early signs of real recovery in some sectors of the economy.

While profitability has improved on both a second-quarter and first-half basis in comparison with the same periods last year, bottom-line growth continues to be weighed-down by currency challenges that translated into LE 51 million in foreign exchange expenses in the second quarter. Foreign exchange considerations have similarly been a brake on GB Auto's typically strong pricing power in the market as Japanese players have enjoyed new price flexibility in view of the comparative weakness of the Japanese yen vs. the Korean won.

Total debt as of 30 June 2014 stood at LE 4.3 billion, up from LE 3.6 billion at the end of the first quarter on the back of a shareholder loan and the growth of the Group's Financing Businesses. Based on the approval granted at the general assembly meeting held on 2 June 2014, GB Auto has concluded two loan agreements with its main shareholder (including a USD tranche and another in LE). The balance of the shareholder loan at 30 June 2014, including accrued interest, stood at EGP 497; the loan carries an annual interest rate of 10.5% on the LE tranche (against the company's current average borrowing rate of 10.99%) and of 3.25% on the USD portion (compared with 4.75% as the current average rate). The loan should help curb financing costs in the third quarter and heading into year's end as debt levels begin to stabilize.

Growth in total debt also reflects the strong growth of the Financing Businesses: Debt related to these entities peaked at LE 539 million on the balance sheet as of 30 June. That rise in debt still leaves the Financing Businesses under-leveraged compared to both market norms and the 9:1 regulatory cap on the ratio of debt to equity.

Notably, strong sales in the quarter and careful order management have together seen inventory levels fall by LE 251 million to LE 1.9 billion as of 30 June 2014, bringing days of inventory on hand down to two months. This is a sharp improvement from the three-month levels last reported at the end of the first quarter, helping improve operational cash flows, which saw operations generate LE 21 million in cash in the second quarter compared with a net cashflow deficit of LE 279 million in the first quarter of the year.

Amid an ongoing emphasis on laying the foundations of long-term growth via expansion of current lines of business, new lines of business and new geographies, management will maintain an aggressive pace of investment that may result in cash-flow mismatches at some junctions going forward. The success of new lines of business including Financing underscores that bearing the initial costs of growth in terms of both expansion and cashflow mismatches is repaid going forward through better capital utilization and substantially improved return ratios.

Latest Corporate Developments

1) Capital Increase

GB Auto is in the process of presenting plans for the implementation and financing of the group's expansion strategy to the Board of Directors. If the Board approves the plans, the company intends to seek regulatory approval for an extraordinary general assembly to review the proposed capital increase through rights issue at par value.

2) Upcoming Launch of ESOP

On 6 August 2014, GB Auto's board approved a 5% capital increase to launch the employee stock ownership plan (ESOP).

3) New Mazda Model

In late 2Q, GB Auto launched the newest generation of the Mazda 3 Sedan to a warm market reception, where it is expected to be well-received by consumers and complement sales of the CX-9 and Mazda 6. The company also expects to launch additional models in 2015.

Outlook

As we enter the second half of 2014, we are keeping a close watch on a number of factors across our footprint.

In Egypt, we remain highly optimistic that all of our key lines of business will continue to outperform the market. This optimism is based on the ongoing political stability and solid economic growth that has benefitted our home market for most of this year. In particular, we are confident that fiscally-sound decisions by the new government — including investment in much-needed infrastructure and the gradual lifting of fuel subsidies — will benefit Egypt, our economy, and, of course, GB Auto. It is noteworthy that management does not expect recent changes in energy prices to have a significant impact on the company's costs in general.

As has been the case for some time now, the real downside risk to our operational expectations in Egypt is the continued, and apparently ongoing, devaluation of the Egyptian pound. The relative strength of the Korean won and Japanese yen to the US dollar, and conversely, the strength of the US dollar to the Egyptian pound have cut into the company's margins year-to-date, and will likely continue to do so if the situation is not somehow rectified. That said, management is optimistic that policy makers are aware of the challenges that devaluation are causing, and we thus anticipate a more orderly devaluation over the coming 12-24 months.

In Iraq, the situation is far more fluid, and the failure of the country's politicians to work together to adequately address the security crisis caused by the militant offensive leaves management somewhat apprehensive about the short-term prospects for this key market. However, in the Kurdish north, the security situation is quite stable and market activity continues as normal. Given that the majority of sales have traditionally taken place in the north, we consider this to mean that sales will continue, although perhaps at a slower pace than before.

Looking ahead, Iraq's situation offers very little clarity. That said, we are optimistic we will ultimately see a return to normalcy in this key market, which will, in turn, have a positive impact on vehicle sales in the country.

Libya, meanwhile is facing an uncertain political and security environment as well as a depressed economy burdened by an oversupply of dumped goods from nearby markets. As this situation works itself out, management intends to keep a presence in this potentially robust market with a minimal risk of personnel and resources.

"In Egypt, we remain highly optimistic that all of our key lines of business will continue to outperform the market. This optimism is based on the ongoing political stability and solid economic growth that has benefitted our home market for most of this year."

In Algeria, now that GB Auto has learned the market and carved out a foothold, management is confident that measures we have taken to broaden our market footprint and optimize our product mix will pay back in the short- to medium-term. Likewise, the introduction of Goodyear tires in 3Q is expected to bolster performance in this high-potential market.

Early in 3Q14, GB Auto announced that its Finance and Business Development departments have laid out plans for the implementation of the group's expansionary strategy — in terms of new business lines and geographically — and have also identified the possible means of financing the expansion.

The company is in the process of presenting the recommendations to the Board of Directors; if the Board approves the recommendations, a request will be sent to regulatory authorities to approve an extraordinary general assembly to review the proposed capital increase through rights issue at par value.

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.

Financial Statements

Income Statement

(LE million)	Three Months Ended 2Q13	2Q14	% Change	Six Months Ended HY13	HY14	% Change
Passenger Cars Revenues	1,616.7	2,326.8	43.9%	3,070.1	4,319.7	40.7%
Motorcycles & Three-Wheelers Revenues	217.2	253.2	16.6%	530.2	502.4	-5.2%
Commercial Vehicles & Construction Equipment Revenues	110.7	224.9	103.2%	226.9	434.7	91.6%
Tires Revenues	110.5	116.8	5.7%	221.8	208.4	-6.0%
Financing Businesses Revenues	110.6	155.9	40.9%	195.8	278.7	42.3%
Other Revenues	2.1	4.0	92.9%	4.9	5.4	11.0%
Total Sales Revenues	**2,167.7**	**3,081.5**	**42.2%**	**4,249.7**	**5,749.2**	**35.3%**
Total Gross Profit	**260.0**	**398.0**	**53.1%**	**577.9**	**759.6**	**31.4%**
Gross Profit Margin	*12.0%*	*12.9%*	*0.9*	*13.6%*	*13.2%*	*-0.4*
Selling and Marketing	-93.1	-111.7	20.0%	-185.0	-214.0	15.7%
Administration Expenses	-53.9	-61.9	14.9%	-100.5	-123.8	23.1%
Other Operating Income (Expenses)	8.8	10.6	19.5%	17.0	19.6	15.4%
Operating Profit	**121.8**	**234.9**	**92.9%**	**309.4**	**441.4**	**42.7%**
Operating Profit Margin (%)	*5.6%*	*7.6%*	*2.0*	*7.3%*	*7.7%*	*0.4*
Net Provisions and Non-Operating	3.1	-17.4	-	-7.1	-27.8	291.9%
EBIT	**124.9**	**217.5**	**74.1%**	**302.3**	**413.6**	**36.8%**
EBIT Margin (%)	*5.8%*	*7.1%*	*1.3*	*7.1%*	*7.2%*	*0.1*
Foreign Exchange Gains (Losses)	-4.3	-50.8	-	-23.9	-68.7	187.7%
Net Finance Cost	-89.3	-88.6	-0.8%	-167.6	-178.1	6.3%
Earnings Before Tax	**31.2**	**78.1**	**150.1%**	**110.9**	**166.8**	**50.5%**
Income Taxes	-0.1	-14.5	-	-12.1	-31.7	161.4%
Net Profit Before Minority Interest	31.2	63.6	104.1%	98.7	135.1	36.8%
Minority Interest	-15.1	-23.7	57.5%	-35.3	-47.2	33.7%
Net Income	**16.1**	**39.9**	**147.6%**	**63.4**	**87.9**	**38.6%**
Net Profit Margin (%)	*0.7%*	*1.3%*	*0.6*	*1.5%*	*1.5%*	*0.0*

GHABBOUR AUTO

Balance Sheet

	As Of		
(LE million)	**31-Dec-13**	**30-Jun-14**	**% Change**
Cash	1,085.1	1,329.7	22.5%
Net Accounts Receivable	875.5	1,180.0	34.8%
Inventory	2,127.6	1,950.0	-8.3%
Assets Held For Sale	313.1	313.1	0.0%
Other Current Assets	513.3	793.6	54.6%
Total Current Assets	**4,914.6**	**5,566.5**	**13.3%**
Net Fixed Assets	1,710.5	1,770.3	3.5%
Goodwill and Intangible Assets	280.0	282.1	0.8%
Lessor Assets	502.2	774.9	54.3%
Investment Property	3.1	3.1	0.0%
Other Long-Term Assets	204.4	247.6	21.2%
Total Long-Term Assets	**2,700.2**	**3,078.0**	**14.0%**
Total Assets	**7,614.9**	**8,644.5**	**13.5%**
Short-Term Notes and Debt	3,095.0	3,763.3	21.6%
Accounts Payable	1,373.4	1,123.7	-18.2%
Other Current Liabilities	84.7	210.7	148.8%
Total Current Liabilities	**4,553.0**	**5,097.7**	**12.0%**
Long-Term Notes and Debt	217.0	504.0	132.3%
Other Long-Term Liabilities	217.8	318.2	46.1%
Total Long-Term Liabilities	**434.8**	**822.3**	**89.1%**
Minority Interest	**611.5**	**631.3**	**3.2%**
Common Stock	131.1	131.1	0.0%
Shares Held With the Group	-3.3	-3.3	0.0%
Legal Reserve	288.7	291.6	1.0%
Other Reserves	1,089.5	1,109.8	1.9%
Retained Earnings (Losses)	509.4	564.1	10.7%
Total Shareholder's Equity	**2,015.5**	**2,093.3**	**3.9%**
Total Liabilities and Shareholder's Equity	**7,614.9**	**8,644.5**	**13.5%**

GHABBOUR AUTO

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Cairo-Alex Desert Road, Km 28
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Shareholder Information
Reuters Code: AUTO.CA
Bloomberg Code: AUTO.EY

Shares Outstanding: 128,892,900

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 Truck & Bus, Volvo Construction Equipment , Mitsubishi Fuso, YTO, Karry, SDLG, Aksa, Lassa, Yokohama, Goodyear, Westlake, Triangle, Grandstone, Diamond Back, 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.