

GB Auto Reports 1Q15 Results

Leading automotive player reports solid top- and bottom-line growth despite challenging regional markets and continuing pressures from local operations

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12 May 2015 — (Cairo, Egypt) — GB Auto (AUTO.CA on the Egyptian Exchange), a leading automotive assembler and distributor in the Middle East and North Africa, announced today its consolidated results for 1Q15, reporting revenues of LE 3,200.3 million, an increase of 20.0% year-on-year. Net profits rose 8.5% y-o-y to LE 52.1 million, with net margins coming in at 1.6%.

“It is reasonable to say that the first quarter of this year provided us with a mixed bag of treats, with solid performance of divisions in our home market somewhat offset by the devaluation of the Egyptian pound as well as increased risk and challenges in our expansion markets,” said GB Auto Chief Executive Officer Dr. Raouf Ghabbour.

“That said, this is nothing we have not encountered before: When Egypt was in crisis we continued investing and expanding, effectively positioning ourselves to take the lead in today’s recovering market. Likewise, we intend to continue investing in both our expansion markets and our product portfolio in a capital efficient way that will see us go up the value chain to enhance our business profitability.”

The Passenger Cars division saw a 3.1% y-o-y decrease in revenues in 1Q15 to LE 1,930.9 million, as strong performance by Hyundai Egypt was insufficient to offset challenges in Iraq and management’s decision to withhold Geely supplies to the market to clear wholesale and dealer-level oversupply that accumulated in 4Q14.

The Motorcycles & Three-Wheelers line of business was bolstered by strong demand, leading the LOB to nearly double its total revenues y-o-y to LE 488.6 million in the quarter.

As management had anticipated, the Commercial Vehicles & Construction Equipment LOB reported a continuation of its turnaround story in 1Q15, reporting a 116.2% y-o-y increase in revenues to LE 453.5 million. Meanwhile, the Tires line of business saw strong sales growth in its regional activities but suffered from softness in local market demand on a switch to a cash-and-carry sales model.

The Financing Businesses performed very well, with each of its four units posting revenue and gross profit growth. The division overall reported an 89.1% increase in revenues to LE 232.2 million in 1Q15.

GB Auto’s Startups line of business reported revenues of LE 12.6 million in 1Q15, as it continues to benefit from the full integration of the Pre-Owned Vehicles line in GB Auto-owned points of sale and the continued roll-out of Lubricants sales.

SG&A expenses rose 15.6% in hard terms y-o-y from LE 164.1 million in 1Q14 to LE 189.9 million in 1Q15. However, for the third quarter in a row, they were down as a percentage of revenue, a key management goal since 2014.

Top-line growth filtered down to the Earnings Before Interest and Taxes (EBIT) line but a three-fold increase in FOREX losses — with the bulk incurred in January, reaching EGP 57.8 mn — as well as increased financing costs led to a more modest 8.5% increase in the bottom line to LE 52.1 million. Excluding FOREX losses, which have since the Central Bank of Egypt’s decision in February become a non-recurring item, the company would have reported a doubling in net profit.

“Heading into the second quarter, Geely sales are well on their way back to historical levels as we began normal deliveries to the market, and I remain optimistic that our very strong results in Egypt will continue to provide a cushion for softness in Iraq and Algeria,” concluded Ghabbour. “That said, it remains critical that the Government of Egypt address the unfair competitive advantages against locally assembled vehicles enjoyed by Turkish, European and Moroccan imports. I speak for our industry at large in saying I hope to hear of positive developments on this front — and soon.”

Highlights of GB Auto’s 1Q15 results along with management’s analysis of the company’s performance and complete financials are available for download on ir.ghabbourauto.com.

Financial Statements

Income Statement

(LE million)	Three Months Ended		
	1Q14	1Q15	% Change
Passenger Cars Revenues	1,992.8	1,930.9	-3.1%
Motorcycles & Three-Wheelers Revenues	249.3	488.6	96.0%
Commercial Vehicles & Construction Equipment Revenues	209.7	453.5	116.2%
Tires Revenues	91.6	82.4	-10.1%
Financing Businesses Revenues	122.8	232.2	89.1%
Other Revenues	1.4	12.6	-
Total Sales Revenues	2,667.7	3,200.3	20.0%
Total Gross Profit	361.5	402.5	11.3%
<i>Gross Profit Margin</i>	<i>13.6%</i>	<i>12.6%</i>	<i>-1.0</i>
Selling and Marketing	-102.3	-113.4	10.8%
Administration Expenses	-61.8	-76.5	23.6%
Other Operating Income (Expenses)	9.1	7.6	-16.1%
Operating Profit	206.4	220.2	6.7%
<i>Operating Profit Margin (%)</i>	<i>7.7%</i>	<i>6.9%</i>	<i>-0.9</i>
Net Provisions and Non-Operating	-10.4	-4.6	-55.4%
EBIT	196.1	215.6	10.0%
<i>EBIT Margin (%)</i>	<i>7.4%</i>	<i>6.7%</i>	<i>-0.6</i>
Foreign Exchange Gains (Losses)	-17.9	-57.8	223.3%
Net Finance Cost	-89.5	-89.4	-0.1%
Earnings Before Tax	88.7	68.4	-22.9%
Income Taxes	-17.2	-21.2	23.7%
Net Profit Before Minority Interest	71.5	47.1	-34.1%
Minority Interest	-23.5	4.9	-121.0%
Net Income	48.0	52.1	8.5%
<i>Net Profit Margin (%)</i>	<i>1.8%</i>	<i>1.6%</i>	<i>-0.2</i>



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Shareholder Information

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

Shares Outstanding:
135,337,545*

* Following the finalization of the capital increase,
shares outstanding will reach 1,094,009,733.

About GB Auto S.A.E.

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

Forward-Looking Statements

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