

GB Auto Reports 2Q13 Results

Leading automotive assembler and distributor reports stable top-line, builds Geely market share to 10% from 0% in Egypt

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13 August 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 second quarter of 2013, reporting net income of LE 16.1 million on top line revenues of LE 2,167.7 million; net profit margin was 0.7%. First half revenues were LE 4,249.7 million, with net income of LE 63.4 million. Net profit margin in 1H13 stood at 1.5%.

“Being in business in the Middle East and North Africa this past quarter resembled nothing so much as a bare-knuckled boxing match. Despite taking several one-off blows, we have proven up to the challenge,” said Dr. Raouf Ghabbour, the Chief Executive Officer of GB Auto. “Certainly 2Q13 was the most difficult second quarter we’ve reported in five years, and in that context I am entirely satisfied: Remaining profitable despite a near-perfect storm of local and regional political and economic challenges is no small accomplishment. Having passed through what we expect may be the worst that 2013 has to offer, we are cautiously optimistic the balance of the year will unfold relatively smoothly both in Egypt and Iraq as well as in our new expansion markets of Libya and Algeria.”

Management notes that the year-on-year dip in net income comes on the back of interest expenses and foreign exchange pressure, as well as curbed margins in the Iraqi Passenger Car and Egyptian Motorcycle and Three-Wheeler divisions and increased SG&A spending to support expansion into new geographies.

The Passenger Cars line of business reported LE 1,616.7 million in revenues for the quarter, a 6.4% decline from 2Q12, while gross profit dropped 5.6% to LE 175.5 million on the back of lower margins in Iraq. The Motorcycles & Three-Wheelers line of business also reported largely stable revenues, down slightly from 2Q12 at LE 217.2 million, pressured by a doubling in customs duties that also led to a sharp 33.2% year-on-year fall in gross profit for this line of business.

The Commercial Vehicles & Construction Equipment line of business, meanwhile, saw revenues increase by 1.0% in 2Q13 to LE 110.7 million, while margins improved on successful efforts to reduce historical inventory priced at a favorable exchange rate.

The company’s smallest primary business lines — Tires, the Financing Businesses and After-Sales — were the standout performers of the second quarter, punching well above their weight class.

With revenues of LE 110.5 million in 2Q13 and gross profit of LE 16.7 million, the Tires line of business now accounted for a full 5% of group revenue and more than 6% of gross profit. The Financing Businesses, with aggregate revenue of LE 108.9 million and gross profit of LE 25.3 million, contributed 5% of group revenue and more than 9% of gross profit. Together, After-Sales activities in the three primary lines of business contributed 5% of revenues and 14% of gross profit in 2Q13.

“Our Geely representation, built from scratch since last year, commanded a 10% market share in June, while our new consumer financing business, our After-Sales division and our Tires division are thriving,” Ghabbour continued. “We continue to reap the fruits of a growth program that has emphasized geographical and line of business diversification — a playbook that will guide us through year’s end.”

“In short,” Ghabbour concluded, “GB Auto is in a very unique position among our peers: As we prepare for our next round in the ring, we are profitable and poised for growth.”

Highlights of GB Auto’s 2Q13 and 1H13 results along with management’s analysis of the company’s performance and complete financials are available for download on ir.ghabbourauto.com.

Financial Statements

Income Statement

(LE million)	Three Months Ended			Six Months Ended		
	2Q12	2Q13	%Change 2Q12 v 2Q13	1H12	1H13	% Change 1H12 v 1H13
Passenger Cars Revenues	1,726.2	1,616.7	-6.4%	3,040.5	3,070.1	1.0%
Motorcycles & Three-Wheelers Revenues	221.8	217.2	-2.1%	380.5	530.3	39.4%
Commercial Vehicles& Construction Equipment Revenues	109.6	110.7	1.0%	242.4	226.9	-6.4%
Tires Revenues	66.2	110.5	66.9%	131.1	221.8	69.2%
Financing Businesses Revenues	53.0	108.9	105.6%	93.6	193.7	106.9%
Transport Revenues	1.1	3.8	256.0%	2.1	7.0	231.2%
Total Sales Revenues	2,177.8	2,167.7	-0.5%	3,890.2	4,249.7	9.2%
Total Gross Profit	259.6	260.0	0.2%	446.0	577.9	29.6%
<i>Gross Profit Margin</i>	11.9%	12.0%	0.1	11.5%	13.6%	2.1
Selling and Marketing	-62.0	-93.1	50.2%	-119.9	-185.0	54.2%
Administration Expenses	-47.1	-53.9	14.6%	-87.3	-100.5	15.1%
Other Operating Income (Expenses)	7.9	8.8	11.6%	13.8	17.0	23.1%
Operating Profit	158.5	121.8	-23.1%	252.6	309.4	22.5%
Operating Profit Margin (%)	7.3%	5.6%	-1.7	6.5%	7.3%	0.8
Net Provisions and Non-Operating	6.7	3.1	-54.2%	5.0	-7.1	-242.2%
EBIT	165.2	124.9	-24.4%	257.6	302.3	17.4%
<i>EBIT Margin (%)</i>	7.6%	5.8%	-1.8	6.6%	7.1%	0.5
Foreign Exchange Gains (Losses)	-21.5	-4.3	-79.8%	-33.0	-23.9	-27.7%
Net Finance Cost	-63.2	-89.3	41.3%	-119.2	-167.6	40.6%
Earnings Before Tax	80.5	31.2	-61.2%	105.4	110.9	5.2%
Income Taxes	-6.6	-0.1	-99.0%	-12.9	-12.1	-6.2%
Net Profit Before Minority Interest	73.9	31.2	-57.8%	92.5	98.8	6.8%
Minority Interest	-15.6	-15.1	-3.3%	-16.0	-35.3	121.2%
Net Income	58.3	16.1	-72.4%	76.5	63.4	-17.1%
<i>Net Profit Margin (%)</i>	2.7%	0.7%	-1.9	2.0%	1.5%	-0.5



GHABBOUR AUTO

Head Office

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

Investor Relations

Menatalla Sadek, CFA
Corporate Finance and Investments
Director

Hoda Yehia
Investor Relations Manager

Rania El Shenoufy
Investor Relations Analyst

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

ir.ghabbourauto.com

Shareholder Information

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

Number of 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, 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

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.