

GB Auto: Motorcycle and Three-Wheeler Import Ban Will Have Minimal Impact on FY14 Profitability

Stock on hand of both products, strong pricing power across all product lines, recovery in Commercial Vehicles segment and new businesses will cushion impact of the ban on the import of motorcycles and three-wheelers

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(Cairo, Egypt) — GB Auto (AUTO.CA on the Egyptian Exchange), a leading automotive assembler and distributor in the Middle East and North Africa, said today that an effective ban on the import of motorcycles and three-wheelers will have a minimal impact on the company's bottom line in the current fiscal year.

The 12-month ban on fully built-up units was announced by the Ministry of Trade and Industry alongside a three-month prohibition on the import of components.

"We are certain that organic growth, new business ventures and cost control initiatives will allow us to deliver the same profitability in FY14 as we had originally planned, even as our top line falls slightly short," said GB Auto Chairman and CEO Raouf Ghabbour in a statement to the Egyptian Exchange. "We remain convinced that the ban will have a sharply negative impact on the Egyptian economy and the development of peri-urban and rural areas.

"That said: GB Auto has pursued line of business, product and geographical diversification since 2008 to guard against any such development that would impact one of our lines of business," said Ghabbour. "Our top line and bottom line will continue to grow in accordance with our initial expectations. The Motorcycles and Three-Wheelers division continues to enjoy strong pricing power on a product that is highly sought-after. Existing stocks here will support few months of sales, and we will work to funnel a higher proportion of unit sales to Mashroey, our Microfinance business.

"Moreover, we have so far had very strong results in January and February across all lines of business," Ghabbour continued, "clearly indicating that other LoBs can help compensate for the loss of motorcycle and three-wheeler sales later this year. Geely and Hyundai together account for well over one-third of the Egyptian passenger car market. Our new microbus and micro-microbus offerings have been well received, and our Commercial Vehicles division has not only continued to grow its export business in 2014, but expects to win important tenders as part of the Government of Egypt's ongoing stimulus spending on infrastructure.

"Against this backdrop, we look forward to a rising proportion of high-margin aftersales revenues and continued strong growth of our Tires business across the region. We will continue to invest in our new businesses in Algeria and Libya while at the same time looking forward to our first revenues from our Lubricants, Retail and Used Cars businesses in Egypt."

GB Auto recently announced a strategic partnership with Gazprom Neft-Lubricants to distribute lubricants in Egypt and, potentially, other markets. The company will shortly roll out a retail strategy that will see points of presence across Egypt offering lubricant sales and injection, tire sales and tire service and spare parts.

GB Auto will also launch in March 2014 its Used Cars business, offering in each GB Auto sales center pre-owned vehicles, marking its entry into a market estimated at a multiple of the size of the nation's market for new passenger cars.

The Motorcycles and Three-Wheelers division contributed c. 13.9% of GB Auto's total sales revenues in the third quarter of 2013, the most recent quarter for which audited financial results have been released. Mashroey, a subsidiary of GB Auto's Financing Businesses, additionally finances their purchases.

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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, YTO, Lassa, Yokohama, Westlake, Triangle, Diamond Back 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

Investor Relations Contact Information:

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



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