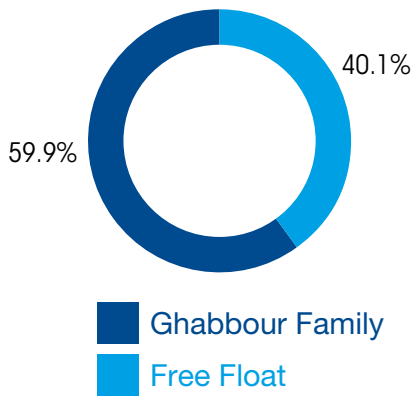


AUTO.CA
on the Egyptian Exchange

GB Auto's Shareholding Structure
as of 31 March 2017



GB Auto 1Q17 Results

First Quarter 2017 Financial Highlights

- GB Auto's overall revenue for 1Q17 was largely flat y-o-y, rising by 1.3% to LE 2,963.2 million compared to LE 2,924.6 million in 1Q16. The decrease in revenues from the Passenger Car division was mitigated by strong performance from the Financing Business, After-Sales, and other ancillary businesses.
- Gross profit increased 13.0% y-o-y with a strong gross profit margin of 16.9% in 1Q17, compared to 15.1% in 1Q16.
- EBITDA increased marginally to LE 309.4 million, with an EBITDA margin of 10.4%.
- Net loss for the quarter stood at LE 154.5 million compared to a net income of LE 28.6 million in the same period last year. This includes FX losses of LE 104.5 million versus LE 61.1 million in 1Q16 and finance costs of LE 277.8 million versus LE 121.5 million in 1Q16.

GB Auto Reports 1Q17 Results

Automotive leader reports solid gross profit growth in 1Q17 as non-auto lines of business pick up steam

11 May 2017 — (Cairo, Egypt) GB Auto (AUTO.CA on the Egyptian Exchange), a leading automotive company in the Middle East and North Africa and non-bank financial services provider in Egypt, announced today its consolidated results for the first quarter of 2017. Group revenues were maintained y-o-y in 1Q17 despite the challenging operating environment and thanks to strong revenue growth across most of GB Auto's non-auto business lines.

The first quarter saw GB Auto's revenues gain 1.3% y-o-y to LE 2,963.2 million compared to LE 2,924.6 million in the same quarter last year. While gross profit saw an increase of 13.0% to LE 500.1 million, the company reported a net loss of LE 154.5 million compared to a net profit of LE 28.6 million last year. The loss is a result of foreign exchange losses of LE 104.5 million compared to LE 61.1 million last year and higher finance costs of LE 277.8 million (compared to LE 121.5 million in 1Q16).

Importantly, 1Q17 revenues and sales volumes reflect a partial recovery in sales in the month of March, following a slowdown in the first two months of the year due to the ripple effects of the float of the Egyptian pound on 3 November 2016 and the market still adjusting to higher vehicle prices. While the quarter's overall sales volumes were lower, the company believes it is now on the road to recovery and sees full recovery happening gradually in the next 6-12 months.

"There's no denying that the market was paralyzed during January and February, but as the Egyptian pound found its footing, March gave us a sign that consumers might be willing to adjust to new price levels," said GB Auto Chief Executive Officer Raouf Ghabbour. "A targeted round of promotions during the month saw volumes pick up to c.50% of what they've been historically — a huge lift from figures coming out of January and February. Our diverse portfolio of countercyclical lines of business also helped support our performance for the quarter, a trend we anticipated as we work to transform GB Auto."

“ The performance of our After-Sales, Financing Business, and ancillary trading business (such as Tires) are living proof of that. These businesses will set us on a new path of growth. ”

GB Auto's Egyptian Passenger Cars performance was largely in line with the rest of the market, with the Egyptian Passenger Car market in 1Q17 seeing a 41.0% drop in total sales volumes, falling from 33,381 in 1Q16 to 19,704 units this quarter. The division recorded a 36.4% y-o-y drop in revenues to LE 885.3 million in 1Q17 as volumes fell 64.3% during the quarter to a total of 4,026 units sold with customers still feeling the impact of higher prices and our inventory levels being much higher than normal at our third-party dealers.

Revenues from the Motorcycles and Three-Wheelers division in Egypt fell 10.4% y-o-y in 1Q17 to LE 380.5 million. This came mainly on the back of lower sales volumes, which were 42.5% y-o-y below 1Q16 levels, as higher prices impacted target consumers, who are typically within a low-income bracket. However, demand markedly picked up during March, giving management signs that the division is set to make a faster recovery than Passenger Cars.

The Commercial Vehicles & Construction Equipment division posted a 9.7% y-o-y increase in revenues despite a 52.1% y-o-y contraction in sales volumes. Meanwhile, margin expansion enabled gross profit to grow 56.4% y-o-y for the quarter. The results were largely driven by the Bus and Construction Equipment segments, with GB Auto maintaining its leadership position in the city and intercity bus segments and reporting an uptick in demand from the tourism sector.

GB Auto's After-Sales division provided an important stream of high-margin revenues throughout the quarter as customers continued to choose GB Auto's network to maintain their vehicles. The division saw marked increases in both the top and bottom lines. Revenues stood at LE 239.1 million (compared to LE 160.5 million in 1Q16) and gross profit at LE 77.4 million (compared to LE 48.3 million in 1Q16) with the gross profit margin increasing 230 basis points to 32.4%.

Tires continued to be an important ancillary business, with revenues growing 10.8% y-o-y during the quarter. Management sees substantial growth potential going forward as the company pursues additional brand representations.

Regional activities began a welcome pickup during the quarter in Algeria and Iraq, with revenues and gross profit of both countries showing significant improvement compared to last year.

The Financing Businesses delivered yet another quarter of strong growth, with revenues for 1Q17 surging 71.6% y-o-y to LE 597.6 million and gross profit 83.8% y-o-y to LE 144.6 million after intercompany eliminations.

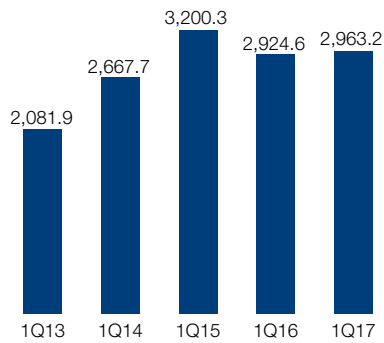
Looking ahead, Ghabbour noted, “GB Auto has proven this quarter that we have a solid non-auto business that can support the group and continue to deliver superior growth and profitability that are largely non-cyclical. The performance of our After-Sales, Financing Business, and ancillary trading business (such as Tires) are living proof of that. These businesses will set us on a new path of growth.”

Highlights of GB Auto's 1Q17 results follow, along with management's analysis of the company's performance. Complete financials are available for download on ir.ghabbourauto.com.

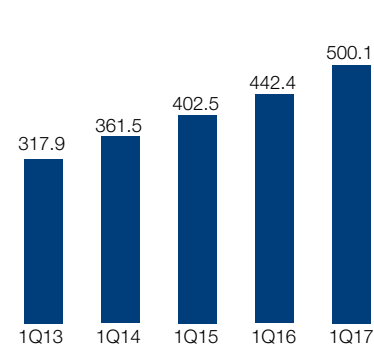
First Quarter 2017 at a Glance

Key Indicators (all figures in LE million)

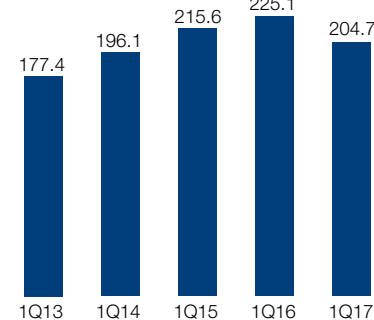
Revenues



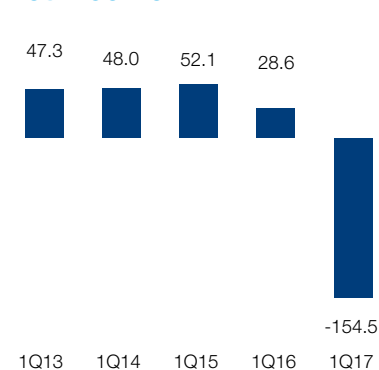
Gross Profits



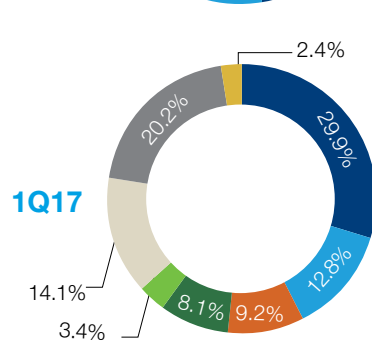
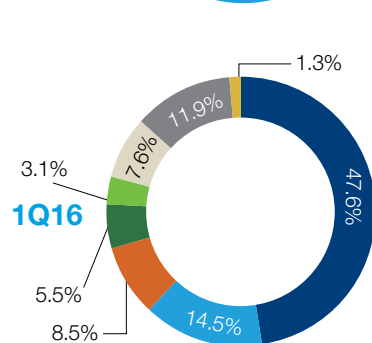
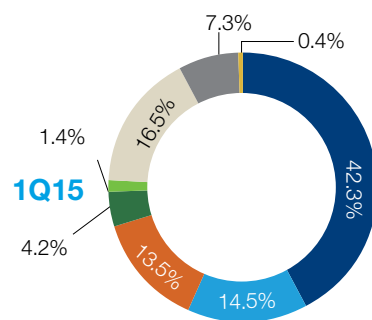
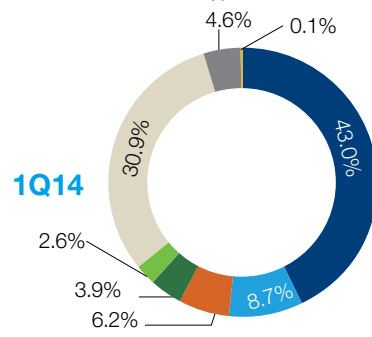
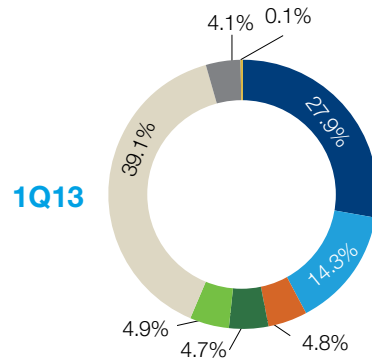
EBIT



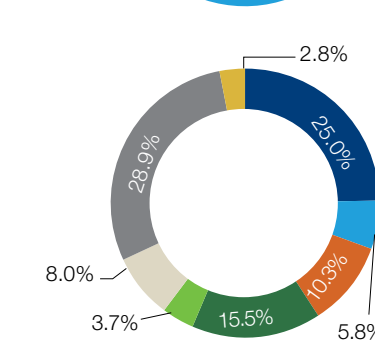
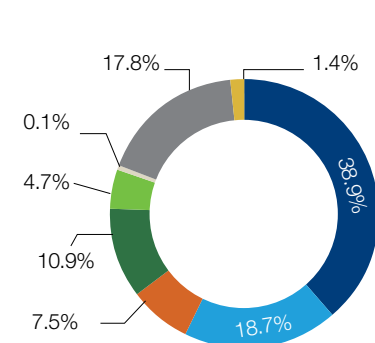
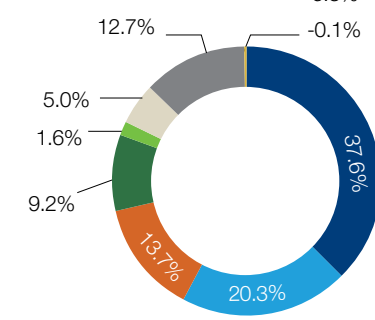
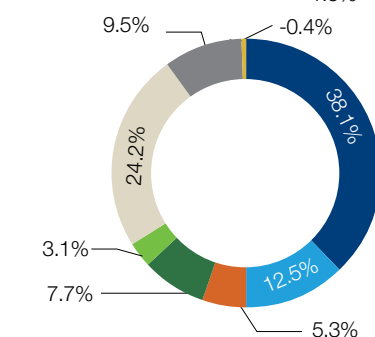
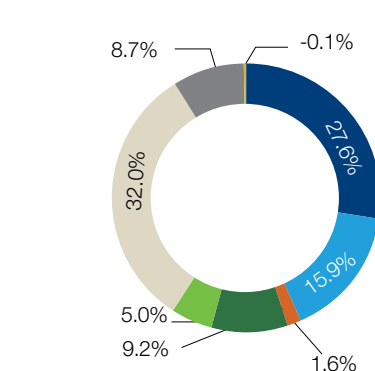
Net Income



Revenue Contribution by Line of Business

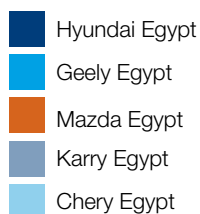
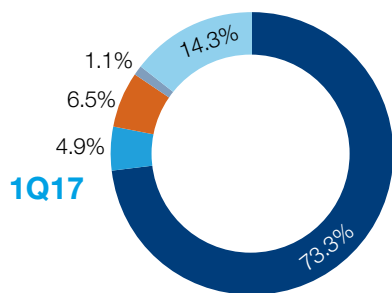
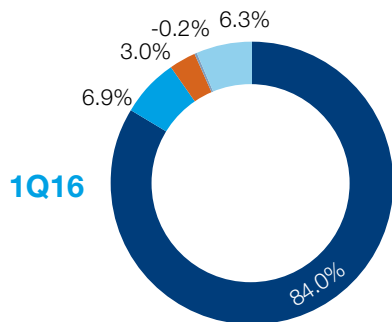
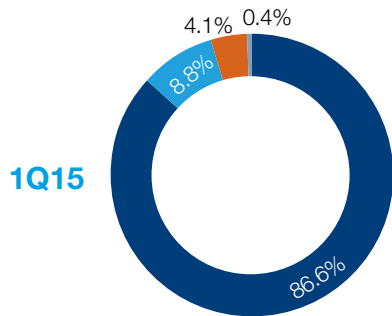


Gross Profit Contribution by Line of Business



- Egypt Passenger Cars
- Egypt Motorcycles & Three-Wheelers
- Egypt Commercial Vehicles & Construction Equipment
- Egypt After-Sales
- Egypt Tires
- Regional
- Financing Businesses
- Startups

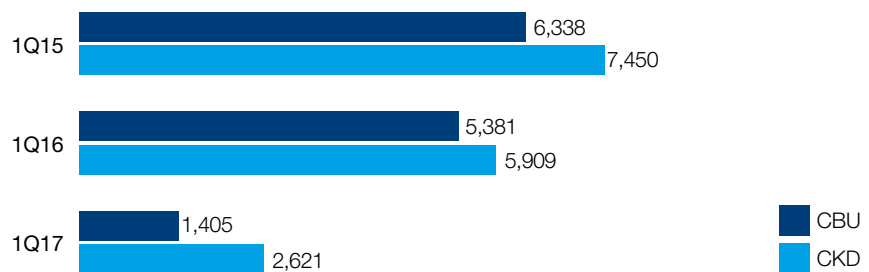
Passenger Car Revenue Breakdown by Segment



Egypt Passenger Cars 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 in the market, as the sole representative of Hyundai, Geely Emgrand, Mazda, and Chery passenger cars. GB Auto serves the Egyptian market with both Completely-Knocked-Down (CKD) and Completely-Built-Up (CBU) products.

Breakdown of Units Sold



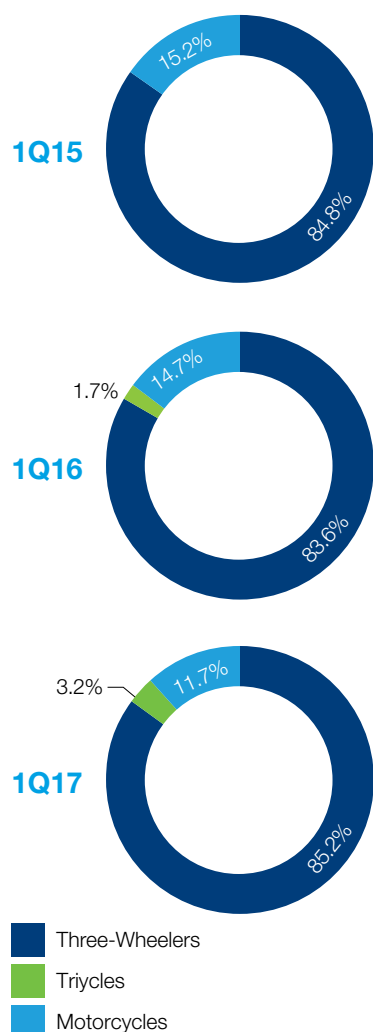
- Passenger Cars revenue in Egypt decreased 36.4% y-o-y in 1Q17 to LE 885.3 million, down from LE 1,391.1 million in 1Q16 as units sold fell 64.3% y-o-y to 4,026 vs 11,290 in 1Q16.
- GB Auto started the year with significant stock at the dealer level and thus management opted to hold sales to dealers, resulting in very weak sales in January and even weaker sales in February.
- March saw some positive signals from the market, with the company selling around 50% of normal volumes as it launched a limited promotion on prices.
- According to the Egyptian Automotive Marketing Information Council (AMIC)*, the Egyptian passenger car market in 1Q17 witnessed a 41.0% drop in total sales volumes, falling from 33,381 in 1Q16 to 19,704 units this quarter.
- GB Auto's share of the Egyptian passenger car market, which includes Hyundai, Geely, Mazda, and Chery, hit 19.2% in 1Q17 compared to 33.9% in the same period last year. (It is worth noting that GB Auto launched three new CKD models in March 2016.)
- GB Auto's market share climbed back to normal levels of 29.6% in March 2017 after a drop in January and February. Management believes this will be an upward trend that will continue to improve throughout the year.
- Management believes consumers will soon adapt to the new price levels, with demand gradually picking up over the next few quarters, when GB Auto will leverage its strong market position to capitalize on the long-term upside.

*Please note that AMIC figures are based on individual companies willingly contributing / reporting their sales and that GB Auto cannot attest to their full accuracy nor guarantee that all companies operating in Egypt report to AMIC.

Table 1: Egypt Passenger Cars Sales Activity

		1Q16	1Q17	% Change 1Q16 v 1Q17
CBU Sales Volume (Hyundai)	(Units)	5,134	1,212	-76.4%
CBU Sales Volume (Geely)	(Units)	6	2	-66.7%
CBU Sales Volume (Mazda)	(Units)	241	191	-20.7%
CKD Sales Volume (Hyundai)	(Units)	3,796	1,497	-60.6%
CKD Sales Volume (Chery)	(Units)	941	706	-25.0%
CKD Sales Volume (Karry)	(Units)	-	110	-
CKD Sales Volume (Geely)	(Units)	1,225	308	-74.9%
Total Sales Volume	(Units)	11,290	4,026	-64.3%
Total Sales Revenue	(LE million)	1,391.1	885.3	-36.4%
Gross Profit	(LE million)	172.1	125.0	-27.4%
<i>Gross Profit Margin</i>	<i>(%)</i>	<i>12.4%</i>	<i>14.1%</i>	<i>1.7</i>

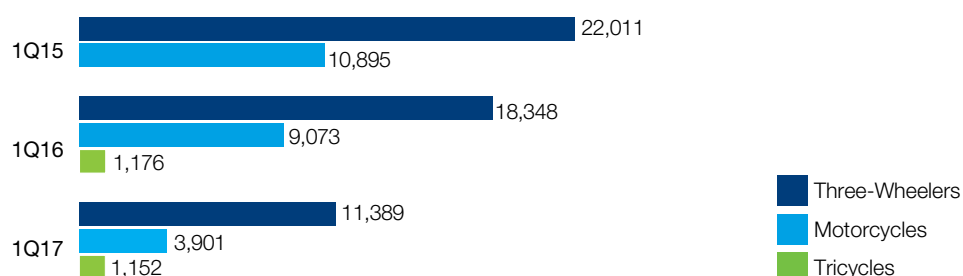
Motorcycle & Three-Wheeler Revenue Breakdown by Segment



Egypt Motorcycles & Three-Wheelers Line of Business

GB Auto is Egypt's leading assembler and distributor of Bajaj three-wheelers and motorcycles, operating the brand's largest mechanical assembly line outside of India.

Breakdown of Units Sold



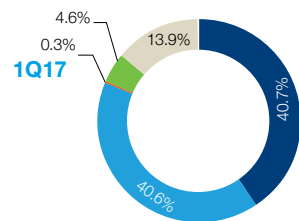
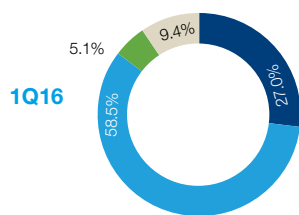
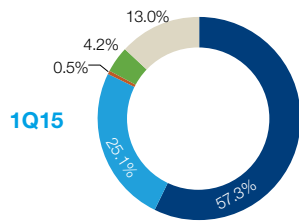
Motorcycles & Three-Wheelers

- The Motorcycles and Three-Wheelers division in Egypt saw revenues decline 10.4% y-o-y to LE 380.5 million in the first quarter of 2017 from LE 424.5 million in the same period last year. The 42.5% y-o-y decrease in units sold was partially compensated by price increases, but they were not enough to maintain the division's high margins, which contracted during the quarter.
- Management expects margins to recover in 2Q17 due to OEM support and further price increases.
- Furthermore, management sees volumes returning to normalized levels faster than Egypt Passenger Cars.
- The company has finally been awarded 270,000 sqm of land to start the construction of new component manufacturing hangers and is currently finalizing the necessary contracts and paperwork.

Table 2: Egypt Motorcycle & Three-Wheeler Sales Activity

		1Q16	1Q17	% Change 1Q16 v 1Q17
Three-Wheeler Sales Volume	(Units)	18,348	11,389	-37.9%
Tricycles Sales Volume	(Units)	1,176	1,152	-2.0%
Motorcycle Sales Volume	(Units)	9,073	3,901	-57.0%
Total Sales Volume	(Units)	28,597	16,442	-42.5%
Three-Wheeler Sales Revenue	(LE million)	355.0	324.1	-8.7%
Tricycles Sales Revenue	(LE million)	7.3	12.0	64.7%
Motorcycle Sales Revenue	(LE million)	62.2	44.4	-28.7%
Sales Revenue	(LE million)	424.5	380.5	-10.4%
Gross Profit	(LE million)	82.7	28.8	-65.2%
Gross Profit Margin	(%)	19.5%	7.6%	-11.9%

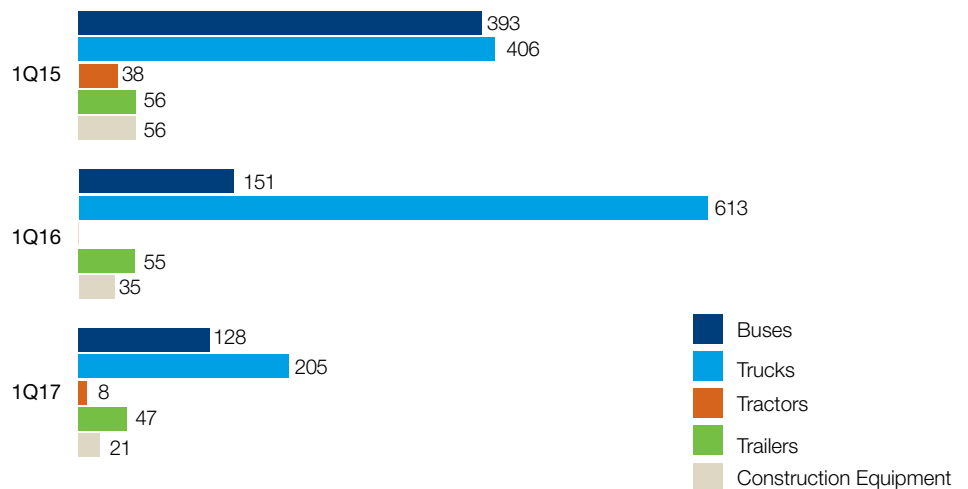
Commercial Vehicles & Construction Equipment Revenue Breakdown by Segment



Egypt Commercial Vehicles & Construction Equipment Line of Business

The Commercial Vehicles & Construction Equipment line of business offers a wide range of trucks and locally manufactured buses under exclusive distributorship agreements with Mitsubishi, Volvo, and Iveco. 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, and produces buses for domestic and export markets through GB Polo (a joint venture between Ghabbour and Marcopolo, the world's largest bus body manufacturer).

Breakdown of Units Sold



- Revenues from the division rose 9.7% y-o-y as a decrease in volumes was compensated by price increases. The overall market has shown significant weakness compared to last year, with bus volumes dropping 15.2% y-o-y and trucks 66.6% y-o-y.
- The sector is experiencing lower demand as tenders for national mega projects wind down from levels seen in 2015 and 2016.
- GB Auto is gaining a significant share of the bus business across the board, including mini-busses, intercity, and tourism — with the company only just recently seeing a recovery in the latter two divisions. Management expects both intercity and tourism bus volumes to continue their steady growth in the quarters to come.

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

		1Q16	1Q17	% Change 1Q16 v 1Q17
Bus Sales Volume	(Units)	151	128	-15.2%
Truck Sales Volume	(Units)	613	205	-66.6%
Tractor Sales Volume	(Units)	-	8	-
Trailer Sales Volume	(Units)	55	47	-14.5%
Construction Equipment Sales Volume	(Units)	35	21	-40.0%
Total Sales Volume	(Units)	854	409	-52.1%
Sales Revenue	(LE million)	247.7	271.7	9.7%
Gross Profit	(LE million)	33.1	51.7	56.4%
<i>Gross Profit Margin</i>	<i>(%)</i>	<i>13.4%</i>	<i>19.0%</i>	<i>5.7</i>

Egypt After-Sales Line of Business

GB Auto operates Egypt's largest and fastest-growing network of after-sales service centers for Passenger Cars, Motorcycles & Three-Wheelers, and Commercial Vehicles & Construction Equipment.

- Overall revenues from the After-Sales division increased 49.0% y-o-y to LE 239.1 million compared to LE 160.5 million last year with an improved margin of 32.4%. After-Sales continue to support overall group revenues and profitability.
- Investments made to upgrade and expand GB Auto's network of After-Sales workshops have continued to bear fruit this quarter.
- As was the case during the previous quarter, customers sought out car maintenance with GB Auto, translating to strong sales of all products.
- After-Sales service centers have been running at higher-than-average capacity utilization rates to cope with this increasing demand.

Table 4: Egypt After-Sales

		1Q16	1Q17	% Change 1Q16 v 1Q17
Passenger Car Egypt After-Sales Revenue	(LE million)	100.0	163.1	63.1%
Motorcycle & Three-Wheeler After-Sales Revenue	(LE million)	28.4	31.7	11.5%
CV&CE After-Sales Revenue	(LE million)	32.1	44.3	38.2%
Total Egypt After-Sales Revenue	(LE million)	160.5	239.1	49.0%
Total Egypt After-Sales Gross Profit	(LE million)	48.3	77.4	60.2%
<i>Total Egypt After-Sales Gross Profit Margin</i>	<i>(%)</i>	<i>30.1%</i>	<i>32.4%</i>	<i>2.3</i>

Egypt Tires Line of Business

GB Auto is the sole distributor of a number of quality brands including Yokohama, Lassa, Double Coin, and Westlake. More recently, the company launched its own brand “Verde”.

- Tires posted an increase of 10.8% y-o-y in revenues, which reached LE 100.9 million in the first quarter, up from LE 91.1 million in the comparable quarter in 2016.
- The division continued to do well into the first quarter of the year in terms of revenue, with the segment rebounding in March in particular.
- GB Auto continues to perform positively in the Egyptian Agro tire market with its Verde brand, seeking to reach a 20% market share in 1H17. Verde was launched in the Algerian market after the end of the first quarter.
- GB Auto is currently looking to expand its partnerships in the division in an effort to bolster its profitability, with negotiations underway for the distributorship of additional reputable brands to reinforce its brand portfolio.
- This division is expected to be one of the fastest growing, with solid profitability and low fixed costs. Management, therefore, remains focused on allocating group resources to support its growth both in terms of supply and brand representations.

Table 5: Tires Sales Activity – Egypt

		1Q16	1Q17	% Change 1Q16 v 1Q17
Total Sales Revenues	(LE million)	91.1	100.9	10.8%
Total Gross Profit	(LE million)	20.8	18.6	-10.5%
Gross Margin	(%)	22.9%	18.5%	-4.4

Regional

GB Auto distributes CBU units of Hyundai passenger cars in Iraq and Geely Emgrand passenger cars in Algeria, and offers after-sales services in both markets. The company recently launched a successful venture for Bajaj Motorcycles & Three-Wheelers in Iraq, where it also operates two after-sales service centers for its products. GB Auto's regional operations also extend to the tires division with the distribution of Westlake, Diamond Back, and Jumbo tires in Iraq; Avon, Diamond Back, Triangle, Waterfall, and Jumbo in Jordan; and Goodyear, Lassa, and Grandstone in Algeria.

- Overall revenues from Regional operations in 1Q17 increased 87.0% y-o-y to LE 417.8 million from LE 223.4 million in 1Q16, with profitability also improving. However, the division remains a drag on profitability in the short term and until conditions improve in our main markets of Iraq and Algeria.

Passenger Cars

Iraq

- Challenges in the Iraqi market continued to impact demand for passenger cars, which dropped compared to previous years. Despite this, revenues from the division did see an increase in 1Q17.
- The After-Sales division delivered promising results as well, in terms of both revenue and profitability.
- The company sees light at the end of the tunnel for operations in Iraq, with signs of stability emerging from the country. Management, however, remains watchful of the political, economic, and security developments on the ground.

Algeria

- GB Auto's Algerian operations saw lower volumes, but the division outperformed on both the top and bottom line during the quarter as signs of profitability return.

Motorcycles & Three-Wheelers

Iraq

- Results from Iraqi operations were promising, showing considerable growth y-o-y in terms of both sales volumes and revenues.

Tires

- GB Auto's Regional Tires division reported an increase in both revenues and profits during the quarter, with management expecting to see the Regional division of this line of business show improvement going forward.

Table 6A: Total Sales Activity from Regional Operations

		1Q16	1Q17	% Change 1Q16 v 1Q17
Total Regions Revenue	(LE million)	223.4	417.8	87.0%
Total Regions Gross Profit	(LE million)	0.3	39.8	-
Total Regions Gross Margin	(%)	0.1%	9.5%	9.4

Table 6B: Hyundai Passenger Car Sales Activity – Iraq

		1Q16	1Q17	% Change 1Q16 v 1Q17
Total Sales Volume	(Units)	1,049	854	-18.6%
Sales Revenue	(LE million)	170.9	272.2	59.3%
Gross Profit	(LE million)	-9.1	8.9	-
<i>Gross Profit Margin</i>	<i>(%)</i>	<i>-5.3%</i>	<i>3.3%</i>	<i>8.6</i>
After-Sales Revenue	(LE million)	16.9	49.3	-
After-Sales Gross Profit	(LE million)	5.7	13.9	-
<i>After-Sales Gross Profit Margin</i>	<i>(%)</i>	<i>33.7%</i>	<i>28.3%</i>	<i>-5.4</i>
Total Iraq Passenger Car Revenues	(LE million)	187.8	321.5	71.2%
Total Iraq Passenger Car Gross Profit	(LE million)	-3.4	22.8	-
Passenger Car Iraq Gross Margin	(%)	-1.8%	7.1%	8.9

Table 6C: Passenger Car Sales Activity – Algeria

		1Q16	1Q17	% Change 1Q16 v 1Q17
Total Sales Volume	(Units)	182	95	-47.8%
Sales Revenue	(LE million)	11.7	25.8	-
Gross Profit	(LE million)	1.4	6.6	-
<i>Gross Profit Margin</i>	<i>(%)</i>	<i>11.7%</i>	<i>25.4%</i>	<i>13.7</i>
After-Sales Revenue	(LE million)	1.4	6.0	-
After-Sales Gross Profit	(LE million)	0.4	1.1	-
<i>After-Sales Gross Profit Margin</i>	<i>(%)</i>	<i>26.4%</i>	<i>18.9%</i>	<i>-7.5</i>
Total Algeria Passenger Car Revenues	(LE million)	13.1	31.8	-
Total Algeria Passenger Car Gross Profit	(LE million)	1.7	7.7	-
Passenger Car Algeria Gross Margin	(%)	13.2%	24.2%	11.0

Table 6D: Motorcycle & Three-Wheeler Sales Activity – Iraq

		1Q16	1Q17	% Change 1Q16 v 1Q17
Three-Wheeler Sales Volume	(Units)	252	696	-
Motorcycle Sales Volume	(Units)	119	27	-77.3%
Total Sales Volume	(Units)	371	723	94.9%
Sales Revenue	(LE million)	4.1	22.4	-
Gross Profit	(LE million)	0.7	4.5	-
<i>Gross Profit Margin</i>	<i>(%)</i>	<i>17.3%</i>	<i>20.3%</i>	<i>3.0</i>
Total Motorcycle & Three-Wheeler Revenues	(LE million)	4.1	22.4	-
Total Motorcycle & Three-Wheeler Gross Profit	(LE million)	0.7	4.5	-
Motorcycle & Three-Wheeler Gross Margin	(%)	17.3%	20.3%	3.0

Table 6E: Tires Sales Activity – Regional

		1Q16	1Q17	% Change 1Q16 v 1Q17
Total Sales Revenues	(LE million)	18.5	42.1	-
Total Gross Profit	(LE million)	1.2	4.8	-
Gross Margin	(%)	6.5%	11.3%	4.9

Financing Line of Business

GB Auto's future strategy aims to create a full-fledged financial arm that serves its core business while competing with other non-bank financial service providers. GB Capital is the driver of this strategy. Today, GB Capital oversees the operations of the group's five financial service providers: GB Lease, which offers financial leasing services to a wide range of companies; Mashroey, which offers asset-based lending to microfinance eligible clients throughout Egypt; Drive, which offers factoring services to individuals and companies; Haram Limousine, which offers car rental services on a quasi-operational lease basis to companies in the market; and most recently Tasaheel, which is similar to Mashroey, offers direct microfinance lending services to micro entrepreneurs throughout Egypt. GB Capital's strategy is to benchmark its operations against the best in the field, building on strict and robust credit policies specifically developed for each industry. All companies are staffed with veterans of the financial services industry to provide the required expertise and know-how. The companies' credit approval and disbursement mechanisms comply with best practices of financial institutions in the country. Furthermore, asset quality and collections — 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, building on the spirit and strategy of GB Auto while maintaining a high level of focus and specialized expertise within each company.

- The Financing Business performed strongly during the first quarter in terms of both revenues and profitability as the business has carved itself a niche in a market increasingly looking for financing options.
- The Financing Businesses continued to maintain a healthy loan portfolio quality, with non-performing loans at 0.32% and a coverage ratio in excess of 100.0%. ROAE stood at 8.0% for 1Q17, with an annualized target of around 32.0% for the whole year.
- The Financing Business model is built on the companies' ability to obtain leverage against their lending portfolios, which widely differs from the trading or manufacturing business model in terms of the amount of debt incurred and the tenor of such debt by any company. All companies under GB Capital remain strongly under-leveraged compared to industry norms and regulatory caps which, in light of the nature of the business (especially for GB Lease, Drive, and Tasaheel), allow the companies to borrow up to 8x shareholders' equity. Total leverage for the Financing Businesses stood at 4.5x as of 31 March 2017, amounting to LE 3.1 billion.
- **GB Lease** maintained its strong performance and market foothold in 1Q17, reporting a 95.0% y-o-y rise in gross revenues to LE 178.7 million. GB Lease provides business-to-business financial leasing solutions. It is non-exclusive to GB Auto and caters to a diversified client base. GB Lease's asset base is likewise diversified, including real estate, automotive, production lines, and other asset classes. Tenor is medium term, and the company's focus is on risk diversification by asset

class, industry sector, and clients. It operates prudent risk management practices with respect to provisions and risk recognition. According the Egyptian Financial Supervisory Authority (EFSA), GB Lease ranked second in terms of market share at 17%, preceded by the first player at 22.4% (as of February 2017 since March data have not been released yet).

- **Mashroey** realized the second highest top line in the Financing Businesses (after Drive), recording a 39.6% y-o-y growth in revenues to LE 180.4 million. The company maintains a healthy portfolio and an extensive product base, with the bulk of its portfolio geared toward asset-based lending to finance the purchase of tuk-tuks and tricycles. Mashroey's credit policy is stringent, its portfolio tenor is predominantly short term, and it operates a nationwide network of 90+ branches and units..
- **Drive** posted the highest top line for the Financing Businesses at LE 370.6 million, an increase of 39.9% y-o-y for 1Q17. Drive provides factoring services to a well-diversified client base, ranging from business-to-business (SMEs) to business-to-consumer (retail). The company continues to expand its factoring solutions, offering innovative financing products. Operating under a robust credit policy, the company's portfolio tenor is predominately medium term. It operates out of two locations, a head office in Cairo and a branch in Alexandria. According the EFSA, Drive ranked second in terms of market share at 22.3%, preceded by a bank-owned competitor at 52.9% (as of February 2017 since March data have not been released yet).
- **Haram Tourism Transport "HTT"** maintained its solid growth trajectory, with a 47.8% y-o-y increase in gross revenue for 1Q17 to LE 9.8 million. HTT is a car rental company, operating on a quasi-operational lease basis and serves a select range of top-tier industrial, service, and multinational companies. Its service agreements are tailored and entail acquisition, registration, insurance and maintenance of vehicles, with third party insurance in place. Average tenor of the portfolio is three years.
- **Tasaheel**, GB Capital's most recent financing venture, recorded a fourfold increase in its top line in 1Q17 to LE 39.3 million. Tasaheel is a microfinance company and focuses on direct lending to microfinance eligible clients, predominately group lending to women, with the aim of helping low-income earners generate higher incomes and improve their living standards. In doing so, it also supports overall community development and economic growth. It operates a nationwide network of 70 branches, with plans to further substantially expand its branch network.
- GB Lease, Drive, and Tasaheel are regulated under EFSA.
- Management notes that all the above referenced figures in this section are before intercompany eliminations. As Mashroey, Drive, GB Lease, and Haram transact with GB Auto, there are intercompany transactions between these units. Results before and after elimination of these intercompany sales are summarized in Table 7 (below).

Table 7: Financing Businesses Activity

		1Q16	1Q17	% Change 1Q16 v 1Q17
Total Gross Revenues (Before Intercompany Elimination)	(LE million)	499.2	778.8	56.0%
Total Gross Revenues (After Intercompany Elimination)	(LE million)	348.3	597.6	71.6%
Total Gross Profit	(LE million)	78.7	144.6	83.8%
Gross Margin*	(%)	15.8%	18.6%	2.8

* Please note that gross margin is calculated using total revenues after intercompany elimination.

Startups

GB Auto's Pre-Owned Vehicles division — branded Fabrika — is rolling-out a western-style, pre-owned car operation at all GB-owned points of presence in Egypt. Our newly launched Lubricants business — PAL — distributes G-Energy and Gazpromneft products at GB Auto-branded and third-party points of sales in the Egyptian market under an exclusive strategic alliance with Gazpromneft Lubricants. Our Retail arm now operates retail After-Sales outlets called 360, which distribute tires, tire parts, batteries, parts and lubricants. These points of presence also offer services such as tire installation, battery service and the sale and change of lube oils in several locations.

- **PAL** operations continued on a path of growth this quarter, with management focusing on the high potential of the lubricant business.
- GB Auto's Pre-owned CV&CE venture, GB for Heavy Trucks and Construction Equipment Trading, continued on a path of slow but steady growth.
- Overall, the division performed positively on both the gross profit and revenue level.

Table 8: Other Sales Activity

		1Q16	1Q17	% Change 1Q16 v 1Q17
Lubricants Sales Revenue	(LE million)	20.5	21.5	4.9%
CV & CE Revenue	(LE million)	-	10.9	-
Pre-Owned Passenger Cars Revenue	(LE million)	17.0	37.2	-
Total Sales Revenues	(LE million)	37.9	70.2	85.1%
Lubricants Gross Profit	(LE million)	7.5	10.0	34.0%
CV & CE Gross Profit	(LE million)	-	2.0	-
Pre-Owned Passenger Cars Gross Profit	(LE million)	0.9	2.0	-
Total Gross Profit	(LE million)	6.4	14.0	-
<i>Gross Margin</i>	<i>(%)</i>	<i>16.9%</i>	<i>20.0%</i>	<i>3.1</i>

Latest Corporate Developments

1) Ghabbour Egypt awarded "Best Performer" title by Volvo

Volvo Buses awarded Ghabbour Egypt the title of "Best Performer" for 2015-2016 in recognition of its continued efforts to provide the highest quality of services and consistently improving market share. The award was received by deputy CEO of the company's CV&CE division Mr. Sameh Ali during a visit by a delegation from the Swedish auto maker to GB Polo, a joint venture between GB Auto and leading bus body manufacturer Marcopolo.

“ We expect to return to normality in the next couple of quarters, with our cash flow situation anticipated to improve significantly compared to 1Q17. ”

Financial Position and Working Capital Management

GB Auto's total sales revenues increased a slight 1.3% y-o-y, with the 36.4% decrease in Passenger Car revenues being mainly compensated for by the 71.6% y-o-y increase in the Financing Businesses and the 49% y-o-y increase in After-Sales revenues. The devaluation of the Egyptian pound on 3 November 2016 impacted consumer demand both in the last two months of 2016 and into the first two months of 2017. March saw some positive signals from the market, with the company selling around 50% of normal volumes as we launched a limited promotion on prices. Despite the decrease in the highest contributor to revenues (Passenger Cars), GB Auto's solid non-auto businesses proved they could support the group and continue to deliver superior growth and profitability that is largely non-cyclical.

Despite the flat top line, the LE 500.1 million gross profit at a 16.9% margin (compared to 15.1% in 1Q16) were a result of the strong contribution from the Financing Business, After-Sales division, and other ancillary businesses. The improved profitability from operations was, however, eaten up by: a) higher SG&A expenses of LE 294.8 million in 1Q17 (versus LE 217.3 million in 1Q16) due to increased expenses associated with the expanding Finance Businesses, inflation arising from the floatation of the Egyptian pound, and a higher depreciation expense due to the revaluation of assets (also a result of the floatation); b) FX losses of LE 104.5 million; and c) increased finance costs, which reached EGP 277.8 million during the quarter due to higher interest rates (+5.5% versus last year) as well as additional working capital requirements for day-to-day operations (a result of the increased costs after the devaluation).

On the cash front, and in line with the past few months, the company continued to struggle to generate positive cash flows due to the slowdown in sales, which were even slower than the reduced inventory buildup. This resulted in deeply negative FFOs. Management is working on balancing this by reducing the order frequency and pushing for accelerated sales.

The group's net debt stood at LE 9.5 billion, an increase of LE 2 billion compared to 4Q16. Net debt / equity was 1.9x as of 31 March 2016, up from 1.5x at the end of December 2016. At the end of 1Q17, total consolidated debt increased to LE 10.4 billion, which includes LE 3.1 billion in Financing Business debt as we continue to expand the operations.

We expect to return to normality in the next couple of quarters, with our cash flow situation anticipated to improve significantly compared to 1Q17, which should be the peak of company inventory.

Financial Statements

Income Statement

(LE million)	Three Months Ended		
	1Q16	1Q17	% Change
Egypt Passenger Cars Revenues	1,391.1	885.3	-36.4%
Egypt Motorcycles & Three-Wheelers Revenues	424.5	380.5	-10.4%
Egypt Commercial Vehicles & Construction Equipment Revenues	247.7	271.7	9.7%
Egypt Tires Revenues	91.1	100.9	10.8%
Financing Businesses Revenues	348.3	597.6	71.6%
Egypt After-Sales Revenues	160.5	239.1	49.0%
Regional Revenues	223.4	417.8	87.0%
Others Revenues	37.9	70.2	85.1%
Total Sales Revenues	2,924.6	2,963.2	1.3%
Gross Profit			
Egypt Passenger Cars Gross Profits	172.1	125.0	-27.4%
Egypt Motorcycles & Three-Wheelers Gross Profits	82.7	28.8	-65.2%
Egypt Commercial Vehicles & Construction Equipment Gross Profits	33.1	51.7	56.4%
Egypt Tires Gross Profits	20.8	18.6	-10.5%
Financing Businesses Gross Profits	78.7	144.6	83.8%
Egypt After-Sales Gross Profits	48.3	77.4	60.2%
Regional Gross Profits	0.3	39.8	-
Others Gross Profits	6.4	14.0	-
Total Gross Profit	442.4	500.1	13.0%
Gross Profit Margin	15.1%	16.9%	1.7
Selling and Marketing	-144.7	-204.5	41.4%
Administration Expenses	-72.6	-90.3	24.4%
Other Income (Expenses)	11.3	16.0	41.1%
Operating Profit	236.5	221.3	-6.4%
Operating Profit Margin (%)	8.1%	7.5%	-0.6
Net Provisions and Non-Operating	-11.4	-16.6	45.7%
EBIT	225.1	204.7	-9.1%
EBIT Margin (%)	7.7%	6.9%	-0.8
Foreign Exchange Gains (Losses)	-61.1	-104.5	70.9%
Net Finance Cost	-121.5	-277.8	-
Earnings Before Tax	42.5	-177.6	-
Income Taxes	-28.3	13.8	-
Net Profit Before Minority Interest	14.1	-163.7	-
Minority Interest	14.5	9.2	-36.3%
Net Income/Loss	28.6	-154.5	-
Net Profit Margin (%)	1.0%	-5.2%	-6.2

Balance Sheet

(LE million)	As Of		
	31-Dec-16	31-Mar-17	% Change
Cash	1,225.3	964.2	-21.3%
Net Accounts Receivable	2,363.8	2,350.6	-0.6%
Inventory	5,820.5	6,828.1	17.3%
Other Current Assets	1,313.9	1,429.6	8.8%
Total Current Assets	10,723.5	11,572.6	7.9%
Net Fixed Assets	2,803.9	2,412.8	-13.9%
Goodwill and Intangible Assets	437.2	442.7	1.3%
Lessor Assets	2,095.0	2,550.0	21.7%
Investment Property	91.5	90.9	-0.7%
Other Long-Term Assets	945.7	1,077.2	13.9%
Total Long-Term Assets	6,373.4	6,573.6	3.1%
Total Assets	17,096.8	18,146.2	6.1%
Short-Term Notes and Debt	7,068.6	8,272.6	17.0%
Accounts Payable	2,808.0	2,265.0	-19.3%
Other Current Liabilities	330.7	371.0	12.2%
Total Current Liabilities	10,207.3	10,908.6	6.9%
Long-Term Notes and Debt	1,663.5	2,184.1	31.3%
Other Long-Term Liabilities	234.7	209.7	-10.6%
Total Long-Term Liabilities	1,898.2	2,393.8	26.1%
Minority Interest	1,169.6	1,196.4	2.3%
Common Stock	1,094.0	1,094.0	-
Shares Held With the Group	-26.5	-	-
Legal Reserve	311.1	311.1	-
Other Reserves	2,549.0	2,491.2	-2.3%
Retained Earnings (Losses)	-105.9	-249.0	-
Total Shareholder's Equity	3,821.7	3,647.3	-4.6%
Total Liabilities and Shareholder's Equity	17,096.8	18,146.2	6.1%



Head Office

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

Investor Relations

Menatalla Sadek, CFA
Chief Investment Officer

Andre Valavanis
Financial Analyst

Sarah Maged
Financial 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

Shares Outstanding:
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 company in the Middle East and North Africa and non-bank financial services provider in Egypt. Across seven primary lines of business — Passenger Cars, Motorcycles & Three-Wheelers, Commercial Vehicles & Construction Equipment, Tires, Financing, After-Sales, and Regional operations — 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, Chery, Bajaj, Marcopolo, Iveco, Volvo Truck & Bus, Volvo Construction Equipment, Mitsubishi Fuso, YTO, Karry, SDLG, Aksa, Lassa, Yokohama, Goodyear, Westlake, Triangle, Grandstone, Diamond Back, Diamond Coin, Jumbo, Monroe and Gazpromneft. GB Auto has operations in Egypt, Iraq, Algeria, and Jordan. The company is headquartered in Giza, Greater Cairo Area, Egypt.

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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.