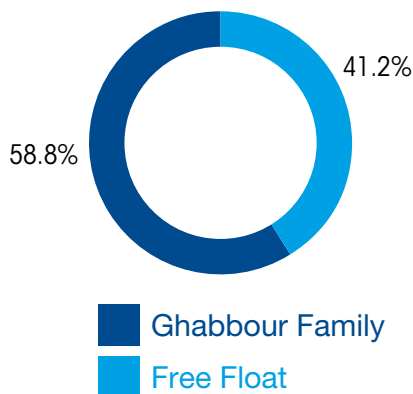


AUTO.CA  
on the Egyptian Exchange

### GB Auto's Shareholding Structure as of 30 June 2016



## GB Auto 2Q16 Results: Highlights

### Second Quarter 2016 Financial Highlights

- GB Auto's overall sales revenue for the second quarter of 2016 increased by 22.6% to LE 3,928.8 million compared to LE 3,205.2 million in 2Q15.
- Net income rose by 1.5x to LE 124.4 million, with a net profit margin of 3.2%, 1.6 percentage points higher than the comparable period last year.
- Passenger Cars revenues in Egypt increased by 31.5% year-on-year in 2Q16 to reach LE 2,069.9 million from LE 1,574.4 million in the second quarter of 2015.
- The Motorcycles and Three-Wheelers division in Egypt saw revenues decline by a slight 3.9% year-on-year to LE 445.5 million in the second quarter of 2016 from LE 463.6 million in the same period last year.
- Revenues from Commercial Vehicles and Construction Equipment increased by 3.6% year-on-year during the quarter, coming in at LE 283.1 million vs. LE 273.2 million in 2Q15.
- The After-Sales division in GB Auto's home market saw its sales revenues increase 35.7% y-o-y to LE 189.2 million compared to LE 139.5 million last year.
- Tires posted an increase of 118.7% year-on-year in revenues, which reached LE 122.6 million in the second quarter, up from LE 56.1 million in the comparable quarter in 2015.
- Overall revenues from regional operations decreased 23.6% y-o-y to LE 347.1 million from LE 454.1 million in 2Q15.
- The Financing Businesses recorded LE 441.7 million in revenues for 2Q16, a 91.7% increase over the LE 230.4 million recorded in 2Q15.
- Other revenues, which comprise Pre-Owned Vehicles, legacy fleet transportation contracts, and Lubricants, saw revenues for 2Q16 more than double, growing by 111.6% year-on-year to LE 29.7 million, compared to LE 14.0 million in 2Q15.

### First Half 2016 Financial Highlights

- GB Auto's sales revenue for the first half of 2016 increased by 7.0% to LE 6,853.4 million compared to LE 6,405.6 million in 1H15.
- Net income for the period was 49.4% higher year-on-year, coming in at LE 152.9 million, compared to LE 102.4 million in the same period last year. Net profit margin came in at 2.2%, 0.6 percentage points higher than 1H15.
- Passenger Cars revenues from Egypt were 18.1% higher year-on-year for the six-month period, reaching LE 3,461.1 million, up from LE 2,929.7 million in 1H15.
- The Motorcycles and Three-Wheelers division in Egypt saw its revenues drop by 6.2% to LE 870.0 million in the first half of 2016 from LE 927.6 million in the comparable period last year.
- Commercial Vehicles and Construction Equipment saw revenues drop by 24.6% year-on-year in the six-month period to LE 530.8 million from LE 704.0 million in the first half of 2015.
- After-Sales Egypt posted a 28.4% y-o-y increase in revenues, which stood at LE 349.7 million at the end of 1H16 vs. LE 272.4 million last year.
- Egypt Tires more-than-doubled its revenues, which came in at LE 213.7 million compared to LE 100.6 million in 1H15.
- Revenues from regional operations for the six-month period decreased by 41.9% y-o-y to LE 570.5 million from LE 981.9 million in 1H15.
- Financing Businesses revenues stood at LE 790.0 million in 1H16, 70.8% higher than 1H15's LE 462.6 million.
- Other revenues, which comprise Pre-Owned Vehicles, legacy fleet transportation contracts, and Lubricants, witnessed a growth of 153.5% to LE 67.7 million in 1H16, compared to LE 26.7 million in 1H15.

\* To allow for more clarity as GB Auto's business evolves, Management opted to review its method of business line reporting, by a) Separating its Egyptian operations from regional ones; and b) Separating After-Sales activities, reporting each of them as a standalone LOB.

## GB Auto Reports 2Q16 Results

*Leading automotive industry player reports historical growth figures in its strongest quarter since Egypt's 2011 uprising.*

10 August 2016 — (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 2016, reporting historical growth figures in terms of both profitability and market share, which had reached a high of 45% in April 2016.

The company's top line for the three-month period grew by 22.6% to reach LE 3,928.8 million, while net income increased by 1.5x to LE 124.4 million from LE 50.3 million in the comparable period last year. Net profit margin climbed 1.6 percentage points to 3.2%.

"The second quarter of 2016 was GB Auto's strongest since the 2011 revolution, and one that I feel truly demonstrates the strength of our organization and the competence of our strategy," said GB Auto Chief Executive Officer, Raouf Ghabbour. "In the midst of currency challenges, rising inflation, weaker consumer purchasing power, and regional geopolitical difficulties, we managed to not only record historical growth figures, but to increase our margins and grow our market share to record highs."

GB Auto's strong top- and bottom-line performance in the second quarter owe significantly to Management's exceptional decision to deploy all of its available liquidity to ensure the company had sufficient inventory on hand to meet market demand. This decision was the decisive factor in the company's 2Q16 market share gain, as GB Auto had stocks of in-demand models on hand at a time when competitors were under exceptional foreign exchange pressure and accordingly unable to supply the market. The decision thus delivered present-day returns while management continued to explore potential partnership opportunities with global original equipment manufacturers.

Despite weakening market demand and lower sales volumes, revenues from GB Auto's Passenger Cars division increased on both a three- and six-month basis, rising by 31.5% and 18.1% y-o-y in 2Q16 and 1H16, respectively. Top line for the quarter had reached LE 2,069.9 at the end of the period, due to GB Auto's perceptive pricing strategies that saw the company fully migrate the effects of the EGP's devaluation onto the market.

On the regional level, Algeria's challenging regulatory climate continued to affect the company's operations in the country. Yet, while sales volumes and revenues from the country declined, After-Sales operations were able to partially offset the loss and posted revenues that were 28.0% higher y-o-y. In Iraq, political turmoil continued to pressure business and economic activity. However, GB Auto's performance during the second quarter of 2016 showed significant improvement over 1Q, with revenues from Passenger Car sales in Iraq increasing by 65.0% q-o-q. For the foreseeable future, GB Auto intends to continue operating cautiously in its regional markets, keeping an eye on its costs as well as new opportunities to transform its businesses.

Motorcycles and Three-Wheelers reported revenues that were 3.9% lower y-o-y, as price increases weighed down sales volumes for these products. Meanwhile, GB Auto's Commercial Vehicles & Construction Equipment line of business saw its total volumes drop by 25.5%, while revenues rose by 3.6% y-o-y. Buses and heavy trucks were the segment's top-performers, and Management expects to sustain their upward trend in the second half of the year. GB Auto is expecting to deliver around 170 buses to public sector companies, which should keep the company's pipeline busy for the third and fourth quarters of the year. Public and private sector investments in construction and infrastructure development are also expected to drive growth in the short- and medium-term.

The Tires division in Egypt maintained its solid performance during 2Q16, with revenues that were more than 2x higher y-o-y, and a gross profit margin that increased by 10 percentage points over 2Q15 to reach 19.8%. On the Financing Businesses front, GB Auto's results were extremely promising, with overall revenues up 91.7% y-o-y to LE 441.7 million, and Drive taking the lead in terms of profitability.

"I do believe that we are entering a new period that will bring to us its own set of difficult circumstances," said Ghabbour. "Inflationary pressures have increased exponentially in the first half of this year and we are already seeing signs that consumers purchasing power is diminishing, and demand along with it. The market is extremely challenging at the moment, but, we have seen this before and we know our way forward."

Management is currently evaluating its strategy for the prospective tires project in light of feedback from OEMs and new opportunities. We remain committed to this division and will continue to work to increase our supply of tires and expand our brand representations. In the meantime, GB Auto is proceeding with the full rollout of its motorcycles and three-wheeler manufacturing strategy. Management has concluded the final contract and technical agreements with the OEM and expects to begin production in the first quarter of 2018.

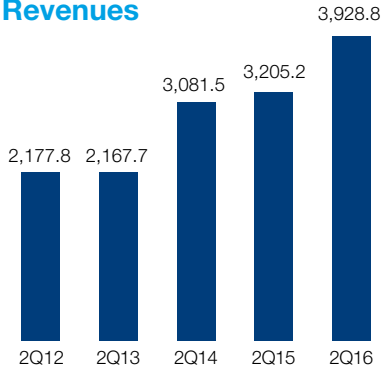
Highlights of GB Auto's 2Q16 results follow, along with management's analysis of the company's performance. Complete financials are available for download on [ir.ghabbourauto.com](http://ir.ghabbourauto.com).

*“ In the midst of challenges, we managed to not only record historical growth figures, but to increase our margins and grow our market share to record highs. ”*

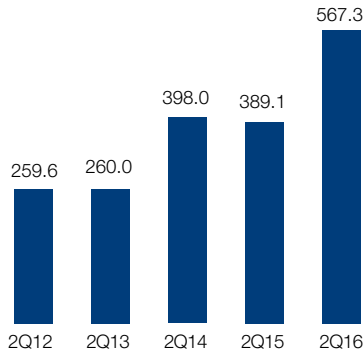
## Second Quarter 2016 at a Glance\*

### Key Indicators (all figures in LE million)

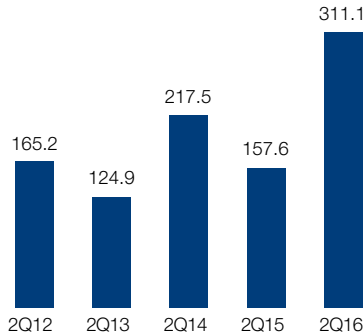
#### Revenues



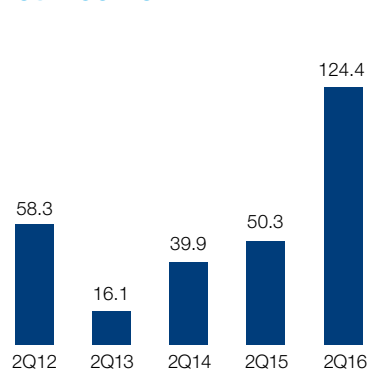
#### Gross Profits



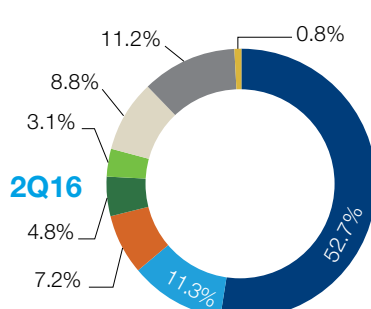
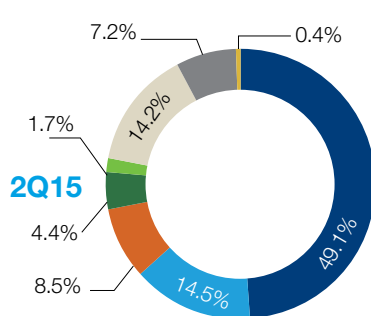
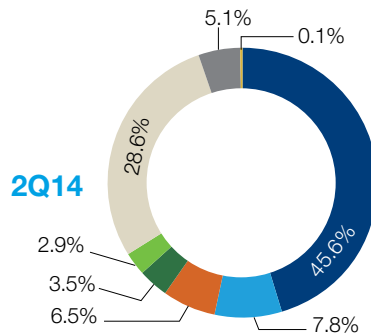
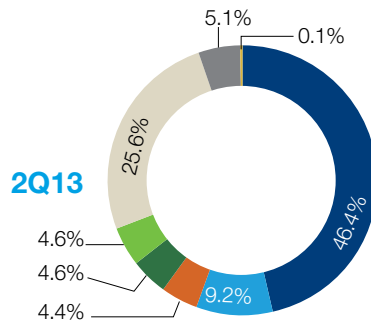
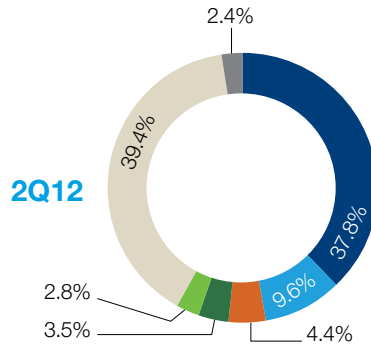
#### EBIT



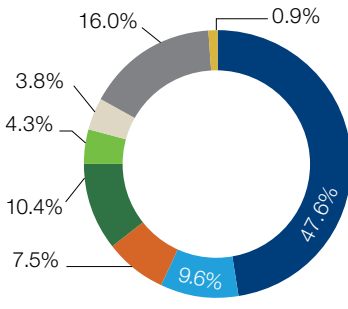
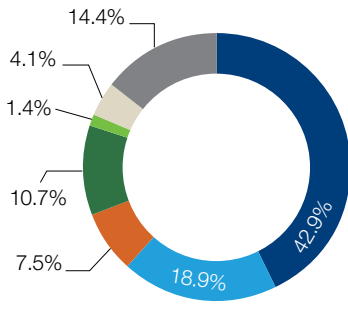
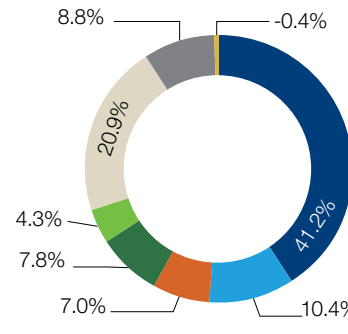
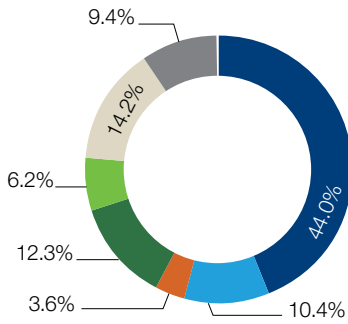
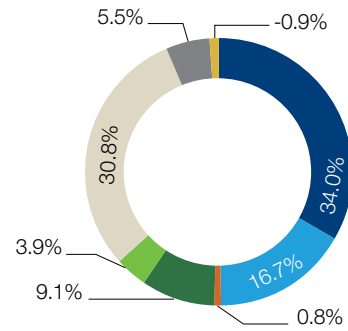
#### Net Income



### Revenue Contribution by Line of Business



### Gross Profit Contribution by Line of Business

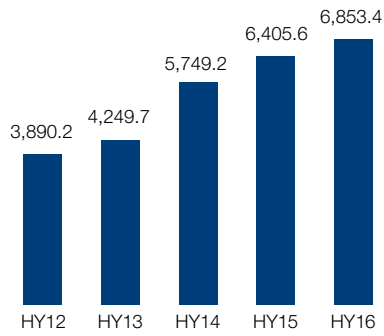


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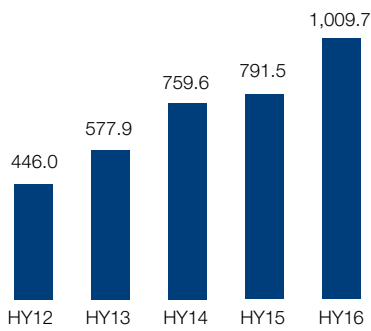
## First Half 2016 at a Glance

### Key Indicators (all figures in LE million)

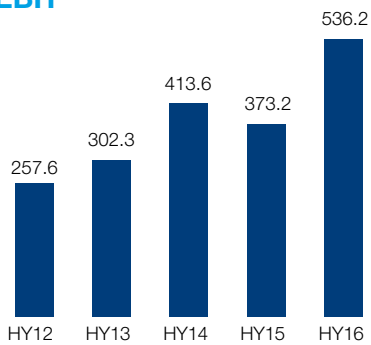
#### Revenues



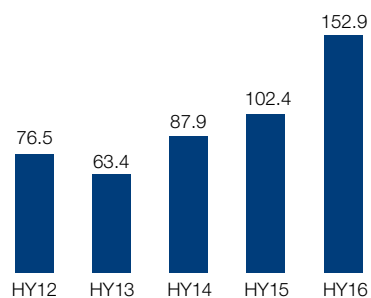
#### Gross Profits



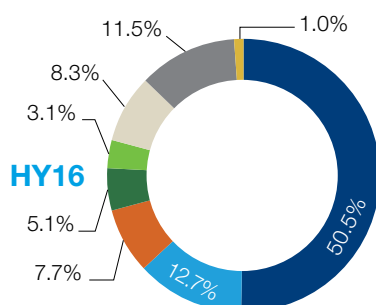
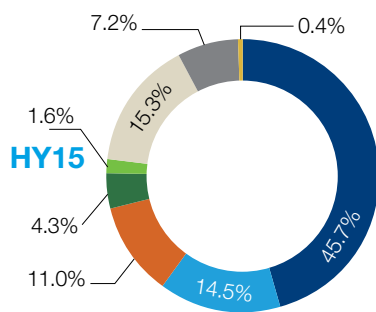
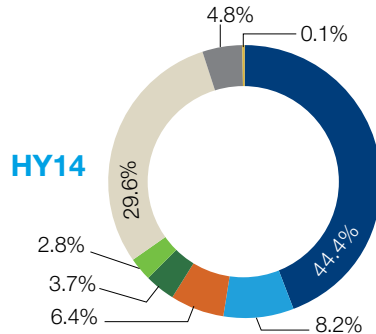
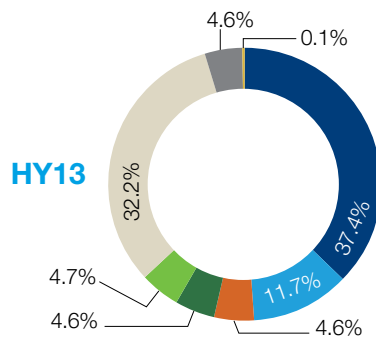
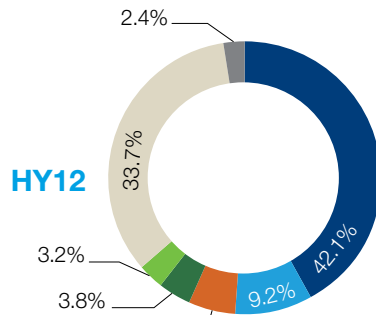
#### EBIT



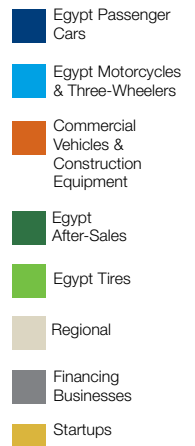
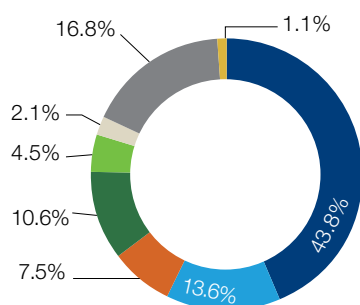
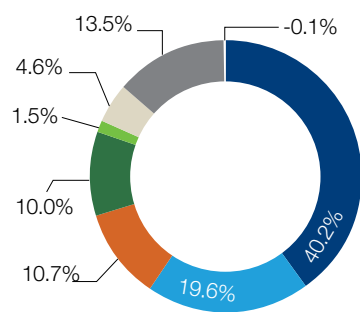
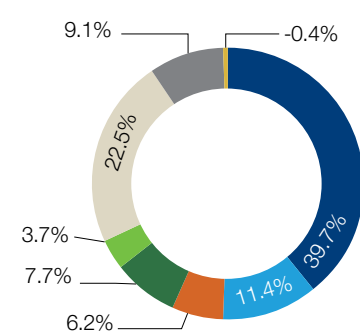
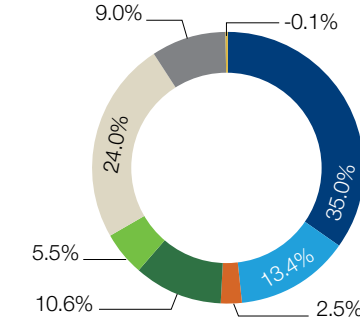
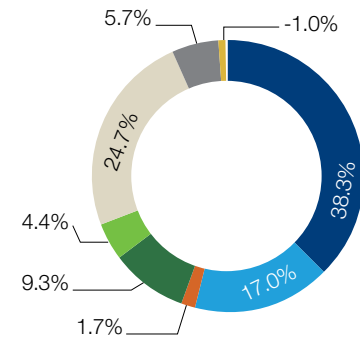
#### Net Income



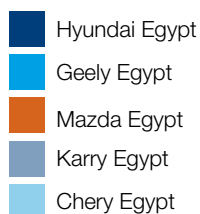
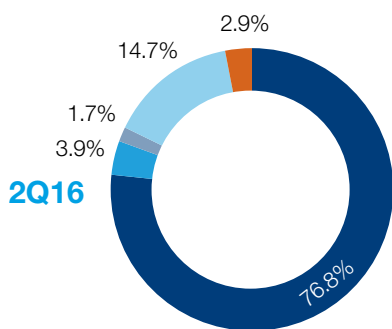
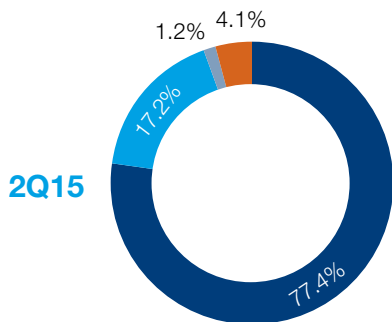
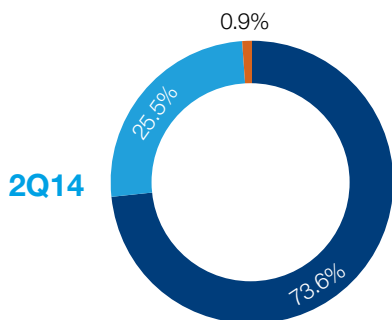
### Revenue Contribution by Line of Business



### Gross Profit Contribution by Line of Business



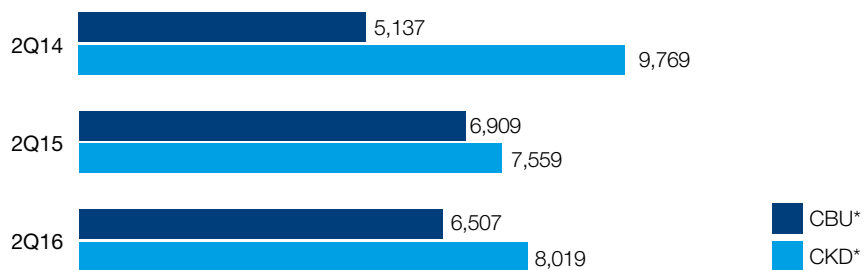
### Passenger Car Revenue Breakdown by Segment



### 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 player 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



\*CBU refers to Completely -Built-Up units; CKD refers to Completely-Knocked-Down units

- According to the Egyptian Automotive Marketing Information Council (AMIC), the Egyptian Passenger Car market in 1H16 witnessed a 26.0% drop in total sales volumes, falling from 95,055 in 1H15 to 70,814 units this year. Brands within the 1.0-1.3 liter range witnessed a 49.0% y-o-y decline in volumes, while those within the 1.3-1.5 liter range fell by 34.0%. Meanwhile, brands within the 1.5-1.6 liter saw sales volumes decrease by 23.0%, while SUVs with an engine capacity larger than 2.0 liters saw volumes drop 24.0% y-o-y.
- The second quarter of 2016 saw GB Auto's Passenger Cars division grow its sales revenues by 31.5% year-on-year, despite volumes remaining somewhat flat in comparison to 2Q15. This was due to selling price increases introduced incrementally to the market to offset the effects of the EGP's devaluation and help maintain the health of the company's margins.
- Although market demand for passenger cars weakened during the quarter, GB Auto's sales increased, leading the company to capture a historical 45% market share in April.
- GB Auto management expects demand to remain stable for the months of July and August, but sees the resumption of school season and the upcoming Eid holidays creating downward pressure starting the month of September.
- For the first half of the year, the company maintained an average share of c. 36.1% (YTD) within the Egyptian passenger car market, including Hyundai, Geely Emgrand, Mazda, and Chery. The availability of inventory and a competitive pricing strategies were the key factors driving GB Auto's success this quarter. Hyundai's total market shares increased to 29.7% in 2Q16 from 24.0% in 2Q15.
- Hyundai sales volumes, on the CBU and CKD fronts, were stable during the quarter, while revenues increased by 32.2% y-o-y on the back of powerful marketing campaigns promoting the Elantra HD and Verna models at attractive prices. Hyundai CBU sales witnessed a 3.7% y-o-y rise in volumes in 2Q16, while CKD sales dropped by 5.0%.

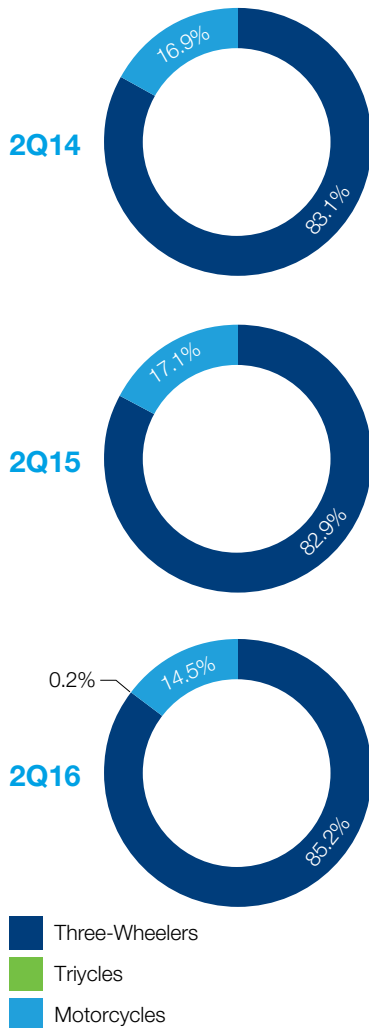
- The quarter also saw revenues from Mazda sales drop 15.3% y-o-y on the back of lower volumes.
- Geely vehicles posted a drop in both sales volumes and revenues for 2Q16 and 1H16. The brand's overall revenues declined by 49.0% y-o-y in the first half of 2016.
- Since its launch in March 2016, GB Auto's latest PC product, the Chinese Chery vehicle, has delivered promising results in terms of both profitability and market share. In its first month out in the market, Chery had captured an 8% market share, and so far, GB Auto has sold over 3,000 units.
- Following the addition of Chery's two new CKD models, alongside the Hyundai Elantra, Kary, and Geely, GB Auto now offers five CKD models compared to only two last year.

**Table 1: Egypt Passenger Cars Sales Activity**

|                            |                     | 2015           | 2016           | % Change<br>2015 v 2016 | HY15           | HY16           | % Change<br>HY15 v HY16 |
|----------------------------|---------------------|----------------|----------------|-------------------------|----------------|----------------|-------------------------|
| CBU Sales Volume (Hyundai) | (Units)             | 5,869          | 6,086          | 3.7%                    | 11,259         | 11,220         | -0.3%                   |
| CBU Sales Volume (Geely)   | (Units)             | 446            | -              | -                       | 1,081          | 6              | -99.4%                  |
| CBU Sales Volume (Mazda)   | (Units)             | 594            | 421            | -29.1%                  | 907            | 662            | -27.0%                  |
| CKD Sales Volume (Hyundai) | (Units)             | 5,333          | 5,068          | -5.0%                   | 11,668         | 8,864          | -24.0%                  |
| CKD Sales Volume (Chery)   | (Units)             | -              | 2,137          | -                       | -              | 3,078          | -                       |
| CKD Sales Volume (Karry)   | (Units)             | 177            | 249            | 40.7%                   | 273            | 196            | -28.2%                  |
| CKD Sales Volume (Geely)   | (Units)             | 2,049          | 565            | -72.4%                  | 3,068          | 1,790          | -41.7%                  |
| <b>Total Sales Volume</b>  | <b>(Units)</b>      | <b>14,468</b>  | <b>14,526</b>  | <b>0.4%</b>             | <b>28,256</b>  | <b>25,816</b>  | <b>-8.6%</b>            |
| <b>Total Sales Revenue</b> | <b>(LE million)</b> | <b>1,574.4</b> | <b>2,069.9</b> | <b>31.5%</b>            | <b>2,929.7</b> | <b>3,461.1</b> | <b>18.1%</b>            |
| <b>Gross Profit</b>        | <b>(LE million)</b> | <b>166.8</b>   | <b>269.9</b>   | <b>61.8%</b>            | <b>318.1</b>   | <b>441.9</b>   | <b>38.9%</b>            |
| <i>Gross Profit Margin</i> | <i>(%)</i>          | <i>10.6%</i>   | <i>13.0%</i>   | <i>2.4</i>              | <i>10.9%</i>   | <i>12.8%</i>   | <i>1.9</i>              |



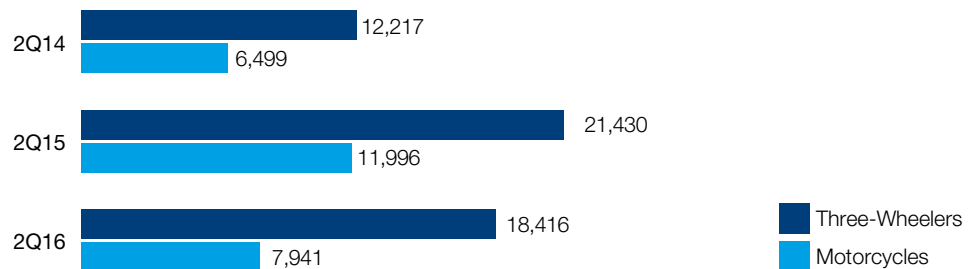
### Motorcycle & Three-Wheeler Revenue Breakdown by Segment



### 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 motorized assembly line outside of India.

#### Breakdown of Units Sold



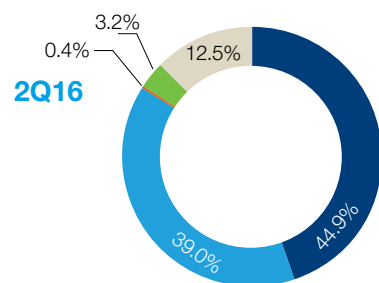
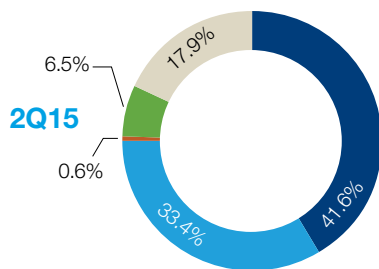
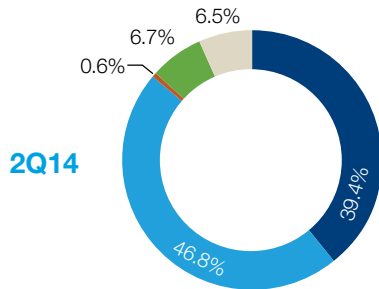
#### Motorcycles & Three-Wheelers

- 2Q16 saw overall revenues from Motorcycles & Three-Wheelers decline by a slight 3.9% y-o-y on the back of lower sales volumes, which came in 20.8% below 2Q15 levels.
- Margins for the division decreased slightly this quarter, due mainly to a 40% rise in feedstock prices, incurred as a result of the sharp depreciation of the EGP against the USD.
- GB Auto has finalized technical assistance agreements with Bajaj, who will provide engineering data and technical know-how and expertise pertaining to the making of the Boxer 150 and Auto-Rickshaw models. The company will soon begin building new component manufacturing hangers, and purchasing machinery and equipment for new painting and welding shops.

Table 2: Egypt Motorcycle & Three-Wheeler Sales Activity

|                            |                     | 2015          | 2016          | % Change<br>2015 v 2016 | HY15          | HY16          | % Change<br>HY15 v HY16 |
|----------------------------|---------------------|---------------|---------------|-------------------------|---------------|---------------|-------------------------|
| Three-Wheeler Sales Volume | (Units)             | 21,430        | 18,416        | -14.1%                  | 43,441        | 36,764        | -15.4%                  |
| Tricycles Sales Volume     | (Units)             | -             | 130           | -                       | -             | 1,306         | -                       |
| Motorcycle Sales Volume    | (Units)             | 11,996        | 7,941         | -33.8%                  | 22,891        | 17,014        | -25.7%                  |
| <b>Total Sales Volume*</b> | <b>(Units)</b>      | <b>33,426</b> | <b>26,487</b> | <b>-20.8%</b>           | <b>66,332</b> | <b>55,084</b> | <b>-17.0%</b>           |
| <b>Sales Revenue</b>       | <b>(LE million)</b> | <b>463.6</b>  | <b>445.5</b>  | <b>-3.9%</b>            | <b>927.6</b>  | <b>870.0</b>  | <b>-6.2%</b>            |
| <b>Gross Profit</b>        | <b>(LE million)</b> | <b>73.7</b>   | <b>54.4</b>   | <b>-26.2%</b>           | <b>155.3</b>  | <b>137.1</b>  | <b>-11.7%</b>           |
| <i>Gross Profit Margin</i> | <i>(%)</i>          | <i>15.9%</i>  | <i>12.2%</i>  | <i>(3.7)</i>            | <i>16.7%</i>  | <i>15.8%</i>  | <i>(1.0)</i>            |

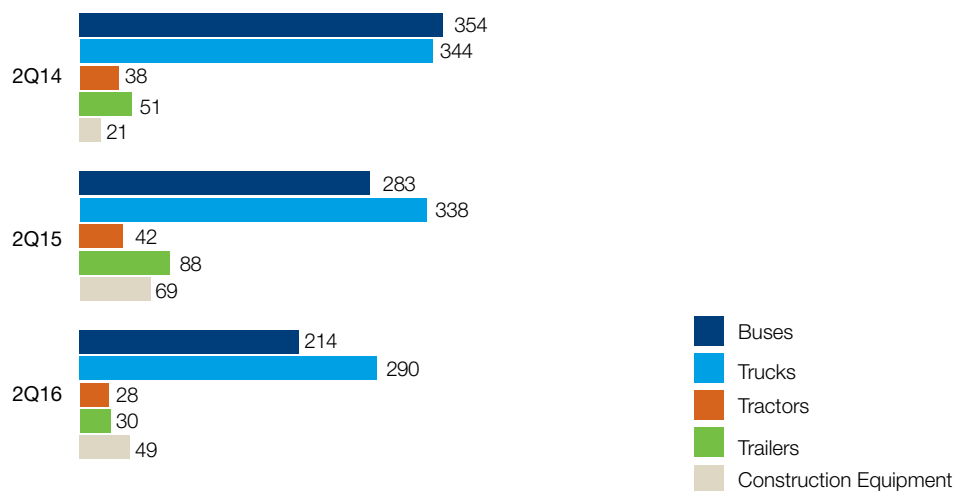
### Commercial Vehicles & Construction Equipment Revenue Breakdown by Segment



### Commercial Vehicles & Construction Equipment Line of Business

The Commercial Vehicles & Construction Equipment line of business offers a wide range of 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



- Despite a drop in volumes, GB Auto's Commercial Vehicles & Construction Equipment line of business saw its total revenues increase by 3.6% y-o-y. The LOB's gross profit was also 44.9% higher for the three-month period, with a margin of 15.0%.
- Buses contributed the most to the segment's profitability this quarter, and were closely followed by trucks, where GB Auto's market share continues to increase despite the overall downturn in demand.
- GB Auto has been actively engaged in a number of projects with Egypt's public transport authority in Cairo and Alexandria, supplying intercity buses of various specifications where needed.
- After years of cooperating with other brands, GB Polo began delivering Volvo buses to the CTA earlier this year with a substantial order of 150 vehicles. The order was so successful, it led both parties to sign an extension that will see the company deliver an additional 50 buses to the CTA in the third quarter of 2016.



- Management expects buses to continue driving growth in the second half of the year and has signed a tender that should see GB Auto supply around 170 buses to public sector companies over the course of 3Q and 4Q 2016.
- The market also displayed a fairly healthy appetite for heavy trucks and construction equipment during the quarter, as the country's drive for construction projects began to pick-up momentum and national road projects pressed on.
- The Trailers division witnessed a bit of a slowdown in revenues as sales volumes decreased by 65.9% y-o-y. Tractors also saw revenues decline on the back of shrinking sales volumes. Management, however, expects improvements on both fronts in the second half of the year.
- Management also expects the division to continue on its path of gradual growth, supported by investments in infrastructure developments and other large and medium-scale construction projects.

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

|                                     |                     | 2015         | 2016         | % Change<br>2015 v 2016 | HY15         | HY16         | % Change<br>HY15 v HY16 |
|-------------------------------------|---------------------|--------------|--------------|-------------------------|--------------|--------------|-------------------------|
| Bus Sales Volume                    | (Units)             | 283          | 214          | -24.4%                  | 676          | 365          | -46.0%                  |
| Truck Sales Volume                  | (Units)             | 338          | 290          | -14.2%                  | 744          | 903          | 21.4%                   |
| Tractor Sales Volume                | (Units)             | 42           | 28           | -33.3%                  | 80           | 28           | -65.0%                  |
| Trailer Sales Volume                | (Units)             | 88           | 30           | -65.9%                  | 144          | 85           | -41.0%                  |
| Construction Equipment Sales Volume | (Units)             | 69           | 49           | -29.0%                  | 125          | 84           | -32.8%                  |
| <b>Total Sales Volume</b>           | <b>(Units)</b>      | <b>820</b>   | <b>611</b>   | <b>-25.5%</b>           | <b>1,769</b> | <b>1,465</b> | <b>-17.2%</b>           |
| <b>Sales Revenue</b>                | <b>(LE million)</b> | <b>273.2</b> | <b>283.1</b> | <b>3.6%</b>             | <b>704.0</b> | <b>530.8</b> | <b>-24.6%</b>           |
| <b>Gross Profit</b>                 | <b>(LE million)</b> | <b>29.4</b>  | <b>42.6</b>  | <b>44.9%</b>            | <b>84.5</b>  | <b>75.6</b>  | <b>-10.5%</b>           |
| <i>Gross Profit Margin</i>          | <i>(%)</i>          | <i>10.7%</i> | <i>15.0%</i> | <i>4.3</i>              | <i>12.0%</i> | <i>14.2%</i> | <i>2.2</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.

### Passenger Cars

- Investments made to upgrade and expand GB Auto's network of After-Sales workshops have proved fruitful, and for another consecutive quarter, the Passenger Cars After-Sales division has reported solid progress, with increases in revenues and gross profit margin.
- After-Sales service centers have been running at higher-than-average capacity utilization rates. GB Auto's Ring Road service center, for instance, exceeded the 100% marker in 2Q16. To cope with this increasing demand, the company intends to expand its capacity by launching an external quick service operation.
- Going forward, GB Auto intends to continue expanding its branch network and upgrading its service centers to cater to an even-larger demographic.

### Motorcycles & Three-Wheelers

- The Motorcycles & Three-Wheelers After-Sales division posted excellent results for the quarter, and grew its revenues by nearly twofold for the six-month period. The division's gross profit came in at LE 8.3 million, more than 2x higher than 2Q15.

### Commercial Vehicles & Construction Equipment

- The After-Sales division for Commercial Vehicles & Construction Equipment showed steady growth, with both revenues and gross profit increasing by 29.0% and 37.8% y-o-y, respectively.

Table 4: Egypt After-Sales

|                                                           |                     | 2Q15         | 2Q16         | % Change<br>2Q15 v 2Q16 | HY15         | HY16         | % Change<br>HY15 v HY16 |
|-----------------------------------------------------------|---------------------|--------------|--------------|-------------------------|--------------|--------------|-------------------------|
| Passenger Car Egypt After-Sales Revenue                   | (LE million)        | 90.9         | 121.7        | 33.9%                   | 176.8        | 221.7        | 25.4%                   |
| Motorcycle & Three-Wheeler After-Sales Revenue            | (LE million)        | 22.0         | 33.3         | 51.2%                   | 46.4         | 61.7         | 32.9%                   |
| CV&CE After-Sales Revenue                                 | (LE million)        | 26.5         | 34.2         | 29.0%                   | 49.2         | 66.3         | 34.7%                   |
| <b>Total Egypt After-Sales Revenue</b>                    | <b>(LE million)</b> | <b>139.5</b> | <b>189.2</b> | <b>35.7%</b>            | <b>272.4</b> | <b>349.7</b> | <b>28.4%</b>            |
| Passenger Car Egypt After-Sales Gross Profit              | (LE million)        | 33.3         | 44.0         | 32.3%                   | 63.6         | 81.4         | 28.0%                   |
| Motorcycle & Three-Wheeler Egypt After-Sales Gross Profit | (LE million)        | 3.6          | 8.3          | -                       | 7.3          | 14.1         | 92.1%                   |
| CV&CE After-Sales Gross Profit                            | (LE million)        | 4.8          | 6.7          | 37.8%                   | 7.9          | 11.9         | 51.2%                   |
| <b>Total Egypt After-Sales Gross Profit</b>               | <b>(LE million)</b> | <b>41.8</b>  | <b>59.1</b>  | <b>41.4%</b>            | <b>78.8</b>  | <b>107.4</b> | <b>36.3%</b>            |
| <i>Total Egypt After-Sales Gross Profit Margin</i>        | (%)                 | 29.9%        | 31.2%        | 1.3                     | 28.9%        | 30.7%        | 1.8                     |

## Egypt Tires Line of Business

GB Auto has agreements with a number of Original Equipment Manufacturers (OEMs) to distribute a wide variety of tires. The company services the Egyptian market with a brand portfolio that includes Lassa, Yokohama, Westlake and Double Coin.

- Despite challenging economic conditions in GB Auto's home market, Egypt, the Tires line of business continued to outperform at both the top- and bottom-line levels in the second quarter of 2016.
- Revenues from the division rose from LE 56.1 million during 2Q15 to LE 122.6 million in 2Q16, while gross profit increased nearly 4x, and gross profit margin reached a high of 19.8%.
- The Tires division continued to pursue its expansion strategy, supported by a set of initiatives launched in late 2015 and aimed at uplifting GB Auto's market share and profitability across the region. Those initiatives include:
  - Brand/Product portfolio:** New brands and product lines to cover new and profitable segments, such as Double Coin (Truck and OTR), Waterfall (Car and Light Truck), and Primo (Agro) in Egypt.
  - Distribution channels:** Numerical distribution in Egypt has been optimized in an effort to gain market share in key geographical areas and profitable brands and segments. A network of premium express service centers, branded 360°, were launched in May to reach high-end consumers and support high-mix sales volumes.
- Management is presently re-assessing its strategy on the prospective tires project in light of feedback from OEMs and new opportunities that the company is currently evaluating. We remain committed to this division and will continue to increase our supply of tires and expand our brand representations.

**Table 5: Tires Sales Activity – Egypt**

|                             |                     | 2Q15        | 2Q16         | % Change<br>2Q15 v 2Q16 | HY15         | HY16         | % Change<br>HY15 v HY16 |
|-----------------------------|---------------------|-------------|--------------|-------------------------|--------------|--------------|-------------------------|
| <b>Total Sales Revenues</b> | <b>(LE million)</b> | <b>56.1</b> | <b>122.6</b> | -                       | <b>100.6</b> | <b>213.7</b> | -                       |
| <b>Total Gross Profit</b>   | <b>(LE million)</b> | <b>5.5</b>  | <b>24.2</b>  | -                       | <b>11.9</b>  | <b>45.1</b>  | -                       |
| Gross Margin                | (%)                 | 9.8%        | 19.8%        | 10.0                    | 11.8%        | 21.1%        | 9.3                     |

## Regional

Across the Egyptian border, 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. Additionally, 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, and the company distributes Westlake, Diamond Back and Jumbo tires in Iraq; Avon, Diamond Back, Triangle, and Jumbo in Jordan; and Goodyear, Lassa, and Grandstone in Algeria.

### Passenger Cars

#### Iraq

- Growing challenges have impacted Iraq's feeble demand for Passenger Cars, which dropped significantly compared to previous years.
- As for 2Q16, the passenger cars segment in Iraq showed slight q-o-q improvements. GB Auto will keep a watchful eye on the situation in Iraq and will maintain its cost cutting strategies.

#### Algeria

- GB Auto's lean cost-cutting approach towards its Algerian operations have helped sustain margins during the second quarter and first half of 2016. The company had also been taking steps to clear its slow-moving inventory while it waits for regulatory changes and permission to resume activities.
- Management remains watchful of any opportunities that arise in the market.

### Motorcycles & Three-Wheelers

#### Iraq

- Results from Iraqi operations were also promising, showing considerable and steady growth y-o-y. Management had launched sales of these popular vehicles in Iraq last year to a promising market reception.
- GB Auto operates a small service center and spare parts outlet in Baghdad, and has recently added a second in the area of Al Najaf that also includes a Bajaj showroom.

#### Tires

- GB Auto's regional Tires division reported revenues that were flat y-o-y at the end of 2Q16. Management expects the division's performance to improve in the coming months, despite the region's challenging operating environment.

**Table 6A: Total Sales Activity from Regional Operations**

|                                   |              | 2Q15  | 2Q16  | % Change<br>2Q15 v 2Q16 | HY15  | HY16  | % Change<br>HY15 v HY16 |
|-----------------------------------|--------------|-------|-------|-------------------------|-------|-------|-------------------------|
| <b>Total Regions Revenue</b>      | (LE million) | 454.1 | 347.1 | -23.6%                  | 981.9 | 570.5 | -41.9%                  |
| <b>Total Regions Gross Profit</b> | (LE million) | 16.1  | 21.4  | 33.0%                   | 36.2  | 21.6  | -40.3%                  |
| <b>Total Regions Gross Margin</b> | (%)          | 3.5%  | 6.2%  | 2.6                     | 3.7%  | 3.8%  | 0.1                     |

**Table 6B: Hyundai Passenger Car Sales Activity – Iraq**

|                                              |                     | 2Q15         | 2Q16         | % Change<br>2Q15 v 2Q16 | HY15         | HY16         | % Change<br>HY15 v HY16 |
|----------------------------------------------|---------------------|--------------|--------------|-------------------------|--------------|--------------|-------------------------|
| <b>Total Sales Volume</b>                    | <b>(Units)</b>      | <b>3,509</b> | <b>1,938</b> | <b>-44.8%</b>           | <b>7,297</b> | <b>2,987</b> | <b>-59.1%</b>           |
| <b>Sales Revenue</b>                         | <b>(LE million)</b> | <b>380.0</b> | <b>282.0</b> | <b>-25.8%</b>           | <b>830.8</b> | <b>452.8</b> | <b>-45.5%</b>           |
| <b>Gross Profit</b>                          | <b>(LE million)</b> | <b>8.6</b>   | <b>11.1</b>  | <b>29.7%</b>            | <b>20.7</b>  | <b>2.1</b>   | <b>-90.0%</b>           |
| <i>Gross Profit Margin</i>                   | <i>(%)</i>          | <i>2.3%</i>  | <i>3.9%</i>  | <i>1.7</i>              | <i>2.5%</i>  | <i>0.5%</i>  | <i>(2.0)</i>            |
| <b>After-Sales Revenue</b>                   | <b>(LE million)</b> | <b>14.4</b>  | <b>22.5</b>  | <b>56.4%</b>            | <b>28.4</b>  | <b>39.4</b>  | <b>38.7%</b>            |
| <b>After-Sales Gross Profit</b>              | <b>(LE million)</b> | <b>4.5</b>   | <b>7.3</b>   | <b>61%</b>              | <b>9.6</b>   | <b>13.0</b>  | <b>35.3%</b>            |
| <i>After-Sales Gross Profit Margin</i>       | <i>(%)</i>          | <i>31.7%</i> | <i>32.5%</i> | <i>0.8</i>              | <i>33.8%</i> | <i>33.0%</i> | <i>(0.8)</i>            |
| <b>Total Iraq Passenger Car Revenues</b>     | <b>(LE million)</b> | <b>394.4</b> | <b>304.4</b> | <b>-22.8%</b>           | <b>859.2</b> | <b>492.2</b> | <b>-42.7%</b>           |
| <b>Total Iraq Passenger Car Gross Profit</b> | <b>(LE million)</b> | <b>13.1</b>  | <b>18.4</b>  | <b>40.4%</b>            | <b>30.3</b>  | <b>15.1</b>  | <b>-50.3%</b>           |
| <b>Passenger Car Iraq Gross Margin</b>       | <b>(%)</b>          | <b>3.3%</b>  | <b>6.1%</b>  | <b>2.7</b>              | <b>3.5%</b>  | <b>3.1%</b>  | <b>(0.5)</b>            |

**Table 6C: Passenger Car Sales Activity – Algeria**

|                                                 |                     | 2015         | 2016        | % Change<br>2015 v 2016 | HY15         | HY16         | % Change<br>HY15 v HY16 |
|-------------------------------------------------|---------------------|--------------|-------------|-------------------------|--------------|--------------|-------------------------|
| <b>Total Sales Volume</b>                       | <b>(Units)</b>      | <b>443</b>   | <b>130</b>  | <b>-70.7%</b>           | <b>633</b>   | <b>312</b>   | <b>-50.7%</b>           |
| <b>Sales Revenue</b>                            | <b>(LE million)</b> | <b>25.5</b>  | <b>8.5</b>  | <b>-66.6%</b>           | <b>36.0</b>  | <b>20.2</b>  | <b>-43.8%</b>           |
| <b>Gross Profit</b>                             | <b>(LE million)</b> | <b>2.3</b>   | <b>0.8</b>  | <b>-64.4%</b>           | <b>2.7</b>   | <b>2.2</b>   | <b>-18.9%</b>           |
| <i>Gross Profit Margin</i>                      | <i>(%)</i>          | <i>8.9%</i>  | <i>9.5%</i> | <i>0.6</i>              | <i>7.5%</i>  | <i>10.8%</i> | <i>3.3</i>              |
| <b>After-Sales Revenue</b>                      | <b>(LE million)</b> | <b>1.2</b>   | <b>1.6</b>  | <b>28.0%</b>            | <b>3.8</b>   | <b>2.9</b>   | <b>-24.0%</b>           |
| <b>After-Sales Gross Profit</b>                 | <b>(LE million)</b> | <b>0.4</b>   | <b>0.1</b>  | <b>-85.7%</b>           | <b>0.9</b>   | <b>0.4</b>   | <b>-54.3%</b>           |
| <i>After-Sales Gross Profit Margin</i>          | <i>(%)</i>          | <i>30.7%</i> | <i>3.4%</i> | <i>(27.3)</i>           | <i>23.5%</i> | <i>14.1%</i> | <i>(9.4)</i>            |
| <b>Total Algeria Passenger Car Revenues</b>     | <b>(LE million)</b> | <b>26.7</b>  | <b>10.1</b> | <b>-62.3%</b>           | <b>39.8</b>  | <b>23.2</b>  | <b>-41.9%</b>           |
| <b>Total Algeria Passenger Car Gross Profit</b> | <b>(LE million)</b> | <b>2.7</b>   | <b>0.9</b>  | <b>-67.4%</b>           | <b>3.6</b>   | <b>2.6</b>   | <b>-27.8%</b>           |
| <b>Passenger Car Algeria Gross Margin</b>       | <b>(%)</b>          | <b>9.9%</b>  | <b>8.6%</b> | <b>(1.3)</b>            | <b>9.0%</b>  | <b>11.2%</b> | <b>2.2</b>              |

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

|                                                          |                     | 2Q15         | 2Q16         | % Change<br>2Q15 v 2Q16 | HY15         | HY16         | % Change<br>HY15 v HY16 |
|----------------------------------------------------------|---------------------|--------------|--------------|-------------------------|--------------|--------------|-------------------------|
| Three-Wheeler Sales Volume                               | (Units)             | 186          | 265          | 42.5%                   | 201          | 517          | -                       |
| Motorcycle Sales Volume                                  | (Units)             | 181          | 37           | -79.6%                  | 181          | 156          | -13.8%                  |
| <b>Total Sales Volume*</b>                               | <b>(Units)</b>      | <b>367</b>   | <b>302</b>   | <b>-17.7%</b>           | <b>382</b>   | <b>673</b>   | <b>76.2%</b>            |
| <b>Sales Revenue</b>                                     | <b>(LE million)</b> | <b>2.5</b>   | <b>5.0</b>   | <b>99.1%</b>            | <b>2.7</b>   | <b>9.0</b>   | <b>-</b>                |
| <b>Gross Profit</b>                                      | <b>(LE million)</b> | <b>0.3</b>   | <b>0.8</b>   | <b>-</b>                | <b>0.3</b>   | <b>1.5</b>   | <b>-</b>                |
| <i>Gross Profit Margin</i>                               | <i>(%)</i>          | <i>10.8%</i> | <i>15.8%</i> | <i>5.0</i>              | <i>11.0%</i> | <i>16.5%</i> | <i>5.4</i>              |
| <b>Total Motorcycle &amp; Three-Wheeler Revenues</b>     | <b>(LE million)</b> | <b>2.5</b>   | <b>5.0</b>   | <b>99.1%</b>            | <b>2.7</b>   | <b>9.0</b>   | <b>-</b>                |
| <b>Total Motorcycle &amp; Three-Wheeler Gross Profit</b> | <b>(LE million)</b> | <b>0.3</b>   | <b>0.8</b>   | <b>-</b>                | <b>0.3</b>   | <b>1.5</b>   | <b>-</b>                |
| <b>Motorcycle &amp; Three-Wheeler Gross Margin</b>       | <b>(%)</b>          | <b>10.8%</b> | <b>15.8%</b> | <b>5.0</b>              | <b>11.0%</b> | <b>16.5%</b> | <b>5.4</b>              |

**Table 6E: Tires Sales Activity – Regional**

|                             |                     | 2Q15        | 2Q16        | % Change<br>2Q15 v 2Q16 | HY15        | HY16        | % Change<br>HY15 v HY16 |
|-----------------------------|---------------------|-------------|-------------|-------------------------|-------------|-------------|-------------------------|
| <b>Total Sales Revenues</b> | <b>(LE million)</b> | <b>27.5</b> | <b>27.6</b> | <b>0.2%</b>             | <b>65.4</b> | <b>46.1</b> | <b>-29.5%</b>           |
| <b>Total Gross Profit</b>   | <b>(LE million)</b> | <b>1.4</b>  | <b>1.3</b>  | <b>-9.0%</b>            | <b>4.2</b>  | <b>2.5</b>  | <b>-40.7%</b>           |
| <i>Gross Margin</i>         | <i>(%)</i>          | <i>5.2%</i> | <i>4.7%</i> | <i>(0.5)</i>            | <i>6.4%</i> | <i>5.4%</i> | <i>(1.0)</i>            |

## Financing Line of Business

*GB Auto's future strategy aims to create a full-fledged financial arm that serves its core business while competing aggressively 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, and work on a non-exclusive basis with GB Auto to ensure the competitiveness of its operations. 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 — 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. GB Capital is constantly on the lookout for new additions to complement its portfolio.*

- GB Auto's Financing Businesses continued to post excellent results in 2Q16, with overall revenues for the quarter up 91.7% y-o-y to LE 441.7 million compared to LE 230.4 million in the same period last year.
- Total gross profit was 62.3% higher y-o-y, coming in at LE 90.8 million compared to LE 56.0 million in 2Q15. Gross profit margin was down by 3.7 percentage points to 20.6% at the end of the quarter, reflecting an increase in borrowings to finance a growing portfolio. However, gross profit margin is an unusual measurement of profitability or operations for financial institutions, where the latter focus on net bottom line, ROAE, and portfolio quality. Along these measurement criteria, the Financing Businesses reported a net bottom line of LE 61.4 million for 1H16, up 43.9% y-o-y, while maintaining a very healthy loan portfolio quality with non-performing loans under 0.5% and a coverage ratio in excess of 100%. ROAE stands at 12.3% (full year 2016 ROAE is estimated to be around 24%).
- The Financing Business model is built on the companies' ability to obtain leverage to fuel their lending portfolios, which widely differs from the trading or manufacturing business model in terms of 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 3.7x as at June 30, 2016.



- **GB Lease** maintained its strong performance and strong market foothold in 2Q16, reporting a 57.2% y-o-y rise in revenues and receiving a second place ranking from the EFSA in terms of its market share during April. 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. GB Lease's asset base is likewise diversified, and includes 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.
- **Mashroey**, despite the y-o-y decrease in sales volumes for Three-Wheelers and motorized Tricycles, witnessed an increase of 16.2% y-o-y in its top line in 2Q16, as management was able to successfully pass on inflationary price increases and higher interest rates onto end users. The company maintains a healthy portfolio and an extensive products base, with the bulk of its portfolio geared toward asset-based lending to finance the purchase of Tuk Tuks and Tricycles, with new products always in the pipeline. Mashroey's credit policy is stringent, its portfolio tenor is predominantly short term and it operates a nationwide network of 80+ branches and units.
- **Drive** was once again the top-performing unit of this business line in 2Q16, recording revenues that were more than 2x higher y-o-y. 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.
- **Haram Tourism Transport "HTT"** posted a slight decrease of 1.9% y-o-y for the 1H16 period. 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 the vehicles, with third-party insurance in place. Average tenor of the portfolio is three years
- **Tasaheel**, GB Capital's most recent financing venture, recorded LE 12.6 million in revenue during the quarter. Tasaheel operates as a non-bank financial services company under the Microfinance Law, 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, and in doing so also support overall community development and economic growth.
- GB Lease, Drive, and Tasaheel are regulated under the Egyptian Financial Supervisory Authority (EFSA).
- 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 these units. Results after elimination of these intercompany sales are summarized in Table 5 (below).

**Table 7: Financing Businesses Activity**

|                                                            |                     | 2015         | 2016         | % Change<br>2015 v<br>2016 | HY15         | HY16           | % Change<br>HY15 v<br>HY16 |
|------------------------------------------------------------|---------------------|--------------|--------------|----------------------------|--------------|----------------|----------------------------|
| <b>Total Sales Revenues</b>                                | <b>(LE million)</b> | <b>370.6</b> | <b>628.4</b> | <b>69.6%</b>               | <b>745.8</b> | <b>1,127.6</b> | <b>51.2%</b>               |
| <b>Total Sales Revenues after Intercompany Elimination</b> | <b>(LE million)</b> | <b>230.4</b> | <b>441.7</b> | <b>91.7%</b>               | <b>462.6</b> | <b>790.0</b>   | <b>70.8%</b>               |
| <b>Total Gross Profit</b>                                  | <b>(LE million)</b> | <b>56.0</b>  | <b>90.8</b>  | <b>62.3%</b>               | <b>107.1</b> | <b>169.5</b>   | <b>58.2%</b>               |
| Gross Margin*                                              | (%)                 | 24.3%        | 20.6%        | (3.7)                      | 23.2%        | 21.5%          | (1.7)                      |

\* Please note that Gross Margin is calculated on 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 and balancing, battery service and the sale and injection of lubricants in select locations.

- **PAL** operations grew their revenues by 40.8% in 2Q16, which reached LE 5.8 million compared to LE 4.1 million in the same period last year. The division has been exhibiting steady growth since its launch, but has recently been facing stiffer competition from multinational counterparts who produce locally and are not subject to the same FX challenges, allowing them to bypass the impact of the EGP devaluation.
- **Fabrika** remained on an upward path this quarter, with its revenues rising nearly 3x to LE 23.5 million compared to LE 9.1 million last year. It is worth noting that the business is began recording net operating profits for the first time in 1Q16. The unit is on a steady path of growth, with GB continuously offering new products and services to better cater to its clients within this segment. Management is currently in the process of developing an incentive scheme that is expected to further boost the division's operational and financial performance.
- Gross profit from overall startup operations was up 33.6% at the end of 2Q16, while gross profit margin decreased slightly to 8.8%.
- **360** GB Auto's retail arm has recently launched new After-Sales retail outlets that distribute tires, tire parts, batteries, parts and lubricants. These points of presence also offer services including tire installation, battery services, and the sale and injection of lubricants at several locations.

Table 8: Other Sales Activity

|                                  |                     | 2Q15        | 2Q16        | % Change<br>2Q15 v 2Q16 | HY15         | HY16        | % Change<br>HY15 v HY16 |
|----------------------------------|---------------------|-------------|-------------|-------------------------|--------------|-------------|-------------------------|
| Transport Business Revenues      | (LE million)        | 0.8         | 0.4         | -52.1%                  | 1.5          | 0.9         | -41.6%                  |
| Lubricants Sales Revenue         | (LE million)        | 4.1         | 5.8         | 40.8%                   | 8.4          | 26.2        | -                       |
| Pre-Owned Vehicles Sales Revenue | (LE million)        | 9.1         | 23.5        | -                       | 16.7         | 40.5        | -                       |
| <b>Total Sales Revenues</b>      | <b>(LE million)</b> | <b>14.0</b> | <b>29.7</b> | <b>-</b>                | <b>26.7</b>  | <b>67.7</b> | <b>-</b>                |
| Transport Business Gross Profits | (LE million)        | (2.0)       | 2.3         | -                       | (3.8)        | 0.3         | -                       |
| Lubricants Gross Profit          | (LE million)        | 1.5         | 1.2         | -20.9%                  | 2.5          | 8.7         | -                       |
| Pre-Owned Vehicles Gross Profit  | (LE million)        | 0.4         | 1.4         | -                       | 0.7          | 2.3         | -                       |
| <b>Total Gross Profit</b>        | <b>(LE million)</b> | <b>-</b>    | <b>4.9</b>  | <b>-</b>                | <b>(0.5)</b> | <b>11.3</b> | <b>-</b>                |
| Gross Margin                     | (%)                 | -0.1%       | 16.6%       | 16.7                    | -1.8%        | 16.8%       | 18.6                    |

“ GB Auto is in a very strong position in the market compared to peers, since we have continued with our strong push to replenish inventory levels, meet market demand, and utilize our pricing power successfully despite natural inflation. ”

## Financial Position and Working Capital Management

GB Auto saw total sale revenues increase by 22.6% y-o-y during 2Q 2016. However, looking at q-o-q performance, revenues actually increased by 34.4% as the company continued to show a strong performance due to the availability of stocks during the quarter, which were replenished in the previous period. GB Auto always strives to maintain a high-level of operational power in order to increase its inventory levels, allowing it to cater to the market's healthy demand for its products and meet all requirements. Despite relatively flat sales in 2Q16, our gross profit margin is an indicator of strong y-o-y growth, coming in at 14.4% in 2Q16 vs. 12.1% in 2Q15, mainly because GB Auto continues to effectively use its pricing power.

Additionally, our operating profit increased by 303 basis points compared to 2Q15 and our net profit showed its strongest quarter since the 2011 uprising, with a 3.2% net profit margin – an increase of 106 basis points y-o-y. GB Auto also continued to report positive minority interest in 2Q16. It is worth mentioning here that there is a significant drop on both a y-o-y and q-o-q basis, mainly due to improved conditions for GB Polo. Management's ongoing drive to reduce fixed costs has continued to reflect in improved results.

On the cash front, the company continued to use any rapidly generated cash to build its inventory, under very tough FX conditions, which resulted in deeply negative FFOs. Management believes this to be a strategic move meant to position GB Auto as the supplier of choice for consumers wishing to purchase any type of vehicle. Consequently, GB Auto's market share climbed from c. 27.9% in April 2015 to a historical high of c. 45.0% in April 2016. This is a clear sign of the success of the strategy implemented by Management in the previous period. This operational hedge that we developed has helped GB Auto record one of its best quarters in terms of profitability.

The group's net debt stood at LE 5.8 billion, an increase of LE 700 million compared to 1Q 2016. Net debt / equity was maintained at c. 1.38x as at June 30 2016 from 1.25x at the end of March 2016. Total debt climbed to LE 6.7 billion at the quarter, and includes LE 2.0 billion of financing business debt, as we continue to expand and grow our operations. The figure also includes an FX exposure equivalent to LE 695.2 million, which has decreased from 804.3 million compared to 1Q16.

Overall, GB Auto is in a very strong position in the market compared to peers, since we have continued with our strong push to replenish inventory levels, meet market demand, and utilize our pricing power successfully despite natural inflation.

## Latest Corporate Developments

### 1) GB Auto inks agreement with Bajaj to expand Egypt operations

GB Auto signed an agreement with Indian two- and three-wheelers maker, Bajaj, that signaled the commencement of work on the expansion of assembly operations in Egypt. Bajaj will be providing GB Auto with engineering data, and technical expertise and assistance related to the Boxer 150 and Auto-Rickshaw models.

### 2) GB Auto launches first branch of 360

GB Auto is delighted to announce the launch of its first '360' store in Cairo's Mohandessin district, on the Zamalek Club's commercial strip. The outlet offers a diverse range of light passenger car services and guarantees customers a unique experience at very competitive prices.

### 3) GB Auto to launch pre-owned commercial vehicles venture

GB Auto has announced plans to launch a pre-owned construction and heavy-truck operation in the second half of the year, prompted by the success of the company's pre-owned passenger car venture, Fabrika.

## Outlook

The Egyptian economy has always been characterized by a number of strong underlying fundamentals that GB Auto believes play a pivotal role in supporting long-term growth in the market. Such characteristics include, but are not limited to, a swelling population figure, a key geographic location, and numerous free-trade agreements. GB Auto continues to invest, despite the absence of a short-term outlook on conditions due to the country's current currency climate, policy changes, and procedural reforms.

Management successfully closed an LE 960 million capital increase last year to fund construction of two new facilities. The first will be a wholly-owned plant that will assemble motorcycles and three-wheelers, which management believes to be the first and largest motorized assembly line outside of India for Bajaj. The second will be a new tire-manufacturing facility to serve the MENA region's growing tires market. The two new facilities will expand GB Auto's opportunities in these fast-growing lines of business, enhancing the outlook on FX (via exports) and profitability levels in the long-term.

In addition to a continuous focus on growth and investment in long-term opportunities, management has also stressed efficiency, and the company is accustomed to operating in a lean, resourceful manner in all aspects of the business. Management expects to see the Automotive Directive, a legislation that aims to benefit local assemblers, finalized and approved by the end of the year, opening up an exciting new vista for CKD and automotive manufacturing for GB Auto and other local producers.

In the Passenger Car segment, management acknowledges the downside risk to previous guidance arising from the current national foreign-exchange crunch and the devaluation of the Egyptian Pound against the US Dollar. GB Auto will continue to prioritize an efficient cost base, continuously formulating cost-cutting schemes and pricing policies that will take judicious advantage of its pricing power in order to preserve margins. Downside risk could be mitigated by any move to prioritize foreign exchange for CKD kits as opposed to CBU units, given GB Auto's position as a leading domestic assembler.

On the Commercial Vehicles & Construction Equipment line of business, management does not expect significant growth of the tourism market in the short-term. However, given the ongoing investment in infrastructure and renewed eco-

“ GB Auto launched its first branch of 360 stores in Cairo, which offers a diverse range of light PC services. ”

*“ In-line with management’s expectations, GB Auto’s After-Sales division continued to perform exceptionally well in the second quarter of 2016. ”*

conomic activity – such as the recent overhaul in public transport that saw the government purchase more than 500 new city buses – divisions in this key line of business are expected to continue their current growth trends for so long as state spending on infrastructure (including urban transport fleets) continues. GB Auto intends to launch a pre-owned construction and heavy-truck distribution venture in the first half of the year, propelled by the success of our pre-owned Passenger Car operation.

GB Auto’s After-Sales division continued to perform exceptionally well in the second quarter of 2016, boosting the contribution of the Passenger Cars, Motorcycles & Three-Wheelers, and Commercial Vehicles & Construction Equipment to the company’s overall profits. After-Sales is expected to continue turning in a particularly strong performance in the second half of the year, based on higher-than-average capacity utilization rates in the current and previous quarters. This compelled GB Auto to introduce a second shift in its New Cairo facility, making it the first in Egypt to offer round-the-clock service, in addition to launching new outlets in key, underserved geographic locations around the country.

Last year, we had shifted payment terms for our Tires Business to an all-cash system – a decision whose benefits we are now reaping as the tire market crisis begins to see resolution. Meanwhile, our Financing Business is expected to continue to deliver a strong performance.

Turning our attention to the region, GB Auto continues to view measured risk as worthwhile and remains an investor in long-term growth, not immediate payoffs. Our operations in Algeria and Iraq should be viewed through that lens.

In Algeria, GB Auto is adopting a long-term view and remains confident in the potential of this market. The company is now waiting for regulatory reforms to take place in order for operations to ramp-up once more. Additionally, our representations in tires are very warmly received in Algeria. Going forward, management remains watchful of opportunities to deliver a product offering specifically tailored to the Algerian market.

The Iraqi market, as expected, began 2016 on a challenging note that saw no resolution in the second quarter of 2016. Although it remains possible that turmoil will remain a feature of the Iraqi market, private-sector actors who stay the course throughout the headwinds will be those ideally placed to capture the upswing when the market begins to improve. Furthermore, GB Auto’s motorcycle and three-wheeler offerings in Iraq have captured the attention of Iraqi consumers and are continuing to deliver promising results. GB Auto’s management continues to pursue a capital-light approach to in-market expansion, for both Iraq and Algeria.

Finally, we note that guidance going forward remains subject to change in light of changing regional geopolitical and macroeconomic conditions as well as the ongoing foreign exchange and local currency challenges in Egypt.

## Financial Statements

### Income Statement

| (LE million)                                               | Three Months Ended |                |              | Six Months Ended |                |              |
|------------------------------------------------------------|--------------------|----------------|--------------|------------------|----------------|--------------|
|                                                            | 2Q15               | 2Q16           | % Change     | HY 15            | HY 16          | % Change     |
| Passenger Cars Revenues                                    | 1,574.4            | 2,069.9        | 31.5%        | 2,929.7          | 3,461.1        | 18.1%        |
| Motorcycles & Three-Wheelers Revenues                      | 463.6              | 445.5          | -3.9%        | 927.6            | 870.0          | -6.2%        |
| Commercial Vehicles & Construction Equipment Revenues      | 273.2              | 283.1          | 3.6%         | 704.0            | 530.8          | -24.6%       |
| Tires Egypt Revenues                                       | 56.1               | 122.6          | -            | 100.6            | 213.7          | -            |
| Financing Businesses Revenues                              | 230.4              | 441.7          | 91.7%        | 462.6            | 790.0          | 70.8%        |
| After-Sales Egypt Revenues                                 | 139.5              | 189.2          | 35.7%        | 272.4            | 349.7          | 28.4%        |
| Regional Revenues                                          | 454.1              | 347.1          | -23.6%       | 981.9            | 570.5          | -41.9%       |
| Others Revenues                                            | 14.0               | 29.7           | -            | 26.7             | 67.7           | -            |
| <b>Total Sales Revenues</b>                                | <b>3,205.2</b>     | <b>3,928.8</b> | <b>22.6%</b> | <b>6,405.6</b>   | <b>6,853.4</b> | <b>7.0%</b>  |
| <b>Gross Profit</b>                                        |                    |                |              |                  |                |              |
| Passenger Cars Gross Profits                               | 166.8              | 269.9          | 61.8%        | 318.1            | 441.9          | 38.9%        |
| Motorcycles & Three-Wheelers Gross Profits                 | 73.7               | 54.4           | -26.2%       | 155.3            | 137.1          | -11.7%       |
| Commercial Vehicles & Construction Equipment Gross Profits | 29.4               | 42.6           | 44.9%        | 84.5             | 75.6           | -10.5%       |
| Tires Egypt Gross Profits                                  | 5.5                | 24.2           | -            | 11.9             | 45.1           | -            |
| Financing Businesses Gross Profits                         | 56.0               | 90.8           | 62.3%        | 107.1            | 169.5          | 58.2%        |
| After-Sales Egypt Gross Profits                            | 41.8               | 59.1           | 41.4%        | 78.8             | 107.4          | 36.3%        |
| Regional Gross Profits                                     | 16.1               | 21.4           | 33.0%        | 36.2             | 21.6           | -40.3%       |
| Others Gross Profits                                       | -                  | 4.9            | -            | -0.5             | 11.3           | -            |
| <b>Total Gross Profit</b>                                  | <b>389.1</b>       | <b>567.3</b>   | <b>45.8%</b> | <b>791.5</b>     | <b>1,009.7</b> | <b>27.6%</b> |
| Gross Profit Margin                                        | 12.1%              | 14.4%          | 2.3          | 12.4%            | 14.7%          | 2.4          |
| Selling and Marketing                                      | -131.4             | -152.2         | 15.8%        | -244.7           | -296.8         | 21.3%        |
| Administration Expenses                                    | -99.4              | -90.9          | -8.6%        | -175.8           | -163.4         | -7.1%        |
| Other Income (Expenses)                                    | 7.5                | 6.8            | -9.4%        | 15.1             | 18.2           | 20.1%        |
| <b>Operating Profit</b>                                    | <b>165.9</b>       | <b>331.1</b>   | <b>99.6%</b> | <b>386.1</b>     | <b>567.6</b>   | <b>47.0%</b> |
| Operating Profit Margin (%)                                | 5.2%               | 8.4%           | 3.3          | 6.0%             | 8.3%           | 2.3          |
| Net Provisions and Non-Operating                           | -8.3               | -20.0          | -            | -12.9            | -31.4          | -            |
| <b>EBIT</b>                                                | <b>157.6</b>       | <b>311.1</b>   | <b>97.4%</b> | <b>373.2</b>     | <b>536.2</b>   | <b>43.7%</b> |
| EBIT Margin (%)                                            | 4.9%               | 7.9%           | 3.0          | 5.8%             | 7.8%           | 2.0          |
| Foreign Exchange Gains (Losses)                            | -17.4              | -6.0           | -65.7%       | -75.2            | -67.1          | -10.8%       |
| Net Finance Cost                                           | -85.2              | -140.7         | 65.1%        | -174.6           | -262.2         | 50.1%        |
| <b>Earnings Before Tax</b>                                 | <b>55.0</b>        | <b>164.5</b>   | <b>-</b>     | <b>123.4</b>     | <b>206.9</b>   | <b>67.7%</b> |
| Income Taxes                                               | -32.6              | -40.7          | 24.8%        | -53.8            | -69.1          | 28.3%        |
| Net Profit Before Minority Interest                        | 22.4               | 123.8          | -            | 69.5             | 137.9          | 98.2%        |
| Minority Interest                                          | 27.9               | 0.6            | -97.9%       | 32.8             | 15.1           | -54.1%       |
| <b>Net Income</b>                                          | <b>50.3</b>        | <b>124.4</b>   | <b>-</b>     | <b>102.4</b>     | <b>152.9</b>   | <b>49.4%</b> |
| Net Profit Margin (%)                                      | 1.6%               | 3.2%           | 1.6          | 1.6%             | 2.2%           | 0.6          |



## Balance Sheet

| (LE million)                                      | As Of           |                 |              |
|---------------------------------------------------|-----------------|-----------------|--------------|
|                                                   | 31-Dec-15       | 30-Jun-16       | % Change     |
| Cash                                              | 1,188.7         | 914.5           | -23.1%       |
| Net Accounts Receivable                           | 1,649.6         | 2,095.8         | 27.0%        |
| Inventory                                         | 2,951.0         | 3,387.5         | 14.8%        |
| Assets Held For Sale                              | 329.2           | 326.9           | -0.7%        |
| Other Current Assets                              | 1,155.7         | 1,279.6         | 10.7%        |
| <b>Total Current Assets</b>                       | <b>7,274.2</b>  | <b>8,004.2</b>  | <b>10.0%</b> |
| Net Fixed Assets                                  | 2,044.6         | 2,147.2         | 5.0%         |
| Goodwill and Intangible Assets                    | 293.1           | 306.6           | 4.6%         |
| Lessor Assets                                     | 1,130.9         | 1,627.9         | 44.0%        |
| Investment Property                               | 91.5            | 91.5            | -            |
| Other Long-Term Assets                            | 479.1           | 643.1           | 34.2%        |
| <b>Total Long-Term Assets</b>                     | <b>4,039.2</b>  | <b>4,816.2</b>  | <b>19.2%</b> |
| <b>Total Assets</b>                               | <b>11,313.3</b> | <b>12,820.4</b> | <b>13.3%</b> |
| Short-Term Notes and Debt                         | 4,334.8         | 5,375.4         | 24.0%        |
| Accounts Payable                                  | 1,786.9         | 1,513.3         | -15.3%       |
| Other Current Liabilities                         | 212.4           | 179.6           | -15.5%       |
| <b>Total Current Liabilities</b>                  | <b>6,334.1</b>  | <b>7,068.3</b>  | <b>11.6%</b> |
| Long-Term Notes and Debt                          | 898.5           | 1,371.4         | 52.6%        |
| Other Long-Term Liabilities                       | 137.7           | 140.8           | 2.3%         |
| <b>Total Long-Term Liabilities</b>                | <b>1,036.1</b>  | <b>1,512.2</b>  | <b>45.9%</b> |
| <b>Minority Interest</b>                          | <b>608.7</b>    | <b>663.1</b>    | <b>9.0%</b>  |
| Common Stock                                      | 1,094.0         | 1,094.0         | -            |
| Shares Held With the Group                        | -26.5           | -26.5           | -            |
| Legal Reserve                                     | 296.6           | 309.2           | 4.3%         |
| Other Reserves                                    | 1,153.0         | 1,285.5         | 11.5%        |
| Retained Earnings (Losses)                        | 817.4           | 914.6           | 11.9%        |
| <b>Total Shareholder's Equity</b>                 | <b>3,334.4</b>  | <b>3,576.8</b>  | <b>7.3%</b>  |
| <b>Total Liabilities and Shareholder's Equity</b> | <b>11,313.3</b> | <b>12,820.4</b> | <b>13.3%</b> |

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### 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 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, 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, 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](http://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.