



## GB Auto Reports 2Q17 Results

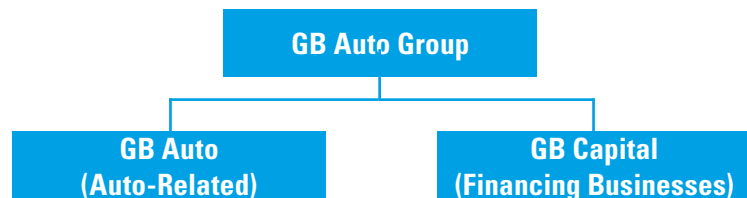
*Automotive leader's revenues record growth of 41.0% q-o-q supported by non-auto lines of business and gradual improvement in auto segment*

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8 August 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 second quarter and first half of 2017. The Group recorded revenue gains for both the three and six-month periods even as the core automotive business continues to operate in a challenging environment.

Starting 2Q17, management has adopted a new disclosure structure that separately reports the core automotive and high-margin Financing Businesses. The two businesses are sharply different in terms of financing and capital structure as well as underlying risks. To that end, management views the separation of reporting — with independent KPIs — as a prudent step that will provide a true reflection of the business's net debt, facilitate more accurate valuations and reveal hidden value in the company's share.

"By presenting both businesses as separate entities, we are effectively freeing the automotive segment from the debt levels necessary for the operation of financing businesses. We are also providing analysts and investors with clear accounts for our financing businesses and a better understanding of its development, performance indicators and associated risks," said Ghabbour. "I want to be clear, though, that this is an exercise in transparency that should provide our shareholders with a better view on valuation."



With the new reporting structure, management will focus its discussion on the performance of GB Auto and on GB Capital. These segment financials reflect the way the business is operated and provide a more accurate development of top-line and its growth potential, cash flow generation ability, and the relevant net financial debt development than the consolidated group financials. GB Capital is a financing business where the level of net debt is a direct reflection of asset portfolio size, which in turn drives earnings. GB Capital's net debt is therefore fully backed by assets and loans extended to customers and hence a growth or shrinkage in its level is not a reflection of cash generation ability or the ability to pay dividends by GB Auto Group. The relevant metric that is influenced by the operations' cash generation ability is the net financial debt of GB Auto (Auto & Auto-Related).

GB Auto Group recorded consolidated revenues of LE 4,177.4 million in 2Q17, up 6.3% y-o-y, while on a year-to-date basis revenues grew 4.2% y-o-y in 1H17 to LE 7,140.7 million. Revenue growth during the second quarter was equally driven by GB Auto (Auto & Auto-Related) and GB Capital (Financing Businesses), with the former recording standalone revenues of LE 3,592.6 million in 2Q17, up 3.0% y-o-y and contributing 86% to the Group's top-line and 42.4% to revenue growth in absolute terms. Meanwhile, GB Capital reported a 32.4% y-o-y growth in standalone revenues (after intercompany eliminations) to LE 584.8 million in 2Q17, contributing 14.0% to Group revenues and 57.6% to revenue growth in absolute terms. On a year-to-date basis, GB Capital was the primary driver for revenue growth in 1H17, where a 49.7% y-o-y increase in the segment's revenues (after intercompany eliminations) offset a 1.7% y-o-y decline in revenues at the GB Auto and Auto-Related segment.

GB Auto & Auto-Related segment's results were weighed down by a slow y-o-y performance at the Egyptian passenger car segment following the aftershock of the Egyptian pound's float in November 2016. However, the passenger car segment is starting to show clear signs of recovery, with segment revenues climbing 43.1% q-o-q in 2Q17 compared to a 57.7% q-o-q decline in 1Q17.

"We are seeing clear signs that the macroeconomic challenges which resulted in an industry-wide slump are receding. And while the passenger car market is operating at levels 50.0% below last year, consumers are adapting to new market prices," said GB Auto Group Chief Executive Officer Raouf Ghabbour. "After having withheld sales to our network of authorized dealers in the first quarter of the year — a decision born from the fact that dealers were overstocked — we are now seeing volumes steadily recovering and are now back to our traditional market share level north of 30.0%. Our inventory levels are accordingly coming down, and we expect them to reach historical low levels by year's end in terms of volumes."

GB Auto Group continues to drive volume recovery through the careful deployment of special price promotions and dealer compensation packages. This has weighed down gross profitability for the Egypt Passenger Car segment and in-turn saw the Group's gross profit decline 16.6% y-o-y to LE 473.3 million in 2Q17, yielding a gross profit margin of 11.3% versus 14.4% in the same period last year. Meanwhile, a 30.6% y-o-y increase in SG&A coupled with a 135.6% y-o-y increase in finance costs to LE 332.6 million — driven by the Central Bank of Egypt's 500 basis-point interest rate hike — together saw GB Auto turn a net loss of LE 150.9 million in 2Q17 and LE 305.5 million for the six-month period.

"We are working tirelessly to maintain tight control on our operating costs, having implemented measures that should see SG&A as a percentage of sales kept within acceptable levels. We are rationalizing headcount across all functions, adopting a more targeted approach to our marketing expenses and exploring means through which to maximize energy efficiency in our premises," said Ghabbour. "In parallel, GB Auto Group is scaling back debt and payable levels with a net (automotive and finance combined) reduction quarter-on-quarter to the tune of c.LE 660 million as we seek to streamline financing with our asset and inventory levels. In the quarters ahead, we see a trend in debt reduction that will take us to historical levels in-time for an anticipated roll-back of the temporary and unsustainably high interest rates."

On a segment basis, GB Auto's Egyptian Passenger Cars performance remained correlated with the wider market, which recorded a 44.0% y-o-y decline to just 39,980 units as of 1H17. As such, the division turned in a 38.8% y-o-y drop in revenues to LE 1,267.1 million in 2Q17, with volumes down 55.4% during the quarter to 6,483 units. That said, on a quarterly basis, segment volumes rose 61.0% q-o-q in 2Q17 with division revenues up 43.1% q-o-q.

Meanwhile, revenues from the Motorcycles and Three-Wheelers division in Egypt recorded a solid 20.3% y-o-y (40.8% q-o-q) increase to LE 535.8 million in 2Q17, making a quick recovery from the previous quarter's slow performance. As management previously noted, segment volumes picked up sharply beginning in March 2017, with the market already making a recovery toward normal levels particularly in the three-wheeler segment.

Commercial Vehicles & Construction Equipment recorded a 15.4% y-o-y decline in revenues in 2Q17 to LE 239.4 million, while on a year-to-date basis revenues inched down only 3.7% y-o-y to LE 511.1 million. The division outperformed the overall market, which like the passenger car market saw a 50% volume slump year-on-year. Management sees the segment poised for accelerated growth in the coming period, particularly with the revival of the tourism industry, where the company has seen

rising appetite for its product lineup, a breakthrough in the segment after GB Auto successfully ventured into the urban transport and intercity bus markets.

Tires continued to deliver a strong performance with revenues recording period-on-period growth and margins maintained at healthy levels. Revenues from the division came in at LE 166.7 million in 2Q17, a 36.0% y-o-y increase (65.2% q-o-q) as consumers consider tires a necessary investment.

Revenues from GB Auto's After-Sales division rose 28.7% y-o-y to LE 243.6 million in 2Q17. In 1H17, the division recorded revenue growth to LE 482.8 million or 38.0% higher than the 1H16 figure of LE 349.7 million.

On the Regional front, GB Auto's operations in neighboring countries delivered a three-fold increase in revenues to LE 1,074.8 million in 2Q17. Revenue growth was largely driven by passenger car sales in Iraq, where market activity is picking up as the country takes gradual steps to stability.

Looking ahead, Ghabbour noted, "We knew heading into the year that the macro and market realities would mean a difficult and transformative 2017. We have navigated the first six months, and in the process seen our diverse portfolio of businesses stand us in good stead. We are confident that the remaining quarters will witness continued top-line improvement, and that bottom-line profitability will gradually improve as volumes recover at the same time as both interest rates and our Auto & Auto-Related net debt levels subside."

Highlights of GB Auto Group's 2Q17 results, along with management's analysis of the company's performance and complete financials, are available for download on [ir.ghabbourauto.com](http://ir.ghabbourauto.com).

## GB Auto Group Financial Statements

### Income Statement

(LE million)	Three Months Ended			Six Months Ended		
	2Q16	2Q17	% Change	1H16	1H17	% Change
Egypt Passenger Cars Revenues	2,069.9	1,267.1	-38.8%	3,461.1	2,152.4	-37.8%
Egypt Motorcycles & Three-Wheelers Revenues	445.5	535.8	20.3%	870.0	916.3	5.3%
Egypt Commercial Vehicles & Construction Equipment Revenues	283.1	239.4	-15.4%	530.8	511.1	-3.7%
Egypt Tires Revenues	122.6	166.7	36.0%	213.7	267.6	25.3%
Financing Businesses Revenues	441.7	584.8	32.4%	790.0	1,182.4	49.7%
Egypt After-Sales Revenues	189.2	243.6	28.7%	349.7	482.8	38.0%
Regional Revenues	347.1	1,074.8	-	570.5	1,492.6	-
Others Revenues	29.7	65.3	-	67.7	135.5	-
<b>Total Sales Revenues</b>	<b>3,928.8</b>	<b>4,177.4</b>	<b>6.3%</b>	<b>6,853.4</b>	<b>7,140.7</b>	<b>4.2%</b>
<b>Gross Profit</b>						
Egypt Passenger Cars Gross Profits	269.9	57.7	-78.6%	441.9	182.7	-58.7%
Egypt Motorcycles & Three-Wheelers Gross Profits	54.4	65.5	20.5%	137.1	94.3	-31.2%
Egypt Commercial Vehicles & Construction Equipment Gross Profits	42.6	42.4	-0.5%	75.6	94.1	24.4%
Egypt Tires Gross Profits	24.2	28.5	17.6%	45.1	47.1	4.6%
Financing Businesses Gross Profits	90.8	158.7	74.7%	169.5	303.4	78.9%
Egypt After-Sales Gross Profits	59.1	72.7	23.1%	107.4	150.1	39.8%
Regional Gross Profits	21.4	40.8	90.8%	21.6	80.6	-
Others Gross Profits	4.9	7.0	42.4%	11.3	21.1	85.6%
<b>Total Gross Profit</b>	<b>567.3</b>	<b>473.3</b>	<b>-16.6%</b>	<b>1,009.7</b>	<b>973.3</b>	<b>-3.6%</b>
Gross Profit Margin	14.4%	11.3%	-3.1	14.7%	13.6%	-1.1
Selling and Marketing	-152.2	-214.7	41.1%	-296.8	-419.2	41.2%
Administration Expenses	-90.9	-102.8	13.2%	-163.4	-193.1	18.2%
Other Income (Expenses)	6.8	48.8	-	18.2	64.8	-
<b>Operating Profit</b>	<b>331.1</b>	<b>204.6</b>	<b>-38.2%</b>	<b>567.6</b>	<b>425.9</b>	<b>-25.0%</b>
Operating Profit Margin (%)	8.4%	4.9%	-3.5	8.3%	6.0%	-2.3
Net Provisions and Non-Operating	-20.0	-39.9	99.9%	-31.4	-56.6	80.2%
<b>EBIT</b>	<b>311.1</b>	<b>164.6</b>	<b>-47.1%</b>	<b>536.2</b>	<b>369.3</b>	<b>-31.1%</b>
EBIT Margin (%)	7.9%	3.9%	-4.0	7.8%	5.2%	-2.7
Foreign Exchange Gains (Losses)	-6.0	-23.8	-	-67.1	-128.3	91.2%
Net Finance Cost	-140.7	-332.6	-	-262.2	-610.4	-
<b>Earnings Before Tax</b>	<b>164.5</b>	<b>-191.8</b>	<b>-</b>	<b>206.9</b>	<b>-369.3</b>	<b>-</b>
Income Taxes	-40.7	21.2	-	-69.1	35.0	-
Net Profit / Loss Before Minority Interest	123.8	-170.6	-	137.9	-334.3	-
Minority Interest	0.6	19.7	-	15.1	28.9	91.7%
<b>Net Income/Loss</b>	<b>124.4</b>	<b>-150.9</b>	<b>-</b>	<b>152.9</b>	<b>-305.5</b>	<b>-</b>
Net Profit Margin (%)	3.2%	-3.6%	-6.8	2.2%	-4.3%	-6.5



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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 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.

[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.