

GB Auto Reports 2Q14 Results

Leading automotive company reports strong results in 2Q across the board despite forex challenges; reports resumption of full operations in Motorcycles & Three-Wheelers LOB

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6 August 2014 — (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 2Q14, reporting revenues of LE 3,081.5 million, up 42.2% year-on-year. Net profits were up 147.6% at LE 39.9 million, with net margins rising 0.6 percentage points to 1.3% in the quarter.

In the first half, revenues rose 35.3% year-on-year to LE 5,749.2 million; net profits rose 38.6% to LE 87.9 million, with the net profit margin holding steady at 1.5%.

“The Egyptian market is on the rise. Our 2Q sales figures were excellent across all lines of business. Indeed, we are approaching record highs, with our Passenger Cars LOB posting its strongest second-quarter and first-half sales performance in five years,” said GB Auto Chief Executive Officer Dr. Raouf Ghabbour. “Following years of unrest, the market is ready for a breakthrough, and we expect continued strong sales through year’s end.”

“We expect sales in Egypt will help make up for challenges we expect to face in Iraq in the second half of the year given recent developments on the ground there after a very strong first half,” Ghabbour said.

The Passenger Cars division reports a 29.8% year-on-year increase in unit sales in all brands and markets in 2Q14, while the company’s superior product and pricing mix saw revenues on those sales rise 43.9% year-on-year to LE 2,326.8 million.

Operations at the Motorcycles & Three-Wheelers LOB have begun to normalize following the May expiration of the ban on the import of components for three-wheelers and motorcycles. That, coupled with some price reductions, led the division to report stronger than expected 2Q14 results, with revenues up 16.6% year-on-year to LE 253.2 million; management anticipates significant improvement going forward. The Commercial Vehicles & Construction Equipment LOB, meanwhile, is benefitting from renewed spending on Egypt’s infrastructure and reports a 122.1% increase in unit sales and a 103.2% increase in revenues to LE 224.9 million.

The Tires line of business reported 5.7% year-on-year revenue growth as strong performance in its regional operations offset a weak domestic market. The Financing Businesses performed very well overall, reporting a 40.9% increase in revenues to LE 155.9 million in 2Q14.

GB Auto’s Other lines of business — which includes the new Lubricants, Retail and Pre-Owned Vehicles activities — reported continued progress in 1H14, as the company began marketing campaigns to educate consumers about the Pre-Owned Vehicles line and the Lubricants and Retail lines continue preparations for launching in second half 2014.

SG&A expenses once again dropped as a percentage of revenue, a key management goal for 2014. Meanwhile, GB Auto is in the process of presenting plans for the implementation and financing of the group’s expansion strategy to the Board of Directors. If the Board approves the plans, the company intends to seek regulatory approval for an extraordinary general assembly to review the proposed capital increase through rights issue at par value.

“We continue to explore new markets, products and lines of business to further insulate the company from downturns in one market or line of business,” Ghabbour concluded. “The Middle East and Africa abound with opportunities, and we are determined to capitalize on them in the years ahead.”

Highlights of GB Auto’s 2Q14 results follow, along with management’s analysis of the company’s performance. Complete financials are available for download on ir.ghabbourauto.com.

Financial Statements

Income Statement

(LE million)	Three Months Ended			Six Months Ended		
	2Q13	2Q14	% Change	HY13	HY14	% Change
Passenger Cars Revenues	1,616.7	2,326.8	43.9%	3,070.1	4,319.7	40.7%
Motorcycles & Three-Wheelers Revenues	217.2	253.2	16.6%	530.2	502.4	-5.2%
Commercial Vehicles & Construction Equipment Revenues	110.7	224.9	103.2%	226.9	434.7	91.6%
Tires Revenues	110.5	116.8	5.7%	221.8	208.4	-6.0%
Financing Businesses Revenues	110.6	155.9	40.9%	195.8	278.7	42.3%
Other Revenues	2.1	4.0	92.9%	4.9	5.4	11.0%
Total Sales Revenues	2,167.7	3,081.5	42.2%	4,249.7	5,749.2	35.3%
Total Gross Profit	260.0	398.0	53.1%	577.9	759.6	31.4%
<i>Gross Profit Margin</i>	<i>12.0%</i>	<i>12.9%</i>	<i>0.9</i>	<i>13.6%</i>	<i>13.2%</i>	<i>-0.4</i>
Selling and Marketing	-93.1	-111.7	20.0%	-185.0	-214.0	15.7%
Administration Expenses	-53.9	-61.9	14.9%	-100.5	-123.8	23.1%
Other Operating Income (Expenses)	8.8	10.6	19.5%	17.0	19.6	15.4%
Operating Profit	121.8	234.9	92.9%	309.4	441.4	42.7%
<i>Operating Profit Margin (%)</i>	<i>5.6%</i>	<i>7.6%</i>	<i>2.0</i>	<i>7.3%</i>	<i>7.7%</i>	<i>0.4</i>
Net Provisions and Non-Operating	3.1	-17.4	-	-7.1	-27.8	291.9%
EBIT	124.9	217.5	74.1%	302.3	413.6	36.8%
<i>EBIT Margin (%)</i>	<i>5.8%</i>	<i>7.1%</i>	<i>1.3</i>	<i>7.1%</i>	<i>7.2%</i>	<i>0.1</i>
Foreign Exchange Gains (Losses)	-4.3	-50.8	-	-23.9	-68.7	187.7%
Net Finance Cost	-89.3	-88.6	-0.8%	-167.6	-178.1	6.3%
Earnings Before Tax	31.2	78.1	150.1%	110.9	166.8	50.5%
Income Taxes	-0.1	-14.5	-	-12.1	-31.7	161.4%
Net Profit Before Minority Interest	31.2	63.6	104.1%	98.7	135.1	36.8%
Minority Interest	-15.1	-23.7	57.5%	-35.3	-47.2	33.7%
Net Income	16.1	39.9	147.6%	63.4	87.9	38.6%
<i>Net Profit Margin (%)</i>	<i>0.7%</i>	<i>1.3%</i>	<i>0.6</i>	<i>1.5%</i>	<i>1.5%</i>	<i>0.0</i>



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Shareholder Information

Reuters Code: AUTO.CA
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Number of Shares Outstanding:
128,892,900

About GB Auto S.A.E.

GB Auto S.A.E. (AUTO.CA on the Egyptian Exchange) is a leading automotive producer and distributor in the Middle East and North Africa. Across five primary lines of business — Passenger Cars, Motorcycles & Three-Wheelers, Commercial Vehicles & Construction Equipment, Tires and Financing — the company's main business activities include assembly, manufacturing, sales and distribution, financing and after-sales services. GB Auto's portfolio of brands includes Hyundai, Mazda, Geely, Bajaj, Marcopolo, Great Wall, Iveco, Volvo, Mitsubishi Fuso, YTO, Karry, SDLG, Aksa, Lassa, Yokohama, Goodyear, Westlake, Triangle, Grandstone, Diamond Back, 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

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.