

GB Auto management decides to discontinue its Hyundai representation in Iraq

GB Auto's management announces its discontinuation of its Passenger Cars (PC) representation of Hyundai's brand in Iraq amid the change of the latter's new policy of multi-distributor model strategy in the Iraqi market

26 February, 2020

(Cairo, Egypt) — GB Auto (AUTO.CA on the Egyptian Exchange), a leading automotive company in the Middle East and non-bank financial services provider in Egypt, announces its decision to discontinue the representation of Hyundai in its Passenger Car's division in Iraq, this decision comes after Hyundai change of policy to a multi-distributor model in Iraq. The decision is driven by our belief that such business model never yields proper returns given the investments required to achieve sustainable automotive operations.

In the past years, GB Auto has managed to represent and strengthen Hyundai's footprint in Iraq, which was tangible in 2019's brand market share that reached approximately 25% for the year. Achieving such milestones required a lot of overheads, strong capital injection, high investments and expertise. GB Auto's management took such a decision after careful studying of the matter at hand, as the new business model required from the OEM won't be feasible, especially with a division with slim gross margins varying between 5-6%, operations won't be yielding enough to cover its cost of capital. It is also worth noting, that this division was loss making on the net profit level during 2015, 2016 and 2017; and broke even in 2018 and 2019.

Based on the above, the management will continue with operations until it completely liquidates all the remaining inventory and pipeline, which could last up until mid-2020. In the meantime, we are seeking new representations of PC brands in the Iraqi market; and are confident that with our strong expertise and resources, we will manage to develop them into market leaders.

—Ends—

**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 non-bank financial services provider in Egypt. Across six primary lines of business — Passenger Cars, Motorcycles & Three-Wheelers, Commercial Vehicles & Construction Equipment, Tires, After-Sales, and Iraqi 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, Chery, Bajaj, Marcopolo, Iveco, Volvo Truck & Bus, Volvo Construction Equipment, Mitsubishi Fuso, YTO, Karry, SDLG, Sinotruk, Aksa, Lassa, Yokohama, Pirelli, Westlake, Double Coin, Doublestar, Verde, Techking, and Gazpromneft. GB Auto has operations in Egypt and Iraq. The Company's NBFS' segment branded GB Capital offers leasing, consumer finance, microfinance, fleet quasi-operational leasing, factoring, securitization and Mortgage finance under the following brands - GB Lease, Mashroey, Drive, Tasaheel, Haram, GB Capital for Securitization and Bedaya. The company is headquartered in Giza, Greater Cairo Area, Egypt.

www.ghabbourauto.com

Investor Relations Contact Information:**Mansour Kabbani**

Board of Directors Member

Andre Valavanis

Investor Relations AVP

Sarah Maged

Investor Relations

Communications Manager

Marina Kamal

Investor Relations Associate

Email: ir@ghabbour.com

Tel: +20 (0) 2 3910 0485

Fax: +20 (0) 2 3539 0139

Address: Cairo-Alexandria Desert Road, Km. 28, Industrial Zone, Abu Rawash
P.O. Box 120, Giza, Egypt

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.