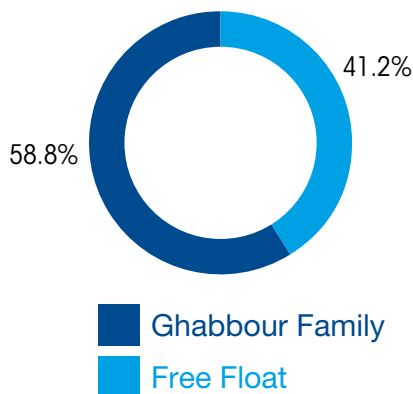


**AUTO.CA**  
on the Egyptian Exchange

### GB Auto's Shareholding Structure as of 31 December 2016



## GB Auto 4Q & FY16 Results

### Fourth Quarter 2016 Financial Highlights

- GB Auto's overall revenue for the fourth quarter of 2016 increased by 52.9% to LE 4,110.8 million compared to LE 2,689.3 million in 4Q15.
- Excluding total FX losses, net income stood at LE 5.7 million in 4Q16 compared to a net income of LE 88.4 million in the same period last year. Including FX losses of LE 1,063.7 million, net loss from was LE 1,058.0 million, compared to a net profit of LE 28.1 million in 4Q15.
- Passenger Cars revenues in Egypt increased by 79.9% y-o-y in 4Q16 to reach LE 2,090.7 million, up from LE 1,162.2 million in 4Q15.
- The Motorcycles and Three-Wheelers division in Egypt saw revenues decline 25.4% y-o-y to LE 338.7 million in the fourth quarter of 2016 from LE 453.9 million in the same period last year.
- Revenues from Commercial Vehicles & Construction Equipment rose 17.0% y-o-y during the quarter, coming in at LE 299.1 million vs. LE 255.7 million in 4Q15.
- The After-Sales division in Egypt saw its sales revenues increase by 77.2% y-o-y to LE 272.4 million compared to LE 153.7 million last year.
- Tires posted an increase of 146.8% y-o-y in revenues, which reached LE 147.6 million in the fourth quarter, up from LE 59.8 million in the comparable quarter in 2015.
- Overall revenues from Regional operations in 4Q16 increased 26.8% y-o-y to LE 350.8 million from LE 276.6 million in 4Q15.
- The Financing Businesses recorded LE 521.4 million in revenues for 4Q16, a 77.1% increase over the LE 294.4 million recorded in 4Q15.
- Other revenues, which comprise Pre-Owned Vehicles, Lubricants, the newly launched pre-owned commercial vehicles venture and legacy fleet transportation contracts, saw revenues for 4Q16 grow 173.7% y-o-y to LE 90.0 million, compared to LE 32.9 million in 4Q15.

### Full Year 2016 Financial Highlights

- GB Auto's sales revenue for FY16 increased by 24.6% to LE 15,285.7 million compared to LE 12,264.7 million in FY15.
- Excluding FX losses, net profit for the year closed at LE 345.9 million vs. LE 364.2 million in normalized profit for FY15. Accounting for FX losses, net loss was LE 865.7 million compared to a net profit of LE 233.1 million in FY15.
- Passenger Cars revenues from Egypt were 40.3% higher y-o-y for the year, reaching LE 8,016.1 million, up from LE 5,713.1 million in FY15.
- The Motorcycles and Three-Wheelers division in Egypt saw its revenues drop by 9.7% to LE 1,708.2 million in FY16 from LE 1,892.5 million last year.
- Commercial Vehicles & Construction Equipment saw revenues drop by 8.5% y-o-y during the year to LE 1,113.3 million from LE 1,216.9 million in FY15.
- Revenues from After-Sales Egypt rose by 45.2% y-o-y to stand at LE 826.2 million versus LE 569.1 million in the comparable period last year.
- Egypt Tires more than doubled its revenues, which came in at LE 462.5 million compared to LE 203.2 million in FY15.
- Revenues from Regional operations for the year decreased 22.2% y-o-y to LE 1,201.4 million from LE 1,544.6 million in FY15.
- Financing Businesses revenues stood at LE 1,739.6 million in FY16 compared to LE 1,046.2 million in FY15, an increase of 66.3% y-o-y.
- Other revenues, which comprise Pre-Owned Vehicles, Lubricants, the newly launched pre-owned commercial vehicles venture and legacy fleet transportation contracts, witnessed a growth of 176.4% to LE 218.5 million in FY16, compared to LE 79.0 million in FY15.

“The diversity of our product portfolio helped support total group performance throughout the period of adjustment that has followed the float of the Egyptian pound”

## GB Auto Reports 4Q & FY16 Results

*Leading automotive player reports solid revenue growth in 4Q16, strong operating profit, and margin growth in FY16*

26 March 2017 — (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 fourth quarter of 2016 and full year 2016, reporting solid revenue growth across most of its business lines and strong operational profitability before FX losses.

For the fourth quarter of 2016, GB Auto's revenues surged 52.9% to LE 4,110.8 million, while revenues for FY16 hit LE 15,285.7 million, up 24.6% y-o-y. Foreign exchange losses of LE 1.0 billion in the fourth quarter led to a net loss of LE 1,058.0 million in 4Q16 and of LE 865.7 million for the full year. Notably, foreign exchange losses incurred subsequent to the result of the float of the Egyptian pound on 3 November 2016 were largely non-cash arising from the revaluation of liabilities and dues to suppliers.

Setting aside total FX losses incurred throughout the year, GB Auto would have delivered a net profit of LE 345.9 million in FY16 compared to LE 364.2 million in normalized profit for the previous year. This also does not factor in the higher impact of Forex in 2016 charged directly to COGS (which was not the case in 2015), nor does it take into account the higher interest expense owing to a 5.5% hike in official borrowing rates in Egypt.

Importantly, 4Q16 revenues and sales volumes reflect exceptionally strong sales in the month of October, followed by a slowdown after the float of the Egyptian pound on 3 November 2016. Substantially lower than normal sales volumes continued well into the first quarter of 2017, but are now on a trajectory to return to normalized levels over the course of the third quarter.

“Nearly five months into a new economic reality in Egypt that sucked the oxygen out of the passenger car market, we are now seeing very clear signs that Egyptian consumers will remain enthusiastic buyers of passenger cars, motorcycles and three-wheelers in the long haul,” said GB Auto Chief Executive Officer, Raouf Ghabbour. “The diversity of our product portfolio helped support total group performance throughout the period of adjustment that has followed the float of the Egyptian pound: Tires, Commercial Vehicles & Construction Equipment, After-Sales, and our Financing Businesses continued to deliver solid performances in both the final months of 2016 and throughout the quarter this year. Our expectation is that they will continue to provide an important cushion as our Egyptian Passenger Car business margins recover.”

Total passenger car market volumes in Egypt contracted primarily due to the inability of many distributors to source the foreign exchange they required to maintain healthy inventory levels. Against this backdrop, GB Auto grew its core Passenger Car market share to 36.8% in 2016 from 26.8% a year ago as aggressive cash and inventory management strategies ensured the company had sufficient product available to meet market demand. This translated into a record-high market share of 45% in April 2016.

Meanwhile, the company's Financing, After-Sales, and Tire divisions bolstered its overall performance throughout the year amid continued strong market demand, posting strong y-o-y growth in sales and profitability in the fourth quarter and for the full year.

GB Auto's Egyptian Passenger Cars division recorded a 79.9% y-o-y increase in revenues to LE 2,090.7 million in 4Q16 despite a 1.0% y-o-y drop in sales volume during the quar-

ter. On a full-year basis, and despite a 1.2% decrease in volumes, GB Auto grew its Passenger Car revenues to LE 8,016.1 million, up 40.3% y-o-y on the back of strong pricing power as the company passed on to consumers the impact of a weakening currency.

Meanwhile, revenues from the Motorcycles and Three-Wheelers division in Egypt declined 25.4% y-o-y in 4Q16 and 9.7% y-o-y on a full-year basis. This came mainly on the back of lower sales volumes, which were 26.8% y-o-y below FY15 levels, as higher prices impacted target consumers, who are typically within a low-income bracket. In Iraq, however, the division showed solid improvement, as revenues gained 223.7% y-o-y and volumes 118.2% y-o-y, albeit from a low base.

The Commercial Vehicles & Construction Equipment division posted strong gross profit growth on a full-year basis despite an 8.5% dip in sales revenue, driven primarily by the bus and truck businesses. The division maintained its leadership position in the city and intercity bus segments and reported an uptick in demand from the tourism sector. Management maintains a positive outlook on growth of the business as state-led investment in infrastructure continues, the government addresses significant demand for public transportation and tourism activity begins a slow recovery. Long-postponed fleet upgrades should further bolster demand starting late 2017 and early 2018.

The Tires line of business once again outperformed, with 4Q16 revenue up 146% y-o-y and gross profit rising 149.9% y-o-y. On a full-year basis, revenues rose 127.6% to LE 462.5 million and gross profit came in almost 4x higher y-o-y. After introducing in May its own brand, Verde, and pursuing an expansion strategy having already added representations such as Double Coin and Westlake, management sees substantial growth potential going forward.

GB Auto's After-Sales division provided an important stream of high-margin revenues throughout the year as customers opted to maintain their current vehicles through GB Auto's network. The division saw increases in both the top line and gross margin across all segments in 4Q16 and FY16.

The Financing Businesses continued to deliver strong performance, with total gross revenues for the year up 66.3% y-o-y to LE 1,739.6 million and 4Q16 revenues gaining 77.1% y-o-y to LE 521.4 million. GB Lease and consumer finance provider Drive ended the year ranked third in their respective segments in terms of market share (per figures released by EFSA, the market regulator), while Tasaheel, GB Auto's most recent addition to its financing portfolio, continued to grow exponentially.

Looking ahead, Ghabbour noted, "We expect continued volatility in the exchange rate throughout the rest of this year and into 2018 as the Egyptian pound finds its equilibrium and begins to trade in a 'new normal' band. This suggests foreign exchange variances will be a variable in profitability in the interim. As the pound finds its footing, our emphasis will be on bringing passenger car inventory back down to historical levels of days-on-hand. Our Tires, After-Sales, CV&CE, and Financing Businesses will continue to provide an important buffer as the Egyptian passenger car market returns to growth."

Highlights of GB Auto's 4Q16 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).

*“ At the price of short-term pain, we have gained a new, healthier outlook on our core market that leaves us exceptionally optimistic about the resilience of the Egyptian consumer and the prospects of our business. ”*

## Message from the CEO

Nearly five months into a new economic reality in Egypt that sucked the oxygen out of the passenger car market, we are now seeing very clear signs that Egyptian consumers will remain enthusiastic buyers of passenger cars, motorcycles and three-wheelers in the long haul. At the price of short-term pain, we have gained a new, healthier outlook on our core market that leaves us exceptionally optimistic about the resilience of the Egyptian consumer and the prospects of our business.

Our nation's motorization index remains 75% below most emerging markets. Our citizens' desire for wheeled vehicles remains the stuff of which movies are made. And yet sales had fallen off a cliff between October 2016 and February 2017.

We knew heading into 2016 that it would be a challenging year — and that many of our competitors lacked the financial resources to secure the inventory they needed as the gap widened between the parallel and official market prices of foreign exchange. Other players, who may have had the financial firepower, lacked the confidence to see the market could continue to absorb price rises. This fueled our decision throughout 2016 to aggressively secure the foreign exchange we required to serve market demand and price our products accordingly.

From the first week of January through the end of October, we raised prices of Egyptian passenger cars an average of c.40%. At the same time, we captured an all-time high market share of 45% in April 2016 (36.8% for the full year against 26.8% in 2015). We also knew that sales momentum would not last — that it was a question of “when” the float would come, not “if.” That day of reckoning arrived on 3 November 2016.

Having passed to consumers the lion's share of the true cost of foreign exchange throughout the year, we raised prices only 15% on average between 3 November and the first days of March 2017. As we did, unit sales fell from almost 5,800 in October 2016 (a 12-month high despite the prevailing macro headwinds) to c. 2,600 in each of November and December.

Motorcycle and Three-Wheeler sales fell in parallel, declining from 9,000 units in October to c. 2,000 in November. This line of business provided the first sign that consumer demand would prove resilient when unit sales recovered to c.5,000 in December, but we were mindful that three-wheelers are a hybrid product: They serve underlying consumer demand for transportation (in a demographic sharply different from passenger cars), but are themselves revenue-generating for their owners, meaning they are not a “pure” consumer product.

Starting in January, the availability of foreign exchange in the open market began to improve. As it did, we purposefully withheld sales to our network of authorized independent dealers (as distinct from GB Auto-owned showrooms). With FX now available, other brands were replenishing inventory and selling into the market after a prolonged absence, and our models were already well-stocked.

We continued to cautiously manage the situation with our independent dealers in March, but knew from the sales recovery in motorcycles and three-wheelers that the time was right to test consumer sentiment. Our thesis was that the c.15% price hike between 3 November and the first days of March had not brought us to the point of price inelasticity. We believed the market was paralyzed as con-

“ Throughout this period of recovery, the diversity of our product portfolio has stood us in good stead: Commercial Vehicles & Construction Equipment, After-Sales, and our Financing Businesses continued to deliver solid performances after the float of the Egyptian pound and throughout the first three months of this year. ”

sumers and businesses both adapted to the shock of a significantly weaker Egyptian pound and as we a trough in demand of just over 200 vehicles in February 2017.

We decided to test the waters and rolled out discount pricing in a special sale the first week of March, cutting prices temporarily by an average of c.10-15% across our Passenger Car portfolio.

The result was striking: With cars still priced at a premium to the sticker prices in October, when we sold nearly 5,800 units, customers flocked to our showrooms. The promotion was also received positively by the market, which we now see as being on the road to steady recovery. We expect to return to a near-normal level of unit sales in 3Q17, and our inventory will start to normalize in the process.

Throughout this period of recovery, the diversity of our product portfolio has stood us in good stead: Commercial Vehicles & Construction Equipment, After-Sales, and our Financing Businesses continued to deliver solid performances after the float of the Egyptian pound and throughout the first three months of this year. Our expectation is that they will continue to provide an important cushion as our Egyptian Passenger Car business returns to profitability.

The float of the Egyptian pound is a challenge our business — like others — will be managing throughout the year. We expect continued volatility in the exchange rate throughout the rest of this year and into 2018 as the Egyptian pound finds its equilibrium and begins to trade in a ‘new normal’ band, suggesting profitability will fluctuate with the foreign exchange rate in the interim. As a result, we will be emphasizing EBITDA and net operating profit in our analysis for the coming period.

As the Egyptian pound finds its footing, our emphasis on the inventory management front shifts from pricing — the cost at which we source goods — to bringing inventory back down to historical days-on-hand.

## 4Q16 results

While I typically leave discussion of our financial performance in any period to our results call, I would like to address a handful of items now, the most remarkable of which is clearly the LE 1,063.7 million foreign exchange loss in FY16, more than LE 1,000 million of which hit the income statement in the fourth quarter. This FX charge, most of which is non-cash, is the result of the revaluation of the group’s total foreign-currency exposure of USD 106.6 million, including foreign currency liabilities and liabilities to suppliers.

Also related to the float of the Egyptian pound, we have opted to take conservative provisions to reflect the expected impact of the float on the cost of service delivered under warranty agreements, which include allowances for imported parts for which there exist no domestically manufactured substitute. A just over LE 300 million increase in finance cost is also the product of macroeconomic shifts during the course of the year, reflecting a 550 basis-point rise in interest rates over the course of the year (300 bps of which accompanied the float of the Egyptian pound in November). Other factors were increased utilization of facilities to cover the higher cost of goods in local currency terms, growth of the business and our expanding inventory levels, and a slower sales cycle in November and December during the post-float slowdown.

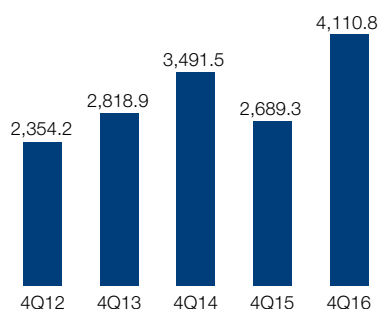
Finally, while our SG&A expenditure was up in absolute terms y-o-y in 2016, this equates to 7.8% in sales against 7.3% last year, a ratio with which we are comfortable given the high-inflation environment in which we operated last year and in which we continue to operate in the first quarter of 2017. However, we will continue with efforts to streamline our variable costs and bring this ratio down to normal levels.

**Dr. Raouf Ghabbour, CEO**

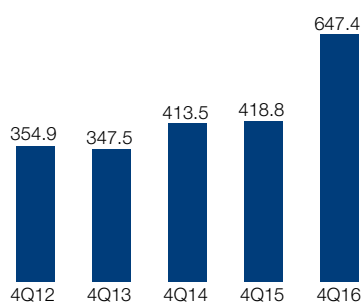
## Fourth Quarter 2016 at a Glance\*

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

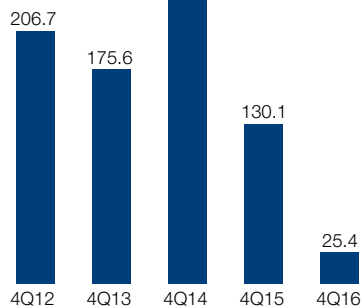
#### Revenues



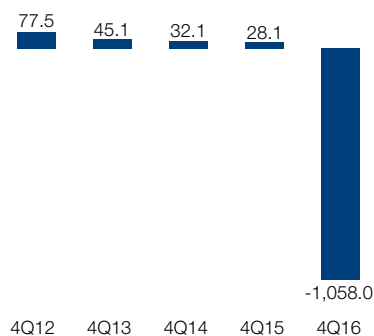
#### Gross Profits



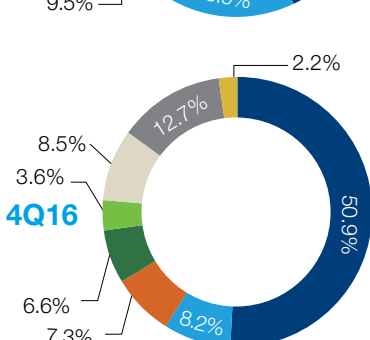
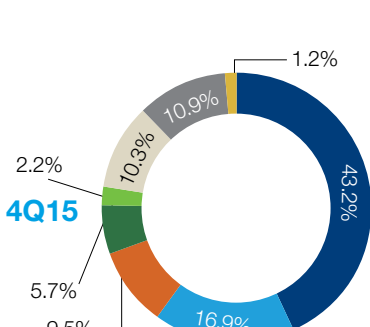
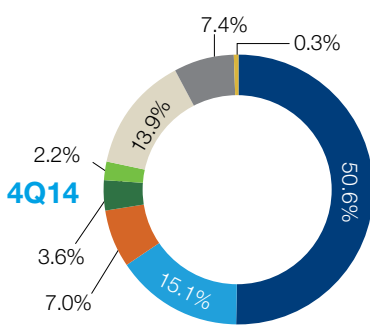
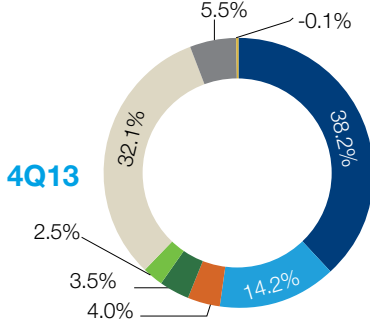
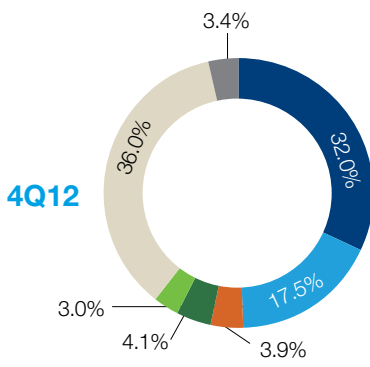
#### EBIT



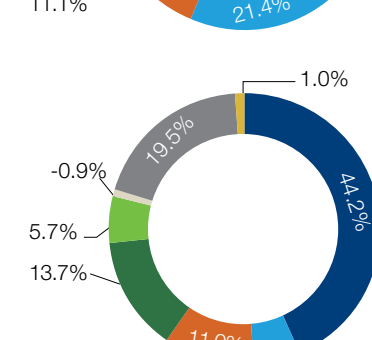
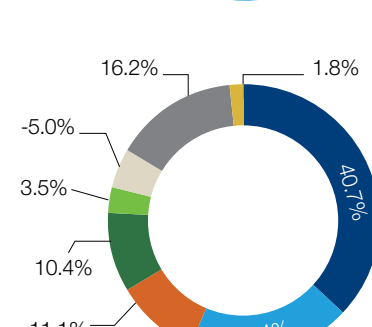
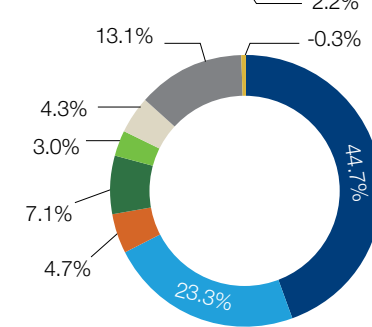
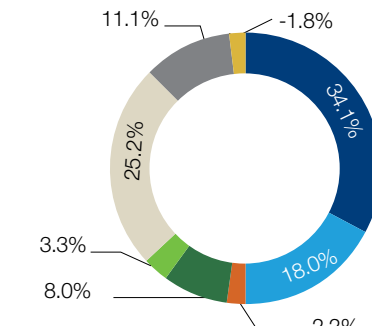
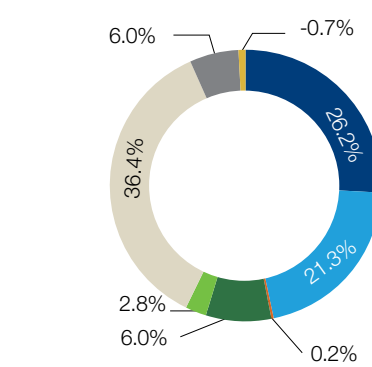
#### Net Income



### Revenue Contribution by Line of Business



### Gross Profit Contribution by Line of Business

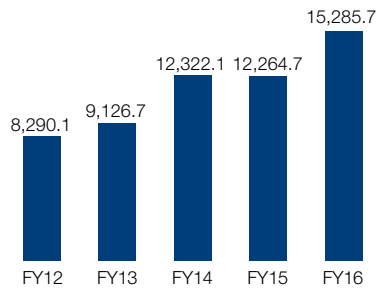


\* To allow for more clarity as GB Auto's business evolves, Management opted to review its method of business line reporting, by a) Separating its Egyptian operations from regional ones; and b) Separating After-Sales activities, reporting each of them as a standalone LOB.

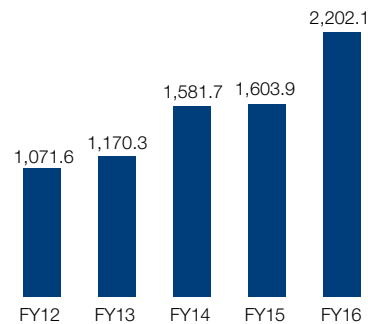
## Full Year 2016 at a Glance

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

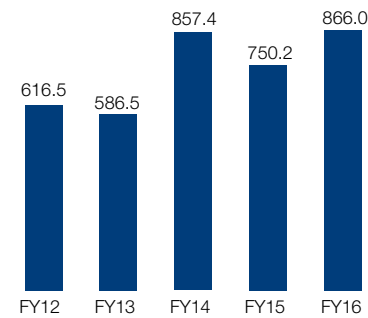
#### Revenues



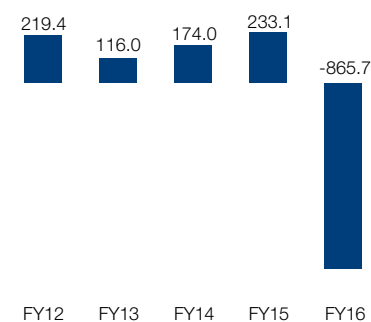
#### Gross Profits



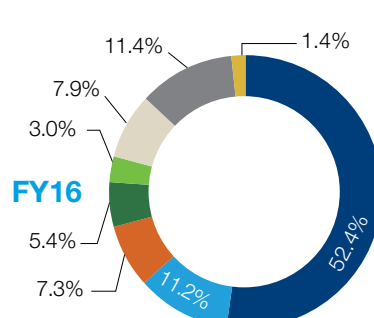
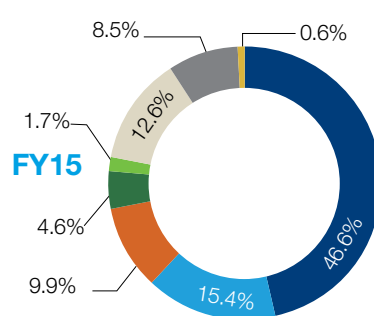
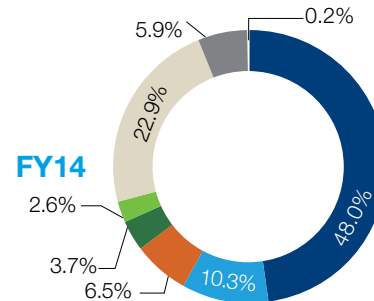
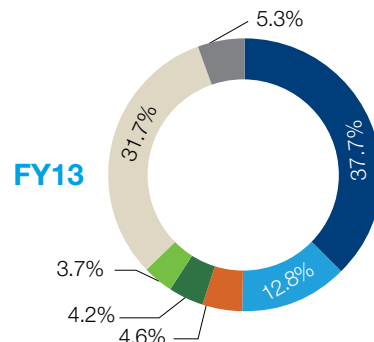
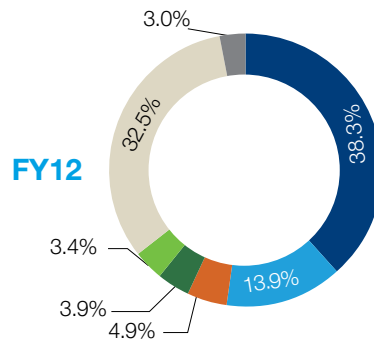
#### EBIT



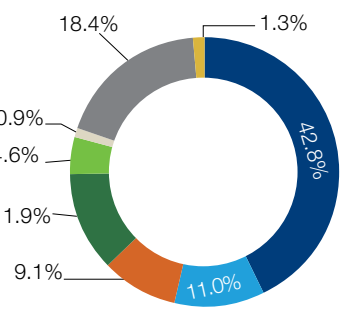
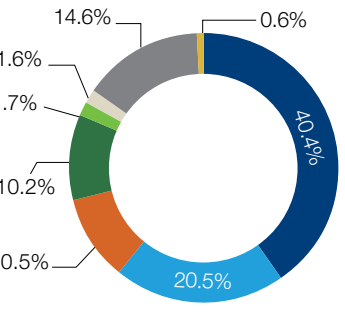
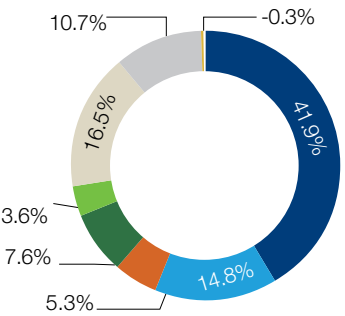
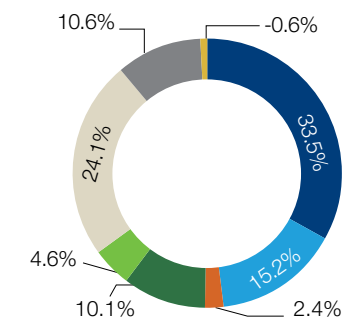
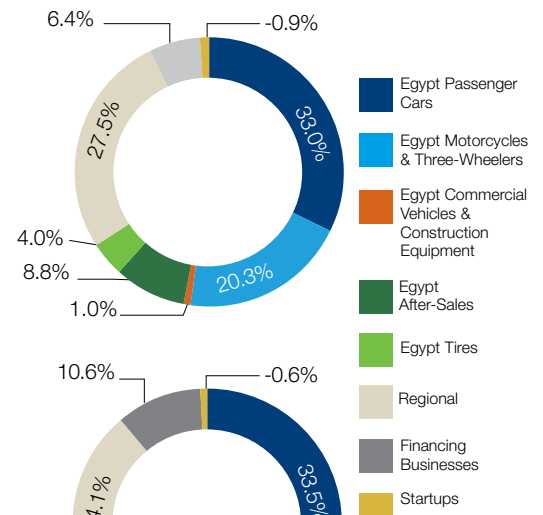
#### Net Income



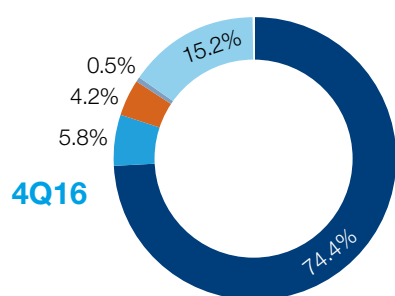
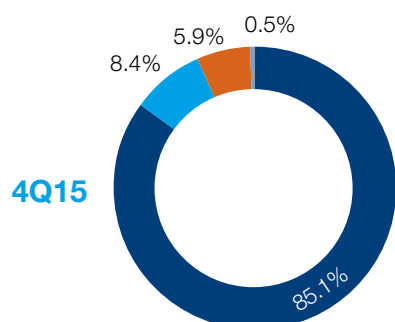
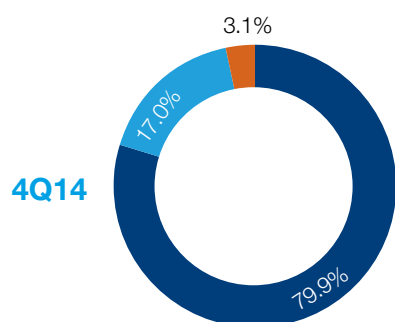
### Revenue Contribution by Line of Business



### Gross Profit Contribution by Line of Business



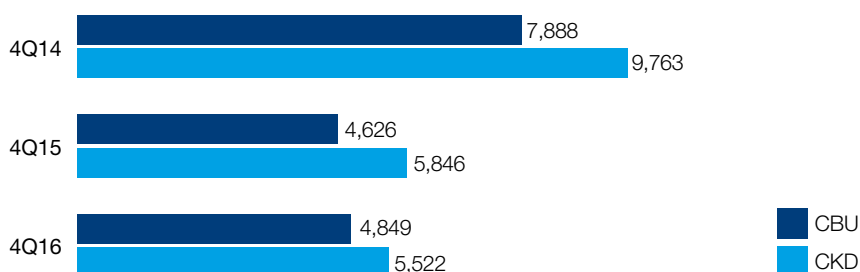
## Passenger Car Revenue Breakdown by Segment



## 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



- According to the Egyptian Automotive Marketing Information Council (AMIC)\*, the Egyptian Passenger Car market in FY16 saw sales volumes falling from 195,559 in FY15 to 141,983 units this year, representing a 27.4% y-o-y drop.
- GB Auto's share of the Egyptian passenger car market, which includes Hyundai, Geely Emgrand, Mazda, and Chery, rose to 36.8% YTD in December 2016 compared to 26.8% last year. In the fourth quarter, market share was 32.7% compared to 21.2% in 4Q15. The availability of inventory and competitive pricing strategies were key to GB Auto's success during the quarter.
- The fourth quarter of 2016 saw GB Auto's Passenger Cars division grow its sales revenues by 79.9% y-o-y to LE 2,090.7 million compared to LE 1,162.2 million in 4Q15, despite a 1.0% y-o-y drop in sales volume during the quarter. On a full-year basis, Passenger Car revenues recorded LE 8,016.1 million, up 40.3% y-o-y.
- While demand for passenger cars weakened during the year compared to previous years, mainly because of the continuing rise in vehicle prices, GB Auto was still able to grow its market share by capturing existing underserved demand after several players in the market reduced their stock levels in response to rising FX costs.
- GB Auto's management anticipated a decline in demand would naturally follow the Central Bank of Egypt's decision to float the Egyptian pound, and expects demand to remain relatively weak in the coming months. However, management believes consumers will soon adapt to the new price levels, with demand gradually picking up, when GB Auto will leverage its strong market position to capitalize on the long-term upside.
- The company's share of the Egyptian passenger car market, which includes Hyundai, Geely Emgrand, Mazda, and Chery, rose to 36.8% YTD in December 2016 compared to 26.8% last year. In the three months alone, market share was 32.7% compared to 21.2% in 4Q15. The availability of inventory and competitive pricing strategies were key to GB Auto's success during the quarter.

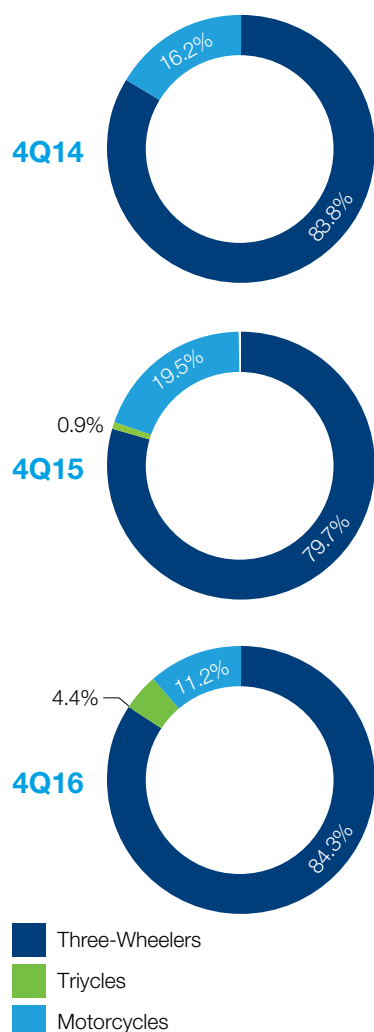
\*Please note that AMIC figures are based on individual companies willingly contributing / reporting their sales and that GB Auto cannot attest to their full accuracy nor guarantee that all companies operating in Egypt report to AMIC.

- Hyundai CBU sales volumes increased 12.7% y-o-y during the quarter, while its CKD sales volumes witnessed a 51.1% y-o-y drop. Overall revenues from the brand increased 31.1% y-o-y in FY16 and 57.2% in 4Q16, as the company had introduced gradual price increases to help preserve profitability and margins.
- The quarter saw revenues from Mazda sales rise 27.3% y-o-y despite volumes slipping 9.3% y-o-y. Over the year, the brand's revenues increased by 7.7% despite a 12.3% decline in volumes y-o-y in FY16.
- Geely's revenues in 4Q16 gained 22.7% y-o-y but fell 25.8% over FY16 as sales volumes for both its CBU and CKD units decreased during the year.
- 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 FY16, Chery's market share stood at 5.8% with over 8,000 units sold in its first year with GB Auto.
- 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**

|                            |                     | 4Q15           | 4Q16           | % Change<br>4Q15 v 4Q16 | FY15           | FY16           | % Change<br>FY15 v FY16 |
|----------------------------|---------------------|----------------|----------------|-------------------------|----------------|----------------|-------------------------|
| CBU Sales Volume (Hyundai) | (Units)             | 4,017          | 4,526          | 12.7%                   | 22,239         | 22,134         | -0.5%                   |
| CBU Sales Volume (Geely)   | (Units)             | 253            | -              | -                       | 1,430          | 6              | -99.6%                  |
| CBU Sales Volume (Mazda)   | (Units)             | 356            | 323            | -9.3%                   | 1,937          | 1,698          | -12.3%                  |
| CKD Sales Volume (Hyundai) | (Units)             | 4,688          | 2,294          | -51.1%                  | 21,356         | 16,330         | -23.5%                  |
| CKD Sales Volume (Chery)   | (Units)             | -              | 2,114          | -                       | -              | 8,176          | -                       |
| CKD Sales Volume (Karry)   | (Units)             | 84             | 127            | 51.2%                   | 618            | 463            | -25.1%                  |
| CKD Sales Volume (Geely)   | (Units)             | 1,074          | 987            | -8.1%                   | 5,744          | 3,899          | -32.1%                  |
| <b>Total Sales Volume</b>  | <b>(Units)</b>      | <b>10,472</b>  | <b>10,371</b>  | <b>-1.0%</b>            | <b>53,324</b>  | <b>52,706</b>  | <b>-1.2%</b>            |
| <b>Total Sales Revenue</b> | <b>(LE million)</b> | <b>1,162.2</b> | <b>2,090.7</b> | <b>79.9%</b>            | <b>5,713.1</b> | <b>8,016.1</b> | <b>40.3%</b>            |
| <b>Gross Profit</b>        | <b>(LE million)</b> | <b>170.7</b>   | <b>285.8</b>   | <b>67.5%</b>            | <b>647.9</b>   | <b>942.3</b>   | <b>45.4%</b>            |
| <i>Gross Profit Margin</i> | <i>(%)</i>          | <i>14.7%</i>   | <i>13.7%</i>   | <i>-1.0</i>             | <i>11.3%</i>   | <i>11.8%</i>   | <i>0.4</i>              |

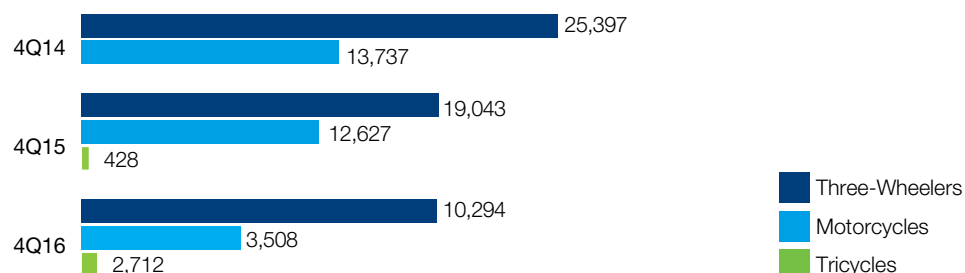
### Motorcycle & Three-Wheeler Revenue Breakdown by Segment



### 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



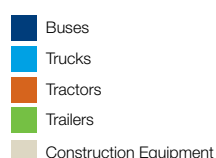
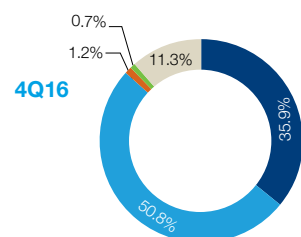
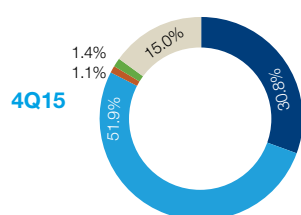
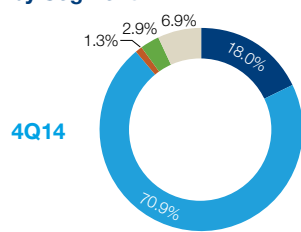
#### Motorcycles & Three-Wheelers

- Revenues from Motorcycles & Three-Wheelers in Egypt declined by 25.4% y-o-y in 4Q16 and 9.7% y-o-y on a full-year basis on the back of lower sales volumes, which came in 26.8% below FY15 levels.
- The float of the Egyptian pound adversely affected the segment's demand, particularly as prices had been gradually increased throughout the year and post the float.
- Margins for the division also decreased slightly during the quarter and the year, as the company opted not to fully pass on the sharp devaluation in the Egyptian pound against the US dollar.
- 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 is on track with the construction of a new component manufacturing hangers, and purchasing machines and equipment for new painting and welding shops.

Table 2: Egypt Motorcycle & Three-Wheeler Sales Activity

|                            |                     | 4Q15          | 4Q16          | % Change<br>4Q15 v 4Q16 | FY15           | FY16           | % Change<br>FY15 v FY16 |
|----------------------------|---------------------|---------------|---------------|-------------------------|----------------|----------------|-------------------------|
| Three-Wheeler Sales Volume | (Units)             | 19,043        | 10,294        | -45.9%                  | 85,183         | 65,988         | -22.5%                  |
| Tricycles Sales Volume     | (Units)             | 428           | 2,712         | -                       | 428            | 4,880          | -                       |
| Motorcycle Sales Volume    | (Units)             | 12,627        | 3,508         | -72.2%                  | 50,840         | 28,997         | -43.0%                  |
| <b>Total Sales Volume</b>  | <b>(Units)</b>      | <b>32,098</b> | <b>16,514</b> | <b>-48.6%</b>           | <b>136,451</b> | <b>99,865</b>  | <b>-26.8%</b>           |
| <b>Sales Revenue</b>       | <b>(LE million)</b> | <b>453.9</b>  | <b>338.7</b>  | <b>-25.4%</b>           | <b>1,892.5</b> | <b>1,708.2</b> | <b>-9.7%</b>            |
| <b>Gross Profit</b>        | <b>(LE million)</b> | <b>89.6</b>   | <b>37.8</b>   | <b>-57.8%</b>           | <b>328.7</b>   | <b>241.2</b>   | <b>-26.6%</b>           |
| <i>Gross Profit Margin</i> | <i>(%)</i>          | <i>19.7%</i>  | <i>11.2%</i>  | <i>-8.6</i>             | <i>17.4%</i>   | <i>14.1%</i>   | <i>-3.3</i>             |

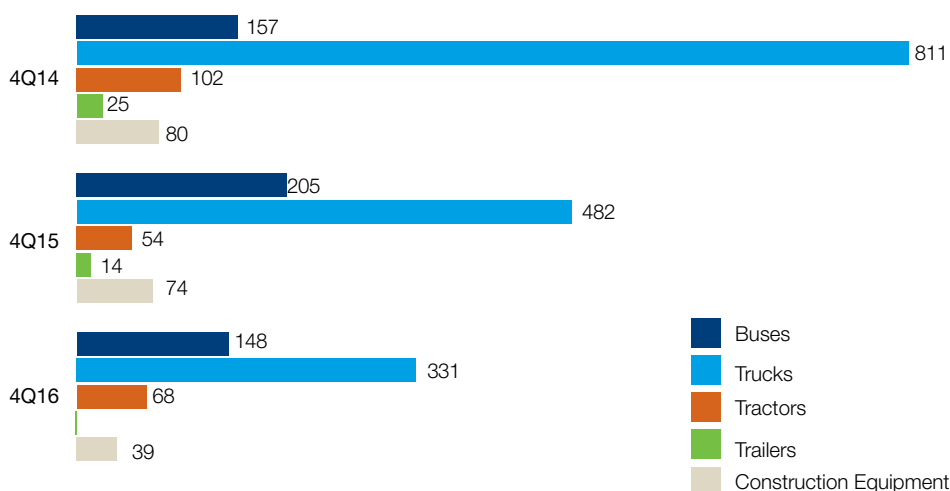
### Commercial Vehicles & Construction Equipment Revenue Breakdown by Segment



## Egypt Commercial Vehicles & Construction Equipment Line of Business

The Commercial Vehicles & Construction Equipment line of business offers a wide range of trucks and locally manufactured buses under exclusive distributorship agreements with Mitsubishi, Volvo, and Iveco. GB Auto manufactures and distributes semi-trailers and superstructures (i.e. oil and chemical tankers as well as concrete mixers). In Egypt, this line of business also distributes earth-moving equipment, road machinery, and power generators under distribution agreements with Volvo Construction, SDLG, and Aksa, as well as YTO tractors, and produces buses for domestic and export markets through GB Polo (a joint venture between Ghabbour and Marcopolo, the world's largest bus body manufacturer).

### Breakdown of Units Sold



- GB Auto's Commercial Vehicles & Construction Equipment line of business saw overall sales volume drop 29.4% y-o-y during the quarter and 15.6% y-o-y in FY16. Revenues increased 17.0% y-o-y to LE 299.1 million in 4Q16 but fell 8.5% y-o-y to LE 1,113.3 million for the full year.
- Gross profit increased by 54.1% y-o-y to LE 71.3 million during the quarter, gaining 20.0% y-o-y to LE 201.3 million throughout the year. 4Q16's gross profit margin stood at 23.8%, 5.7 percentage points higher than the same period last year, while FY16 saw a gross profit margin of 18.1% versus 13.8% in FY15.
- Buses significantly contributed to profitability this quarter, despite a drop in both sales volumes and revenues in FY16. GB Auto is expected to deliver 90 coaches for intercity usage worth LE 200 million in 1Q17. 4Q16 also saw the delivery of 10 Viaggio 1050 buses from GB Polo on Volvo B9R bus chassis, which is expected to see GB Auto occupy a leadership position in the city and intercity segments, overtaking Super Jet.
- GB Auto also penetrated the tourism segment after delivering coaches for companies TEZ and Carols, helping to boost the segment's performance in the coming period as tourism begins to show signs of recovery.

- GB Auto increased its share in GB Polo, its JV with global giant Marcopolo, to 80% from 51% previously, which is anticipated to boost future profitability as the company takes full control of the venture and bolsters its performance, with a focus on export potentials.
- Trucks also did well, with a 14.7% y-o-y increase in sales revenues to LE 152.1 million in 4Q16 and a 28.0% y-o-y rise in FY16 to LE 504.7 million due to a 10.0% y-o-y increase in volumes. The market also showed a healthy appetite for construction equipment during the quarter despite lower sales volumes.
- Trailer revenues slowed down in FY16 as sales volumes decreased 54.5% y-o-y. Management, however, expects improvements on this front, especially after the introduction of the new silos and tanks product lines.
- Management is positive on the division as a whole due to investments in infrastructure development, transport demand being pushed by the government, and a recovery in tourism activity.

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

|                                     |                     | 4Q15         | 4Q16         | % Change<br>4Q15 v 4Q16 | FY15           | FY16           | % Change<br>FY15 v FY16 |
|-------------------------------------|---------------------|--------------|--------------|-------------------------|----------------|----------------|-------------------------|
| Bus Sales Volume                    | (Units)             | 205          | 148          | -27.8%                  | 1,172          | 735            | -37.3%                  |
| Truck Sales Volume                  | (Units)             | 482          | 331          | -31.3%                  | 1,415          | 1,556          | 10.0%                   |
| Tractor Sales Volume                | (Units)             | 54           | 68           | 25.9%                   | 134            | 96             | -28.4%                  |
| Trailer Sales Volume                | (Units)             | 14           | -            | -                       | 224            | 102            | -54.5%                  |
| Construction Equipment Sales Volume | (Units)             | 74           | 39           | -47.3%                  | 222            | 185            | -16.7%                  |
| <b>Total Sales Volume</b>           | <b>(Units)</b>      | <b>829</b>   | <b>585</b>   | <b>-29.4%</b>           | <b>3,167</b>   | <b>2,674</b>   | <b>-15.6%</b>           |
| <b>Sales Revenue</b>                | <b>(LE million)</b> | <b>255.7</b> | <b>299.1</b> | <b>17.0%</b>            | <b>1,216.9</b> | <b>1,113.3</b> | <b>-8.5%</b>            |
| <b>Gross Profit</b>                 | <b>(LE million)</b> | <b>46.3</b>  | <b>71.3</b>  | <b>54.1%</b>            | <b>167.7</b>   | <b>201.3</b>   | <b>20.0%</b>            |
| <i>Gross Profit Margin</i>          | <i>(%)</i>          | <i>18.1%</i> | <i>23.8%</i> | <i>5.7</i>              | <i>13.8%</i>   | <i>18.1%</i>   | <i>4.3</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 during the year, with the Passenger Cars After-Sales division posting strong growth figures and healthy margins.
- The Passenger Cars After-Sales division continued its gradual growth, posting strong results for both 4Q16 and FY16. The division reported revenue and gross profit growth of 41.9% y-o-y and 46.5% y-o-y, respectively, for the full year.
- Customers continued to seek out car maintenance with GB Auto, translating to strong sales of all products, including engine and transmission performance support merchandise and services such as additives that increase vehicle life-time.
- After-Sales service centers have been running at higher-than-average capacity utilization rates to cope with this increasing demand. Going forward, GB Auto intends to continue expanding its branch network and upgrading its service centers to cater to an even larger demographic as the division comes into focus and increasingly contributes to group profitability.

### Motorcycles & Three-Wheelers

- The Motorcycles & Three-Wheelers After-Sales division reported substantial increases in both revenues and gross profit for 4Q16 and FY16.
- Revenues were 58.1% higher y-o-y, at LE 150.4 million in FY16, while gross profit surged 142.7% y-o-y to LE 40.5 million compared to LE 16.7 million in FY15.

### Commercial Vehicles & Construction Equipment

- The After-Sales division for Commercial Vehicles & Construction Equipment continued to record strong growth, with revenues standing at LE 160.8 million and gross profit LE 31.1 million in FY16. This was driven by continuous network expansion, with a new Suhag branch added in 2016 and branches to be added in Sharm El Sheikh and New Cairo in 2Q17.

**Table 4: Egypt After-Sales**

|                                                    |                     | 4Q15         | 4Q16         | % Change<br>4Q15 v 4Q16 | FY15         | FY16         | % Change<br>FY15 v FY16 |
|----------------------------------------------------|---------------------|--------------|--------------|-------------------------|--------------|--------------|-------------------------|
| Passenger Car Egypt After-Sales Revenue            | (LE million)        | 94.9         | 162.7        | 71.4%                   | 363.0        | 515.0        | 41.9%                   |
| Motorcycle & Three-Wheeler After-Sales Revenue     | (LE million)        | 27.7         | 53.9         | 94.3%                   | 95.1         | 150.4        | 58.1%                   |
| CV&CE After-Sales Revenue                          | (LE million)        | 31.1         | 55.8         | 79.6%                   | 111.0        | 160.8        | 44.9%                   |
| <b>Total Egypt After-Sales Revenue</b>             | <b>(LE million)</b> | <b>153.7</b> | <b>272.4</b> | <b>77.2%</b>            | <b>569.1</b> | <b>826.2</b> | <b>45.2%</b>            |
| <b>Total Egypt After-Sales Gross Profit</b>        | <b>(LE million)</b> | <b>43.4</b>  | <b>88.4</b>  | <b>-</b>                | <b>164.4</b> | <b>262.0</b> | <b>59.4%</b>            |
| <i>Total Egypt After-Sales Gross Profit Margin</i> | <i>(%)</i>          | <i>28.3%</i> | <i>32.4%</i> | <i>4.2</i>              | <i>28.9%</i> | <i>31.7%</i> | <i>2.8</i>              |

## Egypt Tires Line of Business

*GB Auto is the sole distributor of a number of quality brands manufactured by top tire players including Yokohama, Lassa, Double Coin, and Westlake. More recently, the company launched its own brand "Verde".*

- Having added both Double Coin and Westlake tires to its portfolio, the Tires Division continued to outperform in terms of both revenue and profitability in the fourth quarter of 2016, posting revenues of LE 147.6 million compared to LE 59.8 million in the same period last year, up 146.8%. Gross profit margin stood at a solid 24.9% in 4Q16 compared to 24.5% in 4Q15.
- On a full-year basis, sales revenues from the division rose by 127.6% to LE 462.5 million from LE 203.2 million in FY15. Gross profit came in almost 4x higher y-o-y at LE 101.3 million vs. LE 27.5 million last year, with a margin of 21.9%.
- GB Auto continues to perform positively in the Egyptian Agro tire market with its own brand Verde and confirms its target to reach a 20% market share in 1H17. As anticipated, Verde will be launched in the Algerian market in 1Q17.
- The Tires Division continued to pursue its expansion strategy by extending its business cooperation with ZC Rubber, one of the top 10 worldwide tire manufacturers, and acquiring the distribution of Westlake Heavy Truck tires in Egypt. Westlake Heavy Truck tires enjoy a solid product quality reputation in the region and will be a fundamental partner to acquire shares in growing value segments. GB Auto is currently negotiating the distributorship of a couple of reputable brands to reinforce its brand portfolio in Egypt and Algeria.
- Due to the LOB's stellar performance during the year despite strained FX supply, management remains committed to this division and will continue to increase our supply of tires and expand our brand representations.

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

|                             |                     | 4Q15        | 4Q16         | % Change<br>4Q15 v 4Q16 | FY15         | FY16         | % Change<br>FY15 v FY16 |
|-----------------------------|---------------------|-------------|--------------|-------------------------|--------------|--------------|-------------------------|
| <b>Total Sales Revenues</b> | <b>(LE million)</b> | <b>59.8</b> | <b>147.6</b> | <b>-</b>                | <b>203.2</b> | <b>462.5</b> | <b>-</b>                |
| <b>Total Gross Profit</b>   | <b>(LE million)</b> | <b>14.7</b> | <b>36.7</b>  | <b>-</b>                | <b>27.5</b>  | <b>101.3</b> | <b>-</b>                |
| Gross Margin                | (%)                 | 24.5%       | 24.9%        | 0.3                     | 13.6%        | 21.9%        | 8.4                     |

## 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

- Challenges in the Iraqi market continued to impact market demand for passenger cars, which dropped significantly compared to previous years. Despite this, revenues from the division increased 26.4% y-o-y in 4Q16.
- The After-Sales division, however, delivered promising results, with revenues up 66.7% y-o-y to LE 107.1 million during the year versus LE 64.3 million in FY15.
- The company managed to reduce losses by almost 40% during the year by hedging against all downside scenarios. Management, however, remains watchful of the political, economic, and security developments on the ground and is considering contingency scenarios should losses from this market continue into the near future.

#### Algeria

- GB Auto's Algerian operations were impacted by low volumes, with revenue dropping 65.3% y-o-y in FY16 on total sales volumes of LE 25.7 million. Revenue for the After-Sales division, however, gained 59.0% y-o-y.

### Motorcycles & Three-Wheelers

#### Iraq

- Results from Iraqi operations were promising, showing considerable growth y-o-y in terms of both sales volumes, up 118.2% y-o-y, and revenues, up 223.7% y-o-y.

#### Tires

- GB Auto's Regional Tires division reported a decrease in revenues during FY16 but an increase of 25.8% y-o-y in 4Q16 at LE 38.6 million.
- Jordan operations are performing well at both the top- and bottom-line levels while the Iraq business is still suffering from severe market conditions. Management expects to see the Regional division of this LOB to show improvement going forward compared to the last two years.

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

|                                   |              | 4Q15  | 4Q16  | % Change<br>4Q15 v 4Q16 | FY15    | FY16    | % Change<br>FY15 v FY16 |
|-----------------------------------|--------------|-------|-------|-------------------------|---------|---------|-------------------------|
| <b>Total Regions Revenue</b>      | (LE million) | 276.6 | 350.8 | 26.8%                   | 1,544.6 | 1,201.4 | -22.2%                  |
| <b>Total Regions Gross Profit</b> | (LE million) | -21.1 | -5.7  | -73.1%                  | 25.0    | 19.6    | -21.4%                  |
| <b>Total Regions Gross Margin</b> | (%)          | -7.6% | -1.6% | 6.0                     | 1.6%    | 1.6%    | -                       |

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

|                                              |              | 4Q15   | 4Q16  | % Change<br>4Q15 v 4Q16 | FY15    | FY16    | % Change<br>FY15 v FY16 |
|----------------------------------------------|--------------|--------|-------|-------------------------|---------|---------|-------------------------|
| <b>Total Sales Volume</b>                    | (Units)      | 1,779  | 1,199 | -32.6%                  | 10,985  | 5,606   | -49.0%                  |
| <b>Sales Revenue</b>                         | (LE million) | 189.0  | 239.0 | 26.4%                   | 1,230.4 | 897.8   | -27.0%                  |
| <b>Gross Profit</b>                          | (LE million) | -22.6  | -18.0 | -20.1%                  | 1.8     | -19.3   | -                       |
| <i>Gross Profit Margin</i>                   | (%)          | -11.9% | -7.5% | 4.4                     | 0.1%    | -2.1%   | -2.3                    |
| <b>After-Sales Revenue</b>                   | (LE million) | 15.4   | 40.6  | -                       | 64.3    | 107.1   | 66.7%                   |
| <b>After-Sales Gross Profit</b>              | (LE million) | 5.2    | 11.0  | -                       | 19.3    | 30.6    | 58.7%                   |
| <i>After-Sales Gross Profit Margin</i>       | (%)          | 34.1%  | 27.0% | -7.1                    | 30.0%   | 28.6%   | -1.4                    |
| <b>Total Iraq Passenger Car Revenues</b>     | (LE million) | 204.4  | 279.6 | 36.8%                   | 1,294.7 | 1,004.9 | -22.4%                  |
| <b>Total Iraq Passenger Car Gross Profit</b> | (LE million) | -17.3  | -7.1  | -59.2%                  | 21.1    | 11.4    | -46.2%                  |
| <b>Passenger Car Iraq Gross Margin</b>       | (%)          | -8.5%  | -2.5% | 6.0                     | 1.6%    | 1.1%    | -0.5                    |

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

|                                                 |              | 4Q15  | 4Q16   | % Change<br>4Q15 v 4Q16 | FY15  | FY16   | % Change<br>FY15 v FY16 |
|-------------------------------------------------|--------------|-------|--------|-------------------------|-------|--------|-------------------------|
| <b>Total Sales Volume</b>                       | (Units)      | 358   | -      | -                       | 1,278 | 398    | -68.9%                  |
| <b>Sales Revenue</b>                            | (LE million) | 21.1  | -      | -                       | 74.1  | 25.7   | -65.3%                  |
| <b>Gross Profit</b>                             | (LE million) | 1.6   | -      | -                       | 5.4   | 2.6    | -51.4%                  |
| <i>Gross Profit Margin</i>                      | (%)          | 7.8%  | -      | -                       | 7.3%  | 10.2%  | 2.9                     |
| <b>After-Sales Revenue</b>                      | (LE million) | 1.6   | 5.1    | -                       | 6.7   | 10.6   | 58.9%                   |
| <b>After-Sales Gross Profit</b>                 | (LE million) | 0.5   | -3.0   | -                       | 1.4   | -2.0   | -                       |
| <i>After-Sales Gross Profit Margin</i>          | (%)          | 31.0% | -58.3% | -89.3                   | 21.5% | -19.2% | -40.7                   |
| <b>Total Algeria Passenger Car Revenues</b>     | (LE million) | 22.7  | 5.1    | -77.7%                  | 80.7  | 36.3   | -55.0%                  |
| <b>Total Algeria Passenger Car Gross Profit</b> | (LE million) | 2.2   | -3.0   | -                       | 6.8   | 0.6    | -91.5%                  |
| <b>Passenger Car Algeria Gross Margin</b>       | (%)          | 9.5%  | -59.2% | -68.7                   | 8.4%  | 1.6%   | -6.8                    |

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

|                                                          |              | 4Q15  | 4Q16  | % Change<br>4Q15 v 4Q16 | FY15  | FY16  | % Change<br>FY15 v FY16 |
|----------------------------------------------------------|--------------|-------|-------|-------------------------|-------|-------|-------------------------|
| Three-Wheeler Sales Volume                               | (Units)      | 297   | 544   | 83.2%                   | 625   | 1,499 | -                       |
| Motorcycle Sales Volume                                  | (Units)      | 38    | 136   | -                       | 225   | 356   | 58.2%                   |
| <b>Total Sales Volume</b>                                | (Units)      | 335   | 680   | -                       | 850   | 1,855 | -                       |
| <b>Sales Revenue</b>                                     | (LE million) | 4.3   | 14.7  | -                       | 9.5   | 30.9  | -                       |
| <b>Gross Profit</b>                                      | (LE million) | 0.7   | 3.5   | -                       | 1.3   | 6.4   | -                       |
| <i>Gross Profit Margin</i>                               | (%)          | 17.0% | 24.1% | 7.1                     | 13.6% | 20.9% | 7.3                     |
| <b>Total Motorcycle &amp; Three-Wheeler Revenues</b>     | (LE million) | 4.3   | 14.7  | -                       | 9.5   | 30.9  | -                       |
| <b>Total Motorcycle &amp; Three-Wheeler Gross Profit</b> | (LE million) | 0.7   | 3.5   | -                       | 1.3   | 6.4   | -                       |
| <b>Motorcycle &amp; Three-Wheeler Gross Margin</b>       | (%)          | 17.0% | 24.1% | 7.1                     | 13.6% | 20.9% | 7.3                     |

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

|                             |              | 4Q15 | 4Q16 | % Change<br>4Q15 v 4Q16 | FY15  | FY16  | % Change<br>FY15 v FY16 |
|-----------------------------|--------------|------|------|-------------------------|-------|-------|-------------------------|
| <b>Total Sales Revenues</b> | (LE million) | 30.7 | 38.6 | 25.8%                   | 121.2 | 102.7 | -15.2%                  |
| <b>Total Gross Profit</b>   | (LE million) | 2.3  | 1.7  | -24.7%                  | 8.5   | 4.4   | -48.3%                  |
| <i>Gross Margin</i>         | (%)          | 7.4% | 4.4% | -3.0                    | 7.0%  | 4.3%  | -2.7                    |

## 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.*

- The Financing Businesses continued its upward trend in 4Q16 and FY16, with overall revenues for the year up 66.3% y-o-y to LE 1,739.6 million compared to LE 1,046.2 million last year.
- Total gross profit gained 73.2% y-o-y to LE 404.9 million versus LE 233.8 million in FY15. Gross profit margin rose 0.9 percentage points to 23.3% at the end of the year. 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 overall Financing Businesses maintained a healthy loan portfolio quality, with non-performing loans at 0.42% and a coverage ratio in excess of 100%. ROAE stood at 29.8%.
- Overall, management expects the division will continue to outperform in 2017.
- 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 the amount of debt incurred and the tenor of such debt by any company. All companies under GB Capital remain strongly under-leveraged compared to industry norms and regulatory caps which, in light of the nature of the business (especially for GB Lease, Drive, and Tasaheel), allow the companies to borrow up to 8x shareholders' equity. Total leverage for the Financing Businesses stood at 3.74x as of 31 December, 2016.

- **GB Lease** maintained its strong performance and market foothold in FY16, reporting a 63.9% y-o-y rise in gross revenues at LE 474 million\*. 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, including real estate, automotive, production lines and other asset classes. Tenor is medium term, and the company's focus is on risk diversification by asset class, industry sector, and clients. It operates prudent risk management practices with respect to provisions and risk recognition. According the Egyptian Financial Supervisory Authority (EFSA), GB Lease was third in terms of market share during the year at 10.7%, preceded by the first player at 15.3% and the second at 10.8%.
- **Mashroey** realized the second-highest top line in the Financing Businesses (after Drive), recording LE 649 million\*, with a growth of 11.9% y-o-y in FY16. The company maintains a healthy portfolio and an extensive product base, with the bulk of its portfolio geared toward asset-based lending to finance the purchase of tuk-tuks and tricycles, 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** continued to deliver strong results, posting the highest top line for the Financing Businesses at LE 1,263.4 million\*, an increase of 83.5% y-o-y for FY16. Drive provides factoring services to a well-diversified client base, ranging from business-to-business (SMEs) to business-to-consumer (retail). The company continues to expand its factoring solutions, offering innovative financing products. Operating under a robust credit policy, the company's portfolio tenor is predominately medium term. It operates out of two locations, a head office in Cairo and a branch in Alexandria. According to EFSA, Drive ended the year with the third-highest market share at 18.1%, preceded by the first place, bank-owned market player at 55.6% and the second at 19.1%.
- **Haram Tourism Transport "HTT"** maintained its gradual growth, with a 2.5% y-o-y increase in gross revenue for FY16 at LE 26.4 million\*. HTT is a car rental company, operating on a quasi-operational lease basis and serves a select range of top-tier industrial, service, and multinational companies. Its service agreements are tailored and entail acquisition, registration, insurance and maintenance of vehicles, with third-party insurance in place. Average tenor of the portfolio is three years.
- **Tasaheel**, GB Capital's most recent financing venture, recorded an exponential increase in its top line in FY16 at LE 65.8 million\*. 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. It operates a nationwide network of 65 branches; with plans to further substantially expand its branch network.
- GB Lease, Drive, and Tasaheel are regulated under EFSA.
- Management notes that as Mashroey, Drive, and HTT 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 7 (below).

**Table 7: Financing Businesses Activity\***

|                                                            |                     | 4Q15         | 4Q16         | % Change<br>4Q15 v<br>4Q16 | FY15           | FY16           | % Change<br>FY15 v<br>FY16 |
|------------------------------------------------------------|---------------------|--------------|--------------|----------------------------|----------------|----------------|----------------------------|
| <b>Total Sales Revenues After Intercompany Elimination</b> | <b>(LE million)</b> | <b>294.4</b> | <b>521.4</b> | <b>77.1%</b>               | <b>1,046.2</b> | <b>1,739.6</b> | <b>66.3%</b>               |
| <b>Total Gross Profit</b>                                  | <b>(LE million)</b> | <b>67.9</b>  | <b>126.3</b> | <b>86.0%</b>               | <b>233.8</b>   | <b>404.9</b>   | <b>73.2%</b>               |
| Gross Margin                                               | (%)                 | 23.1%        | 24.2%        | 1.2                        | 22.3%          | 23.3%          | 0.9                        |

\* Please note that total revenues are before intercompany elimination.

## Startups

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

- **PAL** operations grew their revenues 84.6% y-o-y in FY16 to LE 62.7 million compared to LE 33.9 million in FY15. The division has been exhibiting steady growth since its launch, but has recently faced stiffer competition from multi-national counterparts who produce locally and are not subject to the same FX challenges. However, GB Auto signed an agreement with Shell in 2016 to supply GB Auto's After-Sales service centers, across its brand portfolio, with motor oil, which is expected to boost the company's bottom line.
- **Fabrika** recorded sales revenue increases of 259.4% and 184.1% y-o-y for 4Q16 and FY16, respectively, with its top line coming in at LE 119.3 million compared to LE 42.0 million last year. It is worth noting that the business began recording net operating profits for the first time in 1Q16 and has remained on a steady path of growth since, with GB Auto continuously expanding its product and services offerings. Management is currently in the process of developing an incentive scheme that is expected to further boost the division's operational and financial performance.
- GB Auto's Pre-owned CV&CE venture, GB for Heavy Trucks and Construction Equipment Trading, yielded promising results during its first six months in operation, with revenues of LE 33.3 million and gross profit of LE 4.0 million.
- **Tires & More - 360** GB Auto's new After-Sales retail outlets made minor losses despite healthy margins during the year due to profits being cut into by overheads as only one branch remained operational during the year. 360 stores offer a range of PC tires, batteries, lubricants, spare parts and car parts and accessories. It also provides related services such as tires and battery installation, oil and filter changing, in addition to some light mechanical services.
- Gross profit from overall startup operations in FY16 was up an impressive 229.5% at LE 29.6 million, with the gross profit margin increasing 2.2 percentage points to 13.5%.

**Table 8: Other Sales Activity**

|                                  |                     | 4Q15        | 4Q16        | % Change<br>4Q15 v 4Q16 | FY15        | FY16         | % Change<br>FY15 v FY16 |
|----------------------------------|---------------------|-------------|-------------|-------------------------|-------------|--------------|-------------------------|
| Transport Business Revenues      | (LE million)        | 0.8         | 0.9         | 11.8%                   | 3.1         | 2.4          | -23.2%                  |
| Lubricants Sales Revenue         | (LE million)        | 18.7        | 17.1        | -8.7%                   | 33.9        | 62.7         | 84.6%                   |
| Retail Sales Revenue             | (LE million)        | -           | 0.5         | -                       | -           | 0.9          | -                       |
| Pre-Owned CV & CE Revenue        | (LE million)        | -           | 23.3        | -                       | -           | 33.3         | -                       |
| Pre-Owned Passenger Cars Revenue | (LE million)        | 13.4        | 48.2        | -                       | 42.0        | 119.3        | -                       |
| <b>Total Sales Revenues</b>      | <b>(LE million)</b> | <b>32.9</b> | <b>90.0</b> | <b>-</b>                | <b>79.0</b> | <b>218.5</b> | <b>-</b>                |
| Transport Business Gross Profits | (LE million)        | -1.7        | 0.4         | -                       | -6.9        | 1.1          | -                       |
| Lubricants Gross Profit          | (LE million)        | 8.1         | -0.4        | -                       | 13.5        | 16.1         | 19.8%                   |
| Retail Gross Profit              | (LE million)        | -           | 0.1         | -                       | -           | 0.1          | -                       |
| Pre-Owned CV & CE Revenue        | (LE million)        | -           | 2.6         | -                       | -           | 4.1          | -                       |
| Pre-Owned Vehicles Gross Profit  | (LE million)        | 0.9         | 4.0         | -                       | 2.4         | 8.1          | -                       |
| <b>Total Gross Profit</b>        | <b>(LE million)</b> | <b>7.3</b>  | <b>6.8</b>  | <b>-8.0%</b>            | <b>9.0</b>  | <b>29.6</b>  | <b>-</b>                |
| Gross Margin                     | (%)                 | 22.4%       | 7.5%        | -14.8                   | 11.3%       | 13.5%        | 2.2                     |

“ We expect to return to more normal, lower inventory level in the next couple of quarters, with cash flow levels set to improve significantly. ”

## Financial Position and Working Capital Management

GB Auto's overall annual sales revenues increased by 24.6% y-o-y in FY16 owing to the company's competitive pricing power amidst an inflationary environment. On a quarterly basis, however, 4Q16 witnessed increased pressures relative to the three preceding quarters where the float of the Egyptian pound on 3 November 2016 diminished consumers' purchasing power and applied downward pressure on demand during the final two months of the year — with volumes declining relative to the record unit sales and strong revenues across all division during October 2016. Nevertheless, GB Auto closed 4Q16 having recorded a 52.9% y-o-y increase in sales versus 4Q15.

Operating profit grew more than revenues, recording a c.40% y-o-y increase to LE 1.0 billion in FY16 versus the LE 742 million posted in the previous year. However, improved profitability was offset by a number of charges, including FX losses of LE 1.2 billion that are predominantly a non-cash expense recorded following the revaluation of foreign currency exposure, which stood at USD 106.6 million on 31 December 2016. Additionally, the Group recorded an increase in finance cost owing to official interest rates hikes (+5.5% versus last year), reaching LE 642 million in FY16 as well as incurring additional working capital requirements for day-to-day operations.

Following the devaluation in November and with weakened market demand, cash levels were pressured as the company continued to accumulate inventory while sales were significantly slower. The Group's market leadership was successfully expanded, with GB Auto's market share having increased to c.36.8% for the full year 2016 versus 26.8% in 2015.

The group's net debt stood at LE 7.5 billion, an increase of LE 1.5 billion compared to 3Q16. Net debt / equity was maintained at c.1.5x as at 31 December 2016 compared to 1.40x at the end of September 2016. During the quarter, total consolidated debt increased to LE 8.7 billion compared to LE 6.7 billion in 3Q16, which includes LE 2.5 billion in financing business debt as we continue to expand our healthy financing operations.

Overall, GB Auto maintained its strong position within the market compared to its rivals and continues to do so despite the higher-than-usual inventory level at the close of the year. We expect to return to more normal, lower level in the next couple of quarters, with cash flow levels set to improve significantly with the high inventory during the year.

## Latest Corporate Developments

### 1) GB Auto invests USD 50,000 in collaboration with Takreem

GB Auto invested USD 50,000 in a collaboration with Takreem, which identifies and honors Arabs who have excelled in their field and inspired others in their quest for cultural, educational, scientific, environmental, humanitarian, social and economic excellence. The honorees were recognized and their achievements celebrated during Takreem's annual Arab Achievement Awards Ceremony.

## Outlook

Despite the challenging macroeconomic headwinds that characterized 2016, GB Auto continues to believe in the strong fundamentals of the Egyptian economy, which are cornerstones of the long-term growth of our industry. The Central Bank of Egypt's liberalization of the Egyptian pound in 2016 has undoubtedly had short-term downsides for the market, but as signs begin to emerge that the automotive industry is on the road to recovery, GB Auto remains optimistic about the long-term outlook for the economy and its industry.

The value of the Egyptian pound is just one of the issues GB Auto will be assessing on a regular basis going forward as we expect the exchange rate to continue to be volatile throughout the year and into 2018. The unpredictability is not only set to cause profitability to vary, but have a marked impact on consumer spending, particularly in the current highly inflationary environment. We plan to bring inventory back down to historical days-on-hand.

We also expect the diversity of our product portfolio will play in our favor, with our Commercial Vehicles & Construction Equipment, After-Sales, and Financing Businesses delivering solid performances as the Passenger Car and Motorcycle and Three-Wheeler businesses recover. In addition, management continues to place emphasis on efficiency and operating in a resourceful manner throughout its lines of business. Management expects to see the Automotive Directive, a legislation that aims to benefit local assemblers and open up new opportunities for GB Auto and other local producers, finalized before the end of 2017.

In the Passenger Car segment, management acknowledges the downside risk to the line of business due to the float of the Egyptian pound and how the move has impacted consumer demand. As it did throughout 2016, GB Auto plans to continue formulating cost-cutting schemes and pricing policies that will preserve margins and allow the company to leverage its leading market position and capitalize on the long-term upside. We also believe consumers will soon adapt to the new price realities and expect demand to pick up and return to close-to-normal sales levels before the end of the year.

Motorcycles and Three-Wheelers are anticipated to make an even faster recovery than Passenger Cars as the segment serves both consumer demand for transportation in areas where there is little to none and is also revenue-generating for its clientele. Performance is expected to begin to pick up starting 2Q17 and the LOB should make a solid recovery going forward.

We are strong believers in the Commercial Vehicles & Construction Equipment line of business due to the ramp-up in investments in infrastructure development in Egypt and the government turning its attention to transport demand. GB Auto

*“ The value of the Egyptian pound is just one of the issues GB Auto will be assessing on a regular basis going forward as we expect the exchange rate to continue to be volatile throughout the year and into 2018. ”*

*“ GB Auto plans to continue formulating cost-cutting schemes and pricing policies, taking advantage of its pricing power to preserve margins and allow the company to leverage its leading market position and capitalize on the long-term upside. ”*

has already secured a leadership position in the city and intercity segments in 2016 with its successful intercity vehicle deliveries throughout the year. GB Auto is also set to benefit from the steady recovery in tourism activity after having to re-penetrate the market in 2016.

GB Auto's After-Sales division is one that has come into particular focus during the year, having performed exceptionally well as customers maintain their current vehicles through GB Auto's network amid concerns about the price of replacement vehicles. The segment is expected to continue providing a cushioning against hits taken by other lines of business and boosting the company's profitability in 2017 and beyond.

The Tire division should also see an uptick going forward, with solid performance seen in 2016 despite strained foreign currency supply. GB Auto introduced in May its own brand Verde, added representations such as Double Coin and Westlake, and extended its business cooperation with ZC Rubber, proving that it remains committed to the segment and plans to expand its tire supply and boost brand representations in the future.

Meanwhile, our Financing Business is expected to continue outperforming in the coming year after having delivered strong results in FY16 that buoyed the company's profitability.

As for the company's regional activities, GB Auto continues to take a measured approach to this line of business, opting for long-term growth rather than short-term payoffs.

In Algeria, the company is adjusting to regulatory reforms to see its operations ramp-up once more, with tire representations continuing to be received well.

The Iraqi market continued to be pressured into 2017, having experienced turbulent market conditions throughout 2016. It is likely turmoil will remain a feature of the Iraqi market for some time, but private-sector actors who stay the course will be ideally positioned to benefit from a potential turnaround.

Finally, we note that guidance going forward remains subject to change in light of fluctuating 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 |                 |               | Twelve Months Ended |                 |              |
|------------------------------------------------------------------|--------------------|-----------------|---------------|---------------------|-----------------|--------------|
|                                                                  | 4Q15               | 4Q16            | % Change      | FY15                | FY16            | % Change     |
| Egypt Passenger Cars Revenues                                    | 1,162.2            | 2,090.7         | 79.9%         | 5,713.1             | 8,016.1         | 40.3%        |
| Egypt Motorcycles & Three-Wheelers Revenues                      | 453.9              | 338.7           | -25.4%        | 1,892.5             | 1,708.2         | -9.7%        |
| Egypt Commercial Vehicles & Construction Equipment Revenues      | 255.7              | 299.1           | 17.0%         | 1,216.9             | 1,113.3         | -8.5%        |
| Egypt Tires Revenues                                             | 59.8               | 147.6           | -             | 203.2               | 462.5           | -            |
| Financing Businesses Revenues                                    | 294.4              | 521.4           | 77.1%         | 1,046.2             | 1,739.6         | 66.3%        |
| Egypt After-Sales Revenues                                       | 153.7              | 272.4           | 77.2%         | 569.1               | 826.2           | 45.2%        |
| Regional Revenues                                                | 276.6              | 350.8           | 26.8%         | 1,544.6             | 1,201.4         | -22.2%       |
| Others Revenues                                                  | 32.9               | 90.0            | -             | 79.0                | 218.5           | -            |
| <b>Total Sales Revenues</b>                                      | <b>2,689.3</b>     | <b>4,110.8</b>  | <b>52.9%</b>  | <b>12,264.7</b>     | <b>15,285.7</b> | <b>24.6%</b> |
| <b>Gross Profit</b>                                              |                    |                 |               |                     |                 |              |
| Egypt Passenger Cars Gross Profits                               | 170.7              | 285.8           | 67.5%         | 647.9               | 942.3           | 45.4%        |
| Egypt Motorcycles & Three-Wheelers Gross Profits                 | 89.6               | 37.8            | -57.8%        | 328.7               | 241.2           | -26.6%       |
| Egypt Commercial Vehicles & Construction Equipment Gross Profits | 46.3               | 71.3            | 54.1%         | 167.7               | 201.3           | 20.0%        |
| Egypt Tires Gross Profits                                        | 14.7               | 36.7            | -             | 27.5                | 101.3           | -            |
| Financing Businesses Gross Profits                               | 67.9               | 126.3           | 86.0%         | 233.8               | 404.9           | 73.2%        |
| Egypt After-Sales Gross Profits                                  | 43.4               | 88.4            | -             | 164.4               | 262.0           | 59.4%        |
| Regional Gross Profits                                           | -21.1              | -5.7            | -73.1%        | 25.0                | 19.6            | -21.4%       |
| Others Gross Profits                                             | 7.3                | 6.8             | -8.0%         | 9.0                 | 29.6            | -            |
| <b>Total Gross Profit</b>                                        | <b>418.8</b>       | <b>647.4</b>    | <b>54.6%</b>  | <b>1,603.9</b>      | <b>2,202.1</b>  | <b>37.3%</b> |
| Gross Profit Margin                                              | 15.6%              | 15.7%           | 0.2           | 13.1%               | 14.4%           | 1.3          |
| Selling and Marketing                                            | -178.9             | -291.4          | 62.9%         | -551.9              | -744.6          | 34.9%        |
| Administration Expenses                                          | -69.7              | -195.4          | -             | -343.7              | -455.0          | 32.4%        |
| Other Income (Expenses)                                          | 8.9                | 12.1            | 35.9%         | 33.3                | 29.9            | -10.2%       |
| <b>Operating Profit</b>                                          | <b>179.2</b>       | <b>172.6</b>    | <b>-3.6%</b>  | <b>741.6</b>        | <b>1,032.4</b>  | <b>39.2%</b> |
| Operating Profit Margin (%)                                      | 6.7%               | 4.2%            | -2.5          | 6.0%                | 6.8%            | 0.7          |
| Net Provisions and Non-Operating                                 | -49.0              | -147.3          | -             | -78.8               | -166.4          | -            |
| FV of Investment Property                                        | -                  | -               | -             | 87.3                | -               | -            |
| <b>EBIT</b>                                                      | <b>130.1</b>       | <b>25.4</b>     | <b>-80.5%</b> | <b>750.2</b>        | <b>866.0</b>    | <b>15.4%</b> |
| EBIT Margin (%)                                                  | 4.8%               | 0.6%            | -4.2          | 6.1%                | 5.7%            | -0.5         |
| Foreign Exchange Gains (Losses)                                  | -60.2              | -1,063.7        | -             | -175.4              | -1,211.6        | -            |
| Net Finance Cost                                                 | -83.8              | -215.6          | -             | -337.8              | -641.7          | 90.0%        |
| <b>Earnings Before Tax</b>                                       | <b>-13.9</b>       | <b>-1,253.9</b> | <b>-</b>      | <b>236.9</b>        | <b>-987.4</b>   | <b>-</b>     |
| Income Taxes                                                     | -4.2               | 79.2            | -             | -45.4               | -2.4            | -94.7%       |
| Net Profit Before Minority Interest                              | -18.2              | -1,174.7        | -             | 191.5               | -989.8          | -            |
| Minority Interest                                                | 46.3               | 116.7           | -             | 41.6                | 124.2           | -            |
| <b>Net Income</b>                                                | <b>28.1</b>        | <b>-1,058.0</b> | <b>-</b>      | <b>233.1</b>        | <b>-865.7</b>   | <b>-</b>     |
| Net Profit Margin (%)                                            | 1.0%               | -25.7%          | -26.8         | 1.9%                | -5.7%           | -7.6         |

## Balance Sheet

|                                                   | As Of           |                 |              |
|---------------------------------------------------|-----------------|-----------------|--------------|
| (LE million)                                      | 31-Dec-15       | 31-Dec-16       | % Change     |
| Cash                                              | 1,188.7         | 1,225.3         | 3.1%         |
| Net Accounts Receivable                           | 1,649.6         | 2,363.8         | 43.3%        |
| Inventory                                         | 2,951.0         | 5,820.5         | 97.2%        |
| Assets Held For Sale                              | 329.2           | -               | -            |
| Other Current Assets                              | 1,155.7         | 1,313.9         | 13.7%        |
| <b>Total Current Assets</b>                       | <b>7,274.2</b>  | <b>10,723.5</b> | <b>47.4%</b> |
| Net Fixed Assets                                  | 2,044.6         | 2,803.9         | 37.1%        |
| Goodwill and Intangible Assets                    | 293.1           | 437.2           | 49.2%        |
| Lessor Assets                                     | 1,130.9         | 2,095.0         | 85.3%        |
| Investment Property                               | 91.5            | 91.5            | -            |
| Other Long-Term Assets                            | 479.1           | 945.7           | -            |
| <b>Total Long-Term Assets</b>                     | <b>4,039.2</b>  | <b>6,373.4</b>  | <b>57.8%</b> |
| <b>Total Assets</b>                               | <b>11,313.3</b> | <b>17,096.8</b> | <b>51.1%</b> |
| Short-Term Notes and Debt                         | 4,334.8         | 7,068.6         | 63.1%        |
| Accounts Payable                                  | 1,786.9         | 2,808.0         | 57.1%        |
| Other Current Liabilities                         | 212.4           | 330.7           | 55.7%        |
| <b>Total Current Liabilities</b>                  | <b>6,334.1</b>  | <b>10,207.3</b> | <b>61.1%</b> |
| Long-Term Notes and Debt                          | 898.5           | 1,663.5         | 85.1%        |
| Other Long-Term Liabilities                       | 137.7           | 234.7           | 70.5%        |
| <b>Total Long-Term Liabilities</b>                | <b>1,036.1</b>  | <b>1,898.2</b>  | <b>83.2%</b> |
| <b>Minority Interest</b>                          | <b>608.7</b>    | <b>1,169.6</b>  | <b>92.2%</b> |
| Common Stock                                      | 1,094.0         | 1,094.0         | -            |
| Shares Held With the Group                        | -26.5           | -26.5           | -            |
| Legal Reserve                                     | 296.6           | 311.1           | 4.9%         |
| Other Reserves                                    | 1,153.0         | 2,549.0         | -            |
| Retained Earnings (Losses)                        | 817.4           | -105.9          | -            |
| <b>Total Shareholder's Equity</b>                 | <b>3,334.4</b>  | <b>3,821.7</b>  | <b>14.6%</b> |
| <b>Total Liabilities and Shareholder's Equity</b> | <b>11,313.3</b> | <b>17,096.8</b> | <b>51.1%</b> |

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**Investor Relations**

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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.