GB Auto (AUTO.CA)

1st Quarter 2008 Earnings Release 7th May 2008

Highlights of 1Q2008 earnings release:

- **GB Auto Revenue** reached EGP 1,103.8 million in Q1 2008, representing a 30.3% increase over Q1 2007.
- **Consolidated gross profit** reached EGP 192.0 million in Q1 2008, representing a 45.3% increase over Q1 2007.
- **Net income** realized EGP 91.1 million yielding an increase of 89.8% over Q1 2007.

- **Passenger car** revenue increased 28.4% to EGP 758.2 million, driven by a 17.7% growth in volumes, 8.7% improvement in pricing and product mix and 54.0% growth in after sales revenue. Passenger car gross profits up 49.7% to EGP 131.2 million.
- **Commercial vehicle** revenue up 96.8% to EGP 193.7 million, driven by a more than doubling of commercial vehicles volume and a 86.7% increase in after sales revenues. Commercial vehicles gross profits up 76.8% to EGP 40.3 million.
- **Motor Cycle and Three Wheelers** revenues decreased 23.1% to EGP 98.7 million due to external factors related to the issue of licensing of Tuk-Tuk.

Message from the CEO:

"Dear Shareholders,

"I am pleased to report strong year on year Q1 earnings growth achieved through steady market prices, a competitive advantage vis a vis Japanese and European brands and further market penetration not only in vehicle sales but also in after sales activity. Both passenger cars and commercial vehicles registered best ever first quarter sales for the low season. This is all particularly pleasing given the investments we have made and continue to make in showrooms and service centers allowing us to increase our reach. The top line continued to grow well despite the temporary setbacks faced in the sales of three-wheelers and the sales of truck tires (anti dumping duties on Chinese and Indian tires).

"We continue to dominate in the passenger car, commercial vehicle and three wheelers sectors with market shares of 21.3%, 24.6% and 99 % respectively.

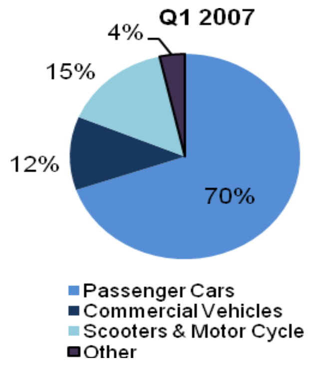
"The key focus continues to be on national distribution and after sales service centers. We now have 12 after sales service centers and the number of passenger cars outlets has grown to 51 with 11 of these owned directly by GB Auto.

"We remain upbeat for the remainder of the year and expect the investments made in human and other resources in the second half of 2007 along with the increased marketing spend through 2008 will reflect in higher top line and bottom line growth. Those investments and a 2007 bonus related booking in Q1 are reasons behind the increased year on year Selling, Marketing and Administration costs. We expect these to be lower as a percentage of sales as the year progresses. We remain committed to improving the Operating Profit line and that is going to be done through higher volume sales.

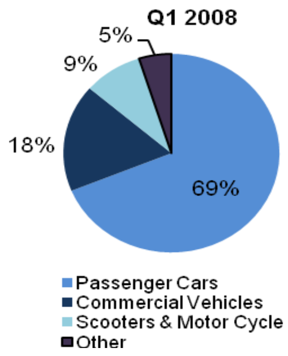
Market behavior in Egypt has not shown any reflection of the slowdown in Europe and USA but the impact of what is happening worldwide may have an effect on Egypt. We believe, however, that we are well placed to continue delivering growth because on passenger cars we expect currency to remain in our favor, consumer finance still has room to grow and with no excess inventory at our dealers, there is growing demand. Commercial Vehicles too are expected to continue prospering especially given our competitive position on trucks. And on the issue of tuk-tuk the government intends to resolve the outstanding issues through legislation.

Dr. Raouf Ghabbour, CEO

The Revenues for the First Quarter are Split as Follows



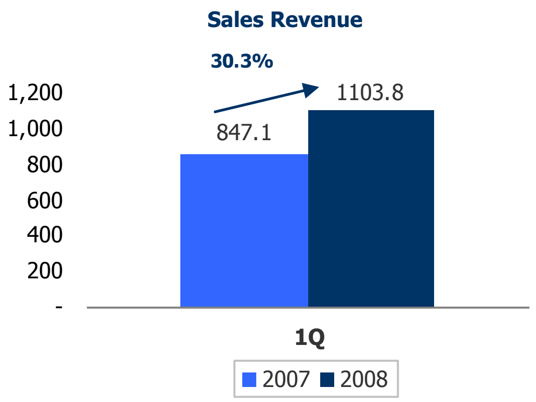
EGP 0.8 billion

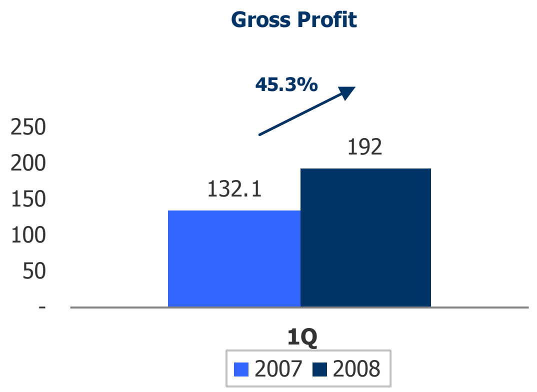


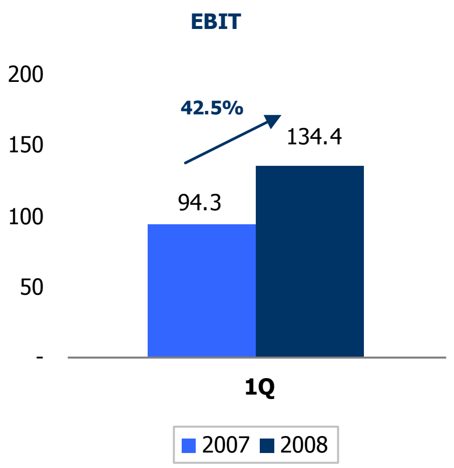
EGP 1.1 billion

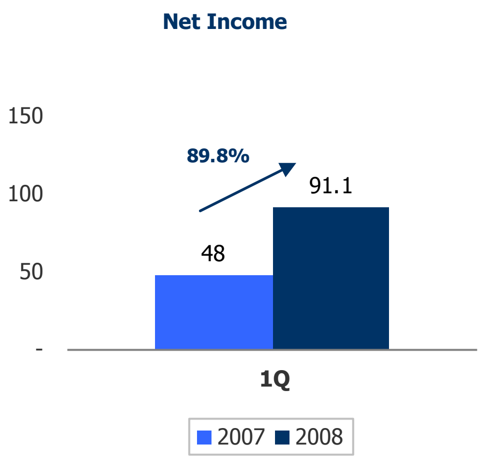
Consolidated Group Performance

All figures in EGP million









GB Auto continues to capitalize on key growth opportunities in the midst of favorable market conditions.

Passenger Car LoB

GB Auto is the dominant player in the Egyptian car market. The Company is the sole local importer and assembler of Hyundai passenger cars in Egypt and hosts the largest nation-wide after-sales service network.

The total passenger car market grew 30.9% in the 1Q 2008 realizing total volume sales of 49,441 units. GB Auto's sales during the same period grew by 17.7% with a market share of 21.3% compared to a market share of 23.7% in the same period last year.

		1Q2008	1Q2007	*growth*
CBU Sales Volume	(Units)	6,269	4,031	
CKD Sales Volume	(Units)	4,257	4,914	
Total Sales Volume	(Units)	**10,526**	**8,945**	*17.7%*
Total Market	(Units)	*49,441*	*37,767*	
GB Auto Market Share	(%)	*21.3*	*23.7*	
Sales Revenue	(EGP million)	721.7	566.7	*27.3%*
Gross Profit	(EGP million)	115.2	76.4	
Gross Profit Margin	(%)	*16.0*	*13.5*	
After–Sales Revenue	(EGP million)	36.5	23.7	*54.0%*
After–Sales Gross Profit	(EGP million)	16.1	11.3	
Gross Profit Margin	*(%)*	*44.1*	*47.7*	
Total PC Sales Revenue	(EGP million)	**758.2**	**590.3**	*28.4%*
Total PC Gross Profit	(EGP million)	**131.3**	**87.7**	*49.7%*
Gross Profit Margin	(%)	*17.3*	*14.9*	

Revenue from the passenger car division for the 1Q2008 was EGP 758.2 million yielding strong year on year growth of 28.4% and the best Q1 revenue performance in this sector. Gross Margins are the highest seen since late 2005.

The gross profit for 1Q 2008 registered an increase of 49.7% over the same period in the previous year benefiting from better selling prices and product mix, higher after sales service revenues (54.0% growth), and despite some freight cost increases, lower overall costs due to currency, manufacturing efficiencies and savings in customs administration fees. That has had a particularly positive effect on CBU units sold. As a consequence, gross margin improved 2.4 points to 17.3% year on year.

CKD sales were higher in Q1 2007 because of a shortage of CBU vehicles in Q1 2007 that occurred due to limited financial resources at that time. Also affecting on Q1 2008 is a market that was well stocked at the end of 2007 therefore requiring fewer cars in Q1 2008.

Commercial Vehicle LoB

The Commercial Vehicle line of business offers a wide range of locally-assembled trucks and buses under exclusive agent and distributorship agreements with Mitsubishi, Volvo and Hyundai. GB Auto also operates in the manufacturing and distribution of semi-trailers and super-structures (i.e. oil and chemical tankers, and concrete mixers).

The commercial vehicle segment produced excellent growth across all of its segments in 1Q2008 resulting in a near doubling of revenues year on year to EGP 193.7 million realizing its best quarter ever. GB Auto captured a market share of 38.2% and 18.5% of the bus and trucks segments, respectively.

		1Q2008	1Q2007	*growth*
Buses Sales Volume	(Units)	384	226	*69.9%*
GB Auto Market Share	*(%)*	***38.2***	***32.8***	
Trucks Sales Volume	(Units)	416	230	*80.9%*
GB Auto Market Share	*(%)*	***18.5***	***15.4***	
Trailer Sales Volume	(Units)	283	16	*17.7 x*
Total Sales Volume	(Units)	1,083	472	
Sales Revenue	(EGP million)	179.7	90.9	*97.7%*
Gross Profit	(EGP million)	35.5	19.9	78.4%
Gross Profit Margin	*(%)*	*19.8*	*21.9*	
After–Sales Revenue	(EGP million)	14.0	7.5	*86.7%*
After–Sales Gross Profit	(EGP million)	4.8	2.9	*65.5%*
Gross Profit	*(%)*	*34.3*	*38.7*	
Total CV Sales Revenue	(EGP million)	***193.7***	***98.4***	*96.8%*
Total CV Gross Profit	(EGP million)	***40.3***	***22.8***	*76.8%*
Gross Profit Margin	*(%)*	*20.8*	*23.2*	

Gross profit margin was slightly lower because of a higher share of trailer sales which carry a lower margin than truck and bus sales. Also the effects of currency added to costs in this sector because imports are predominantly European and Japanese based.

Margins on after sales activity have been affected in Q1 2008 by the impact of greater levels of internal servicing of commercial vehicles for the Group's transportation services operation.

Two- and Three-Wheeler LoB

GB Auto is the local agent and distributor for Bajaj three-wheel scooters ("tuk-tuks"), two-wheel scooters and Boxer motorcycles.

		1Q2008	1Q2007	*growth*
Two-wheeler Sales Volume	(Units)	879	619	*42.0%*
Three-wheeler Sales Volume	(Units)	6,572	9,550	*-31.2%*
Total Sales Revenue	(EGP million)	98.7	128.4	*-23.1%*
Total Gross Profit	(EGP million)	17.7	19.3	*-8.1%*
Gross Profit Margin	(%)	*18.0*	*15.0*	

GB Auto continues to dominate the three-wheeler market (tuk-tuk) where it is the only player. This business has been affected because of the pending issue of vehicle license and confiscation of these vehicles from their owners by the traffic wardens.

Consequently total sales revenue of EGP 98.7 million for 1Q 2008, is down 23.1% on Q1 2007 and gross profit down 8.1% or EGP 1.6 million to EGP 17.7 million. Gross margin is, however, better by 3.0 points due to a combination of better selling prices and the establishment of a service and parts activity through 6 outlets. We have a strong name in the marketplace and reduced customs on spares and favorable currency rates have allowed us to be more competitive particularly on three wheelers.

Other LoB

Tires

GB Auto distributes Lassa passenger car and light truck tires and Double Coin truck, bus and off-road tires.

		1Q2008	1Q2007	Growth
Total Sales Revenue	(EGP million)	21.8	22.0	*-0.9%*
Total Gross Profit	(EGP million)	3.8	5.5	
Gross Profit Margin	(%)	*17.4*	*25.0*	

The tires business delivered a relatively good performance despite having to contend with loss in sales of Double Coin truck tires during March 2008 because of the anti dumping duties imposed by the government on truck imports from China. Plans are under way to replace these lost sales.

Construction Equipment

GB Auto distributes Volvo construction equipment and Linde materials handling equipment.

		1Q2008	1Q2007	growth
Total Sales Revenue	(EGP million)	19.4	1.3	*13.9 x*
Total Gross Profit	(EGP million)	2.6	0.3	
Gross Profit Margin	(%)	*13.4*	*23.1*	

The construction equipment division had an excellent first quarter. Pricing in this sector is particularly competitive due to a European Currency cost base. Nevertheless, this business unit expects buoyant sales as it focuses on capturing market share.

Transportation Services

GB Auto provides public passenger and cargo transportation services through its wholly-owned subsidiary, Haram Transport Company.

		1Q2008	1Q2007	growth
Total Sales Revenue	(EGP million)	9.4	5.4	*74.1%*
Total Gross Profit	(EGP million)	-3.8	-3.9	
Gross Profit Margin	(%)	*-40.4*	*-72.2*	

Low passenger occupancy rates and bus availability both affected the profitability. The situation is expected to improve with the changes being implemented

Miscellaneous

GB Auto engages in a number of export activities including selling commercial vehicles in Saudi Arabia, the United Arab Emirates, Algeria and Ethiopia.

		1Q2008	1Q2007	growth
Total Sales Revenue	(EGP million)	2.7	1.2	*125.0%*
Total Gross Profit	(EGP million)	0.1	0.3	
Gross Profit Margin	(%)	*3.7*	*25.0*	

Miscellaneous activities represent exports of commercial vehicles. In the previous year the sales figure included other non-auto activities which were divested as part of the restructuring undertaken by the group prior to the IPO which took place in July 2007.

Financial Position

The values of GB Auto's assets have reduced 3.0% since the beginning of the year to reach EGP 2353.3 Million, driven by reduced receivables but then increases in ongoing capital expenditure of EGP 58.5 million and the investment in inventory of EGP 104.5 million.

Total liabilities reduced by 10.1% to EGP 1426.5 million on the back of a EGP 162.9 million reduction in payables.

Net debt to equity increased slightly to 0.8 as of 31 March 2008 from 0.78 at 31 December 2007 as the company invested in working capital and fixed assets.

Latest Corporate Highlights

- In April 2008 GB Auto was awarded for historical sales record by Mitsubishi Fuso Truck & Bus Corporation.
- GB Auto was recognized by Hyundai Motor Corporation as one of its best five worldwide distributors in 2007 and the best distributor in Africa in 2007.

Outlook

The outlook for the remainder of this year remains positive as we expect to continue benefitting from currency in passenger cars, strong second half sales in passenger cars, a continuing trend of increased activity in the commercial vehicle sector and strong sales in three wheelers once the law to license these vehicles is in place.

We would also benefit this year if the much talked about law proposed by the government on non-licensing of cars older than 20 years is passed by Parliament.

FINANCIAL STATEMENTS

INCOME STATEMENT

(EGP Million)	Three months ended March 31 1Q2008	1Q2007	*growth %*
Revenues	1,103.8	847.1	*30.3*
COGS	911.8	715.0	*27.5*
Gross Profit	**192.0**	**132.1**	*45.3*
Gross Profit Margin	***17.4***	***15.6***	
SG&A	64.5	34.9	*84.4*
Other Operating Income(Expenses)	7.6	2.5	*204.0*
Operating Profit	**135.1**	**99.7**	*35.5*
Operating Profit Margin%	*12.2*	*11.8*	
Net Provisions	-0.7	-5.4	
EBIT	**134.4**	**94.3**	*42.5*
EBIT Margin%	12.2	11.1	
Net finance cost	22.9	41.4	*-44.7*
Earning Before Tax	**111.5**	**52.9**	*110.8*
Income taxes	20.1	4.9	
Net profit Before minority interest	**91.4**	**48.0**	*90.4*
Net profit Margin%	*8.2*	*5.7*	
Minority Interest	0.3	0.0	
Net Income	**91.1**	**48.0**	*89.8*
Net Income margin %	*8.2*	*5.7*	

Balance Sheet

(EGP million)	31 March 2008	31 December 2007	*change %*
Cash	175.8	266.5	
Net Accounts Receivable	286.0	583.3	
Inventory	717.8	613.3	
Other Current Assets	360.3	226.0	
Total Current Assets	**1,539.9**	**1,689.1**	-8.8%
Net Fixed Assets	526.8	475.8	
Goodwill and Intangible Assets	189.6	187.6	
Other Long-term Assets	97.0	72.9	
Total Long-term Assets	**813.4**	**736.3**	10.5%
Total Assets	**2,353.3**	**2,425.4**	-3.0%
Short-Term Notes and Debt	718.7	665.7	
Accounts Payable	362.3	496.8	
Other Current Liabilities	135.1	162.4	
Total Current Liabilities	**1,216.1**	**1,324.9**	-8.2%
Long-Term Notes and Debt	198.9	251.5	
Other Long-Term Liabilities	11.5	12.6	
Total Long-Term Liabilities	**210.4**	**264.1**	-20.3%
Total Liabilities	**1,426.5**	**1,589.3**	-10.2%
Minority Interest	6.4	6.1	
Common Stock	129.0	129.0	
Shares held with the Group	(3.3)	(3.3)	
Legal Reserve	116.4	44.2	
Other Reserves	1,022.9	1,088.4	
Retained Earnings (Losses)	(344.6)	(428.0)	
Total Shareholder's Equity	**926.8**	**836.4**	10.8%
Total Liabilities and Shareholder's Equity	**2,353.3**	**2,425.4**	-3.0%

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