

# A PATH OF CONTINUAL **EVOLUTION**

From an automotive player to a fully diversified leader

ANNUAL **2017** REPORT





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## AN EVOLVING STORY



As an industry leader with a decades-long track record, GB Auto is no stranger to change. In fact, change is the cornerstone of what we believe is our successful growth story, allowing us to dynamically react to challenges and come out the other end a transformed operation.



## GB Auto at a Glance

A leader in both the automotive industry and financial services high-margin business, emphasizing export growth.

GB Auto operates under two distinct business lines: GB Auto and Auto Related which operates the core automotive business, and GB Capital, which oversees the operations of the group's five non-bank financial service providers. The distinction, which came into effect in 2017, presents a clear and accurate picture of each business, its operations, and value for stakeholders.

### GB Auto (Auto & Auto Related)

With a history of over six decades in the industry, GB Auto has built a solid reputation for its automotive service offerings. It is renowned for providing unmatched after-sales services in Egypt along with positioning its passenger cars as some of the best value for money on the Egyptian market and making a name for itself as a front-runner in the distribution of two- and three-wheelers.

Operating six lines of business across four major markets in the Middle East and North Africa, GB Auto is a

leading regional automotive player with a strong operational footprint in key markets and sectors with plans to expand into new, lucrative markets. The company is focused on automotive assembly, manufacturing, sales and distribution, and after-sales services, which includes vehicle servicing and related products.

GB Auto's portfolio of partners currently includes the leading global brands of Hyundai, Mazda, Geely, Chery, Karry, Bajaj, Marcopolo, Iveco, Volvo, Sino Truck Fuso, Mitsubishi, SDLG, YTO, Gazpromneft, Lassa, Yokohama, Westlake, Triangle, Diamond-back, Avon, Double Coin, Grandstone, Goodyear, Jumbo, and Monroe.

GB Auto's assembly operations include passenger cars, commercial vehicles, and motorcycles and three-wheelers. The company also designs and manufactures complete buses, semi-trailers and superstructures

— with the exception of chassis — at three plants in the Greater Cairo Area and facilities in the Suez Canal Area.

GB Auto's growing regional after-sales service network includes passenger car centers with a total number of 545 work bays in Egypt for both body and mechanical work. It also included six commercial vehicle outlets in Egypt and 15 in Iraq. With new vehicle sales, the company's service and parts outlets make GB Auto a fully integrated, "one-stop-shop" automotive provider that delivers on promises of lower ownership costs and real value to customers.

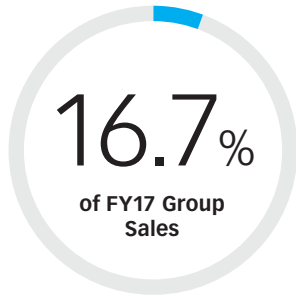
### GB Capital

GB Capital oversees the operations of the group's five non-bank 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; Drive, which

offers factoring services to retail and corporates; Haram Limousine, which offers car rental services on a quasi-operational lease basis to companies in the market; and Tasaheel which, offers direct microfinance lending services to micro-entrepreneurs.

GB Capital's strategy is to benchmark its operations against the best in the field, building on strict and robust credit, risk classification and provisioning policies specifically developed for each industry. The companies' credit approval and disbursement mechanisms comply with best practices of financial institutions in the country. Asset quality and collections – the backbone for the success of any financial institution – are closely monitored, well-maintained and controlled within the group.

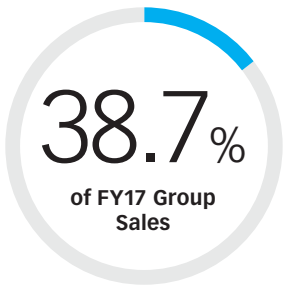




Regional

- Distribution of imported CBU passenger cars in Iraq (Hyundai) and Algeria (Geely)
- Distribution of Bajaj motorcycles & three-wheelers in Iraq
- Distribution of Westlake, Diamondback, and Jumbo tires in Iraq; Avon, Diamondback, Triangle, and Jumbo in Jordan; and Goodyear, Lassa, Grandstone, and Verde in Algeria
- Operates after-sales service centers in both Iraq and Algeria
- **Market:** Algeria, Iraq, Jordan
- **Companies:** Hyundai, Geely, Bajaj, Westlake, Diamondback, Jumbo, Avon, Triangle, Goodyear, Lassa, Grandstone, Waterfall, Verde

GB Auto (Auto & Auto Related)



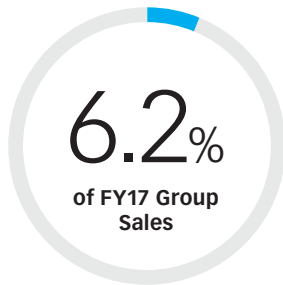
Egypt Passenger Cars

- Assembly and distribution of imported CKD kits with a production capacity of around 70,000 units per year
- Distribution of imported CBU vehicles
- **Brands:** Hyundai, Mazda, Geely, Chery



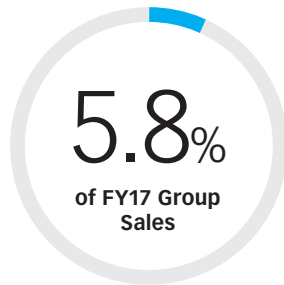
Egypt Motorcycles & Three-Wheelers

- Distribution of motorcycles and three-wheelers (tuk-tuks)
- **Brands:** Bajaj



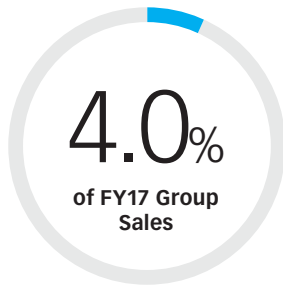
Egypt Commercial Vehicles & Construction Equipment

- Assembly and distribution of trucks
- Bus-body manufacturing, distribution through GB Polo
- Manufacturing and distribution of superstructures and trailers
- Distribution of construction and farming equipment
- **Brands:** Mitsubishi, Volvo, Iveco, Fuso, YTO, Marcopolo, Monroe, Karry, SDLG, AKSA



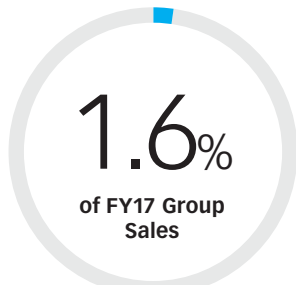
Egypt After-Sales

- After-sales services and distribution of spare parts for passenger cars, two- and three-wheelers, and commercial vehicles
- The largest cross-country network of its kind
- Constant and ongoing expansion of network and service center capacities



Egypt Tires

- Distribution of passenger car, van, truck, construction equipment, and bus tires
- **Brands:** Yokohama, Lassa, Westlake, Double Coin, Verde

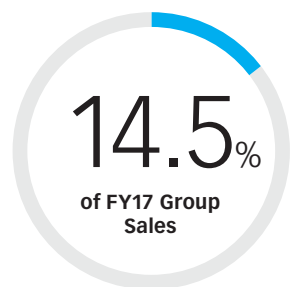


Others

- Parts and lubricants business, PAL, distributes Gazpromneft Lubricants
- Fabrika is a pre-owned car operation
- Retail division 360 operates after-sales and retail outlets
- **Market:** Egypt
- **Companies:** PAL, Fabrika, 360



## GB Capital



- GB Capital's subsidiaries cater to all market segments
- GB Lease provides business-to-business financial leasing solutions. Assets financed are diversified and include 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.
- Mashroey offers asset-based microfinance lending to eligible clients for the purchase of motorcycles, tuk-tuks, YTO tractors and motor tricycles. Mashroey's credit policy is stringent, and its portfolio tenor is predominantly short term.
- Drive provides factoring services to a diversified client base, ranging from business-to-business (SMEs) to business-to consumer (retail), with a focus on the auto finance sector. It 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.
- Haram Tourism Transport (HTT) provides car rental services on a quasi-operational lease basis. 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 is a microfinance company 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. Loan tenor is short term.
- **Market:** Egypt





## Message from the CEO



Dr. Raouf Ghabbour, CEO

15.5%

Increase in group revenue

Experience has taught us that with flexibility and carefully outlined strategies, we can come out a better, leaner, transformed operation.

There is much to unpack about the events that unfolded during the year. Following the liberalization of the Egyptian pound in November 2016, we found ourselves with a paralyzed market as the currency was still in the early stages of finding its footing and everyone — the business community and consumers alike — was adjusting to the dislocation. As such, we were faced with a new reality that forced us to shift our business strategy and evolve GB Auto Group into more than just an automotive leader, but a fully diversified player.

The shift in strategy allowed us to capitalize on our strong, high-margin auto-related and financing businesses that saw us through a year where the automotive industry was just beginning to make a recovery. To anchor this strategy, in the second quarter of the year we adopted a new disclosure structure that separately reports our core automotive under GB Auto & Auto Related and high-margin financing businesses under GB Capital. The two businesses are sharply different in terms of financing and capital structure as well as underlying risks. To that end, the separation of reporting — with independent

KPIs — was a prudent step in providing a true reflection of the business's net debt, facilitate more accurate valuations and reveal hidden value in the company's share.

Throughout the year, GB Auto & Auto Related worked tirelessly to maintain tight control on operating costs, having implemented measures that saw SG&A as a percentage of sales kept within acceptable levels. We rationalized headcount across all functions, adopting a more targeted approach to our marketing expenses and explored means through which to maximize energy efficiency in our premises.

For the Passenger Car division, the start of 2017 was largely geared toward inventory reduction and clearing low-margin car units from the market and replacing them with more profitable ones. By the end of the year, we were seeing clear signs that the macroeconomic challenges which resulted in an industry-wide slump were receding. And while the passenger car market is operating at levels 50.0% below last year, consumers are adapting to new market prices. As we approach 2018, we are seeing signs that volumes are steadily recovering and are now back to our traditional market share level north of 30.0%.

As we anticipated last year, the Motorcycle and Three-Wheeler division made an even faster recovery than Passenger Cars considering three-wheelers both serve demand for transportation and are themselves revenue-generating for their owners. Segment volumes picked up sharply as early as March 2017, with the market already making a recovery toward normal levels, particularly in the three-wheeler segment.

Auto-related lines of business were instrumental this year. For one, Commercial Vehicles & Construction Equipment made a sharp recovery toward the end of the year, with the division outperforming the overall market despite a 50.0% volume slump. The segment is poised for accelerated growth in the quarters to come as appetite rises for our product lineup in the private building and tourism sectors — a breakthrough after we successfully ventured into the urban transport and intercity bus markets.

After-sales was a vital component of our recovery story as well, with our solid reputation for quality service cementing customers' confidence in us. This translated to strong

sales and higher-than-average capacity utilization rates across service centers, with the ramp-up in business allowing us to press on with plans to expand our workshop network in Minya, Aswan, Tanta, Marsa Matrouh and Damietta within the next two years and a truck and bus workshop in Abu Rawash in the pipeline.

The Tire division also performed exceptionally well during the year, with profitability mounting every quarter. The segment reinforced its brand portfolio with the distribution of additional reputable brands this year, and their efforts bore fruit in the early months of 2018 when the division began distributing Turkish-made tuk-tuk tires, a profitable segment where we expect to leverage our strong market position. With the aim of sustaining growth in the truck-bus radial segment, the division also commercialized Pirelli and Pharos Truck tires in February 2018.

As for GB Capital, the business posted consistently strong performance throughout the year while maintaining a healthy loan portfolio quality and coverage ratio well over 100%. The company played a significant role in overall revenue growth throughout the year and is expected to post similarly strong performance in the coming period in a market that is increasingly looking for financing options.

All in all, our extensive experience in the industry has taught us that with flexibility and carefully outlined strategies, not only can we navigate rocky terrains, but we can come out a better, leaner, transformed operation.

Lastly, I would like to conclude with a sincere word of thanks to our Board of Directors and Senior Management for their prudent guidance and solid execution; our staff for their relentless hard work and dedication that has served as the backbone of our success throughout the year; and all other stakeholders that have put their faith in GB Auto's ability to weather the storm and continue to provide customers with the exemplary service they have come to expect of us and derive maximum value for shareholders.



# Highlights of 2017



17.6<sup>LE  
BN</sup>

Group Revenue

11.1%

Group Gross Profit Margin

1.9<sup>LE  
BN</sup>

Group Gross Profit

0.8<sup>LE  
MN</sup>

Group Operating Profit

31.1%

Total Market Share in Egypt

294.6<sup>LE  
MN</sup>

GB Capital Net Profit



# Management Review and Financial Performance

GB Auto's solid management strategy and strong execution has seen it consistently grow revenues q-o-q, expecting to return to normalized levels in the coming year.



GB Auto's overall annual sales revenues increased by 15.5% y-o-y in FY17 to LE 17,656.6 million owing to the company's solid execution of its strategy to focus on high-margin divisions, incrementally increase prices, and streamline its operations.

4Q17 saw revenues climb to their highest level of the year, closing the quarter with a top-line of LE 4,708.9 million with the Egypt Passenger Car and Motorcycle and Three Wheelers segments showing q-o-q increases in revenue and profitability. The Group's market leadership for Passenger Cars was successfully maintained, with GB Auto's market share hitting 31.1% and Hyundai maintaining its number one market leadership position with a 21.9% market share for the full year. Recovery was also seen in the Egypt Commercial Vehicles & Construction Equipment segment, with volumes growing 32.4% during the quarter compared to 3Q17 and revenues 37.1% for the same period.

Operating profit grew for three consecutive quarters by the end of the year, gaining 24.1% y-o-y in 4Q17. Gross profit for the Group increased 3.4% compared to 3Q17, delivering the third consecutive increase in a row. Full-year gross profit margin came in at 11.1% versus 14.4% last year. Finance

costs nearly doubled y-o-y to LE 1,277.4 million for the full year, which saw GB Auto turn a net loss of LE 666.9 million in FY17, narrowing from LE 865.7 million last year.

GB Capital delivered strong results, posting a 4Q17 revenue figure of LE 774.3 million (after intercompany eliminations), up 48.5% y-o-y and contributing 14.1% to overall Group revenues. Revenues also climbed 47.3% y-o-y for FY17, coming in at LE 2,561.6 million (after intercompany eliminations) and contributing 14.5% to the Group's total revenues for the period.

Net debt for the Auto & Auto Related business stood at LE 4130.7 million at the end of the year compared to 5120.6 million in FY16, a decrease of LE 989.9 million. Net debt/equity hit 1.07x at the end of the year, compared to c.1.5x at the end of last year. Net debt is the key yardstick by which the company evaluates performance of the Group as debt related to GB Capital is a direct function of the portfolio size of the division and is more than fully backed by the assets and receivables held by GB Capital. Management seeks to reduce finance costs by keeping the debt level as low as possible, foreseeing further interest rates cuts in the quarter to come as inflation continues to ease.

With the company's proven ability to react with flexibility to market dynamics, its cost cutting and diversification efforts, and solid steps taken to streamline operations, the Group expects continued progress in delivering improved performance in the coming quarters.

## Outlook

After having adopted a new disclosure structure in 2017 that reports its core automotive and high-margin GB Capital as two separate functions due to their vastly different financing and capital structure and risks, the company has reimagined the Group as not solely an automotive leader, but a full-fledged diversified player, capturing a wealth of opportunities in the market.

With the Auto & Auto Related business continuing to find its footing in a challenging environment, management sees the split as a better reflection of the Group's net debt, facilitating more accurate valuations and revealing hidden value in the company's share. This is set to continue in the coming year as GB Capital is expected to make an even bigger name for itself through its five distinct subsidiaries in a market that is looking for attractive and innovative financing options. We see credit quality remaining very strong

and GB Capital has continued to maintain a healthy loan portfolio quality.

GB Auto continues to believe in the strong fundamentals of the Egyptian economy and its automotive industry. The float of the Egyptian pound in 2016 undoubtedly had short-term downsides for the market, but signs are emerging that the automotive industry is on the road to recovery, with numbers improving with every quarter. Management expects the Passenger Car market to hit volumes of 120,000 units, of which GB Auto's market share is set to be at least 30% in 2018. Management is optimistic about the sector as low-margin models have also been largely cleared from inventory and remaining units mostly provisioned for in 2017. 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 2018.

Motorcycles and Three-Wheelers are now well on their way to making a complete recovery. In 2017, the company began manufacturing two-wheeler chassis, which is expected to boost volumes in 2018. With products being revenue-generators for its clientele, the division is



▼  
-11.3%  
Group gross profit

We have reimagined the Group as not solely an automotive leader, but a full-fledged diversified player, capturing a wealth of opportunities in the market.

expected to do well in the coming quarters of next year, bolstered by its strong partnership with GB Capital's Mashroey, which operates a network of locations offering asset-based lending for three-wheelers.

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 anticipates the segment is poised for growth in 2018 with the company beginning the year with orders in hand. The division is gaining traction particularly in the truck and bus segments as tourism picks up and private sector business slowly returns to the market.

The After-Sales division is one that has come into particular focus during the year in part due to the company's revenue-diversification strategy and because of the high demand the business enjoys following price increases on new cars, which has left customers seeking out GB Auto's After-Sales network to maintain their current vehicles. Having performed exceptionally well in 2017, the company is ramping up plans to expand its workshop network, looking to open centers in Minya, Aswan, Tanta, Marsa Matrouh and Damietta within the next two years. Plans are also underway to construct a truck and bus workshop in Abu Rawash.

The Tire division should see a similar uptick going forward, with solid performance seen in 2017. In 1Q18, the Tires division will begin distributing Turkish-made

tuk-tuk tires, a profitable segment where the company expects to leverage its strong market position. With the aim of sustaining its growth in the truck-bus radial segment, the Tires division will also commercialize Pirelli and Pharos Truck tires starting February 2018. The company plans to drive improved profitability across the division going forward, with GB Auto looking to reinforce its brand portfolio with the distribution of additional reputable brands and negotiations already underway with new potential partners for the year. The company is also formulating individual teams for its brands to create a tailored and streamlined process.

GB Auto continues to take a measured approach to its Regional activities, opting for long-term growth rather than short-term payoffs. The Iraqi market saw an uptick in 2017 despite profitability being hampered by inventory liquidation, with both Passenger Car and Motorcycle and Three-Wheelers enjoying increased volumes. Management remains optimistic about the division's prospects for 2018 as it seeks to replicate the success of its home market in the country.

Finally, we note that guidance going forward remains subject to change in light of fluctuating regional geopolitical and macroeconomic conditions in both our home market of Egypt and the rest of our regional footprint.





## Our Strategy

GB Auto Group is a uniquely diversified, leading player in key markets of the Middle East and North Africa. It is a forerunner in the region's automotive segment through GB Auto and a top non-bank financial services provider in Egypt through GB Capital.



### GB Auto

#### Expanding High-Margin Divisions

Decades of experience has given us the flexibility and know-how to navigate the fluctuations inherent in the automotive industry. As such, our strategy is not only to continue to look at long-term growth opportunities for the business as a whole, but to capitalize on the strength of our varied, high-margin operations throughout the region while building a tight and lean operation that will continue to drive value for stakeholders irrespective of market landscapes. We continue to lean in on our high-margin ancillary businesses, such as after-sales services and tire distribution, to build a diversified stronghold that carries us through any challenge.

Throughout 2017, customers continued to seek out car maintenance with GB Auto, translating to strong sales of all products offered by the company's After Sales Division, a trend we expect to continue into 2018 as customers look to extend the lives of their vehicles. Investments made to upgrade and expand GB Auto's network of After-Sales workshops continued to bear fruit this year, with After-Sales service centers running at higher-than-average capacity utilization rates to cope with this increasing demand. Going forward, GB Auto intends to expand its workshop network, looking to open centers in Minya, Aswan, Tanta, Marsa Matrouh and Damietta within the next two years.

GB Auto is looking to put significant weight behind its high-margin Tires division, both in Egypt and throughout its footprint, by reinforcing its brand portfolio with the distribution of additional reputable brands and bolstering the team behind the business. The efforts are driven by management's belief that the tires division is expected to be one of the fastest growing, with solid profitability and low fixed costs.

#### Streamlining Operations

As we continue to build our product portfolio and capitalize on our long-held strategy of both vertical expansion in our lines of business and overall growth of the company, we also understand the importance of flexibility and adaptability. As such, we strive to streamline our operations across the value chain, ensuring the attainment of target productivity and quality levels and focus resources on obstacle innovation. We are working to maintain tight control on our operating costs, putting in place measures to keep SG&A as a percentage of sales within acceptable levels. We are rationalizing headcount across all functions, adopting a more targeted approach to our marketing expenses and exploring means through which to maximize energy efficiency in our premises.

#### Regional Expansion

Finally, we continue to look beyond our home market of Egypt to country-specific export opportunities in our footprint that not only grow our business but provide a necessary cushion. With Iraqi Passenger Car operations significantly picking up during the year and the success of the company's Verde tire brand, management remains optimistic about the division's prospects for the years to come with margins set to improve.

### GB Capital

Through its five key operations (GB Lease, Mashroey, Drive, HTT, and Tasaheel) GB Capital's strategy is to benchmark its operations against the best in the field, building on strict and robust credit policies, risk classification and provisioning policies specifically developed for each industry. GB Capital has come into increased focus as customers' purchasing power is hampered in an increasingly inflationary environment. The business is set to continue offering new, innovative products that cater to the unique demands of its customers through veterans of the financial services industry that provide the required expertise and know-how. The aim of GB Capital is to develop a well-diversified and synergetic group of financial services, while maintaining a high level of focus and specialized expertise within each company.

With a diverse product portfolio spanning several regional markets, the company continues to drive value for shareholders through carefully calculated strategies that have allowed it to stay well ahead of competition.



# Regional Footprint

GB Auto is an established regional automotive player and a key constituent of the Egyptian non-bank financial services industry through GB Capital. With a growing presence in Iraq and Jordan complementing its main operations in Egypt, GB Auto seeks to replicate the successful blueprint of the Egyptian market in others across the region. The company's unwavering commitment to and understanding of its home market, combined with strong management and a sound strategy, helped it transform from a local firm to a regional, multinational success story.

The company announced in 2009 that it was considering growth opportunities outside of Egypt, and in 2010 it entered a joint venture to distribute Hyundai vehicles in

Iraq, subsequently boosting operations and increasing its brand representations. The MENA region has strong fundamental growth drivers, such as significant GDP growth, a strategic location, a large and fast-growing consumer base coupled with a rapidly burgeoning middle class and a low motorization index. GB Auto believed and continues to hold that the automotive market in the region is prime for expansion prospects due to their resilience in the face of turbulence.

Passenger cars in Iraq continued to deliver solid top-line performance, with revenues up almost 3x y-o-y in FY17. The division's profitability was also greatly improved, with gross profit hitting LE 27.6 million in FY17 compared to LE 11.4 million in FY16, maintaining margins y-o-y.

This proves the compatibility and success of the GB Auto model in another key regional market. With operations expanding since 2010 to now include the distribution of Bajaj motorcycles and three wheelers, Westlake, Diamondback, Triangle, and Jumbo tires, and service centers and spare parts outlets in Baghdad and Al Najaf, management is optimistic about its long-term potential in the country as it continues to gain political and economic stability.

The company also has an established presence in Algeria, with key brand representations and sales and after-sales operations having begun in 2013. GB Auto established a foothold in the Algerian market — with management control — in cooperation with the Group Rahmoune, a strategic player in the Algerian economy with invest-

ments mainly in building materials, basic infrastructure, and the automotive business. GB Auto's product offerings in the country include Geely passenger cars, as well as Lassa, Grandstone, West Lake, and Goodyear tires. In 2017, the company penetrated the Algerian agro tire market through its proprietary brand Verde, which has been positively received.

## Future Expansions

GB Auto is actively exploring further markets into which it can expand its ever-widening footprint and build on its established presence in Iraq and Algeria. Its aim is to continue capitalizing on the region's untapped potential and pent-up demand for real value and true customer care while replicating the success story of its home market.

Algeria

Passenger Cars



Tires



Egypt

Passenger Cars



Commercial Vehicles and Construction Equipment



Motorcycles and Three-Wheelers



Tires



Financing Businesses






Others



Jordan

Tires



Iraq

Passenger Cars



Tires







# GB AUTO & AUTO RELATED

▲  
**15.0** <sup>LE</sup> <sub>BN</sub>  
Revenue for GB Auto &  
Auto Related

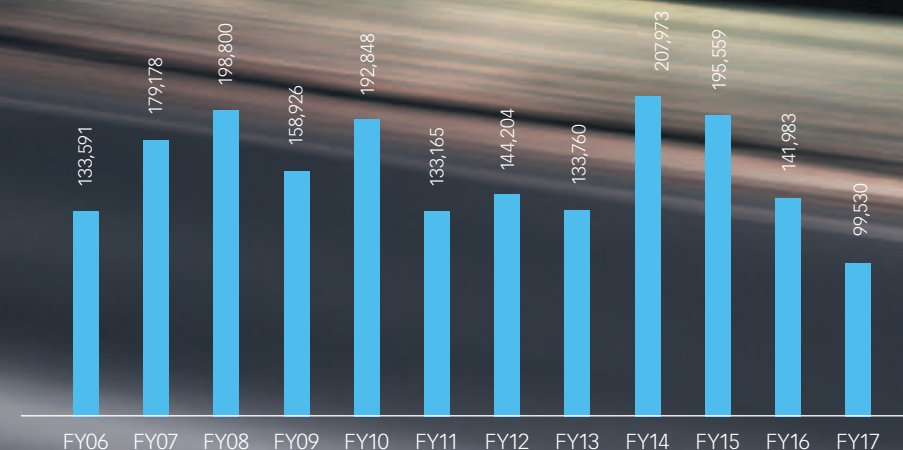
GB Auto is the largest player in the Egyptian passenger car market in terms of sales revenue, market share, and production capacity.



# Egypt Passenger Cars



Egyptian PC Market Annual Sales  
(LE million)



GB Auto is the largest player in the Egyptian passenger car market in terms of sales revenue, market share, and production capacity. It is a leading passenger car importer, assembler, and distributor in the Middle East and North Africa. The company holds the exclusive license to assemble and distribute Hyundai and Geely passenger cars, and imports and distributes Hyundai, Geely, and Mazda passenger cars, as well as spare parts for all three brands. GB Auto is also the exclusive distributor for Chery-brand vehicles in Egypt, through a tripartite agreement with the Chinese company and Egypt's Aboul Fotouh Automotive (AF Automotive). Through Hyundai, Geely, Mazda, and

Chery, GB Auto is able to market a variety of products with a diverse range of sizes and prices.

Over the years, the company has solidified its market leadership with a dedication to value, unparalleled service, and best-in-class products. GB Auto created its "one-stop-shop" approach to retail auto buying by vertically integrating sales, consumer finance (through Drive, GB Auto's consumer finance venture), and after-sales support. Its commitment to total customer care allows the company to offer Egypt's car-buying market a powerful value proposition — GB Auto has long positioned Hyundai cars as the best value for money in

the Egyptian market and has more recently done the same with Geely, Mazda, and Chery at their unique price points.

GB Auto has invested significantly in the expansion of its assembly capacity. At the Prima plant, the company assembles Hyundai and Geely passenger cars from imported CKD kits, as well as locally sourced components. The plant — which spans across nearly 58,000 square meters — was established in 1994 and by January 2016 had produced more than 285,000 passenger cars. In September 2012, GB Auto completed a major investment, growing production to include its new Geely models while modernizing certain aspects of the assembly process. Today, Prima is a state-of-the-art facility with fully-automated conveyor systems, robots for painting, and more.

1.0-1.3 liter range witnessed a 29.4% y-o-y decline in volumes, while those within the 1.3-1.5 liter range fell 26.1%. Meanwhile, vehicles within the 1.5-1.6 liter range saw sales volumes decrease 6.6%, while SUVs with an engine capacity larger than 2.0 liters saw volumes drop 4.7% y-o-y.

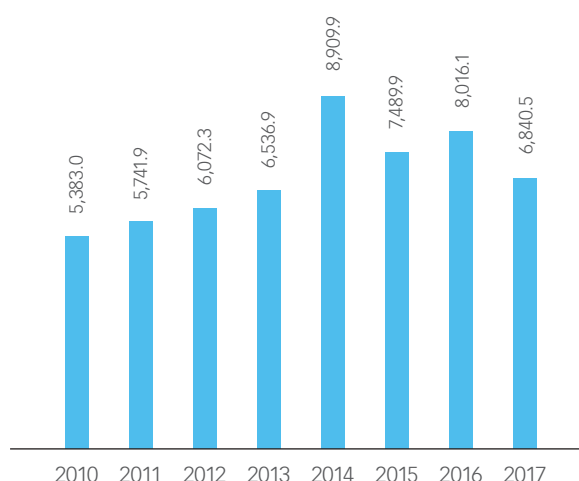
FY17 saw GB Auto's Egypt Passenger Cars division decrease its sales revenues by 14.7% y-o-y to LE 6,840.5 million compared to LE 8,016.1 million in FY16 as demand for passenger cars weakened during the year due to the continuing rise in vehicle prices. Despite sales volumes dropping 40.2% y-o-y, GB Auto was still able to maintain its market share by capturing existing underserved demand.

The company's share of the Egyptian passenger car market, which includes Hyundai, Geely, Mazda, and Chery, rose to 31.1% YTD in December 2017 compared to 36.8% last year. The availability of inventory and competitive pricing strategies were key to GB Auto's success during the year as low-margin models were cleared from the market and more profitable ones began taking their place.

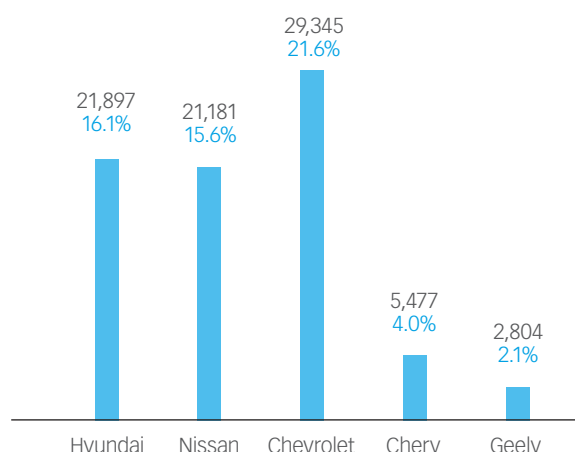
Hyundai maintained its number one market leadership position with a 21.9% market share for the full year.

Since its launch in 2016, Chery has delivered promising results in terms of both profitability and market share. In FY17, Chery's market share stood at 4.6%, relatively flat on a y-o-y basis, with 4,588 units sold during the year.

Revenues by Year  
(LE million)



Revenue Segmentation of the Egyptian  
Passenger Car Market by Year  
(Units sold and % Market Share as of Year-End 2017)



## 2017 Business Review

The Passenger Car industry was sluggish over the last year as consumers had only just began to recover from the aftermath of the Egyptian pound's float in 2016. Nevertheless, the sector began to show vivid signs of recovery during the last two quarters of the year, with GB Auto recapturing market share during the year, which climbed to 31.1%, including Hyundai, Geely, Mazda, and Chery, in-line with the level recorded last year. Management is optimistic about the sector as low-margin models are cleared from the market and more profitable ones begin taking their place.

According to the Egyptian Automotive Marketing Information Council (AMIC)'s full-year report on the Egyptian Passenger Cars market, the total automotive market fell 29.9% y-o-y in FY17. More specifically, vehicles within the



# Egypt

## Motorcycles and Three-Wheelers

1.9<sup>LE</sup>BN

Group Gross Profit

GB Auto is Egypt’s exclusive assembler and distributor of motorcycles and three-wheelers from Bajaj, the world’s largest manufacturer of three-wheelers, often known as auto-rickshaws or tuk-tuks.

Since it first began importing and selling three-wheelers in Egypt in 1999, the company has been the country’s market leader for the popular vehicles, in part due to providing quality, low-cost after-sales service to this segment’s price-conscious consumers.

In rural and low-income areas, three-wheeled vehicles are used for personal and commercial purposes as an alternative to common urban and peri-urban transport methods. Three-wheelers’ relatively low up-front cost, minimal fuel consumption, and ease of movement often provide these areas with a needed mode of transport.

GB Auto’s commitment to total care for customers of this key segment is evident in its nationwide network of 25 owned retail showrooms, that include 5 3-S, 17 2-S, and 3 1-S after-sales service center, as well as a network of 90 authorized dealers and 70 authorized service centers across Egypt.

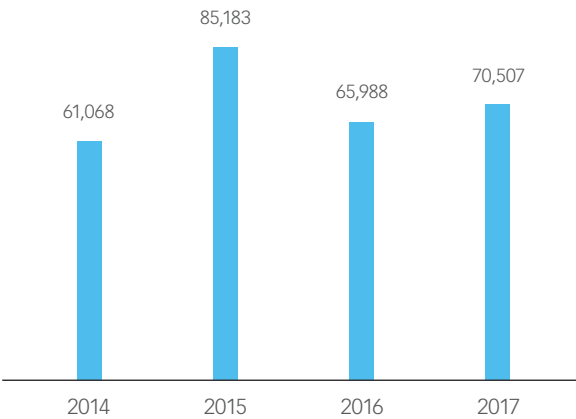
### 2017 Business Review

In FY17, revenues from the line of business gained 29.2% y-o-y despite a 15.5% y-o-y drop in volumes. Margins for the division continued to be pressured, with the gross profit margin falling 2.1 percentage points to 12.0% in FY17 as the company opted not to fully pass on price

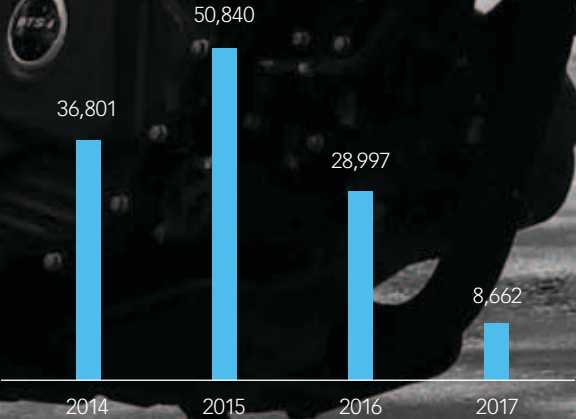
hikes to this sensitive consumer market in 2016. However, the division is continuing to pick up in volumes on a q-o-q basis, with management expecting it will be a swift recovery to historical levels.

Management plans to further boost two-wheeler volumes by manufacturing chassis and taking over complete CKD assembly using local inputs, which should put the segment back in line for growth. The company continues to push forward with its plans to construct new component manufacturing hangers after having been awarded the project’s 270,000 sqm land. Management is currently finalizing the necessary contracts and paperwork.

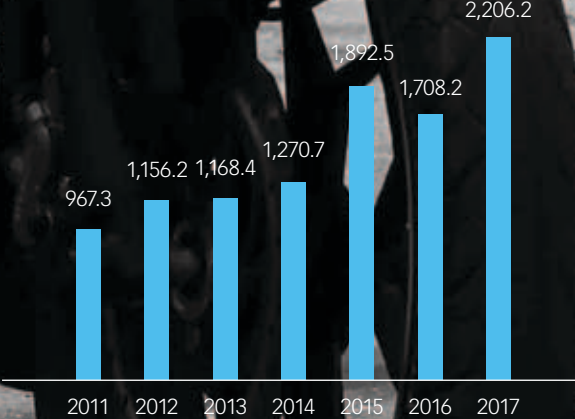
Three-Wheeler Sales Volumes  
(Vehicle Units)



Motorcycle Sales Volumes  
(Vehicle Units)



Revenues by Year  
(LE million)





# Egypt Commercial Vehicles & Construction Equipment



GB Auto maintained its leadership position in the city and intercity bus segments and reported an uptick in demand from the tourism sector during the year.

GB Auto's Commercial Vehicles business unit distributes imported and locally assembled trucks and buses in Egypt. The division assembles Fuso and Volvo buses as well as Fuso trucks at plants in Sadat and Suez, where the company's GB Polo factory is located. It also distributes Volvo heavy trucks and YTO tractors in Egypt and manufactures and distributes semi-trailers and super-structures under its Commercial Vehicles line.

The company's Bus segment produces a full range of transportation solutions, including maxi buses with a maximum capacity of 55 passengers, midibuses (30-38 seats), minibuses (24-29 seats) and microbuses (17 seats).

GB Auto's Commercial Vehicles line markets heavy, medium, and lightweight trucks for fleet operators, contractors, large industrial operators, and government agencies throughout Egypt.

The Commercial Vehicles unit demonstrates the group's capabilities as a manufacturer. With the exception of chassis, the company designs and manufactures complete buses at its facilities.

GB Polo, the company's joint-venture with global giant Marcopolo, is home to a state-of-the-art bus body man-

ufacturing facility with a 5,000 unit-per year capacity (potential capacity, based on two shifts daily) that targets local and export markets. GB Polo produces buses covering all applications (micro, mini, midi, city, school/labor, intercity, and coach) and the facility utilizes almost 285,000 square meters of land. GB Auto increased its share in GB Polo to 80% from 51% at the end of 2017 which has boosted profitability as the company takes full control of the venture and bolsters its performance, with a focus on export potentials.

GB Polo was conceived as a move to capture export opportunities in bus field manufacturing by utilizing GB Auto's quality standards and relatively low-cost, highly-trained workforce in combination with Marcopolo's 65-year history of successfully developing technological and innovative concepts for full transportation solutions and setups in key markets worldwide. The addition of the Iveco chassis has also proved to be a further boost to the strength of GB Auto's Bus division.

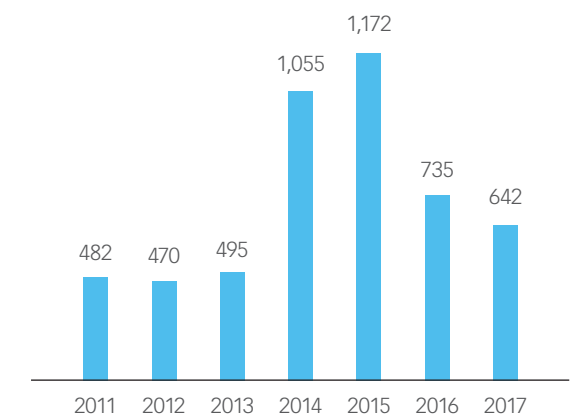
GB Auto's Construction Equipment business unit includes earthmoving equipment, road machinery, and power generators distributed in Egypt under distribution agreements with Volvo Construction, SDLG, and AKSA. The group markets its heavy-duty equipment

line to public and governmental customers, as well as to private sector companies.

## 2017 Business Review

GB Auto's Commercial Vehicles & Construction Equipment line of business saw overall sales volume fall 36.5% y-o-y during the year. Revenues dipped a slight 1.9% y-o-y to LE 1,092.2 million from LE 1,113.3 million the

Bus Sales Volume by Year  
(Vehicle Units)



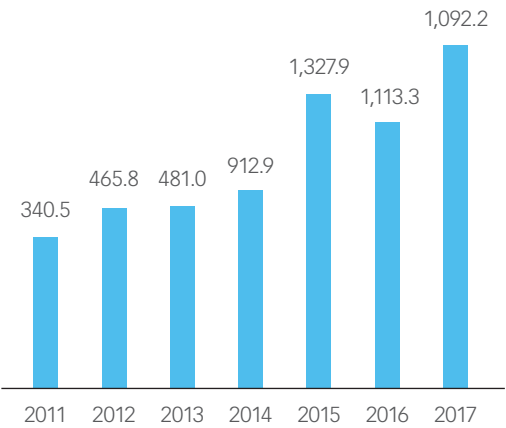


previous year, while gross profit came in 12.2% lower at LE 176.8 million, with a gross profit margin of 16.2%, 1.9 percentage points lower than last year.

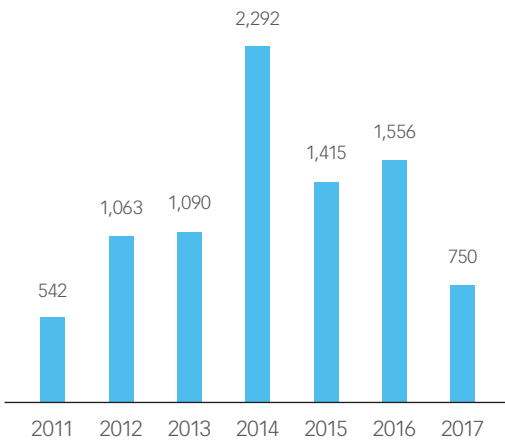
Buses were once again the top contributors to the segment’s profitability during the year as revenues gained 18.2% y-o-y despite a 12.7% y-o-y drop in volumes. Trucks came closely behind buses in terms of contribution to profit, but the segment saw a 28.3% y-o-y drop in revenues on a 51.8% y-o-y decrease in volumes to 750 units. Meanwhile, the Trailers and Construction Equipment divisions saw improved performance, with Trailer revenues up 61.8% y-o-y and Construction Equipment 19.6% y-o-y despite lower volumes for both.

The sector is experiencing lower demand as tenders for national mega projects wind down from levels seen in 2015 and 2016. However, GB Auto maintained its leadership position in the city and intercity bus segments and reported an uptick in demand from the tourism sector during the year. Management sees the segment poised for accelerated growth in the coming period, particularly with the revival of the tourism industry, where the company has seen rising appetite for its product lineup, a breakthrough in the segment after GB Auto successfully ventured into the urban transport and intercity bus markets.

CV&CE Total Revenues by Year  
(LE million)



Truck Sales Volume by Year  
(Vehicle Units)





## Egypt Tires



GB Auto has been among Egypt's leading tire distributors for more than 50 years. Today, the company commercializes on an exclusive basis some of the most valuable brands in the passenger car, light truck, heavy truck, OTR and agro tires market including Yokohama (Japan), Lassa (Sabançi Bridgestone Group, Turkey), Westlake (Thailand), Double Coin (China), Triangle (China) and Double Star (China). The company has also successfully launched its own brand Verde (Turkey) in the Agro Tires segment.

With the difficulties faced throughout the year due to the foreign currency crunch and subsequent floatation of the local currency, ancillary businesses provide a necessary avenue of diversification. The Tires business unit especially has become an increasingly important contributor to GB Auto's revenue and profitability stream, through both increased sales volume, better mix and price discipline.

### 2017 Business Review

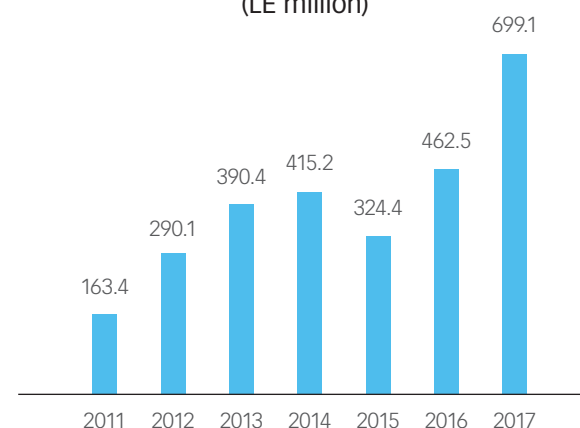
In Egypt, the Tires division continued to outperform at both the top- and bottom-line levels in FY17, posting revenues of LE 701 million compared to LE 462.5 million last year, up 51.4% y-o-y. The gross profit margin stood at 18.8% compared to 21.9% in FY16.

The division continued to pursue its expansion strategy, with efforts to drive improved profitability across the segment. In 2017, GB Auto was able to further reinforce



its brand and product portfolio to cover new profitable segments. In 1Q18, the Tires division began distributing Turkish-made tuk-tuk tires, a profitable segment where the company expects to leverage its strong market position. With the aim of sustaining its growth in the truck-bus radial segment, the Tires division will also commercialize Pirelli and Pharos Truck tires starting February 2018. The company is also formulating individual sales teams for its key brands to create a tailored and streamlined process. The efforts are driven by management's belief that the division is expected to be one of the fastest growing, with solid profitability and low working capital and fixed costs.

Tires Revenues by Year  
(LE million)





## Egypt After-Sales



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. For passenger cars, the company is the leading service provider for Chery passenger cars in its home market. After-sales is a vital component of the company's Motorcycles & Three-Wheeler division in light of the high inflationary environment prevailing in Egypt, providing a necessary buffer for other lines of business. It is a key differentiator for GB Auto in Egypt as motorcycle and three-wheeler customers place importance on the availability of spare parts and service center. The Commercial Vehicles & Construction Equipment business unit is also supported by a robust after-sales framework that extends GB Auto's total care model to customers, offering GB Auto customers throughout Egypt a nationwide network of owned-retail showrooms including 14 after-sales service centers.

### 2017 Business Review

The After-Sales division proved especially successful in FY17, with management expecting the division to remain highly profitable and continue yielding excellent returns. The division provided an important stream of high-margin revenues throughout the year as customers continued to choose GB Auto's network to maintain their vehicles. Investments made to upgrade and expand GB Auto's network of After-Sales workshops have continued to bear fruit during the year, as After-Sales service centers ran at higher-

than-average capacity utilization rates to cope with increasing demand.

GB Auto's solid reputation for quality service has cemented customers' confidence, translating to strong sales and higher-than-average capacity utilization rates across service centers. GB Auto is pressing on with plans to expand its workshop network, looking to open centers in Minya, Aswan, Tanta, Marsa Matrouh and Damietta throughout the year. Plans are also underway to construct a truck and bus workshop in Abu Rawash.

### Passenger Cars

Passenger Cars After-Sales division posted strong growth figures and very healthy margins. Revenues from After-Sales operations in Egypt reached LE 684.7 million, reflecting a 33.0% y-o-y increase over FY16, while gross profit rose 14.0% y-o-y to LE 217.1 million, with a gross profit margin of 31.7%.

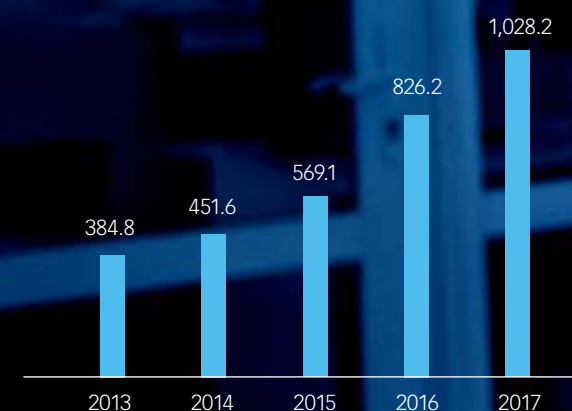
### Motorcycles & Three-Wheelers

The Motorcycles & Three-Wheelers After-Sales division was muted this year, with revenues down a slight 4.4% y-o-y to LE 143.8 million while gross profit stood at LE 32.6 million compared to LE 40.5 million in FY16.

### Commercial Vehicles & Construction Equipment

The After-Sales division for commercial vehicles & construction equipment continued to grow, with revenues standing at LE 199.8 million, up 24.2% y-o-y, and gross profit LE 44.3 million, up 42.7% y-o-y during the year.

Egypt After-Sales Revenue Progression  
(LE million)





## Egypt Regional



**0.8** LE BN  
Group Operating Profit

GB Auto takes a measured approach to its regional operations, being mindful of geopolitical circumstances on the ground.

Beyond its home market of Egypt, GB Auto distributes CBU units of Hyundai passenger cars in Iraq and Geely passenger cars in Algeria, and offers after-sales services in both markets. Additionally, the company launched a successful venture for Bajaj Motorcycles & Three-Wheelers in Iraq, where it also operates two after-sales service centers for its products. It is also actively working to build Iraq's foremost after-sales franchise based on the Egyptian model. GB Auto's regional operations also extend to the tires division, with the company distributing Westlake, Diamondback, and Jumbo tires in Iraq; Avon, Diamondback, Triangle, and Jumbo in Jordan; and Goodyear, Lassa, Grandstone, and Verde in Algeria. Despite the challenging environment seen regionally throughout 2017, the company continued to take measured steps in dealing with these geopolitical and economic difficulties.

### 2017 Business Review

#### Passenger Cars

##### IRAQ

In Iraq, GB Auto saw passenger car volumes ramping up with the company benefiting from having reduced overheads, finance charges, and old stocks to safeguard its positioning in the market and navigate the turbulent political climate. The Iraqi Passenger Car division saw

volumes grow 33.2% y-o-y to 7,465 million with revenues surging 151.3% y-o-y to LE 2,256.1 million. The After-Sales division in Iraq delivered equally promising results, with revenues up 125.7% y-o-y to LE 241.7 million.

##### ALGERIA

GB Auto's lean cost-cutting approach toward its Algerian operations continued to sustain margins during the year despite lowered volumes. Revenues from the Passenger Car division gained 139.5% y-o-y to LE 61.6 million, while the company launched its agro tire brand Verde to the market with great success. Management remains watchful of any opportunities that arise in the market and expects to soon make an announcement on developments in Algeria.

#### Motorcycles & Three-Wheelers

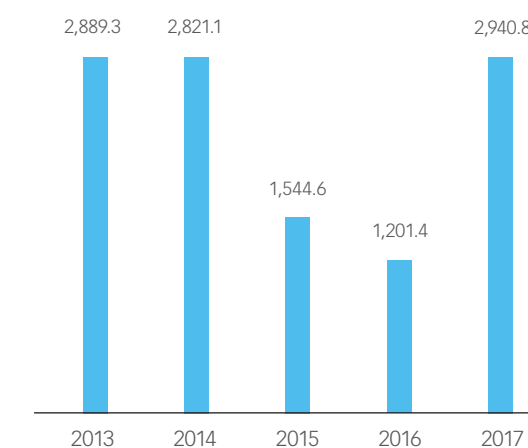
##### IRAQ

Results from Iraqi operations were very promising this year, showing considerable growth y-o-y in terms of both sales volumes and revenues. Management had launched sales of these popular vehicles in Iraq in 2015 to a promising market reception and anticipates that it will be able to replicate the success of its home market in Iraq. GB Auto operates a small service center and spare parts outlet in Baghdad and has added a second in Al Najaf that also includes a Bajaj showroom.

#### Tires

GB Auto's regional Tires division reported a promising increase in revenues throughout the year, gaining 31.7% y-o-y to LE 135.3 million. The division provides a much-needed source of high-margin business to navigate the rocky economic and political environment in the region as other lines of business gain steam.

Total Regional Revenue  
(LE million)





## Egypt Others



PAL is GB Auto's lubricants business, distributing Gazprom Neft-Lubricants at GB Auto-branded and third-party points of presence in the Egyptian market under an exclusive strategic alliance with Gazprom Neft. The company announced in January 2014 that it entered into an exclusive strategic alliance to distribute Gazpromneft Lubricants, giving GB Auto access to a 400-450 tons per year market that grows at an annual pace of 2-3%. The company aims to take the partnership to other regional markets, possibly incorporating other lines of business from Gazpromneft's downstream portfolio, following a successful rollout in Egypt at both GB Auto-branded and third-party points of sale.

GB Auto's Retail arm operates retail after-sales outlets, known as 360, to distribute tires, tire parts, batteries, parts and lubricants. These points of presence also offer services including tire installation and balancing, battery services, and the sale and injection of lubricants in select locations.

The company's western-style pre-owned car operation, Fabrika, is now operational at all GB-owned points of presence in Egypt, with operations having started in 2014 and the market proving receptive. Management anticipates further announcements regarding product

representations within GB Auto-branded service centers and third-party points of sale in the near future.

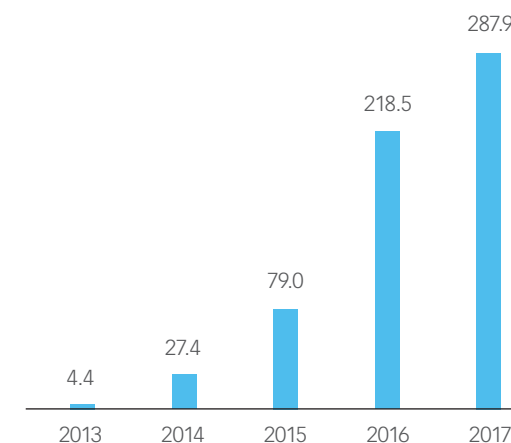
### 2017 Business Review

PAL operations showed substantial and promising growth in 2017, as revenues jumped to LE 94.0 million from to LE 62.7 million during the previous year. The division has been exhibiting steady growth since its launch, but has recently faced stiffer competition from multinational counterparts who produce locally and are not subject to the same FX challenges, allowing them to bypass the impact of the pound's devaluation.

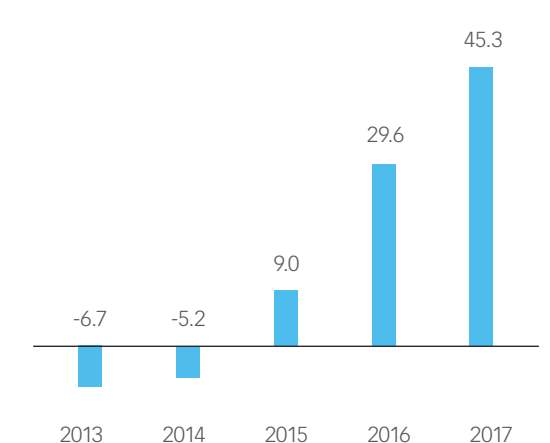
Fabrika recorded sales revenue increases of 37.3% y-o-y for FY17, with its top line coming in at LE 163.7 million compared to LE 119.3 million last year. The company is continuously expanding its product and services offerings to better cater to its clients within this segment. 360, GB Auto's after-sales retail outlets, have exhibited significant growth since their launch in June 2016, with revenues surging almost four-fold to LE 3.5 million.

Gross profit from overall startup operations was up 53.4% y-o-y at the end of the year, at LE 45.3 million, while the gross profit margin grew 2.2 percentage points to 15.8%.

Other Sales Revenues by Year  
(LE million)



Other Gross Profit by Year  
(LE million)

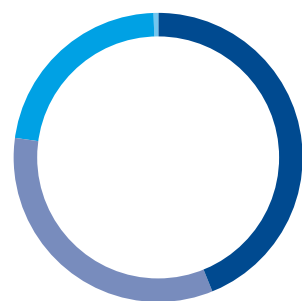






# GB CAPITAL

GB Capital Portfolio Breakdown  
By Maturity (Percent)



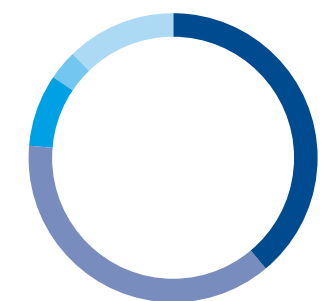
< 1 year	43.9%
> 1 year < 3 years	33.5%
> 3 years < 6 years	22.3%
> 6 years	0.3%

GB Capital Portfolio Breakdown  
By Value (Percent)



< LE 100K	32.1%
> LE 100K < LE 500K	12.0%
> LE 0.5 MM < LE 10 MM	10.1%
LE > 10 MM < LE 100 MM	29.0%
> LE 100MM	16.8%

GB Capital Portfolio Breakdown  
By Asset Type (Percent)



Automotive	38.9%
Real Estate	37.5%
Machinery	8.3%
Agriculture Equipment	3.1%
Others	12.2%



# Financing Businesses

GB Capital oversees the Group's five non-bank financial service providers: GB Lease, which offers financial leasing services to a wide range of corporates and SMEs; Mashroey, which offers asset-based lending to microfinance eligible clients; Drive, which offers factoring services to retail and corporates; Haram Limousine, which offers car rental services on a quasi-operational lease basis to companies in the market; and Tasaheel offers direct microfinance lending services to micro-entrepreneurs.

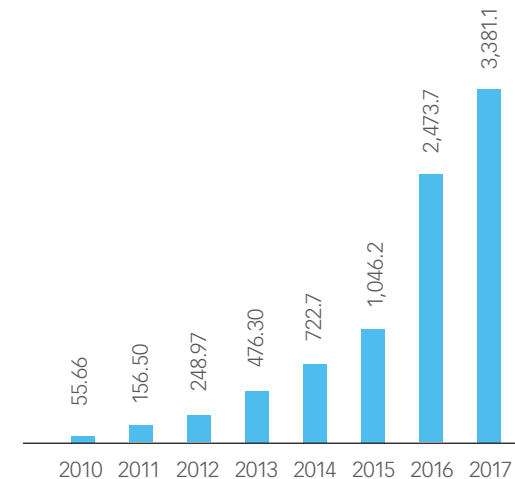
Through GB Capital, GB Auto aims to create a full-fledged financial arm that serves its core business while competing with other non-bank financial service providers. GB Capital's strategy is to benchmark its operations against the best in the field, building on strict and robust credit, risk classification and provisioning 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. The companies' credit approval and disbursement mechanisms 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, while maintaining a high level of focus and specialized expertise within each company.

With the Group's financing operations taking a spotlight over the last year, starting 2Q17, management adopted a new disclosure structure that separately reports the core automotive and high-margin GB Capital considering the two businesses are sharply different in terms of financing and capital structure as well as underlying risks. The move was aimed at providing a true reflection of the business's net debt, facilitate more accurate valuations and reveal hidden value in the company's share.

GB Lease is GB Auto's first financing venture. Established in 2008 with operations actively beginning in 4Q09, it has grown into a well-developed organization with a diversified lease asset base that covers all asset classes, including real estate, automotive, production lines, and others. Tenor is medium to long term, and the company focuses on risk diversification by asset class, industry sector, and client — operating with prudent risk management practices with regards to provisions and risk recognition.

GB Lease provides business-to-business financial leasing solutions that are non-exclusive to GB Auto, catering to a diversified client base ranging from top-tier multinationals to local corporations of various scales, as well as small and medium enterprises. It is one of the top-tier active players in the market, operating under the auspices of the Financial Regulatory Authority (FRA) and fully complies with all regulations. GB Lease

GB Capital Revenues by Year  
(LE million)



ranked third in terms of market share at 12% according to the FRA report for the year ended December 31, 2017, just 0.1% below the second player.

Mashroey is GB Auto's second financing venture. Founded in late 2009, it began operations in March 2010 and offers asset-based microfinance lending to eligible clients. Mashroey started out selling GB Auto's Bajaj-branded three-wheelers on credit terms, but now has an extensive product base that extends credit and financing op-

tions for tuk-tuks, motor tricycles, YTO tractors, mini-vans, pre-owned tuk-tuks, electronics, and electrical appliances. Mashroey's credit policy is stringent, and its portfolio tenor is predominantly short term. Mashroey operates a nationwide network of over 120 branches and units serving more than 40,000 customers.

Drive is one of Egypt's top three factoring companies, according to the FRA. Since receiving its license in 3Q12, Drive extends its services to a diversified client base, ranging from business-to-business (SMEs) to business-to-consumer (retail), with a focus on auto finance. Since its establishment, it has taken remarkable strides in market presence and carved out a place for itself in the very competitive automotive financing sector. Drive anticipates a further boost to its operations after factoring regulations expanded the scope of operations to allow both business-to-consumer and business-to-business operations. The company has a well-developed portfolio, offers medium-term tenors, and focuses on risk diversification by finance product types, client base, and brands (as far as auto loans are concerned).

Drive is non-exclusive to GB Auto and offers a multitude of financial solutions for various SMEs and consumers. The company fully complies with all regulations and operates under the auspices of the FRA.



Haram Tourism Transport (HTT, also known as Haram Limousine) operates as a car rental/quasi-operational lease company. It is the premier vehicle fleet leasing company in Egypt, and serves top-tier multinationals, financial institutions, as well as private sector companies, with its average tenor standing at three years. HTT supports its clients by enabling them to focus on their core competencies and strengths while directing scarce funding resources to mainstream operations; leaving vehicle sourcing and management to HTT. The company's service agreements entail acquisition, registration, and maintenance of the vehicle, in addition to insurance that extends to third-party damage and passengers within the vehicle.

Tasaheel is the most recent addition to GB Auto's portfolio of financing businesses, launched in August 2015 to provide direct microfinance lending to eligible clients, with a specific focus on group lending to women. Through Tasaheel, GB Auto aims to help low-income earners generate higher returns to improve their living standards,

which in turn supports overall community development and economic growth. At the end of 2017, the company had 102 operational branches serving 247,000 customers with more than 2,500 employees, and aims to add at least an additional 100 branches and have over 4,500 people in employment by 2020. Like Drive and GB Lease, Tasaheel operates under the auspices of the FRA.

2017 Business Review

GB Capital has continued to show phenomenal performance over 2017 as the business grows into a full-fledged financial operation. Overall revenues came in at LE 3,381.1 million in FY17, up 36.7% y-o-y. Total gross profit rose to LE 638.2 million in 2017 from LE 365.4 million the year before, showing an increase of 74.7% y-o-y.

GB Capital's ROAE stood at 34.2% and ROAA of 21.2%, ahead of cost capital. The business continued to maintain a healthy loan portfolio quality throughout the year, with non-performing loans (NPLs) at 1.9% and an NPL coverage ratio of 129.6%. The high ratio reflects the com-

pany's prudent risk policies and provisions taken against its growing portfolio, with varying provisioning levels taken through each risk bucket. While the NPL ratio remains well under market norms, it grew throughout 2017 due to conservative risk rating policies as the year saw interest rates and inflation mount. GB Capital's loans/receivables portfolio rose c.51.0% in FY17, with portfolio health and quality remaining solid and intact. The company's provision levels commensurately grew in line with loan portfolio growth as a matter of prudent risk management. GB Capital's loans/receivables portfolio health is supported by a number of factors, key being: 1) net financed assets are typically a percentage of total financed assets as clients provide an initial down payment and make further repayments over the financing term, 2) all financing businesses companies maintain sufficient collateral and/or title against the financed portfolio, and 3) there is an inherent incremental cushion embedded in the value of the financed assets, which has increased on account of the prevailing high inflation rates and the devaluation of the Egyptian pound.

Exposure related to GB Auto & Auto Related accounts for less than c.11.0% of GB Capital's loans/receivables portfolio. Its model is built on the companies' ability to obtain leverage against their lending portfolios, which 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. GB Capital companies remain strongly under-leveraged compared to industry norms and regulatory caps which, in light of the nature of the business, allow the companies to borrow up to 8x shareholders' equity for GB Lease and Drive, and up to 10x shareholders' equity for Tasaheel. Standard total leverage for GB Capital stood at 4.51x at the end of the year, compared to 3.55x as per the regulator's definition (calculated as non-current bank debt to equity for the leasing and factoring business, while all other activities are calculated based on the total bank debt, as FRA requirements). GB Capital related companies' debt stood at LE 4.4 billion at the end of 2017, with debt levels expected to continue rising as the company funds its growing operations.





# Organizational Structure





## Board of Directors



### Dr. Raouf Ghabbour

Chairman of the Board of Directors and Chief Executive Officer

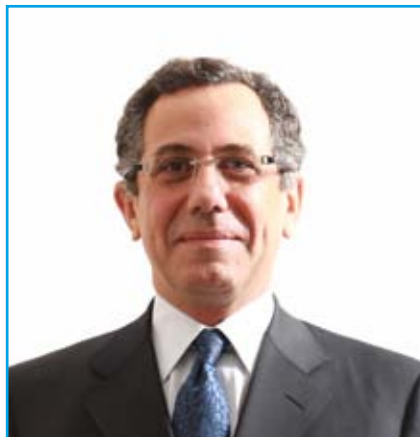
Dr. Raouf Ghabbour founded the Ghabbour Group of Companies, which he began incepting in 1985. Dr. Ghabbour began his career working in his family's auto-related trading business, where he initially established himself in the tire division. Having quickly gained a commendable reputation in the market for his business savvy, Dr. Ghabbour went on to acquire agency agreements from global OEMs, which he transformed into successful businesses. Dr. Ghabbour has grown the company to a leading automotive assembler and distributor in the Middle East and North Africa.



### Mr. Mansour Kabbani

Non-Executive Director

Mr. Mansour Kabbani brings more than 30 years of experience to GB Auto, where he joined as VP for project co-ordination in 2015 and currently oversees group investments as well as investor relations. Mr. Kabbani spent a decade working in textile spinning before becoming CFO at Technological and Electrical Systems (TES) for two years. With Dr. Ghabbour and partners, he helped establish CITI in 1997 which later merged with GB Auto. From 1997 to 2015, Mr. Kabbani has run his family investments and accumulated vast experience in capital markets. He graduated from AUC in 1981 with a BA in Economics.



### Mr. Aladdin Hassouna Saba

Non-Executive Director

Mr. Aladdin Hassouna Saba is the co-founder and Chairman of Beltone Financial, a leading regional financial services institution operating in the fields of Investment Banking, Asset Management, Private Equity, Brokerage and Equity Research. Mr. Saba is also a founding member of the Egyptian Investment Management Association, in addition to the Egyptian Capital Markets Association. Mr. Saba sits on the boards of the Egyptian Stock Exchange, National Bank of Egypt, as well as various corporations and investment funds.



### Mr. Mostafa El Mahdi

Executive Director and Chief Financial Officer

Mr. Mostafa El Mahdi brings to GB Auto 22 years of experience at KPMG, where he joined in 1990 before being promoted to Partner in 2001. While there, he was Head of the Manufacturing and Consumer Market line of business and the Responsible Partner for Audit Efficiency. Mr. El Mahdi has also worked as Chief Internal Auditor and Advisor to the President of the Board of Directors for IGI. He has extensive experience in restructuring projects and transaction services, including due diligence and mergers & acquisitions. Mr. El Mahdi holds a Bachelor of Commerce degree with a focus in Accounting from Cairo University and is a Fellow of the Egyptian Society of Accountants and Auditors, as well as a Member of the American Institute of Accounts and Auditors.

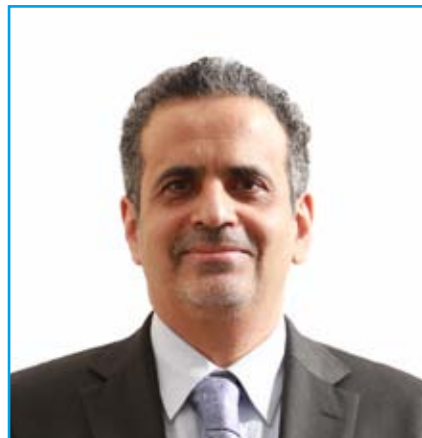




### Mr. Nader Ghabbour

Executive Director and Group Chief Operating Officer

Mr. Nader Ghabbour started his career at GB Auto as a showroom sales representative for the passenger car division. He worked his way up to running the daily sales operations within the show room and later assumed the role of showroom sales supervisor and manager. Mr. Ghabbour's managerial capabilities were proven when he took on the more strategic role of managing the business-to-business arm of the passenger car segment. He currently serves as the chief operating officer for the Passenger Car division, managing the Passenger Car sales and After-Sales functions, regional operations, and the Motorcycle and Three-Wheeler operations. Mr. Ghabbour graduated with a Bachelor of Arts in Business Administration from Boston University.



### Dr. Walid Sulaiman Abanumay

Non-Executive Director

Dr. Walid Sulaiman Abanumay has been the Managing Director of Al-Mareefa Al Saudia Company since 1997, where he oversees investments in both developed and emerging markets. Dr. Abanumay has held several executive roles: between February 1993 and January 1994 he was the General Manager of the Investment Department of the Abanumay Commercial Center and between November 1990 and February 1993 he worked in the Treasury and Corporate Banking department of SAMBA. Dr. Abanumay is a board member of several prominent companies, including Madinet Nasr for Housing and Development (since 1998), Raya Holding (since 2005), and Beltone Financial.



### Mr. Mounir Fakhry Abdelnour

Non-Executive Director

Mr. Mounir Fakhry Abdelnour brings more than 40 years of economy-centric experience to GB Auto's Board of Directors. Since 1970, he has occupied various high-ranking positions at a number of reputable banking institutions and also served in different ministerial posts, including Minister of Tourism and Minister of Industry and Trade, among others. In 1976, he co-founded American Express Middle East (AMEX), where he served as Vice President and board member until 1980. He was also a founder and Chairman of the Egyptian-French Agro-foods Company between 1983 and 2014. Throughout his career, Mr. Abdelnour served as a board member at the EGX, the National Council for Human Rights, and the Federation of Egyptian Industries. He currently sits on the board of Commercial International Bank of Egypt (CIB), Beltone Financial, and Domty. As an active participant in Egyptian political life, Mr. Abdelnour headed the opposition bloc in parliament between 2000 and 2005 and was a member of the time-honored political party Al Wafd from 2005-2011.



# Management



## Dr. Raouf Ghabbour

Chairman of the Board of Directors and Chief Executive Officer

Dr. Raouf Ghabbour founded the Ghabbour Group of Companies, which he began incepting in 1985. Dr. Ghabbour began his career working in his family's auto-related trading business, where he initially established himself in the tire division. Having quickly gained a commendable reputation in the market for his business savvy, Dr. Ghabbour went on to acquire agency agreements from global OEMs, which he transformed into successful businesses. Dr. Ghabbour has grown the company to a leading automotive assembler and distributor in the Middle East and North Africa.



## Mr. Nader Ghabbour

Executive Board Member and Group Chief Operating Officer

Mr. Nader Ghabbour started his career at GB Auto as a showroom sales representative for the passenger car division. He worked his way up to running the daily sales operations within the show room and later assumed the role of showroom sales supervisor and manager. Mr. Ghabbour's managerial capabilities were proven when he took on the more strategic role of managing the business-to-business arm of the passenger car segment. He currently serves as the chief operating officer for the Passenger Car division, managing the Passenger Car sales and After-Sales functions, regional operations, and the Motorcycle and Three-Wheeler operations. Mr. Ghabbour graduated with a Bachelor of Arts in Business Administration from Boston University.



## Mr. Mostafa El Mahdi

Executive Board Member and Chief Financial Officer

Mr. Mostafa El Mahdi brings to GB Auto 22 years of experience at KPMG, where he joined in 1990 before being promoted to Partner in 2001. While there, he was Head of the Manufacturing and Consumer Market line of business and the Responsible Partner for Audit Efficiency. Mr. El Mahdi has also worked as Chief Internal Auditor and Advisor to the President of the Board of Directors for IGI. He has extensive experience in restructuring projects and transaction services, including due diligence and mergers and acquisitions. Mr. El Mahdi holds a Bachelor of Commerce degree with a focus in Accounting from Cairo University and is a Fellow of the Egyptian Society of Accountants and Auditors, as well as a Member of the American Institute of Accounts and Auditors.



## Mrs. Amal Ragheb

Chief Operating Officer of Financing Businesses and Chief Credit Risk Officer

Mrs. Amal Ragheb joined GB Auto in October 2009 as Chief Operating Officer of Financing Businesses. She is responsible for all the Group's financing business activities and holds the position of Executive Chairman for each. Mrs. Ragheb is also the Chief Credit Risk Officer, in charge of all credit risk management policies and applications for the Group, as well as Collections under legacy credits. A seasoned hands-on and results-oriented banker with a proven track record spanning over 29 years, Mrs. Ragheb joined GB Auto from Mashreq Bank, Dubai, UAE, where she held the position of Senior Vice President, Risk Management for two years. While there, Mrs. Ragheb spearheaded international growth initiatives, moving from its branch in Egypt where she was CEO & Country Manager for four years, during which time she restructured and revamped the bank, setting forth its future growth strategies in Egypt. Mrs. Ragheb started her banking career with Bank of America where she spent 23 years, holding a series of positions in Cairo and Dubai. She rose to become BoA's Country Manager and CEO for Egypt, as well as Regional Manager for the MENA Region, Turkey, and Africa, in which capacity she managed and set the Bank's strategies for the subject markets and oversaw the Bank's global business in the region. During her tenure at Bank of America, she was awarded the "Deal Team Honor of Excellence," as well as the "Best Contact Officer of the Year."





### Mr. Ghassan Kabbani

Chief Operating Officer of Two- and Three-Wheelers

Mr. Ghassan Kabbani brings more than 30 years of experience to GB Auto. He first worked in the family textile business from 1980 through 1994, when he left to join T.E.S. sheet metal. In 1996, together with Dr. Ghabbour and other partners, he established CITI (a two- and three-wheeler company). In 2007, CITI merged with GB Auto, at which time Mr. Kabbani joined the company. Mr. Kabbani graduated from AUC in 1979 with a Bachelor of Arts in Economics and Business Administration.



### Mr. Ramez Adeeb

Chief Manufacturing Officer

Mr. Ramez Adeeb joined GB Auto in 1995, holding a number of positions and gaining experience in functions including planning, engineering, and quality control until he left the company in 2001 for a position as a project manager at RITEC Consultancy. Mr. Adeeb rejoined GB Auto in 2003, garnering additional experience in the segments of localization management, aggregate planning, sales technical support, industrial projects management and, finally, the group technical support directorship. Mr. Adeeb graduated with a Bachelor's degree from Cairo University's Mechanical Engineering Department in 1993. He served as a Research Assistant in Rotor Dynamics and Vibration at Cairo University from 1994-95. He earned an MBA in Marketing Management from the Netherlands' Maastricht School of Management in 2005.



### Mr. Karim Gaddas

Chief Executive Officer of Tires

Mr. Karim Gaddas joined GB Auto in 2015 as Chief Executive Officer of Tires, boasting 20 years of experience in general management, operations, and sales and marketing. In the last 16 years, he occupied various positions at Pirelli that included headquarter-level roles in Milan and regional-level roles in Paris, Cairo, Alexandria, and Dubai. In addition to being the Global Sales Director for BU trucks, the CEO of the company's Middle East and India operations, and the CEO of African and Egyptian operations, Mr. Gaddas also served as Pirelli's Vice Chairman. He was also a member of the board at the Alexandria Tire Company for eight years. Mr. Gaddas began his career in 1996 at Gewiss, an electrical materials company based in Bergamo, Italy, where he was the Area Manager for Central America, the Middle East, and Africa. He holds a Bachelor of Arts in Business Administration from the Sup de Co Montpellier in France and an MBA from SDA Bocconi in Milan, Italy.



### Mr. Wissam Al-Adany

Chief Information Technology Officer

Mr. Wissam Al-Adany joined GB Auto in 2014, bringing with him more than 19 years of experience in IT management, including four years of international experience in Brazil, France, and Kazakhstan. Prior to joining GB Auto, Mr. Al-Adany served as Group Chief Information Technology Officer of the Americana Group — whose major shareholder is the multinational Al Kharafi Conglomerate — where he managed the Group's IT Operations for 15 companies. He started his career with GlaxoSmithKline as a Senior Systems Engineer, and from there moved on to Lafarge as Country IT Director for four years. Mr. Al-Adany has deep techno-functional knowledge in all facets of IT and a robust track record in IT infrastructure management, service delivery, ERP implementation, and techno-commercial support. He holds a Bachelor of Science in Communications & Electronics Engineering from Ain Shams University in Cairo and an MBA from the American University in Cairo.





#### Mr. Sherif Sabry

GB Lease Chairman and MD

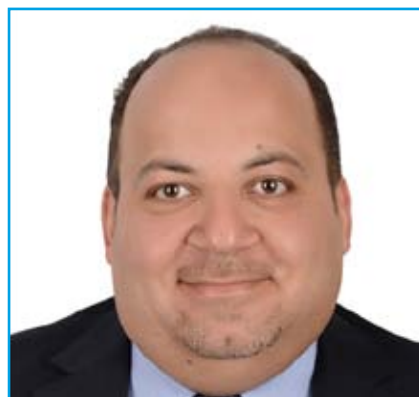
Mr. Sherif Sabry is the Chairman and MD of GB Lease, having held the post since 2008 when he was appointed to manage the restructuring of the company upon GB Auto Group's acquisition of the firm under its financing arm. He has been a member of the GB Auto family since 1995 in several capacities, including Group Treasury Division Head and Group Treasury Director. He holds a BA of Commerce from Cairo University and an MBA in Finance and Banking from Maastricht School of Management. He is also a graduate of the Chase Manhattan Bank Credit Program.



#### Mr Hazem Fouad Abd El Latif

Drive Finance and Drive Trade Chairman and MD

Mr. Hazem Fouad Abd El-Latif has been Chairman and Managing Director for Drive Finance and Drive Trade since January 2018, having been with GB Auto since 2008 as SVP - Group Head of Treasury and Risk Management, shouldering the critical responsibility of managing the group's treasury and cash flow and being key to the company in navigating turbulent climates. Mr. Abd El-Latif is a Certified Treasury Professional, with over 25 years of regional experience in banking and corporate treasury with HSBC Egypt, Al Ahram Beverages, and Omar Effendi. He holds a BA in Business Administration and Management from Cairo University.



#### Mr. Ahmed Ossama

GB Capital Head of Finance, Haram Tourism Chairman and MD

Mr. Ahmed Ossama holds the position of GB Capital Head of Finance and Chairman and MD of Haram Tourism. He has under his belt over two decades of experience in accounting and finance across a broad range of industries, including telecoms, petroleum, manufacturing, mining, and financial institutions. He holds a BA in Accounting from Helwan University.



#### Mr. Mounir Nakhla

Tasaheel Co-founder and MD

Mr. Mounir Nakhla is the Co-founder and Managing Director of Tasaheel, leveraging his entrepreneurial drive, calculated management style and hands-on problem-solving to grow the company to the positioning it holds today. Prior to his establishment of Tasaheel, he founded Mashroey, Egypt's fastest growing asset-based microfinance company, and assumed the role of Managing Director in 2009. He was part of EQI's growth story, holding several positions with the company and bookending his career there as Managing Partner in 2008. Mr. Nakhla holds a BSc. in International Business Studies from the European Business School and an MSc in Environment & Development from the London School of Economics.



# Our People



At GB Auto, we believe that our people are not only the backbone of our organization, but the driving force behind our success in our home market of Egypt. As an employer of choice, we strive to provide our employees with a safe and enriching work environment through clearly outlined and implemented policies, procedures and benefit and compensation structures. This year, the Human Resources (HR) department worked under the theme of transparency and employee empowerment, developing various initiatives and projects to enhance the “GB Employee Experience” for its 10,158 staff members.

In 2017 and through 2018, the HR department has been working on developing an environment that integrates three core strategy planks: engagement, culture and performance management. This comprehensive strategy was funneled this year into the following initiatives.

## Recruitment

Keen on attracting the best employees for the company, our recruitment team has worked hard on our employer branding and relations to secure top talent. In 2017, GB Auto participated in several employment events held by organizations that included the American University

in Cairo (AUC), German University in Cairo (GUC) and German Chamber of Commerce. We’ve also cast the net wide by collaborating with a number of organizations such as the Association for the Development and Enhancement of Women (ADEW), AMIDEAST and the USAID, allowing us to expand our sourcing methods for new employees and reach a wider pool of recruits.

## Compensation and Benefits

Committed to maintaining the wellbeing, satisfaction and motivation of our employees, GB Auto made sure to develop and add to our compensation, benefit, and bonus schemes across all job grades in light of the Egyptian pound’s devaluation. GB Auto carried out individual performance appraisals and salary reviews for every employee, benchmarking and increasing salaries to help ease the burden off workers. In order to retain employees, GB Auto updated its HR operations and continued its Employee Stock Ownership program. A new pension program was also launched in cooperation with Allianz Life Insurance Company and EFG Hermes to help guarantee employees’ financial benefits after retirement.

We also reassessed and updated existing benefits to help employees better cope rising inflation. Rolling out

fringe benefits such as flexible working hours, meal allowances, and free transportation to all employees, GB Auto made sure to encourage a healthy work-life balance for its staff. The company also continued to secure employees travel opportunities at discounted prices, as well as signed several agreements with a variety of retailers such as Sadko, B-Tech, and Cinnabon, to provide special deals and offers to employees.

## Employee Development

GB Auto has put in place a comprehensive strategy to reward and grow talent from within, encouraging effective communication, transparency, and fairness to drive its business forward.

Up until 2017, GB Auto ran a Potential Leader Program (PLP), offering employees an intensive executive management diploma at AUC. Starting 2018, the program will be rebranded GB Stars, with more employees eligible to enroll in different learning and professional development paths that will cater to their individual, unique needs to match the requirements of the business. GB Auto also initiated the GB Super Hero reward program, providing recognition to employees who accomplished extraordinary achievements within the company, and

restructured the employee development Ignition Program to achieve better outcomes.

Employees at all levels are presented with many opportunities to engage and add insight to the organization through Skip Level Meetings held with HR Business Partners. Training plays a pivotal role in the company, with GB Academy running several workshops to equip employees with a variety of technical, managerial, and soft skills throughout the year.

## Health and Safety

In 2017, GB Auto upgraded its medical insurance network to Prime Health Medical Services, offering up-to-date medical insurance that covers all employees for regular health care. Under the new insurance plan, employees are now eligible to enroll their family members. The company also provides a life and accident insurance policy to all its staff members free of charge.

GB Auto continues to support employee wellness initiatives that take place throughout the year. During the holy month of Ramadan, GB Auto distributed 3,520 food boxes across different governorates in Egypt to its employees, at a total cost of LE 193,200.



# Corporate Social Responsibility



GB Auto's Corporate Social Responsibility (CSR) platform is a four-pronged approach aligned with both our sustainability agenda and business strategy. The first area of focus is vocational training, seeing the company working to develop a more efficient and robust vocational education framework that improves the lives of Egyptians and bolsters the economy's ability to grow. The second plank is environmental awareness as the company seeks to preserve the communities in which it does business. Road safety is the third focus, with GB Auto raising awareness about the severity of the issue across the country.

## Education

GB Auto's flagship project for 2017 was the establishment of the GB Foundation for Development, with a mission to develop a vocational school model that offers students an interactive learning experience. GB Auto firmly believes that an emphasis on vocational training will directly lead to the betterment of society as it plays a critical role in equipping young people with the right skills to meet labor market needs, fueling competitiveness while reducing youth unemployment.

In November, the foundation signed a protocol with the Ministry of Trade and Industry to establish the Imbaba Automotive Vocation Training Center, renovating and outfitting the center with modern technological tools at a total cost of LE 25 million. The foundation also provided training modules for teachers and enhanced the school management system. In addition, it signed a partnership agreement with Saxony International School (SIS), an educational organization responsible for creating and managing a network of top-tier educational institutions. The agreement will allow SIS to integrate a German dual education curriculum that blends practical and theoretical educational approaches at the center. The foundation plans to donate LE 14 million annually to support school operations and fund student scholarships.

## Environmental Awareness

Throughout the year, GB Auto took steps to lower its environmental footprint while making sure to raise awareness of environmental issues with its staff members. In 2017, the company worked with the National Center for the Study of Occupational Safety and Health to improve environmental impact at all levels of the organization, taking calculated steps to manage

noise level, humidity, heat degree stress, the level of illumination intensity, radiation capacity affecting UV, magnetic flux density, overall mechanical vibration process, metal fumes and vapors, caustic soda spray and industrial wastewater.

In 2017, GB Auto put in place a wastewater discharge management plan and developed an industrial wastewater unit where industrial wastewater is treated. The output is measured by the National Center for the Study of Occupational Safety and Health on a regular basis to make sure the company conforms to lawful limits.

GB Auto supports the deployment of modern machinery, using modern furnaces where fumes are compressed into the surface of water and delivering them to Eco Converse Company for Environmental Services (a company mandated under Egypt's Ministry of Environment) which then separates the fumes and disposes of them safely. It is through Eco Converse that the company also manages hazardous materials/substances and waste, transporting hazardous waste to designated locations away from residential areas. GB Auto also works with the Industrial Zone Municipality to dispose of solid waste safely and efficiently from its plants.

To ensure employees work in the most comfortable, healthy environments, the company installed a water desalination system at its plants so workers have constant access to potable drinking water.

## Road Safety

GB Auto recognizes the gravity of road safety problems Egyptians face. As such, GB Auto launched the second iteration of its Safe Driving Initiative in 2017. In collaboration with Hyundai Motor Company, the three-week initiative is certified by the British Driving Safety and Control Agency and tackles dangerous driving habits, like using a cell phone while driving, not fastening seat belts, driving while under stress and driving under the influence of narcotics, among others. This year's event was yet another success, with 1,000 drivers who drive passenger cars, buses, and trucks, in addition to drivers from large corporations and schools participating in the program. Some 190 GB Auto drivers took a Compressed Advanced Defending Driving Course offered under the initiative. The two-day course featured a theoretical and practical segment with an assessment on the second day for 76 bus, 58 truck, and 36 passenger car drivers.





# AUDITED FINANCIAL STATEMENTS

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# Auditor's Report

To The Shareholders of GB Auto (S.A.E.)

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of GB Auto (S.A.E.), which comprise the consolidated balance sheet as at December 31, 2017, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

## Management's Responsibility for the Consolidated Financial Statements

These consolidated financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these Consolidated financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Consolidated financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of GB Auto (S.A.E.) as of December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

## Report on Other Legal and Regulatory Requirements

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company's books of account, according to the limits of this information in books.

Cairo March 4, 2018

KPMG Hazem Hassan  
Public Accountants & Consultants



# Consolidated statement of financial position

as at December 31, 2017

(All amounts in thousand Egyptian Pound)	Note	2017	2016
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant, equipment and projects under construction (Net)	(15)	5 602 626	4 898 939
Intangible assets and goodwill	(16)	430 346	437 208
Payments Under Investments		6 478	5 500
Notes receivables (Net)	(11)	1 006 159	756 751
Deferred tax assets	(9-B)	282 653	159 355
Investment property	(17)	90 905	91 512
Debit balances		8 222	24 110
<b>Total non-current assets</b>		<b>7 427 389</b>	<b>6 373 375</b>
<b>Current assets</b>			
Inventories (Net)	(10)	3 012 824	5 820 482
Accounts and notes receivables (Net)	(12)	2 972 213	2 363 801
Debtors and other debit balances (Net)	(13)	1 234 882	1 208 354
Due from related parties	(33)	140 341	105 516
Cash on hand and at banks	(14)	1 242 776	1 225 300
<b>Total current assets</b>		<b>8 603 036</b>	<b>10 723 453</b>
<b>Total assets</b>		<b>16 030 425</b>	<b>17 096 828</b>
<b>Equity</b>			
Issued and paid in capital	(18)	1 094 010	1 094 010
Shares held by the group	(19)	-	(26 506)
Legal reserve	(20)	320 992	311 125
Other reserves	(21)	2 462 968	2 548 975
Retained (Loss) / earnings		(144 564)	759 762
Net (Loss) for the year		(666 900)	(865 656)
<b>Equity attributable to owners of the company</b>		<b>3 066 506</b>	<b>3 821 710</b>
Non-controlling interests	(22)	1 163 158	1 169 638
<b>Total equity</b>		<b>4 229 664</b>	<b>4 991 348</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans	(24)	2 573 823	1 663 490
Notes payables and creditors	(27)	558	-
Warranty provisions	(26)	42 834	49 174
Deferred revenues		78 682	21 142
Deferred tax liabilities	(9-B)	152 501	164 389
<b>Total non-current liabilities</b>		<b>2 848 398</b>	<b>1 898 195</b>
<b>Current liabilities</b>			
Provisions	(26)	240 928	161 891
Current tax liabilities	(9-A)	80 565	98 115
Loans, borrowings and overdrafts	(24)	7 040 969	7 068 619
Due to related parties	(33)	70 067	70 710
Trade payables and other credit balances	(25)	1 519 834	2 807 950
<b>Total current liabilities</b>		<b>8 952 363</b>	<b>10 207 285</b>
<b>Total liabilities</b>		<b>11 800 761</b>	<b>12 105 480</b>
<b>Total equity and liabilities</b>		<b>16 030 425</b>	<b>17 096 828</b>

\* The accompanying notes form an integral part of these consolidated financial statements, and to be read therewith.

Group Finance Director	Chief Financial Officer and Board of Director Member	Chairman and Managing Director
Abbas Elsayed Abbas Elsayed	Mostafa Ahmed Elmahdi	Dr. Raouf Ghabbour

# Consolidated statement of Income

for the financial year ended December 31, 2017

(All amounts in thousand Egyptian Pound)	Note	2017	2016
<b>Continuing operations</b>			
Revenue		17 656 586	15 285 672
Cost of revenue		(15 703 786)	(13 083 613)
<b>Gross profit</b>		<b>1 952 800</b>	<b>2 202 059</b>
Other income		151 528	40 734
Selling and marketing expenses		(583 586)	(449 848)
General and administrative expenses		(699 205)	(749 706)
Provisions and Impairment of Current and Non-Current assets (Net)	(7)	(203 364)	(184 856)
Impairment of Non-Current assets held for sale		-	21 229
Imparment in Fixed Asset		-	(2 788)
Investment Losses		-	(10 862)
<b>Operating results</b>		<b>618 173</b>	<b>865 962</b>
Finance costs (Net)	(6)	(1 369 902)	(1 853 352)
<b>Net (Loss) for the year before income tax</b>		<b>(751 729)</b>	<b>(987 390)</b>
Income tax - benefit \ (expense)	( 9-C )	28 074	(2 420)
<b>Net (Loss) for the year</b>		<b>(723 655)</b>	<b>( 989 810)</b>
<b>Attributable to:</b>			
Owners of the company		(666 900)	(865 656)
Non-controlling interests		(56 755)	(124 154)
		<b>(723 655)</b>	<b>(989 810)</b>
Basic (Loss) / earnings per (share/ EGP)	(8)	<b>(0.61)</b>	<b>(0.81)</b>

\* The accompanying notes form an integral part of these consolidated financial statements, and to be read therewith.



Consolidated statement of comprehensive income

for the financial year ended December 31, 2017

(All amounts in thousand Egyptian Pound)	The nine months ended September 30	
	2017	2016
Net (Loss) for the year after income tax	(723 655)	(989 810)
<b>Other comprehensive income items</b>		
Foreign currency translation difference	68 979	1 808 645
Modification surplus of fixed assets result	(116 300)	318 250
<b>Total other comprehensive income for the year before income tax</b>	<b>(47 321)</b>	<b>2 126 895</b>
Income tax Related to other comprehensive income item	22 133	(61 163)
<b>Other comprehensive income for the year after income tax</b>	<b>(25 188)</b>	<b>2 065 732</b>
<b>Total other comprehensive income for the year</b>	<b>(748 843)</b>	<b>1 075 922</b>
<b>Other comprehensive income is attributable to:</b>		
Owners of the company	(657 612)	511 667
Non-controlling interests	(91 231)	564 255
	<b>(748 843)</b>	<b>1 075 922</b>

\* The accompanying notes form an integral part of these consolidated financial statements, and to be read therewith.

Consolidated statement of Shareholders Equity

for the financial year ended December 31, 2017

	Attributed to owners of the company									
	Share capital	Shares held by the group	Legal reserve	Foreign currency translation reserve	"ESOP (Fair value) reserve"	Surplus re-valuation of fixed assets reserve	Share premium (Special reserve)	Net profit / (losses) for the year	Non-controlling interests	Total equity
(All amounts in thousand Egyptian Pound)										
<b>Balance at 31 December 2016</b>	<b>1 094 010</b>	<b>(26 506)</b>	<b>311 125</b>	<b>1 235 511</b>	<b>86 440</b>	<b>259 585</b>	<b>967 439</b>	<b>759 762</b>	<b>(865 656)</b>	<b>4 991 348</b>
Transferred to retained earnings	-	-	-	-	-	-	-	(865 656)	865 656	-
<b>Total comprehensive income</b>										
Net (loss) for the year	-	-	-	-	-	-	-	-	(666 900)	(56 755)
Modification surplus of fixed assets after income tax	-	-	-	-	-	(94 167)	-	47 099	-	(47 068)
Other comprehensive income items	-	-	-	56 356	-	-	-	-	56 356	12 623
<b>Total comprehensive income</b>										
<b>Total comprehensive income</b>										
<b>Transactions with owners of the company</b>										
Results of sale of shares held by the group	-	26 506	-	-	-	-	(50 638)	-	(24 132)	(24 132)
Change of non-controlling interests without changing in control	-	-	-	-	-	-	-	(44 702)	44 702	-
Dividends	-	-	-	-	-	-	-	(31 200)	(8 800)	(40 000)
ESOP fair value	-	-	-	-	2 442	-	-	-	2 442	2 442
Capital increase	-	-	-	-	-	-	-	-	-	1 750
Transferred to Legal reserve	-	-	9 867	-	-	-	-	(9 867)	-	-
<b>Total Transactions with owners of the company</b>		<b>26 506</b>	<b>9 867</b>		<b>2 442</b>		<b>(50 638)</b>		<b>(97 592)</b>	<b>(59 940)</b>
<b>Balance at December 31, 2017</b>	<b>1 094 010</b>	<b>-</b>	<b>320 992</b>	<b>1 291 867</b>	<b>88 882</b>	<b>165 418</b>	<b>916 801</b>	<b>(144 564)</b>	<b>3 066 506</b>	<b>4 229 664</b>

\* The accompanying notes form an integral part of these consolidated financial statements, and to be read therewith.



# Consolidated statement of Shareholders Equity

for the financial year ended December 31, 2017

31 December 2016	Attributed to owners of the company									
	Share capital the group	Shares held by the group	Legal reserve	Foreign currency transla- tion reserve	"ESOP (Fair value) reserve"	Surplus Revalu- ation of fixed assets reserve	Share premium (Special reserve)	Net profit / (losses) for the year	Non- Con- trolling interests	Total equity
(All amounts in thousand Egyptian Pound)										
<b>Balance at 31 December 2015</b>	<b>1 094 010</b>	<b>(26 506)</b>	<b>296 570</b>	<b>115 275</b>	<b>67 777</b>	<b>2 498</b>	<b>967 439</b>	<b>584 288</b>	<b>3 334 446</b>	<b>3 943 106</b>
Transferred to retained earnings	-	-	-	-	-	-	-	233 095	-	-
<b>Total comprehensive income</b>										
Net (Loss) for the year	-	-	-	-	-	-	-	(865 656)	(124 154)	<b>(989 810)</b>
Modification surplus of fixed assets after income tax	-	-	-	-	-	257 087	-	-	257 087	<b>257 087</b>
Other comprehensive income items	-	-	-	1 120 236	-	-	-	-	688 409	<b>1 808 645</b>
<b>Total other comprehensive income</b>	-	-	-	<b>1 120 236</b>	-	<b>257 087</b>	-	<b>(865 656)</b>	<b>511 667</b>	<b>1 075 922</b>
<b>Transactions with owners of the company</b>										
Dividends	-	-	-	-	-	-	-	(43 066)	(11 367)	<b>(54 433)</b>
Change of non-controlling interests without changing in control	-	-	-	-	-	-	-	-	(5 929)	<b>(5 929)</b>
ESOP fair value	-	-	-	-	18 663	-	-	-	18 663	<b>18 663</b>
Capital increase	-	-	-	-	-	-	-	-	14 019	<b>14 019</b>
Transferred to Legal reserve	-	-	14 555	-	-	-	-	(14 555)	-	-
<b>Total Transactions with own- ers of the company</b>	-	-	<b>14 555</b>	-	<b>18 663</b>	-	-	<b>(57 621)</b>	<b>(3 277)</b>	<b>(27 680)</b>
<b>Balance at December 31, 2016</b>	<b>1 094 010</b>	<b>(26 506)</b>	<b>311 125</b>	<b>1 235 511</b>	<b>86 440</b>	<b>259 585</b>	<b>967 439</b>	<b>759 762</b>	<b>3 821 710</b>	<b>4 991 348</b>

\*The accompanying notes form an integral part of these consolidated financial statements, and to be read therewith.

# Consolidated statement of cash flows

for the financial year ended December 31, 2017

(All amounts in thousand Egyptian Pound)	Note	31 December 2017	31 December 2016
<b>Cash flows from operating activities</b>			
Net (loss) for the year before tax		(751 729)	(987 390)
<b>Adjustments for:</b>			
Interest expense		1 224 710	596 228
Depreciation and amortization for the year	(16,15)	434 762	320 759
Provisions movements (net)	(26)	159 586	102 666
Impairment losses on current assets (net)		64 386	93 506
Impairment of Non-Current assets held for sale		-	(21 229)
ESOP fair value		2 442	18 663
Interest income	(6)	(31 218)	(15 965)
Loans capitalized interest		(37 329)	(12 459)
Imparment in Fixed Asset		-	2 788
Foreign currency translation losses (Unrealized)		-	836 632
Loss from sales of shares held by the group	(19)	(50 638)	-
Gain from sales of investment properties		(344)	-
Gain / (Losses) from sale of property, plant, equipment and assets held for sale		(45 685)	675
		<b>968 943</b>	<b>934 874</b>
<b>Changes in:</b>			
Inventories		2 809 414	(2 927 403)
Accounts and notes receivables		(901 307)	(1 041 547)
Debtors and other debit balances		(9 253)	(134 390)
Due from related parties		(53 314)	20 973
Due to related parties		(643)	8 306
Trade payables and other credit balances		(1 242 397)	1 007 118
<b>Cash generated from \ (used in) operating activities</b>		<b>1 571 443</b>	<b>(2 132 069)</b>
Provisions used		(85 279)	(68 044)
Income tax paid		(102 795)	(64 275)
Dividends paid		(40 000)	(54 434)
<b>Net cash generated from \ (used in) operating activities</b>		<b>1 343 369</b>	<b>(2 318 822)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant, equipment and projects under constructions		(1 429 438)	(1 385 345)
Change in Minority without Change in control		-	(5 929)
Acquisition of intangible assets		(2 332)	(843)
Interest income received		30 772	9 012
Paid under Investment		(979)	(5 500)
Proceeds from sale of property, plant, equipment and assets held for sale		319 137	197 785
<b>Net cash (used in) investing activities</b>		<b>(1 082 840)</b>	<b>(1 190 820)</b>
<b>Cash flows from financing activities</b>			
Proceeds from non controlling interest to increase capital of subsidiaries		1 750	14 019
Proceeds from sales of shares held by the group		77 144	-
Proceeds from loans and borrowings		846 449	3 498 836
Long-Term notes payable		558	-
Interest paid		(1 164 079)	(561 130)
<b>Net cash (used in) / genertaed from financing activities</b>		<b>(238 178)</b>	<b>2 951 725</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>22 351</b>	<b>(557 917)</b>
Cash and cash equivalents at the beginning of the year		1 225 300	1 188 704
Effect of movements in exchange rates on cash and cash equivalents held		(4 875)	594 513
<b>Cash and cash equivalents at end of the year</b>	(14-B)	<b>1 242 776</b>	<b>1 225 300</b>

\*The accompanying notes form an integral part of these consolidated financial statements, and to be read therewith.



# Notes to the Consolidated Financial Statements

for the financial year ended December 31, 2017

## 1. Reporting entity

GB Auto Co. is an Egyptian joint stock company incorporated on 15 July 1999 under the name of GB Capital for Trading and Capital Lease and under Law No. 159 of 1981, and was registered in the commercial register under No. 3422, Cairo.

Based on the decision of the Extraordinary General Assembly Meeting held on 26 April 2007, it has been agreed to change the Company’s name to be GB Auto. This amendment was registered in the commercial register on 23 May 2007.

The company is domiciled in the Industrial Zone – Abou Rawash Kilo meter 28 Cairo – Alexandria Desert Road, Arab Republic of Egypt.

The company and its subsidiaries (will be referred to as “the Group”) main activities include trading, distributing and marketing of all transportation means including heavy trucks, semi-trucks, passenger cars, buses, mini buses, micro buses, agriculture tractors, pick-ups, mechanical tools equipment for sail movement and motors with their different structures and types whether locally manufactured and imported new and used ones and trading in spare parts, accessories whether locally manufactured or imported and tires for vehicles and equipment whether locally manu-factured or imported. The Group also undertakes import and export activities, selling locally manufactured and imported products for cash, on credit or through finance leasing and microfinance. Also trade in all goods including light truck and sale by instalments and provide services of factoring and nonbanking financial services. The factor-ing services intended to buy existing and future rights of sellers of goods and services and provide related services.

The major shareholders of the company are Dr. Raouf Ghabbour and his family who collectively owns approximately 60.6% of the Company’s shares as at December 31, 2017.

The consolidated financial statements were authorized for issue by the Company’s Board of Directors on March 4, 2018.

## 2. Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with an updated Egyptian Accounting Standards (EAS) issued as per the decree of the minister of investment No. 110 for the year 2015, issued on 9 July 2015 and effective for financial years commence on 1st January 2016 and the related Egyptian laws and regulations.

## 3. Functional and presentation currency

The consolidated financial statements are presented in Egyptian Pounds which is the Group’s functional currency.

## 4. Use of judgement and estimates

In preparing the consolidated financial statements in accordance with Egyptian Accounting Standards (EAS), man-agement has made judgements, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on past experience and various factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis.

The recognition of the change in accounting estimates in the period in which the change in estimate, if the change affects only that period, or in the period of change and future periods if the change affects both.

### A. Measurement of fair value

The fair value of financial instruments determines based on the market value of a financial instrument or similar financial instruments at the date of the financial statements without deducting any estimate future costs of sale. The financial asset values determine at current prices for the purchase of those assets, while determining the value of financial liabilities at current prices, which could be settled by those commitments.

In the absence of an active market to determine the fair value of financial instruments, the fair value is estimated using various valuation techniques, taking into consideration the transactions price that has recently or be guided by the current fair value of other instruments which is substantially similar. Or the use of discounted cash flow or any other evaluating method that leads to results can rely on it.

When using the discounted cash flow method as a way for the evaluation, the future cash flows are estimated based on the best estimates of management. And determined the discount rate used in the prevailing market price at the date of the financial statements of financial instruments are similar in nature and terms.

## 5. Operating segments

The Group has the following four operational segments, which are its reportable segments to top management. These segments offer different products and services, and are managed separately because they require different technol-ogy and marketing strategies.

The following summery describes the operations for each reportable segments:

Reportable segment	Operations
Passenger car	Trading, distributing and marketing for all kinds of passenger cars, whether locally manufactured or imported.
Buses and trucks	Trading, distributing and marketing for all kinds of heavy trucks, semi-trucks, buses, mini buses, micro buses, agriculture tractors, whether locally manufactured or imported.
2 & 3 Wheels	Trading, distributing and marketing for all kinds of 2 & 3 Wheels, whether locally manu-factured or imported.
Other Operations	Trading spare parts, and its accessories whether locally manufactured or imported, tires for vehicles and equipment whether locally manufactured or imported. export activities, selling locally manufactured and imported products for cash, on credit or through finance leasing and microfinance. and trade in all goods including light truck and sale by instalments and provide services of factoring and nonbanking financial services. The factoring services intended to buy existing and future rights of sellers of goods and services and provide related services.

### A. Total revenue

	December 31, 2017	December 31, 2016
Passenger car	57.4%	62.8%
Buses and trucks	7.3%	8.3%
2 & 3 Wheels	14.4 %	12.4%
Other Operations	20.9%	16.5%



## B. Revenue from foreign operations

	December 31, 2017	December 31, 2016
Passenger car	25.8%	11.1%
2 & 3 Wheels	7.5%	1.6%
Other Operations	12.1%	4.1%

## C. Segments results

	December 31, 2017	December 31, 2016
Passenger car	28.82%	51.84%
Buses and trucks	11.32%	10.55%
2 & 3 Wheels	16.69%	13.08%
Other Operations	43.17%	24.53%

## D. Assets

	December 31, 2017	December 31, 2016
Passenger car	38.1%	50.9%
Buses and trucks	18.6%	20.3%
2 & 3 Wheels	3.8%	3.3%
Other Operations	39.5%	25.5%

## E. Liabilities

	December 31, 2017	December 31, 2016
Passenger car	42.0%	60.1%
Buses and trucks	13.3%	14.3%
2 & 3 Wheels	6.4%	2.2%
Other Operations	38.3%	22.4%

## F. Reconciliations of information on reportable segments to financial statements according to EASS

	December 31, 2017	December 31, 2016
<b>Revenues</b>		
Total revenues for reportable segments	19 414 477	17 557 695
Elimination of inter-segment revenue	(1 757 891)	(2 272 023)
<b>Consolidated Revenue</b>	<b>17 656 586</b>	<b>15 285 672</b>
<b>Segments result</b>		
Gross profit for reportable segment	1 875 154	2 174 733
Elimination of inter-segment gross profit	77 646	27 326
<b>Consolidated Gross Profit</b>	<b>1 952 800</b>	<b>2 202 059</b>
<b>Assets</b>		
Total assets for reportable segments	30 068 612	31 413 948
Elimination inter-segment assets	(14 038 189)	(14 317 120)
<b>Total Consolidated Assets</b>	<b>16 030 423</b>	<b>17 096 828</b>
<b>Liabilities</b>		
Total Liabilities for reportable segments	20 007 210	21 822 941
Elimination inter-segment Liabilities	(8 206 451)	(9 717 461)
<b>Total Consolidated Liabilities</b>	<b>11 800 759</b>	<b>12 105 480</b>

## G. Other martial amounts

	Total report- able segment	Adjustments	Total consoli- dated December 31, 2017
Finance income	94 092	(62 873)	<b>31 219</b>
Interest expense and Bank Charges	(1 217 747)	(93 515)	<b>(1 311 262)</b>
Capital expenditure	3 006 654	(539 143)	<b>2 467 511</b>
Depreciation and amortization	446 276	(18 586)	<b>427 690</b>

	Total report- able segment	Adjustment	Total consoli- dated December 31, 2016
Interest income	50 529	(34 564)	<b>15 965</b>
Interest expense and Bank Charges	(646 608)	(10 688)	<b>(657 296)</b>
Capital expenditure	2 029 780	(347 308)	<b>1 682 472</b>
Depreciation and amortization	321 208	(449)	<b>320 759</b>



## 6. Finance costs

	December 31, 2017	December 31, 2016
Interest income	27 588	12 605
Interest income on installment sales	8 075	3 360
<b>Total Finance Income</b>	<b>35 663</b>	<b>15 965</b>
Interest expense and bank charges	(1 313 734)	(657 296)
Foreign exchange differences	(91 831)	(1 212 021)
<b>Total Finance Cost</b>	<b>(1 405 565)</b>	<b>(1 869 317)</b>
<b>Net Finance Cost</b>	<b>(1 369 902)</b>	<b>(1 853 352)</b>

## 7. Provisions and impairment of current and non-current assets

### Provisions no longer required

	December 31, 2017	December 31, 2016
Warranty provision	-	2 767
Impairment of accounts and notes receivable	12 639	-
Impairment of debtors and other debit balances	2 500	-
Other Provisions	522	-
Litigation provision	-	23
<b>Total provisions no longer required</b>	<b>15 661</b>	<b>2 790</b>

### Provisions formed

	December 31, 2017	December 31, 2016
Warranty provision	(65 160)	(48 309)
Impairment of accounts and notes receivable	(60 031)	(84 957)
Impairment of debtors and other debit balances	(725)	-
Litigation provision	(200)	(520)
Impairment of due from related parties	(16 510)	-
Other provisions	(76 399)	(53 860)
<b>Total provisions formed</b>	<b>(219 025)</b>	<b>(187 646)</b>
<b>Net provisions in the income statement</b>	<b>(203 364)</b>	<b>(184 856)</b>

- The movement of current and non-current assets impairment represented as follow:

	Balance at 1/1/2017	Impairment during the year	Used during the year	Reversal of Impairment during the year	Effect of movements of exchange rates	Balance at 31/12/2017
Impairment of Accounts & Notes receivable	379 729	60 031	(74)	(12 639)	(5 955)	421 092
Impairment of due from related parties	-	16 510	-	-	(256)	16 254
Impairment of Debtors & Other debit balances	7 907	725	-	(2 500)	836	6 968
	<b>387 636</b>	<b>77 266</b>	<b>(74)</b>	<b>(15 139)</b>	<b>(5 375)</b>	<b>444 314</b>
Impairment of Inventory*	127 124	42 330	-	(40 071)	(4 016)	125 367
	<b>514 760</b>	<b>119 596</b>	<b>(74)</b>	<b>(55 210)</b>	<b>(9 391)</b>	<b>569 681</b>

\*The formation and reversal of inventory impairment are charged in cost of revenue at income statement.

## 8. Earnings / (Loss) per share

### i. Basic

Since there is no suggested dividends account, accordingly the base used to calculate the net profit/(Loss) available for the shareholders was determined based on the net profit/(Loss) for the year without deducting the employees share and the board of director's bonus.

Basic earnings per share is calculated by dividing net profit/(Loss) for the period (as it is shown in the previous paragraph), by the weighted average number of ordinary shares issued during the year.

	December 31, 2017	December 31, 2016
Net (loss) for the year attributable to the shareholders	(666 900)	(865 656)
Weighted average number of ordinary shares issued	1 094 010	1 067 504
<b>Basic (loss) per share/ EGP</b>	<b>(0.61)</b>	<b>(0.81)</b>

## 9. Income tax

### A. Income tax liabilities

	December 31, 2017	December 31, 2016
Balance at 1 January	98 115	61 555
Taxes paid during the year	(102 795)	(64 275)
Current income tax during the year (Note 9-C)	84 977	100 835
Effect of movement of exchange rates	268	-
<b>Balance at the end of the year</b>	<b>80 565</b>	<b>98 115</b>





B. Deferred tax assets and liabilities

	Fixed and Intangible Assets	Carried forward losses	Impairment of Inventory	Warranty Provision	Legal Provision	Surplus revaluation of fixed assets	Foreign exchange loss	Total	
								December 31, 2017	December 31, 2016
<b>Deferred tax assets</b>									
Balance at 1 January	11	9 872	7 455	20 019	-	-	121 998	159 357	40 640
Charged to the income statement	-	223 892	8 437	11 729	1 236	-	(121 998)	123 296	118 715
<b>Balance at the end of the year</b>	<b>11</b>	<b>233 765</b>	<b>15 892</b>	<b>31 749</b>	<b>1 236</b>	<b>-</b>	<b>-</b>	<b>282 653</b>	<b>159 355</b>
<b>Deferred tax liabilities</b>									
Balance at 1 January	(103 226)	-	-	-	-	(61 163)	-	(164 389)	(82 926)
Charged to the income statement	(10 245)	-	-	-	-	-	-	(10 245)	(20 300)
Charged to Statement of comprehensive income	-	-	-	-	-	22 133	-	22 133	(61 163)
<b>Balance at the end of the year</b>	<b>(113 471)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(39 030)</b>	<b>-</b>	<b>(152 501)</b>	<b>(164 389)</b>
<b>Net deferred tax liabilities</b>	<b>(113 482)</b>	<b>233 765</b>	<b>15 892</b>	<b>31 749</b>	<b>1 236</b>	<b>(39 030)</b>	<b>-</b>	<b>130 152</b>	<b>(5 034)</b>
<b>Net</b>									
<b>Balance at 1 January</b>	(103 215)	9 873	7 455	20 020	-	(61 163)	121 998	(5 034)	(42 286)
Charged to the income statement	(10 245)	223 892	8 437	11 729	1 236	-	(121 998)	113 051	98 415
Charged to Statement of comprehensive income	-	-	-	-	-	22 133	-	22 133	(61 163)
<b>Balance at the end of the year</b>	<b>(113 460)</b>	<b>233 765</b>	<b>15 892</b>	<b>31 749</b>	<b>1 236</b>	<b>(39 030)</b>	<b>-</b>	<b>130 152</b>	<b>(5 034)</b>

Unrecognised deferred tax assets

- Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the group can use the benefits therefrom.

	December 31, 2017	December 31, 2016
Impairment of accounts and notes receivables	94 746	85 439
Impairment of other debit balances	2 291	1 779

- Liability for temporary differences related to investments in subsidiaries, associates and joint venture was not recognized because the group controls the timing of reversal of the related temporary differences and satisfied that they will not reverse in the foreseeable future.

C. Income tax expenses

	December 31, 2017	December 31, 2016
Current income tax for the year (Note 9-A)	(84 977)	(100 835)
Deferred tax – benefit \ (expense) (Note 9-B)	113 051	(98 415)
<b>Income tax for the yaer</b>	<b>28 074</b>	<b>(2 420)</b>

D. Amounts recognized in OCI

	December 31, 2017			December 31, 2016		
	Before Tax	Taxes	After Tax	Before Tax	Taxes	After Tax
Foreign Currency translation difference	68 979	-	68 979	1 808 645	-	1 808 645
Modification surplus of fixed assets result	116 300	(22 133)	94 167	318 250	(61 163)	257 087
	<b>185 279</b>	<b>(22 133)</b>	<b>163 146</b>	<b>2 126 895</b>	<b>(61 163)</b>	<b>2 065 732</b>

On June 4, 2014, Law No. (44) for the year 2014 has been issued to impose a temporary three years’ additional tax amounting to (5%) starting from the taxable period of the above-mentioned resolution. This additional tax is taxable profit over an amount of One Million Egyptian pounds by individuals or corporates as stipulated in the articles of the Income Tax Law. This additional tax should be assessed and collected according to those articles. This law became into force starting from June 5, 2014.

On June 30, 2014, Law No. (53) for the year 2014 has been issued by a presidential decree. This law included amendments for some articles of Income Tax Law No. (91) for the year 2005. The most important amendments are as follows:

- Imposing a tax on Dividends.
- Imposing a tax on the capital gains resulted from the sale of capital contribution shares and securities.

On April 6, 2015, ministerial decree No. (2/11) was issued for the year 2015 modifying the Executive regulations of the income tax law issued by ministerial decree No.91 for the year 2005.



On August 20, 2015, the presidential decree for law No. 96 for the year 2015 has been issued to amend the provisions of income tax law No. 91 for the year 2005 and the decree No. 44 for the year 2014 that imposing a temporary additional income tax, this decree shall be in effect from the next day of issuance. The most important changes included in the decree are as follows:

1. The income tax rate will decrease to be 22.5 % from the annual net profit.
2. Amend the period of imposing the 5 % temporary tax.
3. Amend the tax on dividends.
4. Stop the imposition of capital tax on the outcome of dealing in securities listed on the stock exchange for 2 years starting May 17, 2015.

## 10. Inventories

	December 31, 2017	December 31, 2016
Goods in transit	340 488	1 267 505
Cars, buses and trucks	1 322 738	2 876 875
Raw material and car components	752 357	1 118 781
Spare parts for sale	512 032	461 464
Work in progress	71 059	92 371
Tires	107 654	106 337
Oils	31 863	24 273
<b>Total</b>	<b>3 138 191</b>	<b>5 947 606</b>
Impairment of inventory *	(125 367)	(127 124)
<b>Net</b>	<b>3 012 824</b>	<b>5 820 482</b>

\* The formation and reversal of inventory impairment are charged in cost of revenue at income statement.

## 11. Long term notes receivables

	December 31, 2017	December 31, 2016
Long-term notes receivable (Note 12)	1 390 856	1 015 981
Interest income on installment sales	(379 413)	(256 483)
<b>Net present value for long-term notes receivable</b>	<b>1 011 443</b>	<b>759 498</b>
Impairment of long-term notes receivable	(5 284)	(2 747)
<b>Net</b>	<b>1 006 159</b>	<b>756 751</b>

## 12. Accounts and notes receivables

	December 31, 2017	December 31, 2016
Total notes receivable	8 526 478	3 017 124
Long-term notes receivable (Note 11)	(1 390 856)	(1 015 981)
Unamortized interest	(4 899 287)	(264 933)
<b>Net present value for short-term notes receivable</b>	<b>2 236 335</b>	<b>1 736 210</b>
Trade receivable	1 151 686	1 004 573
<b>Total</b>	<b>3 388 021</b>	<b>2 740 783</b>
Impairment of accounts and notes receivable balances	(415 808)	(376 982)
<b>Net</b>	<b>2 972 213</b>	<b>2 363 801</b>

## 13. Debtors and other debit balances

	December 31, 2017	December 31, 2016
Advance payments to suppliers	686 767	607 101
Withholding tax	216 745	185 815
Sales tax receivable	24 182	82 740
Accrued interest	446	7 090
Letters of credit	11 418	83 437
Prepaid expenses	93 886	68 930
Deposits with others	33 125	23 804
Letters of guarantee margin	84 892	56 813
Staff loans and custodies	24 660	23 802
Other debit balances	61 159	74 298
Customs duties	4 570	2 431
<b>Total</b>	<b>1 241 850</b>	<b>1 216 261</b>
Impairment of debtor and other debit balances	(6 968)	(7 907)
<b>Net</b>	<b>1 234 882</b>	<b>1 208 354</b>

## 14. Cash on hand and at banks

### A. Cash on hand and at banks

	December 31, 2017	December 31, 2016
Cash on hand and cash at banks	1 242 776	1 225 300
	<b>1 242 776</b>	<b>1 225 300</b>

### B. Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand and cash at banks	1 242 776	1 225 300
	<b>1 242 776</b>	<b>1 225 300</b>



15. Property, plant, equipment and projects under constructions

Cost	Lands & buildings	Machinery & equipments	Vehicles	IT infra-structures & computers	Fixtures & furniture	Leasehold improve-ments	Projects under construction*	Total
<b>Cost at 1 January 2016</b>	2 360 254	729 137	787 823	124 947	204 069	19 365	289 231	<b>4 514 826</b>
Reclassification	-	(188)	-	-	188	-	-	-
Additions during the year	1 070 022	144 967	229 071	14 468	19 606	2 193	201 302	<b>1 681 629</b>
Transferred from projects under construction to PP&E and intangible assets	195 053	49 376	-	1 048	26 774	-	(274 497)	<b>(2 246)</b>
Reclassification from assets held for sale	314 759	-	-	-	-	-	-	<b>314 759</b>
Disposals during the year	(210 852)	(28 808)	(117 800)	(133)	(10 993)	-	-	<b>(368 586)</b>
Effect of cost modification using modification factor	-	355 861	82 401	57 643	120 330	-	32 538	<b>648 773</b>
Effect of movements of exchange rates	236 772	24 088	16 875	4 945	56 483	3 104	4 302	<b>346 569</b>
<b>Balance at 31 December 2016</b>	<b>3 966 008</b>	<b>1 274 433</b>	<b>998 370</b>	<b>202 918</b>	<b>416 457</b>	<b>24 662</b>	<b>252 876</b>	<b>7 135 724</b>
<b>Cost at 1 January 2017</b>	3 966 008	1 274 433	998 370	202 918	416 457	24 662	252 876	<b>7 135 724</b>
Reclassification	(529)	4 303	-	160	(405)	(3 529)	-	-
Additions during the year	1 384 350	326 196	331 876	15 043	47 278	3 416	374 462	<b>2 482 621</b>
Transferred from projects under construction to PP&E and intangible assets	(6527)	2 986	-	409	45 078	4 485	(82 113)	<b>(22 628)</b>
Disposals during the year	(374 221)	(58 994)	(158 402)	(7 666)	(7 680)	-	-	<b>(606 963)</b>
Effect of cost modification using modification factor	-	(88 641)	(13 074)	(1 713)	(4 599)	-	(405)	<b>(108 432)</b>
Effect of movements of exchange rates	(20 937)	(1 356)	(922)	(197)	(1 837)	4	-	<b>(25 245)</b>
<b>Balance at 31 December 2017</b>	<b>4 961 198</b>	<b>1 458 927</b>	<b>1 157 848</b>	<b>208 954</b>	<b>494 292</b>	<b>29 038</b>	<b>544 820</b>	<b>8 855 077</b>
<b>Accumulated depreciation and impairment losses</b>								
<b>Accumulated depreciation at 1 January 2016</b>	137 890	262 408	271 912	67 941	102 115	12 071	133	<b>854 470</b>
Depreciation during the year	48 847	69 395	149 171	20 791	26 559	3 170	-	<b>317 933</b>
Reclassification from assets held for sale	1 615	-	-	-	-	-	-	<b>1 615</b>
Disposals during the year	(3 755)	(12 899)	(74 044)	(95)	(5 425)	-	-	<b>(96 218)</b>
Effect of accumulated depreciation modification using modification factor	-	164 986	56 359	42 104	67 074	-	-	<b>330 523</b>
Impairment during the year	-	-	-	-	-	-	2 788	<b>2 788</b>
Effect of movements of exchange rates	13 420	5 401	7 142	3 870	23 410	8 42	2 895	<b>56 980</b>
<b>Accumulated depreciation at 31 December 2016</b>	<b>198 017</b>	<b>489 291</b>	<b>410 540</b>	<b>134 611</b>	<b>213 733</b>	<b>16 083</b>	<b>5 816</b>	<b>1 468 091</b>
<b>Accumulated depreciation at 1 January 2017</b>	198 017	489 291	410 540	134 611	213 733	16 083	5 816	<b>1 468 091</b>
Reclassification	-	1 066	-	41	(769)	(338)	-	-
Depreciation during the period	59 714	113 145	176 922	30 810	41 164	3 262	-	<b>425 017</b>
Disposals during the period	(6 382)	(13 483)	(99 870)	(6 385)	(4 933)	-	-	<b>(131 053)</b>
Effect of accumulated depreciation modification using modification factor	-	(22 286)	(10 736)	(1 710)	(4 095)	-	-	<b>(38 827)</b>
Effect of movements of exchange rates	(1 040)	(275)	(496)	(173)	(837)	(104)	-	<b>(2 925)</b>
<b>Accumulated depreciation at 31 December 2017</b>	<b>250 309</b>	<b>567 458</b>	<b>476 360</b>	<b>157 194</b>	<b>244 263</b>	<b>18 903</b>	<b>5 816</b>	<b>1 720 303</b>
<b>Net carrying Amount</b>								
<b>At 1 January 2016</b>	<b>2 222 364</b>	<b>466 729</b>	<b>515 911</b>	<b>57 006</b>	<b>101 954</b>	<b>7 294</b>	<b>289 098</b>	<b>3 660 356</b>
<b>At 31 December 2016</b>	<b>3 767 991</b>	<b>785 142</b>	<b>587 830</b>	<b>68 307</b>	<b>202 724</b>	<b>8 579</b>	<b>247 060</b>	<b>5 667 633</b>
<b>At 31 December 2017</b>	<b>4 710 889</b>	<b>891 469</b>	<b>681 488</b>	<b>51 760</b>	<b>250 029</b>	<b>10 135</b>	<b>539 004</b>	<b>7 134 774</b>

\* Projects under construction represented in the cost of buildings, factories expansions and showrooms, which are being prepared and fixed for the group use

Property, plant, equipments and projects under construction (Net)

	Note	31 December 2017	31 December 2016
Property, plant, equipments and projects under construction (Net)		7 134 774	5 667 633
<b>Deduct:-</b>			
Amounts under settlement of financial lease contracts	(28)	1 532 148	768 694
		<b>5 602 626</b>	<b>4 898 939</b>



A. Financial leased assets:

Property, plant and equipment include assets financially leased to others, under contracts which are subject to the provisions of the Law No. 95 for 1995, and it recognized as fixed assets as follows:

	Lands & buildings	Machinery & equipments	Vehicles	IT infrastructures & computers	Fixtures & furniture	Total
<b>Cost</b>						
<b>Cost at 1 January 2016</b>	1 022 887	213 906	589 242	37 687	1 757	<b>1 865 479</b>
Additions during the year	1 386 160	124 732	184 190	505	-	<b>1 695 587</b>
Disposals during the year	(210 852)	(25 209)	(100 655)	-	-	<b>(336 716)</b>
<b>Balance at 31 December 2016</b>	<b>2 198 195</b>	<b>313 429</b>	<b>672 777</b>	<b>38 192</b>	<b>1 757</b>	<b>3 224 350</b>
Cost at 1 January 2016	2 198 195	313 429	672 777	38 192	1 757	<b>3 224 350</b>
Additions during the yaer	1 713 373	500 746	226 487	-	-	<b>2 440 606</b>
Disposals during the year	(348 500)	(51 843)	(125 616)	(5 100)	(1 757)	<b>(532 816)</b>
<b>Balance at 31 December 2017</b>	<b>3 563 068</b>	<b>762 332</b>	<b>773 648</b>	<b>33 092</b>	<b>-</b>	<b>5 132 140</b>
<b>Accumulated depreciation</b>						
<b>Accumulated depreciation at 1 January 2016</b>	19 324	41 358	179 447	9 081	497	<b>249 707</b>
Depreciation during the year	25 027	27 582	127 623	8 369	351	<b>188 952</b>
Disposals during the year	(3 755)	(10 111)	(64 176)	-	-	<b>(78 042)</b>
<b>Accumulated depreciation at 31 December 2016</b>	<b>40 596</b>	<b>58 829</b>	<b>242 894</b>	<b>17 450</b>	<b>848</b>	<b>360 617</b>
<b>Accumulated depreciation at 1 January 2017</b>	40 596	58 829	242 894	17 450	848	<b>360 617</b>
Depreciation during the year	49 502	61 383	136 453	7 572	205	<b>255 115</b>
Disposals during the year	(5 481)	(10 448)	(80 144)	(3 825)	(1 054)	<b>(100 952)</b>
<b>Accumulated depreciation at 31 December 2017</b>	<b>84 617</b>	<b>109 764</b>	<b>299 203</b>	<b>21 197</b>	<b>(1)</b>	<b>514 780</b>
<b>Carrying Amount</b>						
<b>At 1 January 2016</b>	<b>1 003 563</b>	<b>172 548</b>	<b>409 795</b>	<b>28 606</b>	<b>1 260</b>	<b>1 615 772</b>
<b>At 31 December 2016</b>	<b>2 157 599</b>	<b>254 600</b>	<b>429 883</b>	<b>20 742</b>	<b>909</b>	<b>2 863 733</b>
<b>At 31 December 2017</b>	<b>3 478 451</b>	<b>652 568</b>	<b>474 445</b>	<b>11 895</b>	<b>-</b>	<b>4 617 360</b>

Financial leased assets (Net)

	Note	31 December 2017	31 December 2016
Financial leased assets (Net)		4 617 360	2 863 733
<b>Deduct:-</b>			
Amounts under settlement of financial lease contracts	(28)	1 532 148	768 694
		3 085 212	2 095 039

B. Leased assets:

The Group has financial leased assets (trailers and buses) according to contracts under Law No. 95 for 1995, that is not considered as property, plant and equipment according to the accounting policy (34/Q) and according to the requirement of the Egyptian Accounting Standard (No.20), according to, the annual lease payments are recognized as an expense in the income statement for the year. And the leased contracts are as follows:

	December 31, 2017	December 31, 2016
Total contractual lease payments	63 941	35 393
Total purchase price on termination of leases	100	100
Average contracts life	4	4
lease payments for the year	23 581	8 071

16.Intangible assets and goodwill

	Goodwill	Computer software	Knowhow	Total
<b>Cost</b>				
Balance at 1 January	431 932	26 347	5 703	<b>463 982</b>
Additions during the year	-	2 334	-	<b>2 334</b>
Transferred from projects under construction	-	5 172	-	<b>5 172</b>
Effect of movements of exchange rates	(4 623)	-	-	<b>(4 623)</b>
<b>Balance at December 31, 2017</b>	<b>427 309</b>	<b>33 853</b>	<b>5 703</b>	<b>466 865</b>
<b>Accumulated amortization</b>				
Balance at 1 January	-	21 072	5 703	<b>26 775</b>
Amortization charge for the year	-	9 744	-	<b>9 744</b>
<b>Balance at December 31, 2017</b>	<b>-</b>	<b>30 816</b>	<b>5 703</b>	<b>36 519</b>
<b>Net carrying amount at December 31, 2017</b>	<b>427 309</b>	<b>3 037</b>	<b>-</b>	<b>430 346</b>
<b>Net carrying amount at December 31, 2016</b>	<b>431 932</b>	<b>5 276</b>	<b>-</b>	<b>437 208</b>

Goodwill

- On March 28, 2007, GB Auto company fully acquired the shares of Cairo Individual Transport Industries “CITI” by acquiring 49.03% which were owned by the minority at a value of EGP 209 997, in return of acquiring shares of GB Auto share capital increase. The acquisition resulted in a goodwill amounting to EGP 177 million which represents the increase in the acquisition value over the net fair value of the acquired Company’s assets at the acquisition date. This goodwill has been allocated for the asset of the operating segment of two and three wheels’ segment.
- On September 8, 2008, GB Auto Company fully acquired the shares of GB for financial lease (S.A.E) which its business is financial leasing with all its fields, and the acquisition resulted in goodwill amounted to EGP 1 million.
- During November 2010, the Group entered into 50% investment as a joint venture agreement in Almajmoa Alalamia Litijaret Alsaiaarat (GK), in Jordan, to acquire the existing business of Hyundai Vehicles Agency in Iraq, the joint venture agreement gives the group the power to govern the financial and operating policies of (GK) and as a result of this investment the group recognized a goodwill.



Impairment test of cash generating units including goodwill

Goodwill is allocated to the Group's cash generating units according to operating segments as presented below:

	December 31, 2017	December 31, 2016
Two and three wheels' activities	177 375	177 375
Hyundai Iraq sales	248 934	253 557
Financial leasing activity	1 000	1 000
	<b>427 309</b>	<b>431 932</b>

The company assesses annually the impairment of goodwill at December 31, to ensure whether the carrying amount of the goodwill is fully recoverable, unless there are indicators required to test the impairment through the year.

Impairment of goodwill is assessed based on value in use, which is determined using the expected discounted cash flows based on estimated budgets approved by the Board of Directors covering five years' period. The management is preparing these estimated budgets based on the financial, operating and market performance in the previous years and its expectations for the market development.

17. Investments property

	December 31, 2017	December 31, 2016
Balance at 1 January	91 512	91 512
Disposals during the year	(607)	-
<b>Balance at the end of the year</b>	<b>90 905</b>	<b>91 512</b>

18. Issued and paid in capital

	December 31, 2017	December 31, 2016
Authorized capital (5 000 000 000 shares with par value EGP 1 each)	5 000 000	5 000 000
Issued and paid capital (1 094 009 733 shares of EGP 1 each)	<b>1 094 010</b>	<b>1 094 010</b>

- At the date of August 31, 2014, the Board of Directors according to the delegation of the extra ordinary assembly meeting held on March 27, 2013, has decided unanimously to increase the Company's issued capital with the par value in the limit of the authorized capital with an amount of EGP 6 444 645 divided on 6 444 645 shares with a par value of 1 EGP /share, wholly allocated to ESOP system which is applied by the company, resulted in an issued capital of EGP 135 337 545 after the increase divided on 135 337 545 shares with a par value of 1 EGP/share, and this increase financially fully paid from the special reserve balance and annotated in the commercial register at December 31, 2014.

Private placement (Capital increase)

- At the date of February 4, 2015, the extra ordinary general assembly meeting, has agreed to increase the company's authorized capital from 400 million EGP to 5 billion EGP and to increase the company's issued capital from EGP 135 337 545 to be EGP 1 095 337 545 with an increase of EGP 960 000 000 to be divided on 1 095 337 545 shares with a par value of 1 EGP each.(In additional to issuance cost of 1 pts./share), and that increase to be fully allocated for the favor of old shareholders each according to their share in the company's issued capital , and it is agreed to use the subscription right separately from the original share, with the company's issued capital increase to be paid either cash and/or using due cash debts for the subscriber by the company according to their contribution share.
- The subscription was covered by an amount of EGP 958 672 188 (EGP 473 225 502 in Cash and EGP 485 446 686 covered through the outstanding balances due to shareholders) divided on 958 672 188 shares with a par value of 1 EGP each to be the total capital issued and fully paid after the increase equals to EGP 1 094 009 733, it has been annotated in the commercial register at May 31, 2015.

19. Shares of the company held by the Group

Shares of the Company held by the Group represented in the shares owned by one of the Companies of the Group amounted to 26 506 119 shares at the par value of EGP 26 506 thousand in GB Auto Company capital which is acquired by Almora resources Company one of the Group subsidiaries which is 100% owned. The acquisition cost amounted to EGP 126 231 thousand. The share premium which is transferred to special reserve has been reduced by the difference between the acquisition cost and the par value amounted to EGP 99 725 thousand.

At the date of February 23, 2017, the number of 26 506 119 shares was sold. The special reserve was reduced by an amount of EGP 50 638 thousand which represents the differences between treasury shares purchase cost amounted to EGP 126 231 thousand and its reselling price amounted to EGP 75 593 thousand (Note 20).

20. Legal reserve

	December 31, 2017	December 31, 2016
Balance at 1 January	311 125	296 570
Transferred to legal reserve	9 867	14 555
<b>Balance at the end of the year</b>	<b>320 992</b>	<b>311 125</b>

In accordance with the Companies Law No 159 of 1981 and the Company's articles of association, 5% of annual net profit is transferred to the legal reserve. Upon the recommendation of the board, the Company may stop such transfer when the legal reserve reaches 50% of the issued capital. The legal reserve is not eligible for distribution to shareholders.

The legal reserve includes an amount of EGP 66 762 related to the Company, the rest of the balance represents the legal reserve of the Group's Companies.

Share premium

The share premium represented in the difference between the amount paid and par value for issued shares and issuance cost is deducted from it. The share premium was transferred to both legal reserve and special reserve according to Law No. 159 of 1981, based on the authorization of the General Assembly Meeting dated 29 March 2008:

	December 31, 2017	December 31, 2016
Share premium	916 803	975 688



## 21.Other reserves

	Foreign currency translation reserve	ESOP (Fair value) reserve	Surplus revaluation of fixed assets reserve	Share premium (special reserves)	Total
<b>Balance as at 1 January 2017</b>	<b>1 235 511</b>	<b>86 440</b>	<b>259 585</b>	<b>967 439</b>	<b>2 548 975</b>
Foreign currency translation differences	56 356	-	-	-	<b>56 356</b>
ESOP fair value	-	2 442	-	-	<b>2 442</b>
Modification surplus of fixed assets after income tax	-	-	(94 167)	-	<b>(94 167)</b>
Results of sale of shares held by the group	-	-	-	(50 638)	<b>(50 638)</b>
<b>Balance at December 31, 2017</b>	<b>1 291 867</b>	<b>88 882</b>	<b>165 418</b>	<b>916 801</b>	<b>2 462 968</b>

The special reserve represented in the transferred amount from the net share premium in 2007 less the amount transferred to the legal reserve (Note 20).

During 2011, the special reserve was reduced by an amount of EGP 2 990 thousand which represents the difference between treasury shares purchasing cost amounted to EGP 3 097 thousand and the par value of these shares amounted to EGP 107 thousand which was written off during 2012.

During 2012, the special reserve was reduced by an amount of EGP 2 114 thousand which represents the differences between treasury shares purchasing cost amounted to EGP 6 365 thousand and its reselling price amounted to EGP 4 251 thousand.

At the date of February 23, 2017, was sold the number of 26 506 119 shares and the special reserve was reduced by an amount of EGP 50 638 thousand which represents the differences between treasury shares purchasing cost amounted to EGP 126 231 thousand and its reselling price amounted to EGP 75 593 thousand.

## 22.Non-controlling interest

	Capital	Reserves	Legal reserve	Retained earnings	Total	
					December 31, 2017	December 31, 2016
Balance at 1 January	459 668	768 160	31 269	(89 459)	<b>1 169 638</b>	<b>608 660</b>
Net loss for the year	-	-	-	(56 755)	<b>(56 755)</b>	<b>(124 154)</b>
Foreign currency translation results	-	12 623	-	-	<b>12 623</b>	<b>688 409</b>
Capital increase	1 750	-	-	-	<b>1 750</b>	<b>14 019</b>
Change in Non-controlling interests	4 000	-	-	40 702	<b>44 702</b>	<b>(5 929)</b>
Transferred to Legal reserve	-	-	950	-	<b>950</b>	-
Dividends	-	-	-	(9 750)	<b>(9 750)</b>	<b>(11 367)</b>
<b>Balance at the end of the year</b>	<b>465 418</b>	<b>780 783</b>	<b>32 219</b>	<b>(115 262)</b>	<b>1 163 158</b>	<b>1 169 638</b>

## 23.Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue on a going concern basis in order to provide returns to shareholders and benefits for other stakeholders who use these financial statements and to maintain an optimal capital structure to reducing the cost of capital.

In order to maintain an optimal capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans and borrowings and notes payables, less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratio at December 31, 2017 and December 31, 2016 were as follows:

Total loans and borrowings and notes payable	December 31, 2017	December 31, 2016
Loans, borrowings and overdrafts	9 485 296	8 732 109
Short-term notes payable and suppliers	119 784	222 697
Long-term notes payables and creditors	558	-
<b>Total loans and borrowings and notes payables</b>	<b>9 605 638</b>	<b>8 954 806</b>
<b>Less:</b> Cash and cash equivalent	(1 242 122)	(1 225 300)
Letters of credit margin	(11 418)	(83 437)
Letters of guarantee margin	(84 892)	(56 813)
<b>Net debt</b>	<b>8 267 206</b>	<b>7 589 256</b>
Shareholders’ equity	4 321 302	3 821 711
<b>Net debt to equity ratio</b>	<b>1.91</b>	<b>1.99</b>

## 24.Loans, borrowings and overdrafts

	December 31, 2017			December 31, 2016		
	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
Banks overdraft	6 099 761	-	<b>6 099 761</b>	6 474 248	-	<b>6 474 248</b>
Loans	941 208	2 486 127	<b>3 427 335</b>	594 371	1 554 772	<b>2 149 143</b>
Related parties’ loans	-	87 696	<b>87 696</b>	-	108 718	<b>108 718</b>
<b>Total</b>	<b>7 040 969</b>	<b>2 573 823</b>	<b>9 614 792</b>	<b>7 068 619</b>	<b>1 663 490</b>	<b>8 732 109</b>

### A. Banks overdraft

The average interest rate on the outstanding Egyptian Pounds and the US Dollars bank overdraft are 21.2% and 5.69% respectively.

### B. Loans from related parties

- The Group obtained loans from Marco Polo [a related party - Brazil] in US dollars with an interest rate of LIBOR + 3%. These loans balance amounted to EGP 87 696 thousand as at December 30, 2017 and to be settled on an annual installment.
- The analysis of the loans and banks overdraft balances according to their maturity dates is as follows:

	December 31, 2017	December 31, 2016
Less than one year	7 040 969	7 068 619
More than one year and less than five years	2 573 823	1 663 490
	<b>9 614 792</b>	<b>8 732 109</b>



## 25.Trade payables and other credit balances

	December 31, 2017	December 31, 2016
Trade payables	610 818	1 958 888
Other credit balances	64 530	58 254
Advances from customers	223 000	154 685
Tax authority	148 068	25 973
Accrued expenses	285 223	372 944
Notes payables	119 784	222 697
Dividends payable	7 928	75
Deferred revenues	60 483	14 434
	<b>1 519 834</b>	<b>2 807 950</b>

## 26.Provisions

	Legal Claims	Warranty Provision	Other Provi- sions	Total
Balance at January 1, 2017	2 274	94 684	114 107	211 065
Provisions formed during the year	6 081	65 160	88 700	159 941
Provisions utilized during the year	(996)	(51 000)	(33 209)	(85 205)
Provisions no longer required	(275)	-	(80)	(355)
Effect of movement of exchange rates	-	-	(1 684)	(1 684)
<b>Balance at December 31, 2017</b>	<b>7 084</b>	<b>108 844</b>	<b>167 834</b>	<b>283 762</b>
Balance at 1 January 2016	5 147	77 752	60 312	143 211
Provisions formed during the year	520	48 309	53 860	102 689
Provisions utilized during the year	(3 372)	(31 377)	(65)	(34 814)
Provisions no longer required	(23)	-	-	(23)
Effect of movement of exchange rates	2	-	-	2
<b>Balance at December 31, 2016</b>	<b>2 274</b>	<b>94 684</b>	<b>114 107</b>	<b>211 065</b>

### Legal claims

The amounts shown comprises of gross provisions in respect of legal claims brought against the Group, and management opinion, after taking appropriate legal advice, that the outcome of these legal claims will not exceed significantly the provision formed as at December 31, 2017.

### Warranty provision

The Group provides warranty on its products and guarantees to either fix or replace the products that are not working properly, and the Group has estimated its warranty provisions to be EGP 108 844 at the end of the period for expected warranty claims in the light of management experience for repair and returns level in previous years.

The warranty provision includes a long term provision amounted to EGP 42 834 (December 31, 2016 EGP 49 174).

### Other provisions

Other provisions are related to claims expected to be made by a third party in connection with the Group operations. The information usually required by accounting standards is not disclosed because the management believes that to do so would seriously affects the outcome of the negotiation with that third party. These provisions are reviewed by management yearly and adjusted based on latest developments, discussions and agreements with the third party.

## 27. Trade and notes payables long term

	December 31, 2017		December 31, 2016	
	Present Value	Notes Payable	Present Value	Notes Payable
Total notes payables and creditors	48 867	48 867	222 697	222 697
Notes payable Less than 1 year (Note 25)	(48 309)	(48 309)	(222 697)	(222 697)
<b>Total</b>	<b>558</b>	<b>558</b>	<b>-</b>	<b>-</b>

## 28.Amounts under settlement of financial lease contacts

This account represents the differences (either positive or negative) between the earned revenue which is recorded according to revenue recognition policy in Note (34-D/4), and the due lease receivable.

The balance of such account is settled against the net book value of the leased asset at the termination date of the leasing contract.

	December 31, 2017	December 31, 2016
Advances from customers	1 156 550	542 007
Amounts under settlement of financial lease contacts	375 598	226 687
	<b>1 532 148</b>	<b>768 694</b>

## 29. Financial risk management

### 1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange rates risk, price risk, cash flows and fair value interest rate risk), credit risk and liquidity risk.

The Group's efforts are addressed to minimize potential adverse effects of such risks on the Group's financial performance.

#### A. Market risk

#### 1. Foreign currency exchange rate risk

The Group is exposed to foreign exchange rate risk arising from various currency exposures, primarily with respect to the US Dollar and Euro. Foreign exchange rate risk arises from future commercial transaction, assets and liabilities in foreign currency outstanding at the consolidated balance sheet date, and also, net investments in foreign entity.



The below table shows the exposures of foreign currencies at the consolidated balance sheet date, presented in EGP, as follows

	December 31, 2017			December 31, 2016
	Assets	Liabilities	Net	Net
US Dollars	1 095 371	(678 174)	417 197	(2 453 531)
Euros	23 067	(3 724)	19 343	22 019
Other currencies	139 790	(48 317)	91 473	99 064

2. Price risk

The Group has no investments in a quoted equity security so it’s not exposed to the fair value risk due to changes in prices.

3. Cash flows and fair value interest rate risk

The Group’s interest rate risk arises from long-term loans. Long-term loans issued at variable rates expose the Group to cash flow interest rate risk. Long-term borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Loans, borrowings and overdrafts at the balance sheet date with variable interest rates are amounted to EGP 9 485 296 as at December 31, 2017 (EGP 8 732 109 as at December 31, 2016).  
 Financial assets that carry fixed interest rates are amounted to EGP 100 670 as at December 31, 2017 (EGP 144 270 as at December 31, 2016).

		December 31, 2017	December 31, 2016
Time deposits	USD	64 628	139 980
Time deposits	EGP	36 042	4 290
		100 670	144 270

B. Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as credit exposures to wholesalers and retail customers, including outstanding accounts and notes receivables.

For banks, the Group is dealing with the banks which have a high independent rating and banks with a good solvency in the absence of an independent credit rating.

For suppliers and wholesalers, the Credit Controllers assess the credit quality of the wholesale customer, taking into account their financial position, past experience and other factors.

For individuals the legal arrangements and documents accepted by the customer are minimizing the credit risk to its lowest level. Provisions are accounted for doubtful debts on an individual basis.

The ratio of allowance for impairment of accounts and notes receivables to the total debts is as following:

	December 31, 2017	December 31, 2016
Notes and accounts receivables	9 678 810	4 021 697
Impairment of accounts and notes receivable balances	(415 808)	(379 729)
<b>The ratio of the allowance to total accounts and notes receivable</b>	<b>4.29%</b>	<b>9.44%</b>

C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group’s management aims at maintaining flexibility in funding by keeping committed credit lines available.

2. Fair value estimation

The fair value of financial assets or liabilities with maturity dates less than one year is assumed to approximate their carrying value less any estimated credit adjustments. The fair value of financial liabilities – for disclosure purposes – is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

For the fair value of financial instruments that are not traded in an active market, The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for the financial instruments or similar instruments are used for long-term debt.

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. At the balance sheet date, the fair value of non-current liabilities does not significantly differ from their carrying amount, as the interest rates do not significantly differ.



30.Investment in subsidiary companies

The consolidated financial statements for GB Auto “S.A.E.”, include the financial statements of the following subsidiaries:

Companies	Percentage of ownership	
	31 December 2017	31 December 2016
RG Investment “S.A.E.”	100%	100%
International Trade Agencies and Marketing Co. (ITAMCO) “S.A.E.”	99.449%	99.449%
Egyptian Vehicles Manufacturing Co. (Ghabbour Egypt) “S.A.E.”	99.528%	99.528%
Ghabbour Continental Trading Co. (GCT) –Alex “S.A.E.”	100%	100%
GB Polo Buses Manufacturing “S.A.E.”	%80	51%
Almora Recourses Co. “B.V.I.”	100%	100%
Haram Transportation Co. “S.A.E.”	99%	99%
GB Company for financial lease “S.A.E.”	100%	100%
Haram for transpiration Tourism “S.A.E.”	100%	100%
GB Allab Company	66.20%	66.20%
Masters Automotive Company “S.A.E.”	75%	75%
Microfinance consultancy Services (Mashro`ey) “S.A.E.”	80%	80%
Almajmoa Alalamia; Litijaret Alsaiaarat (GK)	50%	50%
GB Logistics “S.A.E.”	99.98%	99.98%
GB Capital holding for financial investments “S.A.E.”	99%	99%
Gulf Company	100%	100%
Drive Automotive “S.A.E.”	90%	90%
Drive Finance “S.A.E.”	76%	76%
Ghabbour Al Qalam	68%	68%
GB Global Company	100%	100%
GBR Company	54%	54%
GBR Services Company	48.80%	48.80%
Egypt Auto Mall Company for used car “S.A.E.”	99%	99%
GB El Bostan	60%	60%
Ghabbour general trade	25%	25%
Egypt Tires Market “S.A.E.”	90%	90%
Pan African Egypt Company for Oil “S.A.E.”	100%	100%
Tires & more Company for car services “S.A.E.”	100%	100%
Suez Canal logistic services Co. “S.A.E.”	100%	100%
GB Automotive Manufacturing Co. “S.A.E.”	100%	100%
Ready Parts for automotive spare parts “S.A.E.”	100%	100%
GB Light transport manufacturing company (GB LTMC) “S.A.E.”	100%	100%
Tasaheel Microfinance company ((Tasaheel)) “S.A.E.”	80%	90%
GB for heavy truck and construction equipment trading “S.A.E”	100%	100%
GB for water and environment technology. “S.A.E.”	100%	100%

31.Capital commitments

The capital contractual expenditure of the Group at the consolidated financial statements date reached EGP 251 480 (EGP 229 257 as at December 31, 2016) represented in the amount to be paid upon the completion of the new produc- tion lines under construction and other branches across the country.

32.Contingent liabilities

There are contingent liabilities on the Group represented in letters of guarantee. The balance of the letters of guaran- tee granted by the Group in Egyptian Pounds and foreign currencies through its regular business, presented in EGP are as follows:

	December 31, 2017	December 31, 2016
USD	1 038 322	985 725
EGP	150 642	149 748
Japanese Yen	603	516
Euro	2 717	3 111

33.Related party transactions

The subsidiaries have current accounts with related parties which include all payments made on behalf of or through the subsidiaries. The subsidiaries collect and pay these amounts regularly. Balances due from and to related parties are as follows:

Due from related parties	December 31, 2017	December 31, 2016
GB for Import and Export	6 963	-
Al Watania for Vehicles Accessories and spare parts	-	1 027
Egyptian international Co. for manufacturing&maintaining cars (IAC)	-	-
Itamco agriculture development	2 047	1 000
El Bostan Holding	75 392	41 246
SARL SIPAC – Algeria	15 649	17 016
Algematco – Algeria	16 953	18 105
Blue Bay Management Company	12 000	12 000
El Qalam Shareholders’ Current Account	16 925	-
Kassed Shareholders’ Current Account	10 066	10 438
El-Nabateen Shareholders’ current account	-	4 684
<b>Total</b>	<b>156 595</b>	<b>105 516</b>
Impairment of due from related parties	(16 254)	-
	<b>140 341</b>	<b>105 516</b>

Due to related parties	December 31, 2017	December 31, 2016
Marco Polo Company	61 300	62 699
Board Members	-	152
EQI	800	1 447
Al Watania  for car accessories and spare parts	5 534	-
Al Watania for tires import	1 142	1 039
Itamco for import and export	1 291	1 259
El-Qalam Shareholders, Current Account	-	4 048
	<b>70 067</b>	<b>70 710</b>



The following is the nature and the values for the most significant transactions with the related- parties during the period:

Related party name	Relation type	Transaction nature	Transaction amount	
			December 31, 2017	December 31, 2016
Executive Directors	Board of director members	Cash transfers	(322)	322
		Top management salaries	(30 444)	30 444
EQI	Shareholder in one of the subsidiaries	Dividends	48 843	26 549
GB for import and export.	Related Party	Cash transfer	677	(1 477)
Al Watania for Vehicles Accessories and spare parts	Related Party	Cash transfer	6 963	(8 512)
SARL SIPAC – Algeria	Related Party	Cash transfer	5 534	(3 698)
Kassed Shareholders’ current account	Shareholder in one of the subsidiaries	Cash transfer	1 367	(1 020)
Itamco agriculture	Related Party	Cash transfers	(228)	42 132
El- Qalam Shareholder current account	Shareholder in one of the subsidiaries	Cash transfers	2 047	866
El-Nabateen Shareholders’ current account	Shareholder in one of the subsidiaries	Cash transfers	12 841	4 949
Marco Polo Company	Shareholder in one of the subsidiaries	Cash transfers	-	(1 149)
Itamco for Import and Export	Related Party	Cash transfers	1 399	(41 496)
Al Watania for Tires Import	Related Party	Cash transfers	1 291	(3 841)
Algematco – Algeria	Shareholder in one of the subsidiaries	Cash transfers	(3 083)	(3 335)
Blue pay for management	Shareholder in one of the subsidiaries	Cash transfers	-	12 000
IAC	Shareholder in one of the subsidiaries	Cash transfers	1 152	8 912

34. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are summarized below:

A. Business combination

- The Group accounts for business combination using the acquisition method when control is transferred to the Group.
- The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.
- Any goodwill that arises is tested annually for Impairment. Any gain on a bargain purchase recognized in profit or loss immediately.
- Transaction cost are expensed as incurred, except if related to the issue of debt or equity securities.
- The consideration transferred does not include amounts related to the settlement of pre-exiting relationship. Such amounts are generally recognised in profit or loss.
- Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that met the definition of financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

1. Subsidiaries

- Subsidiaries are entities controlled by the Group.
- The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

2. Non-controlling interests

NCI are measured at their proportionate share of the acquirer’s identifiable net assets at the date of acquisition.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

4. Transaction elimination on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

B. Foreign currency

1. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- Available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.
- Qualifying cash flow hedges to the extent that the hedges are effective.



## 2. Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates at the reporting date. The income and expenses of foreign operations are translated at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI.

When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

## C. Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

## D. Revenue

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of sales tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contractual obligations have been met. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

### 1. Sales – wholesale and showrooms

Sales of goods are recognised when a Group entity has delivered products to the wholesaler, the wholesaler has full discretion over the price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been delivered either in the Group entity warehouse or in the wholesalers' locations depending on the agreements. Accordingly, the risks and benefits have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales are made on a short credit term basis.

### 2. Sales – retail and companies

The Group operates a chain of showrooms for selling, and sales of goods are recognised when a Group entity has delivered

Instalment sales revenues are those that require the payment of the value in instalments that are charged at sale price excluding interest as revenues on the sales date. The selling price is the present value of the instalments and is determined by discounting the value of the instalments due using the interest rate applicable. The deferred interest income is charged as a revenue when due and on the basis of the matching principle, taking into account the applied interest rate on the transaction.

### 3. Sales of services – maintenance

The Group's entities provide maintenance service that measure on basis of labour hours and spare parts. The revenue from maintenance service is recognised when the service is done.

### 4. Financial lease contracts

Lease income is recognized on the basis of the rate of return on the lease contract plus an amount equal to the depreciation charge for the period and the difference between the recognized lease revenue and the gross receivable is deferred in the balance sheet in the same financial period in a separate account either debit or credit and is offset against the net book value of the leased asset on termination of the lease contract.

### 5. Interest income

Interest income is recognized on a time proportion basis, as it accrues using the effective interest rate method. When an impairment exists in the debit balances resulting from recognizing the interest, hence the book value is reduced to the value expected to be collected.

### 6. Dividend income

Dividend income is recognised when the right to receive payment is established.

## E. Employee benefit

### 1. Short – term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 2. Share – based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.



### 3. Define contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group pays contributions to the Public Authority for Social Insurance for their employees based on the rules of the social insurance law no. 79 for the year 1975. The employees and employers contribute under this law with a fixed percentage of wages. The Group's commitment is limited to the value of their contribution. And the Group's contribution amount expensed in profits and losses according to accrual basis.

### 4. Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted - before tax – to reflect the time value of money.

## F. Finance income and finance costs

The Group's finance income and finance costs include:

- interest income.
- interest expense.
- Foreign currency gains or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method.

## G. Income Tax

The recognition of the current tax and deferred tax as income or expense in the profit or loss for the period, except in cases in which the tax comes from process or event recognized - at the same time or in a different period - outside profit or loss, whether in other comprehensive income or in equity directly or business combination.

### 1. Current income tax

The recognition of the current tax for the current period and prior periods and that have not been paid as a liability, but if the taxes have already been paid in the current period and prior periods in excess of the value payable for these periods, this increase is recognized as an asset. The taxable current liabilities (assets) for the current period and prior periods measured at expected value paid to (recovered from) the tax authority, using the current tax rates (and tax laws) or in the process to issue in the end of the financial period. Dividends are subject to tax as part of the current tax. But do not be offset for tax assets and liabilities only when certain conditions are met.

### 2. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- Taxable temporary differences arising on the initial recognition of goodwill.,
- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not:
  1. A business combination.
  2. And not affects neither accounting nor taxable profit or loss.

Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. deferred tax assets are reassessed at each reporting date, and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

## H. Inventories

Inventories are valued at cost or net realisable value whichever is lower. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and an appropriate share of production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## I. Property, plant and equipment

### 1. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

The modified cost model was adopted which the cost and accumulated depreciation for some categories of fixed assets (Machinery and equipment, Vehicles, Furniture and office equipment, Tools and supplies) are modified using modification factors stated in annex (A) of EAS no. (13). The increase of net fixed assets which are qualified to modification, were recognized in other comprehensive income items and was presented as a separate item in equity under the name of «modification surplus of fixed assets”. The realized portion of modification surplus of fixed assets is transferred to retained earnings or losses in case of disposal or abandonment of the asset which qualified for modification or usage (depreciation difference resulting from the adoption of the special accounting treatment) , as described in details in note no.(7).

### 2. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.



3. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the (straight-line method) over their estimated useful lives for each item, and is generally recognised in profit or loss.

Land is not depreciated. Estimated depreciation rates for each type of assets for current and comparative periods are as follow:

Asset	Depreciation rate
Buildings	2% - 4%
Machinery & equipment	10% - 20%
Vehicles	20% - 25%
Fixtures & Office furniture	6% - 33%
IT infrastructures & Computers	25%
Leasehold improvements	20% - or lease period whichever is less

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4. Reclassification to investment property

The reclassification of assets to investment property when the use of a property changes from owner-occupied to investment property.

5. Project under construction

The projects under construction recognized at cost. All expenses related to cost includes direct and necessary to prepare the asset to the state that is ready to use and in the purpose for which it was acquired for. The asset transferred from projects under construction to fixed assets when it is completed and ready to use.

J. Intangible assets and goodwill

1. Recognition and measurement

I. Goodwill:

Arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

II. Other intangible assets:

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

III. Computer software

Costs associated with developing or maintenance of computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate future economic benefits beyond one year, are recognised as intangible assets.

Expenditure, which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Expenditure to acquire computer software is capitalized and included as an intangible asset. Computer software costs recognised as assets are amortised using the straight-line method over their useful lives and not exceeding a year of 3 years.

IV. Knowhow

The amounts paid against knowhow are recognized as intangible assets in case of knowhow have a finite useful life and amortized over their estimated useful lives.

1. Subsequent expenditure

Subsequent expenditure is capitalised only when the intangible asset will increase the future economic benefits embodied in project, research, and development under construction which is recognized as intangible assets. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

2. Amortization

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the (straight-line method) over their estimated useful lives, and is generally recognised in profit or loss.

Goodwill is not amortised.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

K. Investment property

Investment property is property held by the Group for rental or rise in value, or both and initially measured at cost and subsequently at cost less accumulated depreciation and impairment, and recognize in profit and loss the depreciation expenses and impairment losses.

The depreciation of investment property calculated using (straight-line method) over their estimated useful lives for each type of investment property, land is not depreciated.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

L. Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for- sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group’s other accounting policies.

Impairment losses on initial classification as held-for-sale or held-for- distribution and subsequent gains and losses on re-measurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.



## M. Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

### 1. Non-derivative financial assets and financial liabilities – Recognition and de-recognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### 2. Non-derivative financial assets – Measurement

#### Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

#### Held-to-maturity financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

#### Loans and receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

#### Available-for-sale financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instrument are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

### 3. Non-derivative financial liabilities – Measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

## N. Share capital

### 1. Ordinary Shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with EAS No. (24) “Income Tax”.

### 2. Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

## O. Impairment

### 1. Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

#### Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.



In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account.

When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

#### Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses which have been recognized previously in OCI and the accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss.

If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or impairment loss.

losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

#### Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

## 2. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed in the subsequent period. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) if no impairment loss had been recognised in previous periods.

## P. Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### 1. Warranties

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

### 2. Legal claims

The recognition of the provision for legal claims when there are legal claims against the Group and after receiving appropriate legal advice.

### 3. Other Provisions

Provisions are recognized when there are other expected claims from third parties with respect to the activities of the Group and, according to the latest developments and discussions and agreements with those parties.

## Q. Leases

### 1. Financial lease

For leases within the scope of Law 95 of 1995, lease costs including maintenance expense of leased assets are recognized in income statement in the period incurred. If the Company elects to exercise the purchase option on the leased asset, the option cost is capitalised as property, plant, and equipment and depreciated over their expected remaining useful lives on a basis consistent with similar assets.

Other finance leases that do not fall under the scope of Law 95 for 1995, or fall within the scope of Law 95 of 1995 but do not fall under the scope of EAS No.20 (Accounting Principles and Standards Attributable to Finance Lease). also in case the company will sale property, plant and equipment and leasing it back the asset is capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest charge on the outstanding finance cost balance. The finance lease obligations, net of finance charges, are classified as liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant rate of interest over the remaining balance of the liability for each period. Assets acquired under this type of finance lease are depreciated over the shorter of the useful life of the assets or the lease term.

Gains arising from the excess of the collected payments over the book value of the non-current assets that are being sold and leased back through finance leases are deferred and amortized over the lease term.

### 2. Operational lease

Lease payments under an operating lease, excluding any incentives received from the lessor over the contract period, shall be recognized as an expense charged to the statement of income for the year on a time pattern basis and accrued base.



## R. Segmental reports

A segment is a group of related assets and operations that are subject to risks and returns that are different from those of other sectors or within a single economic environment subjects to risks and returns that relate to it, other than those relate of segments operating in a different economic environment.

## S. Dividends

Dividends are recorded in the Group’s financial statements in the period in which they are approved by the Group’s shareholders.

## T. Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

## U. The impact of special accounting treatment to deal with the effects of liberalization of foreign exchange rates:

The Company’s management has applied some of the special accounting treatments listed in Appendix A of Egyptian Accounting Standard No. 13, amended in 2015, «Effects of Changes in Foreign Exchange Rates» issued on 7 February 2017 by the Minister of Investment Decision No. (16) of 2017, Accounting for dealing with the effects of the floatation of foreign exchange rates, these treatments are as follows:

First, Modified cost model is adopted as the cost and accumulated depreciation for some categories of fixed as-sets (Machinery and equipment, Vehicles, Furniture and office equipment, Tools and supplies) were modified us-ing modification factors stated in the above-mentioned annex. The increase of net fixed assets which are qualified to modification, were recognized as a separate item in other comprehensive income items and was presented as a separate item in equity under the name of «modification surplus of fixed assets”. The realized portion of modification surplus of fixed assets was transferred to retained earnings or losses (depreciation difference resulting from the adoption of the special accounting treatment).

The following is the movement of the result of the adjustment of the asset cost during the period ended 31 December 2017:

Balance on January 1	259 585
Disposal during the period	(70 125)
The realized part of the cost of the asset cost adjustment (transfer of retained earnings during the period).	(36 995)
Deferred tax	20 570
<b>Balance on December 31, 2017</b>	<b>173 035</b>





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