

AUTOMOTIVE PARTS & VEHICLE ASSEMBLY

SECTOR OVERVIEW

Emerging market demand for light vehicles is anticipated to drive growth in the automotive sector over the medium to long term, attributable to population growth and rising per capita incomes. Forecast sales of light vehicles are expected to grow by more than 50% between 2013 and 2020, from 43 million units to 65 million units.

The GCC market in particular is of increasing importance, with forecast annual growth of 5.9% between 2012 and 2017 to reach 1.66 million units of cars and pickups. Trucks and buses are to reach 155,000 units with growth of 8.7%.

There has been global shift towards the location of production facilities for vehicles and components in strategic lower cost regions in close proximity to markets.

The automobile industry in Egypt has grown steadily, and was the third-largest African car producer in 2013. Presently, the high value of tariffs on imports supports profitable auto-assembly operations for domestic supply - around 40% of passenger cars sold in Egypt in 2011 were assembled domestically.

Additionally, multinational firms leverage Egypt's Free Trade Agreements with regional neighbours, locational advantage, competitive labour costs, and access to main trade routes, using the country as an operational hub.

Subsequent to the EU-Egypt Association Agreement, the automotive industry will gradually lose trade protection from EU vehicle imports and are scheduled to be tariff-free by 2019.

KEY FACTS

3%

Growth in global light vehicle sales in 2014

US\$2 bn

Total investment in the automotive sector in Egypt as at end 2014.

US\$4.4bn

Value of sector output in 2013 in Egypt

8.8%

Sector's share of total manufacturing output

116,700

Vehicles produced nationally in 2010

509

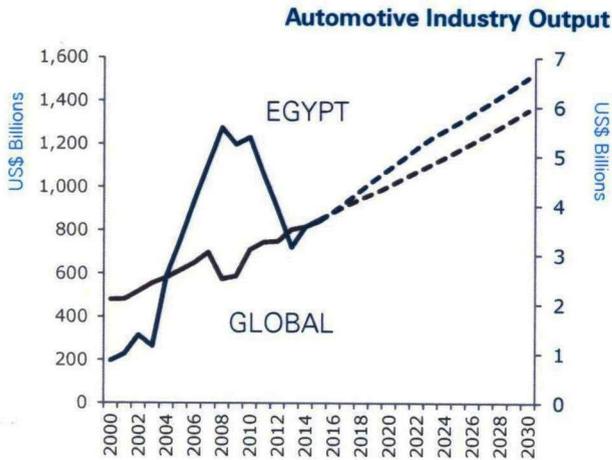
Companies in the automotive sector in 2013

46,000

Total employment in 2012

MARKET OVERVIEW

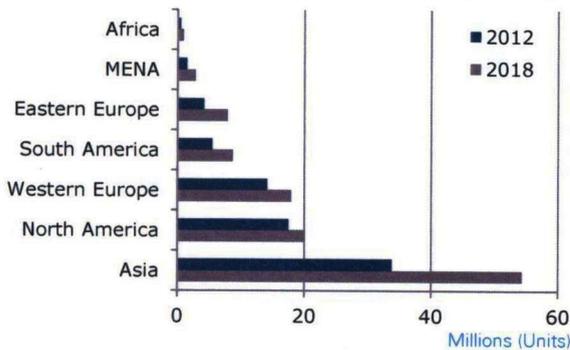
The global automotive industry has recovered from the recent economic downturn – annual output growth of around 3.3% is forecast over the period 2015-2023.



Although North America and Europe have performed well over the past year, the pre-crisis pattern of dynamic emerging markets growth opposite moderate growth in the developed markets is expected to resume.

Regionally, MENA is expected to experience growth in annual sales of around 7% from 2012-2018 on average.

World-wide Automotive Market Sales



Emerging markets share of global light vehicle sales **37%** in 2007, projected to reach **60%** by 2020.

COMPONENTS INDUSTRY

The Original Equipment Manufacturer (OEM) and aftermarket for auto components has exhibited particularly strong growth. In 2009 annual growth was estimated at 14.8%, generating revenues of US\$1.3bn - 70% of output served the domestic market.

Export of OEM and aftermarket components is also a key activity - 90% destined for Europe.

The industry includes:

- Windscreens and glass
- Tyres and wheels
- Pressing/Welding of steel body
- Sheet metal
- Leather works
- Paint work
- Electronics
- Seats
- Wiring harnesses
- Interior Plastics
- Batteries
- Headlights
- HVAC

Egypt's share of Global Output

0.43% in 2014, projected to reach **0.49%** by 2023.

In 2014, the Egyptian automobile market outperformed expectations with sales of 293,000 vehicles, which represented an increase of almost 50% on the previous year.

Sales of passenger cars in particular increased 55%, with 208,000 sold valued at US\$ 3.9bn. Sales of buses and trucks increased 30% and 42% respectively.

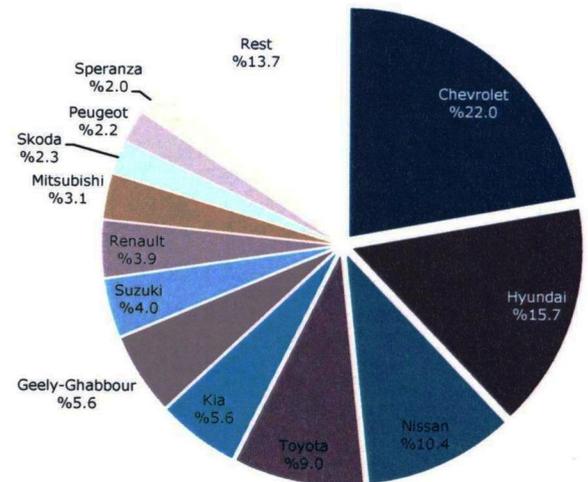
Growth is attributed to pent-up demand and a shift in consumer preferences to smaller fuel-efficient cars given currency depreciation and energy reforms.

Sales of assembled cars rose 63%, while those of imported vehicles should be increased by 50%.

The Automotive Marketing Information Council (AMIC) forecasts a further increase in sales for 2015 to 352,000, growth of 20%.

KEY PLAYERS

The top 5 car manufacturers accounted for over 60% of sales in 2014.



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OPPORTUNITIES

Population growth and rising disposable incomes, combined with an ageing vehicle fleet and a trend towards smaller more fuel efficient cars, will support strong growth in domestic Egyptian demand.

Domestic demand for vehicles is forecast to grow 7.7% per annum between 2014-2018. In 2018 around 80% of vehicles will need to be imported due to insufficient domestic production capacity.

Egypt is well-positioned to facilitate penetration of regional auto-markets and aftermarkets, given its strategic location, skilled workforce, and competitively priced inputs.

Additionally, the Egyptian automotive industry possesses a number of established industry-relevant clusters which include supporting feeder and ancillary industries.

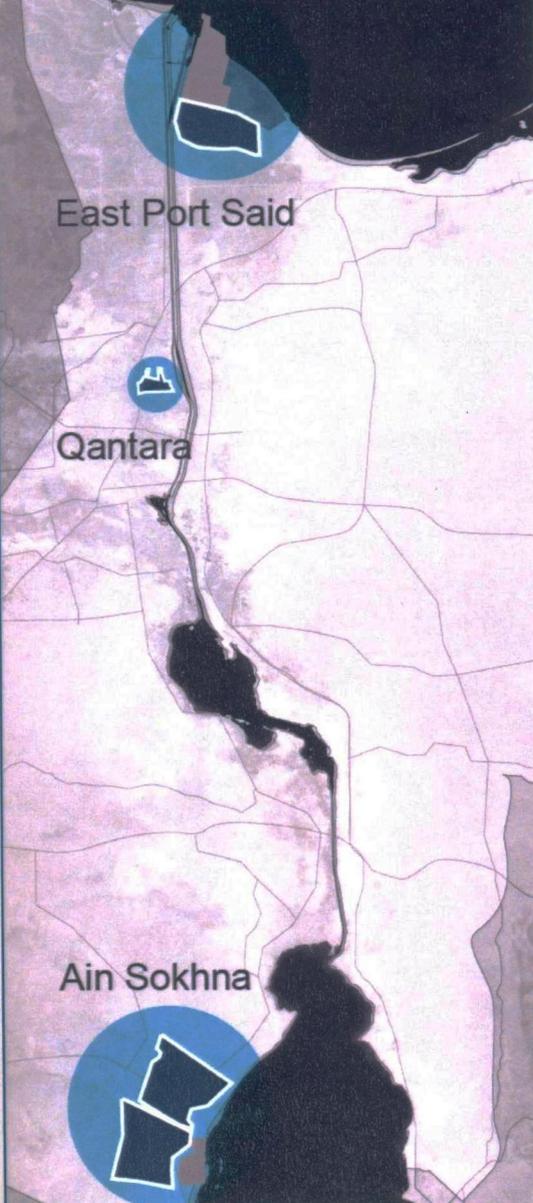


POTENTIAL OPERATING PROFILE

Serviced Land available for light manufacturing activities:

East Port Said	3,800ha
Qantara	125ha
Ain Sokhna	4,000ha

Location of Industrial Zones



An automobile assembly plant located within one of the SCZone's industrial zones; includes a showroom and large parking facilities.

PROJECT SCALE

	Phase 1	Phase 2
Output	170,000 Cars/year	400,000 Cars/year
Land & Site Requirement (net)	100ha	200ha
Permanent Employment (operation)	3,000	7,000

CAPITAL EXPENDITURE COSTS

Phase 1: **US\$ 350 million**
 Phase 2: **US\$ 500 million**

ABOUT THE SCZone

The SCZone will be a world-class value-added services hub which will offer enhanced opportunities for investment across all economic sectors.

Key Sectors



Manufacturing



Logistics



Maritime-Related Services



ICT



Energy

With potentially in excess of 100km² of ports and logistics areas and over 400km² of industrial and real estate developments on offer, the SCZone will provide opportunities for businesses of all types and sizes.

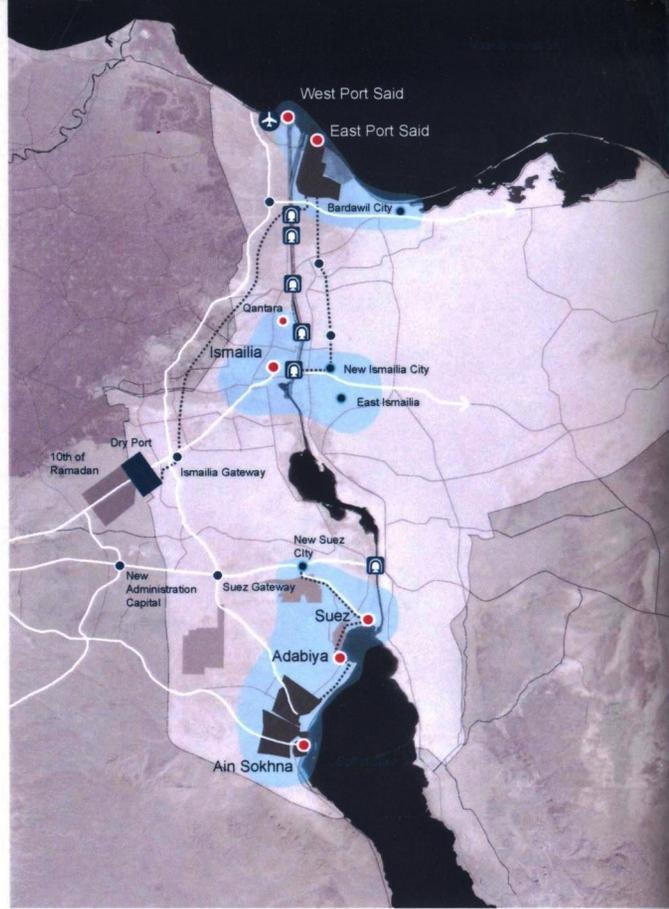
1 million new jobs created in the SCZone over the next 15 years



Additional 2 million residents in the SCZone over the next 15 years



Over 13,000ha of developable land immediately available



WHY THE SCZone?



At the heart of international trade

The SCZone benefits from its strategic location along one of the world's main trading routes. Complemented by world-class ports, high-quality logistics services and preferential trade agreements, the SCZone allows investors to efficiently, and competitively, access over 1.6 billion consumers in Europe, the Gulf, East and Southern Africa and Asia.



Access to Domestic Market

Egypt has a large and growing domestic market of some 90million people. With rising standards of living, the purchasing power of the domestic market will drive growth in many sectors.



Workforce

Egypt has a huge, competitively priced workforce available to meet investor requirements.



High Quality infrastructure and linkages

State of the art infrastructure services - including power, water, wastewater, telecommunication and transport linkages- will be offered to investors.



A supportive institutional framework

Created under Law No.83 of 2002, as amended in 2015, SCZone will be governed by the General Authority for the Suez Canal Economic Zone: an autonomous body with executive powers of regulation and approval, including full authority to oversee all areas of operation, staffing, funding and development of partnerships with developers.



One-Stop Shop Services

Unified and streamlined procedures and processes designed to minimise delays and costs to the investor.



Investment Incentives and Other Benefits

Investment and tax incentives will be offered to prospective partners and investors, including a multitude of preferential rates and business set-up and support services.

For more information:

SCZone
General Authority for the Suez Canal Economic Zone

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