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## PROSPECTUS NOTE

### ARAB INTERNATIONAL LOGISTICS COMPANY PJSC

(to be established under the laws of the United Arab Emirates)

Initial Public Offering of 550 million Shares of Common Stock  
Representing 55% of the Share Capital of Arab International Logistics Company PJSC  
at a Price of AED1 per Share (with additional AED0.02 per Share in Offering Costs)

#### JOINT-LEAD MANAGERS



#### FINANCIAL ADVISOR



#### BOOK RUNNER



#### RECEIVING BANKS





## FOUNDERS COMMITTEE

The Founders have elected a committee comprised of 3 members to complete the establishment process with the relevant regulatory authorities.

### The Founders Committee will consist of:

- Mr. Abdullah Al Mazrui **Chairman**
- Mr. Hilal Al Mari **Member**
- Mr. Majid Al Ghurair **Member**

## BOARD OF DIRECTORS

- Mr. Abdullah Al Mazrui
- Mr. Majid Al Ghurair
- Sheikh Tarek Al Qassimi
- Mr. Ahmad Saeed Al Badi
- Mr. Hilal Al Mari
- Mr. Ayed Al Joueid
- The National Investor, represented by Mr. Karim Al Solh
- AIL Holding Ltd., represented by Mr. Iyad Al Duwaji



## IMPORTANT NOTICE

The following Note is qualified in its entirety by the detailed information contained in the Arabic Prospectus dated February 2005. This Note may not contain all the information that prospective Subscribers should consider before deciding to invest in the Company's Shares. Prior to making their decision to invest in the Company's Shares, prospective Subscribers should carefully read the entire Note and consider the Arabic Prospectus, including the section entitled "Risk Factors".

The information and opinions contained in this Note and any other information or opinions subsequently provided in the Arabic Prospectus in connection with the Offering are intended to assist potential investors who wish to consider participation in the Offering according to the terms and conditions stipulated in the Company's establishment documents. Such information may not be published, duplicated, copied or disclosed in whole or in part or otherwise used for any purpose other than in connection with the Offering without the prior written approval of the Joint-Lead Managers.

No representation or warranty, expressed or implied, is given by the Joint-Lead Managers, the Receiving Banks, the Company or the Founders, or any of their respective directors, managers, accountants, lawyers, employees or any other person as to the accuracy or completeness of the contents of this Note; or of the projections included within; or of any other document or information supplied at any time in connection with the Offering; or that any such document has remained unchanged after the issue thereof.

Individuals/entities interested in the Offering should conduct their own investigation and analysis of the Company and its business operations, and of all the data provided. In no event should the information contained in this Note be relied upon as constituting legal or tax advice or as being complete with respect to any legal or fiscal aspect relating to the purchase by said recipient of any Offer Shares. Prospective Subscribers should consult with, and rely upon, the professional advice of their respective legal and tax advisors with respect to such issues.

The Joint-Lead Managers, the Receiving Banks, the Founders, the Company, and any of their respective directors, managers, accountants, lawyers, or employees each expressly disclaim any and all liability for any representations (whether expressed or implied) contained in, and for any omissions from, this Note or any other written or oral communication transmitted in the course of the recipient's evaluation of participation in the Offering.

The Founders confirm that as at the date of preparing the Note and/or other documents prepared in relation to the Offering, the information contained in the documents reflect the data available to them at that time without any omissions or amendments that would impact the quality of the information.

In furnishing this Note, neither the Joint-Lead Managers, the Receiving Banks, the Company, the Founders, nor any of their respective agents, representatives, directors, managers, accountants, lawyers, or employees undertakes any obligation to provide any additional information after the date of this Note.

The financial projections contained in the Note have been prepared by the Founders. Potential Subscribers should not view these projections as a representation by the Founders or any other person that the Company's objectives or plans will be achieved. Subscribers in the Offering should carefully review and assess each of the risk factors contained in the "Risk Factors" section of the Note.

The words or phrases "will likely result" and "the Company expects", "will continue", "is anticipated", "estimated", "project", or "outlook", or similar expressions are intended to identify "forward-looking statements". The Founders wish to caution readers not to place undue reliance on any such forward-looking statements; each of which expresses a matter of judgment and speaks only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected.

The Offering has been authorized by the U.A.E. Ministry of Economy and Planning and the Dubai Department of Economic Development, but the Shares have not been approved or registered by any other regulatory authority in any other jurisdiction, including the U.S. Securities and Exchange Commission or any state securities commission in the United States. Therefore the Shares may not, directly or indirectly, be offered, sold, re-sold, transferred or delivered in the United States, or for the account or benefit of any U.S. Person (as defined under the U.S. Securities Act of 1933) except in certain transactions exempt from the registration requirements of U.S. federal and state securities laws. In addition, the Shares may not be, and are not being, offered in the United Kingdom in circumstances that would require a prospectus to be registered in the United Kingdom under the Public Offers of Securities Regulations 1995. Persons coming into possession of this Note are required to inform themselves about, and to observe any such restrictions.

**The Offering will be open to U.A.E. and non-U.A.E. individual and institutional investors provided that non-U.A.E. ownership will be restricted to 49% of the share capital, as stipulated in the U.A.E. Commercial Companies' law and the Company's Articles of Association. The Offering will also be open to governmental bodies and agencies in the U.A.E. or the respective emirates. The Offering will be eligible for individual Subscribers who are at least 21 years of age on the date that they submit the subscription Application.**



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## DEFINITIONS

<b>Arabic Prospectus</b>	The Arabic Prospectus dated March 2005 prepared by the Founders in relation to the Initial Public Offering of the Company.
<b>Articles of Association</b>	Articles of Association of the Company as adopted by the Founders.
<b>Board or Board of Directors</b>	The board of directors of the Company.
<b>Book Runner</b>	SHUAA Capital psc.
<b>Closing Date</b>	March 12, 2005 or such other date that the Founders Committee may propose and the authorities may approve.
<b>Commercial Companies Law</b>	Law Number 8 for the year 1984 regarding the U.A.E. companies commercial law and its amendments.
<b>Commercial Register</b>	The register of commercial companies in the Ministry.
<b>the Company</b>	Arab International Logistics Company PJSC, a public joint stock company, to be established under the laws of the U.A.E.
<b>DFM</b>	The Dubai Financial Market.
<b>Dirham or AED</b>	The currency of the U.A.E.
<b>Dollar or U.S.\$</b>	The currency of the United States of America.
<b>Financial Advisor</b>	The National Investor.
<b>the Founders</b>	The founding shareholders of the Company, whose names appear in the Note.
<b>Founders Committee</b>	A committee of 3 members, whose names appear at the beginning of the Note, established by the Founders.
<b>Government</b>	The Governments of the United Arab Emirates and the various Emirates, or any of them as the context requires.
<b>Joint-Lead Managers</b>	The National Investor and SHUAA Capital psc.
<b>Ministry</b>	The Ministry of Economy and Planning in the U.A.E.
<b>the Note</b>	The Prospectus Note dated March 2005 prepared by the Founders in relation to the Initial Public Offering of the Company.
<b>the Offering</b>	550 million Shares offered for sale to the public according to the terms set forth in the Note and the Arabic Prospectus.
<b>Offer Period</b>	The Offer will be open for 10 days from March 3, 2005 to the Closing Date.
<b>Offer Price</b>	The Offer Price per Offer Share is AED1.00.
<b>Offer Shares</b>	550 million Shares, representing 55% of the capital stock of the Company.
<b>Offering Costs</b>	The costs and expenses incurred in establishing the Company, including all registration fees, placement fees, marketing and printing, estimated at AED20 million.



<b>Receiving Banks</b>	<ul style="list-style-type: none"><li>• <b>Abu Dhabi Commercial Bank</b></li><li>• <b>Abu Dhabi Islamic Bank</b></li><li>• <b>Emirates Bank</b></li><li>• <b>Mashreq Bank</b></li><li>• <b>Dubai Bank</b></li><li>• <b>Finance House</b></li><li>• <b>InvestBank</b></li></ul>
<b>the Share(s)</b>	Shares in the Company, with a nominal value of AED1.00 each.
<b>Subscriber(s)</b>	The qualified investor(s) who shall make an offer to purchase a certain number of Offer Shares pursuant to the Prospectus.
<b>Subscription Application</b>	Subscription forms available at the Receiving Banks to subscribe in the Shares according to the terms and conditions set out in this Note and the Arabic Prospectus.
<b>U.A.E.</b>	United Arab Emirates.

## **TERMS OF THE OFFERING**

The Offering will be open to investors from within and outside the U.A.E. The following is a summary of the key terms of the Offering:

<b>The Issuer</b>	Arab International Logistics Company PJSC, a public joint stock company to be established under the laws of the U.A.E.
<b>Paid In Capital</b>	AED1,000,000,000 allocated over 1,000,000,000 Shares at a par value of AED1.00 per Share.
<b>Number of Offer Shares</b>	550,000,000 fully paid ordinary Shares with a nominal value of AED1.00 each, representing 55% of the Company's total issued share capital.
<b>Offer Price</b>	The Offer Price per Offer Share is AED1.00 (with additional AED0.02 Offering Costs).
<b>Offering Costs</b>	AED20,000,000 allocated over 1,000,000,000 Shares at a cost of AED0.02 per Share. The Offering Costs will be used to cover all costs and expenses incurred in establishing the Company. In the event the collected Offering Costs exceed the costs and expenses incurred in establishing the Company, the excess amount will be recorded in the Company's books as income. Similarly, any shortfall will be charged to the Company as an expense.
<b>Minimum Subscription</b>	Minimum Subscription has been set at 25,000 Shares. Application for additional Offer Shares will be in multiples of 10,000 Shares.
<b>Maximum Subscription</b>	Maximum Subscription has been set at 550,000,000 Shares.
<b>Receiving Banks</b>	The Book Runner has selected a syndicate of Receiving Banks to market, distribute and place the Offer Shares. The Receiving Banks are Abu Dhabi Commercial Bank, Abu Dhabi Islamic Bank, Emirates Bank, Mashreq Bank, Dubai Bank, Finance House, and InvestBank.



<b>Eligible Investors</b>	<p>The Offering will be open to U.A.E. and non-U.A.E. individual and institutional investors provided that non-U.A.E. ownership will be restricted to 49% of the share capital, as stipulated in the Commercial Companies' law and the Company's Articles of Association.</p> <p>Individual subscribers should be at least 21 years of age on the date they submit the Subscription Application.</p>
<b>Minimum Allocation</b>	<p>Minimum Allocation has been set at 1,000 Shares provided that the number of Subscribers does not exceed 550,000.</p>
<b>Share Allocation</b>	<p>In the event that the number of Shares subscribed to exceeds the number of the Offer Shares, Shares above the Minimum Allocation will be allocated to the Subscribers on a pro-rata basis.</p> <p>In case the number of Subscribers exceeds 550,000 then the Offer Shares will be allocated to the Subscribers equally.</p> <p>The Shares will be rounded to the nearest number. The Joint-Lead Managers reserve their right to allocate the Shares in accordance with the Commercial Companies Law and the Company's Articles of Association.</p>
<b>Share Listing</b>	<p>Subsequent to the Offering, the Company will seek to list its shares on the DFM at the earliest time allowed by law.</p>

## OFFERING TIMETABLE

The dates set forth below are indicative of certain key events related to the Offering. The Founders reserve the right to change any of the dates or time and/or shorten or extend the time periods, so long as the period of the Offering is at least 10 days.

<b>March 3, 2005</b>	Launch of the Offering.
<b>March 12, 2005</b>	Closing Date.
<b>March 3 – March 12, 2005</b>	<p>The Prospectus, the Note and the Share subscription forms will be available at the Receiving Banks.</p> <p>Subscription Application to be completed and submitted by the prospective Subscribers to the Receiving Banks, along with the corresponding payment in accordance with the instructions on the Subscription Application.</p>
<b>March 26, 2005</b>	Allocation of Shares amongst the Subscribers who have submitted the Subscription Application and transferred/deposited the corresponding amounts with the Receiving Banks.
<b>March 31, 2005</b>	Notification of all Subscribers of the Offer Shares allocated to them, and refund of any additional amount not allocated.



## THE FOUNDERS

Name	Number of Shares	Capital Subscribed to (AED)	Ownership Level
Levant Logistics Holdings	99,000,000	99,000,000	9.9%
The National Investor	41,000,000	41,000,000	4.1%
ALL Holding Ltd.	40,000,000	40,000,000	4.0%
Emirates Post	32,000,000	32,000,000	3.2%
Logistics Emirates Group Limited	31,500,000	31,500,000	3.15%
Export and Finance Bank	26,000,000	26,000,000	2.6%
Crescent Investments	25,000,000	25,000,000	2.5%
Emirates Opportunities 2 Ltd.	25,000,000	25,000,000	2.5%
Awal Bank bsc	6,000,000	6,000,000	0.6%
Emirates Opportunities 1 Ltd.	5,000,000	5,000,000	0.5%
Global Investment House	5,000,000	5,000,000	0.5%
Makshaff Services Limited	5,000,000	5,000,000	0.5%
Valdivina Financial Corporation	5,000,000	5,000,000	0.5%
Abu Dhabi Investment Company	4,000,000	4,000,000	0.4%
SAAD Investments	4,000,000	4,000,000	0.4%
Vision Investments	3,000,000	3,000,000	0.3%
Abu Dhabi Islamic Bank	2,000,000	2,000,000	0.2%
Al Bateen Investment Co	2,000,000	2,000,000	0.2%
Al Wathba Insurance	2,000,000	2,000,000	0.2%
Ali & Sons	2,000,000	2,000,000	0.2%
Bayan Investments	2,000,000	2,000,000	0.2%
Emirates Insurance	2,000,000	2,000,000	0.2%
Emirates International Investment Co.	2,000,000	2,000,000	0.2%
Emirates Investment Group	2,000,000	2,000,000	0.2%
Finance House	2,000,000	2,000,000	0.2%
GIBCA	2,000,000	2,000,000	0.2%
Gulf National Development Center	2,000,000	2,000,000	0.2%
Gulf Resources	2,000,000	2,000,000	0.2%
Megamall, Sharjah	2,000,000	2,000,000	0.2%
Muscat Overseas	2,000,000	2,000,000	0.2%
Sheikh Hamed Al Hamed	2,000,000	2,000,000	0.2%
Sheikh Nahyan Bin Mubarak Al Nahyan	2,000,000	2,000,000	0.2%
Sheikh Sultan Al Qassimi	2,000,000	2,000,000	0.2%
Sheikh Tarek Al Qassimi	2,000,000	2,000,000	0.2%
Sheikha Shaikha bint Suroor Bin Mohamed Al Nahyan	2,000,000	2,000,000	0.2%
Abdallah Al Mazrui	2,000,000	2,000,000	0.2%
Abdullah Nasser Bin Huwalil Al Mansouri	2,000,000	2,000,000	0.2%
Ahmed Butti	2,000,000	2,000,000	0.2%
Ahmed Khalaf Al Otaiba	2,000,000	2,000,000	0.2%
Ahmad Saeed Al Badi	2,000,000	2,000,000	0.2%
Ali Al Zaabi	2,000,000	2,000,000	0.2%

Amjad Al Duweik	2,000,000	2,000,000	0.2%
Anees Jallaf	2,000,000	2,000,000	0.2%
Areej Al Dweik	2,000,000	2,000,000	0.2%
Ayed Al Joueid	2,000,000	2,000,000	0.2%
Faris Yabhouni Al Dhahiri	2,000,000	2,000,000	0.2%
Fahad Al Rajhi	2,000,000	2,000,000	0.2%
Hilal Al Mari	2,000,000	2,000,000	0.2%
Hussain Al Nowais	2,000,000	2,000,000	0.2%
Ismail Abdulwahid	2,000,000	2,000,000	0.2%
Majid Al Ghurair	2,000,000	2,000,000	0.2%
Mohammed Gargawi	2,000,000	2,000,000	0.2%
Mohammed Saeed Al Qassimi	2,000,000	2,000,000	0.2%
Nasser Abdullah Bin Huwalil Al Mansouri	2,000,000	2,000,000	0.2%
Obeid Al Jaber	2,000,000	2,000,000	0.2%
Omar Askari	2,000,000	2,000,000	0.2%
Rashed Ketbi	2,000,000	2,000,000	0.2%
Rashid Humaid Al Mazrui	2,000,000	2,000,000	0.2%
Riad Kamal	2,000,000	2,000,000	0.2%
Saeed Bin Omair	2,000,000	2,000,000	0.2%
Abu Dhabi National Foodstuff Company	1,000,000	1,000,000	0.1%
AC Logistics Holdings	1,000,000	1,000,000	0.1%
Emirates Transport	1,000,000	1,000,000	0.1%
Logistics Overseas Group Limited	1,000,000	1,000,000	0.1%
Mohammed Al Hashimi	1,000,000	1,000,000	0.1%
Mansour Othaimin	500,000	500,000	0.05%
<b>TOTAL</b>	<b>450,000,000</b>	<b>450,000,000</b>	<b>45.0%</b>

The Founders of the Company have committed and subscribed to 450,000,000 Shares, representing 45% of the Company's capital stock. The Founders have paid for their participation in cash (AED450,000,000) in addition to Offering Costs of AED0.02 per Share (total of AED9,000,000).

## FOUNDERS COMMITTEE

The Founders have elected a committee comprised of 3 members to complete the establishment process with the relevant regulatory authorities.

### The Founders Committee will consist of:

- Mr. Abdullah Al Mazrui                      **Chairman**
- Mr. Hilal Al Mari                              **Member**
- Mr. Majid Al Ghurair                        **Member**



## **ARAB INTERNATIONAL LOGISTICS COMPANY PJSC, UNDER FORMATION**

Arab International Logistics Company is intended to be incorporated as a Public Joint Stock Company in the U.A.E. with a paid-up capital of AED 1,000 million allocated over 1,000 million Shares, with a par value of AED 1 per Share.

The Founders have applied for the establishment of the Company in compliance with the local laws of the U.A.E. The Dubai Department for Economic Development has issued resolution number 2 dated January 2, 2005, approving the establishment of the Company after fulfilling all regulatory requirements for establishing a Public Joint Stock Company in the U.A.E.

The Company will have a life of 100 years from the date of declaring its incorporation by the Ministry of Economy and Planning. The life of the Company will be renewed automatically for similar periods unless a decision to liquidate the Company is taken by the Extraordinary General Assembly of Shareholders.

The Company will be based in the Emirate of Dubai. In addition, the Company can establish branches, offices, or enter into ventures in other emirates in the U.A.E. and other countries for the purpose of attaining its objectives.

### **Business Objectives**

The Company intends to invest in the freight, express, logistics and supply chain management businesses through acquiring and owning controlling interests in one or more existing companies in the Middle East, particularly the U.A.E.

The Company intends to employ sound financial expertise and advanced technological know-how in the selection of the target companies for the purpose of achieving viable financial returns to its investors, and supporting the economic developments in the U.A.E. and the neighboring countries.

#### **The following provides a summary of the Company's core business objectives:**

- Realize high financial returns for its Shareholders.
- Establish a strong company that will cater to the needs of the regional markets.
- Provide value-added services to meet the increasing regional demand for freight, express and logistics services.
- Expand to regional markets in the short- to medium-terms.

### **Business Activities**

The Company will be engaged through its subsidiaries in providing freight, express, and logistics services, including among others:

- Delivery of documents, parcels and packages by air, sea, road and rail.
- Air, sea, and land freight services.
- Provision of a number of integrated logistics activities such as warehouse management, inbound and outbound logistics, and a variety of value-added services.
- Other related service(s) as the Board of Directors finds necessary to achieve the Company's objectives.

## Management

The Company intends to assemble a highly qualified management team with extensive experience in the express, freight and logistics field. The main responsibilities of the management team are the following:

- Review and analyze potential target acquisitions;
- Supervise the performance of the companies to be acquired;
- Execute the strategies formulated by the Board of Directors;
- Devise strategies to improve the financial performance of the subsidiaries; and
- Monitor the developments in the express, freight and logistics sectors and make recommendations to the Board of Directors.

The management will institute detailed policies and procedures that clearly define job description, activity and tasks.

## Board of Directors

The Company's Board of Directors will consist of eight members, to be elected by the General Assembly of Shareholders. The majority of the directors in addition to the Chairman should be U.A.E. nationals. The Founders have named the following persons as directors of the Company's first Board of Directors that will serve for a period of three years from the date the Company is incorporated:

1. **Mr. Abdullah Al Mazrui**
2. **Mr. Majid Al Ghurair**
3. **Sheikh Tarek Al Qassimi**
4. **Mr. Ahmad Saeed Al Badi**
5. **Mr. Hilal Al Mari**
6. **Mr. Ayed Al Joueid**
7. **The National Investor, represented by Mr. Karim Al Solh**
8. **AIL Holding Ltd., represented by Mr. Iyad Al Duwaji**

## PROJECTED FINANCIAL PERFORMANCE

The Company expects to utilize its capital to invest in one or more companies in the freight, express and logistics sectors. The financial projections included in the Note represent the Founders' view about the performance of the Company. These projections should not be regarded as a representation by the Company or any other person that the Company's objectives and returns will be achieved. Prospective Subscribers are requested to carefully read the entire Note, including the section entitled "Risk Factors".

The Company expects to generate its revenues from the dividends declared by its subsidiaries. The financial projections of the Company have been derived on the basis of the expected performance of the target companies that the Company will invest in.

### Balance Sheet

The following table summarizes the Company's projected balance sheets for the four-year period following its incorporation.

000' AED	2005 P	2006 P	2007 P	2008 P
<b>Assets</b>				
Current Assets	84,315	159,594	249,144	355,258
Investments	979,000	979,000	979,000	979,000
<b>Total Assets</b>	<b>1,063,315</b>	<b>1,138,594</b>	<b>1,228,144</b>	<b>1,334,258</b>
<b>Liabilities &amp; Shareholders' Equity</b>				
Liabilities	-	-	-	-
Shareholders' Equity	1,063,315	1,138,594	1,228,144	1,334,258
Liabilities & Shareholders' Equity	1,063,315	1,138,594	1,228,144	1,334,258

### Income Statement

The Company expects to incur an annual overhead cost amounting to AED1.1 million to cover salaries expenses, rentals, depreciation and utilities. The following table summarizes the Company's projected income statements for the four-year period following its incorporation.

000' AED	2005 P	2006 P	2007 P	2008 P
Dividends Income	64,415	76,379	90,649	107,214
Less: Overhead Expenses	(1,100)	(1,100)	(1,100)	(1,100)
<b>Net Income</b>	<b>63,315</b>	<b>75,279</b>	<b>89,549</b>	<b>106,114</b>

### Share Data

The following table summarizes the expected growth levels and Share data of the Company.

AED (except where indicated)	2005 P	2006 P	2007 P	2008 P
Number of Issued Shares (000's)	1,000,000	1,000,000	1,000,000	1,000,000
Growth in Net Income (%)	-	18.9%	19.0%	18.5%
Earning per Share (Fils)	6.3	7.5	9.0	10.6
Par Value per Share	1.00	1.00	1.00	1.00
Book Value per Share	1.06	1.14	1.23	1.33
Return on Paid-in Capital*	6.3%	7.5%	9.0%	10.6%

\* **Net Income/Paid-In Capital**

## **DIVIDEND POLICY**

The Company's dividend policy will be determined by the Board of Directors. The Company expects to increase its dividend payout ratio over time on the condition that such payments will not affect the performance of the Company and its subsidiaries.

## **AUDITORS**

The Dubai office of Deloitte & Touche (Middle East), member of Deloitte Touche Tohmatsu, has been appointed by the Founders as the independent reporting accountants of the Company until the Founding General Assembly concludes.

## **LEGAL MATTERS**

The following summary is qualified by the relevant provisions of the Company's Articles of Association and the U.A.E. Commercial Companies Law.

### **The Shares**

The Company is intended to have 1,000 million Shares of fully paid up common stock issued and outstanding. All Shares of the Company rank equally in all respects. In particular, the Shares rank equally with regard to dividend payments and distributions upon liquidation. The obligations associated with the ownership of Shares are limited to the payment of their par value. Neither the Board of Directors nor the General Assembly of the Company has the authority to increase the obligations of the Shareholders, without the unanimous approval of all Shareholders.

### **Transfer of Shares**

The Shares are intended to be issued in registered form, to be evidenced by nominal certificates held by the respective shareholders. Each shareholder is issued stock certificates evidencing the Shares owned. The Company will maintain a shareholder register that records the number of Shares held by each shareholder at all times. Upon listing on the DFM, the Shares will be converted to a dematerialized form and the shareholder register will be maintained by the DFM. The Company will only recognize transfers of Shares that have been reflected in the Shares register.

### **Articles of Association**

The Company's Articles of Association describe the rights and obligations associated with the ownership of the Shares in detail. The Company will be incorporated as a public joint stock company under the provisions of the Commercial Companies Law. The Company's Articles of Association can be amended by a decision of an Extraordinary General Assembly of Shareholders, in accordance with the Commercial Companies' Law.

### **General Assembly**

The Company is required to convene at least one Ordinary General Assembly meeting each year to approve the Company's financial statements, certify dividend payments, appoint auditors and elect directors (during election years). Extraordinary General Assembly meetings may be called for other purposes such as considering the amendment of the Company's Articles of Association, changing the Company's capital structure or liquidating the Company. Voting and quorums at General Meetings are in accordance with the provisions of the Commercial Companies Law.



### **Voting Rights**

Each Share of the Company stock entitles its owner to one vote in all General Assembly meetings of the Shareholders. Resolutions of the General Assembly are normally adopted upon the affirmative vote of the majority of the Shares represented at such meetings.

### **Board of Directors**

The Board of Directors will have broad authority to manage the Company's affairs and to perform all tasks that are not specifically reserved for the General Assembly. The Board of Directors will be comprised of eight members elected by the Company's General Assembly. The first Board of Directors of the Company has been named by the Founders, and will serve for a period of three years from the date the Company is incorporated.

### **Dividends**

The Company's net income for each financial year is available for distribution as dividends to the Shareholders. However, the Company is under an obligation to withhold 10% of its net income as legal reserves until such time as the amount reserved reaches 50% of the total capital of the Company.

## **LOGISTICS MARKET OVERVIEW**

The information contained in the section has been compiled from different sources, including but not limited to statistical bulletins in the U.A.E., International Monetary Fund and World Trade Organization publications.

### **International Trade Outlook**

The rapid growth in international trade and the globalization of companies, services and manufacturing activities over the past twenty years have resulted in the development of a specialist logistics industry to serve the need for the timely and efficient delivery of items ranging from documents to industrial products.

According to the World Trade Organization, worldwide exports have been growing at a Compound Average Growth Rate (CAGR) of 10% over the past 40 year. The total value of worldwide exports in 2002 amounted to U.S.\$6,272 billion, out of which the Middle East contributed to 3.9%, compared to 3.0% in 1995. World merchandise imports in 2002 amounted to U.S.\$6,510 billion with the Middle East contribution increasing from 2.5% to 2.7% (U.S.\$175 billion). The growth in the merchandise trade is much faster in the developing countries compared to other regions.

### **Global Express, Freight and Logistics Market**

Logistics is a supply chain process that manages goods/products from the point of origin to the point of delivery. The total global logistics market is estimated at over U.S.\$320 billion per year, and is growing at an average annual rate of 3% to 10%, depending on the market. The U.S. and Europe are the largest and most mature markets for logistics services. Both markets account for the bulk of the global market, and have been growing at an annual rate of around 4%. The Middle East and North Africa (MENA) region currently accounts for about 10% of the global market. The MENA region is considered one of the fastest growing regions worldwide, increasing in size by around 10% annually.



**The global transportation and logistics industry is divided into two main groups of companies:**

- Large-scale global companies that act as a One-Stop-Shop with operations in all major markets and offer a complete range of logistics services. Such companies include DHL, FedEx, TNT, UPS among others.
- Small regional or domestic market focused companies often providing services in a limited number of business lines.

**The logistics industry has three distinct segments:**

**Courier & Express Delivery**

Delivery of time sensitive documents and parcels of less than 50kg in weight. The demand for courier and express services is derived from businesses in the manufacturing and services industries. The global courier and express industry produces total revenues of over U.S.\$30 billion each year and transports more than six million packages each day. The express-delivery industry employs around 700,000 people worldwide and operates in more than 220 countries. On average, this industry is growing by 25% to 35% each year, and is expected to continue growing at this rate in the short- to medium-term.

**Freight Forwarding**

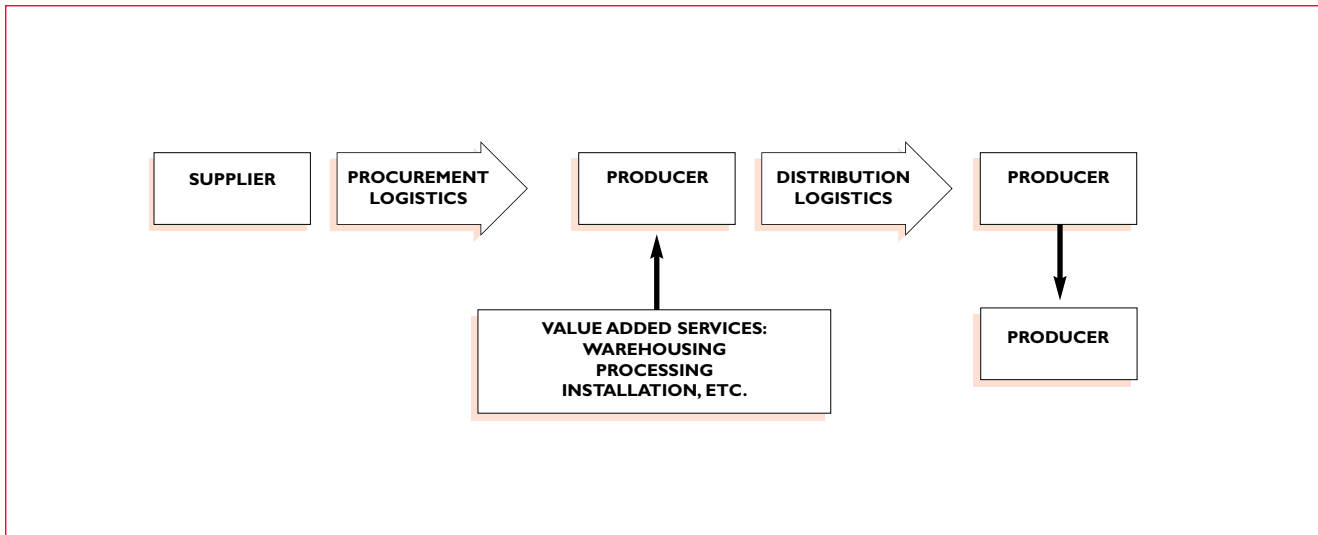
Arrangement of large items shipments, more than 50kg in weight, using all modes of transportation. In 2003, the size of the freight market reached U.S.\$42.4 billion. The market is expected to grow at a CAGR of 3.7% in the next five years, compared to 2% during the past four years. The largest market for the global air freight and logistics sector is the Asia Pacific region, which generates 36.8% of the sector's value. The U.S. accounts for a further 28.8% of the sector's value, making it the second largest market. Other types of freight such as land and sea freight are expected to grow at around 4%.

**Supply-Chain Management (SCM)**

SCM is the provision of a number of integrated activities or services as an extension to the physical act of delivery. The global SCM market is estimated to reach U.S.\$157 billion by 2004, representing a CAGR of 10% from the year 2000. The SCM market is accustomed to having varying growth rates by geography, with Europe at about 7% per year, North America at 10% and the rest of the world at 15%. Worldwide trends in SCM indicate an increasing preference by companies to opt for integrative SCM outsourcing models.



## TRADITIONAL SUPPLY CHAIN FLOW CHART



### Middle East Market Overview

The Middle East is poised for growth as a leading area of rapid industrial development in the coming years. GDP growth in the Middle East is projected at 4.1% in 2004, and is expected to increase to 5% in 2005. Oil-exporting countries continue to benefit from higher world oil prices and increased export volumes. Although these countries remain highly dependent on oil, privatization and diversification of the economy is at the top of policy priorities. Improved prospects for non-oil sectors are reflected in surges in equity prices across the region, and the emergence of services sectors such as tourism and trade.

Furthermore, the region is currently experiencing a high level of investment and infrastructural reforms. In the U.A.E., public and private capital is expected to surge above AED65 billion for the first time this year. The gross fixed capital formation, or total investments, peaked at AED63.07 billion (U.S.\$17.18 billion) in 2003 and more than 40% of it was injected by the private sector.

Other steps towards economic liberalization for countries in the region include entering into the Euro-Med trade agreement, setting up the Pan Arab Free Trade Area (PAFTA) and the establishment of the GCC customs union which are expected to boost trade in the region. All these agreements, coupled with the expected entry of several countries in the region into the World Trade Organization (WTO) in the short-term are expected to further enhance reforms, develop the non-oil sector, and begin to replace the state by the private sector as the key driver in economic growth. As a result of the above, the merchandise trade in the Middle East grew at a CAGR of 5% from 1990 to 2002.

### **Middle East Express, Freight and Logistics Market**

The Middle East airfreight market has grown at an average rate of about 15% per year since 1995. This growth in the Middle East airfreight market is attributable to the economic developments achieved in the region, the successful establishment of several major trade free-zones and the development of major trading hubs, the most significant of which is Dubai.

The Middle East has developed a fragmented logistics industry, with no dominant companies in express, freight forwarding or logistics in most markets. This fragmentation was a result of complex business regulations and licensing requirements, as well as distinctive market characteristics.

### **Regional Logistics Companies**

The majority of regional logistics companies are focused on domestic services with varying levels of partnerships with larger players to provide international services. The following is a list of the main players in the region:

- |                         |                               |                            |
|-------------------------|-------------------------------|----------------------------|
| 1. <b>Regional:</b>     | • Aramex International        | • Skynet Worldwide Express |
| 2. <b>Dubai:</b>        | • Modernline Distribution     | • Kanoo Rapid Transit      |
| 3. <b>Saudi Arabia:</b> | • Worldwide Logistics Systems |                            |
| 4. <b>Jordan:</b>       | • Arrow Express               | • Midex                    |
| 5. <b>India:</b>        | • Blue Dart Express           | • Elbee                    |

### **Market Outlook**

According to the Economist Intelligence Unit, Middle East real GDP is expected to grow at an average rate of between 3-5% per year over the next five years. There is also a regional move towards promoting the development of trade and industry to minimize reliance on oil. Such developments will result in increased demand for express, freight, and logistics services. It is expected that the express, freight, and logistics markets will grow by more than 10% over the next years.

## **RISK FACTORS**

This section discusses some of the risk factors that could affect the Company and/or its shareholders. Prior to making an investment decision, prospective Subscribers in the Shares should carefully consider each of the following risk factors and all other information set forth in this Note and the Arabic Prospectus. Certain risks described below relate principally to the Company's business and the industry in which it operates. Other risks relate to certain issues with respect to investing in a U.A.E. company. The Company's future operating results may vary from the projections. In light of significant uncertainties inherent in the forward-looking information included in this Note, the inclusion of such information should not be regarded as a representation by the Company or any other person that the Company's objectives or plans will be achieved. Prospective Subscribers should consult with, and rely upon, professional advice prior to investing in the Company.

Any investment in such Offerings has inherent risk factors. As such, it should be noted that the value of such investments might change due to the possible materialization of one or more of these factors.



## Regional Stability

**Risk** The Arabian Gulf region is subject to the effects of political and security tensions resulting from conflicts in different countries/areas in the region.

**Mitigation** The U.A.E. has not been directly affected by any of these conflicts due to the geographic distance from conflict areas and the neutral stand it has adopted. Additionally, the Company will avoid investing in areas/countries of conflict that might affect its operations.

## Exchange Rates

**Risk** The effect of the change in exchange rates on the performance of the Company.

**Mitigation** The Company will try to minimize its exposure to foreign currency fluctuations by hedging its foreign exchange positions.

## Competition

**Risk** Competition is expected to come from the international companies with a large capital base that operate in the region.

**Mitigation** The Company intends to invest its capital in several companies in the region. This diversification will enable the Company to set up a portfolio of subsidiaries that are well-established in the markets they are operating in. Such diversification will allow the Company to cater to the specific needs of its clients in the different markets. The Company expects this strategy will result in strong returns to its Shareholders.

## Risk of Identifying Target Companies

**Risk** The Company plans to invest its capital in several companies in the freight, express and logistics businesses. The financial projections were prepared on the basis that the Company will be able to identify target companies in the different businesses and acquire them at reasonable multiples. Failure to identify these targets may have a material effect on the Company's business.

**Mitigation** The Founders have carried out an extensive study of the market for the purpose of determining its size, needs, and the competitive landscape. The study indicated that the market is highly fragmented and is dominated by small regional and local companies, with no single company offering the scope and quality of services provided by large multinationals. The Company intends to take a leading role in the region by offering its clients a full spectrum of logistics services through its portfolio of companies.

## **Management and Employee Retention**

**Risk** The success of the Company and its subsidiaries will depend to a large extent on the skills, efforts, and performance of management and employees. The inability of the Company and its subsidiaries to retain their employees can have a material effect on business operations.

**Mitigation** The Company plans to offer its employees financial incentives based on the performance of the Company and the subsidiaries. Additionally, the Company will apply a strategy to cultivate and groom managerial skills from within to broaden its management base.

## **Ability to Manage Growth**

**Risk** The Company's ability to maintain and manage its growth effectively is vital to its success. Failure to do that may have an impact on the Company's business.

**Mitigation** The Company will establish detailed guidelines for investing in target companies, such as investing in companies that have achieved more than 15% growth in profits over the prior 3 years and expect to achieve more than 20% growth in profitability over the next 5 years. By applying such guidelines and standards, the Company believes that it will be able to achieve and maintain its growth objectives.

## **Investment in Shares**

The price of the Shares may be affected by factors related to investors' interests as well as conditions of the market on which the Shares will be listed, without regard to the Company's financial performance.

## **Taxes**

There are currently no income taxes levied on corporate entities and individuals in the U.A.E. The Company may invest in subsidiaries in other jurisdictions that apply taxes on business operations.

## **Forward Looking Statements**

This Note contains certain forward-looking statements and information relating to the Company that are based on expectations, estimates, projections and information currently available to the Company. These statements include, but are not limited to, statements about the Company's strategies, plans, objectives, expectations, intentions, expenditures and assumptions. These statements reflect the current views of the Founders with respect to future events. They are not guarantees of future performance, and involve certain risks and uncertainties that are difficult to predict. In addition, certain forward-looking statements are based on assumptions as to future events that may not prove to be accurate.

Many factors could cause the Company's projections to materially differ from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors include inter alia, the following:

- changes in general political, economic and business conditions in the country(ies) or region(s) in which the Company, and the companies it invests in, operate;
- changes in the laws or policies of governments or other governmental or quasi-governmental activities in the country(ies) in which the Company, and the companies it invests in, operate;
- increased price competition and the introduction of competing products by other companies;
- changes in the demand for, supply of, and market prices of crude oil, and other petrochemicals, including changes in the production quotas in OPEC countries;
- changes in currency exchange rates, interest rates and inflation rates; and
- changes in business strategy and various other factors.

Many of these factors are macroeconomic in nature and are, therefore, beyond the control of the Company's management. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, intended, planned or projected.



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