

**ARAMEX PJSC AND ITS SUBSIDIARIES**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 SEPTEMBER 2016**

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ARAMEX PJSC**

### **Introduction**

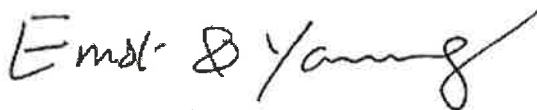
We have reviewed the accompanying interim condensed consolidated financial statements of Aramex PJSC and its subsidiaries (“the Group”) as at 30 September 2016, comprising the interim condensed consolidated statement of financial position as at 30 September 2016 and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended and explanatory information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard 34 Interim Financial Reporting “IAS 34”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



Signed by  
Ashraf Abu-Sharkh  
Partner  
Registration no. 690

30 October 2016

Dubai, United Arab Emirates

## Aramex PJSC and its subsidiaries

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016 (Unaudited)

	Notes	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	869,272	703,151
Goodwill		1,207,739	1,038,079
Other intangible assets		91,953	49,367
Investments in joint ventures and associates		121,076	46,857
Available for sale financial assets		22,393	-
Deferred tax assets		6,423	3,943
Other non-current assets		2,377	2,382
		<u>2,321,233</u>	<u>1,843,779</u>
<b>Current assets</b>			
Accounts receivable, net		763,818	731,232
Other current assets		218,472	163,187
Bank balances and cash	6	601,083	707,158
		<u>1,583,373</u>	<u>1,601,577</u>
<b>TOTAL ASSETS</b>		<u>3,904,606</u>	<u>3,445,356</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		1,464,100	1,464,100
Statutory reserve		195,663	195,663
Foreign currency translation reserve		(264,719)	(255,821)
Reserve arising from acquisition of non-controlling interests		(29,374)	(28,119)
Retained earnings		857,490	785,708
<b>Equity attributable to equity holders of the Parent</b>		<u>2,223,160</u>	<u>2,161,531</u>
Non-controlling interests		21,469	38,264
<b>Total equity</b>		<u>2,244,629</u>	<u>2,199,795</u>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	8	406,540	228,585
Employees' end of service benefits		136,815	129,544
Employees' benefit liability	13	65,973	63,825
Deferred tax liabilities		3,523	1,886
		<u>612,851</u>	<u>423,840</u>
<b>Current liabilities</b>			
Accounts payable		212,058	176,044
Bank overdrafts	6	60,154	33,941
Interest-bearing loans and borrowings	8	211,516	87,950
Other current liabilities		563,398	523,786
		<u>1,047,126</u>	<u>821,721</u>
<b>Total liabilities</b>		<u>1,659,977</u>	<u>1,245,561</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>3,904,606</u>	<u>3,445,356</u>

  
Abdullah Al Mazzui  
(Chairman)

  
Hussein Hachem  
(Chief Executive Officer)

  
Bashar Obeid  
(Chief Financial Officer)

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

# Aramex PJSC and its subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the three and nine months ended 30 September 2016 (Unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
<b>Continuing operations</b>					
Rendering of services		1,050,377	917,248	3,184,703	2,772,798
Cost of services		(472,836)	(398,132)	(1,416,782)	(1,204,489)
<b>Gross profit</b>		<b>577,541</b>	<b>519,116</b>	<b>1,767,921</b>	<b>1,568,309</b>
Share of results of joint ventures and associates		(92)	(1,158)	(1,056)	(2,784)
Selling and marketing expenses		(52,152)	(46,310)	(153,983)	(139,341)
Administrative expenses		(240,420)	(191,889)	(699,610)	(552,453)
Operating expenses		(194,631)	(193,333)	(601,612)	(569,691)
Gain on bargain purchase	3	-	-	41,568	-
Other income, net		1,480	656	4,699	3,404
<b>Operating profit</b>		<b>91,726</b>	<b>87,082</b>	<b>357,927</b>	<b>307,444</b>
Finance income		3,430	910	7,907	3,460
Finance expense		(7,773)	(2,436)	(19,486)	(6,313)
<b>Profit before tax from continuing operations</b>		<b>87,383</b>	<b>85,556</b>	<b>346,348</b>	<b>304,591</b>
Income tax expense		(15,472)	(8,732)	(40,841)	(31,795)
<b>Profit for the period from continuing operations</b>		<b>71,911</b>	<b>76,824</b>	<b>305,507</b>	<b>272,796</b>
<b>Discontinued operations</b>					
Profit after tax for the period from discontinued operations	9	4,480	1,750	7,377	5,809
<b>Profit for the period</b>		<b>76,391</b>	<b>78,574</b>	<b>312,884</b>	<b>278,605</b>
<b>Attributable to:</b>					
<i>Equity holders of the Parent</i>					
Profit for the period from continuing operations		67,751	72,816	287,388	247,798
Profit for the period from discontinued operations		4,480	1,750	7,377	5,948
		<b>72,231</b>	<b>74,566</b>	<b>294,765</b>	<b>253,746</b>
<i>Non-controlling interests</i>					
Profit for the period from continuing operations		4,160	4,008	18,119	24,998
Loss for the period from discontinued operations		-	-	-	(139)
		<b>4,160</b>	<b>4,008</b>	<b>18,119</b>	<b>24,859</b>
		<b>76,391</b>	<b>78,574</b>	<b>312,884</b>	<b>278,605</b>
<b>Earnings per share attributable to equity holders of the Parent</b>					
	7	AED	AED	AED	AED
Basic and diluted earnings per share		<b>0.049</b>	<b>0.051</b>	<b>0.201</b>	<b>0.173</b>

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

Aramex PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and nine months ended 30 September 2016 (Unaudited)

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>	<i>2016</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>
<b>Profit for the period</b>	<b>76,391</b>	78,574	<b>312,884</b>	278,605
<b>Other comprehensive income, net of tax:</b>				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	19,429	(16,195)	(10,985)	(37,137)
Loss on cash flow hedge	-	(3,300)	-	(3,256)
Cash flow hedge expense recycled to consolidated income statement	-	699	-	1,200
<b>Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</b>	<b>19,429</b>	(18,796)	<b>(10,985)</b>	(39,193)
<b>Other comprehensive income (loss) for the period, net of tax</b>	<b>19,429</b>	(18,796)	<b>(10,985)</b>	(39,193)
<b>Total comprehensive income for the period</b>	<b>95,820</b>	59,778	<b>301,899</b>	239,412
<b>Attributable to:</b>				
Equity holders of the Parent	93,453	56,135	285,867	215,211
Non-controlling interests	2,367	3,643	16,032	24,201
	<b>95,820</b>	59,778	<b>301,899</b>	239,412

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

## Aramex PJSC and its subsidiaries

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016 (Unaudited)

	Attributable to equity holders of the Parent							Total AED '000
	Share capital AED '000	Statutory reserve AED '000	Foreign currency translation reserve AED '000	Reserve arising from acquisition of non- controlling interests AED '000	Cash flow hedge reserve AED '000	Retained earnings AED '000	Non-controlling interests AED '000	
<b>Nine month period ended 30 September 2016</b>								
At 1 January 2016	1,464,100	195,663	(255,821)	(28,119)	-	785,708	38,264	2,161,531
Total comprehensive income for the period	-	-	(8,898)	-	-	294,765	16,032	285,867
Directors' fees paid	-	-	-	-	-	(3,368)	-	(3,368)
Dividends of subsidiaries	-	-	-	-	-	-	(46,638)	(46,638)
Acquisition of subsidiaries (note 3)	-	-	-	-	-	-	13,882	13,882
Acquisition of non-controlling interest (note 3)	-	-	-	(1,255)	-	-	(948)	(2,203)
Non-controlling interests	-	-	-	-	-	-	877	877
Dividends paid to shareholders (note 4)	-	-	-	-	-	(219,615)	-	(219,615)
<b>At 30 September 2016</b>	<b>1,464,100</b>	<b>195,663</b>	<b>(264,719)</b>	<b>(29,374)</b>	<b>-</b>	<b>857,490</b>	<b>21,469</b>	<b>2,223,160</b>
<b>Nine month period ended 30 September 2015</b>								
At 1 January 2015	1,464,100	170,632	(151,421)	(28,268)	2,056	708,001	24,476	2,189,576
Total comprehensive income for the period	-	-	(36,479)	-	(2,056)	253,746	24,201	239,412
Directors' fees paid	-	-	-	-	-	(3,590)	-	(3,590)
Dividends of subsidiaries	-	-	-	-	-	-	(22,524)	(22,524)
Acquisition of subsidiaries	-	-	-	-	-	-	2,658	2,658
Acquisition of non-controlling interest	-	-	-	149	-	-	(286)	(137)
Non-controlling interests	-	-	-	-	-	-	167	167
Dividends paid to shareholders (note 4)	-	-	-	-	-	(204,974)	-	(204,974)
<b>At 30 September 2015</b>	<b>1,464,100</b>	<b>170,632</b>	<b>(187,900)</b>	<b>(28,119)</b>	<b>-</b>	<b>753,183</b>	<b>28,692</b>	<b>2,200,588</b>

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

# Aramex PJSC and its subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2016 (Unaudited)

*Nine months ended 30 September*

		<b>2016</b>	<b>2015</b>
	<i>Notes</i>	<i>AED'000</i>	<i>AED'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit before tax from continuing operations		346,348	304,591
Profit before tax from discontinued operations		5,771	8,545
Profit before tax		<u>352,119</u>	<u>313,136</u>
<b>Adjustment for:</b>			
Depreciation of property, plant and equipment		73,653	60,474
Amortization of other intangible assets		4,062	4,173
(Gain) loss on disposal of property, plant and equipment		(4,250)	290
Provision for employees' end of service benefits		17,436	17,655
Provision for doubtful accounts, net		13,304	13,592
Net finance expense		11,579	2,853
Employees benefit liability plan expense	13	38,166	6,914
Share of results of joint ventures and associates		1,056	2,784
Gain on re-measurement of the previously existing interest in an associate		-	(873)
(Gain) loss on disposal of discontinued operations	9	(3,353)	520
Gain on bargain purchase	3	(41,568)	-
		<u>462,204</u>	<u>421,518</u>
Working capital changes:			
Accounts receivable		(30,060)	(119,996)
Accounts payable		16,634	(6,235)
Other current assets		(34,458)	22,191
Other current liabilities		(18,310)	(72,122)
Cash from operations		<u>396,010</u>	<u>245,356</u>
Employees' end of service benefits paid		(9,614)	(8,077)
Income tax paid		(33,767)	(26,701)
Employees benefit liability plan expense paid	13	(36,018)	-
Net cash flows from operating activities		<u>316,611</u>	<u>210,578</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(116,602)	(216,112)
Proceeds from sale of property, plant and equipment		7,696	1,646
Available for sale financial assets		(22,393)	-
Interest received		7,907	3,460
Proceeds from sale of a subsidiary, net of cash	9	118,804	(133)
Acquisition of non-controlling interests	3	(2,203)	(137)
Other non-current assets		(1,762)	-
Margin deposits		(528)	517
Investments in joint ventures and associates		(114,722)	(1,052)
Acquisition of subsidiaries, net of cash acquired	3	(289,094)	(33,666)
Net cash flows used in investing activities		<u>(412,897)</u>	<u>(245,477)</u>
<b>FINANCING ACTIVITIES</b>			
Interest paid		(19,486)	(6,313)
Proceeds from loans and borrowings		337,541	91,815
Repayment of loans and borrowings		(61,366)	(118,132)
Dividends paid to non-controlling interests		(46,638)	(22,524)
Non-controlling interests		877	167
Directors' fees paid		(3,368)	(3,590)
Dividends paid to shareholders		(219,615)	(204,974)
Net cash flows used in financing activities		<u>(12,055)</u>	<u>(263,551)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(108,341)</b>	<b>(298,450)</b>
Net foreign exchange difference		(24,475)	(19,694)
Cash and cash equivalents at 1 January	6	<u>662,246</u>	<u>595,096</u>
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	<b>6</b>	<u><b>529,430</b></u>	<u><b>276,952</b></u>

The attached notes from 1 to 14 form part of these interim condensed consolidated financial statements

# Aramex PJSC and its subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

### 1 ACTIVITIES

Aramex PJSC (“the Parent Company”) is a Public Joint Stock Company registered in the Emirate of Dubai, United Arab Emirates on 15 February 2005 under UAE Federal Law No 2 of 2015. The condensed consolidated financial statements of the Company as at 30 September 2016 comprise the Parent Company and its subsidiaries (collectively referred to as “the Group” and individually as “Group entities”).

The Parent Company was listed on the Dubai Financial Market on 9 July 2005.

The Principal activities of the Group are to invest in the freight, express, logistics and supply chain management businesses through acquiring and owning controlling interests in companies in the Middle East and other parts of the world.

The Parent Company’s registered office is, Business Center Towers, 2302A, Media City (TECOM), Sheikh Zayed Road, Dubai, United Arab Emirates.

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 30 October 2016.

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### **Basis of preparation**

The interim condensed consolidated financial statements for the nine months ended 30 September 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2015. In addition, results for the nine months ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

#### **Changes in accounting policies**

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015, except for the following:

#### ***Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests***

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

#### ***Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization***

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.



**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

**Changes in accounting policies (continued)**

**Equity Method in Separate Financial Statements (Amendments to IAS 27 and IFRS 1)**

In August 2014, the IASB amended IAS 27 Separate Financial Statements which restore the option for entities, in the separate financial statements, to account for investments in subsidiaries, associates and joint ventures using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

**IAS 1 Presentation of Financial Statements – Amendments to IAS 1**

The amendments to IAS 1 include narrow-focus improvements related to:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments

**Investment entities (Amendments to IFRS 10 and IAS 28)**

The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

- The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity: The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The application of the new amendments did not have significant impact on the financial position, financial performance or disclosures of the Group.

# Aramex PJSC and its subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

### 3 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTEREST

#### 1. Acquisition of Fastway Limited (New Zealand)

In February 2016, the Group acquired 100% of the voting shares of Fastway Limited, an unlisted company based in New Zealand and specializing in domestic business. The interim condensed consolidated financial statements include the results of Fastway Limited for the eight months period from the acquisition date.

#### Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities Fastway Limited, as at the date of acquisition were:

	<i>Fair value recognised on acquisition AED'000</i>	<i>Carrying value AED'000</i>
<b>Assets</b>		
Property, plant and equipment	22,056	22,056
Trade and other receivables	32,458	32,458
Bank balances and cash	31,395	31,395
Deferred tax and other non-current assets	9,489	9,489
Intangible assets (Provisional)*	54,560	-
	<u>149,958</u>	<u>95,398</u>
<b>Liabilities</b>		
Trade and other payables	(75,959)	(75,959)
	<u>(75,959)</u>	<u>(75,959)</u>
<b>Total identifiable net assets</b>	73,999	19,439
Goodwill arising on acquisition (Provisional)**	248,077	
<b>Purchase consideration transferred</b>	<u>322,076</u>	
<b>Analysis of cash flow on acquisition:</b>		
Net cash acquired with the subsidiary		31,395
Cash paid		(322,076)
<b>Net cash outflow (included in cash flows used in investing activities in the statement of cash flows)</b>		<u>(290,681)</u>

\* Additional information is required to determine fair value of intangible assets at the acquisition date. The intangible assets may be subsequently adjusted with a corresponding adjustment to goodwill prior to 2 February 2017 (one year after the transaction).

\*\* The goodwill of AED 248 million recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Fastway Limited with those of the Group.

From the date of acquisition, the acquired Company contributed AED 225.3 million of revenue and AED 6.5 million to profit before tax of the Group. If the acquisition had taken place at the beginning of the period, revenue from continuing operations would have been AED 3,198 million and the profit before tax from continuing operation for the period would have been AED 335.2 million.

Transaction costs of AED 5.8 million were expensed and are included in administrative expenses in the interim condensed consolidated statement of income and part of the cash flows from operating activities in the interim condensed consolidated statement of cash flows.

## Aramex PJSC and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

#### 3 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTEREST (continued)

##### 2. Acquisition of Aramex Mashreq for Logistics Services SAE (Egypt)

The Group has 75% interest in Aramex Mashreq for Logistics Services SAE (Egypt). Until 31 December 2015, the approvals for all major operational decisions for the Company were required by the Group and its partners jointly until such time that the partners exercise their option to buy an additional share of 25%, prior to the expiry date of 31 December 2015. Since the partners option to buy additional shares in the Company elapsed, Aramex PJSC obtained control without transferring consideration. Therefore, the transaction has been accounted for as a business combination in accordance with IFRS 3 effective 1 January 2016. The net assets recognised in the 31 March 2016 financial statements were based on a provisional assessment of their fair value. During the second quarter of 2016, the valuation was completed since the Group sought an independent valuation for the land and buildings. Since the fair value of the consideration transferred was less than the fair value of net assets acquired, the Group recognized a bargain purchase gain of AED 41,568 thousand.

The fair values of the identifiable assets and liabilities for Aramex Mashreq for Logistics Services SAE, as at the date of acquisition were:

	<i>Fair value recognised on acquisition AED'000</i>	<i>Carrying value AED'000</i>
<b>Assets</b>		
Property, plant and equipment	113,913	72,345
Trade and other receivables	13,761	13,761
Bank balances and cash	1,587	1,587
	<u>129,261</u>	<u>87,693</u>
<b>Liabilities</b>		
Trade and other payables	(5,384)	(5,384)
Deferred tax liability	(1,558)	(1,558)
Term loan	(25,347)	(25,347)
	<u>(32,289)</u>	<u>(32,289)</u>
<b>Total identifiable net assets</b>	96,972	55,404
Less: non-controlling interests	(13,882)	
<b>Fair value of net assets acquired</b>	<u><u>83,090</u></u>	
<b>Analysis of cash flows on acquisition:</b>		
Net cash acquired with the subsidiary	1,587	
Cash paid	-	
<b>Net cash inflow (included in cash flows used in investing activities in the statement of cash flows)</b>	<u><u>1,587</u></u>	

From the date of acquisition, the acquired Company contributed AED 39.4 million of revenue and AED 1.1 million to the net profit before tax of the Group.

## Aramex PJSC and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

#### 3 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTEREST (continued)

##### Acquisition of Non-Controlling Interest

2016

##### *Aramex Kenya Ltd*

In April 2016, the Group acquired an additional 30% interest of the voting shares of Aramex Kenya Limited, increasing its ownership interest to 100%. Cash consideration of AED 2,203 thousand was paid to the non-controlling shareholders. The carrying value of the net assets of Aramex Kenya Ltd at the acquisition date was AED 3,159 thousand, and the carrying value of the additional interest acquired was AED 948 thousand.

Following is a schedule of additional interest acquired in Aramex Kenya Ltd:

	<i>AED'000</i>
Cash consideration paid to non-controlling shareholders	2,203
Less : Carrying value of the additional interest in Aramex Kenya Ltd	948
	<u>1,255</u>
Difference recognized as a reserve from acquisition of non-controlling interests	<u>1,255</u>

#### 4 DIVIDENDS

The General Assembly approved in its meeting held on 24 April 2016 a cash dividend for 2015 of 15% of the Company's share capital.

The General Assembly approved in its meeting held on 19 April 2015 a cash dividend for 2014 of 14% of the Company's share capital.

#### 5 PROPERTY, PLANT AND EQUIPMENT

During the nine months ended 30 September 2016, the Group acquired property and equipment with a cost of AED 117 million (nine months ended 30 September 2015: AED 216 million).

#### 6 CASH AND CASH EQUIVALENTS

	<i>30 September 2016 AED'000</i>	<i>31 December 2015 AED'000</i>
Cash and short term deposits	601,083	707,158
Less: cash margin	(11,499)	(10,971)
Less: bank overdrafts	(60,154)	(33,941)
	<u>529,430</u>	<u>662,246</u>

Included within cash and short term deposits are amounts totaling AED 455,852 thousand (31 December 2015: AED 345,310 thousand) held at foreign banks abroad.

## Aramex PJSC and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

#### 7 EARNINGS PER SHARE

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Profit attributable to shareholders of Parent (AED'000)	<b>72,231</b>	74,566	<b>294,765</b>	253,746
Weighted average number of shares during the period (shares)	<b>1,464.1 million</b>	1,464.1 million	<b>1,464.1 million</b>	1,464.1 million
Basic and diluted earnings per share (AED)	<b>0.049</b>	0.051	<b>0.201</b>	0.173

#### 8 LOANS AND BORROWINGS

##### HSBC loan (1)

During 2016, the Group entered into a 5 year term loan agreement with HSBC Bank Australia for a total amount of AED 108 million (AUD 39.6 million) bearing annual interest rate of AUD (BBSY) plus a margin of 1.5%. The term loan is repayable in 20 consecutive quarterly instalments; the first instalment was due on 30 June 2016. The purpose of this facility is to finance new acquisitions.

##### HSBC loan (2)

During 2016, the Group entered into a 5 year term loan agreement with HSBC Bank New Zealand for a total amount of AED 115 million (NZD 44.2 million) bearing annual interest rate of NZD (BKBM) plus a margin of 1.5%. The term loan is repayable in 20 consecutive quarterly instalments; the first instalment was due on 30 June 2016. The purpose of this facility is to finance new acquisitions.

## Aramex PJSC and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

#### 9 DISCONTINUED OPERATION

##### Disposal of Mail Call Couriers PTY Limited (Australia)

During 2016, the Group disposed of 100% of its interest in Mail Call Couriers PTY Limited. The cash flows generated by the sale of the discontinued operation during 2016 have been considered in the statement of cash flows as part of the investing activities.

The Mail Call Couriers PTY Limited segment is no longer presented in the segment note.

The results of Mail Call Couriers PTY Limited for the period are as follows:

	<i>Nine months ended 30 September</i>	
	<i>2016</i> <i>AED '000</i> <i>(Unaudited)</i>	<i>2015</i> <i>AED '000</i> <i>(Unaudited)</i>
Rendering of services	53,293	60,673
Cost of services	(31,542)	(34,452)
<b>Gross profit</b>	<b>21,751</b>	<b>26,221</b>
Less: Overheads	(16,758)	(18,448)
<b>Operating profit</b>	<b>4,993</b>	<b>7,773</b>
Add: Other income, net	778	1,292
<b>Profit before tax</b>	<b>5,771</b>	<b>9,065</b>
Income tax expense	(1,747)	(2,735)
<b>Profit after tax for the period from the discontinued operations</b>	<b>4,024</b>	<b>6,330</b>
Profit on disposal of the discontinued operations	3,353	-
<b>Total Profit</b>	<b>7,377</b>	<b>6,330</b>
<b>Cash flow on sale:</b>		
Consideration received	122,811	
Cash included as cash and cash equivalents at 30 September 2016 in the statement of cash flows	(4,007)	
<b>Net cash flow</b>	<b>118,804</b>	

The net cash flows incurred by Mail Call Couriers PTY Limited are as follows:

	<i>For the nine months ended 30 September</i>	
	<i>2016</i> <i>AED '000</i> <i>(Unaudited)</i>	<i>2015</i> <i>AED '000</i> <i>(Unaudited)</i>
Operating	(1,178)	(1,021)
Investing	(428)	726
<b>Net cash outflows</b>	<b>(1,606)</b>	<b>(295)</b>

## Aramex PJSC and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

#### 10 SEGMENT INFORMATION

For management purposes, the Group is organized into five operating segments:

- International express: includes delivery of small packages across the globe to both, retail and wholesale customers.
- Freight forwarding: includes forwarding of loose or consolidated freight through air, land and ocean transport, warehousing, customer clearance and break bulk services.
- Domestic express: includes express delivery of small parcels and pick up and deliver shipments within the country.
- Logistics: includes warehousing and its management distribution, supply chain management, inventory management as well as other value added services.
- Other operations: includes catalogue shipping services, document storage, airline ticketing and travel, visa services and publication and distribution.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Transfer prices between operating segments are on an arm's - length basis in a manner similar to transactions with third parties.

The following table presents revenue and profit information regarding the Group's operating segment for the nine months ended 30 September 2016 and 2015, respectively.

	<i>International express AED'000</i>	<i>Freight forwarding AED'000</i>	<i>Domestic express AED'000</i>	<i>Logistics AED'000</i>	<i>Others AED'000</i>	<i>Elimination AED'000</i>	<i>Total AED'000</i>
<i>Nine months ended 30 September 2016</i>							
<b>Revenue</b>							
Third party	1,188,975	858,326	734,222	197,349	205,831	-	3,184,703
Inter-segment	505,354	172,125	2,982	3,966	10,868	(695,295)	-
<b>Total revenue</b>	<b>1,694,329</b>	<b>1,030,451</b>	<b>737,204</b>	<b>201,315</b>	<b>216,699</b>	<b>(695,295)</b>	<b>3,184,703</b>
<b>Gross profit</b>	<b>815,843</b>	<b>237,018</b>	<b>394,751</b>	<b>148,474</b>	<b>171,835</b>	<b>-</b>	<b>1,767,921</b>
<i>Nine months ended 30 September 2015</i>							
<b>Revenue</b>							
Third party	1,004,842	904,878	539,520	153,508	170,050	-	2,772,798
Inter-segment	441,745	182,398	676	3,464	5,897	(634,180)	-
<b>Total revenue</b>	<b>1,446,587</b>	<b>1,087,276</b>	<b>540,196</b>	<b>156,972</b>	<b>175,947</b>	<b>(634,180)</b>	<b>2,772,798</b>
<b>Gross profit</b>	<b>688,841</b>	<b>243,474</b>	<b>369,294</b>	<b>121,899</b>	<b>144,801</b>	<b>-</b>	<b>1,568,309</b>

Transactions between stations are priced at agreed upon rates. All material intra group transactions have been eliminated on consolidation. The Group does not segregate assets and liabilities by business segment and accordingly such information is not presented.

# Aramex PJSC and its subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

### 10 SEGMENT INFORMATION (continued)

#### Geographical Information

The business segments are managed on a worldwide basis, but operate in four principal geographical areas, Middle East and Africa, Europe, North America, Asia and others. In presenting information on the geographical segments, segment revenue is based on the geographical location of customers. Segments assets are based on the location of the assets.

Revenue, assets and liabilities by geographical segment are as follows:

	<i>Nine months ended 30 September</i>	
	<i>2016 AED'000</i>	<i>2015 AED'000</i>
<b>Revenues</b>		
Middle East and Africa	2,092,594	2,052,849
Europe	419,538	404,141
North America	82,451	78,337
Asia and others	590,120	237,471
	<u>3,184,703</u>	<u>2,772,798</u>
	<i>30 September 2016 AED'000</i>	<i>31 December 2015 AED'000</i>
<b>Assets</b>		
Middle East and Africa	2,741,994	2,724,636
Europe	400,404	407,435
North America	36,855	38,887
Asia and others	725,353	274,398
	<u>3,904,606</u>	<u>3,445,356</u>
<b>Non- current assets*</b>		
Middle East and Africa	822,035	697,115
Europe	69,148	68,386
North America	4,212	4,767
Asia and others	209,299	29,107
	<u>1,104,694</u>	<u>799,375</u>
<b>Liabilities</b>		
Middle East and Africa	1,157,537	1,061,664
Europe	88,029	102,025
North America	12,159	11,906
Asia and others	402,252	69,966
	<u>1,659,977</u>	<u>1,245,561</u>

\* Non-current assets for this purpose consist of property, plant and equipment, other intangible assets, available for sale financial assets, investments in joint ventures and associates. Goodwill is allocated to business segments.



# Aramex PJSC and its subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

### 11 COMMITMENTS AND CONTINGENCIES

	<i>30 September 2016 AED'000</i>	<i>31 December 2015 AED'000</i>
Letters of guarantee	<u>108,360</u>	<u>110,018</u>

#### Claims against the Group

The Group is a defendant in a number of lawsuits amounting to AED 22,600 thousand (31 December 2015: AED 22,600 thousand) representing legal actions and claims related to its ordinary course of business. The management and their legal advisors believe that the provision recorded of AED 6,104 thousand as of 30 September 2016 (31 December 2015: AED 6,104 thousand) is sufficient to meet the obligation that may arise from the lawsuits.

### 12 RELATED PARTY TRANSACTIONS

Certain related parties (directors, officers of the Group and companies which they control or over which they exert significant influence) were suppliers of the Company and its subsidiaries in the ordinary course of business. Such transactions were made on substantially the same terms as with unrelated parties.

Transactions with related parties included in the consolidated statement of income are as follows:

	<u><i>Related Party</i></u>	
	<i>30 September 2016 AED'000</i>	<i>30 September 2015 AED'000</i>
Rent expense – Companies controlled by the directors	<u>1,042</u>	<u>1,042</u>

#### Key management compensation

Compensation of the key management personnel, including executive officers, comprises the following:

	<i>30 September 2016 AED'000</i>	<i>30 September 2015 AED'000</i>
Salaries and other short term benefits	9,196	9,193
End of service benefits	145	503

## Aramex PJSC and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

#### 12 RELATED PARTY TRANSACTIONS (continued)

The following table provides the total amount of transactions that have been entered into with related parties during the nine months ended 30 September 2016 and 2015, as well as balances with related parties as at 30 September 2016 and 31 December 2015:

		<i>Sales to related parties AED '000</i>	<i>Cost from related parties AED '000</i>	<i>Amounts owed by related parties* AED '000</i>	<i>Amounts owed to related parties** AED '000</i>	<i>Loans AED '000</i>
<b>Associates:</b>						
	<b>2016</b>	<b>246</b>	<b>343</b>	<b>110</b>	-	-
	2015	282	328	57	-	-
<b>Joint ventures in which the Parent is a venturer:</b>						
	<b>2016</b>	<b>1,247</b>	<b>19,865</b>	<b>2,112</b>	<b>3,487</b>	-
	2015	464	14,222	2,495	8,550	1,767

\* These amounts are classified as trade receivables and other current assets.

\*\* These amounts are classified as trade payables.

#### 13 Employees' benefit liability

In February 2014, a total 37,000,000 phantom shares were granted to senior executives under a long term incentive plan. The exercise price of the options of AED 3 was equal to the market price of Aramex shares on the date of grant. The fair value at grant date was estimated using the binomial pricing model, taking into account the terms and conditions upon which the options were granted. The contracted life of each option granted is six years. The awards will be settled in cash.

In 2015, the plan was modified but the number of phantom shares subject to the plan remained the same. The new plan has non-market vesting conditions and variable exercise prices depending on the Group's performance. According to the modified plan, the value of exercise price will be based on achieved certain performance targets for the Group over the remaining three year period of the plan contractual life.

The Group expects that the earnings target will be achieved for the remaining life of the plan and hence each option will have an exercise price of zero. During 2016, a number of employees have exercised their share rights which were paid in cash.

	<i>2016 AED '000</i>	<i>2015 AED '000</i>
At 1 January	<b>63,825</b>	8,336
Employees benefit plan expense	<b>38,166</b>	6,914
Employees benefit plan expense paid	<b>(36,018)</b>	-
At 30 September	<b>65,973</b>	15,250

Employees' benefit liability was re-measured at fair value at an amount of AED 66 million as of 30 September 2016 (AED 63.8 million as of 31 December 2015).

**14 SEASONALITY OF OPERATIONS**

The Group's business is seasonal in nature. Historically, the Group experienced a decrease in demand for its services in the post-winter holiday and summer vacation seasons. The Group traditionally experiences its highest volumes towards the latter half of the year. The seasonality of the Group's revenue may cause a variation in its quarterly operating results. However, local Middle East and Islamic holidays vary from year to year and, as a result, the Group's seasonality may shift over time.