

ARAMEX PJSC AND ITS SUBSIDIARIES

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2017

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 2017, comprising the interim consolidated statement of financial position as at 30 September 2017 and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the related interim 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 IAS 34 Interim Financial Reporting "IAS 34". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

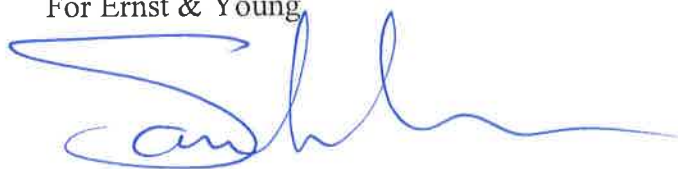
Scope of review

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.

For Ernst & Young



Signed by
Ashraf Abu-Sharkh
Partner
Registration No.: 690

2 November 2017

Dubai, United Arab Emirates

Aramex PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION At 30 September 2017 (Unaudited)

	Notes	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	878,990	840,272
Goodwill		1,084,004	1,084,004
Other intangible assets		223,050	226,558
Investments in joint ventures and associates		141,942	135,789
Available for sale financial assets		40,376	26,066
Deferred tax assets		12,326	3,477
Other non-current assets		2,160	2,884
		<u>2,382,848</u>	<u>2,319,050</u>
Current assets			
Accounts receivable, net		882,781	754,420
Other current assets		264,961	199,390
Bank balances and cash	7	557,396	701,296
		<u>1,705,138</u>	<u>1,655,106</u>
TOTAL ASSETS		<u>4,087,986</u>	<u>3,974,156</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	8	1,464,100	1,464,100
Statutory reserve		227,198	227,198
Foreign currency translation reserve		(344,192)	(350,627)
Reserve arising from acquisition of non-controlling interests	3	(43,584)	(33,037)
Retained earnings		990,475	957,783
Equity attributable to equity holders of the Parent		<u>2,293,997</u>	<u>2,265,417</u>
Non-controlling interests		12,497	9,085
Total equity		<u>2,306,494</u>	<u>2,274,502</u>
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings		314,085	361,762
Employees' end of service benefits		143,731	138,797
Employees' benefit liability	6	62,363	74,988
Deferred tax liabilities		2,242	2,239
		<u>522,421</u>	<u>577,786</u>
Current liabilities			
Accounts payable		250,495	232,358
Bank overdrafts	7, 9	94,452	57,453
Interest-bearing loans and borrowings		219,325	211,881
Other current liabilities		694,799	620,176
		<u>1,259,071</u>	<u>1,121,868</u>
Total liabilities		<u>1,781,492</u>	<u>1,699,654</u>
TOTAL EQUITY AND LIABILITIES		<u>4,087,986</u>	<u>3,974,156</u>


Abdullah Al Mazrui
(Chairman)


Hussein Hachem
(Chief Executive Officer)


Bashar Obeid
(Chief Financial Officer)

The attached notes from 1 to 13 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 2017 (Unaudited)

		Three months ended 30 September		Nine months ended 30 September	
	Note	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Continuing operations					
Rendering of services		1,143,629	1,050,377	3,397,199	3,184,703
Cost of services		(530,966)	(472,836)	(1,552,135)	(1,416,782)
Gross profit		612,663	577,541	1,845,064	1,767,921
Share of results of joint ventures and associates		(2,210)	(92)	(5,654)	(1,056)
Selling and marketing expenses		(51,663)	(52,152)	(156,638)	(153,983)
Administrative expenses		(246,934)	(240,420)	(735,261)	(699,610)
Operating expenses		(205,360)	(194,631)	(605,122)	(601,612)
Gain on bargain purchase		-	-	-	41,568
Other income, net		1,061	1,480	4,502	4,699
Operating profit		107,557	91,726	346,891	357,927
Finance income		2,666	3,430	6,098	7,907
Finance expense		(7,013)	(7,773)	(18,724)	(19,486)
Profit before tax from continuing operations		103,210	87,383	334,265	346,348
Income tax expense		(19,369)	(15,472)	(55,139)	(40,841)
Profit for the period from continuing operations		83,841	71,911	279,126	305,507
Discontinued operations					
Profit after tax for the period from discontinued operations		-	4,480	-	7,377
Profit for the period		83,841	76,391	279,126	312,884
Attributable to:					
<i>Equity holders of the Parent</i>					
Profit for the period from continuing operations		81,631	67,751	270,378	287,388
Profit for the period from discontinued operations		-	4,480	-	7,377
		81,631	72,231	270,378	294,765
<i>Non-controlling interests</i>					
Profit for the period from continuing operations		2,210	4,160	8,748	18,119
		83,841	76,391	279,126	312,884
Earnings per share attributable to equity holders of the Parent	8	AED	AED	AED	AED
Basic and diluted earnings per share		0.056	0.049	0.185	0.201

The attached notes from 1 to 13 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 2017 (Unaudited)

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2017	2016	2017	2016
	AED'000	AED'000	AED'000	AED'000
Profit for the period	83,841	76,391	279,126	312,884
Other comprehensive income, net of tax:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	3,068	19,429	5,924	(10,985)
Other comprehensive income for the period, net of tax	3,068	19,429	5,924	(10,985)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	86,909	95,820	285,050	301,899
Attributable to:				
Equity holders of the Parent	84,674	93,453	276,813	285,867
Non-controlling interests	2,235	2,367	8,237	16,032
	86,909	95,820	285,050	301,899

Aramex PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017 (Unaudited)

	Attributable to equity holders of the Parent					
	Share capital AED '000	Statutory reserve AED '000	Foreign currency translation reserve AED '000	Reserve arising from acquisition of non-controlling interests AED '000	Retained earnings AED '000	Non-controlling interests AED '000
					Total AED '000	Total AED '000
Nine month period ended 30 September 2017						
At 1 January 2017	1,464,100	227,198	(350,627)	(33,037)	957,783	2,274,502
Total comprehensive income for the period	-	-	6,435	-	270,378	285,050
Directors' fees paid	-	-	-	-	(3,430)	(3,430)
Dividends of subsidiaries	-	-	-	-	-	(7,317)
Acquisition of non-controlling interest (note 3)	-	-	-	(10,547)	-	(11,031)
Non-controlling interests	-	-	-	-	-	2,976
Dividends paid to shareholders (note 4)	-	-	-	-	(234,256)	(234,256)
At 30 September 2017	1,464,100	227,198	(344,192)	(43,584)	990,475	2,306,494
Nine month period ended 30 September 2016						
At 1 January 2016	1,464,100	195,663	(255,821)	(28,119)	785,708	2,199,795
Total comprehensive income for the period	-	-	(8,898)	-	294,765	301,899
Directors' fees paid	-	-	-	-	(3,368)	(3,368)
Dividends of subsidiaries	-	-	-	-	-	(46,638)
Acquisition of subsidiaries	-	-	-	-	-	13,882
Acquisition of non-controlling interest	-	-	-	(1,255)	-	(2,203)
Non-controlling interests	-	-	-	-	-	877
Dividends paid to shareholders (note 4)	-	-	-	-	(219,615)	(219,615)
At 30 September 2016	1,464,100	195,663	(264,719)	(29,374)	857,490	2,244,629

Aramex PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2017 (Unaudited)

		Nine months ended 30 September	
	Notes	2017 AED'000	2016 AED'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		334,265	346,348
Profit before tax from discontinued operations		-	5,771
Profit before tax		334,265	352,119
Adjustment for:			
Depreciation of property, plant and equipment		77,020	73,653
Amortization of other intangible assets		3,508	4,062
Gain on disposal of property, plant and equipment		(460)	(4,250)
Provision for employees' end of service benefits		19,102	17,436
Provision for doubtful accounts, net		7,272	13,304
Net finance expense		12,626	11,579
Share-based payment expense	6	28,568	38,166
Share of results of joint ventures and associates		5,654	1,056
Gain on disposal of discontinued operations		-	(3,353)
Gain on bargain purchase		-	(41,568)
		487,555	462,204
Working capital adjustments:			
Accounts receivable		(135,633)	(30,060)
Accounts payable		18,137	16,634
Other current assets		(65,571)	(34,458)
Other current liabilities		41,661	(18,310)
Cash from operations		346,149	396,010
Employees' end of service benefits paid		(14,427)	(9,614)
Employees' benefit plan paid	6	(41,193)	(36,018)
Income tax paid		(31,023)	(33,767)
Net cash flows from operating activities		259,506	316,611
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(110,165)	(116,602)
Proceeds from sale of property, plant and equipment		4,747	7,696
Available for sale financial assets		(13,759)	(22,393)
Interest received		6,098	7,907
Proceeds from sale of a subsidiary, net of cash		-	118,804
Acquisition of non-controlling interests		(9,373)	(2,203)
Other non-current assets		173	(1,762)
Margin deposits		(1,437)	(528)
Investments in joint ventures and associates		(3,455)	(114,722)
Acquisition of subsidiaries, net of cash acquired		-	(289,094)
Net cash flows used in investing activities		(127,171)	(412,897)
FINANCING ACTIVITIES			
Interest paid		(18,724)	(19,486)
Proceeds from loans and borrowings		23,625	337,541
Repayment of loans and borrowings		(63,858)	(61,366)
Dividends paid to non-controlling interests		(7,317)	(46,638)
Non-controlling interests		1,318	877
Directors' fees paid		(3,430)	(3,368)
Dividends paid to shareholders		(234,256)	(219,615)
Net cash flows used in financing activities		(302,642)	(12,055)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(170,307)	(108,341)
Net foreign exchange difference		(12,029)	(24,475)
Cash and cash equivalents at 1 January	7	639,474	662,246
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	7	457,138	529,430

The attached notes from 1 to 13 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 2017 (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 2017 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, Sheikh Zayed Road, Dubai, United Arab Emirates.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on 2 November 2017.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the nine months ended 30 September 2017 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 2016. In addition, results for the nine months ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Group's consolidated interim condensed financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognized Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Group's consolidated interim condensed financial statements.

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Unaudited)

3 BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTEREST

Acquisitions of Non-Controlling Interest 2017

1. Acquisition of additional interest in Aramex International for Services Co. Ltd. - Sudan

In February 2017, the Group acquired an additional 20% interest of the voting shares of Aramex International for Services Co. Ltd. – located in Sudan, increasing its ownership interest to 100%. Cash consideration of AED 4,333 thousand was paid to the non-controlling shareholders. The carrying value of the net assets of Aramex International for Services Co. Ltd. at the acquisition date was AED 3,041 thousand, and the carrying value of the additional interest acquired was AED 608 thousand. The difference of AED 3,725 thousand between the consideration paid and the carrying value of the additional interest acquired has been recognized within equity as a reserve arising from acquisition of non-controlling interests.

Following is a schedule of additional interest acquired in Aramex International for Services Co. Ltd. - Sudan:

	<i>AED'000</i>
Cash consideration paid to non-controlling shareholders	4,333
Less: Carrying value of the additional interest in Aramex International Ltd.	608
Difference recognized as a reserve from acquisition of non-controlling interest	3,725

2. Acquisition of additional interest in CBKSoft Yazlm – Turkey

In September 2017, the Group acquired an additional 13% interest of the voting shares of CBKSoft Yazlm, increasing its ownership interest to 64%. Cash consideration of AED 5,040 thousand was paid to the non-controlling shareholders. The carrying value of the net assets of CBKSoft Yazlm at the acquisition date was AED 4,235 thousand, and the carrying value of the additional interest acquired was AED 550 thousand. The difference of AED 4,490 thousand between the consideration paid and the carrying value of the additional interest acquired has been recognized within equity as a reserve arising from acquisition of non-controlling interests.

Following is a schedule of additional interest acquired in Aramex CBKSoft Yazlm – Turkey:

	<i>AED'000</i>
Cash consideration paid to non-controlling shareholders	5,040
Less: Carrying value of the additional interest in CBKSoft Yazlm	550
Difference recognized as a reserve from acquisition of non-controlling interest	4,490

3. Acquisition of additional interest in Aramex Tanzania Ltd. – Tanzania

In August 2017, the Group acquired an additional 18% interest of the voting shares of Aramex Tanzania Ltd., increasing its ownership interest to 83%. Upon mutual agreement, no cash consideration was paid, instead, the amount due from the shareholder of AED 1,658 thousand was waived against the additional shares acquired. The carrying value of the net assets of Aramex Tanzania Ltd. at the acquisition date was at a negative balance of AED 3,747 thousand, and the carrying value of the additional interest acquired was at a negative balance of AED 674 thousand. The difference of AED 2,332 thousand between the consideration given and the carrying value of the additional interest acquired has been recognized within equity as a reserve arising from acquisition of non-controlling interests.

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

	<i>AED'000</i>
Waiver of debt to acquire additional non-controlling interest	1,658
Less: Carrying value of the additional interest in Aramex Tanzania Ltd.	(674)
Difference recognized as a reserve from acquisition of non-controlling interest	2,332

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Unaudited)

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

2016

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.

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 recognized on acquisition AED'000</i>	<i>Carrying value AED'000</i>
Assets		
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	178,091	-
	<u>273,489</u>	<u>95,398</u>
Liabilities		
Trade and other payables	(75,959)	(75,959)
Deferred tax liability	(1,911)	-
	<u>195,619</u>	<u>19,439</u>
Total identifiable net assets at fair value		
	<u>126,457</u>	
Purchase consideration transferred	<u>322,076</u>	
Analysis of cash flow on acquisition:		
Net cash acquired with the subsidiary		31,395
Cash paid		<u>(322,076)</u>
Net cash outflow (included in cash flows used in investing activities in the statement of cash flows)		<u>(290,681)</u>

The net assets recognized in the 31 December financial statements were based on provisional assessment of their fair value. The valuation had not been completed by the date the 2016 financial statements were approved for issue by the Board of Directors.

During 2017, the valuation was completed and there were no changes on the fair value on the net assets recognized.

4 DIVIDENDS

The General Assembly approved in its meeting held on 21 March 2017 a cash dividend for 2016 of 16% of the Company's share capital.

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.

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Unaudited)

5 PROPERTY, PLANT AND EQUIPMENT

During the nine months ended 30 September 2017, the Group acquired property and equipment with a cost of AED 110 million (nine months ended 30 September 2016: AED 117 million).

6 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 the period ended 30 September 2017, a number of employees exercised their share rights which were paid in cash.

Movements on provision for employees' end of service benefits were as follows:

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000</i>
At 1 January	74,988	63,825
Employees benefit plan expense	28,568	47,627
Paid during the period / year	(41,193)	(36,464)
	<u>62,363</u>	<u>74,988</u>

Employees' benefit liability was re-measured at fair value at an amount of AED 62.4 million as of 30 September 2017 (AED 74.9 million as of 31 December 2016).

7 CASH AND CASH EQUIVALENTS

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000</i>
Cash and short term deposits	557,396	701,296
Less: cash margin	(5,806)	(4,369)
Less: bank overdrafts (note 9)	(94,452)	(57,453)
	<u>457,138</u>	<u>639,474</u>

Included within cash and short term deposits are amounts totaling AED 413,177 thousand (31 December 2016: AED 409,302 thousand) held at foreign banks abroad and amounts totaling approximately AED 66,023 thousand of cash on delivery collected by the Group on behalf of customers, the same was recorded as other current liabilities in the consolidated statement of financial position (31 December 2016: AED 69,779 thousand).

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Unaudited)

8 EARNINGS PER SHARE

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Profit attributable to shareholders of Parent (AED'000)	81,631	72,231	270,378	294,765
Weighted average number of shares during the period (shares)	1,464.1 million	1,464.1 million	1,464.1 million	1,464.1 million
Basic and diluted earnings per share (AED)	0.056	0.049	0.185	0.201

9 BANK OVERDRAFTS

The Group maintains overdrafts and lines of credit with various banks:

Aramex Tunisia has outstanding overdrafts from Citi Bank of AED 754 thousand and an outstanding overdraft from Arab Tunisian Bank of AED 1,499 thousand as at 30 September 2017 (2016: AED 456 thousand).

Aramex Algeria SARL has outstanding overdrafts from Citi Bank of AED 5,431 thousand as at 30 September 2017 (2016: AED 1,908 thousand).

Aramex International LLC has outstanding overdrafts from HSBC of AED 62,434 thousand as at 30 September 2017 (2016: AED 55,089 thousand).

Aramex Special Logistics has outstanding overdrafts from Citi Bank of AED 21,818 thousand as at 30 September 2017 (2016: AED Nil).

Aramex South Africa has outstanding overdrafts from ABAS – a member of Barclays Group of AED 2,516 thousand as at 30 September 2017 (2016: Nil).

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.

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Unaudited)

10 SEGMENT INFORMATION (continued)

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 2017 and 2016, 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 2017</i>							
Revenue							
Third party	1,398,508	853,126	750,027	191,539	203,999	-	3,397,199
Inter-segment	573,907	166,453	1,897	5,460	14,599	(762,316)	-
Total revenue	1,972,415	1,019,579	751,924	196,999	218,598	(762,316)	3,397,199
Gross profit	933,249	228,210	371,406	143,739	168,460	-	1,845,064
<i>Nine months ended 30 September 2016</i>							
Revenue							
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)	-
Total revenue	1,694,329	1,030,451	737,204	201,315	216,699	(695,295)	3,184,703
Gross profit	815,843	237,018	394,751	148,474	171,835	-	1,767,921

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.

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>2017 AED'000</i>	<i>2016 AED'000</i>
Revenues		
Middle East and Africa	2,069,993	2,092,594
Europe	418,642	419,538
North America	95,227	82,451
Asia and others	813,337	590,120
	3,397,199	3,184,703

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Unaudited)

10 SEGMENT INFORMATION (continued)

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000</i>
Assets		
Middle East and Africa	2,768,070	2,752,965
Europe	400,878	385,532
North America	51,110	48,868
Asia and others	867,928	786,791
	<u>4,087,986</u>	<u>3,974,156</u>
Non- current assets*		
Middle East and Africa	842,664	797,457
Europe	68,599	63,782
North America	2,910	3,959
Asia and others	370,185	363,487
	<u>1,284,358</u>	<u>1,228,685</u>
Liabilities		
Middle East and Africa	1,209,069	1,172,115
Europe	90,601	81,484
North America	17,363	17,382
Asia and others	464,459	428,673
	<u>1,781,492</u>	<u>1,699,654</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.

11 COMMITMENTS AND CONTINGENCIES

	<i>30 September 2017 AED'000</i>	<i>31 December 2016 AED'000</i>
Letters of guarantee	<u>107,330</u>	<u>100,414</u>

As at 30 September 2017, the Group has capital commitments of AED 41.5 million (30 September 2016: AED 42.1 million) towards purchase/construction of property, plant and equipment, including the installation of the new ERP system (SAP).

Claims against the Group

The Group is a defendant in a number of lawsuits amounting to AED 26,738 thousand (31 December 2016: AED 17,377 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 6,446 thousand as of 30 September 2017 (31 December 2016: AED 6,090 thousand) is sufficient to meet the obligation that may arise from the lawsuits.

Aramex PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Unaudited)

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:

	<i>Companies controlled by directors and shareholders</i>	
	<i>30 September 2017 AED'000</i>	<i>30 September 2016 AED'000</i>
Rent expense	<u>2,622</u>	<u>2,622</u>

Key management compensation

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

	<i>30 September 2017 AED'000</i>	<i>30 September 2016 AED'000</i>
Salaries and other short term benefits	8,046	6,668
Board remuneration	2,723	2,528
End of service benefits	145	145
	<u>10,914</u>	<u>9,341</u>

The following table provides the total amount of transactions that have been entered into with related parties during the nine months ended 30 September 2017 and 2016, as well as balances with related parties as at 30 September 2017 and 31 December 2016:

		<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>
Associates:					
	2017	336	737	282	-
	2016	246	343	84	2
Joint ventures in which the parent is a venturer:					
	2017	1,560	18,035	2,244	10,547
	2016	1,247	19,865	2,819	8,757
Companies controlled by directors and shareholders:					
	2017	61,345	-	20,648	9,328
	2016	51,766	-	9,393	23

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

** These amounts are classified as trade payables.

13 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.