

ARAMEX PJSC AND ITS SUBSIDIARIES

**UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL INFORMATION**

**FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2020**

ARAMEX PJSC AND ITS SUBSIDIARIES

Review report and condensed interim consolidated financial information for the six-month period ended 30 June 2020

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Review report on condensed interim consolidated financial information to the Directors of Aramex PJSC

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Aramex PJSC ("the Company") and its subsidiaries (together referred to as "the Group") as at 30 June 2020 and the related condensed interim consolidated statements of income and comprehensive income for the three-month and six-month periods then ended, and condensed interim consolidated statements of changes in equity and cash flows for the six-month period then ended and notes, comprising significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim consolidated financial information 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 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 condensed interim consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

PricewaterhouseCoopers
5 August 2020




Rami Sarhan
Registered Auditor Number 1152
Dubai, United Arab Emirates



ARAMEX PJSC AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION – AS AT

	Note	30 June 2020 AED “000” Unaudited	31 December 2019 AED “000” Audited
Assets			
Non-current assets			
Property and equipment		993,640	1,005,085
Right of use assets		811,395	854,112
Goodwill		1,128,337	1,128,337
Other intangible assets		209,816	214,241
Investments in joint ventures and associates		30,173	26,631
Financial assets at fair value through other comprehensive income		32,213	32,656
Deferred tax assets		6,836	7,359
Other non-current assets		4,969	5,536
		<u>3,217,379</u>	<u>3,273,957</u>
Current assets			
Accounts receivable, net		1,083,884	1,196,466
Other current assets		265,869	272,323
Margins and bank deposits	7	265,795	260,740
Cash and bank balances	7	871,107	739,318
		<u>2,486,655</u>	<u>2,468,847</u>
Total assets		<u>5,704,034</u>	<u>5,742,804</u>
Equity and liabilities			
Equity			
Share capital		1,464,100	1,464,100
Statutory reserve		367,095	367,095
Foreign currency translation reserve		(424,194)	(398,720)
Reserve arising from acquisition of non-controlling interests		(335,186)	(335,186)
Reserve arising from other comprehensive income items		(106)	272
Retained earnings		1,440,147	1,519,928
		<u>2,511,856</u>	<u>2,617,489</u>
Equity attributable to equity holders of the Parent Company		<u>2,511,856</u>	<u>2,617,489</u>
Non-controlling interests		15,118	15,053
Net equity		<u>2,526,974</u>	<u>2,632,542</u>
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings		153,028	157,636
Employees’ end of service benefits		155,486	146,983
Lease liabilities		629,740	673,020
Deferred tax liabilities		48,011	49,515
		<u>986,265</u>	<u>1,027,154</u>
Current liabilities			
Accounts payables		274,052	266,814
Lease liabilities		199,428	189,849
Bank overdrafts	9	144,961	151,204
Interest-bearing loans and borrowings		538,807	582,510
Income tax provision		70,770	86,995
Other current liabilities		962,777	805,736
		<u>2,190,795</u>	<u>2,083,108</u>
Total liabilities		<u>3,177,060</u>	<u>3,110,262</u>
Total equity and liabilities		<u>5,704,034</u>	<u>5,742,804</u>

To the best of our knowledge, the condensed interim consolidated financial information are prepared, in all material respects, in accordance with IAS 34.


 Mohamed Juma Alshamsi
 (Chairman)


 Bashar Obeid
 (Chief Executive Officer)


 Nadia Abu Sara
 (Chief Financial Officer)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF INCOME

	Note	For the three-month period ended		For the six-month period ended	
		30 June		30 June	
		2020	2019	2020	2019
		AED "000"	AED "000"	AED "000"	AED "000"
		Unaudited	Unaudited	Unaudited	Unaudited
Continuing operations					
Rendering of services		1,331,846	1,278,603	2,527,617	2,512,340
Cost of services *		(687,626)	(600,706)	(1,252,688)	(1,178,411)
Gross profit		644,220	677,897	1,274,929	1,333,929
Selling and marketing expenses		(49,603)	(50,250)	(107,101)	(103,526)
Administrative expenses		(204,189)	(220,512)	(416,332)	(454,815)
Net impairment loss on financial assets		(14,560)	(8,233)	(22,988)	(14,531)
Other operating expenses		(245,898)	(235,539)	(495,678)	(466,304)
Other income/(expenses), net		3,436	(2,950)	7,569	4,562
Operating profit		133,406	160,413	240,399	299,315
Finance income		3,007	2,320	6,677	5,129
Finance cost		(17,347)	(19,986)	(36,726)	(38,563)
Share of results of joint ventures and associates		5,451	1,301	3,667	3,271
Profit before income tax		124,517	144,048	214,017	269,152
Income tax expense		(29,879)	(19,893)	(51,272)	(35,878)
Profit for the period		94,638	124,155	162,745	233,274
Attributable to:					
Equity holders of the Parent Company		94,377	123,238	161,796	231,183
Non-controlling interests		261	917	949	2,091
		94,638	124,155	162,745	233,274
Earnings per share attributable to equity holders of the Parent Company					
Basic and diluted earnings per share in AED	8	0.064	0.084	0.111	0.158

* Cost of services excludes salaries and benefits, vehicle running and maintenance, depreciation of property and equipment, depreciation of right of use assets and other expenses incurred for rendering of services which are presented under other operating expenses.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three-month period ended		For the six-month period ended	
	30 June		30 June	
	2020	2019	2020	2019
	AED "000"	AED "000"	AED "000"	AED "000"
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period	94,638	124,155	162,745	233,274
Other comprehensive income				
<i>Items that will be reclassified to profit or loss:</i>				
Exchange differences on translation of foreign operations	(15,773)	7,362	(26,034)	(48,344)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net of tax	(15,773)	7,362	(26,034)	(48,344)
<i>Items that will not be reclassified to profit or loss:</i>				
Net gain/(loss) on equity instruments at fair value through other comprehensive income	372	(336)	(378)	608
Net other comprehensive income/(loss) not being reclassified to profit or loss in subsequent periods, net of tax	372	(336)	(378)	608
Other comprehensive (loss)/income for the period, net of tax	(15,401)	7,026	(26,412)	(47,736)
Total comprehensive income for the period	<u>79,237</u>	<u>131,181</u>	<u>136,333</u>	<u>185,538</u>
Attributable to:				
Equity holders of the Parent Company	78,978	130,134	135,944	193,230
Non-controlling interests	259	1,047	389	(7,692)
	<u>79,237</u>	<u>131,181</u>	<u>136,333</u>	<u>185,538</u>

ARAMEX PJSC AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital AED "000"	Statutory reserve AED "000"	Foreign currency translation reserve AED "000"	Reserve arising from acquisition of non- controlling interests AED "000"	Reserves arising from other comprehensive income items AED "000"	Retained earnings AED "000"	Equity attributable to equity holders of the Parent Company AED "000"	Non- controlling interests AED "000"	Net equity AED "000"
For the six month ended 30 June 2020									
Balance at 1 January 2020	1,464,100	367,095	(398,720)	(335,186)	272	1,519,928	2,617,489	15,053	2,632,542
Profit for the period	-	-	-	-	-	161,796	161,796	949	162,745
Other comprehensive loss	-	-	(25,474)	-	(378)	-	(25,852)	(560)	(26,412)
Total comprehensive income for the period	-	-	(25,474)	-	(378)	161,796	135,944	389	136,333
Dividends of subsidiaries	-	-	-	-	-	-	-	(324)	(324)
Dividends to shareholders (note 3)	-	-	-	-	-	(241,577)	(241,577)	-	(241,577)
Balance at 30 June 2020	1,464,100	367,095	(424,194)	(335,186)	(106)	1,440,147	2,511,856	15,118	2,526,974
For the six months ended 30 June 2019									
Balance at 1 January 2019	1,464,100	314,515	(371,217)	(324,745)	10,252	1,316,764	2,409,669	22,137	2,431,806
Profit for the period	-	-	-	-	-	231,183	231,183	2,091	233,274
Other comprehensive (loss)/income	-	-	(38,561)	-	608	-	(37,953)	(9,783)	(47,736)
Total comprehensive income for the period	-	-	(38,561)	-	608	231,183	193,230	(7,692)	185,538
Directors' fees for the period	-	-	-	-	-	(2,760)	(2,760)	-	(2,760)
Non-controlling interests	-	-	-	-	-	-	-	332	332
Dividends of subsidiaries	-	-	-	-	-	-	-	(1,276)	(1,276)
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	(4,026)	4,026	-	-	-
Dividends to shareholders (note 3)	-	-	-	-	-	(241,577)	(241,577)	-	(241,577)
Balance at 30 June 2019	1,464,100	314,515	(409,778)	(324,745)	6,834	1,307,636	2,358,562	13,501	2,372,063

The notes on pages 8 to 21 form an integral part of this condensed interim consolidated financial information.

ARAMEX PJSC AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the six-month period ended	
		30 June	
		2020	2019
		AED “000”	AED “000”
		(Unaudited)	(Unaudited)
<u>OPERATING ACTIVITIES</u>			
Profit before tax		214,017	269,152
Adjustments for			
Depreciation of property and equipment		58,602	52,696
Depreciation of right of use assets		116,908	105,762
Amortisation of other intangible assets		4,425	2,150
(Gain) / loss from sale of property and equipment		(1,068)	1,481
Provision for employees’ end of service benefits		19,175	13,463
Net impairment loss on financial assets		22,988	14,531
Net finance cost		30,049	33,434
Employees’ benefit plan expense	6	-	1,702
Share of results of joint ventures and associates		(3,667)	(3,271)
		<u>461,429</u>	<u>491,100</u>
Working capital adjustments:			
Accounts receivable		89,593	(84,124)
Account payable		7,234	(36,673)
Other current assets		6,366	(13,467)
Other current liabilities		(71,715)	44,383
		<u> </u>	<u> </u>
Net cash flows from operating activities before income tax, employees’ end of service benefit and employee benefit liability paid		492,907	401,219
Employees’ end of service benefits paid		(10,190)	(10,268)
Employees’ benefit liability paid	6	-	(47,380)
Income tax paid		(65,787)	(38,564)
		<u> </u>	<u> </u>
Net cash flows generated from operating activities		<u>416,930</u>	<u>305,007</u>
<u>INVESTING ACTIVITIES</u>			
Purchase of property and equipment	4	(57,099)	(58,186)
Proceeds from sale of property and equipment		1,889	5,440
Proceeds from sale of financial assets at fair value through other comprehensive income		-	15,180
Interest received		6,677	5,129
Acquisition of non-controlling interests		-	(293,808)
Other non-current assets		547	192
Margin deposits		545	(1,476)
		<u> </u>	<u> </u>
Net cash flows used in investing activities		<u>(47,441)</u>	<u>(327,529)</u>

ARAMEX PJSC AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	For the six-month period ended	
		30 June	
		2020	2019
		AED "000"	AED "000"
		(Unaudited)	(Unaudited)
<u>FINANCING ACTIVITIES</u>			
Interest paid		(49,544)	(31,112)
Proceeds from loans and borrowings		5,223	668,413
Repayment of loans and borrowings		(53,533)	(424,458)
Repayment of lease liabilities		(117,728)	(113,054)
Dividends paid to non-controlling interests		(324)	(1,276)
Non-controlling interest		-	332
Other current assets		-	49,011
Directors' fees paid		-	(2,760)
Dividends paid to shareholders		-	(241,577)
Net cash flows used in financing activities		(215,906)	(96,481)
Net increase/decrease in cash and cash equivalents		153,583	(119,003)
Net foreign exchange difference		(15,551)	(58,423)
Cash and cash equivalents at 1 January		588,114	709,955
Cash and cash equivalents at 30 June	7	726,146	532,529

Non-cash transaction:

Non-cash transactions are disclosed in Note 17.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED)

1. General

Aramex PJSC (the “Parent Company or Company”) was established as a Public Joint Stock Company on 15 February 2005 and is registered in the Emirate of Dubai, United Arab Emirates under UAE Federal Law No 2 of 2015. The condensed interim consolidated financial information of the Company as at 30 June 2020 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 address is Building and Warehouse No. 3, Um Rammool, Dubai, United Arab Emirates.

The condensed interim consolidated financial information were authorised for issue by the Board of Directors on 5 August 2020.

2. Summary of significant accounting policies

2.1 Basis of preparation

This condensed interim consolidated financial information of the Group is prepared under the historical cost basis except for financial assets at fair value through other comprehensive income which is measured at fair value.

This condensed interim consolidated financial information does not include all the information and disclosures required in full consolidated financial statements and should be read in conjunction with the annual Group’s consolidated financial statements for the year ended 31 December 2019. In addition, results for the six-month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

This condensed interim consolidated financial information is prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”), issued by the International Accounting Standard Board (IASB).

Except for the adoption of new and amended standards as set out below, the accounting policies used in the preparation of this condensed interim consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies

New and revised IFRS applied in the preparation of the condensed interim consolidated financial information

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these condensed interim consolidated financial information. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

- (a) **Definition of Material – amendments to IAS 1 and IAS 8** - These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material.
- (b) **Definition of a Business – amendments to IFRS 3** - This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- (c) **Revised Conceptual Framework for Financial Reporting** - The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
- increasing the prominence of stewardship in the objective of financial reporting
 - reinstating prudence as a component of neutrality
 - defining a reporting entity, which may be a legal entity, or a portion of an entity
 - revising the definitions of an asset and a liability
 - removing the probability threshold for recognition and adding guidance on derecognition
 - adding guidance on different measurement basis, and
 - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.
- (d) **Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7** - These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the condensed interim consolidated statement of income. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.

The Group did not have to make retrospective adjustments as a result of adoption of the aforementioned standards.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

New and revised IFRS issued and early applied

- Amendments to IFRS 16 'Leases' (effective 1 June 2020) – On 28 May 2020, the IASB issued amendments to IFRS 16, which provide relief for lessees in accounting for rent concessions granted as a direct consequence of COVID-19. This amendment provide the lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification, in addition it requires the lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications.

The practical expedient applies only to the rent concession occurring as a direct consequence of the COVID-19 pandemic and only if all the following criteria are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- (c) there is no substantive change to other terms and conditions of the lease.

During the period ended 30 June 2020, the Group has early applied the amendments to IFRS 16 'Leases' ("IFRS 16") retrospectively starting on 1 January 2020. In accordance with the transition provisions in IFRS 16 amendments, the new practical expedient was applied to all rent concessions occurring as a direct consequence of the COVID-19 pandemic meeting the criteria without any impact on retained earnings as on 1 January 2020. As a result, comparatives for the year 2019 financial information are not restated and the information presented for 2019 does not reflect the new requirements of the IFRS 16 amendments, therefore, it is not comparable to the information presented for 2019 under IFRS 16' lease excluding the new practical expedient. The impact on the application of the amended standard is disclosed in Note 5.

New and revised IFRS issued but not yet effective and not early adopted

- (a) IFRS 17, 'Insurance contracts' (effective 1 January 2023);
- (b) Amendments to IAS 1 and IAS 8 (effective 1 January 2022).

The Group is currently assessing the impact of these standards, and amendments on the future consolidated financial statements of the Group and intends to adopt these, if applicable, when they become effective.

2.3 Basis of consolidation

This condensed interim consolidated financial information incorporates the interim financial information of Aramex PJSC and entities controlled by Aramex PJSC. Control is achieved where the Company has the power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

The condensed interim consolidated financial information comprises the interim financial information of Aramex PJSC and its subsidiaries. The interim financial information of the subsidiaries are prepared for the same reporting period as that of Aramex PJSC, using consistent accounting policies.

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED)

3. Dividends

At the Annual General Meeting of the shareholders held on 22 June 2020, the shareholders approved a cash dividend of 16.5% for the year ended 31 December 2019 (31 December 2018: cash dividend of 16.5%) of the issued and paid up capital amounting to AED 1,464,100 thousands (31 December 2018: AED 1,464,100 thousands). The dividends per share amount to AED 0.165 (31 December 2018: AED 0.165). As at 30 June 2020, the cash dividends is included under other current liabilities.

4. Property and equipment

During the six-month period ended 30 June 2020, the Group purchased AED 57,099 thousands (six-month period ended 30 June 2019: AED 58,186 thousand) of various types of property and equipment.

5. Right of use assets

During the six month period ended 30 June 2020, the Group entered into new lease agreements for which right of use assets and the lease liabilities amounting to AED 95 million were recognized (six month period ended 30 June 2019: AED 93 million) under various categories (Note 17).

The impact on the condensed interim consolidated financial position and the condensed interim consolidated statement of income on the application of the amendment of IFRS 16 is as follows:

(a) Impact on the condensed interim consolidated financial position

Lease liabilities

	As previously stated AED "000" Unaudited	Impact on application AED "000" Unaudited	As at 30 June 2020 AED "000" Unaudited
Current	200,691	1,263	199,428
Non-current	629,740	-	629,740
	<u>830,431</u>	<u>1,263</u>	<u>829,168</u>

In accordance with the IFRS 16 amendments, the right of use assets was not impacted on the application of the amendments.

(b) Impact on the condensed interim consolidated statement of income

During the period ended 30 June 2020, an amount of AED 1,263 thousand was recognized as income on the derecognition of lease liabilities on the early application of the new amendments to IFRS 16 within other income/(expenses). The depreciation on the right of use assets was not impacted as a result of this application.

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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 PJSC's shares on the grant date. The fair value at the 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 settled the employees' benefit liability during the three months period ended 31 March 2019.

Movements on provision for employees' benefits liability were as follows:

	30 June 2020 AED "000" Unaudited	31 December 2019 AED "000" Audited
At 1 January	-	45,678
Employee benefit liability expense for the period/year	-	1,702
Paid during the period/year	-	(47,380)
At the end of the period/year	<u>-</u>	<u>-</u>

7. Cash and bank balances

	30 June 2020 AED "000" Unaudited	31 December 2019 AED "000" Audited
Cash and bank balances	871,107	739,318
Margins and bank deposits *	265,795	260,740
	<u>1,136,902</u>	<u>1,000,058</u>

Included within cash at bank are amounts totalling AED 677,010 thousand (31 December 2019: AED 581,975 thousand) held at foreign banks abroad and amounts totalling approximately AED 172,157 thousands of cash on delivery collected by the Group on behalf of customers, the same balance was recorded as other current liabilities in the condensed interim consolidated statement of financial position (31 December 2019: AED 192,513 thousands).

ARAMEX PJSC AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED)

7. Cash and bank balances (continued)

* Margins and bank deposits consist of margin deposits against guarantees of AED 7,415 thousand (2019: AED 7,960 thousand) and long-term deposits with maturities greater than 3 months of AED 258,380 thousand (2019: AED 252,780 thousand).

For the purpose of the condensed interim consolidated statement of cash flows, cash and cash equivalents consist of:

	30 June 2020	30 June 2019
	AED "000"	AED "000"
	Unaudited	Unaudited
Cash and bank balances	871,107	699,416
Bank overdrafts	(144,961)	(166,887)
	<u>726,146</u>	<u>532,529</u>

8. Earnings per share

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit attributable to the shareholders of Parent Company (AED'000)	94,377	123,238	161,796	231,183
Weighted average number of shares during the period (Shares)	<u>1,464.1 million</u>	<u>1,464.1 million</u>	<u>1,464.1 million</u>	<u>1,464.1 million</u>
Basic and diluted earnings per share (AED)	<u>0.064</u>	<u>0.084</u>	<u>0.111</u>	<u>0.158</u>

As of 30 June 2020, basic and diluted earnings per share from discontinued operations amounted to nil (30 June 2019: nil).

9. Bank overdrafts

The Group maintains overdrafts and lines of credit with various banks. Overdrafts and lines of credit include the following (Note 7):

Aramex Tunisia has outstanding overdrafts from Citi Bank of AED 614 thousands as at 30 June 2020 (2019: AED 305 thousands) and from Arab Bank of AED 359 thousands as at 30 June 2020 (2019: AED 898 thousands).

Aramex Algeria SARL has outstanding overdraft from Citi Bank of AED 11,221 thousands as at 30 June 2020 (2019: AED 11,559 thousands).

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9. Bank overdrafts (continued)

Aramex International LLC has outstanding overdraft from HSBC of AED 51,416 thousands as at 30 June 2020 (2019: AED 51,416 thousands).

Aramex Special Logistics LLC has outstanding overdraft from Citi Bank of AED 81,019 thousands as at 30 June 2020 (2019: AED 86,480 thousands).

Aramex Kenya Limited has outstanding overdraft from Citibank of AED 332 thousands as at 30 June 2020 (2019: AED 546 thousands).

10. Segment information

A business segment is a group of assets and processes that jointly engage in the rendering of products or services subject to risks and rewards that are different from those of other business segments and which are measured according to reports used by the Group's chief executive officer and chief decision maker.

The Group is comprised of the following 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 respective 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.

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10. Segment information (continued)

The following table presents revenue and profit information regarding the Group's operating segment:

	For the six-month period ended 30 June 2020 (Unaudited)						
	International express AED "000"	Freight forwarding AED "000"	Domestic express AED "000"	Logistics AED "000"	Others AED "000"	Eliminations AED "000"	Total AED "000"
Revenue							
Third party	1,061,588	530,012	625,249	180,058	130,710	-	2,527,617
Inter-segment	464,765	130,847	279	3,538	10,694	(610,123)	-
Total revenue	1,526,353	660,859	625,528	183,596	141,404	(610,123)	2,527,617
Timing of revenue recognition							
Goods transferred at a point in time	1,526,353	660,859	625,528	183,596	135,375	(610,123)	2,521,588
Services transferred overtime	-	-	-	-	6,029	-	6,029
Total revenue from contracts with customers	1,526,353	660,859	625,528	183,596	141,404	(610,123)	2,527,617
Gross profit	555,496	128,069	361,944	121,382	108,038	-	1,274,929

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10. Segment information (continued)

	For the six-month period ended 30 June 2019 (Unaudited)						Total AED “000”
	International express AED “000”	Freight forwarding AED “000”	Domestic express AED “000”	Logistics AED “000”	Others AED “000”	Eliminations AED “000”	
Revenue							
Third party	1,119,355	563,565	513,817	169,695	145,908	-	2,512,340
Inter-segment	501,693	126,727	437	3,136	5,182	(637,175)	-
Total revenue	<u>1,621,048</u>	<u>690,292</u>	<u>514,254</u>	<u>172,831</u>	<u>151,090</u>	<u>(637,175)</u>	<u>2,512,340</u>
Timing of revenue recognition							
Goods transferred at a point in time	1,621,048	690,292	514,254	172,831	144,645	(637,175)	2,505,895
Services transferred overtime	-	-	-	-	6,445	-	6,445
Total revenue from contracts with customers	<u>1,621,048</u>	<u>690,292</u>	<u>514,254</u>	<u>172,831</u>	<u>151,090</u>	<u>(637,175)</u>	<u>2,512,340</u>
Gross profit	<u>690,296</u>	<u>133,556</u>	<u>271,696</u>	<u>119,961</u>	<u>118,420</u>	<u>-</u>	<u>1,333,929</u>

Transactions between stations are priced and agreed upon rates. All material intergroup transactions have been eliminated on consolidation. The Group doesn't segregate assets and liabilities by business segments, and accordingly, such information is not presented.

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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.

The following is a summary of sales by the Group based on customers' geographical location:

	For the six-month period ended 30 June	
	2020	2019
	AED "000" (Unaudited)	AED "000" (Unaudited)
Revenue		
Middle East and Africa	1,515,966	1,537,770
Europe	321,450	274,916
North America	87,316	88,568
Asia and others	602,885	611,086
	<u>2,527,617</u>	<u>2,512,340</u>

The following is a summary of assets and liabilities by the Group based geographical location:

	30 June	31 December
	2020	2019
	AED "000" (Unaudited)	AED "000" (Audited)
Assets		
Middle East and Africa	4,049,854	4,075,573
Europe	507,427	464,800
North America	117,803	140,183
Asia and others	1,028,950	1,062,248
	<u>5,704,034</u>	<u>5,742,804</u>
Non-current assets*		
Middle East and Africa	1,514,087	1,548,449
Europe	86,299	95,853
North America	49,534	50,742
Asia and others	427,317	437,681
	<u>2,077,237</u>	<u>2,132,725</u>
Liabilities		
Middle East and Africa	2,385,128	2,266,702
Europe	128,995	130,037
North America	59,575	60,682
Asia and others	603,362	652,841
	<u>3,177,060</u>	<u>3,110,262</u>

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10. Segment information (continued)

* Non-current assets for this purpose consist of property and equipment, other intangible assets, right of use assets, financial assets at fair value through other comprehensive income and investments in joint ventures and associates. Goodwill is allocated to business segments.

11. Related party transactions and balances

Certain related parties (shareholders, directors, officers of the Group and companies which they control or over which they exert significant influence) were service providers 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 condensed interim consolidated statement of income are as follows:

Key management compensation

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

	For the six-month period ended 30 June	
	2020 AED "000" Unaudited	2019 AED "000" Unaudited
Salaries and other short term benefits	5,858	7,029
Board remuneration	1,800	1,820
End of service benefits	422	552
	<u>8,080</u>	<u>9,401</u>

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11. Related party transactions and balances (continued)

The following table provides the total amount of transactions that have been entered into with related parties during the six month period ended 30 June 2020 and 2019, as well as balances with related parties as at 30 June 2020 and 31 December 2019:

		Sales to related parties AED'000	Cost from related parties AED'000	Amounts owed by related parties * AED'000	Amounts owed to related parties ** AED'000
Associates	2020	308	329	2	1,159
	2019	285	838	-	586
Joint ventures in which the Parent Company is a venture	2020	9,603	385	26,428	3,249
	2019	42,684	585	24,519	4,919
Companies controlled by directors and shareholders, and others	2020	42,252	-	34,555	2,679
	2019	55,993	-	32,804	6,892

* These amounts are classified as accounts receivable.

** These amounts are classified as accounts payables and other current liabilities.

12. Contingent liabilities and commitments

	30 June 2020 AED "000" Unaudited	31 December 2019 AED "000" audited
Letters of guarantee	<u>130,463</u>	<u>146,348</u>

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.

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14. Legal claims

As of 30 June 2020, the Group is a defendant in a number of lawsuits amounting to AED 149,399 thousands which represents claims in connection with normal ordinary course of business. The Group management and its legal advisor believe that the Group adequately provided a provision against any future liabilities that might arise from these legal cases.

15. Income tax

Aramex PJSC is registered in the United Arab Emirates where there is no corporate income taxation. Income tax appearing in the condensed interim consolidated statement of income represents the income tax provision of the Group's subsidiaries that operates in taxable jurisdiction.

Taxes on income in the interim periods are accrued using the applicable tax rates that would be applicable to the expected total annual profit.

16. Impact assessment of COVID-19

The economic fallout of COVID-19 crisis is expected to be significant and is rapidly evolving at the present time. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact.

COVID-19 impact on measurement of ECL:

IFRS 9 framework requires the estimation of Expected Credit Loss ("ECL") based on current and forecast economic conditions. In order to assess ECL under forecast economic conditions, the Group utilises a range of economic scenarios of varying severity, and with appropriate weightings, to ensure that ECL estimates are representative of a range of possible economic outcomes.

The Group has reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Overall, the COVID-19 situation remains fluid and is rapidly evolving at this point, which makes it challenging to reliably reflect impacts on the ECL estimates. Notwithstanding this, recognising that the outbreak is expected to have an impact on the macro-economic environment beyond reasonable doubt. Due to the limitation of availability of information, the Group has adopted a post-model overlaying approach to estimate the ECL and accordingly, sufficient provisions have been provided based on the most recent available information. If the post-model overlay factor is increased / decreased by 5%, ECL provision would increase / decrease by AED 5 million.

Liquidity management:

Global stress in the markets brought on by the COVID-19 crisis is being felt globally through lack of liquidity in foreign funding markets. In this environment, the Group has already taken measures to manage its liquidity carefully until the crisis is over. The Group's credit and treasury department has been closely monitoring the cash flows and forecasts on a weekly basis to maintain a reasonably healthy condensed interim consolidated statement of financial position during this time and beyond.

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16. Impact assessment of COVID-19 (continued)

Business continuity planning:

The Group is closely monitoring the situation and has invoked crisis management actions to ensure the continued safety and security of the Group’s staff and an uninterrupted service to the customers. Remote working arrangements have been implemented with the majority of the admin staff currently working from home except essential operational staff and the ground couriers. All on site staff are provided with the appropriate personal protective equipment (masks, gloves and sanitizers), temperature checked daily and given regular safety awareness talks.

17. Non-cash transactions

	For the six-month period ended 30 June	
	2020 AED “000” Unaudited	2019 AED “000” Unaudited
Right of use assets (i)	-	851,407
Lease liabilities (i)	-	817,090
Additions of right of use assets	94,840	93,242
Disposal of right of use assets	11,719	11,107
Impact on application of IFRS 16 amendments (Note 5)	1,263	-
Property and equipment (ii)	-	44,000
Settlement of debt and other current assets to acquire additional non-controlling interests	-	49,013

- (i) As at 1 January 2019, the Group adopted IFRS 16, right of use asset which was measured at the amount equal to the lease liability of AED 817,090 thousand, adjusted by the amount of prepayments of AED 17,662 thousand, other liabilities and accruals of AED 16,527 thousand and the net book value of the finance lease previously recognized under IAS 17 amounting to AED 33,182 thousand totaling to the right of use asset of AED 851,407 thousand at the date of adoption.
- (ii) During the period ended 30 June 2019, the Group had received non-cash consideration from a customer as settlement of trade receivables for an amount measured at fair value amounting to AED 44,000 thousand.