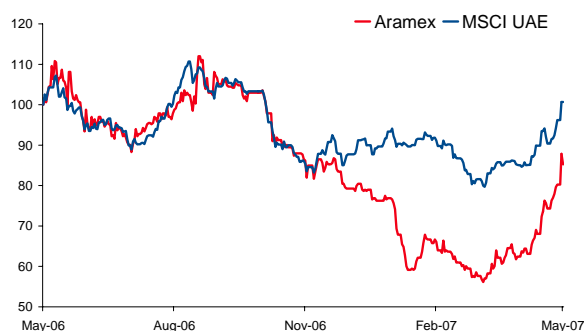


Key Data

Current Price*	Avg. Value Traded per Day
AED 2.70	AED 21.9 mln
52-Week High	Market Cap
AED 3.39	AED 2.97 bln
52-Week Low	Current Number of Shares
AED 1.70	1,100 mln
Reuters	Bloomberg
ARMX.DU	ARMX UH
Ownership Structure	
Privately Held: 45%	Public: 55%

Sources: Reuters, Zawya, and MENA Equity Research
*Price as of close on May 29, 2007

Rebased Performance



Sources: MSCI, Reuters, and MENA Equity Research

Key Ratios

	2006	2007 f	2008 f	2009 f	2010 f
P/E	31.2	22.6	17.9	14.0	12.5
EPS Growth	28%	38%	27%	27%	12%
EV/ EBITDA	21.1	16.5	13.1	10.6	9.5
EBITDA Margin	10%	10%	11%	12%	12%
EBITDA Growth	30%	28%	26%	24%	11%
Dividend Yield	0.0%	2.2%	2.8%	3.6%	4.0%
PBV	2.6	2.3	2.2	2.0	1.8
ROAE	9%	11%	13%	15%	15%
1Q2007 EBITDA a		2Q2007 EBITDA f			
AED 43.9 mln		AED 43.0 mln			
1Q2007 EBITDA f		3Q2007 EBITDA f			
AED 33.5 mln		AED 39.1 mln			

Sources: Reuters and MENA Equity Research
a = actual, f = forecast

Analyst

Samir Murad
Direct: +965 - 2595145
SamirM@nbk.com

Highlights

12-Month Fair Value: AED 2.81

Recommendation: Hold – Risk Level: 3**

Reason for Report: First-Quarter 2007 Update

- Aramex saw a 41.8% increase in net income for 1Q2007 compared with 1Q2006. Total revenues increased by 67.4% in 1Q2007 compared to 1Q2006, with all segments seeing double-digit growth rates in 1Q2007. The EBITDA margin for 1Q2007 was 11%, slightly lower than the 11.6% recorded in 1Q2006. The net profit margin declined from 8.7% in 1Q2006 to 7.5% in 1Q2007, due primarily to a decline in net interest income.
- The financial results posted by Aramex in 1Q2007 exceeded our expectations, which led us to revise our forecasts. We were forecasting an EBITDA margin of 8.8% for FY2007, but Aramex posted an EBITDA margin of 11% in 1Q2007. The difference is due to our forecasting a higher growth rate for freight forwarding, a low-margin business, and a lower growth rate for domestic express, a high-margin business, than the growth rates seen in 2007 so far.
- We continue to see improvements in the company's level of disclosure, allowing us to perform better segment analysis.
- We revised our forecasts for Aramex, which led to an increase in our 12-month fair value estimate for the share price of Aramex from AED 2.50 (after adjusting for a 1-for-10 bonus shares issue) to AED 2.81. To arrive at this fair value estimate, we used a combination of discounted cash flow (DCF) and peer comparison based on forward price/earnings-to-growth (PEG) multiples.
- Aramex has stated on several occasions that it is seeking to acquire other logistics companies with operations in Southeast Asia, China, and the United States. However, we did not account for any specific acquisitions during the period covered by our forecast.
- Based on our subjective criteria for rating risk, we assigned Aramex a risk rating of 3 on a scale of 1 to 5.
- This report is an update. Readers are advised to read this report in conjunction with our initiation of coverage report published on February 20, 2007.

**Please refer to page 5 for recommendations and risk ratings

VALUATION

The financial results posted by Aramex in the first quarter of 2007 exceeded our expectations and the expectations of the market in general—as is evident from the rally the share price experienced following the earnings release. The 1Q2007 results are the best quarterly performance in the history of the company.

Following the announcement of the 1Q2007 results, we have revised our forecasts for Aramex, leading to an increase in our fair value estimate for the share price of Aramex from AED 2.50 (after adjusting for a 1-for-10 bonus shares issue) to AED 2.81. To arrive at this fair value estimate, we used a combination of discounted cash flow (DCF) and peer comparison based on forward price/earnings-to-growth (PEG) multiples. We specified a weight for each method, as shown in Figure 1. Given an upside potential of 4% from yesterday's close, our new recommendation is "Hold."

Our 12-month fair value estimate for the share price of Aramex increased 12.4% from our previous estimate. This change was driven primarily by a 25.3% increase in the fair value using the peer comparison method based on forward PEG multiples. The increase in the fair value estimate using PEG multiples is largely a result of an 11.7% increase in Aramex's forecasted earnings per share (EPS) for 2007.

Our 12-month fair value for Aramex is AED 2.81

Figure 1 Fair Value per Share

Valuation Method	Old		New		Change
	Weight	Value	Weight	Value	
Discounted cash flow	70%	AED 2.21	70%	AED 2.30	3.9%
Peer comparison	30%	AED 3.19	30%	AED 4.00	25.3%
Weighted average fair value	100%	AED 2.50	100%	AED 2.81	12.1%

Source: MENA Equity Research

FIRST-QUARTER PERFORMANCE

- Aramex saw a 41.8% increase in net income for the first quarter of 2007 compared with the same period in 2006 (Figure 2).
- Total revenues increased by 67.4% in 1Q2007 compared to 1Q2006. What is even more striking is that all segments reported double-digit growth rates for 1Q2007. However, this large increase in revenues is influenced by the acquisitions made by Aramex in 2006. The acquisition of TwoWay Vanguard accounts for a considerable portion of the increase in revenue from freight forwarding and logistics. Also, the acquisition of Docman in late 2006 accounts for a good portion of the increase in revenue generated from documents storage.
- Revenues from the international express segment increased by 14.3% in 1Q2007. This increase is slightly lower than the 17.3% growth rate seen in FY2006. However, we do not see this as a slowdown in this segment, and we still expect to see double-digit growth rates over the next four years.

- Domestic express continued its strong growth, recording 49.5% growth in 1Q2007. This is the best performance (in terms of organic growth) among the company's three largest business segments. Also, the gross profit margin generated by that segment was 77.8% for 1Q2007, compared with 71.6% for FY2006. Domestic express had a growth rate of 46.4% in FY2006.
- The 730% increase in logistics revenue was inflated by the acquisition of TwoWay Vanguard on April 13, 2006. This should not conceal the fact that this segment was able to achieve impressive organic growth. According to management, organic growth in logistics revenue was 200% in 1Q2007, thanks to investments in infrastructure made by Aramex over the past two years.
- Of the smaller business segments, the high-margin "shop and ship" segment posted an impressive 68% increase in revenues.

Figure 2 First-Quarter Performance

Revenues increased by 67.4% in 1Q2007; however, this increase is heavily influenced by the acquisitions made by Aramex in 2006

Income Statement (AED Thousands)	First-Quarter Results		
	2006	2007	Change
International Express	97,516	111,448	14.3%
Freight Forwarding	79,420	180,581	127.4%
Domestic Express	35,181	52,595	49.5%
Publications and Distributions	7,802	8,882	13.8%
Shop and Ship	5,788	9,724	68.0%
Documents Storage	3,622	6,744	86.2%
Logistics	2,649	21,992	730.2%
Others	6,709	7,640	13.9%
Total Revenue	238,687	399,606	67.4%
Cost of Revenue	123,126	211,672	71.9%
Gross Profit	115,561	187,934	62.6%
Selling/General/Admin. Expenses, Total	52,480	85,645	63.2%
Other Operating Expenses, Total	35,325	58,385	65.3%
EBITDA	27,756	43,904	58.2%
Depreciation/Amortization	4,997	8,019	60.5%
Operating Income	22,759	35,885	57.7%
Interest Income(Exp), Net Non-Operating	2,460	1,108	-55.0%
Other, Net	122	656	437.7%
Net Income Before Taxes	25,341	37,649	48.6%
Provision for Income Taxes	1,010	2,158	113.7%
Minority interest	3,192	5,518	72.9%
Net Income	21,139	29,973	41.8%

Source: Aramex financial statements

Figure 3 shows the common size income statement for the company's first-quarter results. Below are the major findings:

- What made 1Q2007 a historic quarter for Aramex is that despite the 67.4% increase in revenues, Aramex was able to maintain the level of margins it had in 1Q2006. With freight forwarding accounting for 45% of total revenue in 1Q2007, compared to 33% in 1Q2006, we would have expected margins to see a bigger dip.
- The gross profit margin declined from 48.4% in 1Q2006 to 47% in 1Q2007. However, the EBITDA margin for 1Q2007 was 11%, slightly less than the 11.6% recorded in 1Q2006.

- The net profit margin declined from 8.7% in 1Q2006 to 7.5% in 1Q2007. A decline in net interest income explains more than half the decline in the net profit margin.

Figure 3 Common Size Income Statement

A decline in net interest income explains more than half the decline in the net profit margin

Common Size Income Statement	First-Quarter Results	
	2006	2007
International Express	40.9%	27.9%
Freight Forwarding	33.3%	45.2%
Domestic Express	14.7%	13.2%
Publications and Distributions	3.3%	2.2%
Shop and Ship	2.4%	2.4%
Documents Storage	1.5%	1.7%
Logistics	1.1%	5.5%
Others	2.8%	1.9%
Total Revenue	100.0%	100.0%
Cost of Revenue	51.6%	53.0%
Gross Profit	48.4%	47.0%
Selling/General/Admin. Expenses, Total	22.0%	21.4%
Other Operating Expenses, Total	14.8%	14.6%
EBITDA	11.6%	11.0%
Depreciation/Amortization	2.1%	2.0%
Operating Income	9.5%	9.0%
Interest Income(Exp), Net Non-Operating	1.0%	0.3%
Other, Net	0.1%	0.2%
Net Income Before Taxes	10.6%	9.4%
Provision for Income Taxes	0.4%	0.5%
Minority interest	1.3%	1.4%
Net Income	8.9%	7.5%

Source: MENA Equity Research

OUTLOOK

The margins posted by Aramex in 1Q2007 exceeded what we were expecting for FY2007. We were forecasting an EBITDA margin of 8.8% for FY2007, but Aramex posted an EBITDA margin of 11% in 1Q2007. The difference is due to our estimating a higher growth rate for freight forwarding, a low-margin business, and a lower growth rate for domestic express, a high-margin business, than the growth rates seen in FY2007 so far. With improvements in the company's disclosure level, we were able to perform better segment analysis, especially among the segments previously classified as "others." Figure 4 presents a summary of our new forecasts for FY2007 compared with our previous estimates. We maintained almost the same total revenue forecast for FY2007; however, the distribution of revenue among segments changed. Below is a summary of some of the most important changes we made to our estimates:

- We reduced the growth rate for freight forwarding in FY2007 from 25% to 20%, as the segment's performance was lower than what we were expecting in 1Q2007 (after adjusting for the acquisition of TwoWay Vanguard).
- Because the domestic express segment is still witnessing a high growth rate, we increased our growth forecast for the segment from 20% to 25%.
- Improvements in the disclosure of segment performance enabled us to enhance our forecasts for segments previously classified as "others." Most notably, we estimated a 30% growth rate for logistics revenue in FY2007.

- With regard to gross profit margins, we did not make any significant changes to projected margins on a segment basis, except for increasing the forecasted gross profit margin of domestic express service from 72% to 75%. We did so, following the increase in the gross profit margin of domestic express service from 71.6% in FY2006 to 77.8% in 1Q2007.
- Overall, margins improved as the distribution of revenue changed from the low-margin, freight-forwarding segment to the other, higher-margin segments.

Figure 4 New vs. Old Forecasts for FY2007

The changed forecast reflects a redistribution of revenue from low-margin segments to higher-margin segments

Income Statement (AED Thousands)	2007 Forecast		
	Old	New	Change
Total Revenue	1,778,050	1,759,392	-1.0%
Cost of Revenue	1,007,485	954,760	-5.2%
Gross Profit	770,565	804,632	4.4%
Selling/General/Admin. Expenses	371,612	374,751	0.8%
Depreciation/Amortization	20,836	22,700	8.9%
Other Operating Expenses, Total	242,348	258,631	6.7%
Operating Income	135,768	148,551	9.4%
Interest Income (Exp), Net Non-Operating	5,240	5,784	10.4%
Other, Net	-	-	0.0%
Net Income before Taxes	141,009	154,336	9.5%
Provision for Income Taxes	7,050	7,717	9.5%
Net Income after Taxes	133,958	146,619	9.5%
Minority Interest	(16,319)	(15,158)	-7.1%
Net Income	117,639	131,461	11.7%

Source: MENA Equity Research

RECENT NEWS

- **March 12, 2007:** Aramex expanded its operations at London's Heathrow Airport by moving into a new 30,000-square-foot premise. The new facility brings the operations of Aramex, Priority Airfreight, and TwoWay Vanguard at Heathrow under one roof. This step will help in the eventual rebranding of these businesses as Aramex.
- **March 6, 2007:** Aramex introduced a cool-chain transportation solution. This service offering will facilitate the movement of perishables into the MENA region. The company has plans to expand this service to the Far East and Europe.

Risk and Recommendation Guide

Recommendation	Upside (Downside) Potential	Risk Level*				
		1	2	3	4	5
Buy	more than 20%					
Accumulate	between 10% and 20%					
Hold	between -5% and 10%					
Reduce	between -10% and -5%					
Sell	less than -10%					

*1 being least risky

FINANCIAL STATEMENTS

Balance Sheet (AED Thousands)		Historical					Forecast				
Fiscal Year Ends December	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
ASSETS											
Cash and Short-Term Investments	54,727	54,040	340,360	222,562	162,791	204,471	274,788	350,497	441,343	546,574	
Total Receivables, Net	115,528	127,828	158,784	261,655	334,285	384,799	432,918	475,302	508,582	543,659	
Total Inventory	1,388	2,284	-	-	-	-	-	-	-	-	
Prepaid Expenses	4,943	6,376	7,938	21,769	-	-	-	-	-	-	
Other Current Assets, Total	5,737	9,512	12,409	56,561	96,767	111,389	125,318	137,587	147,221	157,375	
Total Current Assets	182,324	200,041	519,491	562,547	593,842	700,660	833,025	963,386	1,097,146	1,247,608	
Property/Plant/Equipment, Total - Net	38,986	44,520	78,116	128,143	161,166	194,626	228,471	262,654	297,136	327,480	
Goodwill, Net	32,206	32,867	628,343	803,731	803,731	803,731	803,731	803,731	803,731	803,731	
Intangibles, Net	-	-	4,022	3,613	3,613	3,613	3,613	3,613	3,613	3,613	
Other Long-Term Assets, Total	56,288	4,404	8,287	14,382	15,820	17,402	19,142	21,057	23,162	25,479	
TOTAL ASSETS	309,803	281,832	1,238,259	1,512,416	1,578,172	1,720,032	1,887,982	2,054,441	2,224,788	2,407,910	
LIABILITIES & EQUITY											
Accounts Payable	47,422	64,897	71,356	131,366	167,142	192,400	216,459	237,651	254,291	271,829	
Short-Term Debt (Balancing Debt)	1,429	1,271	3	27,435	-	-	-	-	-	-	
Current Port. of LT Debt/Capital Leases	3,496	3,456	5,505	8,306	10,383	12,978	16,223	20,278	25,348	31,685	
Other Current Liabilities, Total	35,566	44,583	66,655	123,340	42,225	48,606	54,684	60,038	64,242	68,673	
Total Current Liabilities	87,913	114,206	143,519	290,447	219,750	253,984	287,366	317,967	343,881	372,187	
Long-Term Debt	3,309	2,582	4,731	13,379	16,724	20,069	22,075	23,179	24,338	25,555	
Deferred Income Tax	11	22	36	34	37	41	45	50	55	60	
Minority Interest	9,913	11,999	15,353	19,287	20,251	21,264	22,327	23,443	24,616	25,846	
Other Liabilities, Total	16,233	19,230	24,051	41,073	43,537	46,150	48,919	51,854	54,965	58,263	
Total Liabilities	117,379	148,039	187,690	364,220	300,300	341,507	380,733	416,493	447,854	481,911	
Total Equity	192,424	133,793	1,050,569	1,148,196	1,277,872	1,378,525	1,507,249	1,637,948	1,776,934	1,925,999	
TOTAL LIABILITIES AND EQUITY	309,803	281,832	1,238,259	1,512,416	1,578,172	1,720,032	1,887,982	2,054,441	2,224,788	2,407,910	
Income Statement (AED Thousands)											
Fiscal Year Ends December	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Total Revenue	556,594	693,171	853,873	1,363,803	1,759,392	2,025,258	2,278,518	2,501,588	2,676,747	2,861,361	
Cost of Revenue	286,853	377,627	447,331	743,966	954,760	1,083,752	1,202,001	1,319,991	1,412,155	1,510,130	
Gross Profit	269,741	315,544	406,542	619,837	804,632	941,506	1,076,517	1,181,597	1,264,592	1,351,231	
Selling/General/Admin. Expenses	134,226	149,240	183,932	293,759	374,751	430,367	478,489	524,083	559,440	596,594	
Depreciation/Amortization	12,351	14,750	17,031	24,846	22,700	27,263	31,878	36,539	41,241	44,656	
Other Operating Expenses, Total	75,937	93,635	119,120	191,911	258,631	295,688	330,385	360,229	382,775	409,175	
Operating Income	47,227	57,918	86,459	109,321	148,551	188,189	235,766	260,747	281,136	300,806	
Interest Income (Exp), Net Non-Operating	(488)	33	(143)	5,255	5,784	4,503	6,611	9,603	13,082	17,230	
Other, Net	(2,329)	26	2,101	(1,135)	-	-	-	-	-	-	
Net Income before Taxes	44,410	57,977	88,417	113,441	154,336	192,692	242,376	270,349	294,218	318,036	
Provision for Income Taxes	1,675	3,239	3,926	4,437	7,717	9,635	12,119	13,517	14,711	15,902	
Net Income after Taxes	42,736	54,738	84,490	109,004	146,619	183,057	230,257	256,832	279,507	302,134	
Minority Interest	(5,836)	(7,151)	(10,085)	(13,780)	(15,158)	(16,674)	(18,341)	(20,175)	(22,193)	(24,412)	
Net Income	36,900	47,587	74,405	95,224	131,461	166,383	211,916	236,657	257,314	277,722	



Head Office

Kuwait

National Bank of Kuwait SAK
Abdullah Al-Ahmed Street
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
Tel: +965 242 2011
Fax: +965 243 1888
Telex: 22043-22451 NATBANK

www.nbk.com

International Network

Bahrain

**National Bank of Kuwait SAK
Bahrain Branch**
Seef Tower, Al-Seef District 428
P.O. Box 5290, Manama
Bahrain
Tel: +973 17 583 333
Fax: +973 17 587 111

Jordan

**National Bank of Kuwait SAK
Amman Branch**
Shareef Abdul Hamid Sharaf St
P.O. Box 941297
Shmeisani, Amman 11194
Jordan
Tel: +962 6 560 8800
Fax: +962 6 560 8811

Saudi Arabia

**National Bank of Kuwait SAK
Jeddah Branch**
Al-Andalus Street, Red Sea Plaza
P.O. Box 15385
Jeddah 21444, Saudi Arabia
Tel: +966 2 657 5775
Fax: +966 2 653 8653

Lebanon

**National Bank of Kuwait
(Lebanon) SAL**
BAC Building
Justinian Street, Sanayeh
P.O. Box 11-5727, Riyad El Solh
Beirut 1107 2200, Lebanon
Tel: +961 1 741111/742222
Fax: +961 1 747846/747866

Iraq

Credit Bank of Iraq
Street 9, Building 178
Sadoon Street, District 102
P.O. Box 3420
Baghdad, Iraq
Tel: +964 1 7182198/7191944
+964 1 7188406/7171673
Fax: +964 1 7170156

United States of America

**National Bank of Kuwait SAK
New York Branch**
299 Park Avenue
New York, NY 10171
USA
Tel: +1 212 303 9800
Fax: +1 212 319 8269

United Kingdom

**National Bank of Kuwait
(International) Plc
Head Office**
13 George Street
London W1U 3QJ, UK
Tel: +44 20 7224 2277
Fax: +44 20 7224 2101

**National Bank of Kuwait
(International) Plc
Portman Square Branch**
7 Portman Square
London W1H 6NA, UK
Tel: +44 20 7224 2277
Fax: +44 20 7486 3877

**NBK Investment
Management Limited**
13 George Street
London W1U 3QJ, UK
Tel: +44 20 7224 2288
Fax: +44 20 7224 2102

France

**National Bank of Kuwait
(International) Plc
Paris Branch**
90 Avenue des Champs-Elysees
75008 Paris, France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

Singapore

**National Bank of Kuwait SAK
Singapore Branch**
9 Raffles Place #51-01/02
Republic Plaza
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

Vietnam

**National Bank of Kuwait SAK
Vietnam Representative Office**
Room 2006, Sun Wah Tower
115 Nguyen Hue Blvd, District 1
Ho Chi Minh City
Vietnam
Tel: +84 8 827 8008
Fax: +84 8 827 8009

China

**National Bank of Kuwait SAK
Shanghai Representative Office**
Suite 1003, 10th Floor, Azia Center
133 Yin Cheng Bei Road, Lujiazui
Shanghai 200120
China
Tel: +86 21 6888 1092
Fax: +86 21 5047 1011

NBK Capital

Kuwait

NBK Capital
17th Floor, Dar Al-Awadi Building
Ahmed Al-Jaber Street, Sharq
P.O. Box 4950, Safat 13050
Kuwait
Tel: +965 224 6900
Fax: +965 224 6904

United Arab Emirates

NBK Capital Limited
Precinct Building 3, Office 404
Dubai International Financial Center
P.O. Box 506506, Dubai
United Arab Emirates
Tel: +971 4 365 2800
Fax: +971 4 365 2805

Turkey

NBK Capital Arastirma ve Musavirlik AS
Ayazaga Mah. Meydan Sok. No: 28
Beybi Giz Plaza Kat: 26
34396 Maslak, Istanbul, Turkey
Tel: +90 212 335 6445
Fax: +90 212 335 2500

Associates

Qatar

International Bank of Qatar (QSC)
Suhaim bin Hamad Street
P.O. Box 2001
Doha, Qatar
Tel: +974 447 3700
Fax: +974 447 3710

NBK MENA Equity Research
Tel: +965 224 6663
Fax: +965 224 6984
E-mail: research@nbk.com

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