



## **Board Report**

Dear Fellow Shareholders,

On behalf of the Board members, I would like to thank our valued shareholders for placing your constant support and confidence in our abilities. I am also pleased to announce with a sense of gratification our main achievements during the financial year of 2017 where Agility witnessed another year of healthy growth and continued to plant the seeds for a future of sustainable growth.

Agility reported a net profit of KD 68.5 million, or 54.4 fils per share, an increase of 16% over 2016. Revenue for the year reached KD 1,407 million and EBITDA was KD 135.2 million.

For the fourth quarter 2017, Agility reported a net profit of KD 19.3 million, or 15.3 fils per share, an increase of 22.5 % over the same period last year. EBITDA for the quarter was KD 37.6 million, an increase of 19.8% over last year.

The Board of Directors has recommended a cash dividend distribution of 15% (15 fils per share), along with 15% bonus shares (15 shares for every 100 shares), subject to approval of the Annual General Assembly of the shareholders.

### **2017 Milestones:**

- 17.4% growth in EBITDA largely as a result of strong Infrastructure group performance
- Net profit and EPS growth of 16% and 16.6% respectively.
- Healthy operating cash flow growth, but limited Free Cash flow due to the required investment to grow the business
- Balanced dividends distribution which rewards shareholders without inhibiting business growth
- Increasing borrowing to fund company's future developments which resulted in a net debt position of KD 93.2 mln
- The settlement of the U.S. Department of Justice litigation;

To reach our target of \$800 million EBITDA by 2020, we remained focused on improving GIL's performance and investing in our Infrastructure companies. For every business in the group, 2017 was a critical year.

### **Agility Global Integrated Logistics**

Agility Global Integrated Logistics (GIL) revenue grew by 14.3% to KD 1,061.6 million in 2017. The increase is attributable to growth in the freight forwarding business and contract logistics. Full year net revenue grew 2.6%. Net revenue margins shrunk to 23.7% from 26.4% amid yield pressure across the industry.

For the fourth quarter, GIL revenue was KD 293 million, a 21.5% increase over the same period last year. Air and ocean revenue were up 25% on air tonnage growth of 9.7% and a 12% increase in ocean TEUs. Contract logistics and specialties (Project Logistics and Fairs & Events) improved revenue 17.6% over the same period in 2016.

Fourth-quarter net revenue increased 6%, but net revenue margins declined to 22.6% vs. 26% in Q4 2016, amid yield pressure throughout the freight forwarding industry. Contract logistics continued its strong growth in Q4, primarily in the Middle East and Asia Pacific, aided by a combination of new customers and investments in new facilities. EBITDA improved 30.7% with margins expanding from 4% in Q4 2016 to 4.3% in Q4 2017.

GIL is growing through a strategy that focuses on defined solutions and customer segments, enhanced sales productivity and efficient trade lane development. In addition, GIL is building systems and solutions that enable business insight, efficiencies, and increased productivity for our operations and for our customers. GIL is continuously working hard to maintain cost discipline.

### **Agility's Infrastructure group**

Moving into Agility's Infrastructure group, the group's revenue for grew by 12.7% for the full year 2017 and EBITDA also increased by 28.2% to KD 120.9 million with margins expanding from 29.7% in FY 2016 to 33.7% in 2017. Agility is investing in those companies to drive its future growth.

For the fourth quarter of 2017, revenue grew 25%. EBITDA increased largely on strong performance by Global Clearinghouse Systems (GCS), Agility Real Estate (RED), National Aviation Services (NAS) and Tristar.

Agility Industrial Real Estate, a leading owner and developer of logistics parks, remains one of the strongest contributors to Agility's performance. Agility Industrial Real Estate is working to improve the efficiency of its Kuwaiti assets, develop a Saudi logistics park and expand in multiple locations in Africa. In 2017, Agility broke ground on two warehouses of 38,000 SQM each in Saudi Arabia. Delivery is expected this year. In Africa, Agility identified new locations for logistics parks, and established operations in Ghana, Cote D'Ivoire and Mozambique to cater for increasing demands for warehousing services in the continent.

Tristar, a fully integrated liquid logistics company has on-boarded the strategic investor Gulf Investment Corporation (GIC) in 2017. Tristar received a capital injection of \$100 million for a consideration of 19.4% of the company's capital. Tristar revenue grew from existing and new customers in 2017. Tristar continues to diversify its business via shipping growth and geographic expansion in an effort to create more value for shareholders.

National Aviation Services (NAS), Agility's airport services subsidiary posted healthy growth in Kuwait, Cote D'Ivoire and Afghanistan; with revenue in Cote D'Ivoire and Afghanistan growing more than 20%. In Q4, NAS also launched operations in Liberia and Uganda. The company is working to turnaround performance in Tanzania and Morocco.

UPAC, a leading real estate and facilities management company in the Middle East, experienced a strong year in 2017. It improved operational efficiencies and reduced costs across its key operations within the

Kuwait International Airport, Sheikh Saad Terminal and Discovery Mall. UPAC is also developing the 450-store Reem Mall in Abu Dhabi in partnership with National Real Estate Company (NREC). Financing for the \$1.2 billion project concluded in 2017.

GCS, a company specialized in customs modernization, manages all customs activities at ports of Kuwait and aims to enhance customs modernization through its services. GCS showed improved performance in 2017 by deploying new services within different ports.

### **Closing**

Agility is accelerating its strategy to transform the business through technology and establish its position as the leading digital player in our industry. The company continues to grow in emerging markets logistics parks, fuel logistics, airport services, and commercial real estate development. The core commercial logistics business is also growing its volumes, despite margin pressure in a tight market. Finally, Agility wants to thank its shareholders, customers, employees and partners for their commitment that reflected a strong year.

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