

Directors' Report:

Dear Shareholders,

The third quarter delivered another period of strong top and bottom line performance for Agthia, with our core businesses maintaining the solid growth momentum exhibited since the beginning of the year. Water & Beverages and Flour continued to drive the growth. Thanks to sustained higher sales and improved gross margins, net profit continues to outpace sales in line with our objectives for 2015, reflecting our ongoing commitment to deliver sustainable, profitable growth for our shareholders.

Group Highlights – Nine months to September 30th 2015

- Net sales reached AED 1.4 billion, 12 percent higher than the same period last year
- Net profit rose to AED 179 million, a 19 percent increase compared with last year
- 350 basis points improvement in gross profit margin
- AED 241 million positive cash flow for the period generated by operations; cash and bank balances stood at AED 636 million as of end of September
- Strong balance sheet which can support our growth plans

In October, we announced the acquisition of 100% equity of Al Bayan Water Company, a leading player in the 5-gallon bulk water segment in the UAE with a presence also in Oman.

Al Bayan, established in 1999, has a strong presence in the UAE and particularly in the Northern Emirates, where the majority of its assets are located, in addition to a manufacturing operation in Oman since 2002. Al Bayan's manufacturing and warehousing facilities in Dubai and Ajman, and Agthia's facilities, which are mainly in the Abu Dhabi emirate, provide many opportunities for synergy, ranging from lower production costs to optimized usage of distribution fleets, manufacturing and warehousing facilities.

With an established brand and sales and distribution infrastructure, coupled with Agthia's manufacturing expertise, sales and marketing knowledge, and its iconic brands, Al Bayan is an excellent strategic fit for Agthia. As such, we look forward to further consolidating our leading position in the UAE water market and unlocking the growth potential of the combined business.

Our Businesses' Performance

Agri Business

Agri Business net sales reached AED 833 million for the nine months ending September 30th 2015, a 6 percent increase compared with the same period last year mainly driven by aggressive distribution gains in Flour. Net profit rose 14 percent to AED 177 million, propelled by a 230 basis point gross profit margin improvement due to operational efficiencies and favorable commodity prices.

Grand Mills Flour sales grew by 9 percent (including wheat trading, 16 percent). Net profit jumped 19 percent, largely driven by the continued acquisition of new customers and successful offtake of Arabic bread flour as part of our plan to increase penetration in the Northern Emirates, as well as favorable commodity prices.

Agrivita Feed sales volumes remained steady versus the same period last year, due to a delay in the shipment of concentrated pellet tender orders that was expected in the first half of the year but instead only started in August. We continue to increase the number of Municipality outlets we are covering and to selectively introduce a second shift in response to local shopping habits to boost sales. Low commodity prices as well as a favorable product mix delivered a 7 percent growth in net profit compared to the same period last year.

Consumer Business

Consumer Business continued its ascent to record AED 544 million net sales for the period, an impressive 21 percent increase versus the same period last year. Net profit soared 52 percent to AED 61 million.

Water & Beverages: Net sales for the period reached AED 457 million, 24 percent ahead of same period last year. Al Ain water drove these gains as distribution expanded, particularly in the traditional trade as well as across the Northern Emirates. The implementation of a price increase of Al Ain water in the retail trade, lower PET usage, and higher output contributed to a notable 430 basis point increase in gross margins and drove net profit 30 percent higher to AED 80 million.

Our Alpin natural spring water volume in Turkey is beginning to gain momentum following setbacks from production issues encountered earlier this year, even as the ongoing devaluation of the Turkish Lira negatively affects our financial performance. We are placing additional focus on business development to take advantage of the increased manufacturing and warehousing capacity to regain lost ground, with the line transferred from

our factory in the UAE commencing commercial production in October. Meanwhile Alpin is constantly gaining market share within the Turkish Water segment in the UAE, as our shipments increased almost twofold during the period.

Capri Sun exhibited a robust 12 percent growth in sales compared with the same period a year earlier, sustaining the business turnaround following six consecutive quarters of decline. Improved merchandising, the launch of new flavors and the re-launch of the Multivitamin flavor with an improved formula, in addition to continuous brand marketing activities, played a pivotal role in this turnaround.

Food: Net sales reached AED 87 million. The Dairy segment recorded 13 percent sales growth, with a 24 percent gross profit margin (versus breakeven in 2014) following the execution of a new strategy and lower milk powder prices. The performance of our Frozen Veg and Tomato Paste businesses has also improved. The Food business is still making a loss, albeit lower than last year, due to start-up expenses of the Frozen Baked business.

Our efforts to secure a viable business base primarily in the UAE for the Frozen Baked business are continuing. We have made encouraging progress in new products development. Meanwhile, shipments to a leading airline of Monty's Bakehouse products will start in November.

In Egypt, our business continued to grow, recording an 8 percent increase in sales for the period. We are securing new customers for tomato paste and hot chili, and expect to maintain the momentum for the rest of the year.

SG&A expenses

Total SG&A expenses rose 20 percent year-on-year to AED 250 million. The increase is mainly attributable to higher distribution costs from larger volumes shipped, infrastructural strengthening costs to support growth, consultancy, and continued investment in brand building activities.

Cash flow

Cash generated from operating activities accumulated to AED 241 million during the period. Cash, cash equivalents and fixed deposits as at September 30th 2015 amounted to AED 636 million.

To ensure uninterrupted availability of funds, the Company maintains sufficient bank credit lines at very competitive pricing to cover any short-term working capital requirements.

Unallocated Corporate Items

Under segment reporting, an unallocated assets amount of AED 741 million primarily represents goodwill and cash and bank balances, as the Company's fund management is centralized at corporate level.

Capital commitments and Contingencies

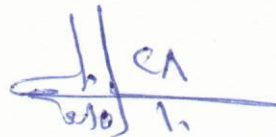
Capital commitments of AED 68 million mainly relate to our second high speed water bottling line, warehouse expansion, Turkey capacity expansion and other capital items.

Bank guarantees and letters of credit of AED 70 million have primarily been issued in favor of governmental authorities and the Company's vendors for the supply of materials and spare parts.

Future Outlook

Despite the volatility in the wider global economic and political landscape, we continue to maintain an overall positive outlook for performance in 2015, as we relentlessly pursue our strategy of driving sustainable profitable growth across all core categories while turning around our underperforming businesses.

Our business and financial fundamentals are strong, and we have a solid balance sheet to support our growth and expansion plans. I am confident that we have the right strategy and platforms in place for our respective businesses to sustain profitable growth and accelerate value creation for our shareholders.



Eng. Dhafer Ayed Al Ahabbi

Chairman

October 28, 2015