AGTHIA GROUP PJSC

Condensed consolidated interim financial information
for the period ended 30 June 2017

Principal business address:

P O Box 37725
Abu Dhabi
United Arab Emirates

Agthia Group PJSC

Report and condensed consolidated interim financial information
for the period ended 30 June 2017

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Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present our quarterly report and consolidated financial statements of Agthia Group PJSC ("the Company) and its subsidiaries ("the Group") for the period ended 30 June 2017.

The economic and geopolitical canvas that prevailed so far in 2017 has brought additional and stronger challenges to navigate around across our operational hinterland. In the UAE, persistently soft consumer markets, in which the players are going to great lengths in order to sustain their competitiveness, required us to exercise formidable effort to continue to grow our businesses. On the other hand, higher operating costs on account of rationalized government subsidies and additional fiscal measures to counter the impact of low oil prices made it a very arduous task to protect our profits. In wider GCC, recent geopolitical developments have stalled our efforts to generate new revenue streams for our businesses.

It is in this environment that the Group has recorded AED 1.07 billion net revenues and AED 118 million net profit in the first six months of the year. While revenues grew by 2.2 percent versus last year, driven by Water, net profit declined by 18.7 percent, mostly as a direct consequence of subsidy rationalization acting upon our Flour and Animal Feed businesses since the second half of last year. Notwithstanding, it is imperative to put this decline in proper perspective; AED 27 million fall in profit is significantly less than the negative impact of subsidy policy changes of last year owing to strong profit growth in our consumer categories as well as remarkable turnarounds in Turkey and Egypt units. Considering the incremental burden of utility cost increases that came into effect as of the beginning of this year in Abu Dhabi, it renders a great deal of determination by our management and employees to offset these adverse drivers on profit, and is an indisputable testament to our commitment to deliver the best value to our shareholders no matter what the circumstances are.

CATEGORY PERFORMANCES

Our **Consumer** categories continued to drive the growth, reaching AED 557 million revenues, an increase of 22.5 percent versus last year. Being subject to substantial subsidy rationalization since middle of last year, our **Agri** businesses recorded AED 510 million revenues and posted 13.5 percent decline versus year ago.

Water and Beverages, consisting of bottled and 5-gallon water, and juice drinks and fresh juices, recorded AED 465 million and AED 90 million net revenues and net profit, respectively. Further reinforced by our recent water acquisition in Saudi Arabia, revenues posted 28 percent growth while profits surged by 39 percent over the same

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period of last year. Stripped off Saudi contribution that was not in the base period, revenue still recorded a healthy 6 percent increase versus last year in a bottled water market growing only at 4-5 percent and juices market declining in the vicinities of ten percent in the UAE. Al Ain ZERO, our breakthrough "no-sodium" product that was introduced back in August 2016, passed 4 percent market share, and overall Al Ain water market share reached 27 percent, increasing its gap versus nearest competitor to over 900 basis points. Following the changes we implemented in our business model and subsequent organizational streamlining, our Turkey Alpin natural spring water unit is barely short of breakeven profit in the first six months of the year, which is an excellent achievement when compared against historical losses. Our 5-gallon HOD (Home and Office Distribution) business contributed strongly into overall category growth, further elevated by a very successful launch of Al Ain ZERO 5-gallon water in the UAE in the second quarter. Although Capri Sun fruit juices was negatively affected by Ramadan and school holiday season especially in the month of June, overall beverages still managed to post single-digit revenue growth on account of fast-growing Al Ain fresh juices with their new labels and line extensions.

Flour and Animal Feed recorded AED 510 million net revenues and lagged behind last year by 13.5 percent. **Flour** contributed AED 219 million in revenues, staying short of last year by 5.5 percent. Since subsidy rationalization of last year, Flour has been subject to aggressively competitive market conditions including increased market activity of low-priced imported flour. Notwithstanding, thanks to various actions ranging from price increases to introducing low-cost value-range products, from loyalty programs to the launch of "bakery ingredients" products for bakeries, our teams have been remarkably successful in significantly containing our inevitable losses both in volume and profitability. After an initial sharp share loss in retail from around 31 percent to 25 percent by the end of last year, we managed to take 2 percentage points back since then. Defending our share certainly brought pressure on our profitability but Flour business still maintains healthy margins when compared to worldwide benchmark levels, providing us with ample room for further initiatives to counter the new wave of subsidy rationalization that comes into effect as of 1 July 2017. **Animal Feed** recorded net revenues of AED 293 million, or 18.7 percent behind last year. Net segment profit for the same period was AED 16 million. Again, putting things in perspective, AED 34 million fall in profit is significantly less than the negative impact of subsidy rationalization of last year, and is actually a very strong reflection of the success of our profit protection initiatives that we immediately deployed both internally and externally. It is one full year now that we are operating in a mostly unsubsidized market, and thanks to these initiatives we started to see signs of stabilization after the initial impact, especially noticeable in the second quarter of the year. We are optimistic about further stability in this category in the second half of the year on the back of our relentless efforts to be innovative in providing goods and services to the farms of our nation, and to a range of initiatives that are already in the pipeline for execution as soon as July-August.

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Food category posted AED 92 million revenues, minimally ahead of last year. Much better news here is that the category losses have now reduced to a mere AED 1.8 million, down by 77.6 percent from last year. Dairy, with Yoplait, increased revenues by 2.2 percent in a market where underlying fruit and kids yogurt segments declined by as much as 10 percent, and has been the largest contributor in overall category profit turnaround. Our efforts to scale up our Bakery business, which is composed of ambient and frozen bakery, and Monty's Bakehouse franchise, started to bear fruit in especially frozen bakery. In addition to a recent agreement with Dunkin' Donuts to supply butter croissants both in the UAE and KSA, we landed a long-term agreement with one of the largest government schools' food suppliers to provide them with filled frozen croissants. Overall, Bakery segment grew by 21 percent versus year ago. Although Tomato Paste and Frozen Vegetable businesses are currently experiencing a tougher ride both in the UAE and Egypt with revenues declining by 16 percent. However, our Egypt unit has turned into positive net income from an equivalent amount of net losses in the same period last year as a consequence of successful cost optimization, marginally helped by currency devaluation.

You will find detailed financial results of the Group in the accompanying consolidated financial statements. However, I do not want to pass here without highlighting our Group gross profit margin, which, at 34.1 percent, is only 76 basis points lower than last year, considerably recuperating several hundred basis points back from the unfavorable impact of subsidy rationalization. We are all very proud of this as we demonstrated our adaptability to changing conditions in a determined and agile manner both in terms of generating additional revenue streams and reducing our costs through effective initiatives. As I mentioned above, this is an outcome of our commitment to deliver the best value to our shareholders under any circumstances, and I want to use the opportunity to extend my sincere thanks once again to our leadership and employees for making this true, and to our shareholders for their continued faith and trust in us.

Eng. Dhafer Ayed Al Ahbabi
Chairman
26 July 2017

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To the Shareholders of Agthia Group PJSC

Introduction

We have reviewed the accompanying 30 June 2017 condensed consolidated interim financial information of Agthia Group PJSC and its subsidiaries (collectively referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 June 2017;
- the condensed consolidated interim statement of profit or loss for the three-month and six-month period ended 30 June 2017;
- the condensed consolidated interim statement of other comprehensive income for the three-month and six-month period ended 30 June 2017;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2017;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2017; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the 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.

KPMG

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2017 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Richard Ackland
Registration No: 1015
Abu Dhabi, United Arab Emirates
Date: 26 JUL 2017

Agthia Group PJSC

Condensed consolidated interim statement of profit or loss (unaudited)
for the period ended 30 June

	Six months ended 30 June 2017 AED'000	Six months ended 30 June 2016 AED'000	**Three months ended 30 June 2017 AED'000**	Three months ended 30 June 2016 AED'000
Revenue	**1,067,521**	1,044,661	**546,850**	558,755
Cost of sales	**(703,368)**	(680,338)	**(357,627)**	(366,616)
Gross profit	**364,153**	364,323	**189,223**	192,139
Selling and distribution expenses	**(177,020)**	(147,838)	**(85,988)**	(76,572)
General and administrative expenses	**(85,056)**	(76,421)	**(43,314)**	(41,752)
Research and development expenses	**(3,305)**	(2,588)	**(1,696)**	(1,284)
Other income, net	**15,816**	4,966	**4,738**	3,415
Operating profit	**114,588**	142,442	**62,963**	75,946
Finance income	**11,309**	8,686	**5,602**	4,034
Finance expense	**(7,467)**	(5,721)	**(3,118)**	(2,053)
Profit for the period before income tax	**118,430**	145,407	**65,447**	77,927
Income tax (expense) / credit	**(205)**	(35)	344	(65)
Profit for the period attributable to equity holders of the Group	**118,225**	145,372	**65,791**	77,862
Basic and diluted earnings per share (AED)	**0.197**	0.242	**0.110**	0.130

The notes set out on pages 12 to 26 form an integral part of these condensed consolidated interim financial information.
The independent auditors' report on review of these condensed consolidated interim financial information is set out on pages 4 and 5.

Agthia Group PJSC

Condensed consolidated interim statement of other comprehensive income (unaudited)
for the period 30 June

	Six months ended 30 June 2017 AED'000	Six months ended 30 June 2016 AED'000	**Three months ended 30 June 2017 AED'000**	Three months ended 30 June 2016 AED'000
Profit for the period	**118,225**	145,372	**65,791**	77,862
Other comprehensive income				
Items that are or may be subsequently reclassified to profit or loss				
Foreign currency translation difference on foreign operations	**140**	(2,186)	**967**	(584)
Cash flow hedge – effective portion of changes in fair value	**2,133**	(10,381)	**1,482**	(9,697)
Cash flow hedge – reclassified to profit or loss	**9,280**	-	**2,761**	-
Other comprehensive income	**11,553**	(12,567)	**5,210**	(10,281)
Total comprehensive income for the period attributable to equity holders of the Group	**129,778**	132,805	**71,001**	67,581

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Agthia Group PJSC

Condensed consolidated interim statement of financial position
as at

	Note	**30 June 2017 (Unaudited) AED'000**	31 December 2016 (Audited) AED'000
Non-current assets			
Property, plant and equipment	*6*	**1,048,175**	1,016,505
Advances for property, plant and equipment		**16,814**	9,957
Goodwill	*7*	**326,447**	188,336
Intangible assets		**32,039**	32,608
Other advances		**34,021**	-
Other assets		**3,936**	1,587
Total non-current assets		**1,461,432**	1,248,993
Current assets			
Inventories	*8*	**274,266**	301,220
Trade and other receivables	*9*	**449,554**	346,699
Due from related parties		**250**	380
Government compensation receivable		**80,753**	95,357
Cash and bank balances	*10*	**612,962**	552,455
Total current assets		**1,417,785**	1,296,111
Current liabilities			
Bank borrowings (*current portion*)	*11*	**314,339**	304,959
Trade and other payables	*13*	**414,833**	318,638
Due to related parties	*14*	**5,691**	1,805
Total current liabilities		**734,863**	625,402
Net current assets		**682,922**	670,709
Non-current liabilities			
Provision for end of service benefits		**67,792**	61,101
Bank borrowings (*non-current portion*)	*11*	**348,928**	165,303
Deferred tax liabilities		**240**	323
Other financial liabilities		**1,930**	7,289
Total non-current liabilities		**418,890**	234,016
Net assets		**1,725,464**	1,685,686

The notes set out on pages 12 to 26 form an integral part of these condensed consolidated interim financial information.
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	30 June 2017 (unaudited) AED'000	31 December 2016 (audited) AED'000
Equity		
Share capital	**600,000**	600,000
Legal reserve	**146,850**	146,850
Translation reserve	**(40,163)**	(40,303)
Other reserve	**(7,847)**	(19,260)
Retained earnings	**1,026,624**	998,399
Total equity	**1,725,464**	1,685,686

The condensed consolidated interim financial information were approved and authorised for issue by the Board of Directors on 26 July 2017 and were signed on their behalf by:

HE Eng Dhafer Ayed Al Ahbabi
Chairman

Tariq Al Wahedi
Acting CEO

Fatih Yeldan
CFO

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Agthia Group PJSC

Condensed consolidated interim statement of changes in equity (unaudited)

for the period ended 30 June

	Share capital AED'000	Legal reserve AED'000	Translation reserve AED'000	Other reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2016	600,000	121,423	(21,568)	-	844,556	1,544,411
Total comprehensive income for the period						
Profit for the period	-	-	-		145,372	145,372
Other comprehensive income:						
Foreign currency translation difference on foreign operations	-	-	(2,186)	-	-	(2,186)
Cash flow hedge – effective portion of changes in fair value (net)	-	-	-	(10,381)	-	(10,381)
Total comprehensive income	**-**	**-**	**(2,186)**	**(10,381)**	**145,372**	**132,805**
Owners' changes directly in equity						
Dividend for the year 2015	-	-	-	-	(75,000)	(75,000)
Balance at 30 June 2016	**600,000**	**121,423**	**(23,754)**	**(10,381)**	**914,928**	**1,602,216**
Balance at 1 January 2017	600,000	146,850	(40,303)	(19,260)	998,399	1,685,686
Total comprehensive income for the period						
Profit for the period	-	-	-	-	118,225	118,225
Other comprehensive income:						
Foreign currency translation difference on foreign operations	-	-	140	-	-	140
Cash flow hedge – effective portion of changes in fair value	-	-	-	2,133	-	2,133
Cash flow hedge – reclassified to profit or loss	-	-	-	9,280	-	9,280
Total comprehensive income	**-**	**-**	**140**	**11,413**	**118,225**	**129,778**
Owners' changes directly in equity						
Dividend for the year 2016	-	-	-	-	(90,000)	(90,000)
Balance at 30 June 2017	**600,000**	**146,850**	**(40,163)**	**(7,847)**	**1,026,624**	**1,725,464**

The notes set out on pages 12 to 26 form an integral part of these condensed consolidated interim financial information.

Agthia Group PJSC

Condensed consolidated interim statement of cash flows (unaudited)

for the period ended 30 June

	Note	**30 June 2017 AED'000**	30 June 2016 AED'000
Cash flows from operating activities			
Profit for the period		**118,225**	145,372
Adjustments for:			
Depreciation		**54,271**	43,588
Amortisation of intangible assets		**535**	891
Finance income		**(11,309)**	(8,686)
Finance expense		**7,467**	5,721
Gain on sale of property, plant and equipment	*6*	**(6,487)**	(144)
Movement in provision for slow moving inventory, net	*8*	**3,350**	1,599
Movement in allowance for impairment loss	9	**3,177**	970
Provision for employees' end of service benefits		**5,462**	5,858
Income tax expense		**205**	35
		174,896	195,204
Change in:			
Inventories		**37,195**	(57,384)
Trade and other receivables - net	*9*	**(74,528)**	(113,088)
Due from related party	*14*	**130**	-
Government compensation receivable		**14,604**	(10,961)
Due to related party	*14*	**3,886**	4,399
Trade and other payables	*13*	**78,098**	106,434
Other financial liabilities - net		**(3,466)**	10,841
Cash generated from operating activities		**230,815**	135,445
Payment of employees' end of service benefits		**(7,748)**	(1,518)
Income tax paid		**(288)**	(35)
Net cash from operating activities		**222,779**	133,892
Cash flows from investing activities			
Acquisition of property, plant and equipment	*6*	**(52,367)**	(100,813)
Proceeds from sale of property, plant and equipment	*6*	**7,447**	998
Acquisition of subsidiary		**(187,751)**	-
Other advances		**(34,021)**	-
Funds invested in fixed deposits		**(23,064)**	(1,557)
Interest received		**10,608**	6,064
Net cash used in investing activities		**(279,148)**	(95,308)
Cash flows from financing activities			
Bank borrowings – net	*11*	**17,539**	38,478
Proceed from long term loan	*11*	**183,625**	-
Proceeds from settlement of derivative - net		**(2,109)**	-
Interest paid		**(7,083)**	(5,157)
Dividend paid		**(90,000)**	(75,000)
Net cash flows from / (used in) financing activities		**101,972**	(41,679)
Increase / (decrease) in cash and cash equivalents		**45,603**	(3,095)
Effect of foreign exchange		**65**	152
Cash and cash equivalents as at 1 January		**21,373**	44,155
Cash and cash equivalents as at 30 June	*10*	**67,041**	41,212

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1 Legal status and principal activities

Agthia Group PJSC ("the Company") was incorporated as a Public Joint Stock Company pursuant to the Ministerial Resolution No. 324 for 2004 in the Emirate of Abu Dhabi. General Holding Corporation PJSC (SENAAT) owns 51% of the Company's shares which is wholly owned by the Government of Abu Dhabi. The principal activities of the Company are to establish, invest, trade and operate companies and businesses that are involved in the food and beverage sector.

The condensed consolidated interim financial information of the Company as at and for the six months period ended 30 June 2017 comprise the Company and its below mentioned subsidiaries (together referred to as the "Group").

Name of subsidiaries	**Country of incorporation and operation**	**Share of equity (%) 2017**	**2016**	**Principal Activities**
Grand Mills Company PJSC	UAE	100	100	Production and sale of flour and animal feed.
Al Ain Food and Beverages PJSC (AAFB-UAE)	UAE	100	100	Production and sale of bottled water, flavored water, juices, yogurt, tomato paste, frozen vegetables and frozen baked products.
Agthia Group Egypt LLC (Agthia Egypt)	Egypt	100	100	Processing and sale of tomato paste, chilli paste, fruit concentrate and frozen vegetables.
Agthia Grup Icecek ve Dagitim Sanayi ve Ticaret Limited Sirketi (Agthia Turkey)	Turkey	100	100	Production, bottling and sale of bottled water.
Al Bayan Purification and Potable Water LLC	UAE	100	100	Production, bottling and sale of bottled water.
Shaklan Plastic Manufacturing Co. LLC	UAE	100	100	Production of plastic bottles and containers
Al Manal Purification and Bottling of Mineral Water LLC	Oman	100	100	Production, bottling and sale of bottled water.

1 Legal status and principal activities *(continued)*

Name of subsidiaries	Country of incorporation and operation	Share of equity (%) 2017	2016	Principal Activities
Delta Water Factory Company Limited	KSA	100	-	Production, bottling and sale of bottled water.

2 Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial information have been prepared in accordance IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual consolidated financial information, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

(b) Basis of measurement

These condensed consolidated interim financial information have been prepared under the historical cost basis except for derivative financial instruments, which are carried at fair value.

(c) Functional and presentation currency

These condensed consolidated interim financial information are presented in United Arab Emirates Dirhams (“AED”), which is the functional currency, rounded to the nearest thousand.

3 Significant accounting policies

The accounting policies and methods of computation applied by the Group in these condensed consolidated interim financial information are the same as those applied by Group in the consolidated financial statements as at and for the year ended 31 December 2016.

The adoption of the new and amended standards and interpretations did not have any impact on the financial position or performance of the Group during the period.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to financial instruments have been disclosed below.

Financial instruments

Financial instruments comprise trade and other receivables, due from related parties, cash and bank balances, trade and other payables, due to related parties, derivative financial instruments, and bank borrowings. A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument.

3 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial instruments are recognised initially at fair value plus, any directly attributable transaction costs. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire, or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and bank balances comprise unrestricted cash balances and term deposits with original contractual maturities of three months or less. The fair values of the financial instruments are not materially different from the carrying amount.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the condensed consolidated interim statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged forecast cash flows affects profit or loss or the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

3 Significant accounting policies *(continued)*

Financial assets *(continued)*

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'due from related parties', and 'cash and bank balances' in the condensed consolidated interim statement of financial position. These assets are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

(b) Financial assets at fair value through profit or loss

Financial assets/liabilities at fair value through profit or loss are financial assets held for trading. Derivative financial instruments are also categorised as held for trading unless they are designated as hedges. Assets/liabilities in this category are classified as current assets/liabilities if expected to be settled within 12 months, otherwise they are classified as non-current.

Impairment of financial assets

Impairment losses on financial assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the original effective interest rate. Impairment losses are recognised in the condensed consolidated interim statement of profit or loss and reflected in an allowance account against such financial assets. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the condensed consolidated interim statement of profit or loss.

Government compensation

Funds that compensate the Group for selling flour and animal feed at subsidised prices in the Emirate of Abu Dhabi are recognised in the condensed consolidated interim statement of profit and loss, as a deduction from the cost of sales, on a systematic basis in the same period in which the sales transaction is affected.

Cost of sales as stated in the condensed consolidated statement of profit and loss is after the deduction of Abu Dhabi Government compensation amounting to AED 81,089 thousand *(30 June 2016: AED 173,667 thousand)*. The purpose of the compensation is to partially reduce the impact of increased and volatile global grain prices on food retail prices for the consumers in the Abu Dhabi Emirate.

4 Accounting estimates and judgements

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2016.

5 Financial risk management

The Group's financial risk management objectives and processes are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2016.

6 Property, plant and equipment

Acquisitions and disposals

During the six months period ended 30 June 2017, the Group invested in property, plant and equipment for a net amount of AED 52,367 thousand *(30 June 2016: AED 100,813 thousand)* of which acquisition of assets amounted to AED 45,510 thousand and advances paid amounted to AED 6,857 thousand *(30 June 2016: assets acquired AED 128,708 thousand and advances released of AED 27,895 thousand).*

Assets with a carrying amount of AED 960 thousand were disposed off during the six months period ended 30 June 2017 *(30 June 2016: AED 854 thousand),* resulting in a gain of AED 6,487 thousand *(30 June 2016: gain of AED 144 thousand)* which is included in net other income.

Furthermore, the depreciation charge on property, plant and equipment during the six months period ended 30 June 2017 amounted to AED 54,271 thousand *(30 June 2016: AED 43,588 thousand).*

7 Goodwill

During 2017, the Group acquired 100% shares of Delta Water Factory Company Limited resulting in goodwill of AED 138,111 as disclosed in Note 17. For the purpose of impairment testing, goodwill is allocated to two operating segments within the Group where goodwill is monitored for internal management purposes. Impairment testing is conducted on an annual basis.

8 Inventories

During the six months period ended 30 June 2017, the Group recorded a provision for slow, non moving and obsolete inventory of AED 4,982 thousand *(30 June 2016: AED 2,971 thousand).* The charge is included in cost of sales.

Furthermore, the Group has written off a provision for slow, non moving and obsolete inventory of AED 1,632 thousand (*30 June 2016: AED 1,372 thousand).*

9 Trade and other receivables

	30 June 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Trade receivables	**373,602**	293,841
Allowance for impairment loss	**(22,442)**	(13,400)
	351,160	280,441
Prepayments	**49,408**	40,786
Other receivables	**48,986**	25,472
	449,554	346,699

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	30 June 2017 AED'000	31 December 2016 AED'000
Balance at 1 January	**13,400**	8,185
Acquired during the period	**5,865**	-
Provision during the period	**3,778**	6,245
Write offs	**(601)**	(1,030)
	22,442	13,400

10 Cash and bank balances

Cash and cash equivalents in the condensed consolidated interim statement of cash flows:

	30 June 2017 AED'000	30 June 2016 AED'000	31 December 2016 AED'000
Cash in hand	**2,336**	2,015	1,362
Current and savings account	**101,745**	66,234	65,276
Cash and bank balances	**104,081**	68,249	66,638
Bank overdraft	**(10,158)**	-	(18,317)
Escrow account (for dividend distribution 2009 to 2014)	**(26,882)**	(27,037)	(26,948)
Cash and cash equivalents in the statement of cash flows	**67,041**	41,212	21,373
Cash and bank balances	**104,081**	68,249	66,638
Fixed deposits	**508,881**	490,817	485,817
	612,962	559,066	552,455

10 Cash and bank balances *(continued)*

Fixed deposits above are for a period not more than one year *(30 June 2016: not more than one year)* carrying interest rates varying from 2.98%-3.60% *(30 June 2016: 2.15%-3.10%).*

Escrow account represents amounts set aside for payment of dividend. Equivalent amount has been recorded as liability in trade and other payables. This restricted cash balance has not been included in the cash and cash equivalents for the purpose of cash flow statements.

11 Bank borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortised cost.

	30 June 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (audited)
Current liabilities		
Credit facilities	**212,346**	231,541
Short term loan	**91,835**	55,101
Bank overdraft	**10,158**	18,317
	314,339	304,959
Non-current liabilities		
Term loan***	**348,928**	165,303

11 Bank borrowings *(continued)*

Terms and repayment schedule

Amounts in AED'000

	Currency	Interest Rate	Year of maturity	30 June 2017 Facility value/ limit	30 June 2017 Carrying amount	31 December 2016 Facility value/ limit	31 December 2016 Carrying amount
Short term loan**	USD/ AED/ EGP	LIBOR/ EIBOR/ mid corridor rate + margin*	2017	**145,022**	**101,993**	145,023	73,418
Credit Facility**	USD/ AED/ EGP	LIBOR/ EIBOR/ mid corridor rate+ margin*	2017	**717,340**	**212,346**	717,340	231,541
Credit Facility (Capex)**	USD/ AED	LIBOR/ EIBOR + margin*	2017	**50,000**	**-**	50,000	-
Term loan 1	USD	LIBOR + margin*	2020	**165,303**	**165,303**	165,303	165,303
Term loan 2***	AED	EIBOR + margin*	2022	**183,625**	**183,625**	**-**	**-**
Total				**1,261,290**	**663,267**	1,077,666	470,262

* Margin on the above loans and facilities varies from 0.50% - 1.35% *(2016: 0.50% - 1.25%).*

**Credit facility of face value AED 350,000 thousand and credit facility (Capex) of face value AED 50,000 thousand is secured by a floating charge over the current assets, stock and trade receivables of the Group.

*** During 2017, Group availed a loan of AED 183,625 thousand for a tenure of five years repayable in 2022. The loan is secured by floating charges over the current assets, inventories and trade receivables of the Group.

12 Segment reporting

Information about reportable segment for the six months ended 30 June

The Group has two reportable segments, as described below. The reportable segments offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Board of Directors review internal management reports on at least quarterly basis.

The following summary describes the operations in each of the Group's reportable segment:

- **Agri Business Division (ABD)**
    - Flour and Animal Feed, includes manufacturing and distribution of flour and animal feed.
- **Consumer Business Division (CBD)**
    - Bottled Water and Beverages includes manufacturing and distribution of drinking water, water based drinks and juices.
        - Business operation in Turkey is of similar nature as "Bottled Water" hence it is also reported under CBD.
        - Business operation of Al Bayan is manufacturing and distribution of drinking water, hence, it is also reported under CBD.
        - Business operation of Delta Water is manufacturing and distribution of drinking water, hence, it is also reported under CBD.
    - Food includes manufacturing and distribution of tomato and chilli paste, fruit concentrate, frozen vegetables, fresh dairy products and frozen baked products.
        - Business operation in Egypt is of similar nature as "Food" hence it is also reported under CBD.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports data reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

12 Segment reporting *(continued)*

Segment wise operating results of the Group, for the six months period are as follows:

	Agri Business Division (ABD)		**Consumer Business Division (CBD)**							
	Flour and Animal Feed		***Bottled Water and Beverages***		***Food***		**CBD Total**		**Total**	
	30 June 2017 AED'000	30 June 2016 AED'000	**30 June 2017 AED'000**	30 June 2016 AED'000	**30 June 2017 AED'000**	30 June 2016 AED'000	**30 June 2017 AED'000**	30 June 2016 AED'000	**30 June 2017 AED'000**	30 June 2016 AED'000
External revenues	**510,146**	589,631	**465,218**	363,607	**92,157**	91,423	**557,375**	455,030	**1,067,521**	1,044,661
Inter segment revenue										
Gross profit	**120,739**	181,379	**235,445**	179,267	**15,526**	12,222	**250,971**	191,489	**371,710**	372,868
Reportable segment profit/(loss)	**75,483**	139,084	**89,603**	64,682	**(1,754)**	(7,834)	**87,849**	56,848	**163,332**	195,932
Material non cash items;										
Impairment losses on trade receivables (net)	**814**	-	**2,363**	994	-	(24)	**2,363**	970	**3,177**	970

12 Segment reporting *(continued)*

Reconciliations of reportable segments' profit or loss

For the six months period ended

Gross profit for the six months period ended

	30 June 2017 AED'000 (Unaudited)	30 June 2016 AED'000 (Unaudited)
Total gross profit for reportable segments	**371,710**	372,868
Unallocated amounts		
Other operating expenses	**(7,557)**	(8,545)
Consolidated gross profit for the period	**364,153**	364,323

Profit for the six months period ended

	30 June 2017 AED'000 (Unaudited)	30 June 2016 AED'000 (Unaudited)
Total profit for reportable segments	**163,332**	195,932
Unallocated amounts		
Other operating expenses	**(50,747)**	(53,319)
Net finance income	**5,640**	2,759
Consolidated profit for the period	**118,225**	145,372

Reportable segment assets and liabilities are as follows:

	30 June 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (audited)
Segment Assets		
Agri Business Division	**613,899**	626,308
Consumer Business Division	**1,266,178**	1,134,168
Total assets for reportable segment	**1,880,077**	1,760,476
Other unallocated amounts	**999,140**	784,628
Consolidated total assets	**2,879,217**	2,545,104

12 Segment reporting *(continued)*

	30 June 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (audited)
Segment Liabilities		
Agri Business Division	**180,469**	133,426
Consumer Business Division	**237,921**	196,582
Total liabilities for reportable segment	**418,390**	330,008
Other unallocated amounts	**735,363**	529,410
Consolidated total liabilities	**1,153,753**	859,418

13 Trade and other payables

	30 June 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (audited)
Trade payables	**176,920**	110,448
Accruals	**165,383**	149,189
Other payables	**72,530**	59,001
	414,833	318,638

14 Transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise the major shareholder, key management personnel, Board of Directors and their related companies. In the normal course of business, the Group had various transactions with its related parties. Transactions are entered into with the related parties on terms and conditions approved by either the Group's management, or its Board of Directors.

a) Key management personnel compensation

Key management personnel compensation for the six months period was as follows:

	30 June 2017 AED'000	30 June 2016 AED'000
Short term employment benefits	**11,057**	11,421
Long term employment benefits	**2,057**	2,441
	13,114	13,862

14 Transactions with related parties *(continued)*

b) Amounts due from related parties

	30 June 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Emirates Iron & Steel Company LLC - affiliate		
Opening balance	**316**	199
Sales during the period / year	**258**	664
Amount received	**(381)**	(547)
Closing balance	**193**	316

	30 June 2017 AED'000 (unaudited)	31 December 2016 AED'000 (unaudited)
Dubai Cable Company (Private) Limited - affiliate		
Opening balance	**64**	41
Sales during the period / year	**83**	177
Amount received	**(90)**	(154)
Closing balance	**57**	64
Total amounts due from related parties	**250**	380

c) Amounts due to related parties

	30 June 2017 AED'000 (unaudited)	31 December 2016 AED'000 (unaudited)
General Holding Corporation PJSC (SENAAT) – parent		
Opening balance	**226**	411
Other expenses	**255**	272
Payments	**(39)**	(457)
Closing balance	**442**	226

14 Transactions with related parties *(continued)*

c) Amounts due to related parties (continued)

	30 June 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Al Foah Company LLC – affiliate		
Opening balance	**1,579**	102
Local purchases	**10,779**	15,108
Other expenses	**-**	(2,097)
Payments	**(7,109)**	(11,534)
Closing balance	**5,249**	1,579
Total amounts due to related parties	**5,691**	1,805

15 Contingent liabilities and capital commitments

	30 June 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (audited)
Bank guarantees and letters of credit	**82,954**	70,327
Capital commitments	**67,526**	60,714

At 30 June 2017, guarantees of AED 55,806 thousand were outstanding *(31 December 2016: AED 54,347 thousand)* and is included in bank guarantees and letter of credit above.

The above bank guarantees and letters of credits were issued in the normal course of business. These include deferred payment credit, performance bonds, tender bonds, deferred payment bills, inward bill and margin deposit guarantees.

Non-cancellable operating lease rentals are payable as follows:

	30 June 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Less than one year	**15,084**	20,007
Between one and five years	**31,218**	30,112
More than five years	**35,439**	35,439
	81,741	85,558

The Group has leasehold land, building and vehicles under operating leases. The lease terms are with option to renew the lease at the time of expiry.

16 Dividends

At the Annual General Meeting held on 26 April 2017, shareholders' approved payment of AED 90,000 thousand for the year ended 31 December 2016 (*2016: AED 75,000 thousand for the year ended 31 Dec 2015*) as cash dividend which represents 15% of the issued and paid up capital of the Group.

17 Acquisition of subsidiary

During 2017, the Group acquired 100% shares of Delta Water Factory Company Limited based in Jeddah, Kingdom of Saudi Arabia (KSA) producing "Al Ain" brand water. The acquisitions enable Agthia to enter KSA market for the first time with its "Al Ain" water brand, the leading bottled water brand in UAE. Delta's water business has been present in Saudi Arabia for three decades and is a growing and cash generating operation.

Currently the Group is in the process of finalising the fair valuation and purchase price allocation of Delta water hence the figures included in these condensed consolidated interim financial information reflects only provisional amounts.

The provisional assets and liabilities recognised as a result of the acquisition in the condensed interim financial information as at 30 June 2017 are as follows:

	Fair value AED'000
Net assets acquired	
Property, plant and equipment	41,282
Inventories	4,311
Cash and bank	1,012
Other current assets	30,803
Other current liabilites	(17,779)
Provision for end of service benefit	(8,977)
Net identifiable assets acquired	50,652
Share of net identifiable assets acquired (100%)	50,652
Goodwill	138,111
Total consideration (satisfied by cash)	188,763