AGTHIA GROUP PJSC

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

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AGTHIA GROUP PJSC DIRECTORS' REPORT

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 September 2017, which are attached to this letter.

We left another challenging quarter behind us, completing nine months of fiscal year 2017. Group net revenues reached AED 1.57 billion, growing 2.9 percent versus the same period last year. Water & Beverages revenue increased to AED 0.7 billion, of which AED 0.1 billion was contributed by our Saudi subsidiary, recording 27 percent growth over last year. This is an outstanding performance in a business environment where opportunities for growth are not as abundant as in the past across the region. Combined revenues of Flour and Animal Feed businesses declined 12 percent by virtue of gradual withdrawal of subsidies since July of last year and the government's annual tender in Animal Feed that did not materialize so far this year.

The Group generated AED 165 million net profit for the period. Pure mathematics tells us this is AED 35 million less than last year. When we consider 112 million dirhams less subsidy receipt from the government compared to last year, it speaks a completely different story. It tells me that our management has taken the right decisions in a timely manner in order to contain the loss at only AED 35 million, recovering AED 77 million back by executing an effective and balanced mix of growth generation and cost cutting programs. This is not a small accomplishment, and it is an unmistakable testament to Agthia's commitment to shareholder value creation.

It is well in the public domain that our region is experiencing unprecedented times, bringing new challenges for our region together with unconventional measures to overcome them. Agthia has not stayed unscathed in the aftermath of these economic and geopolitical changes that have taken place so far, and we will not be immune to new ones when they arrive. We are, however, working harder than ever to continue to create value for you, other stakeholders, and our nation with our products, people, strong sense of corporate social responsibility, and last but not least, with our financial results.

With my kind and warm regards,

Eng. Dhafer Ayed Al Ahbabi
Chairman
25 October 2017

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Our **Consumer** segment **(Water & Beverages, Food)** now constitute 53 percent of Group net revenues.

Water and Beverages net revenues for the period reached AED 695 million, growing 27 percent versus last year. Both Bottled Water and 5-gallon segments brought in strong revenues in the UAE, increasing sales versus last year by 9 percent and 12 percent respectively. Bottled water category has been witnessing a prolonged weak single-digit growth cycle in the UAE, where aggressive tactical marketing campaigns are gaining ground in competition mix. It is in this environment that we continue to outgrow the market and hold on to our market leadership, thanks to our innovative research and development efforts for new products and marketing investment through sampling, promotional and branding campaigns. Al Ain ZERO, our breakthrough "no-sodium" product, continues its strong penetration into our nation's households; in addition to recently launching Al Ain ZERO in 5-gallon format in the UAE, we also started to export small format bottles to Oman, with plans to further expand into other markets soon.

Both Turkey domestic Water business (Alpin natural spring water) and our Beverages portfolio (Capri-Sun and Al Ain Fresh juices) recorded declining sales versus last year. Sales in Turkey fell 62 percent (AED 10 million), fully in line with our estimations, following the profit turnaround measures we implemented in our business model. As a result, our Turkey unit cut their losses entirely, and reached breakeven in the current nine months of the year. In Beverages, Capri-Sun was negatively affected by both a double-digit declining home market and lost export sales in the GCC as a result of the recent regional developments. On the other hand, Al Ain Fresh juices continue to grow, mainly lifted by the retail trade, where new SKU launches have shown positive momentum.

Food recorded AED 133 million net revenues in this period, growing marginally by 2 percent. Taking out Egypt's results, where currency devaluation negatively affected revenues, and where business is otherwise growing in local currency, other businesses in this category accumulated a growth rate of 8 percent. It is also worth mentioning that Egypt unit, after turning into positive net income in the first half of the year, continues to remain profitable. Yoplait, under Dairy segment, remained flat versus year ago in a declining market in the UAE. In Tomato Paste and Frozen Vegetables (TPFV), we have been facing heightened competition especially in the key accounts throughout the year, putting pressure on our volumes in favor of profit protection. Accordingly, we saw a 7 percent drop in combined TPFV revenues from a year ago. Bakery continues to post double-digit top line growth, increasing sales by 16 percent versus last year owing to new customer acquisitions both in frozen and ambient bakery. Lastly, our Other Trading Items segment is doing very well with 29 percent growth over last year, unmistakably driving the growth of our Food category.

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One final word for Food category is on the profit turnaround that we have been so adamantly pursuing all through the year. Aggregate category loss reduced to a small AED 2 million from AED 11 million of last year, a reduction of 79 percent, contributed by all businesses from Yoplait to Bakery to Egypt, owing to our augmented focus on profitability through better revenue mix and lower costs.

AGRI BUSINESSES

Net revenues of Agri segment (**Flour, Animal Feed**) reached AED 739 million, lagging 12 percent behind last year.

Flour brought AED 299 million in net revenues and stayed short of last year by 8 percent. New wave of subsidy removals – half of the subsidy in the Bakery channel was taken out as of 1st of July this year – exerted the expected and planned-for pressure on our volume and profitability, as an additional and larger segment of the market is now open for free competition. We are ready for this phase, too, with our new initiatives to generate more revenue streams and reduce our operating costs to protect our volume and profitability, as we have been successfully doing so in the wake of the first phase of subsidy rationalization. On the other hand, an unexpected complication, which is slowly but rather persistently emerging not only for us but the UAE milling industry, is the cheap imported flour from different parts of the world where there is surplus capacity. Having one of the lowest market entry barriers in the world regarding this industry, UAE is being supplied by a crowd of foreign-branded flour at 15-20 percent lower than the market prices – in the case of Abu Dhabi even lower than subsidized prices. We are constantly monitoring and assessing the situation, and developing counter-action plans for necessary and timely deployment.

Animal Feed posted net revenues of AED 441 million, which is 15 percent behind last year. With about 70 percent of the business not-subsidized for more than a year now, we demonstrated our capability and capacity to weather even unprecedented changes in this business by incurring subsidy-induced volume losses less than we initially anticipated. As a matter of fact, our shipped volume in the first nine months of this year stayed flat versus year ago when Abu Dhabi government's annual 'Concentrated Pellet (CP)' tender volume is taken out of last year's numbers. Through this tender, which has not happened this year, the government used to procure CP from suppliers like us at market prices and subsequently provided it directly to the farmers. For us, it has never been an immaterial business either at the top or the bottom line, and so far we were able to partially make the lost volume up by higher commodity trading and our new Alfalfa forage business. Going forward, we see it highly unlikely that the tide will turn the other way around regarding this tender in the rest of the year or beyond; however, the silver lining in all of this is that volume of our more profitable sheep feed, and feed raw materials like barley, which are substitutes for CP, is gradually increasing.

<END>

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KPMG

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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 September 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 September 2017;
- the condensed consolidated interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2017;
- the condensed consolidated interim statement of other comprehensive income for the three-month and nine-month periods ended 30 September 2017;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2017;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 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 September 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: 25 OCT 2017

Agthia Group PJSC

Condensed consolidated interim statement of profit or loss (unaudited)

for the period ended 30 September

	Nine months ended 30 September 2017 AED'000	Nine months ended 30 September 2016 AED'000	**Three months ended 30 September 2017 AED'000**	Three months ended 30 September 2016 AED'000
Revenue	**1,566,503**	1,522,525	**498,982**	477,864
Cost of sales	**(1,041,992)**	(1,000,753)	**(338,624)**	(320,415)
Gross profit	**524,511**	521,772	**160,358**	157,449
Selling and distribution expenses	**(255,123)**	(218,218)	**(78,103)**	(70,380)
General and administrative expenses	**(122,098)**	(110,025)	**(37,042)**	(33,604)
Research and development expenses	**(5,022)**	(3,988)	**(1,717)**	(1,400)
Other income, net	**20,421**	10,485	**4,605**	5,519
Operating profit	**162,689**	200,026	**48,101**	57,584
Finance income	**15,110**	10,639	**3,801**	1,953
Finance expense	**(12,820)**	(10,373)	**(5,353)**	(4,652)
Profit for the period before income tax	**164,979**	200,292	**46,549**	54,885
Income tax expense	**(246)**	(102)	**(41)**	(67)
Profit for the period attributable to equity holders of the Group	**164,733**	200,190	**46,508**	54,818
Basic and diluted earnings per share (AED)	**0.275**	0.334	**0.078**	0.091

The notes set out on pages 12 to 28 form an integral part of these condensed consolidated interim financial information.
The independent auditors' report on the 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 September

	Nine months ended 30 September 2017 AED'000	Nine months ended 30 September 2016 AED'000	**Three months ended 30 September 2017 AED'000**	Three months ended 30 September 2016 AED'000
Profit for the period	**164,733**	200,190	**46,508**	54,818
Other comprehensive income				
Items that are or may be subsequently reclassified to profit or loss				
Foreign currency translation difference on foreign operations	**(170)**	(3,518)	**(310)**	(1,332)
Cash flow hedge – effective portion of changes in fair value	**1,448**	(20,541)	**(685)**	(10,160)
Cash flow hedge – reclassified to profit or loss	**14,114**	-	**4,834**	-
Other comprehensive income	**15,392**	(24,059)	**3,839**	(11,492)
Total comprehensive income for the period attributable to equity holders of the Group	**180,125**	176,131	**50,347**	43,326

Agthia Group PJSC

Condensed consolidated interim statement of financial position

as at

	Note	**30 September 2017 (unaudited) AED'000**	31 December 2016 (audited) AED'000
Non-current assets			
Property, plant and equipment	*6*	**1,067,550**	1,016,505
Advances for property, plant and equipment		**4,471**	9,957
Goodwill	*7*	**311,394**	188,336
Intangible assets		**31,725**	32,608
Other advances		**34,021**	-
Other assets		**3,592**	1,587
Total non-current assets		**1,452,753**	1,248,993
Current assets			
Inventories	*8*	**281,075**	301,220
Trade and other receivables	*9*	**460,897**	346,699
Due from related parties		**293**	380
Government compensation receivable		**73,696**	95,357
Cash and bank balances	*10*	**625,934**	552,455
Total current assets		**1,441,895**	1,296,111
Current liabilities			
Bank borrowings (*current portion*)	*11*	**280,820**	304,959
Trade and other payables	*13*	**414,702**	318,638
Due to related parties	*14*	**4,133**	1,805
Total current liabilities		**699,655**	625,402
Net current assets		**742,240**	670,709
Non-current liabilities			
Provision for end of service benefits		**68,271**	61,101
Bank borrowings (*non-current portion*)	*11*	**348,928**	165,303
Deferred tax liabilities		**-**	323
Other financial liabilities		**1,983**	7,289
Total non-current liabilities		**419,182**	234,016
Net assets		**1,775,811**	1,685,686

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The notes set out on pages 12 to 28 form an integral part of these condensed consolidated interim financial information.
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Condensed consolidated interim statement of financial position *(continued)*
as at

	30 September 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	**(40,473)**	(40,303)
Other reserve	**(3,698)**	(19,260)
Retained earnings	**1,073,132**	998,399
Total equity	**1,775,811**	1,685,686

The condensed consolidated interim financial information were approved and authorised for issue by the Board of Directors on 25/10/2017 and were signed on their behalf by:

HE Eng Dhafer Ayed Al Ahbabi Chairman	Tariq Al Wahedi CEO	Fatih Yeldan CFO

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Agthia Group PJSC

Condensed consolidated interim statement of changes in equity (unaudited)

for the nine months ended 30 September

	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	-	-	-		200,190	200,190
Other comprehensive income:						
Foreign currency translation difference on foreign operations	-	-	(3,518)	-	-	(3,518)
Cash flow hedge – effective portion of changes in fair value (net)	-	-	-	(20,541)	-	(20,541)
Total comprehensive income	-	-	(3,518)	(20,541)	200,190	176,131
Owners' changes directly in equity						
Dividend for the year 2015	-	-	-	-	(75,000)	(75,000)
Balance at 30 September 2016	600,000	121,423	(25,086)	(20,541)	969,746	1,645,542
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	**-**	**-**	**-**	**-**	**164,733**	**164,733**
Other comprehensive income:						
Foreign currency translation difference on foreign operations	**-**	**-**	**(170)**	**-**	**-**	**(170)**
Cash flow hedge – effective portion of changes in fair value (net)	**-**	**-**	**-**	**15,562**	**-**	**15,562**
Total comprehensive income	**-**	**-**	**(170)**	**15,562**	**164,733**	**180,125**
Owners' changes directly in equity						
Dividend for the year 2016	**-**	**-**	**-**	**-**	**(90,000)**	**(90,000)**
Balance at 30 September 2017	**600,000**	**146,850**	**(40,473)**	**(3,698)**	**1,073,132**	**1,775,811**

The independent auditors' report on the review of these condensed consolidated interim financial information is set out on pages 4 and 5.

Condensed consolidated interim statement of cash flows (unaudited)

for the nine months ended 30 September

	Note	**30 September 2017 AED'000**	30 September 2016 AED'000
Cash flows from operating activities			
Profit for the period		**164,733**	200,190
Adjustments for:			
Depreciation		**80,215**	67,119
Amortisation of intangible assets		**802**	1,158
Finance income		**(15,110)**	(10,639)
Finance expense		**12,820**	10,373
Gain on sale of property, plant and equipment	*6*	**(8,377)**	(193)
Assets written off		**-**	197
Movement in provision for slow moving inventory, net	*8*	**3,257**	883
Movement in allowance for impairment loss of receivables		**2,767**	1,116
Provision for employees' end of service benefits		**8,597**	8,648
Income tax expense		**246**	102
		249,950	278,954
Change in:			
Inventories	*8*	**35,313**	(125,504)
Trade and other receivables, net	*9*	**(82,258)**	(89,525)
Government compensation receivable		**21,661**	(61,666)
Due to related party	*14*	**2,328**	1,403
Trade and other payables	*13*	**76,018**	136,874
Deferred tax liabilities		**-**	455
Other liabilities, net		**(3,009)**	(2,856)
Cash generated from operating activities		**300,003**	138,135
Payment of employees' end of service benefits		**(10,404)**	(1,961)
Income tax paid		**(569)**	(102)
Net cash from operating activities		**289,030**	136,072
Cash flows from investing activities			
Advances / acquisition of property, plant and equipment	*6*	**(65,564)**	(143,634)
Proceeds from sale of property, plant and equipment	*6*	**10,263**	1,051
Acquisition of subsidiary		**(192,841)**	-
Other advances		**(34,021)**	-
Funds (invested) / divested in fixed deposits		**(47,200)**	43,443
Interest received		**11,293**	8,364
Net cash used in investing activities		**(318,070)**	(90,776)
Cash flows from financing activities			
Bank borrowings – net	*11*	**(12,707)**	10,912
Proceed from long term loan	*11*	**183,625**	-
Payment for settlement of derivative - net		**(2,854)**	1,480
Interest paid		**(10,485)**	(8,127)
Dividend paid		**(90,000)**	(75,000)
Net cash flows from / (used in) financing activities		**67,579**	(70,735)
Increase / (decrease) in cash and cash equivalents		**38,539**	(25,439)
Effect of foreign exchange		**(760)**	428
Cash and cash equivalents as at 1 January		**21,373**	44,155
Cash and cash equivalents as at 30 September	10	**59,152**	19,144

The notes set out on pages 12 to 28 form an integral part of these condensed consolidated interim financial information.
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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 nine months period ended 30 September 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

1 Legal status and principal activities *(continued)*

Name of subsidiaries	Country of incorporation and operation	Share of equity (%) 2017	2016	Principal Activities
Al Manal Purification and Bottling of Mineral Water LLC	Oman	100	100	Production, bottling and sale of bottled water.
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 with 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.

3 Significant accounting policies *(continued)*

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.

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.

3 Significant accounting policies *(continued)*

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.

(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 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 in this category are classified as current assets if they are 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 112,195 thousand *(30 September 2016: AED 224,370 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 nine months period ended 30 September 2017, the Group invested in property, plant and equipment for a net amount of AED 65,564 thousand *(30 September 2016: AED 143,634 thousand)* of which acquisition of assets amounted to AED 71,050 thousand and advances released amounted to AED 5,486 thousand *(30 September 2016: assets acquired AED 166,559 thousand and advances paid of AED 22,925 thousand).*

Assets with a carrying amount of AED 1,886 thousand were disposed off during the nine months period ended 30 September 2017 *(30 September 2016: AED 858 thousand),* resulting in a gain of AED 8,377 thousand *(30 September 2016: gain of AED 193 thousand)* which is included in net other income.

Furthermore, the depreciation charge on property, plant and equipment during the nine months period ended 30 September 2017 amounted to AED 80,215 thousand *(30 September 2016: AED 67,119 thousand).*

7 Goodwill

During 2017, the Group acquired 100% shares of Delta Water Factory Company Limited resulting in goodwill of AED 123,058 as disclosed in note 18. 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 nine months period ended 30 September 2017, the Group recorded a provision for slow, non-moving and obsolete inventory of AED 6,291 thousand *(30 September 2016: AED 2,999 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 3,034 thousand (*30 September 2016: AED 2,116 thousand).*

9 Trade and other receivables

	30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Trade receivables	**375,656**	293,841
Allowance for impairment loss	**(22,031)**	(13,400)
	353,625	280,441
Prepayments	**44,349**	40,786
Other receivables	**62,923**	25,472
	460,897	346,699

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

	30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Balance at 1 January	**13,400**	8,185
Acquired during the period/year*	**5,864**	-
Provision during the period/year	**3,206**	6,245
Write offs	**(439)**	(1,030)
	22,031	13,400

* Acquisition relates to Delta Water Factory Company Limited.

10 Cash and bank balances

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

	30 September 2017 AED'000	30 September 2016 AED'000	31 December 2016 AED'000
Cash in hand	**2,177**	2,158	1,362
Current and savings account	**90,740**	56,487	65,276
Cash and bank balances	**92,917**	58,645	66,638
Bank overdraft	**(6,885)**	(12,524)	(18,317)
Escrow account (for dividend distribution 2009 to 2014)	**(26,880)**	(26,977)	(26,948)
Cash and cash equivalents in the statement of cash flows	**59,152**	19,144	21,373
Cash and bank balances	**92,917**	58,645	66,638
Fixed deposits	**533,017**	445,817	485,817
	625,934	504,462	552,455

Fixed deposits above are for a period not more than one year carrying interest rates varying from 2.75%-3.60% *(30 September 2016: 2.20%-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 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (audited)
Current liabilities		
Credit facilities	**240,874**	231,541
Short term loan	**33,061**	55,101
Bank overdraft	**6,885**	18,317
	280,820	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 September 2017 Facility value/ limit**	**30 September 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	**145,211**	**39,946**	145,023	73,418
Credit Facility**	USD/ AED/ EGP	LIBOR/ EIBOR/ mid corridor rate+ margin*	2017	**717,340**	**240,874**	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				**1,261,479**	**629,748**	1,077,666	470,262

* Margin on the above loans and facilities varies from 0.40% - 1.35% *(2016: 0.40% - 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 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 nine months ended 30 September

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 nine 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 September 2017 AED'000	30 September 2016 AED'000	**30 September 2017 AED'000**	30 September 2016 AED'000	**30 September 2017 AED'000**	30 September 2016 AED'000	**30 September 2017 AED'000**	30 September 2016 AED'000	**30 September 2017 AED'000**	30 September 2016 AED'000
External revenues	**739,452**	844,486	**694,559**	547,806	**132,492**	130,233	**827,051**	678,039	**1,566,503**	1,522,525
Gross profit	**160,985**	246,471	**352,844**	271,331	**21,713**	17,100	**374,557**	288,431	**535,542**	534,902
Reportable segment profit/(loss)	**96,916**	186,359	**135,188**	99,093	**(2,271)**	(10,726)	**132,917**	88,367	**229,833**	274,726
Material non cash items;										
Impairment losses on trade receivables (net)	**814**	(546)	**2,416**	5,251	**(463)**	510	**1,953**	5,761	**2,767**	5,215

12 Segment reporting *(continued)*

Reconciliations of reportable segments' profit or loss

For the nine months period ended

Gross profit for the nine months period ended

	30 September 2017 AED'000 (Unaudited)	30 September 2016 AED'000 (Unaudited)
Total gross profit for reportable segments	**535,542**	534,902
Unallocated amounts		
Other operating expenses	**(11,031)**	(13,130)
Consolidated gross profit for the period	**524,511**	521,772

Profit for the nine months period ended

Total profit for reportable segments	**229,833**	274,726
Unallocated amounts		
Other operating expenses	**(71,105)**	(75,144)
Net finance income	**6,005**	608
Consolidated profit for the period	**164,733**	200,190

Reportable segment assets and liabilities are as follows:

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Segment Assets		
Agri Business Division	**608,398**	626,308
Consumer Business Division	**1,280,536**	1,134,168
Total assets for reportable segment	**1,888,934**	1,760,476
Other unallocated amounts	**1,005,714**	784,628
Consolidated total assets	**2,894,648**	2,545,104
Segment Liabilities		
Agri Business Division	**176,564**	133,426
Consumer Business Division	**241,906**	196,582
Total liabilities for reportable segment	**418,470**	330,008
Other unallocated amounts	**700,367**	529,410
Consolidated total liabilities	**1,118,837**	859,418

13 Trade and other payables

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
Trade payables	**162,141**	110,448
Accruals	**180,630**	149,189
Other payables	**71,931**	59,001
	414,702	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 nine months period was as follows:

	30 September 2017 AED'000 (unaudited)	30 September 2016 AED'000 (audited)
Short term employment benefits	**18,258**	16,962
Long term employment benefits	**2,900**	3,703
	21,158	20,665

b) Amounts due from related parties

	30 September 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	**454**	664
Amount received	**(576)**	(547)
Closing balance	**194**	316

14 Transactions with related parties *(continued)*

b) Amounts due from related parties (continued)

	30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Dubai Cable Company (Private) Limited - affiliate		
Opening balance	**64**	41
Sales during the period / year	**143**	177
Amount received	**(108)**	(154)
Closing balance	**99**	64
Total amounts due from related parties	**293**	380

c) Amounts due to related parties

	30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
General Holding Corporation PJSC (SENAAT) – parent		
Opening balance	**226**	411
Other expenses	**255**	272
Payments	**(40)**	(457)
Closing balance	**441**	226

	30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Al Foah Company LLC – affiliate		
Opening balance	**1,579**	102
Local purchases	**11,065**	15,108
Other expenses	**-**	(2,097)
Payments	**(8,952)**	(11,534)
Closing balance	**3,692**	1,579
Total amounts due to related parties	**4,133**	1,805

15 Contingent liabilities and capital commitments

	30 September 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (audited)
Bank guarantees and letters of credit	**69,733**	70,327
Capital commitments	**58,759**	60,714

At 30 September 2017, guarantees of AED 60,476 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 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)
Less than one year	**13,539**	20,007
Between one and five years	**30,046**	30,112
More than five years	**35,439**	35,439
	79,024	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 a 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 Financial instruments

Fair value hierarchy

The fair value hierarchy levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as priced) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 September 2017

	Carrying value	Fair value			
	AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Assets measured at fair value					
Other financial assets	**3,592**	**-**	**3,592**	**-**	**3,592**
Assets not measured at fair value					
Loans and receivables net of advances and prepayments	**416,548**	**-**	**-**	**-**	**-**
Due from related parties	**293**	**-**	**-**	**-**	**-**
Government compensation receivable	**73,696**	**-**	**-**	**-**	**-**
Cash and bank balances	**625,934**	**-**	**-**	**-**	**-**
	1,116,471	**-**	**-**	**-**	**-**
Liabilities measured at fair value					
Other financial liabilities	**1,983**	**-**	**1,983**	**-**	**1,983**
Liabilities not measured at fair value					
Trade and other payables	**383,514**	**-**	**-**	**-**	**-**
Bank borrowings	**629,748**	**-**	**-**	**-**	**-**
Due to related parties	**4,133**	**-**	**-**	**-**	**-**
	1,017,395	**-**	**-**	**-**	**-**

17 Financial instruments *(continued)*

31 December 2016

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Assets measured at fair value					
Other financial assets	1,587	-	1,587	-	1,587
Assets not measured at fair value					
Loans and receivables net of advances and prepayments	305,913	-	-	-	-
Due from related parties	380	-	-	-	-
Government compensation receivable	95,357	-	-	-	-
Cash and bank balances	552,455	-	-	-	-
	954,105	-	-	-	-
Liabilities measured at fair value					
Other financial liabilities	7,289	-	7,289	-	7,289
Liabilities not measured at fair value					
Trade and other payables	286,875	-	-	-	-
Bank borrowings	470,262	-	-	-	-
Due to related parties	1,805	-	-	-	-
	758,942	-	-	-	-

18 Acquisition of subsidiary

During 2017, the Group acquired 100% shares of Delta Water Factory Company Limited (“Delta Water”) 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 September 2017 are as follows:

	Fair value AED’000
Net assets acquired	
Property, plant and equipment	61,425
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	70,795
Share of net identifiable assets acquired (100%)	70,795
Goodwill	123,058
Total consideration (satisfied by cash)	193,853

19 Investments

During 2016, the Group entered into a joint venture agreement with Al Wafir Marketing Services Company K.S.C.C., to establish a joint water bottling plant in Kuwait. The plant is expected to commence operations by Quarter 1 2018 and will mainly produce water under the ‘Al Ain’ brand.

During 2017, the Group also entered into a joint venture agreement with Anderson UAE Inc. to establish a company for import, wholesale and distribution of forage products in the UAE and the GCC.