

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 31st March 2018.

We started 2018 with two major steps within the framework of our strategy and as a testament to our dedication to be the innovation leaders in our industries. In Water, we launched 'Al Ain Water with Vitamin D' that offers consumers an easy to consume Vitamin D supplement as a convenient way of helping address our nation's vitamin D deficiency. In Animal Feed, we entered into an innovation and technology partnership with Trouw Nutrition Hifeed, a Nutreco Company who is the global leader in animal nutrition and aquafeed, aiming at developing a portfolio of products and services for optimized nutrition, enhanced animal performance and improved economic efficiency in poultry and ruminants for Agrivita brand.

It was also in this quarter that the Company signed an agreement with the Department of Urban Planning and Municipalities to manage Abu Dhabi's and Al Ain's food service centers. i.e. the municipality retail outlets. Open to all local people of the UAE, these outlets provide a range of fast moving consumer products at discounted prices, where, as Agthia, we have been present with our trading items portfolio as well as our water, beverages, dairy, flour and even animal feed. This agreement provides Agthia a strong security for sustainability of our operations and further growth potential in a channel that already has a significant share in our Group business.

Group net revenues at AED 491 represent 3.7 percent like-for-like growth versus last year. Please note that revenues in the corresponding period last year included additional months of consolidation pertaining to the acquisition of the Saudi water entity, opportunistic bulk trading of grains, and a part of our exports within the GCC that do not exist in this year. Consumer Business contributed 53 percent or AED 260 million, driven by Water that continues its strong growth momentum.

Group net profit for the period recorded AED 47 million, in which all of our Consumer businesses displayed increased profitability versus last year. Like-for-like profit growth excluding one-time extra-ordinary income booked in last year on transfer of lease of the Ice Crystal factory was 10.1 percent. Better performance was driven by cost optimization efforts including progressive production efficiencies resulting in higher gross profit margins.

----- **DETAILED BUSINESS PERFORMANCE REPORT** -----

CONSUMER BUSINESSES

Agthia's **Consumer** segment (**Water & Beverages, Food**) posted AED 260 million in revenues and AED 39 million segment profit for the period ending as of 31 March 2018.

Water and Beverages net revenues for the period reached AED 212 million, growing 3.0 percent like-for-like. Across the Group, Water drove this growth while Beverages suffered from changing consumer preferences toward cheaper products in a continuously declining market. The launch of Al Ain Vitamin D in UAE in January offered yet another innovative product to our consumers, following up highly successful launch of AL AIN ZERO two years back, and further positioned Agthia as a leader in providing the best quality, nutritious and responsibly produced products to our nation and the region.

Food (Dairy, Bakery, Tomato Paste and Frozen Vegetables including Egypt, Trading Items) net revenues for the period reached AED 48 million, increasing by 16.8 percent from last year. Trading Items drove the growth of this category; we are optimistic that the new agreement we signed with Abu Dhabi, Al Ain and Al Dhafra Region Municipalities will create new growth potential for this category. Tomato Paste and Frozen Vegetables posted strong growth too, propelled by the Egypt business unit. Dairy remained short of last year in a declining market both in volume and value where consumers show a tendency to switch to lower-priced products. What is to highlight in Dairy, though, is the size of net loss reduction; a combination of eliminating low-margin slow-moving products and lower raw material costs has resulted in a remarkable 72 percent net loss reduction in the first quarter.

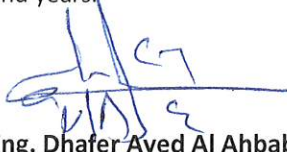
AGRI BUSINESSES

Agri segment (**Animal Feed, Flour**) posted AED 231 million in revenues and AED 30 million segment profit for the period ending as of 31 March 2018.

Animal Feed net revenues for the period reached AED 143 million, increasing 5.1 percent over last year. The recovery from the impact of reduced subsidies in this category has been remarkable owing to our management's decisive, creative, and fast action to generate alternative revenue streams commensurate with strict cost optimization. Excluding the impact of bulk grain trading of last year, Animal Feed business grew by 13.4 percent like-for-like, driven by higher volume in still-subsidized commercial farms and municipality outlets in addition to price increases in the unsubsidized open market, following recent commodity cost price increases.

Flour net revenues for the period reached AED 89 million, and stayed AED 31 million behind last year which included AED 19 million bulk grain trading. Main driver of the remaining shortfall is continued presence of cheap imported flour in the market which overshadows the steady growth in the Retail channel. The last tranche of subsidy withdrawal in this category will come into effect on July 1 this year in the Bakery channel, removing existing 50 percent subsidy entirely.

I am glad to witness Agthia's determination and resilience in the past two years against a backdrop of unprecedented changes in the operating environment, and our agility to adapt to these changes. I am confident that our commitment to deliver increased shareholder value will drive us to more success in the coming periods and years.



Eng. Dhafer Ayed Al Ahabbi
Chairman
26 April 2018