

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 ("Company") and its subsidiaries ("Group") for the period ended 31st March 2019.

We commenced 2019 with launching 5 new products that demonstrate our commitment to provide our consumers with a wide range of innovative and healthy functional products. In Water, alongside Alpin Alkaline Water and Al Ain Bag-in-Box, we unveiled the region's first zero-bromate-branded drinking water Al Ain Zero Bromate Water that is not only light on the kidneys of people of all ages but one of the best waters to consume during pregnancy. Additionally, the Company has launched the region's first vitamin D fortified flour Grand Mills Vitamin D, which follows in the footsteps of previous year's Al Ain Vitamin D Water, the world's first and only vitamin D water with no preservatives, colorants or flavors. In Dairy, we added Yoplait lactose-free fruit yogurt in our product portfolio; being a first in the region, Yoplait lactose-free is low in calories and high in fiber, making it a healthy snack ideal for lactose-intolerant people.

UAE Bottled Water market in value continues to remain in de-growth territory: MAT February 2019 market size in value is 1.1 percent lower versus a year ago¹. Agthia's water portfolio—Al Ain Water, Al Bayan, Alpin—maintained market leadership at 30 and 28 percent volume and value shares, respectively, in the UAE.

On 28 March 2019, the Company held its 14th Annual General Meeting in Abu Dhabi, UAE. Among other published agenda items, Agthia shareholders approved a cash dividend of 15 percent for an amount of AED 90 million. Together with the Company's 2018 Annual Report, Agthia has also started to report the Group's Sustainability initiatives and application of ESG standards across its business operations.

Summary of the Company's Financial Performance for the quarter that ended on 31 March 2019:

AED million	Q1 2019	Q1 2018	% change	AED million	Q1 2019	YE 2018	% change
Revenues	507.6	490.9	+3.4%	Total Assets	3,126	2,964	+5.5%
Net profit – shareholders	39.9	47.1	-15.2%	Shareholders' Equity	1,868	1,922	-2.8%

Group net revenues stood at AED 508 million, representing 3.4 percent growth y-o-y. Net revenue contribution by consumer-segment businesses—Water, Beverages, Dairy, TP&FV, Bakery, and Trading Items—reached 55 percent whereas agri-segment businesses—Flour and Animal Feed—generated 45 percent of the Group's revenue.

¹ AC Nielsen retail audit February 2019 submission adjusted for the impact of VAT, when applicable, by the management.



Consumer-segment revenues recorded AED 282 million and grew by 8.6 percent y-o-y. In Water, 5-gallon home and office distribution business in the UAE, and our international markets (KSA, Turkey, Kuwait) have increased their revenues—8.5 percent and 24.9 percent, respectively—whereas bottled water in the UAE has not grown against a backdrop of lower market prices (than those of the first quarter of last year) as a result of ongoing heavy promotional activity in the home market that is prevailing in the category since April 2018. In Food, net revenue increased by 41 percent; “Trading Items” more than doubled its top line on account of new range of products in the sales portfolio and now contributes 54 percent of Food revenues. *Agri-segment* revenues recorded AED 226 million in the first quarter of this year. Flour net revenues stood at AED 101 million and posted 14 percent growth y-o-y driven by higher domestic volume and wheat sales. On the other hand, Animal Feed—AED 125 million in revenues—remained 12 percent behind last year mainly as a result of lower grain sales.

Group net profit² prevailed at AED 40 million, staying AED 7 million short versus last year. Lower subsidy-related income in Flour—remaining 50 percent subsidy in Bakery is zeroed out as of January 1st this year—has been one of the larger contributors in the shortfall. Lower average price per case in bottled water is another material factor behind lower net profit (in quarter one of last year—before prices began their sharp descent in the second quarter—our average price per case was approximately 6 percent higher than the most recent quarter in 2019).

Group total assets as of 31 March 2019 stood at AED 3.1 billion, representing 5.5 percent growth versus year-end 2018 mainly due to the change in accounting standards (implementing IFRS 16) and higher cash. Group shareholders’ equity as of 31 March 2019 was AED 1.9 billion.

I am pleased with our Group’s performance in the first three months of 2019 as we retain our leading market positions and financial resilience. As we continue to face and beat our challenges, I can assure you that we will also continue to do our best by working even harder in order to keep our promise to create sustainable value for the benefit of all of our stakeholders.



Eng. Dhafer Ayed Al Ahabbi
Chairman
30 April 2019



² Attributable to shareholders