

DIRECTORS' REPORT

The Directors are pleased to present the Annual Report together with the Audited Financial Statements of Emirates Foodstuff & Mineral Water Company PJSC ("Company") for the year ended December 31, 2006.

FINANCIALS

AED '000	<u>2006</u>	<u>2005</u>
Net Sales	433.6	400.4
Gross Profit Margin	17%	15.4%
Net Profit	29.1	28.7
Total Assets	822.8	741.2
Shareholders Equity	685.2	656.1
Earning Per Share	0.0485	0.0478
P/E Ratio	26.8	62.3

In a highly competitive environment your Company recorded a sales growth of 8.3% to AED 433.6 million (2005 restated sales : AED 400.4 million). Despite the unprecedented rise in grain prices in the international market , your company delivered a gross profit margin improvement of 160bp to 17% from 15.4% of last year through a combination of price increase and cost efficiencies. However, the gain at gross profit was partially offset by significantly higher sales, distribution & admin expenses escalated mainly due to higher transport & insurance cost, increase in electricity charges, provision against old trade receivable and organizational expenses , including one time cost. Net Profit at AED 29.1 million grew by 1.4% compared to last year.

The water business sales at AED 73.6 million witnessed a strong growth of 22% and an outstanding gross profit margin improvement of 370bp to 39.7% compared with last year of 36%.

Flour and Feed business sales at AED 360 million recorded a growth of 5.8% while gross profit margin at 12.3% improved by 50bp vs last year.