

Directors' Report

The Board of Directors of Agthia Group PJSC ("the Company") is pleased to present to its shareholders the Company's Annual Report and audited Financial Statements for the year ended December 31, 2009.

2009 was characterized by sustained growth at Agthia. The Company's record results came at a difficult economic time in the UAE, across the region and globally. Despite this challenging backdrop, the Company's management team maintained its track record of continued growth, achieving another strong performance at the Group level.

The Company has entered the "Sustainable Growth" phase of its strategy, aiming to become the leader in its chosen categories, leveraging its brands, pursuing regional expansion, product portfolio expansion and continuously improving resource efficiencies.

The financial results underline the commitment and ability of the management team to deliver on its strategy that aims to create sustainable, long term, profitable growth for its shareholders.

Group Highlights: Sustaining Growth

AED Millions	2009	2008	Change
Net sales	921.4	853.9	+8%
Gross Profit Margin	27.2%	20.9%	+630 bp
Operating Profit	108.2	77.8	+39.1%
Profit for the Year	105.7	73.7	+43.4%
Total Assets	1,190	1,060	+12.2%
Shareholder's Equity	899	795.3	+13%
Earnings Per Share	0.176	0.123	+43.4%
Return on Capital	17.6%	12.3%	+530 bp
Return on Equity	13.3%	10.2%	+310 bp

Sales

Agthia recorded an 8% increase in net sales to AED 921.4 million for 2009. This compares to AED 853.9 million in the same period last year. Sales were underpinned by volume growth across all product lines and in the water & beverages business in particular. The integration of Capri Sun in the first half of 2009 also contributed to the sales growth.

All three business segments delivered strong volume growth compared with 2008. However, the decline in the animal feed selling price, caused by a reduction in the price of grain, meant sales revenues in the flour & feed segment were not in line with the volume increases. Sales in the Water & Beverage division grew by 49%, the Tomato Paste & Frozen Vegetable business delivered sales growth of 8%, while Flour & Feed sales, as explained above, remained flat despite 6% volume increase. We believe that the animal feed price decline has now leveled out.

Profitability

Net Profit for the year reached AED 105.7 million, representing year-on-year growth of 43.4%. The net profit growth was predominantly driven by an improvement in the gross profit margin, higher sales volumes and the favorable impact of the ongoing cost saving initiatives that continued through the year. These record results are in line with management's desire to grow profit faster than sales.

Gross profit margin for the year increased to 27.2% from 20.9% in 2008, reflecting an improvement of 630 basis points, mainly generated by the flour business. While the first half saw unusually high profit margins in flour business where wheat prices fell faster than the retail price of flour, the second half saw the profit margins return to normalized levels.

Earnings per share for the year grew by 43.4% to AED 0.176 compared to AED 0.123 in 2008 following a trend similar to profit growth.

Costs

Selling and General Administration Expenses (SG&A) in 2009 reached AED 146.2 million, an increase of 28.5% year-on-year. This is primarily due to the consolidation of costs in 2009 relating to the Capri Sun business, as well as the costs associated with the new factory in Egypt that were not included in last year's consolidated results. On a comparable basis, growth in SG&A is 21%, reflecting higher distribution costs (volume related), the full year impact of the Tomato Paste & Frozen Vegetable business and normal inflationary increases.

Cost of Goods Sold, at AED 671 million, remained almost flat compared to last year despite strong volume growth primarily due to the drop in grain prices. In 2009, a state subsidy of AED 154 million from

the Abu Dhabi Government was recognized in the Accounts as a reduction from cost of goods sold. The purpose of the subsidy was to reduce the impact of high grain prices on food retail prices for consumers in the Abu Dhabi Emirate. This social commitment by the Government is welcomed by Agthia.

Balance Sheet

The Group's balance sheet remains solid. All key financial indicators reflected strong performance:

- Net cash of AED 248.3 million was generated from operations.
- Debt to equity ratio remained low at 10.6%.
- Return on Capital, at 17.6%, reflects an improvement of 530 basis points over last year.
- Return on equity also improved, reaching 13.3% compared to 10.2% in 2008.
- Trade receivables remained flat versus last year despite the sales growth, demonstrating the tight management of the Company's working capital.

BUSINESS DIVISIONS

Flour & Animal Feed

The Grand Mills brand remains a leading brand in both flour and animal feed in the UAE. In line with Agthia's commitment to gradually reduce its reliance on the flour & animal feed business, and to diversify into higher margin businesses, the contribution to total group revenue by this division further dropped by 6 percentage points, to 73%, in 2009.

Despite the 6% volume growth delivered by the flour & feed business, revenues at AED 669 million remained almost flat as the result of drop in animal feed prices compared to last year due to a decline in grain prices. The flour and animal feed gross profit margin improved by 700 basis points to 23% in 2009. This improvement mainly came from the flour business during the first half of the year when the decline in wheat prices outpaced the decline in the market selling price of flour. As outlined above, as the market selling price began to decline in line with the drop in grain prices, the margin has almost reached a normalized level during second half of the year.

Currently, the Company's flour mill is running at full capacity and additional flour demand is met by outsourcing to third parties. Agthia's management plans to increase the Company's flour milling capacity by 50% by installing a new milling plant involving estimated Capex of AED 50 million. Management expects to begin production in the second half of 2011. Additional capacity will meet the Company's current and future requirements and will ultimately help to improve margins in this business.

Increasing focus is being placed on flour retail packs, specialty flour and mixes and frozen products. These products continue to represent a good growth opportunity for Grand Mills. Management has increased the number of animal feed distribution channels that will provide the Company with a competitive edge and will help to increase volumes. In addition, the animal feed programmes introduced for dairy and poultry have been received well by customers.

The UAE flour and animal feed sector is becoming increasingly competitive. As a consequence, it will be a challenge to maintain the current level of high profitability while management is focused on maintaining its existing market share.

Water & Beverages

Al Ain Water is the number one brand in Abu Dhabi with volume market share of 41%, and a strong number two player in the UAE with 24% volume market share. The water and beverages business represents 22% of total Group revenues, corresponding to an increase of 6 percentage points over last year's figure.

The water and beverages business sustained its strong growth track record in 2009 despite a challenging and competitive market. This division achieved sales of AED 206 million, representing 49% growth. Discounting the Capri Sun juice line that was launched in March 2009, the water business sales grew by 23%, while volume recorded a growth of 31%.

The water and beverages gross profit margin also improved by 100 basis points to 43% compared to last year. This increase in profitability is due to the effects of cost saving measures and the related drop in PET prices.

The integration of Capri Sun has been successful, with production and distribution commencing on schedule in late March 2009. The market acceptance and response has been favorable, and the plant is almost running at full capacity.

New production lines for the Capri Sun juice and bottled water are expected to come on stream in the first quarter of 2010. This will allow continued growth in production capacity to meet demands from the domestic and export markets for both bottled water and Capri Sun juice.

Tomato Paste & Frozen Vegetables

Al Ain Vegetable has a leading position in the UAE tomato paste segment and a growing presence in the increasingly important frozen vegetable sector. This new business segment was integrated into the Company in early 2008. At the end of 2009, it contributed 5% to total group sales.

The division's sales grew by 8% to AED 46 million against the backdrop of a challenging global tomato paste market. The division's gross margin, at 23%, declined by 5 percentage points as a result of a fall in global tomato paste prices and the inflow of cheaper and poorer quality tomato paste from China. This development has created intense competition in the domestic and export markets. The management has adjusted its strategy to improve the margin and drive volumes for this business.

This new division has focused on enhancing its brand. A range of new, higher margin products, including olive oil, tomato paste products in tetra packs and sachets, and tomato sauces was introduced during 2009. Management is encouraged by the take up of these new products. Looking ahead, other new product launches are in the pipeline.

The Company's new tomato paste factory in Egypt commenced shipment in August 2009. Most of the volume was shipped to the Company's UAE factory with a small quantity directly exported to international markets. The factory is expanding its production line to include fruit puree, french fries and frozen vegetables.

Subsequent Events

The first quarter of 2010 has seen no significant events. New Capri Sun juice and bottled water lines are expected to come on stream in the first quarter of 2010. While uncertainty continues in the global markets, including the UAE, Agthia's business continues to perform in line with management expectations.

Directors

The present Board of Directors were re-elected at the Annual General Meeting on April 24th 2008 for a term of three years.

Directors' fees of AED 1.3 million relating to 2008 were paid to Board members in 2009. In 2009 remuneration was AED 1.5 million.

Dividend

Board of Directors is pleased to recommend 5% cash dividend for the year 2009.

Auditors

The present Auditors M/s KPMG, are not eligible for reappointment. According to Company's Article of Association external auditors should be replaced every five years. The Board therefore recommends appointment of M/s Ernst & Young as external auditors of the Company for the year 2010 at the Annual General Meeting.

Future Outlook

We remain optimistic about the prospects for future revenue and profit growth as the Company pursues its strategy of introducing new and value added products, continued geographical expansion and high operating efficiencies. However, from a macroeconomic perspective, the Company remains cautious of the uncertainties surrounding the current economic & financial environment in the UAE, regionally and globally.

Financial Reporting Framework

The Directors of Agthia Group PJSC, to the best of their knowledge, believe that:

- The financial statements, prepared by the management of the company, fairly present its state of affairs, the results of its operation, cash flows and change in equity.
- The Company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards (IFRS), as applicable in the UAE, have been followed in the preparation of these financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no doubt about the Company's ability to continue as a going concern.

Code of Corporate Governance

The Board of Directors and management of the Company are committed to the principles of Good Governance. A full report on the Company's corporate governance activities has been provided in the Corporate Governance section of this Annual Report.

Incentivisation / Remuneration

The Board of Directors recognizes the importance of aligning the management interest with those of the Company's shareholders. In order to strengthen this alignment, Agthia's existing stock incentivisation scheme has been expanded to include a greater number of senior managers across the Group. The programme builds upon the existing performance bonus incentives that rewards individuals based on their ability to achieve annual financial targets. The stock scheme further rewards management with Agthia stock based on the overall performance of the Company, measured on a three year compounded EPS growth target basis, and the performance of the individual. Specific financial, operational and development goals are set each year.

New Corporate Identity

During the second half of 2009, the Company began working on refreshing its corporate identity to reflect the changing characteristics of the business and to being a modern and nimble organization. This Report reflects the new corporate identity adopted by the Company.

The Company's total commitment to quality and its passion for balanced eating, drinking, and living well, is behind the drive to produce wholesome foods that help families from all nationalities grow stronger, so that they can lead lives full of vitality. A commitment to the Company's position at the heart of the region drives the businesses at every stage of the food chain, guides its attitude towards sustainability, and strengthens the relationships with employees, customers, suppliers, partners, and shareholders.

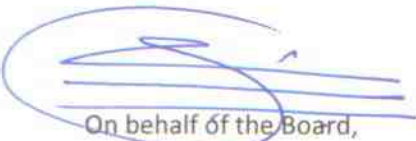
Health, Safety & Environment (HSE)

Agthia's management is committed to the implementation of sound quality, health, safety and environmental practices based on international standards (ISO 14001, OHSAS 18001) and best practices. Agthia has demonstrated its initial step on improving overall HSE performance by creating a dedicated Quality Assurance and SHE department reporting to the CEO. The initiatives are aimed towards introduction of waste management, accident prevention, increased employee welfare, and effective risk management.

Corporate Social Responsibility (CSR)

Agthia will implement a robust CSR program with many initiatives. In a move towards this programme we have initiated measures to reduce the Company's usage of energy, further reduction of PET usage in bottles, and introduction of recycling through successful targeted campaigns. Our focus for CSR initiatives will be built on the pillars of Health and Wellness, Food Safety and Security, Environmental Protection and People Development.

The Board would like to take this opportunity to thank our business partners, employees and the shareholders for their continued support and recognises their vital role in making all our efforts successful.



On behalf of the Board,

H.E. Rashed Mubarak Al Hajeri

Chairman

Dated : March 25, 2010