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The Board of Directors of Agthia Group PJSC is pleased to present to its shareholders the Company's Annual Report and audited Financial Statements for the year ended December 31, 2010.

2010 saw a continuation of the well established trend of profitable growth, with the overall business performance being in line with our expectations. The year was characterized by Company's sales revenue crossing the one billion dirham mark. The Company is in its "sustainable growth" phase of its strategy and is successfully progressing with the execution of initiatives that are helping to drive sustainable growth; including expanding the Company product portfolio, further strengthening the distribution network, entering new margin enhancing categories and improving resource efficiencies. Additionally the investment in building and expanding our current brands and the growth of our brand portfolio are delivering results. All of these initiatives are designed with the underlying strategic goal in mind: to increase shareholder value and to become UAE's leading food and beverage group.

Group Highlights

AED millions	*2010*	*2009*	*Change*
Net sales	1,006	921.4	+9.2%
Gross profit margin	25%	27%	-200bp
Operating profit	112.1	108.2	+3.6%
Profit for the year	115.7	105.7	+9.4%
Total assets	1,337	1,190	+12.3%
Shareholders' equity	984	899	+9.5%
Earnings per share (AED)	0.193	0.176	+9.7%
Return on capital	19.3%	17.6%	+170bp
Return on equity	11.8%	11.8%	

Sales

Net Sales for the Group crossed the one billion dirham mark reflecting a growth of 9.2% year on year while delivering a strong 19% growth quarter on quarter. Over a period of four years (2006-2010), the Group has achieved an impressive CAGR of 23% in Sales revenue.

The total year growth is attributable to solid performance of water & beverages business delivering an impressive 28.5% sales growth and Animal Feed business achieving 12% growth. This rise in sales was primarily driven by increased distribution and securing of new customers.

Overall Group revenue growth was softened as a result of 4.5% decline in flour volume partly due to an isolated instance of disruption to production in one of the

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flour mills (now fully operational), some supply shortage experienced in the outsourced flour volume and the non-recurring flour sales to Charity organization during the Ramadan season. Volume recovery initiatives are linked to capacity expansion planned in the second half of 2011.

Profitability

Net profit for the year grew 9.4% year on year reaching AED 115.7 million. Over a period of four years (2006-2010), the Group has delivered an impressive Net Profit CAGR of 41%.

The two percentage point decline in gross profit margin mainly resulted from animal feed business, attributed to higher grain cost, while market selling price and Government subsidy didn't fully offset the increased input cost. Profitability was also impacted by the non-supply of subsidized raw tomato from UAE farms this year. Excluding the impact of non supply of raw tomato from UAE farms, net profit grew by 19% year on year.

Corrective action has been initiated to restore feed business profitability, including a cost-reduction program, expansion of production capacity replacing the high outsourcing cost, and optimizing pricing opportunities where possible.

The Company also realised AED 14.2 million in other income. This includes AED 6 million in management fees for handling the procurement of wheat on behalf of the Abu Dhabi Government, which has made donations to neighbouring countries, AED 2 million gain on sales of raw material and the release of AED 2 million of provisions that were made in previous years.

Earnings per share for the year grew to AED 0.193 compared to AED 0.176 in 2009, matching the trend in profit growth.

Costs

Cost of Goods Sold at AED 753.8 million grew by 12% versus the sales growth of 9.2%. The cost increase is mainly attributed to the fact that the market selling price and Government subsidy on animal feed didn't fully offset the significant increase in feed grain input cost. In 2010, a subsidy of AED 152 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 Emirates. This social commitment by the Government is welcomed by Agthia.

Selling and General Administration Expenses (SG&A) at AED 154.4 million, represents an increase of 5.6% year on year. This increase is due to more aggressive marketing investment to support the brands, the full impact of Capri Sun related expenses (launched in March 2009), increased distribution expenses

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related to higher volume & increased diesel cost, and other inflationary increases.

Balance sheet

The Group's balance sheet remains solid with a debt/equity ratio of 15% and a cash balance of AED 269 million. Despite the sales volume growth, inventory at AED 214 million declined by 8% versus last year reflecting strong working capital management.

Business Divisions

Flour & Animal Feed

Flour and animal feed brand, Grand Mills, maintained its leading brand position in both flour and animal feed in the UAE.

In line with strategy to gradually reduce Group's reliance on the flour and animal feed business by diversifying into higher margin businesses, the flour and animal feed business contribution to total group revenue was further reduced by five percentage points in 2010 to 68% (2006 contribution 83%).

Flour and animal feed net sales at AED 687.4 million in 2010 reflects a growth of 3% year on year and 16% quarter on quarter. The growth is attributed to the strong sales performance of animal feed business which grew by 12% year on year. On the other hand, flour sales year on year declined by 6% percent partly due to an instance of production disruption in one of the flour mills, a supply shortage experienced in the outsourced flour volume, and the non-recurring flour sales to charity organizations during the 2010 Ramadan season. Flour volume recovery initiatives are linked to capacity expansion planned in the second half of 2011. "Grand Mills" 10 kg flour retail pack is performing strong and has now secured number one position with a market share of 39%. To meet the increasing demand, additional new packaging line has commenced production.

Flour and animal feed business profit, despite overall increase in sales volume, declined slightly to AED 114 million versus AED 115 million in 2009. This is due to the sharp drop in gross profit margin of feed business by 7 percentage points due to the reasons explained above. Corrective action has been initiated to restore feed business profitability, including a cost-reduction program, expansion of production capacity, and optimizing pricing opportunities where possible. Management is optimistic that these actions will result in the improvement of animal feed business profitability during 2011.

Water & Beverages

Al Ain Water has maintained its leading brand position in Abu Dhabi Emirates and is the strong number two player in the UAE. In 2010, the contribution of the water and beverage business to total group revenues increased by four percentage points to 26 percent (2006 contribution 17%).

The water and beverages division, despite a challenging and competitive market, has continued its strong performance with sales growing by 28.5% year on year to AED 264.8 million and profit reaching AED 45.8 million. Quarter on quarter, sales and profit for the water and beverage division grew by 23% and 14% respectively. The total year sales revenue growth was driven by a solid 30% increase in bottled water sales volume and a 56% increase in Capri Sun juice drink volume. The Company continues to expand its distribution both in domestic and export markets.

During the year a new Capri Sun and two bottled water production lines were installed to meet the increasing domestic and export markets demand. The new "hot fill" bottling line has also commenced production and will enable the Company to further expand its product portfolio. This new line is the first of its kind in the world and introduces a breakthrough technology in the hot fill industry. This revolutionized hot fill line will not only enable the Company to produce hot fill products using at least 30% less PET (Polyethylene Terephthalate) than the existing lines in the market, but will also deliver energy savings.

Processed Fruits & Vegetables
This division has maintained its leading position in the branded UAE tomato paste segment and is continuing to grow its presence in the increasingly important frozen vegetable segment. At the end of 2010, it contributed 5% to total Group sales.

The division's sales grew by 16% year on year while its domestic "branded" tomato paste products and frozen vegetables grew by 31%. All focus and investment has been diverted to build the "branded" business, and gradually move away from the low margin private label export business which accounted for 55% of last year's sales.

Non supply of subsidized fresh tomato from UAE farms, pest disease in Egypt's tomato crop, and the lower export price of tomato paste in the global market led to a loss of AED 12 million in this segment.

The Company has initiated a number of actions and has adjusted its strategy with the objective of returning to profitable growth in this business. These initiatives have already started delivering positive results with second half loss reduced significantly to AED 3 million versus first six months loss of AED 9.2 million.

2010 was the first full year of operation for our Egypt business and has performed in line with our expectation. Export volumes have picked up, with an increase in both tomato and chilli paste sales volume. Egypt's tomato crop was significantly impacted by a pest disease and unusual hot weather conditions

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destroying more than half of this year's summer crop. This has resulted in short supply of raw tomato at higher cost. These factors have prompted the Company to drive volumes of other products such as chilli paste, fruit puree and private label tomato and chilli paste in glass jars.

New Business Initiatives

During 2010, the Company announced its entry into three new segments. These key expansion and diversification initiatives are part of Company's sustainable profitable growth strategy and upholds Agthia promise of a "total commitment to quality, naturally".

A franchise agreement was signed with Sodima of France for exclusive rights to manufacture and distribute fresh dairy products under the "Yoplait" brand in the GCC. Yoplait is the number two global brand in the fresh dairy product segment. The factory is under construction and production, as planned, is expected to begin in Q3 2011.

Agthia will also enter the processed fresh fruit, juice, and vegetable segment, providing an opportunity to further expand its product portfolio in processed fruits and vegetables while servicing the UAE's expanding hospitality and catering industry needs. Production is expected to begin in Q3 2011.

Agthia's entry to the fast-growing and high-margin frozen baked segment will bring the latest frozen baked technology to the UAE while creating the potential for regional expansion. Production is expected to begin in Q2 2012.

Future outlook

The Company is capturing opportunities in its different growth pillars, in a global and regional economic environment which remains challenging. The Company has adopted a sustainable business model as it pursues its strategy of product diversification, distribution expansion, high operating efficiencies, investment in brands and new manufacturing capabilities, we remain optimistic about the prospects for future revenue and profit growth.

However, from a macroeconomic and geopolitical perspective, the Company remains cautious of the prevailing uncertainties in the region and globally. The continued price surge in soft commodities and PET (Polyethylene Terephthalate) are a source of concern as the company may not be able to pass on the full input cost increase to its consumers and customers.

Subsequent Events

The first quarter of 2011 has seen no major events which may have significant impact on the Financial Statements of 2010.

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Directors

The office term of present Directors will expire on April 27, 2011. The retiring Directors are eligible to contest election.

Directors' fee of AED 1.2 million relating to 2009 was paid in 2010 to Board members. Remuneration for 2010 was AED 1.4 million.

Dividend

The Board of Directors is pleased to recommend 5% cash dividend for the year 2010.

Auditors

The present auditors M/s PriceWaterhouseCoopers retire and being eligible, offer themselves for re-appointment at the Annual General Meeting.

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 the Annual Report.

Incentivization/remuneration

The Board of Directors recognizes the importance of aligning the management interest with those of the Company's shareholders. To support this strategy, Agthia's stock incentivization scheme includes a number of senior executives and managers across the Group. The program compliments the performance bonus incentives that reward individuals based on their ability to achieve annual financial targets. The stock scheme rewards management with Agthia stock based on the overall performance of the Company, measured on the basis of a three-year compounded EPS growth target and the performance of the individual. Specific financial, operational, and development goals are set each year.

Financial reporting framework

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

a. 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.

b. The Company has maintained proper books of accounts.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

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d. International Financial Reporting Standards (IFRS), as applicable in the UAE, have been followed in the preparation of these financial statements.

e. The system of internal control is sound in design and has been effectively implemented and monitored.

f. There is no doubt about the Company's ability to continue as a going concern.

The Board takes this opportunity to thank our shareholders, employees, and business partners for their continued support and recognizes their vital role in making all our efforts successful.

On behalf of the Board

HE Rashed Mubarak Al Hajeri
Chairman
March 22, 2011

The Agthia Promise
A total commitment to quality, naturally

100% Recycled Paper

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