

Directors' Report

Dear Shareholders

We have made a solid start to 2008 and I am pleased to report that despite a challenging business environment for the F&B industry, the Company's results for the quarter ended on March 31, 2008 were strong and clearly ahead of the industry growth as a whole. Net revenue rose by 41% while profit soared 104% compared to the same period of last year.

Higher volume and pricing drove the sales growth, while strong profit growth resulted from a combination of higher volume, pricing, strategic procurement and cost saving initiatives. Gross profit margin improved by 460 basis point to 22.5%, or a growth of 77%, which was partially offset by higher marketing, selling and general & administrative expenses. Marketing spend reflects the strategic investment behind brand building and promotional activities. Higher selling & general administrative expenses increased due to the impact of a new organization set-up which is required to meet future robust growth plans, coupled with general inflationary increases in overheads.

The combine Flour & Feed sales, at AED158 million, registered a growth of 39% over the corresponding period, while despite the soaring grain prices the Gross Profit margin improved by 490 basis points reaching 19.6%, mainly resulting from efficient procurement of grains and manufacturing efficiencies.

In order to protect the consumer from the impact of soaring grain prices in the international market and to stabilize the consumer prices of flour and feed in the local market, the Government of Abu Dhabi continue to compensate the Company for the high grain cost. This commitment by the Government of Abu Dhabi is welcomed by the Company.

Al Ain Water continued to strengthen its strong footing with sales growing at 55% (excluding Ice Crystal 46.5%) and gross margin improvement of 90 basis points. Ice Crystal, a five gallon water business acquired in December 2007 has now been fully integrated within Al Ain Water.

The establishment of the "Capri Sun" juice production plant in Al Ain and tomato paste plant in Egypt are progressing as per schedule. The integration of Al Ain vegetable Processing & Canning Factory in January 2008 is ongoing and the strategy to revamp the business is also in progress.

Outlook

We are focused on delivering sales & profit growth both in the short and long term. We are committed to delivering strong results by focusing on strategy, execution excellence, intelligent risk taking and successful teamwork. The Company is committed to providing better products and solutions to our consumers and customers, to reducing the cost of doing business and to providing the highest standard of service. Ultimately these will drive growth in both sales and profit.

Barring any unforeseen macro economic challenges and business conditions in relation to price hikes of imported raw materials, particularly grains, the outlook for the year remains positive.

On behalf of the Board



Majed Salem Al Romaihi
Vice Chairman