

Directors' Report

The Directors are pleased to present the company's financial results for the first quarter ended 31 March 2009.

The results for the first quarter of 2009 represent a positive start to the latest phase of the company's strategic development. Despite the scale of the global economic turmoil, Agthia remains largely unaffected, reflecting the strength of the company's strategy, the success of its execution and the defensive qualities of the Food and Beverages sector.

A strong performance was delivered during the first three months of 2009, driven mainly by increased sales volumes across all divisions, achieving above average growth across all key financial metrics. Overall, the performance builds on Agthia's exceptional performance during 2008 and lays a strong foundation for the Company to deliver sustained growth to shareholders over the coming years.

Agthia remains committed to becoming the best food and beverage group in the UAE, with the best products, people, brands, business practices and, most importantly, performance.

Group Highlights: Strong start to 2009

AED Million	2009	2008	Change
Net Sales	222	186	20%
Gross Profit Margin	36%	23%	1300bp
Net Profit	46.5	18.4	152%
Earnings per Share (AED)	0.077	0.031	152%

Results Analysis

Results were strong across all of Agthia's businesses, with each division delivering strong revenue growth. Group sales for the quarter reached AED 222 million, up 20% from 2008 (12% excluding new businesses not included in last year's result). Revenues were predominantly driven by increases in sales volumes, with operating companies Flour and Feed and Al Ain Beverages delivering year on year revenue increases of 11% and 30% respectively. The Tomato Paste and Frozen Vegetable business (TP & FV), not consolidated in quarter 1, 2008, contributed 5%, or AED10 million, to revenues this quarter. Improved brand strength and enhanced marketing and distribution resulted in volume growth across the business.

In terms of profitability, the results were ahead of trend in this particular quarter, which partially benefited from the inventory write-down taken in 2008, and the lower grain prices whereas the market price of flour remained unchanged during the period. This together with a drop in PET price resulted in the gross profit margin improvement. Profit for rest of the year is not expected to grow at this pace as the market prices of flour & feed products have started falling due to drop in grain prices. The Management expects the profit growth to continue, but at a sustainable trend.

Selling & General Administration Expenses (SG&A) increased 22% year on year to AED 32.8 million. The increase primarily relates to TP & FV and Capri Sun which were not included in the results the previous year. Without these new businesses the SG&A increased 4%.

Net profit was positively affected by the reasons explained above and recorded a growth of 152% to AED 46.5 million, versus AED 18.4 million in the same period of 2008. This in turn resulted in Earnings per Share for the period of AED 0.077, more than doubling from AED 0.031 per share in Q1 2008..

Flour & Feed

The combined Flour and Feed business once again delivered strong results, with net sales of AED 175.5 million, an 11% year-on-year increase. This growth was achieved through an increase in sales volumes versus the same period of last year. Gross profit doubled during the period, reaching AED 60.9 million, due to the reason mentioned above. We expect the base volume growth to continue, but at a sustainable level.

Flour & Feed remains the largest division within the group, and now represents 79% of total group revenues in the first quarter, unchanged from the end of 2008 and down from 85% at the end of the first quarter of 2008. This reduction is in line with the group strategy to reduce the proportion of group's revenues from this division and follows the diversification into high margin businesses. Looking ahead, the division continues to explore expansion into value added products.

Water & Beverages

The first quarter of 2009 was a highly positive period for the Company's flagship brand, Al Ain, as total sales reached AED 36.5 million, a 30% increase on the same period of 2008. The Al Ain Beverages business now represents 16% of group revenues.

Gross profit reached AED 15.2 million, up 37% compared to the first quarter of 2008. Gross margin also improved to 42% from 39% in the corresponding period of 2008. This improvement was realised by improved production cost efficiencies, cost saving initiatives and drop in PET prices.

The first quarter of 2009 saw the official integration of the Capri-Sun franchise into the beverages division. Production and distribution started in March 2009 and management is excited by the growth potential offered by this new venture in the UAE and beyond. The

Capri-Sun business represents an important step towards the division's aim of regional and product range expansion.

Tomato Paste & Frozen Vegetables

The Al Ain Tomato Paste & Frozen Vegetables division delivered healthy results in the first quarter of 2009, achieving revenues of AED 10.4 million. The division also recorded a gross profit of AED 3.8 million equal to a gross margin of 37%.

The green field production facility in Egypt, announced in 2008, is now complete with commercial production expected to commence in the second quarter of 2009. The facility will be the sourcing point for tomatoes paste for the company's factory in Al Ain and will also export its produce to international markets.

The Tomato Paste and Frozen Vegetable division, which was acquired in early 2008 and therefore not included in Q1 2008 numbers, is now fully integrated into the Group's financials and represents 5% of group revenues in the first quarter of 2009.

Outlook

As the results demonstrate, Agthia has performed well during the first quarter of 2009 and has made further progress to becoming one of the leading players in the UAE food and beverages industry. The company's core businesses continue to exceed internal expectations, and the Group outperforms the market, whilst the new business lines have produced encouraging results. This bodes well for future revenues.

In terms of profitability, the company continues to focus on efficiency optimisation, tight cost controls and high margin new product introduction, aiming to maximise shareholder returns. Management sees the Company as a strongly defensive business, and is positive that it can continue to avoid any major impact from the current economic crisis. Agthia remains positively positioned to continue delivering growth and development across all of its businesses.

Naturally, a further worsening of economic conditions could put pressure on the Company's expansion plans as credit remains increasingly difficult to obtain. However, management is encouraged by the moves by the UAE government to stimulate the economy generally and the credit market specifically.

In summary, the Company is looking forward to further improving its performance during the remaining months of the year.

On behalf of the Board



Rashed Mubarak Al Hajeri
Chairman