

Directors' Report For The Period Ended June 30, 2007

The Directors are pleased to present the half year Financial Statements of Emirates Foodstuff and Mineral Water Company (Agthia) PJSC ("Company") for the period ended 30 June 2007.

We continue making progress in the second quarter of the year on our Financial Turnaround strategy set at the beginning of the year achieving a solid YTD June sales growth of 30.5% at AED 267.4 million and 20.6% rise in Net profit over the same period of last year, as a result of higher volume and pricing. Second quarter profit was impacted by significantly higher grain prices in the international market where hard wheat price went up by 60%, soft wheat and barley almost 100% and corn prices increased by over 50% versus last year.

Despite disproportionate increase in the grain prices negatively impacting our profitability, we managed to deliver 160bp gross margin improvement or 43% growth (ahead of the sales growth) through strategic buying of grains, price and volume increases and cost saving initiatives. The improvement at gross profit was partially off set by higher overheads attributed to the set up of new head office structure and preparing the organization for the future.

Flour sales registered 29% increase over the last corresponding period while Gross Profit remained under pressure due to soaring grain prices. Animal Feed on the other hand had great performance as Sales grew by 37% over 2006. Despite difficult business environment the combined Flour & Feed sales grew by 32% over last year.

Al Ain Water has further strengthened its strong footing with sales growing at 22% and gross margin improvement of 440bp. Water volume registered a strong growth of 25% versus last year resulting from distribution gains particularly in Modern Trade, enhanced product visibility and displays and exports to GCC. In the recent quarter Al Ain achieved leadership position in Abu Dhabi with 40.7% value share and number one value share position in supermarkets nationwide at 27.7% (ACNielsen April/May audit).

On June 29th, Agthia signed a Distribution Agreement with the leading Canadian coffee and tea manufacturer – Mother Parker Tea & Coffee Inc. The deal will see AGHTIA managing the distribution of Mother Parker's products throughout the UAE via the Al Ain Water Organization. Given Al Ain's strong, established distribution channels and its experienced sales team, we believe this synergistic partnership with Mother Parker will definitely add value to our shareholders and will result in long-term enhancement of the profit margin of Agthia as a company.

During the period under review the Company generated a cash of AED 26.6 million bringing the cash balance to AED150.8 million as on June 30, 2007 which reflects the efficient working capital management the Company follows.