

DIRECTORS' REPORT

For the period ended June 30, 2008

On behalf of the Board of Directors of Agthia Group PJSC, I am pleased to present to our shareholders the company's financial results for the first six months of the 2008 financial year.

Agthia has performed extremely well in the first half of the year, reflecting the success of the Financial and Strategic Turnaround initiatives that was first adopted by management in 2007. The improvements in operational and financial performance across the Group are testament to the strength of the strategy itself, and the ability of management to successfully implement it.

Management is well on track in the implementation of the initiatives, which ultimately aims to create the UAE's Best Food and Beverages company from a financial, operational and brand perspective. In 2007, the Company embarked on a two phased strategy – remarkable progress has been made on the Financial Turnaround while Strategic Turnaround is currently in the execution phase.

Results for shareholders speak for themselves. Earnings per share in this period has increased by 97% to 0.126 AED per share as compare to 2007 year end.

Group Highlights – Performance Remained Strong

- For the six months to June 2008, Sales grew to AED 385 million from AED 267 million, representing a growth of 44% over the same period last year
 - Q2 sales alone reached AED 199 million, for a 47% increase versus 2007

- First Half Net profit of AED 38 million, represents an increase of 94% compared to the same period last year
 - Q2 net profit alone of AED 19 million is 86% up on the same period last year
- First Half gross profit margin increased to 20.7% versus 18.3% in 2007
 - Q2 gross profit margins of 18.9% versus 18.7% in 2007
- Earnings per share improved to AED 0.126, reflecting a 97% growth versus 2007 year end

Results were strong across the Businesses despite some very tough trading conditions, particularly the soaring grain prices in the global market. Revenue growth in each of Agthia's operating companies grew significantly, with total sales in the first six months of AED 385 million, up from AED 267 million in the first six months of 2007 and representing an increase of 44%. After a strong first quarter, the trend continued into the second quarter, with sales reaching AED 199 million, up from AED 136 million in the same period in 2007. Significant increase in volume and pricing were the key Sales growth drivers.

Growth in Net Profits was even stronger, with a 94% increase from the first half of 2007. The increase in profitability was due to a number of factors, including higher volume, production efficiencies, pricing and efficient procurement of grain. Selling & distribution expenses increased due to strong volume growth resulting in higher distribution cost (volume related) and full impact of the new organization structure.

The company's balance sheet remained very healthy, with a debt to equity ratio of 17.8%.

The total inventory balance increased to AED 297 million following management's strategic decision to increase grain inventories to counter volatile global grain prices, which materialised in the first half of 2008. This decision had a favorable impact on the company's input costs in the first half of the year.

Company Name Change

The shareholders approved the change of Company's name from "Emirates Foodstuff & Mineral Water Company (Agthia) PJSC" to the simplified name, "Agthia Group PJSC" in the Extra Ordinary Meeting held on May 1, 2008. The new name more appropriately reflects the nature of the Company's business and is better aligned to its Vision.

Summary Results - Group

Sales

Figures in AED millions	H1 2008	% change on 2007	Q2 2008	% change on 2007
Group	385	44%	199	47%
Flour and feed	321	43%	163	47%
Water	64	50%	35	46%

Gross margins

	H1 2008	Q2 2008
Group	20.7 %	18.9%

Net profit

	H1 2008	% change on 2007	Q2 2008	% change on 2007
AED Millions	38	94%	20	86%
Margin	9.9 %		9.8 %	

Business Divisions

Flour and Feed

Global grain shortages continued to put pressure on international grain prices which reached a record high in 2008. Your company, however, managed to mitigate the impact of higher grain cost by adopting effective strategic procurement initiatives.

Feed & Flour sales of AED 321 million, represents a 43% increase over the same period last year, mainly attributable to higher sales volume and pricing. Gross Profit margin also improved from 13.7% to 16.6% as compared to the corresponding period last year due to favorable pricing impact, increased production volume and the procurement initiatives.

The Government of Abu Dhabi continues to compensate the Company to minimize the effects of exorbitant grain prices which led to increased input cost. In doing so, the Government is providing invaluable support and protection to consumers from the impact of elevated grain prices. We appreciate the commitment of the Abu Dhabi Government to maintaining the stability of flour and feed prices in the Emirate of Abu Dhabi.

Water

Our water business once again exceeded expectations by recording total sales of AED 64 Million, a growth of 50% over the first half of 2007 or a solid 41% excluding the impact of the newly acquired Ice Crystal business. Water sales volume registered a strong growth versus last year resulting from distribution gains, particularly in the Modern Trade channel, enhanced product visibility and in-store displays and the strong performance of the 5 gallon Ice Crystal brand which has now been fully integrated within our Al Ain Water business.

The integration of Capri Sun is progressing on schedule and we expect the production and distribution to commence in Q1 2009. In addition, the company also recently launched a new line of nutrient enriched water for children, "Water Plus with Calcium and Fluoride", which has been well received by the market.

Frozen Vegetable & Tomato Paste

The integration of Al Ain Vegetable & Tomato Paste business acquired in January 2008 is ongoing and we hope to have this completed by third quarter this year. The initial financial results, as yet not included in the consolidated financials, reflect sales at AED 22 million, representing a 105% year on year growth, and profits at AED 2 million, versus a loss of AED 1 million in the same period last year.

We are currently focusing on improving revenues and profit. The strategy involves rationalization of the product portfolio, organizational restructuring, improvement of production efficiencies and procurement, revamping of the brand and capitalizing on pricing opportunities. We are encouraged by the progress made so far and with the growth potential of the tomato paste and frozen vegetable categories.

The establishment of Greenfield production facility in Egypt is moving as per schedule and the production is expected to start in Quarter 4, 2008.

Outlook

Agthia is fully committed to delivering strong results by following its well defined strategy and continuing to adopt operational excellence across the business. The objective of the strategy is to profitably grow the business and become the Best Food and Beverage Company of the UAE.

The company's results to-date underline the significant improvements that have been taking place across the business which have led to the creation of value for the Shareholders.

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

On behalf of the Board of Directors



Abu Bakr Siddiq Khouri

Board Member

29 July 2008