Directors' Report

The Board of Directors of Agthia Group PJSC ("the Company") is pleased to present the Company's financial results for the first six months ended June 30, 2010.

During the first half of the year, Company's overall performance was in line with expectation. The Company is successfully progressing with the execution of initiatives that are helping to drive sustainable growth, including expanding its product portfolio, further building out its distribution network, brand building, as well as entering new categories that complement its existing portfolio and helping to expand into new, higher margin product lines.

The Company is in a strong position to continue delivering increased shareholder value as it progresses towards its goal of becoming UAE's leading food and beverage group.

Results Analysis

Net sales for the group increased by 5% year-on-year, or 6% quarter-on-quarter, reaching AED 477.4 million. This result was driven by a particularly strong performance in the Company's water and beverage division which achieved a 36% sales growth year-on-year. This rise in sales was primarily driven by an increased investment in marketing and distribution activities and securing of new institutional customers.

Overall Group revenue growth was softened as a result of a industry-wide decrease in animal feed prices during the period under review. In addition, the Company saw a 4% fall in the volume of flour compared with the same period last year partly due to an isolated production disruption in one of the flour mills during June 2010 (expected to be fully resolved by August) and some supply shortage experienced in the outsourced flour volume. In the interim, the volume gap due to production disruption is being partially met through outsourcing arrangements. Initiatives are lined up to recover part of the lost flour volume during the second half of the year.

Excluding the impact of lower feed prices, non supply of subsidized raw tomato from UAE farms this year and one-time extraordinary gain related to increased profits in the flour business a year ago, where wheat prices fell faster than the selling price of flour, net profit remained flat versus last year, at AED 54 million.

Selling & General Administration Expenses (SG&A), at AED 78.2 million, represents an increase of 10% over the same period of last year. The increase is mainly attributed to more aggressive level of marketing investment to support the brands, the full impact of Capri Sun related expenses (launched in March 2009), increased distribution expenses related to higher volume, and other inflationary increases. Excluding Capri Sun and incremental marketing expenses, the SG&A grew by 4.2%.

The Company also realised an additional AED 12.3 million in extraordinary 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

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neighbouring countries. In addition, due to our prudent financial management, we were able to release an additional AED 2 million of provisions that were made in 2008-09.

The Group's balance sheet remains strong with a debt/equity ratio of 19% and a cash balance of AED 246 million.

Flour & Animal Feed

The division recorded net sales of AED 329 million, a 5% decline year on year. This is due to the drop in animal feed prices (although the volume grew by 4%), and a 4% drop in flour sales volumes partly due to an isolated production disruption and some supply shortage experienced in the outsourced flour volume. In the interim, the volume gap due to production disruption is being partially met through outsourcing arrangements. Initiatives are lined up to recover part of the lost flour volume during the second half of the year.

Net profits for the division declined 24% to AED 64.1 million due to the one off boost in profitability in the flour business during the same period a year ago, where wheat prices fell faster than the retail price of flour, in addition to a decline in feed prices witnessed this year. As a result of these factors, the gross profit margin decreased by 7 percentage points.

The management is focused on ensuring that the feed division profitability returns to normality by initiating cost reduction programs and improving the product volume mix. The division has also launched the price fighter "Asalah flour" brand in May 2010, as part of its dual brand strategy, and has further expanded its animal feed municipality distribution network.

In line with its business diversification strategy, the Company recently announced to set up a frozen baked product plant in Abu Dhabi at an estimated cost of AED 65 million. The project will bring the latest frozen baked technology to the Middle East with production planned to commence in the later part of 2011. The move will allow the Company to enter the fast growing high margin frozen baked segment and provide potential for regional expansion.

Water & Beverages

The division continued its strong performance with sales growing by 36% to AED 123.5 million and profit reaching AED 17.4 million driven by 39% increase in volume. Quarter on quarter, the sales and profit grew by 27% and 57% respectively.

While profit growth in this segment was strong, in the short term it was somewhat diluted by a significant investment in marketing activities which aims to deliver sustainable, long term returns for the Company through increased revenues and profitability. The lower gross profit margin can also be attributed to the rapid growth of our institutional business. Although a lower margin business, institutional business (for example Airlines) is an important driver of volume and therefore has the effect

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of boosting awareness and loyalty to the "Al Ain" brand. The Company continues to expand its distribution both in domestic and export markets.

The new "hot fill" bottling line will commence trial production in Q3, 2010 and will enable the Company to further expand its product portfolio. This new line will be the first of its kind in the world to introduce 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 than the existing lines in the market, but will also deliver energy savings. Additionally, in order to meet the increasing water demand, an order for a new bottling line has been placed and will come on stream in Q4, 2010.

Fruits & Vegetables

This division has maintained its leading position in the UAE tomato paste segment and a growing presence in the increasingly important frozen vegetable segment. The division's sales grew by 22% versus last year. The division's domestic "branded" tomato paste products and frozen vegetables grew by 17% and 25% respectively versus last year.

Non supply of subsidized fresh tomato from UAE farms, higher trade spent in export market to support the newly opened distribution channels, and lower export price of tomato paste in the global market led to a loss of AED 9 million in this segment.

As stated in the last report, the Company has initiated a number of actions and is adjusting its strategy with the objective of returning to profitable growth in this business. The Company expects these initiatives to deliver better results starting second half of the year. As part of the action plan, all focus and investment has been diverted to build the "branded" business, expand the product portfolio, rationalization of SKU, and gradually move away from low margin private label export business. In addition various cost reduction initiatives have been undertaken including sourcing of raw materials and the organization restructuring whereby water & beverage management team has taken over the responsibility of this division effective July 1, 2010.

As part of Company's strategy to expand its product offering, the Company has decided to enter the processed fresh fruit and vegetable segment by setting up a new production facility within its existing Al Ain factory. This segment provides the division an opportunity to further expand its existing product portfolio. This fast growing segment is sizeable and provides an additional stepping stone towards the sustainable growth of this division.

Export volumes from the division's Egypt based factory have picked up, production of frozen french fries has commenced and the newly introduced red chilli paste product has surpassed the Company's expectation.

It is worth highlighting that Egypt's tomato crop has significantly been impacted by a pest disease and harvest is expected to be 25-30% lower compared to last year level. This will result in short supply of tomato paste and increase in cost. We are

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evaluating the situation, its impact, and will take appropriate actions to ensure the supply. In the meantime, the Company has expedited its production plans of frozen vegetable and started the glass jar line producing tomato and chilli paste.

Outlook

Company's first half performance is in line with our expectations. We are capturing opportunities in our different growth pillars, even in a global economic environment which remains challenging. The Company has adopted a sustainable business model and 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 a sustainable sales and profit growth.

On Behalf of the Board
Chairman
21 July 2010

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