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**Emirates Foodstuff & Mineral Water Company (AGTHIA) PJSC**

**Comments on 9 months results ended September 30, 2006**

**Income Statement**

Sales at AED 326m are 3% ahead of last year. Net Profit at AED 23.3m reflects a strong growth of 10% vs the same period of last year. Net Profit as percentage of Sales at 7.1% improved by 40bps vs same period of last year, this improvement is basically attributed to improved gross profit margin.

Al Ain Water achieved a very strong sales growth of 27% mainly coming from higher sales volume, while Flour & Feed business remained almost flat vs the same period of last year. The strong Water performance is the blend of higher pricing, healthy product mix, aggressive sales initiatives behind distribution expansion and in store visibility. Marginally weaker Flour business is attributed to the absence of raw wheat sales during the period under review and competitive pressure resulting in lower export prices. Animal Feed sales remained flat vs last year as the result of competitive activities.

Gross profit margin improved significantly by 260bps to 16.8%. This was achieved from reduced product cost (direct labor) and the full year impact of price increase of water business.

Sales, Distribution & Admin expenses are up significantly primarily due to higher transport expenses linked to steep petrol price increase, higher insurance cost, increase in electricity charges, bad debt provision and organizational expenses including one time cost.

Higher interest income was generated from higher deposit during the period under review.

## Balance Sheet

Inventory reduction of AED 29m reflects inventory level dropping below the ideal level at the end of September 2006. The situation will normalize in October 2006 with the arrival of new shipment of wheat.

Receivable & Prepayment have increased by AED 21.6m. Actions have been initiated to accelerate collection and strengthen our credit control function.

Reduction of AED 15.7m in payable & accruals reflect the payment to vendors for supply of materials.

One of the top priorities of management is to address the sub optimal working capital situation, plan is being worked out to improve the overall working capital performance of the Company.

## Outlook for the year

Profitability of the Company is under pressure following the recent significant hikes in wheat and PET prices in the international market. The impact of these will be felt in the forthcoming quarters with the arrival of new imported shipments of raw material at higher prices. To partially offset the impact of higher raw material cost , we have implemented price increases in selected categories.

We expect the sales to follow a positive trend , however, as indicated above, higher imported wheat and PET cost are expected to negatively impact our profitability although management is taking all possible steps to minimize the impact.



## Appointments

Following the appointment of Mr. Ilias Assimakopoulos as the CEO effective July 1 , 2006 and Mr. Iqbal Hamzah as the CFO effective August 1, 2006, we are pleased to announce the appointment of Mr. Fasahat Beg as the General manager of Al Ain Water effective August 1, 2006 and Mr. Jacek Plewa as the General Manager of Grand Mills for Flour & Feed effective November 1, 2006.