

Directors' Report

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

Your Company continued making progress in the third quarter of the year on its Financial Turnaround Strategy set at the beginning of the year. We have achieved a solid YTD September Sales growth of 29% at AED 411.3 million, and Net Profit at AED 28.5 million increased by 22% compared to the same period of last year as a result of higher volume and pricing.

Grain prices in the international market have not yet shown any signs of ease, and the trend is expected to continue in the near future (current prices of wheat, corn and barley have increased almost two fold versus 2006), on top ocean freight has more than doubled and the high local inflation is putting pressure on our profitability. According to the major international grain dealers, the world wheat reserve is at its lowest level in the last 25 years.

Despite the disproportionate increasing trend of grain prices in the global market, gross profit grew by 42%, faster than the sales. Gross Profit margin at 19%, improved by 170 basis points over last year resulting mainly from pricing, improved volume/mix, and cost saving initiatives. Gain at gross profit, however, was partially offset by the strategic investment behind marketing and promotional activities (water business) and the higher overheads attributed to the set up of new head office structure, preparing the organization for the future and the inflationary increases.

The combined Flour & Feed Sales at AED 340 million registered a growth of 29% over the corresponding period while despite the soaring grain prices, the Gross Profit margin improved by 147 basis points compared to the same period of last year. Flour gross profit margin dropped by 120 basis points due to significantly high wheat prices while Feed profitability improved to 13.7% (2006: 8.3%) reflecting better mix, higher pricing, cost savings and production efficiencies.

Al Ain Water in July has unveiled its exciting new brand image as it looks to broaden its market share and distribution throughout the UAE. The Company is very confident that its new, more modern and dynamic image will help it make a bigger splash throughout the Emirates. Initial trade and consumer response has been very encouraging. Al Ain Water continues strengthening its strong footing with sales growth of 30% and gross margin improvement of 270 basis points over

last year. Our focused initiatives on brand building, improved distribution and product visibility (particularly modern trade) and export have resulted in a volume increase of 27% versus last year.

In order to protect the consumer from the impact of soaring grain prices in the international market and to stabilize the consumer prices of flour & feed in the local market, the Government of Abu Dhabi has agreed to partially compensate the Company for the high grain prices for a limited period. We thank the Government of Abu Dhabi for this social commitment.

Your company has signed an MOU to acquire Ice Crystal, a leading 5 gallon water brand based in Abu Dhabi. The deal will see Al Ain Mineral Water Company (a 100% subsidiary of Agthia), managing the production and distribution of Ice Crystal water throughout Abu Dhabi, and eventually to the rest of UAE. The acquisition of Ice Crystal is a strategic move by the Company to enter the sizeable and fast growing 5-gallon bottled water market..

Our YTD performance has been strong despite the fact that we are being faced with considerable challenges as mentioned above, however, the management has initiated necessary steps under its control to mitigate the impact and consequently the outlook for the year remains positive.

The Board would like to take this opportunity to express its appreciation to the employees of the Company for the commitment, hard work and cooperation throughout the period. We would like to thank our shareholders for their continued support.

On behalf of the Board



Rashid Mubarak Al-Hajeri
Chairman,
Abu Dhabi - 29th October, 2007