

DIRECTORS' REPORT

For the period ended Sep 30, 2008

On behalf of the Board of Directors of Agthia PJSC, I am delighted to present to our shareholders the company's financial results for the period ended 30 September 2008.

The company's growth momentum continues, with high double digit growth across its key financial performance indicators. Having achieved strong results in the first two quarters of 2008, the third quarter results once again reaffirm the highly positive effect that the Financial and Strategic Turnaround initiatives have had on the company's performance.

The food and beverage industry in the region continues to grow well, illustrating the sector's defensive quality, despite general market conditions both in this region and internationally. Against this backdrop, this is the seventh consecutive quarter that Agthia has delivered very strong sales, profit and EPS growth, which continue to be driven by a clearly defined strategy and a commitment to achieving the company's mission: to make Agthia the Best Food and Beverages company of the UAE.

Results for shareholders were very strong, with earnings per share for the quarter of 0.120 AED, reflecting a 88% increase compared to December 2007.

Group Highlights – Performance Remained Strong

- For the nine months to September 2008, Sales grew to AED 599 million from AED 411 million, representing a growth of 46% over the same period last year
 - Q3 sales alone reached AED 215 million, for a 49% increase versus 2007
- For the nine months, Net profit of AED 54 million represents an increase of 90% compared to the same period last year

- Q3 net profit alone of AED 16 million is 81% up on the same period last year
- Earnings per share improved to AED 0.120, reflecting an 88% growth versus 2007 year end
- Return on Capital improved to 12% versus 2007 of 6.4%

Despite one of the most dramatic periods in the modern history of the world's economy, the company remains insulated from the affects of the global credit crisis and avoided any fallout from reduced consumer spending. [Agthia has no exposure to any risky investments nor has it incurred any mark to market losses]. However, a deepening of the global financial crisis may put further pressure on the UAE economy and subsequently impact on Agthia's future performance.

Revenue growth in each of Agthia's operating companies grew significantly, with total sales in the nine months of AED 599 million, up from AED 411 million in the nine months of 2007 and representing an increase of 46%. After a strong second quarter, the trend continued into the third quarter, with sales reaching AED 215 million, up from AED 144 million in the same period in 2007. Volume growth and pricing, as with the previous quarters, remained a significant contributor to revenue growth.

Net Profits showed a 90% increase from the first 9 months of 2007. This increase was driven by higher volumes, improved production efficiencies and capacity utilization, pricing and efficient procurement of grain during the period under review, as with the previous quarter. Selling & distribution expenses increased mainly due to strong volume growth resulting in higher distribution cost (volume related), marketing activities and full year impact of new organisation set up.

Once again, the company's balance sheet remained very healthy, with a debt to equity ratio of 23.8% and current ratio of 2.1 times.

Increase in trade & other receivable reflects the compensation receivable amount of AED 258.3 million from the Abu Dhabi Government, of which AED 150.7 million, relating to the first six months of the year, has already been received in October 2008.

It is worth mentioning that despite the sales growth of 46%, trade receivable remained flat versus last year, reflecting the tight credit control management.

Summary Results - Group

Sales

Figures in AED millions	YTD Sep 2008	% change on 2007	Q3 2008	% change on 2007
Group	599	46%	215	50%
Flour & feed	498	47%	178	55%
Water	101	41%	38	28%

Gross margins

	YTD Sept 2008	YTD Sept 2007
Group	20.8 %	19.0%

Compensation on Flour & Feed (Abu Dhabi Emirates volume only) from the Abu Dhabi Government is recognised as a deduction from cost of goods sold. Had the compensation been recognised as Sales, the restated Gross Profit margin would have been 14.6% (2007 18.6%). The drop in margin reflects the higher input cost of grains

Net profit

	YTD Sept 2008	% change on 2007	Q3 2008	% change on 2007
AED Millions	54	90%	16	82%
Margin	9.0 %		7.6 %	

Business Divisions

Flour and Feed

Having reached a record high in 2008 due to global grain shortages, it was encouraging to see grain prices beginning to ease off following the global financial crisis and a higher than anticipated harvest. The continued decrease in grain prices represents highly positive news for the flour and feed industry and bodes well for the company's future performance in this market.

Feed & Flour sales of AED 498 million, represents a 47% increase over the same period last year. This increase was realised mainly by higher sales volumes. Compared to the corresponding period of last year, Gross Profit grew ahead of the Sales growth at 73%, as a result of higher volume, favourable pricing impact, increased production volume and the procurement initiatives. As part of the company's ongoing initiative to improve margins through launching value added products, in Quarter 3 the company launched new flour retail packs aimed at end consumers. The response from trade and consumers has been very encouraging.

Water

The third quarter of 2008 was once again a highly successful one for the company's water business, with total sales reaching AED 101 Million, a growth of 41% over the same period of 2007 or a solid 33%, excluding the impact of the newly acquired Ice Crystal business. Water sales volume registered 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.

The company is progressing swiftly towards its objective of becoming the market leader in the UAE's small format bottled water segment and is pleased to report that the Al Ain brand has now secured the number 1 position, in terms of market share, in the UAE Supermarket channel. This is highly encouraging news which will allow the company's beverages division to continue its strong growth and development.

The integration of Capri Sun is progressing on schedule and we expect the production and distribution to commence in Q1 2009.

Frozen Vegetable & Tomato Paste

The third quarter of 2008 saw the Al Ain Vegetable & Tomato Paste business, which was acquired in January 2008, become fully integrated into the company. The initial financial results, not included in the consolidated financials, reflect sales of AED 33 million, a 101% year on year growth. Profits for the period were AED 3.5 million, against a loss of AED 1.7 million in the same period last year, as a result of the multi-faceted turnaround strategy that is being successfully implemented at the company.

The company is still focussed on improving revenues and profit by rationalizing the product portfolio, organizational restructuring, improving production efficiencies and procurement, revamping the brand and capitalizing on pricing opportunities. The progress made so far has been highly encouraging and the growth potential of the tomato paste and frozen vegetable categories remain strong.

As mentioned previously, the establishment of a Greenfield production facility in Egypt is still moving as per schedule and production is expected to start in Quarter 4, 2008.

Outlook

As the results show, Agthia is making great progress to becoming a leading name in the UAE food and beverages industry. The company's core businesses continue to perform admirably, and with the addition of new products, and the enhancement of existing products, the outlook for future revenue and profit growth remains favourable. Management is confident that the company can continue to avoid any impact from the global financial crisis; however a deepening of the crisis may put pressure on the company's short term performance.

On behalf of the Board



Rashed Mubarak Al Hajeri

Chairman

Dated: October 28, 2008