

DIRECTORS' REPORT

For the period ended September 30, 2009

On behalf of the Board of Directors of Agthia Group PJSC ("the Company"), I am pleased to present to the shareholders the results of the Company and its subsidiaries for the nine months period ending September 30, 2009.

Against the backdrop of challenging economic conditions that have been felt across the region in 2009, Agthia delivered a combination of growth and increased profitability in the first nine months of the year. Having successfully completed a number of turnaround initiatives; the Company is now well placed to capture opportunities such as entering new business categories, diversifying its product offering, especially into higher margin segments, regional expansion, and continuously improving resource efficiencies. Management across the group is committed to delivering on the strategy of maintaining sustainable, long term profitable growth and value creation for its shareholders.

Group Highlights – Sustaining Growth

Agthia's performance for the first nine months demonstrates the strength of Group's core businesses and the effective implementation of management's strategic and financial initiatives.

Quarter 3 Results

- Strong sales growth of 11% reaching AED 238 million
- Net profit rose by 17% to AED 19.1 million

Nine Months Results

- Group Sales reached AED 695 million, a growth of 16% versus the same period last year
- Gross profit margin improved by 9 percentage points to 30%
- Group net profit increased to AED 95 million, up 75% versus same period last year

The Company continued to grow its sales and profits during the period in review, registering a 16% increase in sales to AED 695 million. This compares to AED 599 million in the same period last year. This was mainly driven by strong volume growth on the back of increased distribution channels across businesses. Furthermore, the new tomato paste production facility in Egypt began shipment in August. Flour & animal feed, the Company's biggest segment; saw sales increase by 2% compared with a 10% increase in volume growth. The difference in volume versus sales growth is attributable to a decrease in the price of feed caused by the reduction in grain prices. This price fall has now almost leveled out.

The water & beverage segment saw a solid 47% increase in sales. Discounting the Capri Sun juice line, which was launched in March 2009, the water business sales and volume grew by 25%.

Tomato Paste & Frozen Vegetables division delivered sales of AED 37 million.

The 17% increase in net profits, to AED 19.1 million, represents a slow down from the previous two quarters. This is due to a AED 6 million stock provision that was taken in the third quarter. This partial provision has been taken as a precaution and relates to a claim against some below grain spec stock received by the Company. The Company will not compromise its high standards of material and expects to receive the full claim settlement. Excluding this provision, the net profit would have increased by 54%.

Gross profit margin improvements for the flour & feed and the water & beverage businesses led to the Group's 75% increase in earnings for the nine months period compared to the same period last year. This margin improvement has been achieved primarily by cost saving initiatives and lower PET costs. In addition, the market selling price of flour did not drop in direct relation to the decline in wheat prices, resulting in improved margins. As the selling prices begin to decline in line with the drop in grain prices, profitability will slow down and is expected to normalize. Should the global trend of rising grain prices continue, this would impact the industry.

The increase in Selling and General Administration Expenses (SG&A) reflects an increase of 50% as compared to the same period last year. This is primarily due to the tomato paste & frozen vegetables business, the Capri Sun line and the new factory in Egypt that was not included in last year's consolidated results. Excluding the impact of new businesses, the growth in SG&A is 26%.

Earnings per share improved to AED 0.16 from AED 0.09 in the same period of last year, reflecting the profit growth.

The Group's balance sheet remains solid. AED 174 million cash was generated from operation during nine month ended September 30, 2009.

Results Summary

Figures in AED Millions	Period Ended Sept 2009	Period Ended Sept 2008	% change on 2008
Net Sales	694.8	599.2	16%
Gross Profit Margin	30%	21%	9pp
Net Profit	95	54.2	75%

Figures in AED Millions	Q3 2009	Q3 2008	% change on 2008
Net Sales	238.5	214.7	11%
Gross Profit Margin	25%	21%	4 pp
Net Profit	19.1	16.3	17%

Business Divisions

Flour & Animal Feed

The Company's flour and animal feed business continued to grow throughout the period under review. Sales volume grew by 10%, predominantly due to new feed distribution channels that were introduced during the period. However, the market-driven decline in retail feed prices meant net sales value grew at a lower pace of 2%, reaching AED 509 million. The flour mill is running at full capacity and limits Company's ability to profitably drive

flour volume. Management is currently focused on evaluating rapid capacity expansion options. In the meantime, the Company is outsourcing production for the additional flour requirements.

Increasing focus is being placed on flour retail packs in parallel to driving the specialty flour and mixes products that continue to represent a good growth opportunity for Agthia. Management has increased the number of feed distribution channels that will provide the Company with competitive advantage and generate additional sales volumes. In addition, the animal feed programmes introduced for dairy and poultry have been received well by the Company's customers.

The UAE flour and animal feed sector is becoming increasingly competitive. As a consequence, it will be a challenge to maintain current level of high profitability while management is focused on maintaining its existing market share.

In the first nine months of the year, the flour & feed division contributed 73% of total Group revenues. This is down from 83% in the same period last year, in line with the Company's strategy to reduce the proportion of the segment's contribution to the overall Group and to diversify into higher margin businesses.

Water and Beverages

The water and beverage division again grew strongly across all product ranges despite the challenging and increasingly competitive landscape. Management's strategy to diversify the distribution channels across the GCC region are now showing positive results, with export volumes continuing to grow in line with expectations. Agthia water and beverages products are now distributed to all GCC countries except Saudia Arabia. The performances of the Capri Sun products that are produced and distributed by the Company have outperformed expectations and continue to play a strong role in the growth of this segment. The success of this product range has led to full plant capacity utilization.

The division's total sales reached AED 148 million, representing a 47% increase from the same period last year. The water and beverages business now represents 22% of total Group revenues, up from 17% last year.

Gross profit margin also increased by 100 basis points year-on-year to 43% in the first nine months. This increase in profitability is due to the effects of pricing, cost saving measures and the related drop in PET prices.

New production lines for the Capri Sun and bottled water are expected to come on stream in the first quarter of 2010. This will allow the continued growth in production capacity to meet demands from the domestic and export markets.

Tomato Paste and Frozen Vegetable

This new division is in the early stages of execution for a number of strategic initiatives. A range of new higher margin products, including olive oil, tomato paste products and tomato sauces was introduced during the third quarter. Drop in tomato paste prices in the global market and the inflow of cheaper tomato paste (price and quality) has created fierce competition both in the domestic and export markets. As a result sales prices have declined, which has exerted some pressure on profitability. The division generated AED 37 million of sales, representing 5% of total Group sales.

The Company's new tomato paste factory in Egypt commenced production and shipment in this period. Most of the volume was shipped to the Company's Al Ain factory with the remaining production directly exported to the

international markets. The factory is expanding its production line to include fruit puree. Production will commence in the fourth quarter of 2009. The Company also plans to expand into frozen vegetables and French fries in the first quarter of 2010.

Outlook

Looking ahead, the Company remains cautiously optimistic given the ongoing economic environment in which it is operating. As yet the Company has not seen any significant effects of the challenging economic conditions on its financial and operational results.

The Group remains committed to its focus on sustainable, long-term profitable growth. The Company has progressed well against its stated strategy, having strengthened its core businesses, expanded successfully into new, higher margin businesses and is continuing to evaluate entry into new categories to deliver future growth. Agthia's healthy balance sheet allows the Company to capitalize on emerging opportunities in the future. Management continues to focus on its business model that aims to deliver sustained growth and improved shareholder value.

On Behalf of the Board



H.E. Majed Salem Al Romaithi
Vice Chairman