

AGTHIA GROUP PJSC DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present our first half report and consolidated financial statements of Agthia Group PSJC (“Company”) and its subsidiaries (“Group”) for the period ended 30th June 2019.

The first half of 2019 has unfolded with a relatively strong foot in terms of maintaining leadership, delivering top-line growth and protecting profits. Agthia’s water portfolio- Al Ain Water, Al Bayan, and Alpin- succeeded in preserving market leadership at 30 and 28 percent volume and value shares, respectively. It is worth highlighting that the overall market erosion exceeded Agthia’s registered decline in value. This is an accomplishment in the light of a persistent descent in market value of bottled water category in the UAE: MAT May 2019 market size declined by 2.5 percent versus last year¹. Our geographical and segmental diversification strategy played a vital role in contributing to revenue growth. When it comes to profitability, the Company managed to restrict the impact of lower water pricing, zero flour subsidy from the Bakery channel and higher commodity prices on profits.

Summary of the Company’s Financial Performance for the first half that ended on 30 June 2019:

<i>AED million</i>	H1 2019	H1 2018	% change
Revenues	1,062	1,008	+5.4%
Net profit – shareholders	84	109	-23.0%

<i>AED million</i>	H1 2019	YE 2018	% change
Total Assets	3,130	2,964	+5.6%
Shareholders’ Equity	1,910	1,922	-0.6%

The Group generated **AED 1.06 billion net revenues** for the period, demonstrating 5.4 percent growth y-o-y. Consumer-business contributed 56 percent to top line whilst agri-business generated the remaining 44 percent.

Consumer Business Division (CBD)

CBD net revenues for the first half of 2019 reached AED 597 million. **Water and Beverage** revenues for the period stood at AED 461 million, up 5.1 percent y-o-y mainly driven by international markets and home and office distribution business (HOD). *Saudi* operations proved robust progress in distribution, recording 38.4 percent top-line growth. In tandem, the ramp up in execution in *Kuwait* supported the outperformance of the international portfolio. In its turn, the *5-gallon* HOD business in the UAE displayed resilient top-line growth of 7.4 percent as shipped volumes were on the roll. On the other hand, price promotions in the *Bottled water* in the UAE resulted in reduced value growth while maintaining relatively similar volume levels despite a shrinking market. Conversely, **Food** (Dairy, TP&FV, Bakery, and Trading Items) sustained its remarkable growth trajectory with

¹ AC Nielsen retail audit May 2019 submission adjusted for the impact of VAT, when applicable, by the management.




net revenue up by 29.6 percent y-o-y. “Trading Items” which constitute more than 50 percent of Food revenues drove this growth, posting more than 70 percent y-o-y rise in its top line supported by new products range.

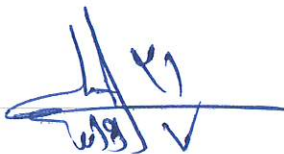
Agri-Business Division (ABD)

ABD net revenues for the first half of 2019 prevailed at AED 465 million. **Flour** displayed a 12 percent y-o-y revenue growth, stimulated by higher domestic volume and wheat sales. **Animal Feed** revenues of AED 260 million lagged 7 percent behind last year mainly as a result of lower volume due to reduced demand from small-sized farms and “izbas²”.

Throughout the period, the Group booked AED 84.1 million of **net profit**³. Owing to our adaptability to unfavorable conditions, the shortfall is noticeably reduced should we collate the adverse impact of each of the zero subsidy receipt against the flour sales in the Bakery channel, the upsurge in wheat and feed grain costs and lower average price of bottled water in the UAE.

Group total assets stood at AED 3.1 billion as of 31 June 2019, equivalent to 5.6 percent growth versus last year, reflecting the change in accounting standards (IFRS 16 implementation). **Group shareholders’ equity** came in at AED 1.9 billion for the period.

All in, it renders a great deal of determination by our management and employees to limit the adverse impacts on profits without compromising our leading market share but instead maintaining the gap versus competitors. This is an indisputable testament to our commitment to deliver the best value to our shareholders no matter what the circumstances are.



Eng. Dhafer Ayed Al Ahabbi
Chairman
6 August 2019



² Izba = small-sized traditional animal production farm

³ Attributable to shareholders