

AGTHIA GROUP PJSC DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present our nine-month report and consolidated financial statements of Agthia Group PJSC ("Company") and its subsidiaries ("Group") for the period ended 30th September 2019.

We have successfully completed nine months of fiscal year 2019 moving in the same direction of preserving a leadership market position, growing revenues and defending profitability. Agthia's water portfolio- Al Ain Water, Al Bayan, and Alpin- safeguarded market leadership at respective 30 and 28 percent volume and value shares. Such an achievement was realized in the face of UAE bottled water category continual weakening in volume and value yet at a higher pace than Agthia's recorded descent. In fact, MAT August 2019 overall market size in the UAE declined by 7.3 percent versus last year¹. Revenue growth momentum was the result of reaping the fruits of our geographical expansion and product category diversification. Profit protection continues against the descent in bottled water value, lost flour subsidy from the Bakery channel and higher commodity prices.

Summary of the Company's Financial Performance for the nine-month period that ended on 30 September 2019:

<i>AED million</i>	9M 2019	9M 2018	% change	<i>AED million</i>	9M 2019	YE 2018	% change
Revenues	1,548.4	1,484.6	+4.3%	Total Assets	3,145	2,964	+6.1%
Net profit – shareholders	117.2	158.6	-26.1%	Shareholders' Equity	1,942	1,922	+1.0%

The Group recorded **AED 1.55 billion net revenues** for the period, up 4.3 percent y-o-y. Consumer-business contribution to top-line is on the rise at 57 percent with the remaining 43 percent coming from the agri-business.

Consumer Business Division (CBD)

CBD generated AED 877 million net revenues during nine months of 2019. The international markets and 5-gallon HOD businesses continue to stir top-line growth of 3.5 percent y-o-y in the **Water and Beverage** segment residing at AED 690 million. Expanded distribution network and high speed line (HSL) installation in the *Saudi* market not only resulted in higher market share but also contributed to the 42.3 percent top-line growth across the kingdom. Similarly, the beyond-expected progress in *Kuwait* operations added to the outstanding performance of the international portfolio. In the UAE, higher shipped volumes of *5-gallon* triggered buoyant y-o-y revenue growth of 6.3 percent in HOD. Conversely, price promotions in the *Bottled water* put pressure on our volumes in favor of profit protection. Net revenues of **Food** segment (Dairy, TP&FV, Bakery, and Trading Items), on the other hand, rose by 26.2 percent y-o-y largely driven by 'trading items', which in turn constitute 51 percent of Food segment and solely grew by c. 70 percent y-o-y on new SKUs.

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



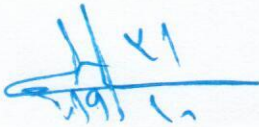

Agri-Business Division (ABD)

ABD net revenues came in at AED 672 million during the period. **Flour** revenues of AED 300 million logged in 14 percent y-o-y growth on elevated domestic and exported volume plus wheat sales. **Animal Feed** revenues went down by 8.7 percent on reduced volume due to lower grain sales and lessened demand from small-sized farms and “izbas²”.

Group net profit³ during the period stood at AED 117.2 million, amidst withdrawn bakery channel subsidy, which is the largest contributor in the shortfall, supplemented by the de-growth in bottled water category in the UAE and the rise in commodity prices (wheat and feed grains).

Group total assets reached AED 3.1 billion as of 30 September 2019, up by 6.1 percent over 2018, in tandem with IFRS 16 implementation. **Group shareholders' equity** came in at AED 1.9 billion for the period.

In summary, as we grow our revenues, defend our leading market share and limit the shortfall in profit whilst facing challenges, we will continue to work harder on preserving shareholders' value by all means.



Eng. Dhafer Ayed Al Ahababi
Chairman
31 October 2019



² Izba = small-sized traditional animal production farm

³ Attributable to shareholders