



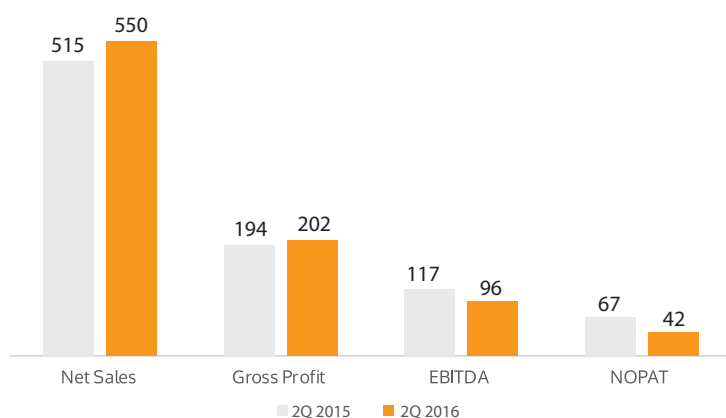
## Edita Food Industries Reports 2Q2016 Earnings

*Edita continues to report healthy growth and margin levels despite the challenging macroeconomic conditions and inflationary pressures on its cost base; Price-point migration strategy gained decisive traction in 2Q.*

### Highlights for 2Q2016

<b>Revenues</b> EGP <b>550.2</b> mn ▲ <b>6.9%</b> y-o-y	<b>Gross Profit</b> EGP <b>202.1</b> mn ▲ <b>4.3%</b> y-o-y
<b>EBITDA</b> EGP <b>96.3</b> mn ▼ <b>17.8%</b> y-o-y	<b>Net Profit After Minority</b> EGP <b>41.6</b> mn ▼ <b>37.9%</b> y-o-y

Snapshot of Results 2Q2016 (EGP million)



Summary Income Statement (EGP mn)

EGP mn	2Q2015	2Q2016	Y-o-Y Change (%)	1H2015	1H2016	Y-o-Y Change (%)
Revenue	514.8	550.2	6.9%	1,043.7	1,068.3	2.4%
Gross Profit	193.7	202.1	4.3%	396.3	407.8	2.9%
% Margin	37.6%	36.7%		38.0%	38.2%	
EBITDA	117.3	96.3	-17.8%	222.4	211.1	-5.1%
% Margin	22.8%	17.5%		21.3%	19.8%	
Net Profit	67.0	41.6	-37.9%	126.4	74.3	-41.3%
% Margin	13.0%	7.6%		12.1%	7.0%	

*The discussion and analysis in this report are based on the IFRS statements. For comparison of the results to Egyptian Accounting Standards, please refer to the section "Egyptian Accounting Standards Reconciliation to IFRS."*





## Results in a Nutshell

Edita Food Industries S.A.E. (EFID.CA on the Egyptian Exchange & EFIDq.L on the London Stock Exchange), a leader in the Egyptian packaged snack food market with dominating market shares in its core cake and croissant segments, announced today its results for the second quarter of 2016, reporting revenues of EGP 550.2 million, up 6.9% y-o-y compared to EGP 514.8 million in the same period last year. For the six-month period ending June 2016, revenues came in at EGP 1,068.3 million, up 2.4% year-on-year. Contributors to revenue continued to be weighed towards the cake and croissant segments at 50.3% and 33.4%, respectively, compared to 57.9% and 29.0% in the same period last year.

Edita showed strong growth in the croissant, rusks, and candy segments despite the seasonality witnessed during the month of Ramadan where demand for packaged snack foods is somewhat subdued. Edita's croissant and rusks segments posted solid revenue growth in 2Q2016 of 21.5% and 100.5%, respectively, buoyed by new capacities added in 2015 and the launch of the strudel line in March 2016. The candy segment also posted impressive sales growth of 18.7% y-o-y, while seasonal demand patterns for chocolate-coated wafers saw Edita's Freska sales (the company's flagship wafer product) decline by 14.3% y-o-y in 2Q2016.

Top line growth, however, was somewhat muted by the ongoing recovery in cake sales as the market adjusts to a new pricing structure on the higher-margin SKUs introduced to the segment in 4Q2015.

Importantly, management is pleased to report that the cakes segment is regaining momentum, reflecting growing consumer acceptance of higher-priced, higher-margin upsized Twinkies Extra. This is demonstrated in the slowing relative rate of decline quarter-on-quarter (cake sales were down 6.7% y-o-y in 2Q2016 against a drop of 15.3% y-o-y in 1Q2016). The product was introduced in September 2015 with the delisting of the Twinkies SKU. In line with management expectations, Twinkies sales volumes were initially impacted by the elasticity of demand. With the second half of the year traditionally being stronger than the first six months, Edita is better-positioned as a result of being ahead in its price point mitigation strategy, with market data showing other players in the sector are now following suit.

Also notable: Other new, higher-priced SKUs including the Molto Pate as well as the TODO Bomb and Twinkies Icing are exceeding the company's internal sales forecast.

Strong management of cost structure helped protect gross margins, which eased fractionally despite significant inflationary pressure, closing the quarter at 36.7% (2Q2015: 37.6%). Key aspects of the cost control program include the downsizing of several cake products and the reduction in margins allowed to traders. Relative stability in gross margins comes despite the ongoing shortage of foreign currency in Egypt and the March 2016 devaluation of the Egyptian Pound, the result of which has been rising direct materials costs. Coupled with the company's successful price-point migration strategy, GPM for 1H2016 was maintained at 38.2% compared to 38.0% in 1H2015.

Also impacting GPM is the booking of employee profit share expenses quarterly on an accrual basis based on its auditor's recommendation to adopt IAS 19 (announced in our 1Q2016 earnings). Edita has thus recorded EGP 6.5 million in employee profit share





costs in 1Q2016 and EGP 6.5 million in 2Q2016, based on the company's best estimate that total distributions in FY2016 will amount to EGP 26.0 million divided over the four quarters. In comparison, FY2015 saw EGP 22.0 million booked entirely during the first quarter of the year.

The change in accounting treatment as well as an additional one-month bonus distributed on the occasion of Ramadan and Eid El Fitr saw the proportion of employee distributions increase year-on-year across the company's manufacturing overheads (MOH), selling and distribution expenses, and general and administrative expenses.

EBITDA for the second quarter eased 17.8% y-o-y to EGP 96.3 million, while the EBITDA margin declined to 17.5% against 22.8% a year ago. This reflects significant increases in sales and marketing spending to support the successful roll-out of new products at higher price points — a move now being followed by others in the market. On a six-month basis, the decline in EBITDA was comparatively muted at 5.1% to EGP 211.1 million. EBITDA margin for 1H2016 stood at 19.8% against 21.3% in 1H2015.

Management notes that the company booked total provisions of EGP 4.7 million of which EGP 3.0 million relate to FX provisions to cover potential FX losses during the quarter. Management intends to continue booking FX provisions of EGP 3.0 million on a monthly basis until year end. Meanwhile finance costs increased from EGP 9.5 million in 2Q2015 to EGP 14.4 million in 2Q2016.

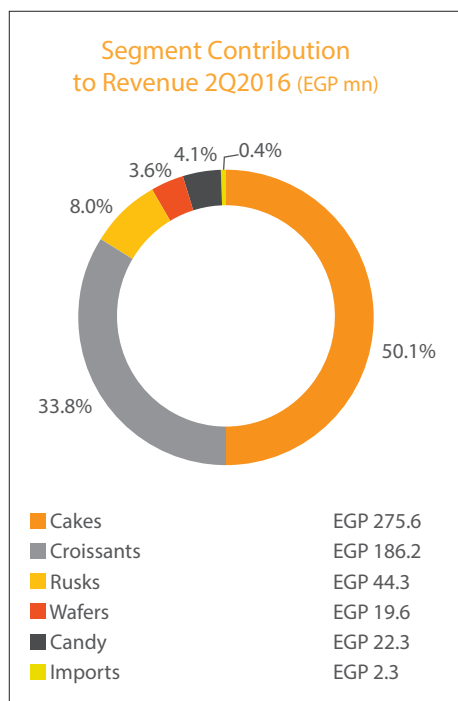
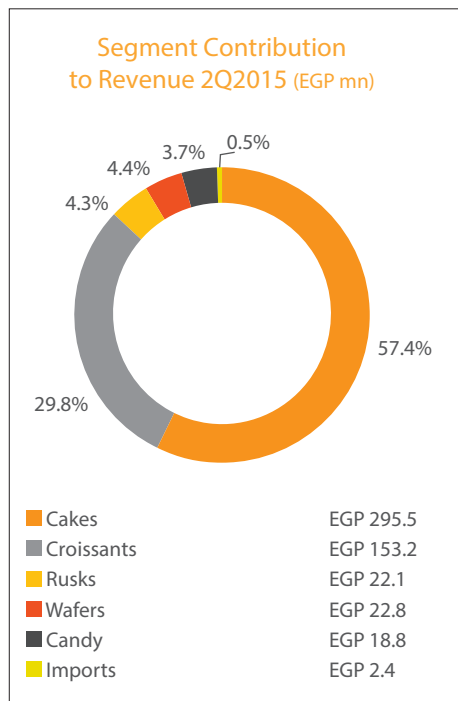
Edita's Net Profit after Tax and Minority Interest closed 2Q2016 at EGP 41.6 million, down 37.9% y-o-y and with a net margin of 7.6% compared 13.0% in 2Q2015. Meanwhile, on a q-o-q basis, bottom-line increased 27.2% with NPM improving 1.3 percentage points from 6.3%. Overall, the company's bottom-line for 1H2016 came in at EGP 74.3 million, down from EGP 126.4 million last year.

Finally, on the operational front, Edita is moving forward with its roadmap to launch new products with the introduction of Twinkies Icing in May 2016 in addition to the TODO Bomb and a new cake product with no peer in the market to follow suit in 3Q2016. All are higher-margin products that are produced using the cake capacity freed-up following the upsizing of the Twinkies SKU.

Further operational developments include that the company signed a contract to acquire around 12,878 square meters of land in Six October City's Polaris Al-Zamil Industrial Park, valued at EGP 19.0 million. The project aims to protect the recipe and knowhow confidentiality of the company's products, where a premix formula will be produced and supplied to all of Edita's factories. Additionally, the project will enhance efficiency and quality through standardization of all input blends.

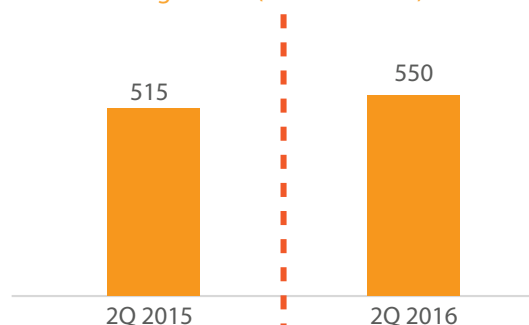
On the latest industrial operations developments, the company finalized a contract for a new wafer line with total capacity of 3,000 tons per year. The line is expected to be operational sometime in the second quarter of 2017 in our new E08 factory where construction is currently in progress.





## Revenues

Revenues Progression (in EGP million)



Despite the challenges faced during the second quarter of 2016, Edita posted revenue growth of 6.9% y-o-y to EGP 550.2 million. Revenue growth was primarily driven by the croissant, rusks and candy segments, growing by 21.5%, 100.5% and 18.7% y-o-y, respectively. Improved performances across the aforementioned segments were, however, partially offset by lower, albeit recovering, volume sales in the cake segment after the Twinkies upsizing, as well as an 11.2% y-o-y decline in wafer sales volumes.

Revenue growth was also owing to lower volumes being partially offset by an increase in Edita's price points across its product portfolio, standing at an average of EGP 0.80 in 2Q2016 compared to EGP 0.63 in the same period last year. In that regard, Edita is leading a major change in the market pricing structure, whereas the consumer gradually adapts to higher price points in the context of the current inflationary environment and weakening of the EGP.

Overall, Edita sold a total of 25.7 thousand tons across its five segments in 2Q2016, down from 27.2 thousand tons in the same period last year. On a year-to-date basis, the company sold 50.5 thousand tons in 1H2016, down 8.2% y-o-y from 55.0 thousand tons in 1H2015.

**Cake segment overview:** Total segment revenues eased 6.7% in the quarter to EGP 275.6 million, contributing 50.1% of 2Q2016 revenues compared to 57.4% in 2Q2015. The company is proactively launching a roadmap of new cake products using freed up capacity on the Twinkies lines at higher price points in 2016, bearing the fruit of the Hostess contract and the new technical know-how acquired as well as in-house R&D activities. The launch of TODO Bomb in 1Q2016 as well as the Twinkies Icing in 2Q2016, both of which are priced at EGP 2, the highest price point within the cake segment compared to an average of EGP 0.9, are the first steps of this roadmap and in line with the company's strategy to provide the market with higher value offers while protecting margins and achieving profitable growth. On a first half basis, the segment contributed 50.3% of revenues against 57.9% in the same period last year.

**Croissant segment overview:** For the second quarter of 2016, croissant revenues were up 21.5% y-o-y and 9.0% q-o-q reflecting the introduction of the new Molto Patte SKU following the commissioning of the segment's new strudel line in March 2016. The segment contributed 33.8% to Edita's top-line in 2Q2016 (1H2016: 33.4%), up from 29.8% in the same period last year (1H2015: 29.0%). For the first half, revenues from the croissant segment grew 17.9% y-o-y to EGP 357.0 million, mostly driven by the impact of capacity additions of the two new Molto lines commissioned during March 2015 and April 2015.







**Rusk segment overview:** In 2Q2016 rusks sales were up an impressive 100.5% y-o-y to EGP 44.3 million with overall sales for the first half posting a 64.8% y-o-y increase to EGP 77.0 million. Segment growth came as rusk production capacity doubled in December 2015 to 7.4 thousand tons per annum. Even with the capacity additions, the rusks segment continues to operate at full capacity utilisation post ramp-up phase initiated in December 2015, unlocking the capacity constraint and evident unmet demand existing in the market. The rusks segment constituted 8.0% of total revenues for the quarter (1H2016; 7.2%), up from 4.3% in 2Q2015 (1H2015: 4.5%).

**Wafer segment overview:** Revenues from the wafer segment declined by 14.3% y-o-y in 2Q2016 to EGP 19.6 million owing to market seasonality which typically sees lower demand for chocolate coated wafers during the summer months. This also coincided with the month of Ramadan during which demand for snack foods in general is subdued. Wafer revenues for 1H2016 meanwhile were down 3.1% y-o-y to EGP 45.3 million. The segment contributed 3.6% of Edita's total sales in 2Q2016 (1H2016: 4.2%) compared to 4.4% in the same period last year (1H2015: 4.5%).

**Candy segment overview:** Candy segment revenues came in at EGP 22.3 million in 2Q2016, up 18.7% y-o-y owing to capacity enhancements that increased total capacity versus the same period in 2015. Soft candy capacity also increased after adding a new packaging machine. The candy segment contributed 4.1% of Edita's total revenues in 2Q2016 (1H2016: 4.4%) compared to 3.7% in 2Q2015 (1H2015: 3.8%). For 1H2016 segment revenues were up 20.4% y-o-y to EGP 47.2 million.

A breakdown of blended factory prices for all product segments is below.

#### Average Factory Price Per Pack

EGP	2Q2015	2Q2016	% Change	1H2015	1H2016	% Change
Cakes	0.53	0.70	32.7%	0.53	0.69	30.5%
Croissant	0.85	0.93	8.6%	0.86	0.92	6.2%
Rusks	0.81	0.83	2.3%	0.81	0.83	1.9%
Wafers	0.77	0.75	-2.5%	0.74	0.75	1.8%
Candy	1.12	1.68	49.7%	1.11	1.51	35.8%
<b>Average Edita</b>	<b>0.63</b>	<b>0.80</b>	<b>26.5%</b>	<b>0.63</b>	<b>0.79</b>	<b>24.8%</b>

#### Total Segment Revenues and Volumes Sold

	2Q2015			2Q2016		
	Net Sales (EGP mn)	Packs (millions)	Tons (000s)	Net Sales (EGP mn)	Packs (millions)	Tons (000s)
Cakes	295	561	16.6	276	394	12.7
Croissant	153	179	8.0	186	201	9.4
Rusks	22	27	0.9	44	53	1.9
Wafers	23	30	0.8	20	26	0.7
Candy	19	17	0.8	22	13	1.0
Imports	2	-	-	2	-	-
<b>Total</b>	<b>515</b>	<b>814</b>	<b>27.2</b>	<b>550</b>	<b>688</b>	<b>25.7</b>

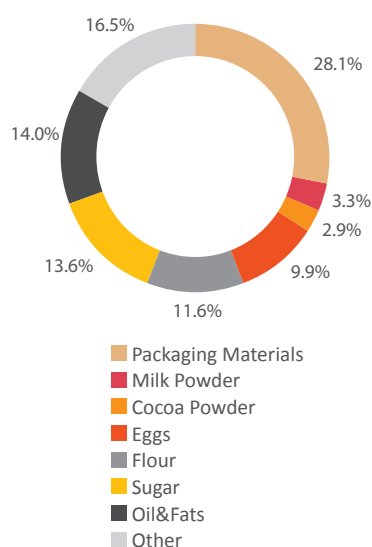




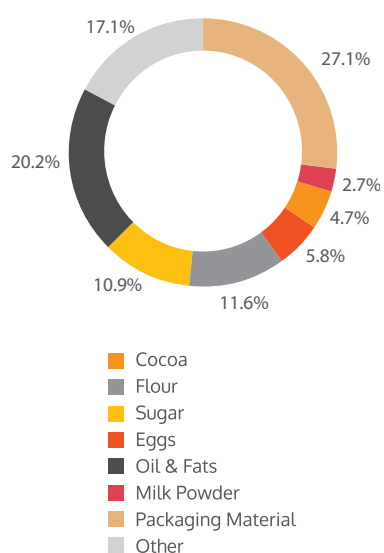
## 2Q2016 EARNINGS RELEASE

Cairo, Egypt | 9 August 2016

Direct Material Breakdown 2Q2015

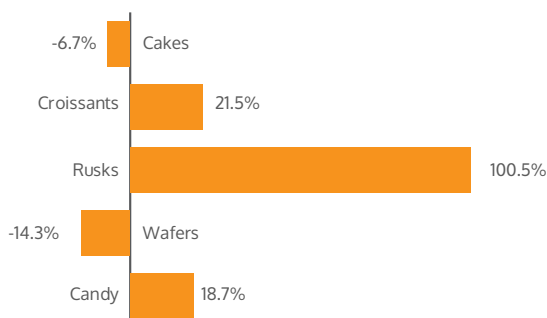


Direct Material Breakdown 2Q2016



	1H2015			1H2016		
	Net Sales (EGP mn)	Packs (millions)	Tons (000s)	Net Sales (EGP mn)	Packs (millions)	Tons (000s)
Cakes	604	1,142	33.9	537	778	25.4
Croissant	303	351	15.8	357	390	18.2
Rusks	47	58	1.9	77	93	3.2
Wafers	47	63	1.7	45	60	1.6
Candy	39	35	1.7	47	31	2.0
Imports	4	-	-	5	-	-
<b>Total</b>	<b>1,044</b>	<b>1,649</b>	<b>55.0</b>	<b>1,068</b>	<b>1,352</b>	<b>50.5</b>

2Q2016 Revenue Growth by Segment (y-o-y)



### Cost of Goods Sold<sup>1</sup>

In 2Q2016, the cost of goods sold (COGS) increased 8.4% y-o-y to EGP 348.1 million, with a COGS:sales ratio of 63.3% compared to 62.4% in the same period last year. The increase in COGS owes to several factors, including higher cost of direct materials, which stood at EGP 260.4 million in 2Q2016, up 5.1% y-o-y due to the impact of a weaker Egyptian pound, as well as the rise in cost of imported materials, such as cocoa powder, in EGP terms. In addition to the general increase in cocoa prices, the contribution of cocoa powder to direct materials increased due to the higher volumes required for the introduction of new products. All materials, including oils and fats, were affected by the recent devaluation of the Egyptian Pound and the overall inflationary macro environment. Direct materials cost to sales ratio in 2Q2016 came in slightly lower y-o-y, booking 47.3% compared to 48.1% in 2Q2015.

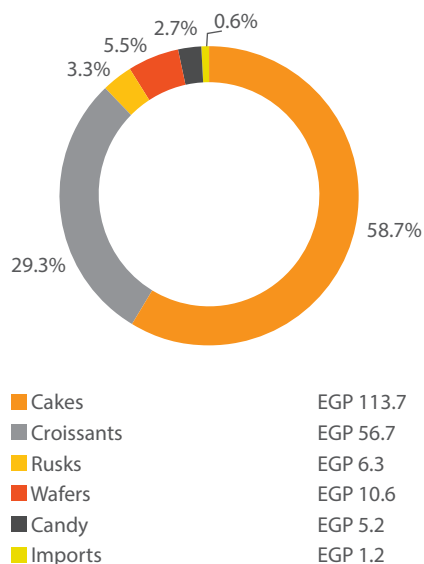
Meanwhile, the company also incurred higher MOH related to the new strudel line commissioned in March 2016. Additionally, Ramadan bonuses distributed in the second quarter of the year versus the third quarter in 2015, together with increases in electricity, natural gas and other utilities costs related to machinery maintenance all contributed to the 20.7% y-o-y increase in MOH in 2Q2016 to EGP 71.8 million. On a 1H2016 basis, however, cost of direct materials decreased by 0.6% with total COGS increasing by just 2.5% y-o-y and COGS:sales ratio remaining flat at 61.3% compared to 61.2% in 1H2015.

<sup>1</sup> Breakdowns within this section are derived from the company's management report.



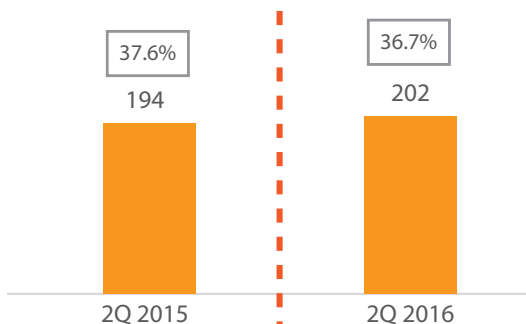


Segment Contribution  
to Gross profit 2Q2015 (EGP mn)



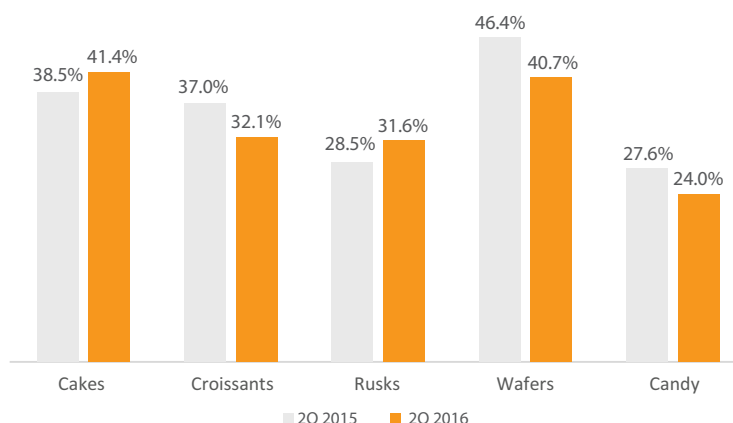
## Gross Profit

Gross Profit Progression (EGP million, % margin)



Gross profit recorded EGP 202.1 million in 2Q2016, a 4.3% increase over 2Q2015, with gross profit margin inching down slightly to 36.7% compared to 37.6% in the same period last year on the back of higher manufacturing overheads (MOH). For 1H2016 gross profit margin was maintained at 38.2% compared to 38.0% in the same period last year.

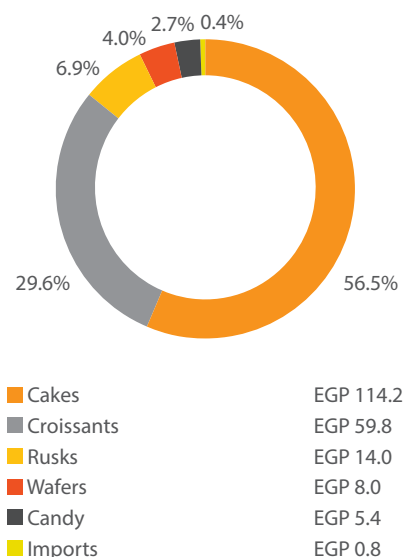
## Gross Profit Margin by Product Segment



In 2Q2016, **gross profit for the cake segment** was flat year on year at EGP 114.2 million despite lower cake revenues. This reflects margin expansion within the segment mostly due to the upsizing of the Twinkies as well as contributions from higher margin products such as the TODO Bomb introduced in 1Q2016 and most recently the Twinkies Icing. The segment's GPM for the quarter stood at 41.4% compared to 38.5% in 2Q2015. On a six-month basis, gross profit was down by 2.3% y-o-y to EGP 227.8 million with a GPM of 42.4% compared to 38.6% in 1H2015. It is important to mention that Edita has downsized several of its cake products since the beginning of the year and more specifically in the TODO range which also supported the margins.

**Gross profit in the croissant segment** increased 5.5% y-o-y in 2Q2016 to EGP 59.8 million with a margin of 32.1% compared to 37.0% in 2Q2015. The croissant segment is experiencing a squeeze in margins owing to increased costs of direct materials. A high percentage of imported components within the segment, such as cocoa and hazelnut, or other materials sourced locally but include an FX component, such as oil and fats, have been affected by the

Segment Contribution  
to Gross profit 2Q2016 (EGP mn)





weakening in the Egyptian pound. Meanwhile, the shift in the product mix to higher margin products has not yet been reflected on the segment's performance. For the first half of the year the croissant gross profit came in at EGP 121.7 million, with a GPM of 34.1% compared to 39.1% in 1H2015.

Meanwhile, the **rusks segment's gross profit** showed strong growth of 122.2% to EGP 14.0 million during 2Q2016, with a margin of 31.6% compared to 28.5% in 2Q2015. The strong growth and margin expansion is attributable to capacity additions after commissioning the new rusks line at year-end 2015, as well as several cost cutting initiatives taken within the segment. Edita has changed the packaging size and thickness for the rusks which resulted in less packaging material cost per pack. For the first half of the year gross profit stood at EGP 23.9 million, up 80.3% y-o-y, with GPM of 31.0%.

In the **wafer segment, gross profit** in 2Q2016 declined by 24.8% y-o-y to EGP 8.0 million, with a GPM of 40.7% compared to 46.4% in 2Q2015. The slower performance comes on the back of lower utilisation rates during the summer months when demand for coated wafers is dampened. In 1H2016, GPM was at 42.4% compared to 43.2% in 1H2015.

The **gross profit in the candy segment** recorded a 3.5% y-o-y increase in 2Q2016, with a margin of 24.0% compared to 27.6% in 2Q2015 owing to pressures on its cost base. In 1H2016, segment gross profit was up 47.7% compared to 1H2015, recording EGP 13.6 million with a margin of 28.9% compared to 23.5% in 1H2015. In order to sustain the segment's margins going forward, Edita has downsized some of its candy SKUs as well as reduced the allowable margin for traders.

### Other Operating Expenses

Based on management accounts, operating expenses are divided into Selling and Distribution Expenses (S&D), Advertising and Marketing Expenses (A&M) and General and Administrative Expenses (G&A). Total expenses in 2Q2016 reached EGP 123.2 million, up 35.6% over the 2Q2015 levels, constituting 22.4% of revenues up from 17.7% in the same period last year. For 1H2016, total SG&A<sup>2</sup> came in at EGP 230.5 million, amounting to 21.6% of revenues versus 19.0% in 1H2015.

S&D expenses recorded EGP 44.8 million in 2Q2016, up 11.6% y-o-y and constituting 8.1% of revenues compared to 7.8% in 2Q2015. The quarter witnessed the periodic increase in wages and salaries as well as the accrued portion of employee profit sharing owing to the adoption of IAS 19. Meanwhile, on a six months basis S&D as a percentage of sales remained somewhat unchanged at 8.1% in 1H2016 versus 8.2% in 1H2015.

In 2Q2016 A&M expenses increased by more than two-fold compared to 2Q2015 standing at EGP 36.8 million. The hike in advertising and marketing expenses was driven by the company's increased activity to support its new launches, namely the Molto Pate, Bake Rolz Family and the TODO Bomb, with above-the-line advertising campaigns. It is worth noting that Edita's annual marketing budget was skewed towards the first half of the year, with total advertising and marketing expenses coming in at 6.7% of 2Q2016 revenues compared to 3.6% of revenues in 2Q2015.

<sup>2</sup> SG&A breakdown is derived from the company's management accounts to ensure an accurate depiction of each of Edita's expenses and how they reflect on the business. In Edita's audited financial statements, Distribution and Administrative expenses include depreciation and amortization.







G&A expenses were up 28.6% over 2Q2015 to EGP 41.7 million, constituting 7.6% of revenues, with the lion's share coming from employee profit share as well as salaries and wages. Additionally, the company recorded an increase in its software and information technology licenses renewal fees. Year-to-date, G&A expenses increased by 6.5% compared to 1H2015 due to the distribution of Ramadan and Eid El Fitr bonuses during the second quarter of the year as opposed to the third quarter last year. It is worth noting that staff profit share was divided between MOH, S&D, and G&A.

Edita's profits from operations came in at EGP 64.2 million in 2Q2016, down 36.8% y-o-y. Meanwhile, on a year-to-date basis profits from operations recorded EGP 109.3 million in 1H2016, a 42.3% decline from the EGP 189.3 million posted in the same period last year.

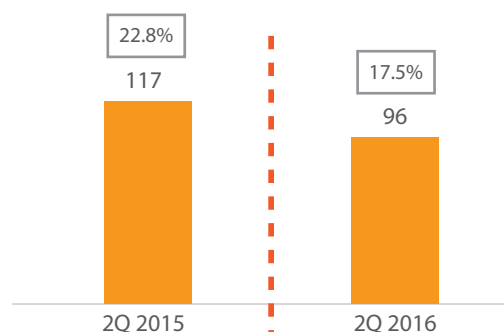
Edita booked an FX loss of EGP 3.0 million, mainly as a result of settling foreign currency denominated liabilities, including accounts payable related to direct materials and settlement of other foreign currency denominated liabilities.

### EBITDA

In 2Q2016, EBITDA decreased by 17.8% y-o-y to EGP 96.3 million with a margin of 17.5% compared to 22.8%. The decline is owed to slower revenue growth, higher MOH, advertising and marketing expenses, and general and administrative expenses. The increase in SG&A aims to support the company's growth strategy in addition to being impacted by the marketing budget roadmap.

The decrease in EBITDA came in less significant in 1H2016 compared to 1H2015, recording a 5.1% decrease y-o-y to EGP 211.1 million with EBITDA margin of 19.8% compared to 21.3% in 1H2015.

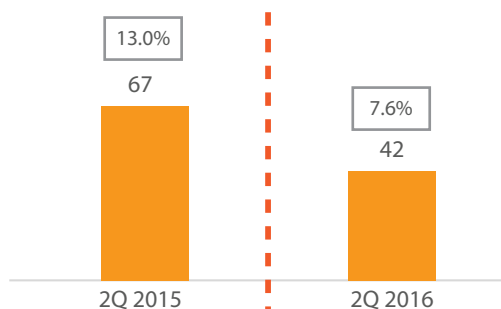
### EBITDA Progression (EGP million, % margin)





## Net Earnings

NOPAT Progression (EGP million, % margin)



Net Profit After Tax and Minority Interest for 2Q2016 decreased 37.9% compared to 2Q2015 coming in at EGP 41.6 million, translating into a NPM of 7.6% compared to 13.0% in the same quarter last year. The decline in bottom-line was due to softer top-line growth trickled down the income statement, as well as higher operating expenses as mentioned above.

Furthermore, the company booked total provisions of EGP 4.7 million of which EGP 3.0 million relate to FX provisions to cover potential FX losses during the quarter. Management intends to continue booking FX provisions of EGP 3.0 million on a monthly basis until year end. Additionally, the company recorded higher interest expenses of EGP 14.4 million up from EGP 9.5 million in the same period last year. Overall, the company's bottom-line for 1H2016 came in at EGP 74.3 million, down from EGP 126.4 million last year.

## Balance Sheet

Total assets amounted to EGP 2.1 billion at the end of June 2016. Property, Plant & Equipment increased to EGP 1.3 billion from EGP 1.1 billion in 2015 and includes the extension of the E07 plant that materialized in 2015 as well as the delivery of the new lines that were completed in 1Q2016. Projects Under Construction decreased to EGP 110.5 from EGP 156.0 million as at December 2015 following the delivery and installation of the new lines.

Total CAPEX reached EGP 167.2 million, of which EGP 43.4 million were related to the construction of Hub A in the E08 plant in addition to EGP 11.2 million for the new hall in E15, where the EGP 45.5 million lollipop candy line is scheduled to be installed by 3Q2016. Additionally, EGP 10.7 million was the residual of the Strudel line (total cost EGP 44 million) and EGP 2.0 million related to the residual cost of the rusks line installed in December 2015.

Edita continued to maintain a healthy Cash & Cash Equivalents balance of EGP 290.9 million as at the end of June 2016, constituting 13.8% of the company's total assets.

With regards to Working Capital components, inventory levels continue to reflect Edita's policy of maintaining inventory coverage of all direct materials, one-month's-worth of sales for locally-sourced material and up to three months of imported material, with an average of 0.75 months during 2Q2016. The inventory of finished goods has an average of 3.1 days for 2Q2016. Trade Receivables increased to EGP 12.2 million in 1H2016 from EGP 7.0 million in FY2015, reflecting Edita's continued cash sales policy (in excess of 97% of sales continue to be conducted on a cash basis). Trade & Other Payables decreased to EGP 210.8 million from EGP 251.1 million as of end of December 2015.





The Current Portion of Long-Term Liabilities decreased to EGP 116.0 million from EGP 145.2 million as at the year-end 2015 and Long-Term Loans increased to EGP 359.6 from EGP 346.2 million at the end of 2015. Edita continues to finance its expansions partially with cash resources and partially in debt.

Total Shareholders' Equity stood at EGP 1.16 billion as at the end of June 2016.

## Egyptian Accounting Standards Reconciliation to IFRS

The main differences found in Edita's financial statements between EAS and IFRS are due to several factors. First of all, the IFRS requires that employees' profit sharing be expensed, while the Egyptian Accounting Standards treat them as a distribution and hence do not include them within the income statement.

It must be noted that based on our auditor's recommendation to adopt the IAS 19 accounting treatment for employees profit sharing, stipulating that amounts are to be booked quarterly on an accrual basis, Edita has recorded EGP 6.5 million in employees profit sharing in 1Q2016 and EGP6.5 million in 2Q2016, based on the company's best estimate that total distributions in FY2016 will amount to EGP 26 million divided over the four quarters. This compares to EGP 22 million for FY2015 that were booked entirely during the first quarter of the year.

Gains and losses on FX transactions in the calculation of EBITDA are treated differently. In 1H2016, EGP 47.5 million in FX losses were added to EBITDA while EGP 0.146 million related to gains on sale of fixed assets were deducted. Moreover, additional adjustments included one-off expenses in relation to the company's EGP 1.5 million donation to "Proudly made in Egypt" initiative to support the Egyptian industrial sector as well as a profit share deduction of EGP 13.0 million, bringing total adjustments to EBITDA to EGP 38.9 million.

Hereunder is the reconciliation between Edita's financial statements in EAS with the IFRS-based financial statements for 1H2016.

in EGP mn	1H2016 EAS	Adjustment	1H2016 IFRS
<b>Net Sales</b>	<b>1,068.3</b>	-	<b>1,068.3</b>
COGS (excluding M.O.H)	494.3	-	494.3
M.O.H	130.0	5.2	135.2
<b>Gross Profit</b>	<b>413.0</b>	<b>(5.2)</b>	<b>407.8</b>
<i>Gross Profit Margin</i>	<i>38.6%</i>		<i>38.2%</i>
Selling & Distribution Exp.	82.9	3.4	86.3
Advertising & Marketing Exp.	64.5	-	64.5
General & Admin. Exp.	75.3	4.4	79.7
Other Operational Exp.	20.4		20.4
<b>Profit from Operations</b>	<b>169.9</b>	<b>(13.0)</b>	<b>156.9</b>
<i>Profit from Operations Margin</i>	<i>15.9%</i>		<i>14.7%</i>
<b>Profit Before Income Tax</b>	<b>112.4</b>	<b>(13.0)</b>	<b>99.4</b>
Income Tax Expense	25.2	-	25.2
<b>Net Profit After Tax</b>	<b>87.3</b>	<b>(13.0)</b>	<b>74.3</b>
<i>Net Profit After Tax Margin</i>	<i>8.2%</i>		<i>7.0%</i>
<b>EBITDA</b>	<b>172.2</b>	<b>38.9</b>	<b>211.1</b>
<i>EBITDA Margin</i>	<i>16.2%</i>		<i>19.8%</i>





## Market Developments

Despite the challenging macro environment in Egypt, the snack food market continued to grow across all segments. During the first six months of the year, the market grew a considerable 15.6% compared to the same period last year, reaching a total size of EGP 6.3 billion (latest data points available from AC Nielsen as at June 2016).

The packaged croissant segment in Egypt is one of the fastest-growing within the snack food industry, growing by a remarkable 27.8% y-o-y to EGP 499.9 million during the first half of 2016. During the first half of the year, we saw Edita successfully capturing this growth, supported mainly by the 87% increase in the company's croissant capacity in 2015 and the introduction of the strudel line in March 2016. In the packaged croissant segment, the company maintains a dominating market share of 69.5%.

1H2016 saw Edita's core cake market grow by 10.6% y-o-y to EGP 877.3 million. However, in line with management expectations, lower production on the back of the September 2015 Twinkies upsizing coupled with increased competition from local producers saw the company's market share in the segment contract to 55.7% as of year-to-date June 2016 compared to 64.9% in June 2015. However, it is worth noting that Edita is regaining market share month-on-month rising from 54.8% in May 2016 to 56.9% in June 2016. The strategic decision to upsize the Twinkies SKU, necessary to maintain healthy margins in an increasingly inflationary environment, is leading a change in the market's pricing structure, with the competition already starting to follow suit and some market players introducing new products at higher price points in 2Q2016.

The rusks market grew by 19.2% in 1H2016 to EGP 180.1 million, representing 4.8% of the salty snack segment (dominated by potato chips). Edita continues to gain market share in this fast-growing segment, leaping to 39.2% from 35.0% in the same period last year. Moreover, in February 2016 the company doubled its capacity with the commencement of the new line, installed in December 2015. This created a de-bottleneck effect in the rusks sales and effectively enabled the company to continue capturing a larger share of the market.

The wafer market size grew to EGP 883.7 million, a 4.0% increase compared to the same period last year. Edita holds a market share of 7.3% making it the fourth biggest player in the wafer market in Egypt.

Moving to the candy segment, growth in market size was 9.0% in 1H2016, reaching EGP 308.6 million. Edita is actively gaining market share in the segment, reaching 11.4%, up from 10.9% in the same period last year.










### Selected Segments of the Snack Food Market in Egypt

Segment	1H2015 (EGP mn)	1H2016 (EGP mn)	% Change
Cake	794	877	10.6%
Croissant	391	500	27.8%
Salty Snacks	3,142	3,741	19.1%
Wafer	850	884	4.0%
Candy	283	309	9.0%
<b>Total Market</b>	<b>5,460</b>	<b>6,311</b>	<b>15.6%</b>

\*\* Rusk market is 4.6% of total salty snacks

Source: AC Nielsen Retail Audits

		Market Position	Market Share	Relative Market Share <sup>1</sup>	Av. Consumer Price (EGP / US\$ <sup>2</sup> )	Brands	Brand Awareness <sup>3</sup>
92% of Revenue	Cakes	#1	55.7%	4.4x	0.91 / 0.10		99%
	Croissants	#1	69.5%	3.3x	1.18 / 0.13		100%
	Rusks	#2	39.2%	0.6x	1.00 / 0.11		92%
	Wafers	#4	7.3%	0.2x	1.00 / 0.11		96%
	Candy	#2	11.4%	0.9x	2.43 / 0.27		NA

Source: AC Nielsen Retail Audit, IPSOS June 2016

1. Relative market share calculated as Edita's market share divided by market share of largest competitor.
2. US\$/EGP of 8.88 as of June 2016 (CBE).
3. Brand awareness measures the share of respondents that were familiar with the brand in aided, spontaneous consumer surveys. Data as of April 2016.

## Marketing

Edita's marketing strategy continues to focus on providing relatively more premium, innovative and differentiated products at higher price points. Our pipeline of new offerings consists of products developed in-house as well as others developed through the newly-acquired technical know-how for 11 new products from Hostess Brands LLC. As a market-maker, Edita is a leader in introducing new and innovative cake products, opening up new avenues in this fast growing market.

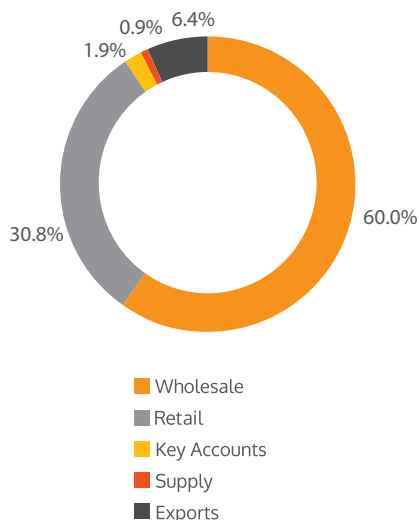
The company will continue to launch new, higher-priced cake products to make full use of the capacity in the cake segment freed-up by the retirement of the Twinkies SKU. Following the successful launch of the TODO Bomb in 1Q2016 at EGP 2 per pack, Edita launched in May 2016 its Twinkies Icing product in two flavour variations (also selling at EGP 2 per pack), considerably higher than cake's segment's average price point of EGP 0.90. Additionally, a new cake product with no peers in the market is set to follow suit in 3Q2016. Premium offerings bring to consumers a new variety of products compared to the less innovative offerings in the market such as the traditional layered cakes.







Revenue Contribution by Distribution Channel 2Q2015

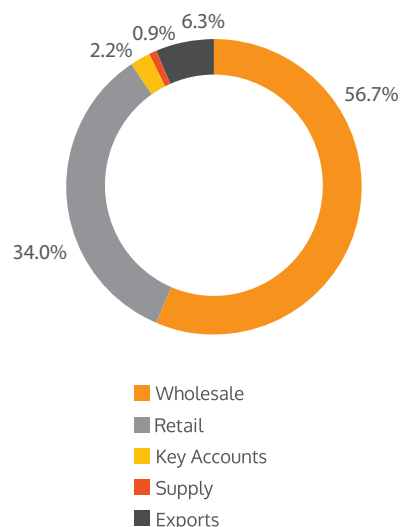


The marketing department is continuously supporting new product launches through intensive advertising campaigns in order to increase their visibility and raise awareness. The marketing communications budget expenditure for FY2016 was skewed towards the first half of the year. The department launched a Bake Rolz advertising campaign earlier this year, after the kick-off of operation of the new production line and the launch of the family-sized pack, which was the first in years. Consequently, Rusks brand awareness during 1H2016 hiked to 92%, as per the latest data available. In addition, Edita also launched an aggressive marketing campaign for the new Twinkies products, including the Twinkies Extra and the Twinkies Icing, as well as Molto Pate. Moreover, Edita successfully maintained close to 100% brand awareness in its core segments, namely the croissant and cake segments, and saw the wafers brand awareness surge from 81% to 96%.

Development of Average Consumer Price by Product Segment

	2Q2015	2Q2016	Growth (%)	1H2015	1H2016	Growth (%)
Cake	0.70	0.92	32.2%	0.69	0.91	31.3%
Croissant	1.16	1.19	2.6%	1.10	1.18	6.7%
Rusks	1.00	1.06	6.0%	1.00	1.05	4.7%
Wafer	1.00	1.00	-	1.00	1.00	-
Candy	2.11	3.48	64.7%	1.95	3.02	54.9%
<b>Total</b>	<b>0.85</b>	<b>1.04</b>	<b>22.4%</b>	<b>0.83</b>	<b>1.04</b>	<b>26.1%</b>

Revenue Contribution by Distribution Channel 2Q2016



### Sales & Distribution<sup>3</sup>

During 2Q2016, Edita's sales by channel of distribution continue to reflect the company's strategy of increasing revenues through the retail and traditional points of sale versus wholesale distribution. This strategy allows Edita to be closer to market pulse in addition to having the added benefit of quicker acceptance of the higher price points from the retail channel.

In 2Q2016, gross sales from wholesale rose slightly by 0.9% y-o-y to EGP 326.9 million, whereas gross sales from retail increased by 18.0% to EGP 195.9 million. Year-to-date, sales from retail and traditional sales channels contributed 34.1% of total sales compared to 31.3% in 1H2015. Meanwhile, revenues from supply and key accounts (modern trade) saw a minor increase during the second quarter of 2016, together contributing 3.1% of total revenue. The number of customers catered to in 2Q2016 increased to 66,851, up from 63,228 in the same period last year and highlighting the company's strategy of expanding its proprietary distribution network across the country.

During 2Q2016, we exported to 11 countries, however our footprint spans more markets including the West Bank, Libya, Palestine, Jordan, Iraq, Lebanon, Syria, Sudan, Yemen, Djibouti, and Nigeria. Moreover, Edita's focus on the expanded territories to the GCC for the HTT brands is starting to bear fruit.

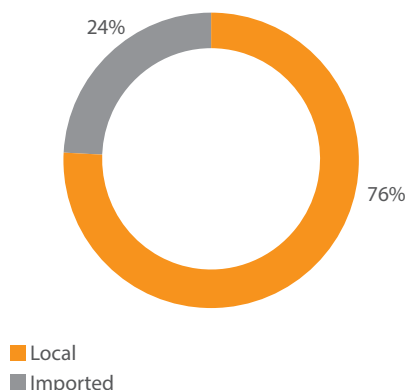
As part of the company's strategy of regional expansion and increasing revenues denominated in foreign currency, Edita exported to two new markets in Sub-Saharan Africa, namely Djibouti and Nigeria, as it aims to expand its export markets to countries with strong domestic demand. Overall, exports constituted 6.3% of gross sales in 2Q2016, reaching EGP 36.1 million, up from EGP 34.6 million a year earlier.

<sup>3</sup> Revenue by distribution channel refers to gross sales

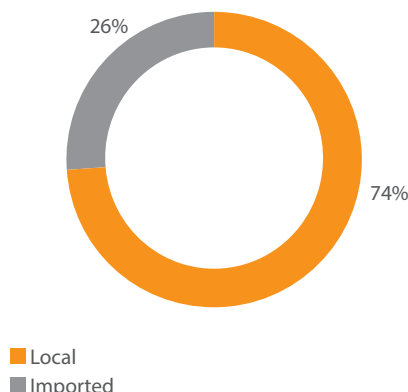




Imported versus local direct material  
2Q2015



Imported versus local direct material  
2Q2016



### Supply Chain

Given the prevailing macroeconomic challenges, the supply chain department's priorities include maximizing Edita's operational efficiency and minimizing costs. Indeed, the department managed to leverage on relatively stable commodity prices during the quarter and has diversified its supplier base, booking several raw materials at competitive prices, including flour and dextrose till year-end. However, Edita revised some of its contracts with suppliers factoring in a weaker EGP and putting pressure on Edita's cost base.

Management of direct materials contracts, given the foreign currency supply limitations, is a key priority for the supply chain department during the quarter. However the company inventory management policy remains intact as to 1 month for local materials and 3 months for imported materials.

Due to the weakening of the Egyptian Pound, the cost of imported direct materials increased to 26% of total direct costs in 2Q2016 compared to 24% in 2Q2015. During the first half of 2016, imported direct materials constituted 26% of total direct materials cost, compared to 23% of costs in 1H2015. Raw materials remain the largest constituent of the direct material bill, accounting for 72.9% of the total direct materials costs in 2Q2016 versus packaging materials that accounted for 27.1% of direct costs.

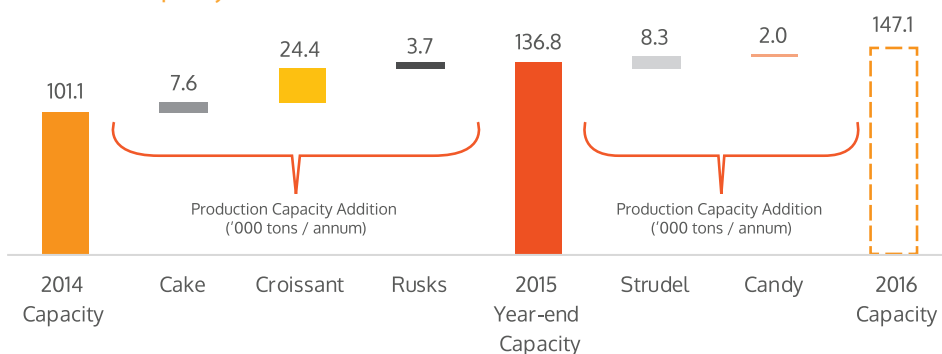
### Industrial Operations

The second quarter of 2016 was busy on the innovation front with the introduction of new products in the cake family on the freed up capacities of the Twinkies lines. Edita rolled out its new Twinkies Icing with two variances, vanilla with cream filling and chocolate with cream filling. Additionally, the company also is launching a new cake product in 3Q2016. It is worth noting that new products being produced on freed up capacities post the Twinkies upsizing typically require some modifications to the production machinery.

The company has also finalized a new wafer line contract in July 2016 which is earmarked for commissioning by 2017 in the E08 plant. Moreover, a new candy line is in the dry commissioning phase with production set to begin in 3Q2016. It is worth noting that the ECI plant successfully passed the 2nd surveillance third party audit performed by URS (United Registrar of Systems) related to Quality Management System according to the ISO 9001 standard, as well as the Food Safety Management System according to the ISO 22000 standard.

Furthermore, Edita has set in motion a plan for reducing its energy usage, the first action of which is the conversion of plant lighting across its four plants to LED lighting.

### Production Capacity Additions in 2014 - 2016





Other operational developments on the industrial front include the recent inking of a contract to acquire 12,878 square meters of land in Six of October City's Polaris Al Zamil Industrial Park valued at EGP 19.0 million. The new location will serve as a central hub where premix formulas for the company's products will be developed and distributed to all its factories. This new operational structure will serve to protect the company's recipe and knowhow confidentiality, as well as enhance efficiency and quality by standardising all of Edita's input blends.

### Human Resources

Believing that human capital is the main driving force behind the success of any company, Edita's human resource strategy is focused on driving high performing teams and empowering its employees.

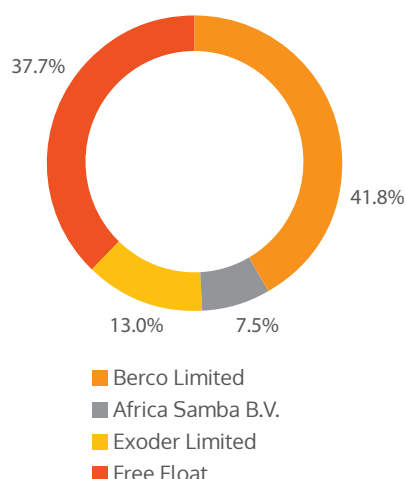
Accordingly, the company carries out a number of training and development programs to ensure employee empowerment. A new program was launched in 2016 to identify high potential employees to be set on a tailored development and empowerment program. Additionally, a monthly event is scheduled as part of the company's efforts to offer its employees life coaching and lifestyle advice to ensure their wellbeing.

Edita's dedication to the growth and development of its 5,540 employees is exemplified in its very low employee turnover in 2Q2016, which did not exceed 1.2%.





## Shareholder Structure as of 2Q2016



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## About Edita Food Industries

Edita, founded in 1996 and headquartered in Egypt, is a leader in the growing Egyptian packaged snack-food market. The Company manufactures, markets and distributes a range of branded baked snack products including packaged cakes, croissants, rusks (baked wheat) and wafers as well as selected confectionary/candy products. The Company's local brand portfolio includes household names such as Todo, Molto, Bake Rolz, Bake Stix, Freska and MiMix. The Company also has exclusive ownership of the international HTT brands Twinkies, Hoho's and Tiger Tail in Egypt, Libya, Jordan, Palestine, Morocco, Algeria, Tunisia, Syria, Lebanon, Iraq, Bahrain, Oman, the UAE, Kuwait, Qatar and Saudi Arabia, and is party to a technical assistance and know-how agreement to manufacture 11 additional HTT brands across its territories. The Company holds strong number-one market positions in its core cake and croissant segments, a number-two market position in rusks and growing market positions in the wafers and candy segments. In 1Q2016, the Company derived c. 93% of its revenue from Egypt and c. 7% from over 14 regional export markets. Learn more at [ir.edita.com.eg](http://ir.edita.com.eg)

## Forward Looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as "according to estimates", "aims", "anticipates", "assumes", "believes", "could", "estimates", "expects", "forecasts", "intends", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "should", "to the knowledge of", "will", "would" or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding business and management, future growth or profitability and general economic and regulatory conditions and other matters affecting the Company.

Forward-looking statements reflect the current views of the Company's management ("Management") on future events, which are based on the assumptions of the Management and involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause the Company's actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements.

The Company's business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to differ materially from those expressed or implied by the forward-looking statements contained in this prospectus. The information, opinions and forward-looking statements contained in this communication speak only as at its date and are subject to change without notice. The Company does not undertake any obligation to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this communication.

