Edita Food Industries Reports 2Q2015 Earnings

A challenging quarter for Edita, but nevertheless healthy earnings in 2Q2015, with growth in revenues backed by the achievement of marked milestones in Edita's expansion plan, which continues to support its growing institutional shareholder base.

Highlights for 2Q2015

Revenues EGP **514.8** mn ▲**13.1%** y-o-y	**Gross Profit** EGP **193.7** mn ▲**11.6%** y-o-y
EBITDA EGP **117.7** mn ▼**4.4%** y-o-y	**Net Profit after Tax** EGP **66.9** mn ▼**0.1%** y-o-y

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".

2Q2015 at a Glance

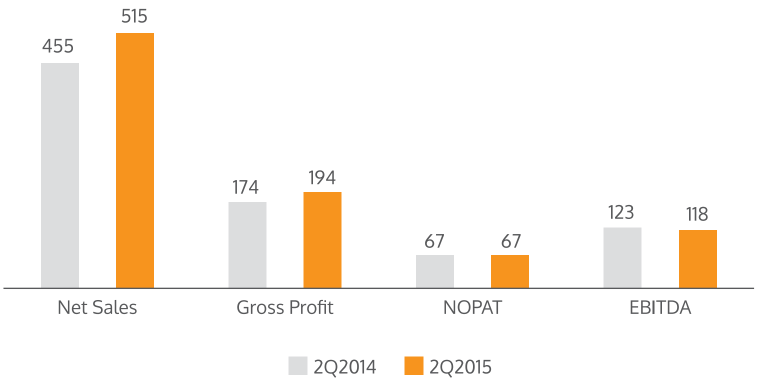
- 2Q2015 revenues of EGP 514.8 million, up 13.1% y-o-y. 1H2015 revenues of EGP 1.04 billion, up 15.2% over 1H2014.
- Gross profit of EGP 193.7 million, an 11.6% increase over 2Q2014 with a gross profit margin of 37.6%, slightly down from 38.1% in 2Q2014.
- Robust EBITDA margin of 22.9%, but down from 27.1% y-o-y due the commissioning of the new lines, increased maintenance expenses and net IPO costs expensed.
- NOPAT of EGP 66.9 million in 2Q2015, flat y-o-y.
- As of August 2, 2015, Edita's share has been added to the benchmark index of the Egyptian Stock Exchange, the EGX 30.
- 2015 is a platform year for Edita, with increased investments that are setting the stage for future growth. The latest developments include:
  - Signing of two contracts with Hostess Brands LLC
  - Addition of new capacities of 32,000 tons/annum
  - On August 12, 2015, Edita launched a new and more premium variant to its croissant segment, Molto Mix[1]

1 Molto Mix is being offered in two variations, namely cream & chocolate filling and cream & strawberry filling.

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 number-one market shares in its core cake and croissant segments, announces its results for the second quarter of 2015, reporting a net profit after tax of EGP 66.9 million on Revenues of EGP 514.8 million, an increase of 13.1% y-o-y. Revenues for 1H2015 came in at EGP 1.04 billion, up 15.2% over 1H2014.

Snapshot of Results (EGP million)



Revenue growth during 2Q2015 remained healthy despite the fact that production from new capacities hadn't yet been reflected on revenues – new lines were still in the ramp-up phase during 2Q2015 – and that the 21 existing lines were already operating at full capacity. Furthermore, Edita, like all other snack food producers, witnessed a seasonality effect with the month of Ramadan and the school year examination period typically being low points in demand. This saw two months of the quarter recording lower than usual revenues followed by a strong pick up in demand. It is also worthy to note that revenue growth was impacted by a five-day production stoppage at the E07 factory on the back of the municipality's maintenance works for the main water-supply grid. In addition, construction modifications to the E07 (Hall B new extension) to ensure product safety resulted in a 10-day stoppage, also leading to decreased production quantities.

Meanwhile, gross profit recorded EGP 193.7 million in 2Q2015, an 11.6% y-o-y increase with gross profit margin standing at 37.6% compared to 38.1% in 2Q2014. The slight decrease in gross profit margin is considered minimal given the fact that new production lines incurred increased waste and ramp-up costs that are typically associated with product trials following the introduction of new capacities, leading to higher manufacturing overheads; these costs are expected to normalize once the ramp-up phase is complete. During 1H2015, Edita also added two distribution centers which entailed an increase in both the distribution vans and the sales force. The company is planning to add three more centers in 3Q2015.

In addition, 2Q2015 saw Edita expense several one-off charges related to the net cost of the company's IPO as well as increased marketing costs related to the corporate campaign aimed at bolstering Edita's corporate image. These costs, albeit on a one-off basis, saw EBITDA inch down 4.4% y-o-y in 2Q2015 to EGP 117.7 million, with EBITDA

margin at 22.9% compared to 2Q2014 margin of 27.1%. Nevertheless, Edita's results still reflected growth in 2Q2015, with all margins still not far off from their historical average, attesting to Edita's strong market positioning and efficient operational model, as can be seen from the detailed explanation of the results below.

A Platform for Future Growth

The year 2015 is a platform year for Edita whereby new contracts and investments in increasing capacity will serve as a launch pad for the company going forward and ensure higher growth levels. The most notable of these developments include the signing of two contracts with Hostess Brands LLC relating to the extension of territory for the HTT brands to include 12 additional countries across the MENA region and the acquisition of know-how and technical assistance to 11 additional products from Hostess Brands LLC across the expanded region (not all products are cake based).

Furthermore, Edita added new capacities of 32,000 tons in 1H2015 in addition to the existing 2014 capacity of 101,100 tons/annum. The latest addition was a croissant line dedicated to the production of Molto XL and XXL that came into operation on April 22, 2015, adding 17,200 of the 32,000 tons/annum, and it is still in the ramp-up phase. In addition, on August 12, 2015, Edita launched a new and more premium variant to its croissant segment, Molto Mix, a double-filled croissant, bringing the number of SKUs to 71.

Edita also secured the land that will house its new E08 factory for a total consideration of EGP 55 million, paving the way for the company's new growth phase. The 55,000 square meter plot located at the Zamil Polaris Industrial Complex in Sixth of October City is in close proximity to the E07 factory. The new facility's design process has already begun, with construction set for October 2015. Commencement of operations of the E08 factory's production lines is scheduled for 4Q2016.

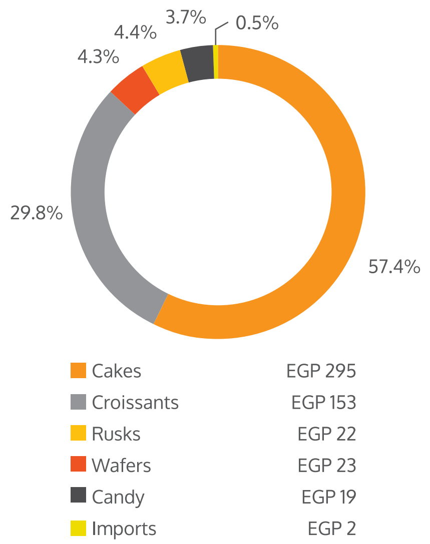
Edita's new Bake Rolz and Strudel lines are also scheduled for commissioning by December 2015 and 1Q2016, respectively. While these lines were originally planned to start operation during 4Q2015, Edita was notified by the suppliers in 2Q2015 of delays in their delivery.

Material Events Post 2Q2015

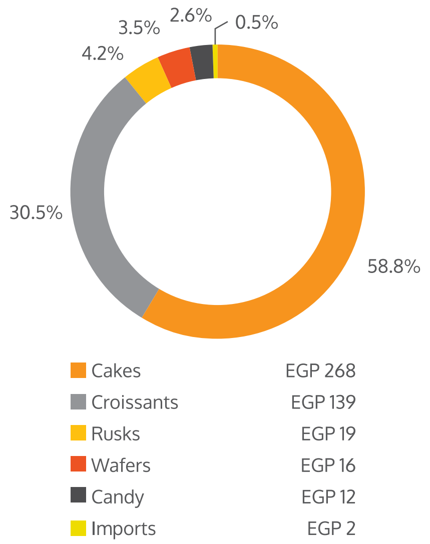
Following the end of 2Q2015, Edita witnessed several milestone business and corporate developments.
On the product front, Edita has expanded its croissant product range to include a double-filled croissant, the Molto Mix, that will launch on August 12. The two variants, strawberry & cream and chocolate & cream, are priced at higher points than Edita's average croissant selling price.

Edita also saw corporate developments where on July 28, 2015, Edita's Board of Directors resolved to participate in ECI's capital increase by capitalizing its loans to ECI. The capital increase, in which the minority shareholder is injecting capital, will be directed at expanding the capacity of hard candy at the ECI level through the addition of a more sophisticated multi-product production line. Last but not least, Edita's share has been added to the Egyptian Stock Exchange's main index, the EGX 30, as of August 2, 2015.

Segment Contribution to Revenue 2Q2015



Segment Contribution to Revenue 2Q2014

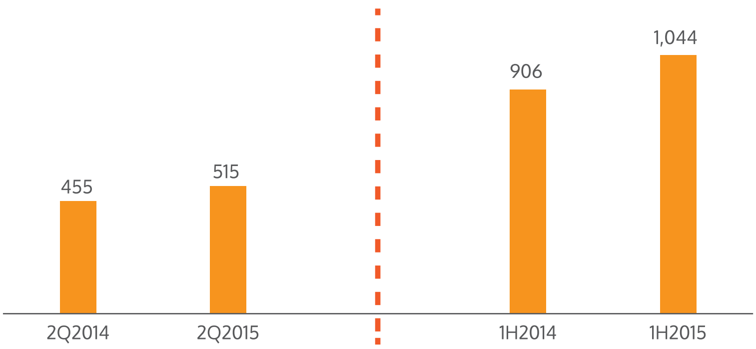


An Overview of Edita's Performance During 2Q2015

Revenues

It was a challenging quarter; nevertheless, revenues increased 13.1% over 2Q2014 levels to EGP 514.8 million, up from EGP 455.2 million. Revenues, especially for our croissant segment, were mostly impacted by supply factors on Edita's production side as well as a seasonal low in market demand across all product segments. Demand was relatively subdued this quarter due to Ramadan and the school-year examination period coinciding; this affected consumption within all FMCGs, particularly snack food related companies. In addition, anticipated price hikes of cigarettes and cooking oil at the beginning of 2Q2015 saw wholesalers overstock and hoard both products to lock in extra profits, effectively channelling funds away from other food items.

Revenue Progression (in EGP million)



On the production side, Edita experienced five days of production stoppage in E07 factory during 2Q2015 on the back of water supply cuts across a large part of Sixth of October industrial zone due to the government's maintenance works on the main water supply grid; the stoppage resulted in an estimated EGP 30 million in lost sales. In addition, the E07 extension (Hall B) factory also witnessed approximately 10 days of stoppage time due to teething issues related to both the new line commissioned in 2Q2015 and the structure housing the three new lines as a result of several severe sandstorms during the quarter. The total impact of lost production is estimated around EGP 20 million in sales.

The production stoppages led Edita to postpone the launch of several SKUs including the new Molto Mix product that was later launched on August 9, 2015. To counter the loss of production and consequent lost sales, Edita plans to operate during Fridays in 2H2015 and has reworked its production planning schedule to minimize downtime resulting from the changeover from one variant of a product to another.

Despite the above, 2Q2015 witnessed healthy growth in revenues of 13.1% over 2Q2104 levels. Edita also maintained operational efficiencies and its expansion plan is well on track, whether for the ramp-up of new lines or the commencement of production.

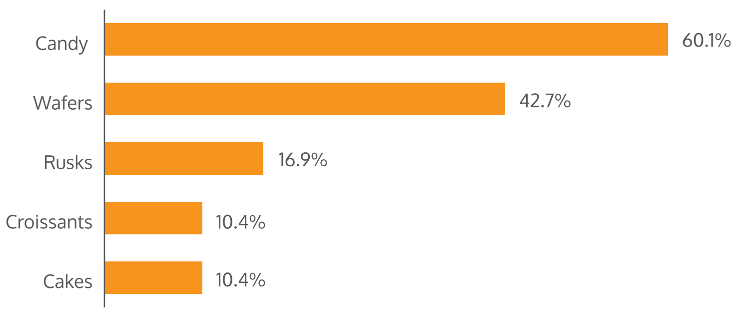
On a half-year basis, 1H2015 revenues grew 15.2% y-o-y to EGP 1.043 billion. Edita's total production for 1H2015 reached 55,000 tons (1.65 billion packs) compared to 48,200 tons in 1H2014 (1.47 billion packs). The table below shows the progression of blended factory prices for all product segments:

Average Factory Prices

EGP	1H2014	1H2015	% Change
Cakes	0.51	0.53	3.2%
Croissants	0.86	0.86	-
Rusks	0.80	0.81	0.7%
Wafers	0.74	0.74	-
Candy	0.88	1.11	26.3%
Average Edita	**0.61**	**0.63**	**2.8%**

It is worth noting that with the commencement of the school year, demand is set to pick up during 2H2015 as this marks the high season for the snack food market. That, in addition to the ramp-up of the three new lines reaching completion and with the launch of the new Molto Mix SKUs at a higher price point than Edita's average croissant prices, is set to have a positive effect on Edita's figures.

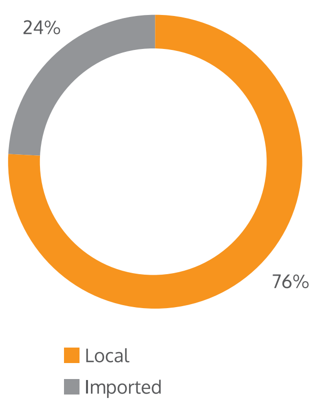
2Q2015 Revenue Growth by Segment (y-o-y)



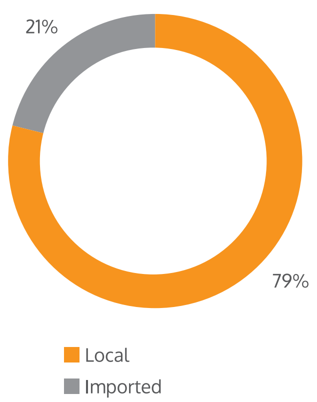
In 1H2015, all product segments contributed to the growth, albeit some more than others. Revenues from cakes increased 10.4% over 2Q2014 levels to reach EGP 295.5 million in 2Q2015. In terms of q-o-q growth rates, 2Q2015 saw lower growth in the cake segment compared to the previous quarter, owing to the fact that the new line added at the end of 1Q2015 was still going through the ramp-up phase while existing lines during the first quarter of the year were operating at their capacity limits.

The cake segment contributed 57.4% to Edita's revenues, down from to 58.4% in 1Q2015. The key driver contributing to the segment's revenue growth was the increased utilization on the back of more effective production planning for the existing lines that minimized change-over times; overall utilization rate on the cake lines during 2Q2015 stood at 93%, up from 90% in 2Q2014. In addition, production and sales of higher priced SKUs increased, including certain variations of Todo and the Jumbo Hohos. The average SKU consumer selling price of cakes in 2Q2015 increased 3.6% over 2Q2014 to EGP 0.7.

Imported vs. Local Direct Materials 2Q2015



Imported vs. Local Direct Materials 2Q2014



Croissant revenues grew by 10.4% over 2Q2014 levels to reach EGP 153.2 million, largely driven by capacity additions of the two new Molto lines commissioned during 1H2015. The croissant segment contributed 29.8% to Edita's revenues, up from 28.3% in 1Q2015, which reflects the ramping up of the new Molto line that started operations during the first quarter of the year. On a y-o-y basis, higher utilization rates on the croissant lines also contributed to the growth in revenues. Utilization rates increased to 97% in 2Q2015 from 94% in 2Q2014. In addition, the growth in croissant segment revenues was a factor of both volume and price increases, where the average consumer selling price per SKU grew by 5.2% to EGP 1.16.

Sales of rusks increased 16.9% in 2Q2015 over 2Q2014 levels to EGP 22.1 million, mainly due to line enhancements that increased production capacities, with both the Bake Rolz and Bake Stix lines operating at 99% utilization rates during the quarter.

Wafer sales increased 42.7% over 2Q2014 levels to reach EGP 22.8 million, even though the line operated at only 87% utilization, a supply decision on Edita's part which factored in the seasonal softening of demand in 2Q2015 and which supports the company's policy of storing finished products no more than two to three days.

Coming from a low base, revenue from the candy segment grew by 60.1% over 2Q2014 levels to reach EGP 18.8 million, operating at 97% utilization rates. It is worth noting that production volumes in the E15 factory, where Edita has its candy production, increased by 74% y-o-y as the company's renewed launch of the product in the second half of 2014 began to stabilize and translate into stronger sales.

Cost of Goods Sold

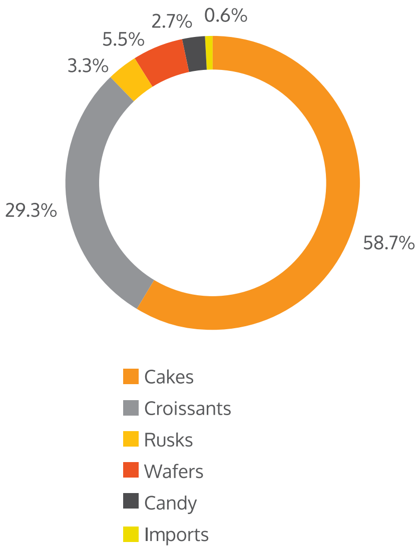
In 2Q2015, total COGS increased 14% over 2Q2014 levels to EGP 321 million, resulting in a COGS-to-net-sales ratio of 62.4%, up from 61.9% in 2Q2014. The growth in COGS is partly attributed to the increase in manufacturing overheads related to the new line that came on stream at the end of April, which has not yet reached full utilization. Also, the ramping up of all three new lines contributed to raw material trial costs of EGP 2.2 million, an increase which has not yet been matched by a rise in sales. The ramping up of all the new lines is on track and according to plan, with the first two lines commissioned currently operating at near full capacity.

The increase in manufacturing overheads also reflects the hike in energy prices that the government introduced in 2H2014 as well as increased maintenance costs incurred by the company. In addition, the company incurred a one-off expense related to travel and training expenses for the five-member team from the R&D and Industrial Operations department who travelled to the United States for the handover and training related to the new products acquired from Hostess.

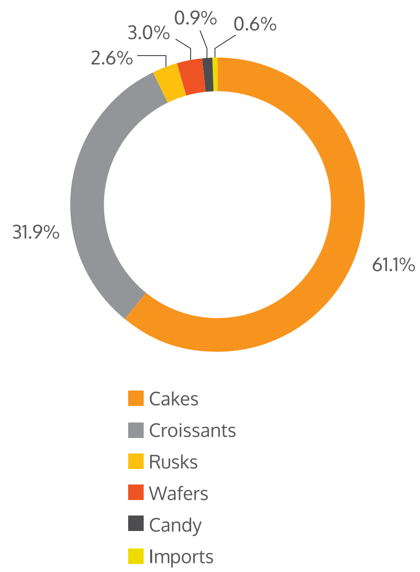
YTD Edita managed to maintain the costs of all the direct materials used as the company was able to secure its needs and lock in favorable prices for the year and in some cases well into 1Q2016. The Supply Chain department managed to lock in favorable prices of raw materials such as cocoa and packaging materials, whose prices have increased substantially since the beginning of the year.[2] The department also managed

2 Please refer to Supply Chain section for more details.

Contribution to Gross Profit by Product Segment 2Q2015



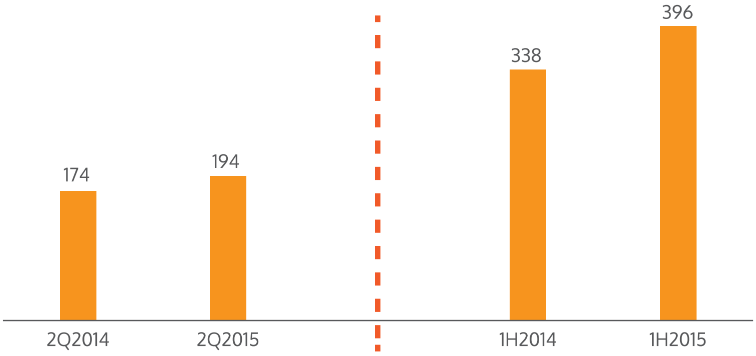
Contribution to Gross Profit by Product Segment 2Q2014



to secure Edita's needs for milk powder until 1Q2016, taking advantage of the commodity's current low prices. Furthermore, Edita's diversified cost structure continues to act as a natural hedge against global commodity price movements.

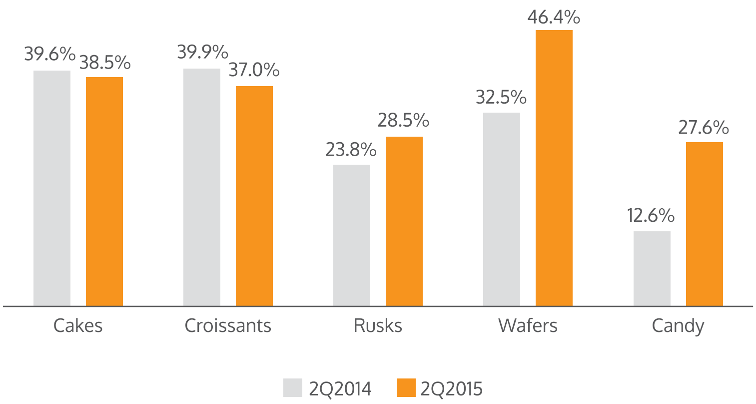
Gross Profit

Gross Profit Progression (EGP million)



In 2Q2015, gross profit increased 11.6% over 2Q2014 levels to EGP 193.7 million, with gross profit margin inching down to 37.6% from 38.1% a year earlier. The slight squeeze in margins comes on the back of the testing of the three new lines commissioned in March and April 2015 and the associated increase in MOH and material testing costs which have not yet been reflected in increased sales as these expenses were mostly booked during 2Q2015. On a half-year basis, GPM for 1H2015 rose to 38.0% from 37.4% in 1H2014, reflecting the overall increased utilization compared to the same period last year as well as the launch of higher margin SKUs.

Gross Profit Margin by Product Segment



With regards to profitability per segment, gross profit margins in 2Q2015 increased for rusks, wafers and candy as no new lines were added to these segments during 2Q2015, and their operations reflected the continuation of Edita's successful efforts to streamline production and control costs across the board. In the wafer segment, gross profit margins saw an impressive increase from 32.5% in 2Q2014 to 46.4% in 2Q2015, largely on the back of line enhancements and increased operational efficiencies. The candy segment's

gross profit margin surged to 27.6% in 2Q2015 from 12.6% in 2Q2014, as the company resolved technical difficulties in the second half of 2014, leading to an improved cost structure.

Margins from the core cake and croissant segments, where new lines were added, dipped slightly, with the cake segment's gross profit margin declining to 38.5% in 2Q2015 from 39.6% in 2Q2014. Meanwhile, gross profit margin for the croissant business recorded 37.0% in 2Q2015, down from 39.9% in 2Q2014. This volatility in margins is typical in the case of new lines being added which have not yet completed the ramp-up phase.

Our core cake and croissant product segments remain the main contributors to Edita's gross profit. In 2Q2015, the cake and croissant segments constituted 88% of total gross profit (and 87.2% of revenue), which is relatively lower than the 93% recorded in 2Q2014 and comes partly on the back of growth recorded in Edita's other product segments. The rusk, wafer and candy segments' contribution to gross profit continues to increase, recording 11.4% (12.4% of revenues) in 2Q2015, up from 6.5% in 2Q2014.

Other Expenses

Edita's three main expense categories relating to operations are namely: selling and distribution expenses (S&D), advertising and marketing expenses (A&M) and general and administrative expenses (G&A). Total SG&A in 2Q2015 increased 36% y-o-y to EGP 90.9 million.

S&D expenses increased 30.0% to EGP 40.1 million (7.8% of revenue) in 2Q2015 compared to EGP 30.9 million (6.8% of revenue) in the same period last year. The increase reflects Edita's strategy to foster and increase sales through various retail channels and increase its geographic coverage. In 2Q2015, Edita managed to expand its retail customer base to 57.9 thousand points of sale, up from 52.2 thousand in 2Q2014. In line with the company's strategy to expand its distribution footprint, Edita plans to open three new distribution centers in 3Q2015 in addition to its existing 18. Expansion of the sales force to handle the increased business has been executed efficiently, where the number of distribution vans increased by 10% to 539 and the number of sales force personnel increased by only 5% to 996 in 2Q2015, reflecting the company's employee optimization program launched in 2H2014. It is also worthy to note that the increased energy prices applied in 1H2014 had a two-fold effect on Edita's S&D expenses owing to their direct effect on its operations as well as the increased fuel costs for the company's larger distribution fleet.

A&M expenses increased 58% y-o-y in 2Q2015 to EGP 18.3 million (3.6% of revenue). A&M expenses to sales ratio continues to fall within normal levels, even as the company launched several product advertising campaigns and a corporate awareness campaign in 2Q2015.

G&A expenses climbed 34% y-o-y in 2Q2015 owing to the one-off costs associated with the IPO, in addition to the normal, periodic increases in wages and salaries. Adjusting for the total net IPO expenses of EGP 2.2 million booked during 2Q2015, adjusted G&A / net sales would stand at 5.9% in 2Q2015 compared to 5.3% in the same period last year.

Depreciation, other than that related to industrial operations, was EGP 7.8 million in 2Q2015 and remained approximately 1.5% of revenue.

During 2Q2015, Edita managed to realize gains on the sale of fixed assets totaling EGP 7.7 million, mainly attributed to the sale of the company's trailers as Edita continued to implement a policy of outsourcing non-core operations. During 2Q2015, Edita managed to outsource the movement of finished goods from its factories to its distribution centers and hence no longer required the trailers.

Starting in 2Q2015, Edita began to record an amortization expense – EGP 314,300 for the current quarter – related to the know-how for the newly acquired products from Hostess Brands in April 2015 valued at USD 4 million. As per IFRS standards, this amount is to be treated as an intangible asset with a finite lifetime until an operational history is accumulated, at which this amount will be subject to impairment tests similar to those applied for trademarks.

Profits from operations decreased 1.8% to EGP 101.6 million compared to 2Q2014, with a margin of 19.7%. The decline is mostly attributable to the decreased gross profit margin and the increase in SG&A expenses, as discussed above.

Interest expense in 2Q2015 totaled EGP 9.5 million, up from EGP 6.3 million in 2Q2014 as the company's debt increased in line with Edita's strategy to finance its expansions equally through debt and its own resources. Loans withdrawn since 2Q2014 were utilized to finance the production lines currently housed in the E07 extension (Hall B), which became operational in March and April of 2015. The most recently signed facility was the EGP 90 million medium-term loan to finance the Hostess contracts signed in 2Q2015. It is worth noting that Edita continues to enjoy extremely favorable terms from its lending banks, whether in interest rates charged or repayment schedules. On the other hand, interest income increased to EGP 6.3 million in 2Q2015 from EGP 5.6 million in 2Q2014, mainly owing to a more flexible cash-management policy that has allowed Edita to capitalize on favorable opportunities in the market.

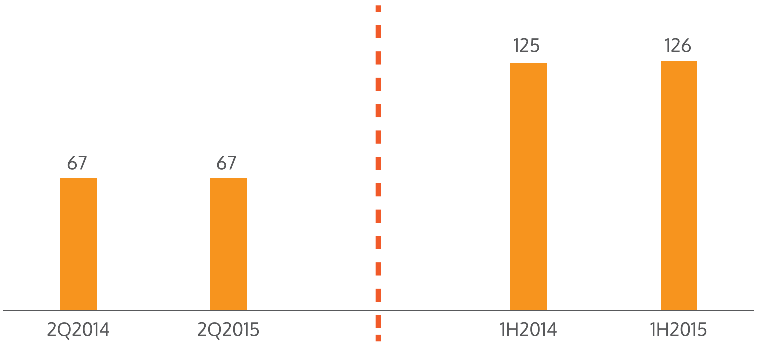
2Q2015 also saw Edita book an FX loss of EGP 4.4 million arising from the EGP's devaluation against the euro (18 piasters over the quarter), which affected the company's liabilities denominated in the latter which were related to the new production lines. The EGP was stable against the USD in 2Q2015 at an official rate of EGP 7.63 / USD (albeit 6.7% down from EGP 7.15 / USD in January 2015).

EBITDA

EBITDA in 2Q2015 stood at EGP 117.8 million, 4.4% lower than the 2Q2014 figure of EGP 123.3 million, and with a margin of 22.9% compared to 27.1% in the same period last year. Pressure on the EBITDA margin was partly due to higher SG&A expenses as well as stoppages and teething issues associated with the new lines that affected overall sales during the quarter, as previously explained. Adjusting for the one-off net IPO costs, EBITDA margin would stand at 23.3%. It is also worth noting that adhering to IFRS reporting standards saw a total of EGP 7.7 million excluded from the EBITDA calculation.

Net Earnings

NOPAT Progression (EGP million)



Taxes expensed for 2Q2015 decreased to EGP 27.1 million from EGP 35.2 million in 2Q2014. Meanwhile, on a half-year basis, taxes remained in the vicinity of EGP 60 million in both 1H2015 and 1H2014, despite 2Q2014 witnessing a tax rate of 25% compared to 30% in 2Q2015. The variance caused by the different rates during the quarter can be seen in the deferred tax account.

As a result of all of the above, net profit after tax and minority interest for 2Q2015 remained somewhat flat y-o-y at EGP 67 million, with a margin of 13.0% compared to 14.7% in the same period last year.

Balance Sheet

Edita's total assets increased to EGP 1.9 billion in 1H2015 from EGP 1.6 billion as at year's end 2014. The bulk of the increase emanated from the increase in property, plant and equipment as the extension of the E07 plant materialized and the delivery of the three new lines was completed. Property, plant and equipment increased to EGP 1.03 billion in 1H2015, up from EGP 818.4 million as at year's end 2014, while projects under construction decreased to EGP 123.0 million from EGP 197.4 million in 2014 after the completion of the new extension.

The main CAPEX items in 1H2015 were EGP 57.4 million pertaining to the completion of Hall B (extension of the E07 factory). Total CAPEX related to the acquisition of the new land for the new E08 factory amounted to EGP 54.9 million, including the cost of the land plot and related infrastructure. Total CAPEX for 1H2015 reached EGP 172.2 million, out of which EGP 125.6 million is considered expansion CAPEX.

Edita continued to maintain healthy cash and cash equivalents of EGP 333.1 million as of 1H2015, constituting 17.8% of the company's total assets.

With regards to working capital components, inventory levels continued to reflect Edita's policy of maintaining inventory coverage for all direct materials, with the company keeping one month's worth of sales for locally sourced material and up to three months for imported materials, together averaging 0.89 months during 2Q2015. Finished goods inventory remained at the average of three days in 2Q2015. Trade receivables decreased to EGP 9.9 million (1.7 days) in 1H2015, reflecting Edita's continued cash sales policy

– over 97% of sales continue to be conducted on a cash basis. Trade payables increased slightly to EGP 153.4 million, reflecting 54 days of sales as Edita was able to secure better payment terms with several of its key suppliers.

The value of the new Hostess contract, signed in April 2015, has been included on the balance as an intangible asset, with the total balance reaching EGP 162.5 million as at the end of 1H2015, up from EGP 68.6 million as at year's end 2014. It is worth noting here that the two components of the contract, namely the expansion of Edita's territory right for HTT brands (valued at EGP 62.9 million) and the transfer of know-how for newly acquired products (valued at EGP 31.4 million), are subject to different treatments, with the former undergoing impairment tests while the latter is amortized based on a 25-year lifetime until a production history is accumulated. Once there is a production history, the contract related to the know-how acquisition will be re-evaluated and the amounts could also be subject to an impairment test.

The current portion of long-term liabilities (CPLTD) increased to EGP 179.9 million as of 1H2015 from EGP 125.2 million as at year's end 2014. Meanwhile, long-term loans increased to EGP 268.9 million as of 1H2015, compared to EGP 204.5 million at the end of 2014. This comes on the back of loans drawn down to finance both the new production lines and the Hostess contracts signed during 2Q2015, which saw Edita expand its HTT brands territory and acquire know-how and technical assistance for 11 additional cake products from Hostess Brands LLC to be marketed across the expanded region.

Total shareholders' equity increased to EGP 952.2 million as at the end of 1H2015, up from EGP 825.7 million as at December 2014.

Egyptian Accounting Standards Reconciliation to IFRS

The main differences between Edita's financial statements is that IFRS standards require the company to expense its employees' profit sharing while as per the Egyptian Accounting Standards the said amounts are treated as a distribution and hence not included in the income statement. Furthermore, both standards require different treatments for matters related to FX gains and losses as well as the gains and losses on the sale of FX in the EBITDA calculation. In 1Q2015, net employees' profit sharing amounted to EGP 21.8 million compared to EGP 17.5 million in 1Q2014. Additionally, EGP 5.8 million of adjustments in EBITDA were resultant from FX losses and the sale of assets.

The table below shows the reconciliation between Edita's 1H2015 financial statements prepared using EAS and IFRS.

in EGP mn	1H2015 EAS	Adjustment	1H2015 IFRS
Net Sales	**1,044**		**1,044**
COGS (excluding M.O.H)	(639)	(8)	(647)
Gross Profit	**405**		**396**
Gross Profit Margin	*38.8%*		*38.0%*
Selling & Marketing Exp.	(128)	(6)	(134)
General & Admin. Exp.	(74)	(8)	(82)
Net Other Income/(Expense)	8	(5)	3
Net Other Gains/(Losses)	-	5	5
Net Profit from Operations	**211**		**190**
Profit from Operations Margin	*20.2%*		*18.2%*
Net Financing Cost	(0.88)	(0.32)	(1.20)
Profit Before Income Tax	**210**		**189**
Income Tax Expense	(62)	-	(62)
Net Profit After Tax	**149**		**127**
Net Profit After Tax Margin	*14.3%*		*12.2%*
EBITDA	**250**	**-**	**222**
EBITDA Margin	*24.0%*		*21.3%*

* includes depreciation & royalty expense
** includes other (income)/expense, sale of fixed assets, FX (gain)/loss

Development of Our Markets

Segments of Egypt's snack food market in which Edita operates continued to grow y-o-y, albeit at slower levels than 1Q2015 on the back of seasonality owed to the school-year examination period which also coincided with the month of Ramadan, two typically low-demand seasons.

Selected Segments of the Snack Food Market in Egypt – January to June

Segment	Market Size (EGP mn)	2013-2015 CAGR
Salty Snacks*	3,331	11.2%
Cakes	847	8.9%
Wafers	890	10.4%
Croissants	403	37.0%

*The rusk market is 4.8% of total salty snacks.
Source: AC Nielsen Retail Audits

Edita continued to dominate the snack food market segments in which it operates. It remains the market leader in both the cake and croissant segments with 64% and 66% market shares, respectively. The slight drop in market shares compared to the full year 2014 are attributed to capacity limitations which should ease following the completion of the new lines' ramp-up phase and as their additional production hits the market. Given Edita's direction of curtailing supplies during the low season, in line with its policy of not stockpiling finished goods more than two to three days, the company's market share in the wafer segment currently stands at 8%, with Edita now being the number-four player in the market. The market share in the rusks business reached 35% in 2Q2015, up from 30% the previous quarter. The rusks market share is limited by capacity, which will ease once the new line comes into production at year's end, at which point management expects market share to increase. Below is a summary of Edita's competitive position within the snack food market as at the end of 2Q2015. It is worth noting that starting mid-July, Ramadan's seasonality effect began to wane, which will also be supported by the beginning of the school year, a typically high-demand season for the snack food market.

		Market Position	Market Share[1]	Relative Market Share[4]	Av. Consumer Price (EGP / US$[2])	Brands	Brand Awareness[3]
87% of 2Q2015 Revenue	Cakes	#1	64%	9.3x	0.7 / 0.09		100%
	Croissants	#1	66%	3.0x	1.16 / 0.15		100%
	Rusks	#2	35%	0.5x	1.00 / 0.13		79%
	Wafers	#4	8%	0.1x	1.00 / 0.13		90%
	Candy	#3	8%	0.4x	2.11 / 0.27		NA

Source: AC Nielsen Retail Audit, IPSOS
1. Market shares refer to the January-June 2015 period, with the exception of the candy segment, which is as of FY2014 as Edita has not yet purchased quarterly data for this segment.
2. USD/EGP at 7.83 as of July 30, 2015 (CBE).
3. Brand awareness measures the share of respondents that were familiar with the brand in aided, spontaneous consumer surveys.
4. Relative market share calculated as Edita's market share divided by market share of largest competitor.

An Overview of Operating Divisions

Marketing

In general, there was no change in Edita's market positioning this quarter. In 2Q2015, marketing began to promote Edita's image among consumers as a house of brands by linking the company's name to its successful and dominant brands. A new corporate campaign was launched during April 2015 through outdoors, digital media and TV, and through the continued branding of our distribution trucks and vans. The corporate campaign was very successful as it strengthened the association of Edita to all its brands in a creative way, and thus far it has generated very positive feedback from all stakeholders and achieved very high viewership. Spending on the Bake family remained focused on digital media. TV advertising was introduced to market the Todo family in addition to the usual outdoor and digital media campaigns, with total spending having increased slightly over the previous year. The two main media-spend items were directed toward Molto (to support the new capacity additions) and the first-time airing of the corporate campaign. To market the croissant segment, outdoor advertising was added to the usual TV and digital media campaigns. The corporate campaign, which was aired on TV and supported by an outdoor and digital campaign, cost approximately EGP 10 million.

Edita continues to maintain 100% brand awareness in our core markets, namely the croissant and cake segments. Wafer awareness continues to improve and has increased to 90%. Brand awareness in the rusks segment remains relatively lower than other segments, scoring 79%; however, this reflects the company's more focused communication on sustaining and supporting its niche consumer base through digital and below-the-line media, given the limited production capacity thus far.

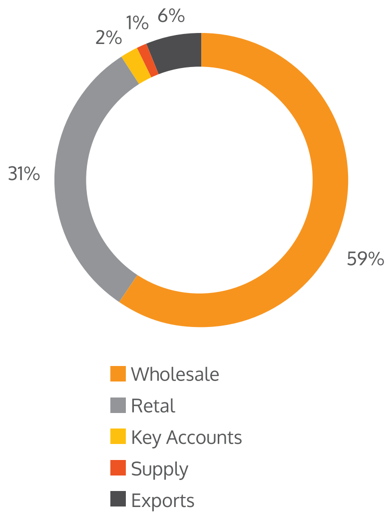
With the acquisition of the technical know-how of 11 additional products from Hostess, the marketing team is closely working with the R&D department to work on the new products' branding.

Edita continues to follow a vigilant pricing strategy due to the high price elasticity of both its market and target consumer base. During 2Q2015, average consumer prices for cakes and croissant increased 4.5% and 5.5% y-o-y, respectively. Prices were stable for the rusks and wafer segments as Edita did not launch any new SKUs or undertake any indirect price increases in both of these segments. On the other hand, average prices for the candy segment jumped by 61.1% y-o-y as the "Fakka" product – a high-priced family pack of both hard candy and jelly – took full effect after its introduction to the market during the second half of 2014.

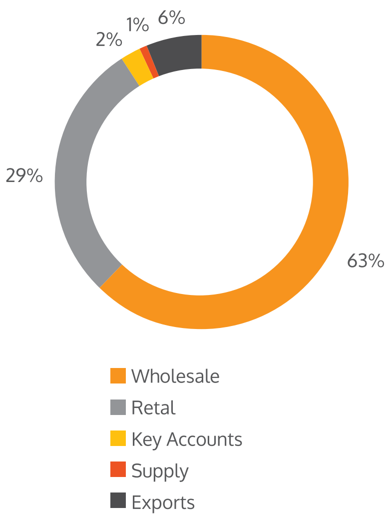
Development of Average Consumer Price by Product Segment

EGP	2Q2014	2Q2015	% Change
Cakes	0.67	0.70	4.5%
Croissants	1.10	1.16	5.5%
Rusks	1.00	1.00	-
Wafers	1.00	1.00	-
Candy	1.31	2.11	61.1%
Average Edita	**0.80**	**0.85**	**6.2%**

Revenue Contribution by Distribution Channel 1H2015*



Revenue Contribution by Distribution Channel 1H2014*



*Figures are based on Gross Sales

In August 2015 Edita launched two new croissant SKUs, namely Molto Mix in two variations, which are priced at EGP 2, a price point that is c. 70% higher than the average for Edita's existing croissant portfolio.

Sales & Distribution

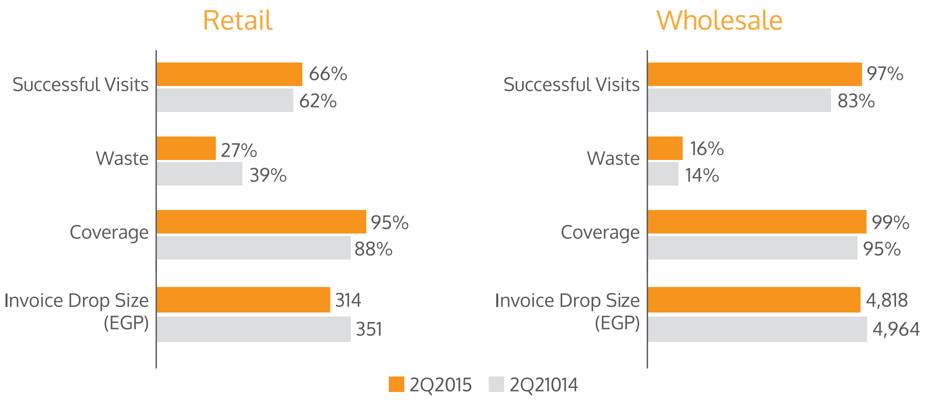
In 1H2015, Edita's sales by channel of distribution reflected the company's strategy of increasing shifting revenues more to the retail and traditional sales channels and away from wholesale distribution while simultaneously growing all channels. Sales through wholesale channels in 1H2015 grew by 9% to EGP 649 million and contributed 59% of total revenues, compared to 63% for same period last year. On the other hand, sales through the retail and traditional trade channels grew strongly by 25% y-o-y to EGP 343 million and contributed 32% of total revenues compared to 29% in the same period during 2014. Contribution to revenue through sales to supply and key accounts (modern trade) remained somewhat flat y-o-y and collectively contributed approximately 3% of total revenue.

Exports increased by 31% in 1H2015 over 1H2014 to EGP 69 million and remained approximately 6% of total net sales. During 1H2015, Edita exported to 13 countries across the MENA region and Africa, with its core export markets – namely Palestine, Iraq, Syria, Jordan and Libya – constituting over 83% of our total export revenue. It is worth noting that during 2Q2015, Edita opened a new export market in Tanzania, which falls in line with our strategy to continually expand our exports' reach not only across the MENA region but also into Africa.

By the end of 2Q2015, the total number of customers that Edita directly catered to stood at 63,228 points of sale, up from 57,659 a year earlier. The total number of retail and traditional trade points of sales serviced grew 10.7% y-o-y to 57,982 at the end of the quarter, while the number of wholesalers serviced declined by 2.3%. It is worth noting that the total number of retailers serviced by Edita at the end of 2Q2015 surpassed Edita's total number of clients serviced as at the end of 2Q2014, attesting to the continued implementation of the company's strategy to expand its proprietary distribution network across Egypt. The top 100 wholesalers continued to constitute a large portion of total sales through the wholesale channel, standing at 38% compared to 41% a year earlier.

Edita continues to grow its sales force efficiently, in line with both current and planned growth. The growth in sales in 2Q2015 through wholesalers was predominantly due to the increase in drop size / size of the invoice per wholesaler, while growth in revenue through the retail channels was a function of both the increase in drop size as well as the increase in the number of retailers over the period. As shown in the figure below, there were significant improvements in all the main KPIs in both the wholesale and retail sides of the business. The number of successful visits, coverage and invoice size grew over 2Q2014 levels while waste declined.

Improving KPIs across Major Distribution Channels



To support Edita's strategy of developing retail sales channels, the number of distribution centers is currently up to 18 from 15 in 2Q2014. No new distribution centers were opened in 2Q2015; three are planned to open in 3Q2015. The number of sales representatives increased to 444 at the end of 2Q2015, up from 417 in 2Q2014.

Industrial Operations

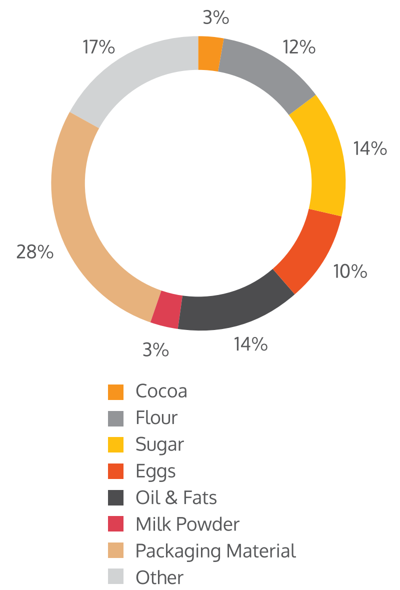
At the end of April 2015, Edita began commissioning the last of the three new lines installed during the year, dedicated to the production of XL and XXL Molto. The new line adds a total of 17,200 tons per annum to the company's croissant production capacity.

The cake and croissant lines commissioned at the end of 1Q2015 – which added an additional capacity of 7,200 and 7,600 tons per annum, respectively – are currently operating at near full-capacity utilization. Meanwhile, the croissant line installed at the end of April 2015 remains in the ramp-up phase and is thus operating below full-capacity utilization, both due to teething and one-off maintenance issues. The E07 factory in Sixth of October (currently housing the three new lines and four others) experienced a five-day stoppage during 2Q2015 on the back the municipality's maintenance works to the water grid and the main pipeline feeding areas in the Sixth of October industrial zone, which saw the factory witness several cuts in services. In addition, Edita experienced 10 days of stoppage in the E07 extension (Hall B) due to the required maintenance for the structure housing the new lines on the back of severe sandstorms. Nevertheless, Edita's overall average utilization rate stood at 95% in 2Q2015.

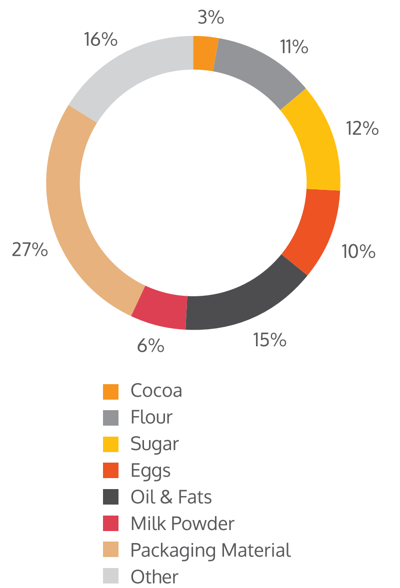
In addition to the increased capacities introduced during 2015, enhancements and more streamlined planning activities across all segments also contributed to increased capacities across all product segments. This was especially noticeable in the wafer, rusk and candy segments, which increased by 10%, 25% and 109%, respectively.

Total production in tons (excluding the production that was trial-based on the new lines) increased by 12% to 26.8 thousand tons in 2Q2015 compared to 2Q2014. This corresponds with an increase of 10% in the number of packs produced, as Edita has produced larger-sized SKUs and delisted smaller ones since 2Q2015.

Direct Material Breakdown 2Q2015



Direct Material Breakdown 2Q2014



The table below shows the comparative actual production per product segment for 2Q2015 as compared to 2Q2014 in both tonnage and packs.

Actual Production in Tons and Packs

	(In Tons)			(In Million Pouches)		
	2Q2014	2Q2015	Change (%)	2Q2014	2Q2015	Change (%)
Croissants	7,018	7,576	8%	159	172	9%
Cakes	15,018	16,702	11%	521	561	8%
Rusks	805	893	11%	24	27	11%
Wafers	603	799	33%	20	29	47%
Candy	572	861	51%	16	26	69%
Total	**24,015**	**26,832**	**12%**	**739**	**816**	**10%**

In 2Q2015, Edita managed to renew all its certifications for the ECI factory including the ISO 9001 (Quality Management System) and ISO 22000 (Food Safety Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Management System).

Research and Development

Our R&D department currently has around 90 SKUs in the pipeline that include several of the newly acquired Hostess products which are being re-formulated to suit local market's tastes. It must be noted that the launching of some of the 90 SKUs will be subject to final development and market research findings. It is also worthy to note that the newly launched Molto Mix SKUs were developed entirely in-house by Edita's R&D team. Furthermore, in addition to the strudels that are due for launch in early January 2016, as part of our existing segments, several other new SKUs are also slated for launch during 2H2015 / 1Q2016.

Our target is to have at least two of the newly acquired Hostess cake-based products launched and produced on our existing cake lines by year's end. Edita is also constantly working on formula modifications for the company's existing product portfolio.

Supply Chain

The Supply Chain department continued to track global commodity prices in order to maximize Edita's operational efficiencies. In 2Q2015, the Supply Chain department managed to secure most of the major direct materials at an average price 6-8% lower than originally anticipated. Despite a softening in most global commodity prices, cocoa prices increased by an average of 25% while the prices of OPP packaging materials increased by an average of 15-20% in the local market. This has no foreseen impact on Edita's cost base during 2015 as prices for most of the direct materials have been locked at least until year's end and in some cases up until 1Q2016. The cost of imported direct materials remains stable compared to the previous quarter, representing 24% of total direct material cost and continuing to be partially financed through proceeds from exports. On a positive note, milk powder prices have further declined on the commodity market and the Supply Chain department has seized the opportunity to lock in favorable prices for Edita's needs until the end of 1Q2016 at average prices 15% below 1Q2015.

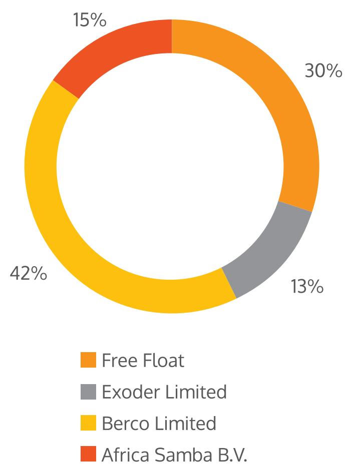
It is important to note that among Edita's continued operational efficiency initiatives is the outsourcing of all non-core operations, similar to what was applied for employees' transport and cafeteria management during 2014. During 2Q2015, Edita managed to outsource the transport of its finished goods from the factories to the distribution centers. Although this may not result in large financial savings, it is more efficient in terms of logistics, maintenance and minimizing downtime and delays that may result from the breakdown of the company's trailers. As a result Edita, sold all its trailers and heavy trucks that were used to transport the finished goods to the distribution centers during the quarter and has since realized a gain on the sale.

Planning activities showed significant improvement y-o-y during 2Q2015 in terms of increased daily production capacities across all the factories, production line utilization and keeping inventory coverage for all direct materials at an average of 0.89 months and a maximum of 2.4 days of sales for finished goods.

Human Resources

Edita continues to be committed to drive high performance and develop talent for its 5,385 employees. During 2Q2015, Edita launched a new training academy, the Edita Technical Academy, in addition to its ongoing programs: the Edita Manufacturing and the Edita Sales Academies. Furthermore, during 2Q2015 the HR department successfully launched the first module in the "Success Factors System," a new integrated and comprehensive talent-management system.

Shareholder Structure as of 2Q15



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 2014, the Company derived c. 94% of its revenue from Egypt and c. 6% from over 14 regional export markets. Learn more at 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.

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