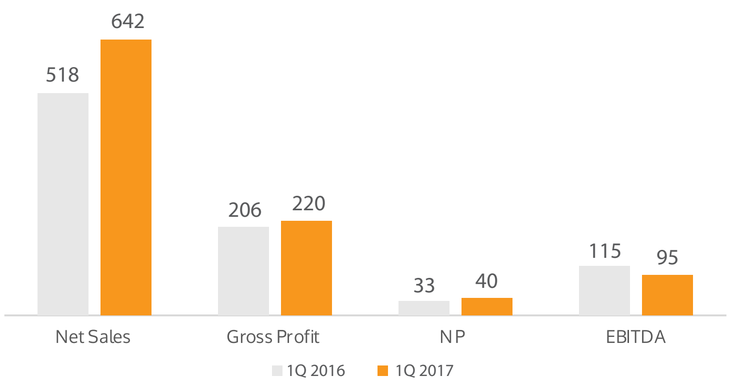
Edita Food Industries Reports 1Q2017 Earnings

Edita delivers solid top-line growth with revenues climbing 24.0% y-o-y in 1Q2017; bottom-line likewise turns a 23.5% y-o-y growth with operating margins remaining healthy and consumers continuing to adapt to new price points

Highlights for 1Q2017

Revenues	Gross Profit
EGP **642.4** mn ▲**24.0%** y-o-y	EGP **219.8** mn ▲**6.9%** y-o-y
EBITDA EGP **94.5** mn ▼**17.7%** y-o-y	**Net Profit** EGP **40.4** mn ▲**23.5%** y-o-y

Snapshot of Results 1Q2017 (EGP million)



Summary Income Statement (EGP mn)

EGP mn	1Q2016	1Q2017	Change
Revenue	518.1	642.4	*24.0%*
Gross Profit	205.7	219.8	6.9%
% Margin	*34.2%*	*39.7%*	
EBITDA	114.8	94.5	*-17.7%*
% Margin	*22.2%*	*14.7%*	
Net Profit	40.4	32.7	*23.5%*
% Margin	*6.3%*	*6.3%*	

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."

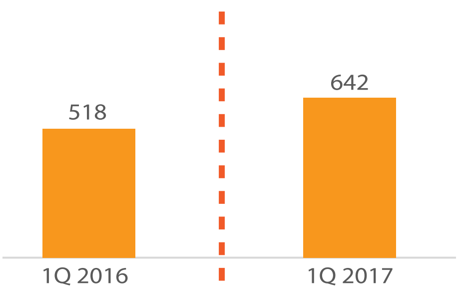
Results in a Nutshell

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, announced today its results for the quarter ending 31 March 2017, reporting revenues of EGP 642.4 million, up a solid 24.0% y-o-y, and filtering down to a net profit of EGP 40.4 million, up 23.5% y-o-y.

Strong revenue growth in the first quarter of the year came thanks to Edita's repricing and portfolio optimization strategy, which the company rolled out starting September 2015 and accelerated in 4Q2016 to address a rapidly changing macroeconomic environment. The strategy allowed Edita to continue driving top-line growth and sustain its margins throughout a period characterized by unprecedented inflationary pressures driven by the Egyptian government's structural reforms, including the introduction of a value-added tax, the float of the Egyptian pound in November 2016 and the partial lifting of energy subsidies.

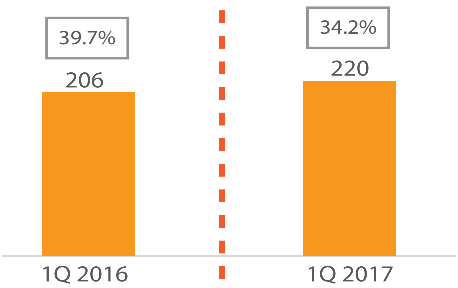
Commenting on the quarter's results, Chairman and CEO Hani Berzi said: "With a full quarter now behind us following the November 2016 float of the Egyptian pound, we have better visibility on how the market is adapting to the impact of the ongoing macroeconomic program. Consumers continue to adapt to our pricing strategy month-on-month as underscored by our strong top line growth. Meanwhile, our in-house R&D team is working on new, innovative products across the price spectrum to strengthen our market share leadership. We are also actively working to stimulate demand across our product lines throughout our distribution channels, in tandem with strengthening our network and expanding our revenue share of retail accounts. While 2017 is clearly a transition year, we take comfort in the resilience of consumer demand across our product portfolio and believe we are very well positioned to gain further market share and extract higher value from our target segments. We are also mindful that this transition period and the forces driving it will present a number of unique opportunities to grow our exports and to expand at home and abroad."

Revenues Progression
(EGP million)



Overall, Edita raised average prices per pack across its portfolio by 91.1% y-o-y as of 1Q2017, allowing total sales value to increase even as volumes declined in line with expectation. Edita sold a total of 15.6 ktons in 1Q2017, down 37.3% y-o-y compared to the 24.9 ktons sold in 1Q2016. Management notes, however, that production capacity freed by lower volumes on existing SKUs allowed the company to rapidly introduce new innovative propositions, with 1Q2017 witnessing the launch of several new products across all segments, in line with the company's long-term growth strategy.

Gross Profit Progression
(EGP million, % margin)



The company will continue to call on its in-house R&D capability to develop differentiated product offerings across a broad spectrum of price points to support the restoration of volumes as the management aims to preserve and enhance its market leadership.

In that regard, all of Edita's segments save for the croissant gained market share in 1Q2017, with cakes inching up to 57.3% (1Q2016: 56.7%), rusks capturing 46.6% (1Q2016: 34.6%), wafers at 8.9% (1Q2016: 7.4%) and candy climbing sharply to 19.5% (1Q2016: 11.2%).

Contributing 54.7% of Edita's revenues in 1Q2017, the **cake segment** reported a 34.3% y-o-y increase in sales for the quarter, driven by higher prices and the continuous roll-out of new, innovative products. Average price per pack climbed almost two-fold y-o-y as of 1Q2017, with the company raising prices per pack as recently as December 2016. These latest increases, however, drove volumes down by 31.2% y-o-y in 1Q2017, an expected consequence of any upward movement in prices.

Edita's **croissant segment** saw sales decline 14.2% y-o-y in 1Q2017 as volumes fell 54.1% y-o-y. This came after a two rounds of aggressive price increases after a long period of price stability, with back-to-back hikes in both October and December 2016. Edita is thus pushing through new innovative products to restore volumes, with the quarter just ended witnessing the launch of two new SKUs: Mini Molto Mix Strawberry & Cream and Mini Molto Mix Chocolate & Cream.

Meanwhile, the **rusks segment** turned a strong performance in 1Q2017, with total sales climbing 102.2% y-o-y. A sharp 107.3% y-o-y hike in prices per pack had a limited effect on volumes, which closed the quarter down only 6.8% y-o-y at 1.3 ktons. Edita's **wafer segment** is also witnessing healthy growth, with sales up 50.1% y-o-y in 1Q2017 as a 107.1% y-o-y increase in prices offset a 25.9% y-o-y decline in volumes. As for the **candy segment**, revenues recorded 61.2% y-o-y growth in 1Q2017, driven by a 51.2% y-o-y increase in average price per pack.

Edita's gross profit improved 6.9% y-o-y to close the quarter at EGP 219.8 million, with gross profit margin (GPM) supported at a healthy 34.2% despite the prevailing challenges. Management supported profitability with a mix of both price increases and through cost-control initiatives as well as localizing some of its imported raw material. Additionally, Edita was successful in maintaining manufacturing overheads at c.12% of sales, partially offsetting a 39.7% y-o-y increase in cost of direct materials driven by the float of the Egyptian pound in November 2016. Overall, the sharp inflationary pressure saw cost of goods sold (COGS) increase 35.3% y-o-y to EGP 422.6 million in 1Q2017. (Please refer to the Costs of Goods Sold section of this report for a more detailed overview).

In line with the company's immediate strategy of supporting its new product launches and stimulating both consumer and wholesale demand to preserve its market leadership, Edita's Selling, General & Administrative (SG&A) spend as a percentage of sales increased to 22.7% during the quarter compared to 20.7% in 1Q2016, booking a total of EGP 145.7 million in 1Q2017. Management notes that a high marketing spend in the first half is a seasonal effect and is more pronounced this year by the need to support new product launches and price increases. Higher SG&A in-turn weighed down on the company's EBITDA, which came in at EGP 94.5 million in 1Q2017, down 17.7% y-o-y and yielding an EBITDA margin of 14.7%.

Edita incurred finance costs totalling EGP 22.8 million in 1Q2017, up 115.1% y-o-y on the back of further utilization of its facilities as well as sharply higher interest rates that accompanied the devaluation of the Egyptian Pound. Nevertheless, Edita's bottom-line grew 23.5% y-o-y in 1Q2017 recording a Net Profit (NPAT) of EGP 40.4 million.

On the operational front, Edita's push toward capacity expansions and the addition of new SKUs remain on track, with the installation of the new wafer line in the company's E08 plant progressing on schedule while its new cake line is currently in transit with installation scheduled to begin by May 2017. These new lines will allow Edita to produce new products that cannot be produced on existing lines, supporting our strategy of both stimulating new demand and extracting higher value from our target segments. Meanwhile, construction of the new E08 factory remains on track.

Strategy Insight

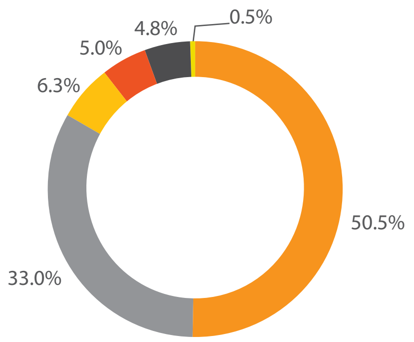
Following the successful implementation of Edita's repricing and portfolio rationalization strategy, the company's short-term goal is to focus on restoring volumes and gaining market share through the continued roll-out of new innovative products. The roll-out of new products will be across price points and market segments, with a particular emphasis on higher-margin SKUs, leveraging the company's in-house R&D capabilities, technical know-how and strong brand equity among consumers.

Edita's long-term strategy is similarly anchored by its R&D capacity, which serves as a key competitive advantage that allows the company to constantly stay ahead of the competition, delivering unique value propositions to consumers. Additionally, Edita is pushing forward with its distribution strategy that sees it increasingly shifting toward more retail channels. Management views this strategy serving a dual purpose of expanding its reach and in-turn its market share, as well as gaining direct access to consumers with quicker acceptance of higher price points as opposed to wholesalers. We are, in parallel, tactically working to stimulate demand across the wholesale network.

On the cost side, Edita will continue to push through increased operational efficiencies at the industrial operations front, affording the company higher flexibility and allowing it maintain its manufacturing overheads at historical levels despite the inflationary environment. (Notably, the same drive for import substitutes in our production inputs will also give advantage to a number of SKUs in our candy and wafer lines, which are in increasing demand as substitutes for products that were previously imported.)

In parallel, Edita continues to explore the potential for further opportunities to penetrate export markets as well as inorganic expansion opportunities both regionally and in our home market. The company's regional drive will help position it as a multi-country player with a strong, diversified revenue base.

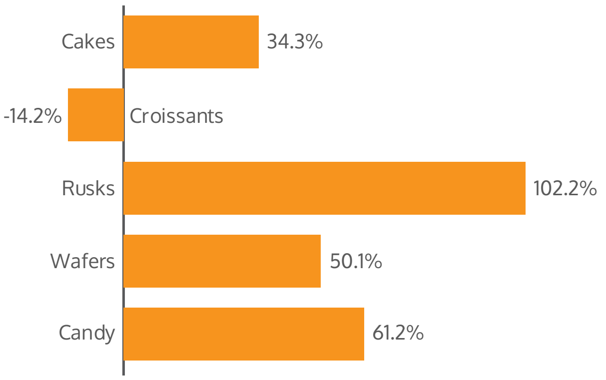
Segment Contribution to Revenue 1Q2016 (EGP mn)



Cakes	EGP 261.5
Croissants	EGP 170.8
Rusks	EGP 32.7
Wafers	EGP 25.7
Candy	EGP 24.9
Imports	EGP 2.5

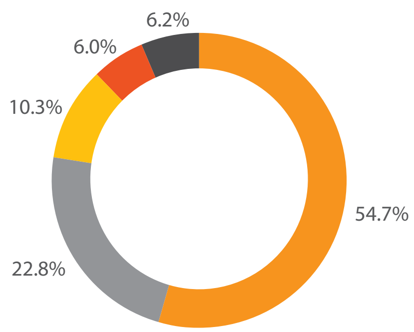
Overview of Segment Performance

1Q2017 Revenue Growth by Segment (y-o-y)



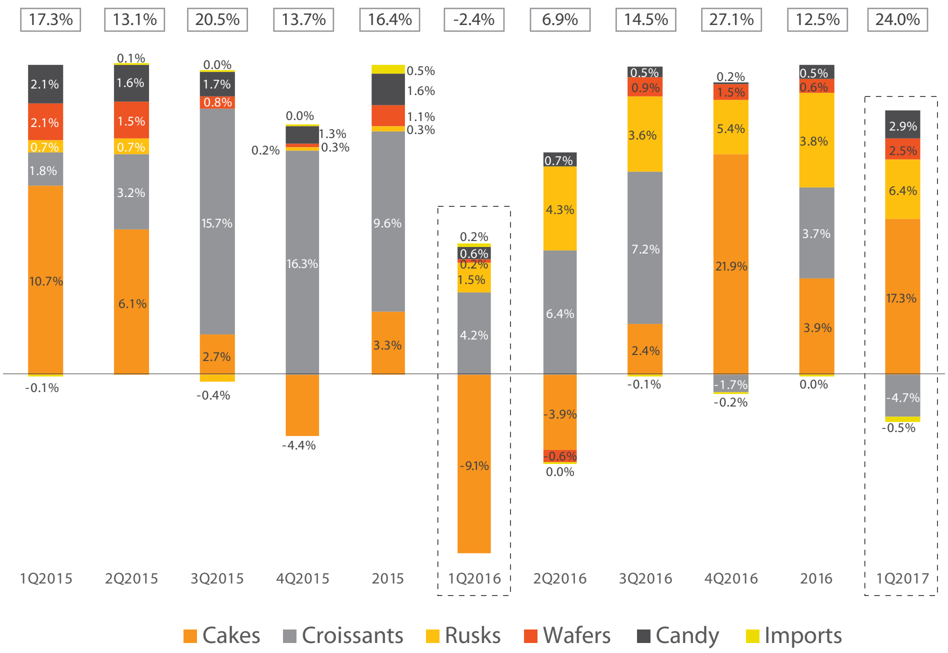
Revenue growth in 1Q2017 was primarily driven by the cake segment which recorded a 34.3% y-o-y increase in sales and contributed c.72% to Edita's top-line growth in absolute terms. Following in second place was Edita's rusks segment with sales growing at 102.2% y-o-y in 1Q2017 and contributing c.27% to total revenue growth in absolute terms. Meanwhile, a 14.2% y-o-y decline in the croissant segment's revenues in 1Q2017 was offset by growth at Edita's wafers (50.1% y-o-y) and candy (61.2% y-o-y) segments, netting out a c.3.1% contribution to Edita's revenue growth for the quarter.

Segment Contribution to Revenue 1Q2017 (EGP mn)

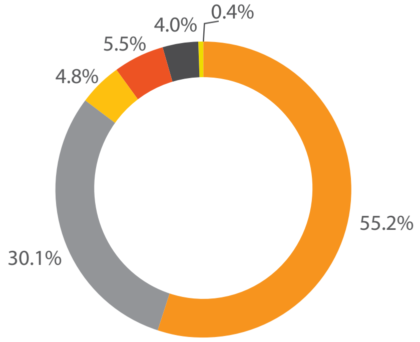


Cakes	EGP 351.1
Croissants	EGP 146.5
Rusks	EGP 66.1
Wafers	EGP 38.6
Candy	EGP 40.1

Segment Contribution to Growth

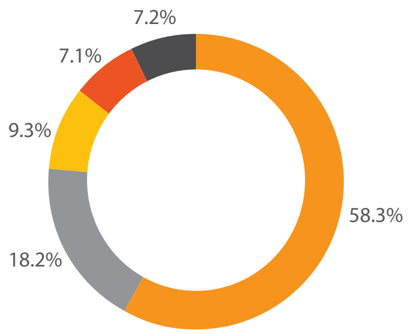


Segment Contribution to Gross profit 1Q2016 (EGP mn)



Cakes	EGP 113.5
Croissants	EGP 61.9
Rusks	EGP 9.9
Wafers	EGP 11.2
Candy	EGP 8.3
Imports	EGP 0.9

Segment Contribution to Gross profit 1Q2017 (EGP mn)



Cakes	EGP 128.1
Croissants	EGP 40.0
Rusks	EGP 20.4
Wafers	EGP 15.7
Candy	EGP 15.7

Overall, Edita's revenue growth in 1Q2017 came on the back of price increases, with the company's average factory prices per pack climbing 91.1% y-o-y to EGP 1.49 compared from EGP 0.78 in 1Q2016. Across its five segments, Edita sold a total of 15.6 thousand tons in 1Q2017 compared to 24.9 thousand tons in the same period last year, a 37.3% y-o-y decline. Lower volumes are an anticipated consequence of Edita's aggressive repricing and portfolio optimization strategy which most recently saw the company increase prices across its portfolio by 30.2% y-o-y during 4Q2016.

Average Factory Price Per Pack

EGP	1Q2016	1Q2017	Change
Cakes	0.68	1.35	98.1%
Croissant	0.90	1.66	83.6%
Rusks	0.82	1.70	107.3%
Wafers	0.76	1.57	107.1%
Candy	1.38	2.08	51.2%
Average Edita	**0.78**	**1.49**	**91.1%**

Total Segment Revenues and Volumes Sold

	1Q2016			1Q2017		
	Net Sales (EGP mn)	Packs (millions)	Tons (000s)	Net Sales (EGP mn)	Packs (millions)	Tons (000s)
Cakes	261	383	12.7	351	260	8.7
Croissant	171	189	8.8	146	88	4.1
Rusks	33	40	1.4	66	39	1.3
Wafers	26	34	0.9	39	25	0.7
Candy	25	18	1.1	40	19	0.9
Imports	3	-	-	0	-	-
Total	**518**	**664**	**24.9**	**642**	**431**	**15.6**

At the gross profit level, Edita managed to carry-down some of its top-line gains, recording gross profit growth of 6.9% y-o-y to EGP 219.8 million in 1Q2017. GPM stood at a healthy 34.2% for the quarter (1Q2016: 39.7%) despite lower utilization rates.

Cakes

Revenues from the cake segment came in at EGP 351.1 million in 1Q2017, up 34.3% y-o-y compared to 1Q2016 figure of EGP 261.5 million and contributing 54.7% to Edita's total revenues for the quarter (1Q2016: 50.5%). Revenue growth was price driven with average price per pack climbing 98.1% y-o-y in 1Q2017 while volumes declined 31.2% y-o-y. The segment witnessed the roll-out of several new products in 1Q2017, including the Twinkies Extra Chocolate, Twinkies Extra Strawberry, TODO Bar Chocolate and the TODO Bar Vanilla, allowing the company to protect and enhance its market leadership position with its market share increasing to 57.3% versus 56.7% in 1Q2016 and 56.6% at the close of FY2016.

The **segment's gross profit** recorded a 12.8% y-o-y increase in 1Q2017 to EGP 128.1 million, posting a GPM of 36.5% compared to 43.4% in 1Q2016. The squeeze in the segment's margins is largely attributed to the float of the Egyptian Pound in November 2016

and the sharp increase in materials cost that followed. However, it is worth noting that on a q-o-q basis, GPM made an almost two percentage-points recovery from a low of 34.9% in 4Q2016.

Croissant

The **croissant segment posted revenues** of EGP 146.5 million in 1Q2017, down by 14.2% y-o-y on the back of lower volumes following Edita's aggressive price increases implemented in October and December 2016 following a period of price stability. Overall, the segment's total volumes sold declined 54.1% y-o-y in 1Q2017 to 4.1 thousand tons, which negated the effect of an 83.6% y-o-y increase in average price per pack. The croissant segment's contribution to Edita's total revenues stood at 22.8% in 1Q2017 compared to 33.0% in the same period last year.

Top-line contraction was also reflected on the **segment's gross profit** which came in at EGP 40.0 million in 1Q2017, down 35.4% y-o-y. Additionally, the float of the Egyptian Pound applied downward pressure on the segment's GPM owing to the high FX component in the croissant's raw material blend, which together with lower volumes and the consequent effect on economies of scale saw GPM record 27.3% in 1Q2017.

Rusk

Revenues from the rusk segment recorded a strong 102.2% y-o-y growth to EGP 66.1 million, with contribution to revenue expanding to 10.3% compared to 6.3% in 1Q2016. Strong and unmet demand in the rusk segment left it the least impacted by Edita's price increases implemented during 4Q2016, with total volumes inching down only slightly (6.8% y-o-y) to 1.3 thousand tons in 1Q2017 despite a 107.3% y-o-y increase in average price per pack.

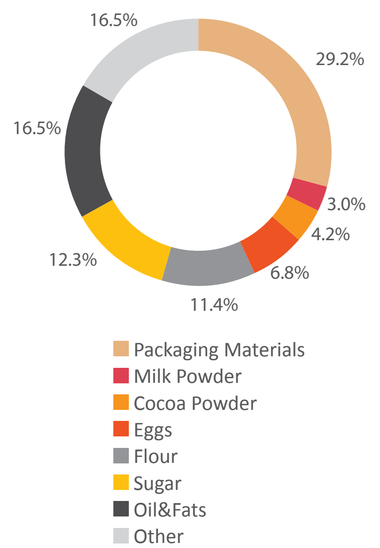
Top-line performance filtered down to the **gross profit** level which grew 106.1% y-o-y in 1Q2017 to EGP 20.4 million, increasingly contributing to Edita's gross profit growth, and yielded a GPM of 30.8% versus 30.2% in 1Q2016.

Wafers

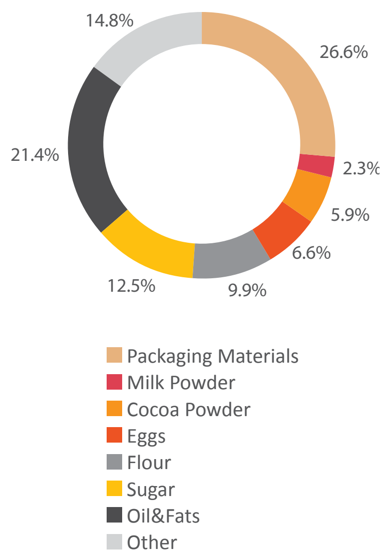
Edita's wafer segment turned an impressive 50.1% y-o-y growth in **revenues** to EGP 38.6 million in 1Q2017, contributing 6.0% to total revenues for the quarter (1Q2016: 5.0%). Revenue growth was driven by a 107.1% y-o-y increase in average price per pack which offset the pressure on volumes during the quarter. Total tons sold stood at 0.7 thousand tons in 1Q2017 compared to 0.9 thousand tons in the same period last year. Edita has already kicked-off Freska's rebranding campaign toward the end of 1Q2017 and is currently in the process of commissioning a new wafers line which will help the company deliver on its strategy of rolling-out new value propositions and enhance its market leadership position.

At the **gross profit level**, the wafer segment recorded EGP 15.7 million in 1Q2017, up 39.5% y-o-y, with GPM continuing to expand q-o-q closing the quarter at 40.6% versus 35.0% in 4Q2016. On a y-o-y basis, GPM inched down only three percentage points from 1Q2016 figure of 43.7% despite the severe inflationary pressures witnessed throughout FY2016.

Direct Material Breakdown 1Q2016



Direct Material Breakdown 1Q2017

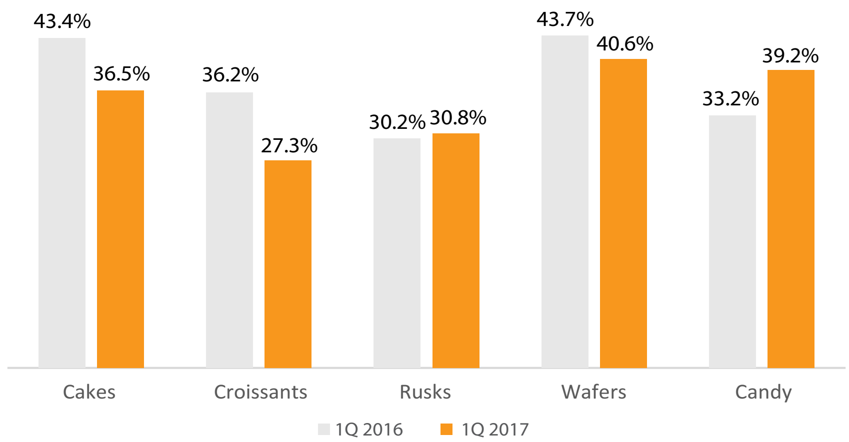


Candy

Revenues from the candy segment increased 61.2% y-o-y in 1Q2017 to EGP 40.1 million, contributing 6.2% to Edita's top-line versus 4.8% in 1Q2016. Similar to other segments, revenue growth was also price driven with average price per pack climbing 51.2% y-o-y in 1Q2017, while total volumes sold declined 19.1% y-o-y to 0.9 thousand tons.

Improved profitability at the **candy segment has seen gross profit** growth outpace revenues to record an impressive 90.2% y-o-y increase to EGP 15.7 million in 1Q2017. The segment's GPM expanded six points to 39.2% in 1Q2017 versus 33.2% in the same period last year, which helped support Edita's overall GPM and increasingly contributed to the company's gross profit growth.

Gross Profit Margin by Product Segment



Costs of Goods Sold[1]

Edita's cost base continues to be pressured by the inflationary macro environment and the weakening of the Egyptian Pound. COGS recorded EGP 422.6 million in 1Q2017, up 35.3% y-o-y and constituting 65.8% of sales compared to 60.3% in 1Q2016.

Cost of direct materials was the fastest growing component of Edita's COGS, recording a 39.7% y-o-y increase in 1Q2017 to EGP 326.9 million and constituting 50.9% of sales compared to 45.2% in 1Q2016. The sharp increase in direct materials cost was largely driven by the implementation of a value-added tax regime in September 2016 and the devaluation of the Egyptian Pound in November 2016.

Meanwhile, manufacturing overheads (MOH) stood at EGP 77.8 million in 1Q2017, up 22.7% y-o-y, and constituting the second largest share of COGS at 18.4%. As a percentage of sales, however, MOH were maintained at c.12% in 1Q2017, thanks to the flexibility afforded by blue-collar labor outsourcing companies which allows Edita to maintain MOH in line with utilization rates.

[1] Breakdowns within this section are derived from the company's management report.

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). During 1Q2017, total expenses reached EGP 145.7 million, a 35.9% increase compared to the same quarter last year, and constituting 22.7% of revenues.[2]

S&D expenses came in at EGP 51.8 million, a 24.7% increase compared to 1Q2016 levels, and constituting 8.1% of revenues. The increase is primarily due to higher wages and salaries as well as the distribution of the Easter grant to employees during the quarter as opposed to the second quarter last year.

Moreover, A&M expenses witnessed a significant increase of 77.9% compared to the same quarter last year and constituting 7.7% of revenues. This increase is to support our product portfolio after the significant price increases introduced in 4Q2016.

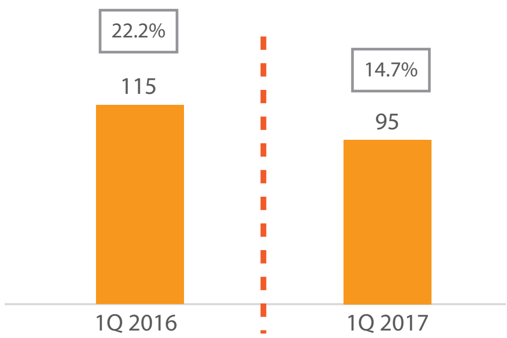
G&A expenses recorded EGP 44.7 million, constituting 7.0% of revenues and up 17.5% compared to 1Q2016. The increase came on the back of the distribution of Easter grants.

Edita's profit from operations for the quarter came in at EGP 64.8 million, a 26.0% decline compared to the EGP 87.6 million posted in 1Q2016, and with a margin of 10.1%.

EBITDA

EBITDA recorded EGP 94.5 million in 1Q2017, down 17.7% y-o-y and with an EBITDA margin of 14.7% versus 22.2% in 1Q2016. EBITDA was affected by increased SG&A spend as Edita sought to support its new product launches during the quarter with the aim of strengthening and enhancing its market leadership.

EBITDA Progression (EGP million, % margin)

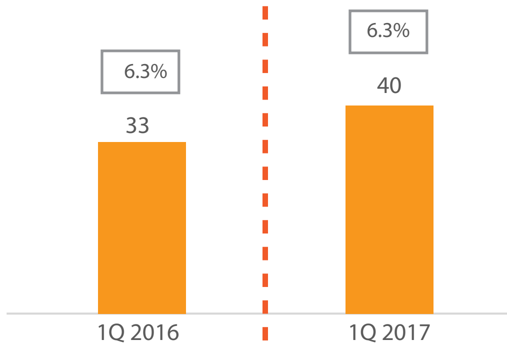


[2] SG&A breakdown is derived from the company's management accounts to ensure an accurate depiction of each of Edita's expenses and how they reflect on the business.

Net Earnings

Net profit came in at EGP 40.4 million in 1Q2017, up 23.5% y-o-y with NPM maintained at 6.3%. Improved profitability comes despite an increase in finance costs to EGP 22.8 million (1Q2016: EGP 10.6 million), and was supported by narrower FX losses which stood at EGP 4.2 million in 1Q2017 compared to EGP 44.5 million in the same period last year.

NPAT Progression (EGP million, % margin)



Balance Sheet

As of the end of March 2017, Edita's total assets came in at EGP 2.5 billion. Property, plant and equipment (PP&E) recorded EGP 1.6 billion including projects under construction of EGP 337.0 million.

Total CAPEX in 1Q2017 recorded EGP 161.9 million, which included the construction of the new E08 plant (EGP 90.1 million), payments toward the new hall in E15 (EGP 2.6 million), and allocations for the new wafer and cake lines (EGP 41.7 million) earmarked for installation in 2017 at the new E08 factory.

Cash & cash equivalents including treasury bills continue to be maintained at healthy levels, closing the quarter at EGP 271.2 million and constituting 10.7% of the company's total assets. Trade and other receivables booked EGP 162.5 million, reflecting the company's continued cash sales policy (97% of sales continue to be conducted on a cash basis). Trade and other payables closed the quarter at EGP 399.6 million.

Edita's current portion of long-term liabilities amounted to EGP 142.3 million, compared to EGP 146.2 million as at year-end 2016. Meanwhile, long-term loans increased to EGP 573.6 million compared to EGP 527.8 million in FY2016. Total shareholders' equity stood at EGP 1.06 billion as at 31 March 2017. The company's net debt position stood at EGP 879.4 million.

Egyptian Accounting Standards Reconciliation to IFRS

Edita's EAS and IFRS financial statements differ in the treatment of employees' profit share, which is expensed under the IFRS, while the EAS accounts for them as a distribution and are thus not included on the income statement.

Also, EAS and IFRS differ in the calculation of EBITDA. In 1Q2017, EGP 4.2 million in FX losses were added to the EBITDA while EGP 632.2 thousand related to gains on the sale of fixed assets were deducted. Moreover, a profit share deduction of EGP 7.5 million was made, bringing total EAS to IFRS adjustments on EBITDA to EGP 3.9 million.

A reconciliation between Edita's financial statements in EAS with the IFRS-based financial statements for 1Q2017 is provided in the table below.

in EGP mn	1Q2017 EAS	Adjustment	1Q2017 IFRS
Net Sales	**642.4**		**642.4**
COGS (excluding M.O.H)	344.8		344.8
M.O.H	74.8		77.8
Total COGS	419.6	3.0	422.6
Gross Profit	**222.8**	**(3.0)**	**219.8**
Gross Profit Margin	*34.7%*		*34.2%*
Selling & Distribution Exp.	49.8	2.0	51.8
Advertising & Marketing Exp.	49.3	-	49.3
General & Admin. Exp.	42.1	2.5	44.7
Other Operational Exp.	9.3	-	9.3
Profit from Operations	**72.3**	**(7.5)**	**64.8**
Profit from Operations Margin	*11.3%*		*10.1%*
Profit Before Income Tax	**58.3**	**(7.5)**	**50.8**
Income Tax Expense	10.5	-	10.5
Net Profit After Tax	**47.8**	**(7.5)**	**40.4**
Net Profit After Tax Margin	*7.4%*		*6.3%*
EBITDA	**98.4**	**3.9**	**94.5**
EBITDA Margin	*15.3%*		*14.7%*

Market Developments

As of February 2017, the snack food market recorded y-o-y growth of 3.6% to EGP 2.2 billion (latest data available from AC Nielsen), showing resilience in the face of a challenging economic environment.

The cake segment recorded a 31.9% y-o-y growth to EGP 377.0 million, with Edita continuing to gain market share in this core segment capturing 57.3% of the market as of February 2017 versus 56.7% in the same period last year. Edita's strengthening position in the segment comes thanks to the continued roll-out of new innovative products using freed-up capacities following the Twinkies upsizing in September 2015.

The croissants segment grew by 12.0% y-o-y to EGP 199.5 million as of February 2017. Edita's market share stood at 60.7% during the two-month period down from 69.3% as of February 2016. Being the dominant player in the market, Edita is leading the change in the segment's pricing structure having passed through two consecutive price increases in October and December 2016.

Meanwhile, the rusks segment posted the fastest growth during the two-month period closing February 2016 at EGP 75.5 million, up 42.2% y-o-y and growing to constitute 6.1% of the salty snacks market compared to 5.2% at the end of FY2016. Edita's market share of this fast growing market expanded to 46.6% in February 2017 compared to 34.6% in the same period last year, buoyed by the company's doubling of its production capacity in late 2015, with unserved demand in the market well absorbing the recent increase in prices.

Edita also continued to grow its market share in the wafer segment, with its products serving as a high-quality import substitute, and despite the market's overall 5.4% contraction as of February 2017 to EGP 281.3 million. Edita currently holds 8.9% of the market, making it the fourth largest player. Likewise, Edita grew its share in the candy market to 19.5% as of February 2017 (FY2016: 12.5%) despite a 33.4% decline in market size to EGP 71.3 million, making it the market leader.

Selected Segments of the Snack Food Market in Egypt

Segment	2M2016 (EGP mn)	2M2017 (EGP mn)	% Change
Cake	285.8	377.0	31.9%
Croissant	178.0	199.5	12.0%
Salty Snacks	1,216.7	1,230.7	1.2%
Rusks*	53.1	75.5	42.2%
Wafer	297.3	281.3	-5.4%
Candy	107.0	71.3	-33.4%
Total Market	**2,084.8**	**2,159.8**	**3.6%**

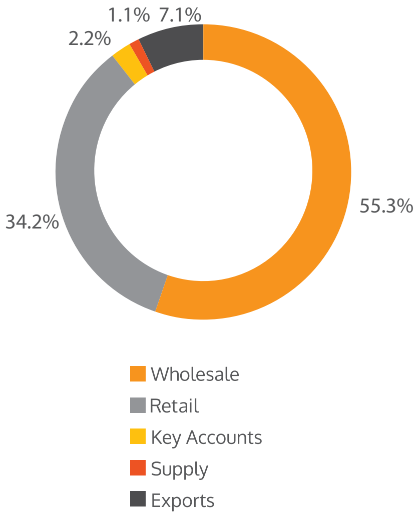
* Rusk market is 6.1% of total salty snacks

Source: AC Nielsen Retail Audits

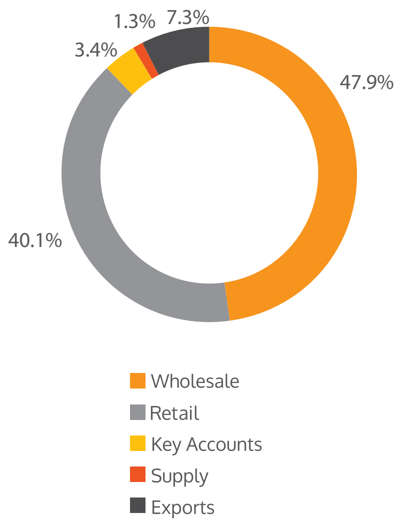
	Segment	Market Position	1Q2017 Market Share	1Q2016 Market Share	Av. Consumer Price (EGP / US$[1])	Brands
88% of 1Q2017 Revenue	Cakes	#1	57.3%	56.7%	1.69 / 0.09	Todo
	Croissants	#1	60.7%	69.3%	2.02 / 0.11	Molto
	Rusks	#2	46.6%	34.6%	2.12 / 0.12	Bake Rolz
	Wafers	#4	8.9%	7.4%	2.00 / 0.11	Freska
	Candy	#1	19.5%	11.2%	3.92 / 0.22	Mimix

Source: AC Nielsen Retail Audit, IPSOS February 2017
1. US$/EGP of 18.20 as of 31 March 2017 (CBE).

Revenue Contribution by Distribution Channel 1Q 2016



Revenue Contribution by Distribution Channel 1Q 2017



Marketing

Following the establishment of Edita's new price points in FY2016, the company's marketing strategy in 1Q2017 has seen it run intensive advertising campaigns in parallel to the expansion of its product portfolio and to support its new launches. Increased marketing spend during the quarter focused on increasing product visibility, run sampling campaigns and help raise awareness among consumers about Edita's new products.

During 1Q2017, Edita rolled-out several new offerings across its product portfolio, including two new cake SKUs — TODO Bar Chocolate and TODO Bar Vanilla — and two new Twinkies Extra flavours (chocolate and strawberry). Additionally, the croissant segment witnessed the roll-out of Mini Mix Strawberry & Cream and Mini Mix Chocolate & Cream, while the rusks segment saw a new flavour launch with Bake Rollz Mix Cheese.

Among the Marketing Department's key achievements during the quarter was the kick-off of Freska's rebranding campaign which completely overhauled the wafer's packaging to capture more of the market through this premium line. The segment also launched two new flavours under the brand: Freska Halawa and Freska Halawa Coated.

Edita's newly launched products are being positively received by consumers and have surpassed the company's internal forecasts thanks largely to its R&D capabilities which continue to form the cornerstone of Edita's marketing strategy. In that regard, Edita will continue to roll-out new products going forward and open up new market areas previously unserved and characterized by having a high growth potential.

Development of Average Consumer Price by Product Segment

	1Q2016	1Q2017	Change (%)
Cake	0.90	1.69	87.8%
Croissant	1.16	2.02	74.1%
Rusks	1.03	2.12	105.8%
Wafer	1.00	2.00	100.0%
Candy	2.57	3.92	52.5%
Total	**1.03**	**1.91**	**85.4%**

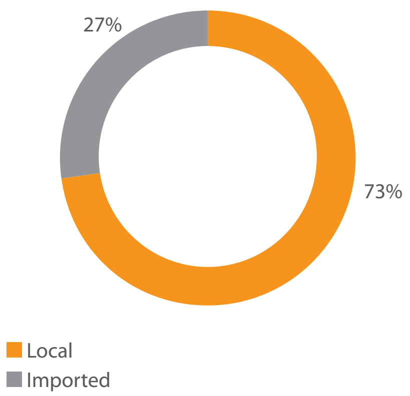
Sales & Distribution[3]

Optimising Edita's distribution channels mix remains one of Edita's key strategic priorities and is geared toward generating more sales from retail and traditional points of sale compared to through wholesale distribution. Increasing direct access to retail channels provides Edita with a more accurate market pulse and allows it to quickly react to its changing dynamics. Additionally, retail channels have proven to be quicker to accept higher price points than wholesale.

Edita increased the number of distribution vans in 1Q2017 to 603 compared to 566 in the same period last year, with 21 distribution centres serving customers across the country and improving Edita's penetration rate. These measures were reflected on Edita's sales and distribution mix into the first quarter of the year, with 1Q2017 sales from retail distribution recording 40.1% of sales, up from 34.2% in 1Q2016. Overall sales from retail

[3] Revenue by distribution channel refers to gross sales

Imported vesus local direct material
1Q 2016



Imported vesus local direct material
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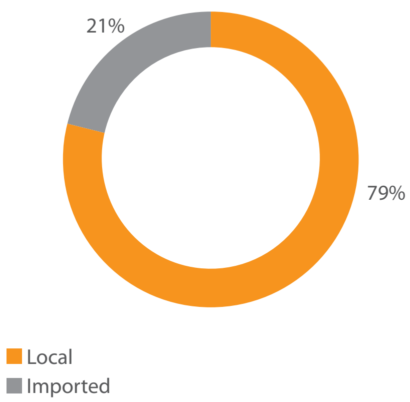


hit EGP 257.1 million in 1Q2017, up 44.6% compared to EGP 177.8 million in the same period last year while wholesale channels generated EGP 307.6 million, a 6.8% increase compared to EGP 288.0 million in 1Q2016.

Meanwhile, revenues from supply and key accounts (modern trade) together contributed 4.7% of total revenue, up from 3.3% in the same period last year.

The number of customers catered to in 1Q2017 increased to 65,230 from 65,004 in 1Q2016, underpinning the company's continued success in bolstering its proprietary distribution network throughout Egypt.

A core pillar of Edita's forward-looking strategy remains establishing a leading regional position, with management actively seeking opportunities to expand Edita's footprint to new export markets across the region in an effort to become a multi-country player.

Overall, export sales gained 26.5% y-o-y to EGP 47.0 million, constituting 7.3% of total sales. Key export markets include Palestine and Iraq which together constitute 44.6% of total exports during the quarter.

Supply Chain

Edita's solid reputation and solid relations with its supplier base ensured a stable supply of raw materials and at relatively favourable prices. Meanwhile, Edita continues to maintain healthy inventory levels despite a drop in utilization rates and volumes during the quarter following the company's repricing strategy.

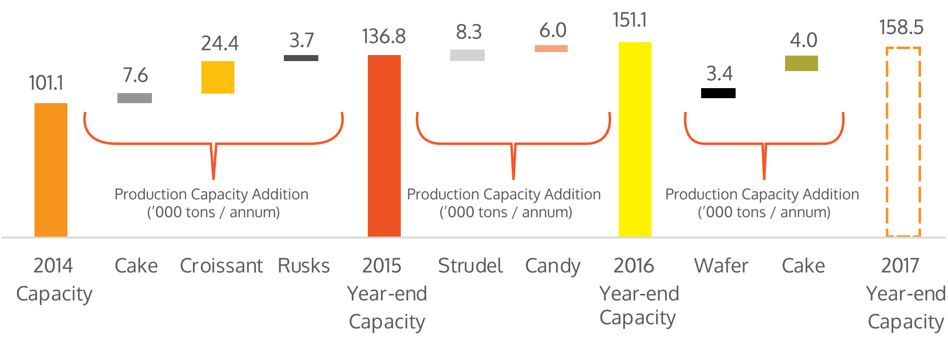
In 1Q2017, the cost of imported direct materials was 21% of total direct materials costs compared to 27% in 1Q2016, thanks to Edita's successful efforts in localizing some of its raw materials. Raw materials remain the largest constituent of the direct materials bill, accounting for 73% of the total direct materials cost during the quarter, followed by packaging materials, which accounted for 27% of costs.

Industrial Operations

1Q2017 saw Edita deliver on promises to roll-out new products using freed-up capacities and facilitated by line enhancements, which will act as a catalyst for restoring volumes. In that regard, the company launched during the quarter new SKUs and flavours under several of its segments to continue capturing a larger market share through offering more premium, differentiated products.

The company's new E08 factory is also proceeding on time, with work ongoing to install and commission the new wafer and cake lines in 2H2017. The E08 facility is set to be home to around 10 new production lines and will allow the company to expand its current product offering through launching new variants of existing products and provide space to begin manufacturing new products developed through our in-house R&D department.

Production Capacity Additions in 2014 - 2017



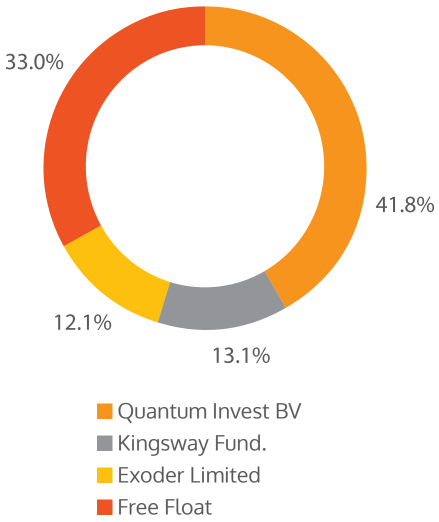
Human Resources

As part of its dedication to the well-being of its 5,405 employees, Edita continues to taken into consideration the current inflationary pressures and has thus rolled out generous merit based and cost of living allowances. Edita's dedication to its employees allows it to maintain high retention rates, with white and blue collar turnover standing at 0.6% and 0.8% in 1Q2017, respectively.

While Edita continues to give a priority on retaining and developing skilled labour, the company continues to push for automation in industrial operations as part of its cost-efficiency program, as well as to minimize the need for unskilled labour.

Driven by its firm belief that human capital is the underlying pillar of its success, Edita continues to focus on driving high performing teams and empowering employees. Its Management Training Program (EMTP), which enrols fresh graduates from top universities into a company-wide departmental rotation, continues to run at full force with the aim of preparing the next line of managers who will drive future growth.

Shareholder Structure as of 1Q2017



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 1Q2017, 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

Investor Contacts

Ms. Menna Shams El Din
Investor Relations & Business Development Director

T: +202 3851-6464
M: +2010 0 154 2428
menna.shamseldin@edita.com.eg

Ms. Yasmine Ghobrial
Senior Investor Relations Specialist

T: +202 3851-6464
M: +2012 2 756 3935
yasmine.ghobrial@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.

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