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Edita Food Industries Reports 2Q2018 Earnings

Continued growth in volumes drives Edita's revenues up 29.0% y-o-y to EGP 789.2 million; improved operating leverage sees EBITDA surge more than twofold with expanding margin.

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Highlights of 2Q2018

Summary Income Statement (EGP mn)

EGP mn	2Q2018	2Q2017	Change	1H2018	1H2017
Revenue	789.2	611.6	29.0%	1,675.3	1,254.1
Gross Profit	223.1	186.6	19.6%	503.2	400.0
% Margin	28.3%	30.5%		30.0%	32.4%
EBITDA	96.2	43.0	124.0%	239.8	131.0
% Margin	12.2%	7.0%		14.3%	11.0%

Net Profit	25.1	(1.7)	NA	85.9	38
% Margin	3.2%	-0.3%		5.1%	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 second quarter ending 30 June 2018, reporting revenues of EGP 789.2 million, up 29.0% y-o-y. Net profit for the quarter came in at EGP 25.1 million in 2Q2018, versus a net loss of EGP 1.7 million recorded in the same period last year. On a year-to-date basis, Edita posted revenues of EGP 1,675.3 million in 1H2018, up 33.6% y-o-y, while net profit recorded a strong 122.1% y-o-y increase to EGP 85.9 million.

Revenue growth during first half of the 2018 was predominantly volume-driven as the company recorded double-digit growth in number of packs sold. As prices stabilize following a period of sharp direct and indirect increases, consumers are adapting to the new norm with demand fast recovering and Edita ideally positioned to capture the upside thanks to its efforts in optimizing its product portfolio. On a quarterly basis, 2Q2018 witnessed the normal seasonality of the industry with demand being relatively subdued during the month of Ramadan.

Total number of packs sold across all segments recorded a 30.3% y-o-y increase in 2Q2018 to 550.9 million, while on a year-to-date basis volumes recorded a stronger 38.4% y-o-y increase in 1H2018. Meanwhile, Edita's average price per pack remained somewhat flat at EGP 1.43 in 2Q2018 compared to 1.45 in the same period last year. Price stability comes despite the roll-out of several competitively-priced products over the past few months, with Edita being successful in defending both its newly attained price levels following its price-point migration strategy and at the same time defending market share with a product portfolio serving a wide income spectrum.

On a segment basis, the croissants was an outperformer during the quarter having recorded an impressive 57.6% y-o-y increase in total packs sold in 2Q2018 to 157.5 million. Consequently, croissant revenues came in higher 63.8% y-o-y in 2Q2018 to EGP 257.2 million, contributing 56.4% to total revenue growth in absolute terms. The segment made market share gains as of April 2018 to stand at 64.2% compared to 60.4% in the same period last year. Meanwhile at Edita's cake segment, which constitutes the largest share of consolidated revenues, total packs sold increased 21.8% y-o-y to 308.3 million packs in 2Q2018. Volume-driven growth saw cake revenues record a 13.9% y-o-y increase to EGP 376.7 million in 2Q2018, contributing 25.9% to total revenue growth in absolute terms. Cake volume growth comes despite utilization rates in 2Q2018 being impacted by renovations at the E10 factory. Edita's rusks and wafer segments also drove consolidated revenue growth in 2Q2018, contributing 9.9% and 6.4% to top-line growth in absolute terms, respectively.

Edita's export strategy is increasingly delivering results with overseas sales continuing to grow year-on-year and their share of total revenues on the rise. In 2Q2018, Edita's exports recorded EGP 63.8 million, up a solid 79.0% y-o-y and contributing 8.0% to total revenues compared to 5.8% in 2Q2017.

Cost of goods sold (COGS) for the period recorded EGP 566.1 million in 2Q2018, up 33.2% y-o-y and yielding a COGS / Sales ratio of 71.7% compared to 69.5% in 2Q2017. Higher costs of direct materials continued to be the primary driver behind total COGS growth, with increased costs owed to both higher sales volumes along with inflationary pressures. On a year-to-date

basis, Edita's total COGS recorded EGP 1,172.1 million in 1H2018, up 38.3% y-o-y.

At the gross profit level Edita recorded a 19.6% y-o-y increase in 2Q2018 to EGP 223.1 million, with gross profit margin (GPM) coming in at 28.3% compared to 30.5% in 2Q2017. In 1H2018, Edita's gross profit booked EGP 503.2 million or 23.8% higher than 1H2017, with GPM recording 30.0% versus 32.4% in the same period last year.

Meanwhile, Edita's EBITDA benefited from improved operating leverage and recorded an impressive 124.0% y-o-y increase in 2Q2018 to EGP 96.2 million, with EBITDA margin expanding a significant 5.2 percentage points to close the quarter at 12.2%. EBITDA recorded similarly strong gains on a year-to-date basis recording EGP 239.8 million in 1H2018, up 74.5% y-o-y and with an EBITDA margin of 14.3% compared to 11.0% in the same period last year.

Operating leverage was supported by declining selling, general and administrative (SG&A) expenses as a percentage of sales, recording 20.0% in 2Q2018 from 26.6% in 2Q2017. Total SG&A for the quarter recorded EGP 157.9 million in 2Q2018, down 3.0% y-o-y. On a six months basis, SG&A came in at EGP 323.0 million in 1H2018, up 4.7% y-o-y, however down as a percentage of sales to stand at 19.3% versus 24.6% in 1H2017.

Edita's top-line growth alongside the sharp increase in EBITDA saw the company's bottom-line climb to EGP 25.1 million in 2Q2018 versus a net loss of EGP 1.7 million in 2Q2017, with a net profit margin (NPM) of 3.2%. It is worth noting that Edita's net profit growth comes despite a 19.5% increase in financing costs during the year. Meanwhile in 1H2018, Edita's net profit came in at EGP 85.9 million, up an impressive 122.1% y-o-y and recording a two percentage-point margin expansion to 5.1%.

On the operational front, Edita's key focus area during 1H2018 was continued portfolio enhancement and segmentation with new launches at different price points. Its most recent product launches included the TODO Go priced at EGP 1 per pack, complementing its existing layered cake products priced at EGP 2 per pack. Meanwhile at the croissant segment, Edita upsized the Mini Molto Hazelnut, with the price now standing at EGP 3 per pack. Edita also implemented several product reconfigurations and indirect price increases at the cake and rusks segments at the end of 2Q2018.

Strategy Insight

Heading into the second half of the year, Edita remains focused on growing volumes through continued portfolio optimization. Edita will pursue three primary avenues in refining its product portfolio, including 1) the continued product reconfigurations and indirect price increases to support profitability, 2) the continued roll-out of competitively priced products to reach an optimum price-point segmentation and sales mix down the distribution channels, and 3) a focus on cost minimization and efficiencies.

On the regional expansion front, Edita will continue to push for higher export sales and expansion into fast-growing markets with large consumer bases and significant growth potential. In that regard, the company will work to bring its newly formed joint venture in Morocco to its full potential. During 1H2018 Edita completed the registration of its Freska brand with the export of wafers being the first milestone of the company's expansion into Morocco. Edita will also increasingly leverage its various distribution agreements across the region.

Edita will simultaneously look for avenues where it can leverage its strong local distribution network to venture into new revenue streams, capitalizing on the company's strong brand equity and market leadership in its current category.

Overview of Segment Performance

Edita's revenue growth during 2Q2018 was primarily driven by the croissant segment's strong volume recovery, which posted the strongest increase in packs sold of 63.8% y-o-y and contributed 56.4% to total growth in absolute terms. Coming in at second place was the cake segment which recorded sales growth of 13.9% y-o-y in 2Q2018, with its large share of total revenue (2Q2018: 47.7%) leading to a 25.9% contribution to revenue growth in absolute terms. Meanwhile, Edita's rusks segment also delivered strong sales growth during the quarter and was the second-fastest growing segment at 42.6% y-o-y in 2Q2018, making a 9.9% contribution to total revenue growth in absolute terms. Finally, Edita's wafer segment posted revenue growth of 26.6% y-o-y in 2Q2018 with a 6.4% contribution to revenue growth, while the candy segment's sales inched up 1.5% y-o-y during the quarter.

On a year-to-date basis, the croissant segment was also the strongest contributor to revenue growth at 52.8% in absolute terms, followed by cakes at a 31.1% growth contribution and wafers with a 9.7% contribution to revenue growth in absolute terms.

Average Factory Prices

EGP mn	2Q2018	2Q2017	Change	1H2018	1H2017
Cakes	1.22	1.31	-6.4%	1.23	1.31
Croissant	1.63	1.57	3.9%	1.58	1.60
Rusks	1.66	1.72	-3.6%	1.66	1.72
Wafers	1.68	1.56	7.4%	1.69	1.56
Candy	2.21	2.08	6.6%	2.15	2.08
Average Edita	1.43	1.45	-1.0%	1.42	1.45

Segment Revenues and Volumes Sold

	2Q2018				2Q2017
	Net Sales (EGP mn)	Packs (millions)	Tons (000s)	Net Sales (EGP mn)	Net Sales (EGP mn)

Cakes	377	308	9.4	331
Croissant	257	158	7.1	157
Rusks	59	35	1.4	41
Wafers	54	32	0.9	43
Candy	38	17	0.9	38
Imports	4	0.1	-	2
Total	789	551	19.8	612

1H2018

1H

	Net Sales (EGP mn)	Packs (millions)	Tons (000s)	Net Sales (EGP mn)
Cakes	813	661	20.2	682
Croissant	526	334	14.7	304
Rusks	129	78	3.1	107
Wafers	123	72	2.1	81
Candy	78	36	1.8	78
Imports	7	0	-	2
Total	1,675	1,182	41.8	1,254

At the gross profit level, growth was predominantly driven by the croissant segment which contributed 98.4% to 2Q2018 consolidated gross profit growth in absolute terms. The croissant segment recorded a strong GPM recovery to 27.2% in 2Q2018, up from 21.6% in the same period last year. Meanwhile, Edita's rusks segment also recorded a strong margin expansion in 2Q2018 with the segment's GPM standing at 24.5% versus 16.7% in 2Q2017. However, higher industrial depreciation associated with the newly inaugurated E08 factory, as well as renovation works at Edita's E10 facility (which houses 4 out of 12 cake lines), weighed down on gross profit margins at Edita's other segments during 2Q2018.

Cakes

The cake segment recorded sales during the quarter of EGP 376.7 million in 2Q2018, up 13.9% y-o-y, and holding the largest share of Edita's total revenues at 47.7% in 2Q2018 versus 54.1% in the same period last year. Revenue growth came on the back of higher volumes, with total number of packs sold reaching 308.3 million in 2Q2018, up 21.8% y-o-y. Meanwhile, the segment's average price per pack decreased 6.4% y-o-y to EGP 1.22 as of 2Q2018. During the quarter Edita introduced new competitively-priced products to defend its market share in an increasingly competitive environment. Most recently, the company launched the TODO Go and the uncoated HoHos priced at EGP 1 per pack. On a year-to-date basis, the cakes segment delivered a similar performance, with total revenues up 19.2% y-o-y to EGP 812.7 million in 1H2018, while total packs sold grew 28.9% y-o-y against a 7.5% y-o-y decline in average price per pack.

Edita maintained a leading position in this core segment, controlling a 54.1% market share as of April 2018 (the latest available data) versus a 57.2% share in the same period last year.

The cake segment's gross profit recorded EGP 115.8 million in 2Q2018, remaining relatively flat compared to the EGP 116.5 million posted in 2Q2017. The cake segment's GPM recorded 30.7% in 2Q2018 down from 35.2% in the same quarter last year. On a year-to-date basis the segment recorded gross profit growth of 11.0% y-o-y to EGP 271.5 million in 1H2018 and delivered a GPM of 33.4% versus 35.9% in 1H2017.

Croissant

The croissant segment delivered the strongest performance in 2Q2018 with increased sales volume driving fast revenue growth and over a twofold increase in gross profit. Total packs sold during the quarter stood at 157.5 million, up 57.6% y-o-y while average price per pack recorded EGP 1.63 in 2Q2018, up 3.9% y-o-y. Volume and price growth saw the segment post a 63.8% y-o-y increase in revenues to EGP 257.2 million in 2Q2018. In 1H2018, the segment recorded revenues of EGP 525.9 million, up a solid 73.3% y-o-y with sales growth being volume-driven. Total packs sold during the six-month period recorded 333.7 million or a 77.3% y-o-y increase.

The croissant segment made marked gains in market share as of April 2018, controlling 64.2% of the market compared to 60.4% in the same period last year.

The croissant segment's gross profitability also delivered strong gains in 2Q2018, with gross profit increasing a significant 105.6% y-o-y to EGP 70.0 million. Meanwhile, GPM for the segment expanded 5.6 percentage points to 27.2% in 2Q2018. Improved profitability was supported by both a strong volume recovery as well as indirect price increases such as the recently upsized Mini Molto Hazelnut. On a year-to-date basis, the segment recorded a gross profit of EGP 142.5 million in 1H2018, up 92.5% y-o-y and with a 2.7 percentage-point expansion in GPM to 27.1%.

Rusk

The rusks segment recorded the second-fastest growth in revenues in 2Q2018, with total sales recording EGP 58.8 million or a 42.6% y-o-y increase. The segment's contribution to revenue also grew, standing at 7.4% in 2Q2018 compared to 6.7% in the same period last year. Revenue growth was volume-driven with total number of packs sold climbing 48.0% y-o-y to 35.4 million packs in 2Q2018. Meanwhile, average price per pack inched down 3.6% y-o-y to EGP 1.66 as of 2Q2018. On a year-to-date basis, the rusks segment recorded revenues of EGP 128.9 million in 1H2018, up 20.1% y-o-y on the back of a 23.6% increase in total number of packs sold.

Edita maintained its number two position in this fast-growing segment with a market share of 41.3% as of April 2018 compared to 47.8% in the same period last year.

Gross profit from the rusks segment came in at EGP 14.4 million in 2Q2018, up a significant 108.8% y-o-y, with GPM expanding an equally impressive 7.7 percentage points to stand at 24.4%. Gross profit for 1H2018 recorded EGP 33.8 million, up 23.9% y-o-y and delivering a GPM of 26.2% versus 25.4% in 1H2017.

Wafers

The wafers segment recorded revenues of EGP 54.3 million in 2Q2018, up 26.6% y-o-y. Revenue growth was dual-driven by both volume and price, with total packs sold rising 18.0% y-o-y to 32.4 million in 2Q2018, while average price per pack recorded a 7.4% y-o-y increase to EGP 1.68. Revenues for the six-month period came in at EGP 122.6 million in 1H2018, up 50.3% y-o-y also driven by volume and price increases, rising 39.2% and 8.0% y-o-y, respectively.

Edita recorded market share gains in the wafer segment, standing at 10.6% as of April 2018 up from 9.2% in the same period last year.

The segment's gross profit recorded EGP 12.7 million in 2Q2018, down 21.6% y-o-y, with GPM declining to 23.4% compared to 37.8% in 2Q2017. On a year-to-date basis however, the wafer segment delivered a 5.8% y-o-y increase in gross profit to EGP 33.8 million in 1H2018, with GPM standing at 27.5% versus 39.1% in 1H2017.

Candy

Candy revenues recorded EGP 38.0 million in 2Q2018, up 1.5% y-o-y on the back of a 6.6% y-o-y increase in average price per pack. Candy revenues in 1H2018 stood at EGP 78.1 million, remaining relatively flat compared to the EGP 77.7 million posted in 1H2017.

Edita maintained its leading position in the segment with a 10.4% market share as of April 2018.

The segment's gross profit came in at EGP 8.7 million in 2Q2018, down 28.7% y-o-y driven by higher sugar prices. GPM for the quarter stood at 22.8% in 2Q2018 versus 32.5% in the same quarter last year. Gross profit for 1H2018 recorded EGP 19.0 million, down 31.7% y-o-y and with a GPM of 24.3%.

Balance Sheet

Edita's total assets stood at EGP 2.7 billion as at 30 June 2018, with property, plant and equipment (PP&E) including projects under construction constituting the lion's share at EGP 2.1 billion. Edita's total CAPEX expenditures in the first quarter stood at EGP 15.8 million.

Edita maintained cash & cash equivalents including treasury bills balances of EGP 288.9 million as at 30 June 2018 or 10.6% of total assets versus 8.0% at 31 December 2017. Trade receivables stood at EGP 18.4 million at 30 June 2018, reflecting the company's continued cash sales policy (97% of sales continue to be conducted on a cash basis). Meanwhile, trade and other payables at the end of 2Q2018 stood at EGP 284.6 million compared to EGP 395.7 million at 31 December 2017.

Total loans and borrowings stood at EGP 1,007.7 million at 30 June 2018 compared to EGP 923.1 million as at 31 December 2017. Meanwhile, Edita's net debt stood at EGP 718.8 million at the close of the quarter compared to EGP 706.5 million at year-end 2017. Total shareholders' equity stood at EGP 1.21 billion as at 30 June 2018.

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 1H2018, EGP 0.3 million in FX losses were added to the EBITDA while EGP 0.8 million related to gains on the sale of fixed assets were deducted. Moreover, a profit share deduction of EGP 16.8 million was made, bringing total EAS to IFRS adjustments on EBITDA to EGP 17.3 million.

A reconciliation between Edita's financial statements in EAS with the IFRS-based financial statements for 1H2018 is provided in the table below.

in EGP mn	1H2018 EAS	Adjustment	1H2018 IFRS
Net Sales	1,675.3	-	1,675.3
COGS (excluding M.O.H)*	972.3	-	972.3
M.O.H	195.0	4.9	199.8
Total COGS	1,167.3	4.9	1,172.1
Gross Profit	508.0	(4.9)	503.2
<i>Gross Profit Margin</i>	30.3%		30.0%
Selling & Distribution Exp.*	120.6	6.3	126.9
Advertising & Marketing Exp.*	77.5	-	77.5
General & Admin. Exp.*	113.0	5.6	118.6
Other Operational Exp.	21.3	-	21.3
Profit from Operations	175.7	(16.8)	158.9
<i>Profit from Operations Margin</i>	10.5%		9.5%
Profit Before Income Tax	132.3	(16.8)	115.5
Income Tax Expense	29.5	-	29.5
Net Profit After Tax	102.7	(16.8)	85.9
<i>Net Profit After Tax Margin</i>	6.1%		5.1%
EBITDA	257.1	17.3	239.8
<i>EBITDA Margin</i>	15.3%		14.3%

*Figures are based on management accounts for better disclosure on expenses breakdown

Market Developments

Egypt's snack food market continued to record solid growth as per the latest data available for the first four months ending April 2018. Segments where Edita operates recorded a 25.6% y-o-y increase to EGP 2.9 billion, with the market and consumers remaining resilient in the face of double-digit inflationary pressures.

Edita's core cake segment recorded a 6.9% y-o-y growth to stand at EGP 923.0 million as at April 2018. Edita maintained its leading position in the market, controlling a 54.1% share during the period compared to 57.2% in April 2017.

The croissant segment recorded EGP 456.2 million as at April 2018 or 9.5% higher than the same period last year. Edita continued to regain market share in this core market, standing at 64.2% as at April 2018, up from 63.2% in February 2018 and 60.4% in April 2017.

Rusks was the second-fastest growing segment during the four-month period, recording a 45.0% y-o-y growth to EGP 309.1 million as at April 2018. Constituting 7.0% of the salty snack market, this fast-growing and underserved segment is quick to absorb expanded capacities with Edita's market share standing at 41.3% at the close of the four-month period.

The wafer market also delivered solid growth of 35.7% y-o-y to EGP 906.0 million as at April 2018, with Edita's market share growing to 10.6% versus 9.2% in the same period last year. The candy segment meanwhile recorded the fastest growth during the four-month period of 89.0% y-o-y to EGP 354.5 million. Edita currently holds a leading position in the market with an 10.4% market share as at April 2018.

Selected Segments of the Snack Food Market in Egypt

Segment	Apr 2018 (EGP mn)	Apr 2017 (EGP mn)	% Change
Cake	923.0	863.5	6.9%
Croissant	456.2	416.5	9.5%
Salty Snacks	4,415.6	3,001.5	47.1%
<i>Rusks*</i>	309.1	213.1	45.0%
Wafer	906.0	667.5	35.7%
Candy	354.5	187.6	89.2%
Total Market**	7,055.8	5,136.6	37.4%

* Rusk market is c.7.0% of total salty snacks

Source: AC Nielsen Retail Audits

Marketing

Across all segments, Edita maintained marketing venues including several above-the-line advertising, activities to increase product awareness as well as social and online media campaigns. Edita's A&M expenses stood at 4.6% of sales in 1H2018. Among Edita's successful marketing efforts was the rebranding campaign for its Molto segment, which included the introduction of new packaging for all the croissant products and was supported by both below and above the line advertising. The campaign had a visible effect on croissant volumes which climbed 57.6% y-o-y in 2Q2018 and 77.3% for the six-month period. Other advertising efforts

included a campaign to support Edita's new TODO Mini Muffin launches, introduced in early 2018 in two variations including vanilla and chocolate.

Marketing efforts during 1H2018 were also focused on portfolio optimization with several indirect price increases and initiatives to support margins, such as the upsizing of the Mini Molto Hazelnut, as well as other product reconfigurations.

Going forward, Edita will continue to capitalize on its superior R&D capability and strong brand equity to drive demand growth and open up new market areas previously unserved and characterized by having a high growth potential.

Development of Average Consumer Price by Product Segment

	1H2018	1H2017	Change (%)
Cake	1.58	1.68	-6.0%
Croissant	1.99	2.00	-0.5%
Rusks	2.12	2.13	-0.5%
Wafer	2.16	2.00	8.0%
Candy	4.20	3.97	5.8%
Total	1.84	1.90	-3.2%

Sales & Distribution*

Edita aims to leverage the strength of its distribution channels to reach an optimum sales and price mix through better price-point segmentation according to geographic distribution and income levels.

During 2Q2018, Edita served over 54,992 customers through a network of 21 distribution centers across the country and a fleet of 617 distribution vans and 1,096 sales representatives.

Gross sales from Edita's wholesale channels recorded 36.9% y-o-y growth to EGP 438.0 million in 2Q2018, constituting 55.1% of total sales for the period compared to 52.4% in 2Q2017. Retail channels recorded EGP 256.9 million in 2Q2018 or a 13.8% y-o-y increase and contributed 32.3% to total sales versus 31.2% in 1Q2018 and 37.0% in 2Q2017. Revenue from key accounts (modern trade) increased 24.1% y-o-y to EGP 25.6 million in 2Q2018, while direct supply posted a 27.5% y-o-y increase to EGP 10.6 million in 2Q2018. Direct supply and key accounts together contributed 4.6% of total gross sales in 2Q2018 compared to 4.7% in the same quarter last year.

Export sales meanwhile recorded the fastest growth among Edita's distribution channels, posting a strong 79.0% y-o-y increase in 2Q2018 to EGP 63.8 million. Growing Edita's regional footprint is a core pillar of the company's forward-looking strategy, and Edita is already witnessing a growing contribution from regional markets to total sales which recorded 8.0% in 2Q2018 compared to 5.8% in the same period last year.

*Revenue by distribution channel refers to gross sales

Supply Chain

Edita's supply chain department maintained its strategy of improving operational efficiency and exploring avenues to minimize costs. During 2Q2018, the department leveraged its solid reputation and good relations with its supplier base to obtain favourable prices for its raw materials.

Edita's raw materials continued to form the largest constituent of the total direct materials bill at 69.5% in 2Q2018. Imported materials were 30.0% of total direct material costs in 2Q2018 versus 22.0% in the same period last year.

Industrial Operations

During the first half of 2018, the Industrial Operations department maintained a focus on extracting operational efficiencies and implementing necessary modifications to support Edita's new product launches and reconfigurations. The department also focused on maintenance and upgrade works on all lines as a key priority in 2018 following the successful inauguration of the E08 facility last year. In 2Q2018, Edita also completed renovation works at the E10 factory, which includes 4 out of 12 of the company's cake lines. The department played a key role in supporting management's implementation of its portfolio optimization and product innovation strategy.

Human Resources

With rising utilization rates and increased production volume, Edita's total headcount in 2Q2018 reached 6,166 employees compared to 5,435 in the same period last year as the company recruited more blue collar labour.

During the quarter, the company initiated its succession planning program to help identify suitable calibre to fill key positions from within the company. This falls in line with Edita's strategy of promoting the well-being and career development of its employees as part of the company's belief that its human resources are the primary driver of its success.

Since joining the United Nations Global Company Initiative (UNGC) in May 2017, Edita has worked to ensure that the UNGC's 10 principles as well as the 2015 Sustainable Development Goals are integrated within the operations of the company. A communication on progress was issued in July 2018.

Finally, Edita continued to expand the scope of its corporate social responsibility efforts in 2018, placing a special focus on improving the state of Egyptian industries by participating in various projects.

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About Edita Food Industries

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 the 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 as well as in candy, a number-two market position in rusks and a growing market position in the wafers segment. In 2Q2018, the Company derived c.92% of its revenue from Egypt and c.8% from regional export markets. Learn more at ir.edita.com.eg

Contacts

Ms. Menna Shams El Din

Investor Relations & Business Senior Development Manager

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

Ms. Tamara Hammam

Investor Relations Specialist

T: +202 3851-6464 | M: +2012 2 000 0432 | tamara.hammam@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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