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Cairo, 28 July 2020

Edita Food Industries Reports 2Q2020 Earnings

Edita records a 10.9% y-o-y decline in revenue to EGP 768.7 million on account of lower volumes due to the outbreak of Covid-19; improved pricing supports gross profit margin at 31.7%.

Highlights of 2Q2020

Summary Income Statement (EGP mn)

EGP mn	2Q2020	2Q2019	Change	1H2020
Revenue	768.7	862.8	*-10.9%*	1,732.8
Gross Profit	243.4	289.2	*-15.8%*	578.9
% Margin	*31.7%*	*33.5%*		*33.4%*

EBITDA	81.8	97.5	*-16.1%*	224.1
% Margin	*10.6%*	*11.3%*		*12.9%*
Net Profit	3.1	31.7	*-90.3%*	67.5
% Margin	*0.4%*	*3.7%*		*3.9%*

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 & EFID.L on the London Stock Exchange), a leader in the Egyptian packaged snack food market, announced today its results for the second quarter ended 30 June 2020, reporting revenues of EGP 768.7 million, down 10.9% y-o-y. Net profit for the quarter recorded EGP 3.1 million in 2Q2020.

On a six-month basis, Edita recorded revenues of EGP 1,732.8 million in 1H2020, down 6.1% y-o-y, while net profit was EGP 67.5 million for the same period.

Edita's results in the second quarter reflected lower volumes on account of the Covid-19 pandemic and related restrictions, including a nation-wide curfew, a ban on mass gatherings, and the closure of all schools and universities. Despite the pressure on total packs sold, which declined 16.8% y-o-y in 2Q2020, Edita was able to partly offset the impact with improved pricing where average price per pack increased 7.1% y-o-y to EGP 1.59. Edita's ability to extract higher value from its sales was supported by its ongoing portfolio optimization efforts and shifting consumers to higher price points with the introduction of new value propositions.

In 1H2020, Edita sold a total of 1,118.9 million packs, down 10.5% y-o-y, while average price per pack was up 5.0% y-o-y to EGP 1.55.

Edita's gross profit recorded EGP 243.4 million in 2Q2020, with a gross profit margin of 31.7% versus 33.5% in the same period last year. The decrease in gross profitability was driven by higher manufacturing overheads (MOH) as Edita adjusted industrial shift hours to account for government-imposed curfews and ensure continuity of operations. Nevertheless, Edita was successful in capturing favourable commodity prices and controlling its cost of direct materials which declined by 14.4% y-o-y in 2Q2020 to EGP 369.0 million, representing 48.0% of sales versus 50.0% in 2Q2019. Overall, total cost of goods sold (COGS) in 2Q2020 recorded EGP 525.3 million, down 8.4% y-o-y. In 1H2020, Edita's gross profit reached EGP 578.9 million with a gross profit margin of 33.4%.

EBITDA for quarter recorded EGP 81.8 million in 2Q2020 with an EBITDA margin of 10.6% compared to 11.3% in 2Q2019. On a six-month basis, Edita's EBITDA recorded EGP 224.1 million in 1H2020 with an EBITDA margin of 12.9% versus 15.9% in 1H2019.

Total SG&A declined 10.5% y-o-y to EGP 194.0 million in 2Q2020, with SG&A/Sales remaining stable at 25.2%. During 2Q2020, Edita incurred a 20.3% y-o-y increase in selling and distribution (S&D) expenses on account of investments made to expand the company's distribution platform. This has already reflected positively on Edita's retail channel's revenue which expanded by 6.0% y-o-y in 2Q2020 and by 9.0% y-o-y in 1H2020. Additionally, higher S&D expenses were also driven by temporary adjustments to maintain an efficient sales and distribution cycle amid the imposed curfews and reduced working hours due to Covid-19. Edita managed to offset the increase in S&D expenses through a 54.5% y-o-y reduction in advertising and marketing (A&M) expenses during the quarter, in line with the company's focus on operating cost efficiencies during this challenging period.

Net profit recorded EGP 3.1 million in 2Q2020 with bottom-line profitability impacted by an FX loss of EGP 11.3 million during the quarter, compared to an FX gain of EGP 7.8 million in 2Q2019. In 1H2020, Edita's net profit recorded EGP 67.5 million with a net profit margin of 3.9% versus a net profit of EGP 145.9 million and an associated margin of 7.9% in the comparable period of 2019.

On the exports front, Edita recorded gross export sales of EGP 35.4 million in 2Q2020, down 45.1% y-o-y, pressured by the Covid-19 pandemic and associated difficulties in international trade. Gross exports constituted 4.6% of Edita total revenue for the quarter compared to 7.4% in 2Q2019. In 1H2020, gross export sales reached EGP 97.0 million, constituting 5.6% of total sales versus 8.1% in the same quarter last year.

Operational Developments

Covid-19 Response Protocol and Impact

The impact of the Covid-19 pandemic was more pronounced during the second quarter of the year following the government's introduction of several key measures to control the spread starting around the end of March through June 2020. Key measures included a nation-wide night time curfew, a ban on mass gatherings and the closure of all schools and universities. Since the implementation of the night time curfew, Edita's industrial operations and labour availability have been impacted with the company incurring additional labour costs to ensure continued operations. The curfew has also affected the company's sales and distribution cycle due to the decrease in working hours and a shorter distribution window. Additionally, as Edita's products are typically consumed as on-the-go snacks, lockdowns and curfews impacted the demand for said products due to limited traffic and activity.

On 27 June 2020, the Egyptian government lifted the curfew and began easing restrictions which is reflecting positively across all business functions, including the resumption of normal working shifts at the company's industrial operations as well as sales and distribution functions. Nevertheless, with Egypt continuing to record new daily Covid-19 cases, Edita continues to place the wellbeing and safety of its people and its community as a top priority. The company continues to implement strict guidelines along the three primary verticals of Health and Safety, Social Distancing and Business Continuity. A full breakdown of measures is available on the news section on the company's websitewww.edita.com.eg.

New Product Launches and Investments

A key development during the quarter was the launch of Edita's new brand, Oniro, marking the company's entrance into Egypt's biscuits market, valued at EGP 4.6 billion as of 2019 according to Nielsen. Oniro is Edita's 10th brand and builds on the company's track record of successfully penetrating new market segments and developing household brands that satisfy consumers' needs. Sales kicked-off in late May following the installation of the company's new biscuits line at its E08 factory with a total investment cost of EGP 55 million.

Meanwhile at the cakes segment, Edita launched two new upsized HOHOs uncoated SKUs in 2Q2020, both retailing at EGP 2 per pack. This latest launch follows a series of new SKU rollouts at Edita's cake segment, including the new HOHOs Coffee, Twinkies Zigzag, upsized HOHOs Cream, upsized Twinkies Cream and TODO Max, all of which also retail for EGP 2 per pack and work to stimulate demand and offer more value to consumers. At the bakery segment, Edita launched in Januray 2020 the Molto Sandwich retailing at EGP 4 per pack and is available in sweet and savoury flavours. This was later followed with the launch of Molto Magnum available in two flavours, chocolate and strawberry cheesecake, retailing at EGP 5 per pack. These new introductions in the bakery segment further expand Edita's portfolio of higher-value propositions while simultaneously satisfying consumers' demand for larger, hunger-quenching products and providing them with more value-for-money. At the wafer segment, Edita launched 'Freska Sticks' in March 2020 for EGP 2 per pack, which is part of Edita's strategy to expand its offering in the fast-growing segment and capture a larger market share. Finally, at the candy segment, Edita relaunched its Frulla line in July 2020, including strawberry, chocolate and cherry flavours, all retailing at EGP 3 per pack.

On the sales and distribution front, Edita continued to capitalize on its investment in expanding its distribution fleet during 1H2020. The company added 200 new distribution vehicles, bringing the total to 829, and most recently inaugurated its 23rd distribution centre in the Mostorod neighbourhood of the Greater Cairo Area. The recent investments to strengthen the company's distribution capabilities are already bearing fruit with the share of Edita's retail channel expanding to 39.2% of total gross sales in 2Q2020 versus 33.0% in 2Q2019.

On the financing front, in June 2020 the company secured new financing for its expansion in Morocco, including a MAD 80 million facility with a seven-year tenor to finance construction of the overseas facility and procurement of production lines. This follows earlier efforts to benefit from the low interest rate environment in Egypt as the company had secured new EGP-denominated facilities, including a medium-term loan facility in March 2020 amounting to EGP 96 million with a seven-year tenor to finance the company's future capital expenditures. Additionally, Edita's subsidiary Digma S.A.E, which oversees the company's distribution operation, signed a medium term loan in March 2020 for EGP 155 million with a fiveyear tenor to finance Edita's investments in strengthening and expanding its distribution network. It is worth noting that Edita is also benefiting from the Central Bank of Egypt's (CBE) initiative to support businesses during the Covid-19 pandemic with lower rates on short-term debt.

Edita Foundation for Social Development

Since its establishment in March 2020, the Edita Foundation for Social Development has worked to promote and contribute to social development and sustainability in Egypt. The EFSD's first initiative was to donate EGP 2 million to the Misr El Kheer foundation in support of the Breathe Campaign. In May 2020, the EFSD donated EGP 2 million worth of products to Tahya Misr's humanitarian aid convoy which aims to distribute 300,000 food boxes to families in need in 300 villages spanning 16 governorates across Egypt. The initiative is said to be the largest humanitarian aid convoy in Egypt targeting those affected most by the Covid-19 outbreak.

Strategy Insight

Edita's long-term strategy in 2020 remains intact and will focus on driving sustainable revenue growth and utilizing its strong foundations for expansion and diversification. The company will continue to stimulate demand by leveraging its innovative abilities to introduce new offerings, while simultaneously migrating consumers to higher price-points. Meanwhile, Edita will work on building brand equity in the newly penetrated biscuits segment with planned above-the-line advertising during 2H2020 as well as the launch of new SKUs. Finally, the company has invested in expanding its distribution capabilities to help extend its reach and increase its penetration.

On the regional front, Edita's greenfield investment in Morocco is on track with construction progressing on schedule. The new facility, which is set to begin operations in early 2021, is the first milestone in Edita's efforts to deliver on its regional expansion strategy.

Overview of Segment Performance

All of Edita's segments were impacted by the Covid-19 pandemic and its effect on total volumes. However, the decline in packs sold was partly offset by improved pricing during 2Q2020. The bakery segment was the most resilient during the quarter having recorded a 5.4% y-o-y decline in sales. The bakery segment witnessed a 17.7% y-o-y decline in total packs sold, however, this was largely offset by a strong 15.0% y-o-y increase in average price per pack during 2Q2020. The bakery segment's performance was supported by its new launches, particularly the Molto Magnum priced at EGP 5 per pack which has outperformed during the quarter. Similarly, the candy segment was also defensive with total sales declining only 5.1% y-o-y as a 7.9% y-o-y increase in average prices partially offset a 12.1% decline in segment volumes during the quarter. Meanwhile, Edita's cakes segment recorded an 11.1% y-o-y decline in sales driven by a 16.0% y-o-y decrease in volumes against a 5.7% improvement in average pricing. Lower cake volumes were primarily driven by slower exports with the onset of the Covid-19 and consequent difficulties in international trade. At the rusks segment, supply constraints at the industrial operations related to Covid-19 led to a 32.5% y-o-y decline in sales, driven primarily by a 32.8% y-o-y decrease in volumes versus largely stable average pricing. Finally, revenues from the wafers segment declined 14.6% y-o-y due to a 9.8% y-o-y drop in volumes and a 5.3% y-o-y decrease in average price per pack.

On the gross profit level, the bakery segment was the best performing having recorded a 1.2 percentage-point year-on-year expansion in gross profit margin to 31.1% in 2Q2020. Meanwhile the cakes, rusks and candy segments witnessed a slight year-on-year drop in gross margin to 37.2%, 23.6% and 19.8%, respectively in 2Q2020, while the wafers segment's GPM was 19.9% in 2Q2020. Gross profitability was impacted by an increase in labour costs as well as lower volumes, however, this was partly offset by lower direct materials costs. In 1H2020, gross profitability inched up versus the same period of last year at the bakery and candy segments to 31.1% and 25.2%, respectively, driven by product mix enhancements over the year.

Revenue and Gross Profitability by Segment

EGP mn	2Q2020	2Q2019	*Change*	1H2020
Cakes				
Revenue	345.2	388.5	*-11.1%*	792.0

Gross Profit	128.4	153.0	*-16.1%*	307.0
Gross Profit Margin	*37.2%*	*39.4%*	*-2.2pts*	*38.8%*
Bakery				
Revenue	261.9	276.8	*-5.4%*	564.0
Gross Profit	81.4	82.8	*-1.7%*	175.3
Gross Profit Margin	*31.1%*	*29.9%*	*1.2pts*	*31.1%*
Rusk				
Revenue	56.4	83.6	*-32.5%*	145.6
Gross Profit	13.3	21.3	*-37.3%*	39.5
Gross Profit Margin	*23.6%*	*25.4%*	*-1.8pts*	*27.1%*
Wafers				
Revenue	64.6	75.7	*-14.6%*	144.9
Gross Profit	12.9	22.3	*-42.3%*	36.2
Gross Profit Margin	*19.9%*	*29.4%*	*-9.5pts*	*25.0%*
Candy				
Revenue	34.9	36.8	*-5.1%*	80.8
Gross Profit	6.9	8.2	*-15.4%*	20.3
Gross Profit Margin	*19.8%*	*22.2%*	*-2.4pts*	*25.2%*
Biscuits				
Revenue	3.6	-	-	3.6
Gross Profit	(0.5)	-	-	(0.5)

Gross Profit Margin	-	-	-	-
Total Revenues*	**768.7**	**862.8**	***-10.9%***	**1,732.8**
Total Gross Profit*	**243.4**	**289.2**	***-15.8%***	**578.9**
Total GPM	***31.7%***	***33.5%***	***-1.9pts***	***33.4%***

**Includes contributions from Edita's imports segment*

Segment Volumes and Prices	2Q2020	2Q2019	*Change*	1H2020
Cakes				
Packs (mn)	268	319	*-16.0%*	622
Tons (000s)	8.0	9.0	*-11.0%*	18.6
Av. Factory Price (EGP)	1.29	1.22	*5.7%*	1.27
Bakery				
Packs (mn)	126	153	*-17.7%*	283
Tons (000s)	6.5	7.0	*-7.4%*	14.1
Av. Factory Price (EGP)	2.08	1.81	*15.0%*	1.99
Rusk				
Packs (mn)	31	46	*-32.8%*	81
Tons (000s)	1.2	1.8	*-32.4%*	3.2
Av. Factory Price (EGP)	1.83	1.82	*0.4%*	1.79
Wafers				
Packs (mn)	40	44	*-9.8%*	91

Tons (000s)	1.1	1.3	*-12.7%*	2.5
Av. Factory Price (EGP)	1.63	1.72	*-5.3%*	1.59
Candy				
Packs (mn)	16	19	*-12.1%*	39
Tons (000s)	0.8	0.8	*-2.3%*	1.8
Av. Factory Price (EGP)	2.12	1.96	*7.9%*	2.07
Biscuits				
Packs (mn)	2.0	-	-	2.0
Tons (000s)	0.05	-	-	0.05
Av. Factory Price (EGP)	1.79	-	-	1.79
Total Packs* (mn)	**483**	**580**	***-16.8%***	**1,119**
Total Tons* (000s)	**17.7**	**19.9**	***-11.1%***	**40.3**
Av. Edita Price (EGP)	**1.59**	**1.49**	***7.1%***	**1.55**

**Includes contributions from Edita's imports segment*

Balance Sheet

Edita's total CAPEX for the six-month period was EGP 225.4 million in 1H2020, including investment in a new biscuits line, enhancements on existing lines, the Morocco expansion, IT expenditures and investments to grow Edita's distribution fleet.

The company's total loans and borrowings recorded EGP 1,172.3 million as of 30 June 2020, up from EGP 911.7 million as of 31 December 2019. Increased leverage comes as Edita's works to benefit from the low interest rate environment and secure new EGP-denominated loans to finance its investments. Edita is also taking part in the CBE's initiative to support local businesses with low interest rate short-term debt, with total bank overdrafts increasing to EGP 265 million as of 30 June 2020 versus EGP 120.1 million at 31 December 2019. Net debt recorded EGP 633.5 million as of 30 June 2020, up from EGP 209.9 million at year-end 2019.

Edita's total inventory reached EGP 321.2 million as of 30 June 2020, with total inventory days of 55, up from EGP 295.4 million and total days of 38.5 as of 31 December 2019, reflecting the company's strategy of safeguarding supplies to ensure business continuity. Meanwhile, trade receivables declined to only EGP 29.1 million at the end of the second quarter versus EGP 53.0 million at year-end 2019, reflecting the company's cash policy for over 95% of its sales.

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 1H2020, EGP 4.4 million in FX losses were added to the EBITDA while EGP

3.7 million related to gains on the sale of fixed assets were deducted. Moreover, a profit share deduction of EGP 22.6 million was made, bringing total EAS to IFRS adjustments on EBITDA to EGP 21.9 million. A reconciliation between Edita's financial statements in EAS with the IFRS-based financial statements for 1H2020 is provided in the table below.

in EGP mn*	1H2020 EAS	Adjustment	1H2020 IFRS
Net Sales	**1,732.8**		**1,732.8**
COGS (excluding MOH)	879.7		879.7
MOH	267.5	6.7	274.2
Total	1,147.2		1,153.9
Gross Profit	**585.6**	**(6.7)**	**578.9**
Gross Profit Margin	*33.8%*		*33.4%*
Selling & Distribution Exp.	176.5	5.4	181.9
Advertising & Marketing Exp.	106.9		106.9
General & Admin. Exp.	140.1	10.4	150.5
Other Operational Exp.	40.4	2.4	42.8
Profit from Operations	**121.7**	**24.9**	**96.7**
Profit from Operations Margin	*7.0%*		*5.6%*
Lease Finance Interest	**5.0**	1.4	6.4
Profit Before Income Tax	**124.6**	**(26.3)**	**98.4**
Income Tax Expense	30.9		30.9
Net Profit After Tax	**93.8**	**(26.3)**	**67.5**
Net Profit After Tax Margin	*5.4%*		*3.9%*
EBITDA	**246.0**	**(21.9)**	**224.1**
EBITDA Margin	*14.2%*		*12.9%*

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

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About Edita Food Industries

Edita, founded in 1996 and headquartered in Egypt, is a leader in the growing Egyptian packaged snack food market. The Company manufactures, markets and distributes a range of branded baked snack products including packaged cakes, bakery, rusks (baked wheat), wafers and biscuits 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, Oniro 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 bakery segments as well as in candy, a number-two market position in rusks and a growing market position in the wafers segment. In 1H2020, the Company derived 94.4% of its revenue from Egypt and 5.6% from regional export markets. Learn more at ir.edita.com.eg

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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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