



PRESS RELEASE

- **H1 2019 reported revenue Kes 1,255M**
- **Gross Profit reached 399M, with gross margin at 32%**
- **EBITDA was 68.9M, 5.5% over sales and a decrease of -39% vs. LY**

23rd August 2019, Nairobi – Flame TREE Group Holdings (FTGH: NSE) the diversified manufacturer and distributor of plastic tanks, cosmetics, snacks, spices and playground equipment is pleased to announce its financial performance for HY2019.

The group reported revenue in H1 2019 of Kes 1,255M and gross profit reached 399M, with gross margin at 32% all in line with previous year.

By Business line

Plastics: Sales in plastics was up by +13%, reporting a Gross Profit of 293.5 MM (+8% vs. LY), showing a slight reduction in margin by 1.4 p.p. which is mainly due to the negative impact of the business situation in Ethiopia and Mozambique. The division also posted a sharp increase in Selling & Distribution costs (+27% and +30MM vs. LY), mainly linked to transport costs and sales teams.

Snacks: Sales was down -15% vs. LY. Total Gross Profit was also down to 16MM (-32% vs. LY) caused by the drought experienced in the country resulting in scarcity of potatoes and price increases. This affected both production and margins.

Cosmetics: Reported a positive growth in sales +11% vs. LY. Despite the higher cost of sales due to 16MM paid in demurrage charges, gross profit moved up by 9% vs. LY. Margin for last 2 months improved and was above 30%. The division also reported an increase in distribution expenses and higher cost of transport. EBT remained the same level as LY, and EBITDA improved 4%. We have undertaken strong investments in marketing with advertising campaigns in mainstream and online media platforms, we have opened a new SuzieBeauty store in Sarit Center and launched a new product range in ZOE lotions which will have a positive impact on revenue in the second half of the year.

Highlights H1

The group has made significant improvements in **production, staff & logistics** and **marketing**:

- Inauguration of new factory in Ethiopia, now fully operative.
- New store of Suzie Beauty in Sarit Center.

- Distribution of cosmetics in Mozambique and considerable increase in exports to Rwanda.
- Several new machines: blancher and oil filter in Chirag, PET machine & compressor and second injection moulding machine in Jojo, new HDPE pipe machine in Rwanda to meet demand of projects in agriculture, homogenizer machine in Flame Tree Africa.
- Additional investment in 9 trucks to reduce logistic costs in Kenya
- New media promotion with Bahati as Brand Ambassador for ZOE Men's range, several promos and marketing actions like launch of 5 new products on the Churchill Show - Laugh Festival including our Zoe fragrance lotions & Men's Shampoo, merchandising actions and focus on product value.
- Launch of new Chigs Corn Crunch range in the snacks line.
- Revaluation of assets made by an independent company brought 216,2 million KES of additional value to the Trial Balance.

According to Mr. Heril Bangera, CEO Flame Tree Group, "We have seen a very positive trend in the last 2 months both in sales and margin. Traditionally the second half of the year shows better performance than H1, and we are still targeting to push for final net growth in Sales and Profit vs LY."

For a copy of Flame Tree Group's financial statements please visit www.flametreegroup.com

About Flame Tree Group

Flame Tree Group is listed under the Growth and Enterprise Market Segment (GEMS) on the Nairobi Securities Exchange (NSE) as NSE: FTGH. Flame Tree Group is a world-class corporation in the heart of Africa that manufactures and distributes quality and affordable brands. Its strategy is to build a diversified portfolio of African-manufactured brands for African consumers, covering plastics, cosmetics and food in multiple markets and verticals.

The Group has operations in Kenya, Rwanda, Ethiopia, Mauritius, Mozambique and UAE. The company was founded in 1989 and now employs over 1,000 people, who are focused on delivering quality, value and innovation to improve customer's lives.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	6 months to 30 June 2019 Shs	12 months to 31 December 2018 Shs	6 months to 30 June 2018 Shs
Revenue	1,254,949,910	2,488,610,130	1,265,671,964
Cost of sales	(856,151,845)	(1,727,327,066)	(861,833,396)
Gross profit	398,798,065	761,283,064	403,838,568
Other operating income	2,834,978	15,164,548	4,894,212
Selling and distribution costs	(207,681,819)	(314,158,975)	(182,639,627)
Administrative expenses	(115,658,006)	(295,652,238)	(116,695,930)
Other operating expenses	(32,688,054)	(60,856,701)	(19,933,230)
Operating profit before gain on disposal of property, plant and equipment	45,605,164	105,779,698	89,463,993
(Loss)/gain on disposal of property, plant and equipment	-	1,539,014.00	-
Operating profit after gain on disposal of property, plant and equipment	45,605,164	107,318,712	89,463,993
Finance costs	(36,011,003)	(65,171,401)	(34,613,987)
Profit before tax	9,594,161	42,147,311	54,850,006
Tax	-	(8,362,243)	(14,932,944)
Profit for the period/year	9,594,161	33,785,068	39,917,062
Other comprehensive income:			
- Exchange differences on translation of foreign operations	(9,463,277)	(12,847,892)	(20,585,804)
- Gain on revaluation	308,984,276	202,755,759	-
- Deferred tax on revaluation gain	(92,695,283)	(60,826,728)	-
	206,825,716	129,081,139	(20,585,804)
Total comprehensive income for the year	216,419,877	162,866,207	19,331,258
Earnings per share - profit for the period/year	0.05	0.19	0.22
Earnings per share - total comprehensive income for the period/year	0.05	0.91	0.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2019 Shs	31 December 2018 Shs	30 June 2018 Shs
Equity			
Share capital	146,894,092	146,894,092	146,894,092
Share premium	152,450,453	152,450,453	152,450,453
Legal reserves	4,115,542	3,665,461	3,665,461
Revaluation reserve	358,218,023	141,929,031	-
Retained earnings	429,161,442	372,238,093	459,662,042
Translation reserve	(1,020,003)	(4,142,696)	(11,880,608)
Shareholders' funds	<u>1,089,819,549</u>	<u>813,034,434</u>	<u>750,791,440</u>
Non-current liabilities			
Deferred tax	4,727,651	-	-
Borrowings	257,883,554	35,334,216	102,892,182
	<u>262,611,205</u>	<u>-</u>	<u>-</u>
	<u>1,352,430,754</u>	<u>848,368,650</u>	<u>853,683,622</u>
Non-current assets			
Deferred tax	-	21,678,721	54,800,734
Property, plant and equipment	958,412,197	529,073,508	330,385,092
Goodwill on consolidation	71,851,809	71,851,809	71,851,809
Intangible assets	83,516,629	83,516,629	83,582,776
	<u>1,113,780,635</u>	<u>706,120,667</u>	<u>540,620,411</u>
Current assets			
Inventories	283,341,536	338,906,948	243,419,781
Trade and other receivables	574,876,421	735,813,098	892,082,424
Cash and cash equivalents	54,276,708	58,431,055	82,458,686
	<u>912,494,665</u>	<u>1,133,151,101</u>	<u>1,217,960,891</u>
Current liabilities			
Borrowings	160,967,763	387,961,692	372,220,346
Trade and other payables	512,876,783	596,249,416	517,764,198
Current tax	-	6,692,010	14,913,136
	<u>673,844,546</u>	<u>990,903,118</u>	<u>904,897,680</u>
Net current assets	<u>238,650,119</u>	<u>142,247,983</u>	<u>313,063,211</u>
	<u>1,352,430,754</u>	<u>848,368,650</u>	<u>853,683,622</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	6 months to 30 June 2019 Shs	12 months to 31 December 2018 Shs	6 months to 30 June 2018 Shs
Operating activities				
Cash from operations	20	217,298,036	118,444,075	15,106,044
Interest paid		-	(59,144,691)	(32,202,184)
Tax paid		(6,692,010)	(36,286,675)	(6,931,535)
Net cash (used in)/from operating activities		<u>210,606,026</u>	<u>23,012,709</u>	<u>(24,027,675)</u>
Investing activities				
Purchase of property, plant and equipment	12	(33,809,765)	(52,324,182)	(31,151,049)
Purchase price for acquisition of subsidiary				
Purchase of intangible assets	14	-	-	-
Proceeds from disposal of property, plant and equipment		-	1,829,490	-
Interest received		-	83,969	-
Net cash (used in) investing activities		<u>(33,809,765)</u>	<u>(50,410,723)</u>	<u>(31,151,049)</u>
Financing activities				
Net movement in borrowings		(4,444,591)	1,857,193	119,991,248
Changes in restricted cash balances	18	-	-	-
Net cash from/(used in) financing activities		<u>(4,444,591)</u>	<u>1,857,193</u>	<u>119,991,248</u>
Increase/(decrease) in cash and cash equivalents		<u>172,351,670</u>	<u>(25,540,821)</u>	<u>64,812,524</u>
Movement in cash and cash equivalents				
At start of period/year		(279,042,725)	(252,215,397)	(252,215,397)
Increase/(decrease)		172,351,670	(25,540,821)	64,812,524
Effect of exchange rate changes		-	(1,286,507)	(2,411,803)
At end of period/year	18	<u>(106,691,055)</u>	<u>(279,042,725)</u>	<u>(189,814,676)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital Shs	Share premium Shs	Legal reserves* Shs	Retained earnings** Shs	Translation reserve*** Shs	Revaluation reserve*** Shs	Total equity Shs
Year ended 31 December 2018							
At start of year	146,894,092	152,450,453	3,665,461	419,744,980	8,705,196	-	731,460,182
Translation reserve movement	-	-	-	-	(12,847,892)	-	(12,847,892)
IFRS 9 adjustment	-	-	-	(81,291,916)	-	-	(81,291,916)
Revaluation for the year	-	-	-	-	-	141,929,031	141,929,031
Profit for the year	-	-	-	33,785,068	-	-	33,785,068
At end of year	<u>146,894,092</u>	<u>152,450,453</u>	<u>3,665,461</u>	<u>372,238,132</u>	<u>(4,142,696)</u>	<u>141,929,031</u>	<u>813,034,473</u>
Period ended 30 June 2019							
At start of period	146,894,092	152,450,453	3,665,461	372,238,132	(4,142,696)	141,929,031	813,034,473
Opening balance adjustment	-	-	-	47,329,149	-	-	47,329,149
Changes in the legal reserve	-	-	450,081	-	-	-	450,081
Revaluation for the period	-	-	-	-	-	216,288,992	216,288,992
Translation reserve movement	-	-	-	-	3,122,693	-	3,122,693
Total comprehensive income for the period	-	-	-	9,594,161	-	-	9,594,161
At end of period	<u>146,894,092</u>	<u>152,450,453</u>	<u>4,115,542</u>	<u>429,161,442</u>	<u>(1,020,003)</u>	<u>358,218,023</u>	<u>1,089,819,549</u>

For and on behalf of the Board



Chief Executive Officer
Heril Bangera