



- **Flame Tree Group sales increased by +11% vs. H12021 up to 1.803 million.**
- **Gross margin reached 491.2M, showing a decrease of 7 p.p vs H1 2022 due to increased prices of raw material & international shipping costs.**
- **EBITDA reported is 117.6M**
- **Net profit showed a negative result of 44.7M, impacted by extraordinary expenses (49.7 M) and a sharp increase in finance costs.**

August 29th 2022, Nairobi - FTG Holdings (FTGH: NSE) the diversified manufacturer and distributor of plastic tanks, cosmetics, snacks, spices and playground equipment, has announced a 11% increase in sales vs. H1 2021, up to 1.803M with a gross margin of 27% vs. 34% on previous year. This drop of margin translates on 126.3M less profit, and it is directly linked to the very tough international context of extreme increase of oil prices (+70% only in the last 1 year) and shipping costs (tripled over the past 12 months), driving the costs of our main raw materials (plastics) to levels not seen before. The progressive devaluation of the KES (from 106 June 2021 to 117 KES/USD in June 2022) has also contributed to the increase in the cost of sales.

The Nairobi Securities Exchange (NSE) Listed firm confirmed that the company had to engage additional funding to purchase raw material at those new prices, and decided to increase stock levels to cushion the company against further costs hikes. As a result, inventory levels are high, but company expects to reduce debt in the coming months and purchase levels will reduce as well.

Overheads increased by +14% (59.2 million), including increased depreciation costs (+32%) and Sales, Marketing & Distribution expenses (+32.9M) linked to launching of new products and higher sales and logistic costs. The company had to bear extraordinary expenses of 49.7M and managed to keep other costs in line.

Finance costs went up by 66% vs H12021 (+39.1M), as a result of additional funds required to purchase raw materials and the devaluation of the Kenyan Schilling vs. USD.

All this drove the company to report a loss of 44.7M (EBT).

Net assets grew by 15% vs. H12021, excluding the impact of translation reserves (FOREX gain/losses), following positive impact of new asset value brought to the Balance.

Collections days (DSO) improved by 8 days and supplier days (DPO) reduced by 34 days, as some new suppliers that could offer more competitive prices had to be paid on sight, thus increasing the bank borrowings as well.

New products launched included the Prefect Range School Furniture, Loosafe toilet cleaner, Perfumed Glycerin range and the new colored garbage bins to separate and segregate waste.

Some of the new ESG projects started are the solar power energy in our Roto Kenya factory, the planting of +4.000 trees in Mau Forest and the Roto Lesso Lessons Project.

The Corporate Governance Audit was completed and showed good progress, with a overall score of 87.83/100.

Business Outlook

In FTGH we remain committed to our vision of Creating World Class African Brands for our customers in the countries where we currently operate and beyond. We shall continue to grow our business lines and strive to be market leaders. Along the past 3 years we have invested in new machinery to increase production capacity and to increase our product portfolio, and our sales keep growing year after year: +19% growth in FMCG and +7% in Plastics vs H12021. Our brands are trusted by our clients and we continue to develop new products. We have however encountered the most complicated international context in the last decades, with an inflationary spiral that has surely adversely affected our performance. However, we are already seeing signs of improvement, both in prices of raw materials and in the recovery of the KES vs USD. Any improvement will reflect as additional profit right into our P&L. In the meantime, we have taken actions to diversify our suppliers and our sources of funding, to achieve better pricing and lesser risks. We are prepared to navigate through this turbulent time, and we shall report back to profit as we continue to manage prudently all factors arising, delivering quality products, developing our CSR and ESG policies. We came out of COVID successfully, and we will be prepared to show positive progress in the coming months.

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 1,200 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 2022 Shs	12 months to 31 December 2021 Shs	6 months to 30 June 2021 Shs
Revenue	1,803,576,535	3,383,108,288	1,630,738,167
Cost of sales	(1,312,302,733)	(2,238,383,462)	(1,084,043,738)
Gross profit	491,273,802	1,144,724,826	546,694,429
Other operating income	45,000,000	-	2,944,945
Other operating gains	-	-	-
Selling and distribution expenses	(260,439,287)	(318,257,055)	(211,693,148)
Administrative expenses	(142,776,617)	(481,092,145)	(144,523,872)
Other operating expenses	(79,154,266)	(82,592,293)	(66,898,673)
Operating profit/(loss)	53,903,632	262,783,333	126,523,681
Finance costs	(98,645,398)	(150,489,329)	(59,536,435)
Profit before tax	(44,741,766)	112,294,004	66,987,246
Current tax	-	(27,170,843)	-
Deferred tax	-	17,420,563	-
Profit for the period/year	(44,741,766)	102,543,724	66,987,246
Other comprehensive income:			
- Exchange differ. on translation of foreign oper.	(20,276,905)	2,585,982	42,743,903
- Gain on revaluation	183,796,484	-	-
- Deferred tax on revaluation gain	(55,138,945)	-	-
	108,380,634	2,585,982	42,743,903
Total comprehensive income for the year	63,638,868	105,129,706	109,731,149

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2022 Shs	31 December 2021 Shs	30 June 2021 Shs
Assets			
Non-current assets			
Property, plant and equipment	1,370,589,512	1,189,346,721	1,154,300,987
Right-of-use assets	62,147,839	77,712,162	96,619,474
Goodwill on consolidation	71,851,809	71,851,809	71,851,809
Intangible assets	143,400,112	122,751,662	99,127,371
	1,647,989,272	1,461,662,354	1,421,899,641
Current assets			
Inventories	766,779,522	685,659,674	456,216,353
Trade and other receivables	687,161,555	655,906,796	700,346,887
Cash and cash equivalents	46,413,657	54,325,566	57,148,794
Tax recoverable	19,910,629	17,255,338	14,112,241
	1,520,265,363	1,413,147,374	1,227,824,275
Total assets	3,168,254,635	2,874,809,728	2,649,723,916
Equity and liabilities			
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	3,665,461	3,665,461	3,665,461
Revaluation reserve	530,917,883	347,121,399	347,121,399
Retained earnings	544,777,664	589,519,430	553,962,953
Translation reserve	(69,875,240)	(49,598,335)	(9,440,414)
	1,308,830,313	1,190,052,500	1,194,653,944
Liabilities			
Non-current liabilities			
Borrowings	206,778,727	215,428,562	240,325,163
Lease liabilities	67,886,184	82,609,195	101,898,893
Deferred tax	35,314,643	38,249,287	62,492,553
	309,979,554	336,287,044	404,716,609
Current liabilities			
Trade and other payables	411,264,404	632,159,240	511,259,774
Borrowings	791,326,668	412,807,789	235,653,701
Bank overdraft	342,799,923	299,449,382	299,386,115
Lease liabilities	4,053,773	4,053,773	4,053,773
	1,549,444,768	1,348,470,184	1,050,353,363
Total liabilities	1,859,424,322	1,684,757,228	1,455,069,972
Total equity and liabilities	3,168,254,635	2,874,809,728	2,649,723,916

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital Shs	Share premium Shs	Legal reserves Shs	Retained income Shs	Translation reserve Shs	Revaluation reserve Shs	Total equity Shs
Year ended 31 December 2021							
At start of year	146,894,092	152,450,453	3,665,461	486,975,706	(52,184,317)	347,121,399	1,084,922,794
Translation reserve movement	-	-	-	-	2,585,982	-	2,585,982
Profit for the year	-	-	-	102,543,724	-	-	102,543,724
At end of year	146,894,092	152,450,453	3,665,461	589,519,430	(49,598,335)	347,121,399	1,190,052,500
Period ended 30 June 2022							
At start of period	146,894,092	152,450,453	3,665,461	589,519,430	(49,598,335)	347,121,399	1,190,052,500
Revaluation reserve movement	-	-	-	-	-	183,796,484	183,796,484
Translation reserve movement	-	-	-	-	(20,276,905)	-	(20,276,905)
Profit for the year	-	-	-	(44,741,766)	-	-	(44,741,766)
At end of period	146,894,092	152,450,453	3,665,461	544,777,664	(69,875,240)	530,917,883	1,308,830,313

CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months to 30 June 2022 Shs	12 months to 31 December 2021 Shs	6 months to 30 June 2021 Shs
Operating activities			
Cash from operations	(215,608,219)	242,870,273	117,272,839
Finance cost	(98,645,398)	(150,489,329)	59,536,435
Interest paid on lease liabilities	-	-	2,112,317
Tax paid	(2,655,291)	(75,085,090)	(27,241,984)
Net cash from/(used in) operating activities	(316,908,908)	17,295,854	151,679,607
Investing activities			
Purchase of property, plant and equipment	(45,318,571)	(200,722,329)	(149,503,023)
Purchase of intangible assets	(20,245,001)	(31,860,649)	(6,438,734)
Proceeds from disposal of property, plant and equipment	-	2,758,400	-
Net cash (used in) investing activities	(65,563,572)	(229,824,578)	(155,941,757)
Financing activities			
Proceeds from borrowings	413,219,585	174,709,058	22,451,571
Payments of principal portion of the lease liability	(14,723,011)	(14,916,471)	(6,219,013)
Net cash from/(used in) financing activities	398,496,574	159,792,587	16,232,558
Increase/(decrease) in cash and cash equivalents	16,024,094	(52,736,137)	11,970,408
Movement in cash and cash equivalents			
At start of period/year	(245,123,816)	(218,346,914)	(218,346,914)
Increase/(decrease)	16,024,094	(52,736,137)	11,970,408
Effect of exchange rate changes	(67,286,544)	25,959,235	(35,860,815)
At end of period/year	(296,386,266)	(245,123,816)	(242,237,321)