UNGA GROUP Plc

HALF YEAR RESULTS

The directors are pleased to announce the un-audited financial results for the six months ended 31 December 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	31 Dec 2017 Shs'000	31 Dec 2016 Shs'000
Turnover	11,077,744	10,246,913
Operating Profit	716,796	172,993
Other Income	33,035	33,111
Finance (Cost)/Income	(16,444)	15,118
Forex loss	(301)	(29,783)
Profit Before Taxation	**733,087**	**191,439**
Taxation	(221,954)	(58,567)
Profit for the period	**511,133**	**132,873**
Attributable to:		
Owners of the parent	330,274	92,540
Non-controlling interest	180,859	40,333
	511,133	**132,873**
Basic and diluted earnings per share	**Kshs 4.36**	**Kshs 1.22**

CONDENSED STATEMENT OF FINANCIAL POSITION

	31 Dec 2017 Shs'000	31 Dec 2016 Shs'000
ASSETS		
Non Current Assets	3,637,070	3,642,721
Current Assets	7,039,222	6,567,239
Total Assets	**10,676,292**	**10,209,960**
EQUITY AND LIABILITIES		
Share Capital	378,535	378,535
Reserves	3,615,936	3,266,594
Minority Interests	1,935,457	2,063,194
Non Current Liabilities	734,783	971,311
Current Liabilities	4,011,601	3,530,326
Total Equity and Liabilities	**10,676,292**	**10,209,960**

CONDENSED STATEMENT OF CASH FLOWS

	31 Dec 2017 Shs'000	31 Dec 2016 Shs'000
Cash generated from operations	(343,177)	548,601
Tax Paid	(80)	(99,678)
Net cash (used in)/from operating activities	(393,257)	448,923
Net cash used in investing activities	(188,554)	(397,217)
Net cash used in financing activities	(97,697)	(60,475)
Net decrease in cash and & cash equivalents	(629,508)	(8,769)
At the beginning of the period	1,714,755	1,102,359
At the end of period	**1,085,245**	**1,093,590**

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity Holders Shs'000	Non-Controlling Interest Shs'000	Total Sh'000
At 1 July 2017	**3,729,811**	**1,749,144**	**5,478,955**
Profit for the year	**330,274**	**180,859**	**511,133**
Other comprehensive Income for the year	**10,093**	**5,435**	**15,528**
Total comprehensive income for the year	**340,367**	**186,294**	**526,661**
Dividend declared	**(75,707)**	-	**(75,707)**
At 31 December 2017	**3,994,471**	**1,935,458**	**5,929,908**

COMMENTARY

The Company recorded growth compared to the same period in the prior year. Animal Nutrition volumes increased by 20% supported by a stable supply of raw material that ensured continuous supply during the period of drought. Human Nutrition volumes declined by 4%, mainly attributable to logistical challenges on imported grain supply and reduced demand in the wheat category, which was partly compensated by improved Jogoo® sales. Our new product lines – pulses, rice and fish feed continue to show growth. The fish feed plant is now fully operational and these new products are receiving positive market feedback.

The improved availability of grain significantly improved the Group's ability to produce maize meal and animal feeds at better yields, resulting in improved margins. The new supply chain and operational improvement initiatives also contributed to gains in profitability.

Selling and administrative expenses increased in the period compared to prior year, mainly as a consequence of increased provisions for doubtful debts in the FMCG business.

Discontinuation of operations at the Ugandan subsidiary has shielded the group from some of the losses seen in preceding years. In the meantime, the Company is in the process of disposing of the assets of the subsidiary and is developing a suitable distribution model to ensure continued presence in the Uganda market.

The Bakery business is working to recover its market presence and repositioning itself in response to current challenges in the FMCG sector.

The new wheat mill project underway in Eldoret is on track to be commissioned by the end of the current financial year. This is expected to significantly increase milling capacity and improve product availability.

Future outlook

The Group's human nutrition business experienced a very slow start to the calendar year 2018, resulting in weakened performance compared with the first six months. The current sluggish demand for wheat and maize products may negatively impact volumes and profitability in the second half. There will be need to invest in our brands to regain market share of some of our key premium brands such as Hostess®.

Maize supply is expected to remain stable in the short run with shortages and consequent price increases likely to be experienced in the fourth quarter. Expected increase in wheat imports is likely to expose the business to price and foreign exchange risks.

The continual increase in the cost of energy in the recent months will have an impact on the Group's cost of operations and transport of raw materials and finished products. This will continue to put pressure on margins.

The Group will continue to drive performance improvement initiatives across all of its operations to counter the impact of the challenges outlined above.

The Directors do not recommend the payment of an interim dividend.

BY ORDER OF THE BOARD
W Jumba
Company Secretary

28 February 2018