

KenolKobil Group Unaudited Results for 6 months ended 30th June 2017

The KenolKobil Plc Board of Directors is pleased to announce the Group's unaudited results for the 6 months ended 30th June 2017.

CONSOLIDATED INCOME STATEMENT FOR THE SIX(6) MONTH PERIOD ENDED 30TH JUNE	2017 Shs'000	2016 Shs'000
Sales	72,637,710	36,937,907
Cost of Sales	(68,570,962)	(33,481,421)
Gross Profit	4,066,748	3,456,486
Other Income	282,175	216,493
Administration and Operating Costs	(1,368,955)	(969,911)
Impairment provision for KPRL Yield shift receivable	(300,000)	(400,000)
Exchange (Losses)/gain	(25,606)	39,344
EBITDA	2,654,362	2,342,412
Finance Costs	(82,012)	(97,997)
Depreciation and Amortization	(491,902)	(518,941)
Profit before Income tax	2,080,448	1,725,474
Income tax expense	(657,989)	(535,537)
Profit for the period	1,422,459	1,189,937

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX(6) MONTH PERIOD ENDED 30TH JUNE	2017 SHS'000	2016 SHS'000
Profit for the period	1,422,459	1,189,937
Other comprehensive income for the period, net of tax: Currency translation differences	(4,925)	(203,345)
Total comprehensive income for the period	1,417,534	986,592

CONSOLIDATED CASH FLOW STATEMENT FOR SIX (6) MONTH PERIOD ENDED 30TH JUNE	2017 SHS'000	2016 SHS'000
Net cash generated from Operations	2,519,046	1,579,627
Interest and taxes paid	(466,393)	(356,046)
Investing activities	(548,645)	(720,000)
Financing activities	(2,684,950)	(110,086)
Net (decrease)/increase in cash and cash equivalents	(1,180,942)	393,495
Opening cash and cash equivalents	3,886,332	762,095
Net (decrease)/increase in cash and cash equivalents	(1,180,942)	393,495
Effects of exchange rate changes on cash and cash equivalents	10,405	(178,192)
Closing cash and cash equivalents	2,715,795	977,398

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT	30th June 2017 Shs'000	31st Dec 2016 Shs'000
CAPITAL EMPLOYED		
Share capital	73,588	73,588
Share premium	5,166,350	5,166,350
Retained earnings	6,299,455	5,318,524
Other reserves	(1,139,764)	(1,134,839)
Proposed dividend	441,528	441,528
Shareholders' funds	10,841,157	9,865,151
NON-CURRENT LIABILITIES		
Deferred tax	277,758	275,928
Borrowings		36,325
Total non-current liabilities	277,758	312,253
CURRENT LIABILITIES		
Payables and accrued expenses	9,973,049	6,393,653
Current income tax	104,932	268,288
Borrowings	4,880,638	7,330,234
Dividend payable	274,625	32,126
Total current liabilities	15,233,244	14,024,301
Total Equity and Liabilities	26,352,159	24,201,705
REPRESENTED BY		
NON-CURRENT ASSETS		
Property, plant and equipment	3,991,328	3,887,525
Prepaid operating lease rentals	888,907	910,704
Intangible assets	924,017	924,769
Deferred tax asset	395,989	834,840
Available for sale investment	2,223	2,235
Investment in Associate	2,300	4,412
Total non current assets	6,204,764	6,564,485
CURRENT ASSETS		
Inventories	8,480,952	5,828,398
Receivables and prepayments	8,798,316	7,773,875
Current income tax	152,332	148,615
Cash and cash equivalents	2,715,795	3,886,332
Total current assets	20,147,395	17,637,220
Total assets	26,352,159	24,201,705

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Share Capital Shs'000	Share Premium Shs'000	Other Reserves Shs'000	Retained Earnings Shs'000	Proposed Dividends Shs'000	Total Equity Shs'000
Balance as at 1st January 2017	73,588	5,166,350	(1,134,839)	5,318,524	441,528	9,865,151
Total comprehensive (Loss)/ income	-	-	(4,925)	1,422,459	-	1,417,534
Dividends						
- Final dividends paid for 2016	-	-	-	-	(441,528)	(441,528)
- Proposed interim dividend for 2017	-	-	-	(441,528)	441,528	-
Balance as at 30th June 2017	73,588	5,166,350	(1,139,764)	6,299,455	441,528	10,841,157

KEY HIGHLIGHTS IN 2017 AS COMPARED TO 2016

Volume Growth	
HY 2017	80%
HY 2016	

Gross Margin	
HY 2017	5.6%
HY 2016	

EBITDA Growth	
HY 2017	13%
HY 2016	

Net Financing Costs Reduction	
HY 2017	-16%
HY 2016	

Current Ratio	
HY 2017	1.32
FY 2016	

Gearing Ratio	
HY 2017	17%
FY 2016	

Commentary 2017 Half year results

The KenolKobil Plc Board of Directors is pleased to announce the Group's unaudited results for the 6 months ended 30th June 2017.

A great first half 2017

The KenolKobil Group delivered a great set of results for the first half of 2017, with improved profitability and volume growth reported across all our key focus and target business segments.

The Group achieved this despite a challenging foreign exchange environment impacting our dollar denominated oil imports, unstable oil prices in the international market, pressure on consumers' disposable income in many of our key markets arising from inflationary pressures as well as other macro-economic factors. The unstable oil prices called for stringent inventory management strategies.

The results

The group realized a 20% growth in profit after tax in the first half of 2017 compared to first half of 2016. The net profit for the first half 2017 stood at KShs. 1.422b compared to

KShs. 1.189b in the first half of 2016. The Group revenue was up 97% mainly driven by increased international oil prices and volume growth.

The Group Volume was up 80% in the first half of 2017 compared to same period in 2016. The volume growth was spread across all the business segments. The group's gross margin contribution reduced to 5.6% in the first half of 2017 compared to 9.4% in the first half of 2016 due to increased trading (OTS) volume.

As a prudent measure, the Group has taken an impairment provision of KShs. 300m in the first half of 2017 against KPRL yield shift receivable compared to KShs.400m in the first half of 2016.

The financing cost came down by 16% despite an 80% growth in volume due to better inventory management strategies and reduction in level of borrowing. Depreciation of the local currencies mainly in Kenya and Burundi led to a forex loss of KShs. 25.6m in the first half of 2017 compared to a forex gain of KShs.39.3m in the first half of 2016.

The administration and operating costs grew by 41% in the first half of 2017 compared to first half of 2016, mainly due to settlement of various old legal disputes, inflationary pressure and generally from increased level of business. This, however remains under control.

The good performance yielded improved performance ratios, with the current ratio improving to 1.32 as at 30th June 2017 from 1.26 as at 31st December 2016. Shareholders' funds grew to KShs.10.8b as at first half 2017 up from KShs. 9.9b as at full year 2016. Consequently, the increase in shareholders' funds, proper inventory management and a deliberate effort to reduce level of borrowing saw the gearing ratio improve to 17% as at 30th June 2017 from 26% as at 31st December 2016.

Future outlook

The year started with high international oil prices (murban crude) averaging USD 55.35/barrel in January 2017 which has gradually fallen to USD 47.30/ barrel in June 2017. The management is optimistic that the international oil prices will remain low and stable in the second half of 2017.

The Board expects the challenging business environment to continue, but remains confident that the Group is well placed to deal with any volatility in international oil prices.

Interim dividends

The Board of Directors has declared an interim dividend of **KShs. 0.30 per share** (2016 KShs. 0.15 interim dividend). The interim dividend, which is subject to withholding tax, will be paid on or around **1st October 2017** to shareholders in the register at the close of business on **25th August 2017**.

By Order of the Board

David Ohana,
Group Managing Director,
2nd August 2017