KenolKobil Limited

Group Results for 6 months ended 30th June 2010

The Directors of KenolKobil Limited are pleased to announce the Group's unaudited results for the 6 months ended 30th June 2010

CONSOLIDATED INCOME STATEMENT For six months ended	**30th June 2010 KSH'000**	**30th June 2009 KSH'000**
Sales	**60,349,692**	**43,007,872**
Cost of Sales	(56,085,214)	(41,358,668)
Gross Profit	**4,264,479**	**1,649,204**
Distribution Costs	(546,525)	(458,760)
Administration and Operating Costs	(1,340,008)	(1,479,325)
Operating profit / (loss)	**2,377,946**	**(288,881)**
Finance Costs	(645,834)	(322,126)
Profit / (loss) before Income tax	**1,732,112**	**(611,007)**
Income tax (expense) / credit	(552,619)	179,783
Profit / (loss) for the period	**1,179,493**	**(431,224)**

Consolidated Balance Sheet at	**30th June 2010 KSH'000**	**31st Dec 2009 KSH'000**
CAPITAL EMPLOYED		
Capital and Reserves		
Share Capital	73,588	73,588
Share Premium	5,166,350	5,166,350
Other Reserves	215,199	316,649
Retained Earnings	6,599,212	5,419,719
Proposed Dividend	-	478,322
	12,054,349	**11,454,628**
Non Current Liabilities		
Borrowings	63,523	75,929
Deferred income tax	460,275	465,113
Total non-current liabilities	**523,798**	**541,042**
	12,578,147	**11,995,670**
REPRESENTED BY		
Non current assets		
Prepaid operating lease rentals	661,845	733,908
Property, plant and equipment	4,490,496	4,512,380
Intangible assets	849,858	855,227
Investment in Associate	16,044	16,685
	6,018,243	**6,118,200**
Current Assets		
Inventories	16,273,367	13,172,275
Receivables and prepayments	8,658,135	8,064,874
Derivative Financial Asset	(62,437)	14,993
Current income tax	4,189	112,060
Cash and cash equivalents	3,909,322	3,806,455
	28,782,576	**25,170,657**
Current Liabilities		
Payables and accrued expenses	10,406,313	14,787,916
Current income tax	263,443	245,259
Borrowings	11,332,179	4,204,867
Dividend payable	220,737	55,145
	22,222,672	**19,293,187**
Net current assets	**6,559,903**	**5,877,470**
	12,578,147	**11,995,670**

Consolidated cash flow statement For six month period ended	**30th June 2010 KSH'000**	**30th June 2009 KSH'000**
Net cash generated from Operations	(5,707,636)	352,493
Interest and taxes paid	(654,352)	(764,687)
Investing activities	(351,031)	(319,570)
Financing activities	6,802,176	(312,530)
Net increase in cash and cash equivalents	**89,157**	**(1,044,294)**
Opening cash and cash equivalents	3,806,455	2,437,882
Effects of exchange rate changes on cash and cash equivalents	13,710	36,811
Closing cash and cash equivalents	**3,909,322**	**1,430,399**

Consolidated Statement of Changes in equity
For six month period ended 30th June 2010

	Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Proposed dividends**	**Total equity**
	KSH'000	**KSH'000**	**KSH'000**	**KSH'000**	**KSH'000**	**KSH'000**
At start of the year	73,588	5,166,350	316,652	5,419,719	478,322	11,454,631
Deferred tax on revaluation surplus			(310)			(310)
Movement in ESOP reserve			66,856			66,856
Movement in Hedge reserve			(77,430)			(77,430)
Currency translation differences			(90,569)			(90,569)
Net gains / recognised directly in equity			(101,453)			(101,453)
Profit / (loss) for the six month period				1,179,493		1,179,493
Dividends:						
- Final for 2009 paid					(478,322)	(478,322)
At end of period	**73,588**	**5,166,350**	**215,199**	**6,599,212**	**-**	**12,054,349**

COMMENTS FROM GROUP MANAGEMENT

The Group's 1st Half Results for 2010 reflect a marked improvement in performance over same period in 2009. 1st Half 2009, will be remembered as the most difficult period experienced by the Oil Industry in the recent past due to the effect of a sharp drop in oil prices from the 2008 high levels, leading to sales of the expensive stocks carried into 2009 at very low market prices; that resulted in reported losses for KenolKobil. The Group was able to turn around this situation in the 2nd Half of 2009 and posted a full year profit. This positive trend has continued into 2010 resulting in a strong After Tax Profit of KSH 1.18 Billion for the 1st Half.

Net Sales improved by 40% over the same period, being a reflection of more stable pricing environment Internationally and in the local markets especially in Subsidiaries outside Kenya. Gross profit increased by 159% while as a percentage of Net Sales it improved from 3.8% in 2009 to 7% in 2010. These improvements were mainly due to improved Group Inventories position at the beginning of the year, coupled with relatively stable International oil prices and selling prices. Exports and Aviation which had recorded heavy losses in 1st Half 2009, have registered good profits in 2010. Increased Group focus on high margin business lines has positively impacted the bottom line. Inefficiencies of both the Pipeline and Refinery in Kenya, however, continue to negatively impact on performance of the Group, particularly on the Kenyan operation.

The Group has continued to realize benefits from improved management of Overhead costs resulting in a 9% reduction in 1st Half 2010 compared to 2009. This is a positive trend in view of the fact that the Group has very young Subsidiaries that are still in their development curve. Distribution costs have continued their upward trend now registering a growth of 19% over 2009 due to continued use of Road Transport, transporting products up from Mombasa to upcountry in Kenya and to neighboring countries.

Financing costs have gone up by 100% in 2010 compared to 2009 mainly driven by effects of devaluation of local currencies in the seven (7) countries we operate in; resulting in Foreign Exchange Losses especially in the 2nd Quarter in Kenya, due to K.Shilling depreciating against the US Dollar by 6%.

Subsidiaries continue to perform well with strong performances registered by Zambia and Rwanda, in particular. The newest Subsidiary, Burundi, is registering steady growth and is expected to deliver a good return on investment this year. Ethiopia continues to be a challenging market due to its Regulated Low margins on Fuels, but focus on high margin products such as Lubricants and Bitumen has seen an improvement in performance over last year.

Looking forward for the 2nd Half of the year, Management is firmly bullish and projects strong end year results, expected to come mainly from Operations outside Kenya. Management hopes to see improvement in products availability in Kenya Pipeline system and higher efficiency at Refinery in Mombasa, in which case Management expects higher contribution to Group bottom line, from the Kenyan operation.

DIVIDEND

The Directors do not recommend the payment of an Interim Dividend at this stage, pending potential deals under the Mergers and Acquisitions expansion plans. Consideration of an Interim Dividend will be reviewed in few months time.

By Order of the Board

Jacob I Segman
Chairman & Group Managing Director

28 July 2010

Some of our Corporate Social Responsibility programmes:

Light & Hope Academy for the Disabled - Korogocho

KDN School - Korogocho

KenolKobil Education Scholarship Fund

Save a Child's Heart (Kenya)

KenolKobil *Cares for you!!*