KENOLKOBIL GROUP UNAUDITED RESULTS FOR SIX (6) MONTHS PERIOD ENDED 30 JUNE 2014

The Directors of KenolKobil Limited are pleased to announce the Group's un-audited results for the six (6) months period ended 30th June 2014.

CONSOLIDATED INCOME STATEMENT for the six(6) month period ended 30th June	2014 Shs'000	2013 Shs'000
Net Sales	43,181,308	65,274,760
Cost of Sales	(40,236,593)	(62,583,407)
Gross Profit	**2,944,715**	**2,691,353**
Other Income	383,696	277,735
Distribution costs	(395,611)	(348,701)
Administration and Operating Costs	(917,261)	(1,174,674)
Exchange Losses	(142,269)	(158,541)
EBITDA	**1,873,269**	**1,287,172**
Finance Costs	(669,334)	(801,492)
Depreciation and Amortization	(408,753)	(286,594)
Profit before Income tax	**795,182**	**199,086**
Income tax	(264,014)	(51,722)
Profit for the period	**531,168**	**147,364**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the six(6) month period ended 30th June	2014 Shs'000	2013 Shs'000
Profit for the period	531,168	147,364
Other comprehensive income for the period, net of tax:		
Currency translation differences	(91,930)	(46,859)
Total comprehensive income for the period	**439,238**	**100,505**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at	30 June 2014 Shs'000	31 Dec 2013 Shs'000
CAPITAL EMPLOYED		
Share capital	73,588	73,588
Share premium	5,166,350	5,166,350
Retained earnings	1,801,979	1,270,811
Other reserves	(122,348)	8,369
Proposed dividend	-	147,176
Shareholders' funds	**6,919,569**	**6,666,294**
NON-CURRENT LIABILITIES		
Deferred tax	185,593	194,073
Borrowings	303,272	522,552
Total non-current liabilities	**488,865**	**716,625**
CURRENT LIABILITIES		
Payables and accrued expenses	15,631,183	5,591,360
Current income tax	105,044	189,751
Borrowings	13,309,596	14,854,274
Dividend payable	175,029	103,369
Total current liabilities	**29,220,852**	**20,738,754**
Total Equity and Liabilities	**36,629,286**	**28,121,673**
REPRESENTED BY		
NON-CURRENT ASSETS		
Property, plant and equipment	4,493,275	4,667,999
Prepaid operating lease rentals	660,663	600,648
Intangible assets	855,464	858,722
Deferred tax asset	2,271,788	2,595,040
Available for sale investment	2,212	2,249
Investment in Associate	13,799	15,346
Total non-current assets	**8,297,202**	**8,740,004**
CURRENT ASSETS		
Inventories	10,283,750	6,528,533
Receivables and prepayments	10,941,751	10,756,595
Current income tax	459,452	321,483
Cash and cash equivalents	6,647,130	1,775,058
Total current assets	**28,332,083**	**19,381,669**
Total assets	**36,629,286**	**28,121,673**

CONSOLIDATED STATEMENT OF CASH FLOWS for the six(6) month period ended 30th June	2014 Shs'000	2013 Shs'000
Net cash generated from Operations	7,915,122	2,806,389
Interest and taxes paid	(841,255)	(899,471)
Investing activities	(420,502)	(311,187)
Financing activities	(1,839,473)	(2,669,297)
Net increase /(decrease) in cash and cash equivalents	**4,813,892**	**(1,073,566)**
Opening cash and cash equivalents	1,775,058	2,191,005
Net increase /(decrease) in cash and cash equivalents	4,813,892	(1,073,566)
Effects of exchange rate changes on cash and cash equivalents	58,180	(13,154)
Closing cash and cash equivalents	**6,647,130**	**1,104,285**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (ABRIGED) for the six(6) month period ended 30th June	2014 Shs'000	2013 Shs'000
Share Capital	73,588	73,588
Share Premium	5,166,350	5,166,350
Other Reserves	(122,348)	150,361
Revenue Reserves	1,270,811	859,566
Profit for the period	531,168	147,364
	6,919,569	**6,397,230**

COMMENTARY:

The Group's performance for the first six months of 2014 showed significant improvement over 2013 performance, against both the comparable six months to June 2013, and for the full year to December 2013.

The after tax profit of Ksh 531 million, achieved for the six months to June 2014, is better than the Ksh 147 million achieved for the comparable six month period for 2013 and almost equivalent to the profit earned for the full year to December 2013 of Ksh 558 million.

This improvement results from the continuation of management's focus on the 5 major areas mentioned in the 2013 Annual report, namely, corporate restructuring, financing costs, operating costs, human resources realignment and risk reduction.

During the period under review, the global economic environment remained challenging. However, with focus on better margin business lines and effective inventory management, strong gross margins were achieved.
Gross margins as percentage to sales improved to 6.8% for the period to June 2014 compared to 4.1% for the six months to June 2013 and 4.5% for the full year December 2013.

Concentration on operating costs and restructuring of the business delivered significant savings to the bottom line.
Operating costs for the six months of Ksh 917m reduced by Ksh 257m (21.9%) in 2014, compared to the same period in 2013 (Ksh 1,174.6 million) and compared to the full year 2013 of Ksh 3,369 million.
Other income of Ksh 384 million improved by Ksh 106 million over 2013 (Ksh 277.7 million) and compared to the full year 2013 figure (excluding sale of assets) of Ksh 572 million. This was achieved with more effective management of the non fuel lines and depot storage handling.

The forex losses of Ksh 142 million is within expectations with foreign currencies well managed during the period, despite challenges in the regions where we operate with local currencies trends depreciating.

The positive initiatives have resulted in a strong EBITDA of Ksh 1,873 million, an increase of Ksh 586 million above the EBITDA achieved at June 2013 of Ksh 1,287 million and for the year 2013 of Ksh 3,047 million.

Finance costs of Ksh 669 million is lower that the six months to June 2013 (Ksh 801 million) by Ksh 132 million It remains a key area of focus for management to reduce and improve the gearing.

Borrowings at Ksh 13.6 billion compares to December 2013 of Ksh 15.4 billion. Management continues to concentrate on reducing borrowing with good progress made during the first half year. The gearing ratio improved to 62% compared to December 2013 of 67%.

Shareholders equity improved with the earnings achieved during the six months.

Payables and inventories increased by approximately Ksh 7 billion mainly due to an import of a distress OTS cargo of Jet A1 in June 2014, but the sales were only recorded in July 2014. Oil marketers had pre-paid Ksh 4.2 billion which was in cash at June 2014.

During the period, management has made progress in subsidiaries with satisfactory strategic actions in place to achieve expected target growth levels.

Management continues to focus on improving efficiencies and shareholder value, concentrating on the 5 major areas mentioned above. Significant progress has been achieved in these areas that continues to deliver efficiencies and streamlining.

Going forward, with the strong first half performance, Management is optimistic that the outlook is good for achieving improved profitability during the second half of 2014.

DIVIDEND

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

By Order of the Board

David Ohana
Group Managing Director

20th August 2014




KenolKobil *Cares for you*