BAMBURI CEMENT LIMITED

THE DIRECTORS OF BAMBURI CEMENT LIMITED ARE PLEASED TO ANNOUNCE THE UNAUDITED GROUP RESULTS FOR THE SIX MONTHS ENDING 30 JUNE 2018

Condensed statement of comprehensive income	**2018 June KES Million**	**2017 June KES Million**
Turnover	18,556	18,589
Operating costs	(17,392)	(15,933)
Operating profit	**1,164**	**2,656**
Investment income	65	97
Other gains and losses	(458)	(62)
Finance costs	(49)	(28)
Profit before tax	**722**	**2,663**
Taxation	(323)	(824)
Profit for the Period	**399**	**1,839**
Other comprehensive income/ (loss) net of tax	(99)	9
Total comprehensive income for the year	**300**	**1,848**
EPS - KES per Share* - Basic and diluted	1.47	4.39

*EPS calculated on profit after tax attributable to shareholders of the parent and based on average number of shares

Condensed Statement of Financial Position	**2018 June KES Million**	**2017 December KES Million**
Assets		
Non-current assets		
Property, plant & equipment and intangibles	32,667	32,502
Other equity investments	357	506
Goodwill	217	217
	33,241	**33,225**
Working capital		
Current assets	10,913	10,488
Current liabilities	(7,793)	(6,677)
	3,120	**3,811**
Dividend Payable	(551)	(6)
Cash and bank balances	3,611	3,490
Short term borrowings	(751)	(1,450)
Cash and cash equivalents	**2,860** **38,670**	**2,040** **39,070**

Capital and reserves		
Share capital	1,815	1,815
Reserves	26,497	27,557
Equity attributable to owners of the Company	**28,312**	**29,372**
Non-controlling interests	3,695	3,828
Long term borrowings	1,473	-
Other Non-current liabilities	5,190	5,870
Total equity and non-current liabilities	**38,670**	**39,070**

Condensed Statement of Cash Flows	**2018 June KES Million**	**2017 June KES Million**
Cash generated from operations	**2,331**	**2,275**
Interest received	65	88
Interest paid	(24)	-
Net foreign exchange gains	(24)	53
Tax paid	(681)	(1,189)
Net cash generated from operating activities	**1,667**	**1,227**
Net cash used in investing activities	(1,820)	(841)
Net cash used in financing activities	1,396	-
Net increase in cash & cash equivalents	**1,243**	**386**
Translation loss	(423)	47
At beginning of the year	2,040	6,972
At end of the period	**2,860**	**7,405**

Condensed statement of changes in equity	**2018 June KES Million**	**2017 December KES Million**
Share Capital		
Revaluation reserve	1,815	1,815
Fair value and Translation	11,144	11,263
Reserves	(2,873)	(1,669)
Retained Earnings	18,226	17,963
Non-controlling interests	3,695	3,828
At end of the period	**32,007**	**33,200**

Explanatory notes: These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The financial statements do not include all of the information required for full annual statements, and should be read in conjunction with the consolidated annual financial statements of the Group for the year ended 31 December 2017.

HIGHLIGHTS

The first half of the year was challenging, as the market in Kenya continued to contract, closing 8% behind prior year in a high external cost environment. Uganda was negatively impacted in the first quarter by production challenges and product availability while the second quarter was negatively impacted by competitive pressure as all major players recorded extra capacity and slowdown in government expenditure. However, the results in Uganda were also impacted following an internal audit that commenced in the first quarter of 2018.

The audit identified a number of balance sheet write offs amounting to KES 315 million with no cash impact. The Group expects to close the review by the end of the year with no further impact subsequently. Further, the Group will ensure it addresses any gaps identified in the internal control environment.

Turnover remained flat. Despite the 8% contraction in the Kenyan market, the Group grew volumes in this market. However the Group had lower sales in Uganda due to product unavailability and competitive pricing.

Operating profit declined from KES 2.7 billion to KES 1.2 billion impacted by flat turnover, higher power, coal and raw materials costs as well as the impact of the balance sheet write offs in Uganda.

Profit before tax declined to KES 0.7 billion from KES 2.7 billion due to lower operating profit together with large unrealized forex losses amounting to KES 465 million mainly on a US$ 14 million loan taken in Uganda to partly finance the capacity expansion and dollar denominated payables. Negotiations are underway to refinance this into a local currency loan.

Profit after tax declined to KES 0.4 billion affected by low profit before tax and a high effective corporation tax rate of 45% arising from booking a 2017 under provision of disputed tax assessments received from the Uganda Revenue Authority in March 2018, now confirmed.

The Group recorded stronger cash generated from operations of KES 2.33 billion compared to profits before taxes of KES 0.7 billion. Sound working capital management resulted to a high profit to cash conversation ratio.

During the period, the Group spent KES 1.8 billion for capital expenditure (mostly for the capacity expansion) part of which was financed by a loan of KES 1.4 billion (US$ 14 million) received in Uganda. Net cash balances increased from KES 2 billion at close of last year to close at KES 2.86 billion with Kenya at KES 3.2 billion while Uganda closed with an overdraft of KES 0.3 billion.

CAPACITY EXPANSION PROGRESS

The KES 8 billion capacity expansion projects in both Kenya and Uganda were fully commissioned and had undergone acceptance testing at the end of June 2018. Studies on Phase 2 of the expansion, expected to solidify the Group's position as the least cost producer in the region, continued.

2018 OUTLOOK

Despite the 8% Kenyan market contraction in the first half of the year, the Group expects a recovery in the later part of the year and into 2019. In Uganda, while the Inland Africa exports are expected to grow in the second half of the year, the domestic market is expected to remain challenging due to the oversupply situation. However marketing strategies are being adopted in Uganda to ensure the Group grows its market share in the domestic market. The new capacities in both countries are also expected to support the Group's growth ambition in the market long term, while gaining on cost efficiencies from the new mills.

The Group is well positioned strategically given its strong cash position and generation capacity, strong human capital and diversified brand portfolio. It will remain focused on execution of its route to market, industrial excellence, logistics mastery initiatives, enhancing the customer experience, cost discipline and creating value to all its stakeholders in the medium to long term.

DIVIDEND

The Board of Directors recommends payment of an interim dividend of KES 1.00/= per ordinary share (KES 2.50/= per ordinary share paid in 2017).

CLOSURE OF SHARE REGISTER

The interim dividend is proposed to be paid on or about 26 October 2018 to members on the register at close of business on 28 September 2018. Accordingly, the register of members will close at 4.30 pm on 28 September 2018 and will remain closed up to 1 October 2018.

CHANGE IN DIRECTORSHIP

The Board of Directors is pleased to announce the appointment of Mbuvi Ngunze as a director of the Company with immediate effect.

By Order of the Board,

Dr John Simba
Chairman
30 August 2018

Seddiq Hassani
Group Managing Director

For more information about the company visit www.lafarge.co.ke

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