ANNOUNCEMENT OF THE UNAUDITED RESULTS FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2018

East African Portland Cement PLC

Holding Life Together

The directors of the East African Portland Cement PLC are pleased to announce the unaudited results for the six months period ended 31st December 2018

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income for six months period ended:

	31 Dec 2018 Sh' 000	31 Dec 2017 Sh' 000
Revenue	1,372,146	3,062,119
Cost of Sales	(1,800,132)	(2,916,684)
Gross Profit	**(427,986)**	**145,435**
Other Operating Income	20,417	1,202
Administration and Selling Expenses	(1,011,450)	(1,001,027)
(Loss)/Profit from Operating Activities	**(1,419,019)**	**(854,390)**
Interest Income	1,372	1,403
Foreign Exchange (losses)/gains	-	21,046
Finance Costs	(204,701)	(313,492)
(Loss)/Profit Before Tax	**(1,622,348)**	**(1,145,433)**
Tax (Charge)/Credit	355,545	175,860
(Loss)/Profit After Tax	**(1,266,803)**	**(969,573)**
Other Comprehensive Income	(14,132)	20,346
Total Comprehensive Income	**(1,280,935)**	**(949,227)**
Earnings Per Share	**(14.23)**	**(10.55)**

Summary Consolidated Statement of Cash Flows for the six months period ended:

	31 Dec 2018 Sh' 000	31 Dec 2017 Sh' 000
Cash flow Generated from Operations	(158,033)	173,824
Interest Paid	(309,864)	(309,072)
Interest Received	207	206
Taxation Paid	-	(1,366)
Cash Generated From Operating Activities	**(467,690)**	**(136,408)**
Net Cash Used in Investing Activities	**(13,892)**	**(41,362)**
Loan Restructuring	750,030	1,643,294
Receipt of post import finance	177,228	-
Repayment of post import finance	(166,119)	(308,879)
Loan Repayment	(186,551)	(197,134)
Net Cash Used in Financing Activities	**574,588**	**1,137,281**
Effect of foreign currency translation	(14,132)	20,346
Net Decrease in Cash and Cash Equivalents	93,006	959,511
Cash and Cash Equivalents as at 1st July	(1,025,651)	(1,879,276)
Cash and Cash Equivalents as at 31 Dec	**(946,777)**	**(899,419)**

Summary Consolidated Statement of Financial Position as at:

	31 Dec 2018 Sh' 000	30 June 2018 Sh' 000
Assets		
Non-current assets	36,147,414	36,041,881
Total non-current assets	**36,147,414**	**36,041,881**
Current assets	1,707,918	1,985,639
Total current assets	**1,707,918**	**1,985,639**
Total assets	**37,855,332**	**38,027,520**
Equity and Liabilities		
Capital and reserves		
Share capital	450,000	450,000
Other reserves	22,965,110	24,246,045
Total equity	**23,415,110**	**24,696,045**
Non-current liabilities	5,404,880	5,338,440
Total non-current liabilities	**5,404,880**	**5,338,440**
Current liabilities	9,035,342	7,993,035
Total current liabilities	**9,035,342**	**7,993,035**
Total equity and liabilities	**37,855,332**	**38,027,520**

Summary Consolidated Statement of Changes in Equity for the six months period ended:

	31 Dec 2018 Sh' 000	30 June 2018 Sh' 000
Share Capital	450,000	450,000
Share Premium	648,000	648,000
Asset Revaluation Reserve	1,506,107	1,506,107
Retained Earnings	20,790,716	22,057,519
Foreign Currency Translation Reserve	20,287	34,419
Total Equity	**23,415,110**	**24,696,045**

PERFORMANCE

The first half of the year reflected a difficult business environment on the backdrop of increased input prices, a sluggish market as well as production challenges arising from a tight EAPC PLC working capital position. This affected the ability of the company to effectively provide the product sufficiently to all its customers. Consequently, sales revenue declined by 55% over the same period in the prior year leading to an increase of 66% in loss from operating activities. The Company expects to continue reaping from reductions in administrative expenses driven by the ongoing staff rationalization and outsourcing of non – core administrative services.

Finance costs declined by 53% owing to restructuring of financing facilities. The current liabilities exceeded current assets by Kshs 7.3 billion (June 2018 Kshs 6 billion). The board is aggressively pursuing balance sheet restructuring to effectively address the negative working capital. Relevant consultations and approvals to recapitalize the business have been obtained.

FUTURE OUTLOOK

Future market outlook remains positive with the unveiling of the Big Four Agenda by the National Government where affordable housing and manufacturing were among the top priorities. The competitive environment is expected to result in subdued cement prices in the near future. Revenue enhancement and cost optimization will therefore remain key focus objectives as the Company continues to leverage on its brand to weather competitive pressure. Despite the depressed results, the Board remains confident in realization of its turnaround efforts and takes cognizance of Government support in concretizing initiatives in sourcing for working capital. The Company is further reorganizing its strategy and structure to reengineer the business in order to improve performance, cost rationalization and efficiency. This is geared towards reduction of the high Finance and Administrative costs and stabilization of the value chain processes in order to enhance efficiency and ultimately the Company's competitive position.

The Board is optimistic that with the implementation of the Company’s medium term plan, the Company will return back to profitability.

DIVIDEND

The directors do not recommend payment of an interim dividend.

BY ORDER OF THE BOARD

SHEILA KAHUKI

COMPANY SECRETARY

26 February 2019