ARM CEMENT PLC

UNAUDITED GROUP RESULTS
FOR THE HALF YEAR ENDED 30TH JUNE 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED	30.06.2017 Ksh.'000	30.06.2016 Ksh.'000
Revenue	**5,347,487**	**6,670,350**
(Loss)/Profit Before Tax	**(1,379,980)**	**(363,905)**
Taxation credit/(charge)	(33,561)	97,124
(Loss)/Profit After Tax	**(1,413,541)**	**(266,782)**
Total comprehensive (Loss)/ income for the period	**(1,413,541)**	**(266,782)**
(Loss)/Earnings Per Share (Ksh.)	(3.30)	(1.10)
Proposed Dividend Per Share (Ksh.)	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT	30.06.2017 Ksh.'000	31.12.2016 Ksh.'000
Assets		
Non Current Assets	41,993,663	42,773,131
Current Assets	7,370,007	8,285,671
Total Assets	**49,363,670**	**51,058,802**
Equity & Liabilities		
Share Capital	848,940	848,940
Share Premium	14,094,970	14,094,970
Capital and Other Reserves	11,431,706	12,845,247
Equity attributable to equity holders of parent Company	**26,375,616**	**27,789,157**
Non - Controlling interest	5,964	5,964
	26,381,580	**27,795,121**
Non Current Liabilities	10,647,422	9,104,246
Current Liabilities	12,334,667	14,159,435
Total Equity & liabilities	**49,363,670**	**51,058,802**

CONDENSED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED	30.06.2017 Ksh.'000	30.06.2016 Ksh.'000
Cash Generated before working capital changes	260,677	1,610,432
Working capital changes	947,113	(568,278)
Cash Generated from operations	**1,207,789**	**1,042,154**
Net Interest	(741,259)	(1,189,851)
Dividends paid	-	-
Tax Paid	(309)	(82,485)
Net Cash from Operating Activities	**466,222**	**(230,182)**
Net Cash used in Investing Activities	(145,879)	(222,363)
Net Cash from Financing Activities	(242,090)	172,104
Increase/(Decrease) in Cash and Cash Equivalents	**78,253**	**(280,441)**
At start of the Period	157,164	206,493
Exchange Adjustment	(122,014)	174,168
At end of the Period	**113,403**	**100,220**

CONDENSED STATEMENT OF CHANGES IN EQUITY AS AT	30.06.2017 Kshs.'000	31.12.2016 Kshs.'000
Share Capital/Premium	14,943,910	14,943,910
Revaluation reserve	10,308,338	10,308,338
Fair value and translation reserves	-	14,921
Retained Earnings	1,123,368	2,521,988
Attributable to equity holders of the parent Company	**26,375,616**	**27,789,157**
Non - Controlling interest	5,964	5,964
At end of the period	**26,381,580**	**27,795,121**

RESULTS

The Board of Directors hereby announces the half year results of the group for the six months ending June 30, 2017.

The group has continued to experience unprecedented headwinds in Tanzania characterised by increased competition and continued softening in cement prices. This challenging environment has impacted the cement industry as a whole. This translated into a declining contribution from our Tanzanian operations to the group's topline: turnover for the half year period ended June 30, 2017 was KES 5.347 billion compared to KES 6.670 billion Year-over-Year.

In addition to the difficulties experienced on the market demand and pricing ends, our EBITDA has been severely impacted by the ban of coal imports decided by the Government of Tanzania: it has hampered our ability to achieve reasonable levels of clinker production utilisation rates at our Tanga clinker plant and, as such, impacted higher unit production costs.

These exogenous factors have brought our EBITDA for the six months to KES 261 million.

Cash generated from operations, after working capital changes, for the six months was KES 1.207 billion driven by reduced inventory levels and improved collections from customers.

Group's net debt reduced by KES 242 million during the six months to June 30, 2017.

CREDIT RATING

On 31st July, Global Credit Rating Co. (GCR) adjusted ARM Cement's debt rating to BB+(KE) and B(KE) in the long term and short term respectively. In doing so, GCR highlighted the deteriorating operating environment in Tanzania with coal supply problems and price pressure that have impacted capacity utilisation and margins. However, GCR also recognised the substantial de- gearing of the balance sheet and reduced interest charges resulting from the equity injection by CDC. They also see as a positive sign the coming impact the closing of the sale of our non-core business will have on our leverage.

The rating agency also underlined that ARM had been proactively taking a number of well thought steps meant at addressing its current capital structure, as well as materially improving its performance through tailor made initiatives. These include (but are not limited to) negotiations on a new capital injection, the refinancing of existing debt, the development of clinker sales to third parties, etc. This holistic approach will restore ARM's financial flexibility and reposition it for long term, profitable growth. We are confident we will start seeing the positive impact of these initiatives during the course of H2 2017.

OUTLOOK

The situation in Tanzania has now began to improve with cement selling prices improving, with a positive impact on cash generation and profitability. Two new coal mines are were started in Tanzania thereby reducing the previous persistent shortage.

Going forward, we anticipate consistent and reliable supply of coal with improved capacity utilization rates at our Tanga clinker plant, paired with uninterrupted supply of clinker to the Dar Es Salaam and Athi River Cement grinding units.

As mentioned, the Company has embarked on a turnaround strategy: management's focus is on

i) further upgrading ARM's industrial network, ii) restoring its financial flexibility and iii) rebuilding the base for long-term and superior profitability levels.

As far as investments are concerned, the Company plans to grow and strengthen its cement business in Kenya in addition to doubling grinding capacity at its Athi River plant.

The group is at the concluding stage of discussions with a strategic investor for the sale of the non-cement business. The funds from the sale are likely to be received in the fourth quarter of 2017.

On the back of a strategic review it has finalised early in the year, the group has initiated a process to secure a fresh equity injection from a strategic, long-term minded investor. Once this process has been completed, the Company's balance sheet will have the right maturity and interest expense profiles: we are currently discussing with financial institutions, including (but not limited to) international development finance institutions.

The Board and Management trust the Company will re-establish its position in the cement industry once this turnaround has been successfully implemented.

DIVIDEND

The Board of Directors does not recommend any interim dividend for this year.

RHINO CEMENT