ENGEN BOTSWANA LIMITED

Unaudited Group Results for the half year ended 30 June 2017

EXECUTIVE COMMENTS

Growth in the mining sector has remained subdued during the first half of the year mainly arising from the closure of BC at the end of 2016. This resulted in a corroboration effect on other sectors of the economy which depend on this sector for purchase of their output. While GDP is forecast at about 3.8% for the year, this growth will mainly be derived from the services sector which are not significant consumers of petroleum products. It is however pleasing to note that a number of road construction projects have been commissioned and this should somewhat ameliorate the impact of the mining sector on the consumption of energy products. Headline inflation in the first half of the year was at 3.5% which is at the lower end of the Bank of Botswana's target range of 3% to 6% and it is expected that this economic indicator will continue to be managed within the target range for the remainder of the year. The economy is strongly driven by the resource sector. Botswana has continued to enjoy challenges emanating from its narrow economic structure and the attendant overdependence on the mining sector, in particular diamonds. While the government has a reputation for the prudent management of mining revenues and also boosts a good governance record and stable democracy, the need for diversification remains critical. The petroleum sector continued to expand very rapidly with a number of new retail facilities being constructed during the period under review. Notwithstanding an increase in the level of competition the company continued to deliver strong performance from its operations. It is expected that performance will continue to be robust for the remainder of the year.

FINANCIAL PERFORMANCE

Turnover increased by 10% mainly as a result of increases in controlled selling prices in March 2017. Net Profit Before Tax decreased by 25% during the period under review compared to the previous year. This was mainly as a result of inventory gains being lower than the comparative period in 2016 due to movements in international crude oil prices. The government also reduced one of the excise duty recovery elements for product movement from South Africa to Botswana for a period of 2 months during the course of the half year. Sales volumes in 2017 to date were marginally higher than those recorded in 2016. Earnings per share decreased from 46.7 thebe per share during the same period in 2016 to 34.6 thebe per share for the period under review.

OPERATING REVIEW

The retail channel of the business continued to perform well beyond expectations notwithstanding the modest performance of the downstream and the significant levels of competition in the sector. This resulted in a growth of retail sales compared to the same period in 2016. We expect to stream new retail outlets in the second half of the year which we are confident will place us in good stead to exceed the operating performance of 2016. Our strong brand and unique convenience offering continues to be a valuable differentiator in the market and contributed to the successful financial performance in the period under review.

The commercial side of the business continued to be an important contributor to overall company performance. With new infrastructural projects being commissioned, we expect that the contribution of the commercial channel will continue to improve.

The company achieved a high level of HSEQ performance with no spills or emissions recorded in the period under review.

CLOSURE

The Directors of the company acknowledge the contribution of the management, staff, valued customers, shareholders and all other stakeholders for their support towards the success of Engen Botswana Limited during the first half of 2017.

By order of the Board
Dr. S. Ndzinge (Chairman)
C C Moga (Managing Director)

14 September 2017

Declaration of Interim Dividend No. 5

Notice is hereby given that an interim dividend of fifteen thebe per share has been declared payable to ordinary shareholders registered in the books of the company at the close of business on 13 October 2017.

In compliance with the requirements of the Income Tax Act, withholding tax at the rate of 7.5% will be deducted by the company from all dividends.

Dividend cheques will be dispatched by the Transfer Secretaries on or after 17 October 2017.

A shareholder who requires the company to make any changes in regard to the payment of their dividends must lodge a written request with the Transfer Secretaries on or before the 17th October 2017.