

ENGEN BOTSWANA LIMITED

Unaudited Preliminary Financial Statements for the year ended 31 December 2022



| ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME | | | |
|--|-----------------|------------------|------------|
| For the year ended 31 December 2022 | | | |
| | 2022 | 2021 | % |
| | P'000 | P'000 | Restated |
| | | | Change |
| Revenue* | 4,112,311 | 2,278,529 | 80.5 |
| Cost of Sales* | (3,650,301) | (1,834,310) | |
| Gross Profit | 462,010 | 444,219 | 4.0 |
| Other Operating Income* | 15,382 | 13,562 | |
| Operating Expenses | | | |
| Foreign exchange gains | 9,432 | 2,518 | 274.6 |
| Administrative Expenses* | (13,775) | (21,435) | (35.7) |
| Distribution & marketing expenses | (89,841) | (80,614) | 11.4 |
| Other Operating Expenses | (4,040) | (2,969) | 36.1 |
| Total Operating Expenses | (98,224) | (102,500) | 4.2 |
| Operating profit | 379,168 | 355,281 | 6.7 |
| Share of profit of joint ventures | 5,596 | 1,044 | |
| Finance income | 5,085 | 7,463 | |
| Finance costs* | (9,819) | (8,603) | |
| Profit before tax | 380,030 | 355,185 | 7.0 |
| Taxation | (92,892) | (93,945) | |
| Profit for the year attributable to equity holders of the parent* | 287,138 | 261,240 | 9.9 |
| Other comprehensive income | - | - | |
| Total comprehensive income for the year* | 287,138 | 261,240 | 9.9 |
| Earnings per share (thebe)* | 179.8 | 163.6 | |

Note:
The group's 2021 financial results were restated due to correction of prior period errors. The restated figures have been marked with *.

| SUPPLEMENTARY REPLACEMENT COST STATEMENT | | | |
|---|----------------|----------------|-------------|
| for the year ended 31 December 2022 | | | |
| Replacement cost results | | | |
| | 2022 | 2021 | % |
| | P'000 | P'000 | Restated |
| | | | Change |
| Historical cost net profit* | 287,138 | 261,240 | |
| Less: Inventory effects net of taxation | 162,061 | 151,164 | |
| Inventory profits | 207,770 | 193,800 | |
| Taxation @ 22% | (45,709) | (42,636) | |
| Replacement cost net profit | 125,077 | 110,076 | 13.6 |
| Shares in issue | 159,722,220 | 159,722,220 | |
| Historical cost earnings per share (thebe)* | 179.8 | 163.6 | |
| Replacement cost earnings per share (thebe)* | 78.3 | 68.9 | |
| Gross dividend per share paid and provided (thebe) | 79.4 | 112.0 | |
| Total gross dividend per share including proposed amount not provided | 79.4 | 124.7 | |

| STATEMENT OF FINANCIAL POSITION | | | |
|--|------------------|------------------|----------|
| As at 31 December 2022 | | | |
| | 31 | 31 | |
| | December | December | |
| | 2022 | 2021 | |
| | P'000 | P'000 | Restated |
| ASSETS | | | |
| Non current assets | | | |
| Property, plant and equipment* | 343,209 | 347,507 | |
| Right of Use Assets | 74,974 | 78,232 | |
| Share of investments in joint ventures | 42,268 | 40,992 | |
| Investments | 37 | 37 | |
| Deferred tax asset | 3,575 | - | |
| | 464,063 | 466,768 | |
| Current assets | | | |
| Inventories | 65,335 | 38,075 | |
| Trade and other receivables | 493,205 | 442,616 | |
| Tax receivable | 9,899 | 3,528 | |
| Forward exchange contract asset | 1,262 | 224 | |
| Cash and cash equivalents | 345,586 | 294,163 | |
| | 915,287 | 778,606 | |
| Total Assets | 1,379,350 | 1,245,374 | |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Stated capital | 8,138 | 8,138 | |
| Non distributable reserve | 2,200 | 2,200 | |
| Retained earnings* | 863,796 | 690,782 | |
| | 874,134 | 701,120 | |
| Non-Current Liabilities | | | |
| Deferred tax liabilities | - | 4,134 | |
| Right of Use Lease Liability | 80,550 | 79,472 | |
| Provisions* | 31,766 | 61,441 | |
| | 112,316 | 145,047 | |

| Current Liabilities | | | | |
|--|------------------|------------------|----------------|-------|
| | 31 December 2022 | 31 December 2021 | | |
| | P'000 | P'000 | Restated | |
| Trade and other payables | 390,601 | 393,878 | | |
| Tax payable | - | - | | |
| Right of Use Lease Liability | 2,299 | 4,245 | | |
| Forward exchange contract liability | 392,900 | 399,207 | | |
| | 505,216 | 544,254 | | |
| Total Liabilities | 1,379,350 | 1,245,374 | | |
| Total Equity and Liabilities | | | | |
| Abridged Group Statement of Changes in Equity | | | | |
| For the year ended 31 December 2022 | | | | |
| | Stated | Capital | Retained | Total |
| | P'000 | Reserves | Earnings | P'000 |
| | | | | |
| Balance at 1 January 2021 as previously reported | 8,138 | 571,078 | 581,416 | |
| Prior year adjustment | - | 21,740 | 21,740 | |
| Balance, beginning of the year | 8,138 | 592,818 | 603,156 | |
| Profit for the year | - | 261,240 | 261,240 | |
| Other comprehensive income for the year | - | - | - | |
| Dividends on ordinary shares | - | (163,276) | (163,276) | |
| Balance at 31 December 2021 | 8,138 | 690,782 | 701,120 | |
| Profit for the year | - | 287,138 | 287,138 | |
| Other comprehensive income for the year | - | - | - | |
| Dividends on ordinary shares | - | (114,124) | (114,124) | |
| Balance at 31 December 2022 | 8,138 | 863,796 | 874,134 | |

| ABRIDGED STATEMENT OF CASH FLOWS | | | |
|---|----------------|----------------|----------|
| For the year ended 31 December 2022 | | | |
| | 2022 | 2021 | |
| | P'000 | P'000 | Restated |
| Net cashflow from operations* | 394,366 | 383,827 | |
| Movement in working capital | (182,532) | (182,531) | |
| Taxation paid | (106,970) | (100,509) | |
| Net cash from operating activities | 104,864 | 100,787 | |
| Net cash flows used in investing activities | (28,228) | (28,228) | |
| Net cash flows used in financing activities | (166,619) | (166,619) | |
| Net increase in cash and cash equivalents | (89,983) | (94,060) | |
| Net foreign exchange differences | (2,663) | (2,663) | |
| Cash and Cash equivalents at the beginning of the year | 294,163 | 390,886 | |
| Cash and Cash equivalents at the end of the year | 201,517 | 294,163 | |

| SEGMENT INFORMATION | | | | |
|-------------------------------------|--------------|------------------|-----------|--------------|
| For the year ended 31 December 2022 | | | | |
| Operating segments | 2022 | | | Consolidated |
| | Petrochemica | Property Letting | P'000 | |
| Revenues | 4,112,311 | - | 4,112,311 | |
| Depreciation | 19,030 | - | 19,030 | |
| Forex gains | 9,432 | - | 9,432 | |
| Finance costs | (9,819) | - | (9,819) | |
| Taxation | (92,892) | - | (92,892) | |
| Share of profit of joint ventures | - | 5,596 | 5,596 | |
| Profit for the year after tax | 281,542 | 5,596 | 287,138 | |
| Total assets | 1,337,082 | 42,268 | 1,379,350 | |
| Total liabilities | 505,216 | - | 505,216 | |
| Capital expenditure | 40,470 | - | 40,470 | |
| 2021 | | | | |
| Revenues* | 2,278,529 | - | 2,278,529 | |
| Depreciation* | 23,138 | - | 23,138 | |
| Forex gains | 2,518 | - | 2,518 | |
| Finance costs* | (8,603) | - | (8,603) | |
| Taxation | (93,945) | - | (93,945) | |
| Share of profit of joint ventures | - | 1,044 | 1,044 | |
| Profit for the period after tax* | 354,141 | 1,044 | 355,185 | |
| Total assets* | 1,203,426 | 41,948 | 1,245,374 | |
| Total liabilities* | 544,254 | - | 544,254 | |
| Capital expenditure | 30,228 | - | 30,228 | |

INDEPENDENT AUDITOR'S REPORT

The independent auditors, PricewaterhouseCoopers, have not yet issued their opinion on group's financial statements for the year ended 31 December 2022. The audit process is in the finalisation stage and the financial information that is presented in this press release is thus unaudited. The audited annual financial statements which will be published in due course.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements have been prepared in compliance with; the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ('IASB'), interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the requirements of the Companies Act of Botswana (Companies Act, CAP 42:01). Historically reported financial results have been restated to correct for errors identified in those results. The amounts and balances so restated have been identified with an asterisk (*) in this publication.

EXECUTIVE COMMENTS

This press release provides an overview of our financial performance for the year ended 31st December 2022. GDP growth continued to recover in 2022 due to it being the first full year without any Covid-19 restrictions. The global economic performance was affected mainly by high inflation and in particular high fuel prices that were caused by the Russia/Ukraine conflict which started in February 2022. The economy was affected by low consumer disposable incomes and this affected sales volumes during the year which were not able to rise above pre Covid-19 levels. Despite these challenges, the group delivered very strong results during the 2022 financial year. The retail channel continued to remain the cornerstone of the business in Botswana. This channel continued to deliver strong results generated from fuels and non-fuel revenues. These results were achieved through a greater focus on efficiency improvements and cost management. One new, full offer, retail outlet was streamed during the year with a few others which are in the network planned for streaming in 2023. The group continued to diversify its commercial sales channel to strengthen its volume performance. This channel continued to be highly price sensitive and the group had to continuously manage the effects of strong price competition to remain competitive in the market.

We believe that high levels of operational efficiency and the responsible conduct of our business in line with our values and cultural beliefs will stand us in good stead to surmount the challenges that we may encounter in the future. This will assist to deliver strong results for our shareholders and continue to make a meaningful contribution to the economic prosperity of Botswana.

We remain optimistic about the business environment

and continue to embrace our long-term strategic intent to grow the Engen brand in the Botswana market and be the leading brand of choice in this market.

We recognise the commitment of our investors to the group, and therefore one of our key objectives is to ensure that the group delivers long term, sustainable and robust performance and value to our shareholders through leverage on technology, people, know-how, strong partnerships and adaptation to the rapidly changing business operating conditions.

The group results, tabled below, testify to the success of the group's business model under challenging economic and social circumstances. The group results are underpinned by a strong focus on our key values of Integrity, Performance, Team-work, Empowerment and Ownership.

FINANCIAL PERFORMANCE

Financial performance comments:

Revenue increased by 80.5% mainly due to the numerous and significant fuel price increases emanating from the Russia/Ukraine conflict. Retail volumes decreased by 10.8% and Commercial volumes increased by 29.7%. There were six price adjustments and one industry margin increase during the year. Foreign exchange gains increased from P2.5 million at the end of 2021 to P9.4 million at the end of 2022. The group exercised good margin management and cost control throughout the year. Overall, the group's performance reflects a net profit after tax of P287.1 million.

The group performed above expectations on a replacement cost basis which represents the net profit after tax excluding the effects of inventory revaluations caused by movements in global crude oil prices. The replacement cost net profit increased from P110.0 million to P125.1 million from 2021 to 2022 representing a 13.6% increase.

OPERATING REVIEW

Crude oil prices increased steadily due to increased demand as a result of the constraints caused by the Russia/Ukraine war. The steady increase in crude oil prices resulted in significant inventory revaluation gains throughout the year. Despite the difficult and unprecedented trading conditions, both within Botswana and internationally, the group continued to perform very well by growing shareholder value during the course of 2022.

Fuel supply of most of the products into Botswana from our supply sources was reasonably stable during the course of the year and we were able to supply our customers without any stock outs.

The retail network operated lower than expected mainly due the high cost of fuel which curtailed travel of many consumers. The group competed effectively in the market and utilised its strong brand profile and consistent

convenience and service offering to retain existing business and attract new customers. The commercial side of the business continued to deliver strong results which exceeded expectations. Distributors of lubricants continued to play a pivotal role in the good financial performance of this channel. The group achieved a good Net Promoter Score which was testimony to Engen Botswana team's dedication to customer centricity. There was very strong price competition in this sector, however, the group managed to deliver robust performance. Health, Safety, Environmental and Quality (HSEQ) Key Performance Indicators for the year under review were met and - in many cases - exceeded. This continues to be a key focus area in our business and there is zero tolerance to actions or behaviour that will compromise our stringent HSEQ standards. No major health and safety incidents were recorded in 2022. Efficiency continued to be enhanced in the Distribution part of the business in order to ensure 'On Time and In Full' deliveries, a healthy level of 'Inventory Days of Supply' and the effective management the 'Cost to Serve'.

CONCLUSION

The Directors of the group would like to thank our valued customers, suppliers, shareholders and all other stakeholders for their on-going support which contributed towards the successful year of Engen Botswana Limited. The directors would also like to extend their appreciation to the management and staff for the tremendous effort applied during the year under review that ensured that we maintained our position as one of the leading petroleum companies in Botswana.

By order of the Board

Dr S Ndzingo (Chairman)

B F Sameke (Acting Managing Director)

30 March 2023

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