



RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Directors of British American Tobacco Kenya plc announce the unaudited results for the six months ended 30 June 2020 as shown below:

Resilient performance in a challenging environment

Gross revenue (KSh) 16.6bn -13.6%	Total cost of operations (KSh) 6.8bn -10.1%	Operating margin 35.6% +2.4pp	Profit before tax (KSh) 3.7bn +1.5%	Earnings per share (KSh) 26.79 +6.0%	Interim dividend per share (KSh) 3.50
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Extracts of the financial statements are as follows:

Condensed Statement of Comprehensive Income for the six months ended 30 June

	2020 KSh'm	2019 KSh'm
Gross revenue	16,615	19,228
Excise Duty and Value Added Tax (VAT)	(6,078)	(7,939)
Net revenue	10,537	11,289
Total cost of operations	(6,790)	(7,551)
Operating profit	3,747	3,738
Finance costs	(81)	(126)
Profit before tax	3,666	3,612
Income tax expense	(987)	(1,084)
Profit after tax	2,679	2,528
Other comprehensive income	(71)	6
Total comprehensive income	2,608	2,534
Interim dividend	350	350
Basic and diluted earnings per share (KSh)	26.79	25.28

Condensed Statement of Financial Position as at

	30 June 2020 KSh'm	31 Dec 2019 KSh'm
Capital and reserves		
Share capital	1,000	1,000
Revaluation surplus	1,756	1,756
Retained earnings	6,567	6,959
Shareholders' funds	9,323	9,715
Non-current liabilities	1,861	1,871
	11,184	11,586
Assets		
Non-current assets	10,867	10,685
Working capital		
Current assets	10,353	11,251
Current liabilities	(10,036)	(10,350)
Net working capital	317	901
	11,184	11,586

Condensed Cash Flow Statement for the six months ended 30 June

	2020 KSh'm	2019 KSh'm
Cash generated from operations	465	3,397
Net interest paid	(94)	(116)
Tax paid	(1,867)	(1,356)
Net cash from operating activities	(1,496)	1,925
Net cash used in investing activities	(449)	(360)
Net cash used in financing activities	(2)	(2,169)
Decrease in cash & cash equivalents	(1,947)	(604)
At the start of the period	1,811	190
At the end of the period	(136)	(414)

Condensed Statement of Changes in Equity for the period

	Share Capital KSh'm	Revaluation surplus KSh'm	Retained earnings KSh'm	Total KSh'm
At 1 January 2019	1,000	1,821	6,488	9,309
Comprehensive income			2,534	2,534
Dividends			(3,150)	(3,150)
At 30 June 2019	1,000	1,821	5,872	8,693
At 1 January 2020	1,000	1,756	6,959	9,715
Comprehensive income			2,608	2,608
Dividends			(3,000)	(3,000)
At 30 June 2020	1,000	1,756	6,567	9,323

Operating environment

The Company demonstrated resilience amidst the disruption of the COVID-19 pandemic, which worsened an already challenging external operating environment. The economic impact of the COVID-19 pandemic put severe pressure on consumer affordability and adversely impacted the trading environment as retailing outlets closed. Illicit trade in tax-evaded cigarettes also remains a consistent concern in Kenya.

Looking forwards, our primary focus continues to be keeping our employees safe through the pandemic, securing employment through maintaining business continuity and working with relevant Government agencies to ensure a stable and predictable regulatory environment, which will support economic recovery.

Financial performance

The Company maintained profitability despite the impact of the COVID-19 pandemic. Gross revenue reduced by 13.6% to KSh 16.6 billion. This was driven by lower domestic and export revenue reflecting the adverse economic impact of COVID-19 pandemic and the impact of excise-led price increases at the beginning of the year on consumer affordability and illicit trade incidence in Kenya. The revenue decline was partially offset by higher cut rag (semi processed tobacco) sales.

Net revenue decreased by 6.7% to KSh 10.5 billion reflecting the impact of decline in gross revenue. This was partly offset by a decrease in Excise Duty and Value Added Tax (VAT) due to decline in domestic sales volumes and the change in VAT rate in April 2020.

Total cost of operations reduced by 10.1% to KSh 6.8 billion reflecting the impact of lower sales volumes, productivity savings initiatives and prudent cost management measures.

Operating margin increased by 2.4 percentage points to 35.6% as a result of the decline in total cost of operations which more than offset the decline in revenue. Profit before tax increased by 1.5% to KSh 3.7 billion reflecting the impact of the higher operating profit and lower finance costs.

The reduction in cash generated from operations was driven by timing of working capital movements in the period under review.

Contribution to Government revenues

Contribution to Government revenues in the form of Excise Duty, Value Added Tax (VAT), Pay As You Earn (PAYE) and Corporation Tax reduced by KSh 1.9 billion to KSh 7.4 billion in line with lower domestic volumes and changes in tax rates effected by Government to mitigate adverse impact of the COVID-19 pandemic. Illicit trade continues to impact industry revenues and deny Government in excess of an estimated KSh 2.5 billion per annum in revenue. We continue to engage relevant Government agencies in support of the fight against illicit trade in cigarettes.

Dividend

The Board of Directors have approved an interim dividend in respect of the year ending 31 December 2020 of KSh 3.50 per share. The interim dividend, which is subject to withholding tax, will be paid on 18 September 2020 to shareholders on the register at the close of business on 21 August 2020.

Nairobi
15 July 2020

By Order of the Board
Kathryne Maundu (Ms)
Company Secretary