



RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Directors of British American Tobacco Kenya plc announce the unaudited results for the six months ended 30 June 2021 as shown below:

Gross revenue (KSh) 20.3bn	Taxes (KSh) 9.2bn	Profit before tax (KSh) 3.9bn	Cash from operations (KSh) 3.6bn	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

	2021 KSh' m	2020 KSh' m
Gross revenue	20,245	16,615
Excise Duty and Value Added Tax (VAT)	(7,703)	(6,078)
Net revenue	12,542	10,537
Total cost of operations	(8,638)	(6,790)
Operating profit	3,904	3,747
Finance costs	(49)	(81)
Profit before tax	3,855	3,666
Income tax expense	(1,157)	(987)
Profit after tax	2,698	2,679
Other comprehensive income	115	(71)
Total comprehensive income	2,813	2,608
Interim dividend	350	350
Basic and diluted earnings per share (KSh)	26.98	26.79

Condensed Cash Flow Statement for the six months ended 30 June

	2021 KSh' m	2020 KSh' m
Cash generated from operations	3,616	465
Net interest paid	(65)	(94)
Tax paid	(1,434)	(1,867)
Net cash from operating activities	2,117	(1,496)
Net cash used in investing activities	(192)	(449)
Net cash used in financing activities	(4,151)	(2)
Decrease in cash & cash equivalents	(2,226)	(1,947)
At the start of the period	1,884	1,811
At the end of the period	(342)	(136)

Operating Environment

Restrictions related to the COVID-19 pandemic, although eased relative to H1 2020, continue to slow down economic recovery and adversely impact the trading environment.

Excise Duty rates on cigarettes were increased by 5% in October 2020. This triggered price increases which generated additional pressure on consumer affordability resulting in downtrading to lower priced brands and a high incidence of illicit trade in tax-evaded cigarettes (estimated at 23%). Illicit trade in tax-evaded cigarettes continues to negatively impact industry revenues and is estimated to deny Government approximately KSh 4 billion annually in taxes. We continue to work with relevant agencies to fight the illicit trade menace.

Financial Performance

Despite the challenging operating environment, increased investment behind our brands and support to our trade partners has seen the recovery of domestic volumes. This, coupled with the easing of COVID-19 restrictions, has resulted in a strong financial performance.

Gross revenue increased by 22% to KSh 20.3 billion driven by the recovery of domestic sales volumes, excise-led price increases and sustained momentum on export sales. The growth in domestic revenues was partly offset by higher taxes, following a 5% increase in Excise Duty in October 2020 and Value Added Tax (VAT) rate change in January 2021. Consequently, net revenue increased by 19% to KSh 12.5 billion.

Total cost of operations increased by 27% to KSh 8.6 billion driven by higher sales volumes, investments in portfolio transformation and the impact of COVID-19 driven spend cuts in H1 2020. Profit before tax increased by 5% to KSh 3.9 billion with growth in net revenue being partially offset by the higher cost of operations.

Nairobi
21 July 2021

Condensed Statement of Financial Position as at

	30 June 2021 KSh'm	31 Dec 2020 KSh'm
Capital and reserves		
Share capital	1,000	1,000
Revaluation surplus	1,727	1,727
Hedging reserve	115	-
Retained earnings	7,677	9,129
Shareholders' funds	10,519	11,856
Non-current liabilities	1,606	1,576
	12,125	13,432
Assets		
Non-current assets	10,864	10,914
Working capital		
Current assets	8,477	10,792
Current liabilities	(7,216)	(8,274)
Net working capital	1,261	2,518
	12,125	13,432

Condensed Statement of Changes in Equity for the period

	Share Capital KSh'm	Revaluation surplus KSh'm	Hedging reserve KSh'm	Retained earnings KSh'm	Total KSh'm
At 1 January 2020	1,000	1,756	27	6,932	9,715
Comprehensive income	-	-	(71)	2,679	2,608
Dividend	-	-	-	(3,000)	(3,000)
At 30 June 2020	1,000	1,756	(44)	6,611	9,323
At 1 January 2021	1,000	1,727	-	9,129	11,856
Comprehensive income	-	-	115	2,698	2,813
Dividend	-	-	-	(4,150)	(4,150)
At 30 June 2021	1,000	1,727	115	7,677	10,519

Cash generated from operations improved significantly by KSh 3.2 billion to KSh 3.6 billion compared to H1 2020, reflecting the benefits of enhanced working capital management initiatives.

Taxes in the form of Excise Duty, VAT, Pay As You Earn (PAYE) and Corporation Tax increased by KSh 1.8 billion (24%) to KSh 9.2 billion in line with higher domestic sales volumes and higher Corporation Tax and VAT rates.

A Better Tomorrow™

We are committed to our evolved strategy and purpose to build A Better Tomorrow™ by reducing the health impact of our business, through offering alternative innovative products, including tobacco-free oral nicotine pouches.

We welcome the Government's pragmatic approach in defining a proportionate excise framework for oral nicotine pouches. We continue to engage with the relevant authorities for sustainable regulation in line with the risk profile of the category. This will support the commercialisation of our KSh 2.5 billion investment in a new tobacco-free oral nicotine pouches factory in Nairobi and further grow our contribution to the Government's Big 4 Agenda.

Dividend

The Board of Directors have approved an interim dividend in respect of the year ending 31 December 2021 of KSh 3.50 per share. The interim dividend, which is subject to withholding tax, will be paid on 16 September 2021 to shareholders on the register at the close of business on 12 August 2021.

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