



# AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors of British American Tobacco Kenya plc announce the results for the year ended 31 December 2020

**Adverse impact of COVID-19 on domestic performance mitigated by new export opportunities**

Gross revenue (KSh)	Cost of operations (KSh)	Taxes (KSh)	Profit after tax (KSh)	Dividend per share (KSh)
<b>38.8bn</b>	<b>17.8bn</b>	<b>16bn</b>	<b>5.5bn</b>	<b>45</b>

The results below have been extracted from the audited consolidated financial statements of British American Tobacco Kenya plc for the year ended 31 December 2020. The financial statements were audited by KPMG Kenya who expressed an unqualified audit opinion.

## Condensed Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December

	2020 KSh' m	2019 KSh' m
<b>Gross revenue</b>	<b>38,845</b>	<b>39,827</b>
Excise Duty and Value Added Tax	(13,506)	(15,788)
<b>Net revenue</b>	<b>25,339</b>	<b>24,039</b>
Cost of operations	(17,750)	(18,313)
<b>Profit from operations</b>	<b>7,589</b>	<b>5,726</b>
Finance costs	(173)	(193)
<b>Profit before tax</b>	<b>7,416</b>	<b>5,533</b>
Income tax expense	(1,898)	(1,648)
<b>Profit after tax</b>	<b>5,518</b>	<b>3,885</b>
Net fair value (loss)/gain on currency hedges	(27)	20
Total comprehensive income	<b>5,491</b>	<b>3,905</b>
Dividend	4,500	3,350
Basic and diluted earnings per share (KSh)	<b>55.18</b>	<b>38.85</b>

## Condensed Cash Flow Statement for the year ended 31 December

	2020 KSh' m	2019 KSh' m
Cash generated from operations	7,418	10,287
Net interest paid	(175)	(159)
Tax paid	(2,497)	(2,493)
<b>Net cash from operating activities</b>	<b>4,746</b>	<b>7,635</b>
Net cash used in investing activities	(1,279)	(1,245)
Net cash used in financing activities	(3,394)	(4,769)
<b>Movement in cash &amp; cash equivalents</b>	<b>73</b>	<b>1,621</b>
At the start of the year	1,811	190
<b>At the end of the year</b>	<b>1,884</b>	<b>1,811</b>

## Operating environment

The Company demonstrated resilience amidst the COVID-19 pandemic, which worsened an already challenging operating environment. Consumer disposable income was significantly adversely impacted as evidenced by reduced domestic volumes and downtrading to lower priced offers.

During the year, illicit trade in tax-evaded cigarettes doubled to an estimated 23% (source: 3rd party research) and continues to impact industry revenues and deny Government in excess of an estimated KSh 4 billion per annum in revenue.

With the challenging macro-economic environment, it is more crucial than ever that the industry works with Government agencies to root out flows of illicit product, both as a means of raising much needed Government revenues and ensuring long-term sustainability of legitimate manufacturers.

## Financial performance

Gross revenue reduced by 2% to KSh 38.8 billion. This was driven by a 24% decline in domestic sales reflecting the adverse economic impact of the COVID-19 pandemic, the impact of excise-led price increases on consumer affordability and illicit trade incidence in Kenya. The revenue decline was mitigated by higher export sales which demonstrates the continued strategic importance of BAT Kenya hub factory in ensuring a balanced and sustainable business.

Net revenue increased by 5% to KSh 25.3 billion, driven by higher export revenues and lower Excise Duty and Value Added Tax (VAT), which reflects the impact of the decline in domestic sales volumes and the reduction in VAT rate in April 2020 as part of Government's COVID-19 relief measures.

Cost of operations decreased by 3% to KSh 17.8 billion mainly due to pro-active cost saving initiatives undertaken to cushion business profitability from the impact of the COVID-19 pandemic. Operating margin increased by 6 percentage points to 30% in line with net revenue growth and the reduction in costs.

Nairobi  
18 February 2021

## Condensed Statement of Financial Position as at 31 December

	2020 KSh' m	2019 KSh' m
<b>Capital and reserves</b>		
Share capital	1,000	1,000
Revaluation surplus	1,727	1,756
Retained earnings	9,129	6,959
<b>Shareholders' funds</b>	<b>11,856</b>	<b>9,715</b>
Non-current liabilities	1,576	1,871
	<b>13,432</b>	<b>11,586</b>
<b>Assets</b>		
<b>Non-current assets</b>	<b>10,914</b>	<b>10,685</b>
<b>Working capital</b>		
Current assets	10,792	11,251
Current liabilities	(8,274)	(10,350)
<b>Net working capital</b>	<b>2,518</b>	<b>901</b>
	<b>13,432</b>	<b>11,586</b>

## Condensed Statement of Changes in Equity

	Share Capital KSh' m	Revaluation surplus KSh' m	Retained earnings KSh' m	Total KSh' m
<b>As at 1 January 2019</b>	<b>1,000</b>	<b>1,820</b>	<b>6,490</b>	<b>9,310</b>
Comprehensive income	-	(64)	3,969	3,905
Dividend	-	-	(3,500)	(3,500)
<b>At 31 December 2019</b>	<b>1,000</b>	<b>1,756</b>	<b>6,959</b>	<b>9,715</b>
<b>At 1 January 2020</b>	<b>1,000</b>	<b>1,756</b>	<b>6,959</b>	<b>9,715</b>
Comprehensive income	-	(29)	5,520	5,491
Dividend	-	-	(3,350)	(3,350)
<b>At 31 December 2020</b>	<b>1,000</b>	<b>1,727</b>	<b>9,129</b>	<b>11,856</b>

Profit after tax increased by KSh 1.6 billion to KSh 5.5 billion reflecting the increase in net revenue, reduction in costs and the reduction in Corporation Tax rate in April 2020.

## Contribution to Government revenues

Taxes in the form of Excise Duty, VAT, Pay As You Earn (PAYE) and Corporation Tax reduced by KSh 2 billion (11%) to KSh 16 billion as a result of lower sales volumes in Kenya, as well as the VAT and Corporation Tax rate changes in April 2020.

## Outlook

The business remains fully committed to its ambition to build A Better Tomorrow™ – to reduce the health impacts of its business through offering new categories of potentially reduced risk products. In furtherance of this ambition and to grow our contribution to the Government's Big 4 Agenda, we have invested significantly in a new factory based in Nairobi to manufacture modern oral nicotine pouches. It is critical that the Government develops an appropriate and sustainable regulatory framework that maximises the Tobacco Harm Reduction potential of these product categories.

## Dividend

The Board of Directors has proposed a final dividend in respect of the year ended 31 December 2020 of KSh 41.50 per share to be recommended for approval by shareholders at the Annual General Meeting to be held on 12 May 2021.

The final dividend, when added to the interim dividend already paid, gives a total dividend of KSh 45 per share. The dividend, which is subject to withholding tax, will be paid on 12 May 2021 to the shareholders on the register at the close of business on 16 April 2021.

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