

ANNOUNCEMENT OF UNAUDITED GROUP RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

Condensed Group Statement of Profit or Loss and Other Comprehensive Income For the	6 Months Ended 30.06.2020 Unaudited Kshs '000	6 Months Ended 30.06.2019 Unaudited Kshs '000	12 Months Ended 31.12.2019 Audited Kshs '000
Revenue	292,383	295,877	578,464
Interest income	36,715	47,227	89,109
Other income	37,709	21,232	48,065
Total income	366,807	364,336	715,638
Administrative expenses	(237,863)	(339,404)	(625,403)
Share of profit of associate	13,819	4,963	14,264
Profit before taxation	142,763	29,895	104,499
Taxation charge	(32,106)	(5,627)	(24,346)
Profit for the period	110,657	24,268	80,153
Other comprehensive loss	(166)	(10,720)	(17,223)
Total comprehensive income for the period	110,491	13,548	62,930
Earning Per Share* - Basic and diluted (Kshs)	0.43	0.09	0.30
*EPS based on no. of shares	259,500,791	259,500,791	259,500,791

Condensed Group Statement of Financial Position As at	30.06.2020 Unaudited Kshs '000	30.06.2019 Unaudited Kshs '000	31.12.2019 Audited Kshs '000
Assets			
Non current assets	1,215,359	1,222,453	1,306,936
Current assets	1,095,209	1,064,995	935,465
Total assets	2,310,568	2,287,448	2,242,401
Equity and liabilities			
Share capital	1,038,003	1,038,003	1,038,003
Share premium	277,185	277,185	277,185
Revenue reserves	840,334	678,337	732,992
Non controlling interest	18,094	-	56,113
Other reserves	(18,259)	(11,384)	(18,093)
Non current liabilities	37,079	2,711	37,079
Current liabilities	118,132	302,596	119,122
Total shareholders' funds and liabilities	2,310,568	2,287,448	2,242,401

Condensed Group Statement of Cash Flows For the	6 Months Ended 30.06.2020 Unaudited Kshs '000	6 Months Ended 30.06.2019 Unaudited Kshs '000	12 Months Ended 31.12.2019 Audited Kshs '000
Cash flows from operating activities			
Cash generated from operations	70,622	28,375	100,717
Tax paid	(10,801)	(19,873)	(46,900)
Net cash generated from operating activities	59,821	8,502	53,817
Net cash generated after from/used in investing activities	99,699	(2,869)	145,368
Net cash used in financing activities	(2,265)	-	(85,293)
Increase in cash and cash equivalents	157,255	5,633	113,892
Cash and cash equivalents at the beginning of the period	343,073	228,564	229,308
Cash and cash equivalents at the end of the period	500,328	234,197	343,200

Condensed Group Statement of Changes in Equity For the Six Months Ended	Share capital Kshs '000	Share premium Kshs '000	Revaluation & Other reserves Kshs '000	Retained earnings Kshs '000	Non controlling Interest Kshs '000	Total Kshs '000
At January 2019	1,038,003	277,185	(664)	781,224	-	2,095,748
Profit for the period	-	-	-	24,268	-	24,268
Other comprehensive income, net of tax	-	-	(10,720)	-	-	(10,720)
2018 dividend declared in the year	-	-	-	(127,155)	-	(127,155)
At 30 June 2019	1,038,003	277,185	(11,384)	678,337	-	1,982,141
Profit for the period	-	-	-	54,655	1,230	55,885
Other comprehensive income, net of tax	-	-	(6,709)	-	206	(6,503)
Non controlling interest on acquisition of subsidiary	-	-	-	-	54,677	54,677
At 31 December 2019	1,038,003	277,185	(18,093)	732,992	56,113	2,086,200
Profit for the period	-	-	-	109,733	924	110,657
Other comprehensive income net of tax	-	-	(166)	-	-	(166)
Reduction of NCI on increase in shareholding in subsidiary	-	-	-	-	(38,943)	(38,943)
Dividend declared by subsidiary	-	-	-	(2,391)	-	(2,391)
At 30 June 2020	1,038,003	277,185	(18,259)	840,334	18,094	2,155,357

Explanatory Notes

The accounting policies used in preparing these financial statements are consistent with those used for the Group's 2019 annual financial statements. These unaudited financial statements are extracts from the Group's books of accounts and were approved by the Board of Directors on 27 August 2020.



The Board of the NSE is pleased to announce the Group's unaudited financial results for the six months ended 30 June 2020. The Group delivered resilient results against a challenging macro-economic environment in the first half of the year. This growth was driven by a cost optimization strategy and focus on increasing income from non-core revenue streams to cushion the business from revenue erosion risk caused by COVID-19.

OPERATING ENVIRONMENT AND MARKET PERFORMANCE – FIRST HALF OF 2020

Global economic growth remained subdued in the first half of 2020 due to protracted economic pressures occasioned by the spread of COVID-19 which has triggered a global recession. Global GDP growth is now estimated at -4.9% for the year 2020 from the earlier -3% before the pandemic.

Kenya's GDP Growth in the first half of the year faced significant challenges on account of economic headwinds triggered by the outbreak and spread of COVID-19. Supply chain disruptions and travel restrictions affected remittances from agricultural exports, tourism and travel in the first half of the year. During the period under review, the currency environment remained volatile evidenced by a 7.0% depreciation of the Kenyan shilling against the US Dollar as demand for the US Dollar to cover import bill increased. Further, there was significant increase in sovereign fiscal risk due to reduced tax revenues and increased obligations to finance critical services such as health bolstering the need for increased borrowing by the Government.

MARKET PERFORMANCE IN THE WAKE OF COVID-19

Performance of listed securities on the NSE remained subdued in the first half of the year in congruence with global asset prices which were characterized by sharp price volatility. Uncertainty caused by COVID-19 weighed negatively on investor's sentiments leading to capital outflow as investors adopted safer investments strategies as they assessed the impact of the virus on investments.

In the six months ended June 30, 2020, equities turnover increased by 6.5% to Kshs. 83 Billion from Kshs. 78 Billion recorded over the same period last year. During the period, the performance of some asset classes saw increased capital allocation by investors to domestic equities given the prevailing low prices and the declining yields on the fixed income asset class. The listed New Gold ETF witnessed an increase in turnover in excess of 8000% compared to a similar period last year. This was owing to the defensive nature of this asset class to volatility which saw the value of the exchange traded fund improve by 38% on a year to date basis.

Bonds turnover retreated by 18.3% from Kshs. 359 Billion in the six months ended 30 June 2019 to Kshs. 293 Billion over the same period in 2020 reflecting the impact of reduced secondary activity on the market as issuance of sovereign bonds in the primary market increased compared to the same period last year. Equally, negative sovereign credit rating on the Government of Kenya by two international credit rating agencies further impacted the performance of the bond market.

Selling pressure by international investors negatively affected the performance of NSE benchmark indices leading to a 26% and 8% drop in NSE 20 Share Index and NSE All Share Index respectively.

FINANCIAL HIGHLIGHTS

- The Group reported an increase in profit after tax of Kshs. 110.7 Million or over 100% from Kshs. 24.2 Million for the six months period ended 30 June 2019.
- Revenue decreased marginally by 1% from Kshs. 295.9 Million in the six months ended 30 June 2019 to Kshs. 292.3 Million for the six months to 30 June 2020.
- Interest income decreased by 22% from Kshs. 47.2 Million for the six months ended 30 June 2019 to Kshs. 36.7 Million for a similar period in 2020 due to utilization of deposits on acquisition of strategic investments in the year 2019.
- Other income increased by 78% from Kshs. 21.2 Million for the six months ended 30 June 2019 to Kshs. 37.7 Million for a similar

period resulting from Kshs. 6 Million dividend received from strategic investments, Kshs 6 Million gain on a trading investment portfolio and Kshs. 4 Million bargain purchase price on additional shareholding acquired from a subsidiary.

- Administrative expenses decreased by 30% from Kshs. 339.4 Million to Kshs. 237.8 Million in the period under review. This was mainly driven by our cost optimization strategy that resulted in a Kshs. 78 Million reduction in staff related costs.
- Share of profit in associate increased by over 100% from Kshs. 5 Million for the six months ended 30 June 2019 to Kshs. 13.8 Million for the same period in 2020 on the improvement in trading performance in the associate and the Kshs 6.1 Million indirect share of profit through the shareholding in the subsidiary which also has shareholding in the associate.
- Other comprehensive loss relates to the fair value loss through Other Comprehensive Income on a quoted investment acquired in 2019 which is passed through Other Reserves.
- Total assets increased marginally by 1% from Kshs. 2.29 Billion as at 30 June 2019 to Kshs. 2.31 Billion as at 30 June 2020 on an increase in prepayments which will be amortized by the year end. Non current liabilities as at 30 June 2020 includes Kshs 35.2 Million contributions received from clearing members in 2019 towards the NSE Derivatives Settlement Guarantee Fund. Current liabilities decreased from Kshs. 302.6 Million as at 30 June 2019 to Kshs. 118.1 Million as at 30 June 2020 owing to the payment of the 2018 dividend of Kshs 127.5 Million.
- Cash generated from operations increased from Kshs. 28.3 Million as at 30 June 2019 to Kshs. 70.6 Million as at 30 June 2020 as a result of the improved performance in the period.

OUTLOOK – SECOND HALF OF 2020

Our expectation for economic and market performance in the second half of the year remains stable driven by prospects of a gradual economic recovery, effectiveness of the Government's stimulus program as well as efficiencies in containing the COVID-19 pandemic both in Kenya and across global markets.

In the second half of the year, we continue to implement on our business continuity plans which place special focus on ensuring uninterrupted market availability to investors and remote access by trading participants, cost optimization as well as protecting the health and safety of our staff and market players.

We continue to support the growth and uptake of all our asset classes with emphasis on asset classes that have proved to offer investors lucrative avenues for deployment of capital during this period. The NSE Exchange Traded Funds as well as the Derivatives Market offer investors unique opportunities to make returns as well as safeguard against capital attrition during this period. We are also working with key market players to roll out Securities, Lending and Borrowing (SLB) in Q4 2020 in an effort to boost liquidity in the market.

The Group is leveraging on adoption of various technology enabled platforms to reach out to more investors during this period. The NSE will also continue participating in a number of engagements through various online platforms to enhance investor knowledge on opportunities at the market during this period.

DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend for the first half of the year 2020.

By Order of the Board



Geoffrey O. Odundo

Chief Executive

Nairobi

27 August 2020