



**BRITISH AMERICAN  
TOBACCO**  
KENYA

## RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The Directors of British American Tobacco Kenya plc announce the unaudited results for the six months ended 30 June 2019 as shown below:

### VALUE GROWTH IN A CHALLENGING OPERATING ENVIRONMENT

Gross revenue (KSh) <b>19.2bn</b> +10.1%	Contribution to Government revenues (KSh) <b>9.3bn</b> +5.7%	Operating margin <b>33.1%</b> +2.2 pp	Profit after tax (KSh) <b>2.5bn</b> +25.5%	Interim dividend (KSh) <b>3.50</b> Per share
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The extracts of the financial statements are as follows:

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

	2019 KSh' m	2018 KSh' m
Gross revenue	19,228	17,472
Excise Duty and Value Added Tax (VAT)	(7,939)	(7,655)
Net revenue	11,289	9,817
Operating profit	3,738	3,035
Finance costs	(126)	(164)
Profit before tax	3,612	2,871
Income tax expense	(1,084)	(857)
Profit after tax	2,528	2,014
Other comprehensive income	6	57
Total comprehensive income	2,534	2,071
Interim dividend	350	350
Basic and diluted earnings per share (KSh)	25.28	20.14

#### Condensed Statement of Financial Position as at 30 June

	2019 KSh' m	2018 KSh' m
Capital and reserves		
Share capital	1,000	1,000
Revaluation surplus	1,821	1,861
Hedging reserve	12	64
Retained earnings	5,860	4,736
Shareholders' funds	8,693	7,661
Non-current liabilities	3,481	3,387
	12,174	11,048
Assets		
Non-current assets	9,830	9,161
Working capital		
Current assets	8,258	8,865
Current liabilities	(5,914)	(6,978)
Net working capital	2,344	1,887
	12,174	11,048

#### Condensed Cash Flow Statement for the six months ended 30 June

	2019 KSh' m	2018 KSh' m
Cash generated from operations	3,397	903
Net interest paid	(116)	(179)
Tax paid	(1,356)	(745)
Net cash from operating activities	1,925	(21)
Net cash used in investing activities	(360)	(266)
Net cash used in financing activities	(2,169)	(2,250)
Decrease in cash & cash equivalents	(604)	(2,537)
At the start of the period	190	(1,652)
At the end of the period	(414)	(4,189)

#### 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 2018	1,000	1,861	7	4,972	7,840
Comprehensive Income	-	-	57	2,014	2,071
Dividends	-	-	-	(2,250)	(2,250)
At 30 June 2018	1,000	1,861	64	4,736	7,661
At 1 January 2019	1,000	1,821	6	6,482	9,309
Comprehensive income	-	-	6	2,528	2,534
Dividends	-	-	-	(3,150)	(3,150)
At 30 June 2019	1,000	1,821	12	5,860	8,693

### Business performance

#### Profit

The Company grew shareholder value in a challenging operating environment in Kenya and across its export markets to deliver a solid set of results.

Gross revenue increased by 10.1% to KSh 19.2 billion. This was driven by excise-led pricing impacts in Kenya and Somalia coupled with growth in cut rag sales to Sudan. This was offset by lower sales volumes in Kenya and the Democratic Republic of Congo as a result of the continued impact of affordability challenges, together with a high incidence of duty not paid cigarette sales in Kenya. This latter issue has continued to deny the Government an estimated KSh 2.5 billion per annum in revenue. We continue to engage the relevant Government agencies to double their efforts to reduce the incidence of the illicit trade in cigarettes.

Our operating margin increased by 2.2 percentage points to 33.1%. This also resulted from excise-led pricing and an improved sales mix which more than offset the higher costs associated with increased cut rag and export sales volumes.

Profit before tax increased by 25.8% to KSh 3.6 billion reflecting the impact of the higher operating margin and lower finance costs due to lower borrowing as a result of further improvements in working capital management.

#### Cash

Cash from operating activities increased following higher profits and further improvements in working capital management.

#### Contribution to Government revenues

Our contribution to Government revenues in the form of Excise Duty, Value Added Tax (VAT), Pay As You Earn (PAYE) and Corporation Tax increased by KSh 503 million to KSh 9.3 billion, mainly due to higher sales revenues in Kenya as highlighted above.

### Dividend

The Board of Directors recommend an interim dividend in respect the year ending 31 December 2019 of KSh 3.50 per KSh 10 ordinary share. The interim dividend, which is subject to withholding tax, will be paid on 20 September 2019 to shareholders on the register at the close of business on 19 August 2019.

Nairobi  
19 July 2019

By Order of the Board  
Waeni Ngea (Ms)  
Company Secretary