



RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The Directors of British American Tobacco Kenya plc announce the unaudited results for the six months ended 30 June 2017 as shown below:

Key highlights

Gross revenue (Shs) 17.1bn -10%	Contribution to Government revenues (Shs) 9.2bn -7%	Operating margin 32.9% +2.7pp	Profit before tax (Shs) 1.9bn -9%	Interim dividend (Shs) 3.50 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

	2017 Shs'm	2016 Shs'm
Gross revenue	17,142	18,968
Excise Duty and Value Added Tax (VAT)	(8,004)	(8,574)
Net revenue	9,138	10,394
Operating profit	3,003	3,138
Finance costs	(210)	(70)
Profit before tax	2,793	3,068
Income tax expense	(845)	(920)
Profit after tax	1,948	2,148
Interim dividend	350	350
Basic and diluted earnings per share (Shs)	19.48	21.48

Condensed Statement of Financial Position as at 30 June

	2017 Shs'm	2016 Shs'm
Capital and reserves		
Share capital	1,000	1,000
Revaluation surplus	1,902	1,416
Retained earnings	3,893	3,985
Shareholders' funds	6,795	6,401
Non-current liabilities	3,371	3,213
	10,166	9,614
Assets		
Non-current assets	9,373	8,806
Working capital		
Current assets	9,988	8,613
Current liabilities	(9,195)	(7,805)
Net working capital	793	808
	10,166	9,614

Condensed Cash Flow Statement for the six months ended 30 June

	2017 Shs'm	2016 Shs'm
Cash generated from operations	1,723	4,124
Net interest paid	(208)	(111)
Tax paid	(782)	(1,457)
Net cash from operating activities	733	2,556
Net cash used in investing activities	(205)	(79)
Net cash used in financing activities	(3,950)	(4,600)
Decrease in cash & cash equivalents	(3,422)	(2,123)
At the start of the period	(1,687)	(1,612)
At the end of the period	(5,109)	(3,735)

Condensed Statement of Changes in Equity for the period

	Share capital Shs' m	Revaluation surplus Shs' m	Retained earnings Shs' m	Total Shs' m
At 1 January 2016	1,000	1,416	6,437	8,853
Comprehensive Income	-	-	2,148	2,148
Dividends	-	-	(4,600)	(4,600)
At 30 June 2016	1,000	1,416	3,985	6,401
At 1 January 2017	1,000	1,902	5,895	8,797
Comprehensive Income	-	-	1,948	1,948
Dividends	-	-	(3,950)	(3,950)
At 30 June 2017	1,000	1,902	3,893	6,795

Business performance

Gross revenue reduced by 10% to Shs. 17.1 billion, driven by lower domestic volumes following excise-led price increases, lower cut rag sales offset by higher export sales and contract manufacturing revenues.

Operating margin improved by 2.7 percentage points to 32.9% during the period notwithstanding the drop in operating profit. This was achieved through stringent cost management, productivity and overheads savings. The business continues to pursue opportunities to optimise its cost base through productivity initiatives.

Profit before tax reduced by 9% to Shs 1.9 billion, reflecting the impact of lower operating profit and higher finance costs.

The reduction in net cash generated from operating activities is driven by lower revenues and timing of working capital movements.

Contribution to Government revenues in the form of Excise Duty, Value Added Tax (VAT), Pay As You Earn (PAYE) and Corporation Tax reduced by Shs 640 million to Shs 9.2 billion. This was driven principally by a reduction in domestic volumes as the effect of higher Excise Duty rates continues to be felt. We continue to engage with relevant stakeholders on the importance of reasonable tax increases to protect both government and industry revenues.

Dividend

The Board of Directors has recommended an interim dividend in respect of the year ending 31 December 2017 of Shs 3.50 per Shs 10 ordinary share. The interim dividend, which is subject to withholding tax, will be paid on 21 September 2017 to shareholders on the register at the close of business on 21 August 2017.