BRITISH AMERICAN TOBACCO KENYA

FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors of British American Tobacco Kenya plc announce the full year results as shown below:

A STRONG PERFORMANCE IN A CHALLENGING OPERATING ENVIRONMENT

Net revenue (KSh)	Contribution to Government taxes (KSh)	Operating margin	Profit after tax (KSh)	Cash generated from operations (KSh)	Dividends per share (KSh)
20.8bn	18.3bn	30.0%	4.1bn	7.2bn	35.00
+11%	+1.3%	+1.3 pp	+22%	+12%	+35%

The results below have been extracted from the audited consolidated financial statements of British American Tobacco Kenya plc for the year ended 31 December 2018. 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

	2018 KSh' m	2017 KSh' m
Gross revenue	**36,496**	**34,468**
Excise Duty and Value Added Tax	(15,746)	(15,794)
Net revenue	**20,750**	**18,674**
Cost of operations	(14,531)	(13,313)
Profit from operations	**6,219**	**5,361**
Finance costs	(338)	(494)
Profit before tax	**5,881**	**4,867**
Income tax expense	(1,796)	(1,531)
Profit after tax	**4,085**	**3,336**
Net fair value (loss)/gain on currency hedges	(1)	7
Total comprehensive income	**4,084**	**3,343**
Dividend	3,500	2,600
Basic and diluted earnings per share (KSh)	**40.85**	**33.36**

Condensed Statement of Financial Position as at 31 December

	2018 KSh' m	2017 KSh' m
Capital and reserves		
Share capital	1,000	1,000
Revaluation surplus	1,820	1,861
Retained earnings and reserves	6,490	4,979
Shareholders' funds	**9,310**	**7,840**
Non-current liabilities	3,237	3,391
	12,547	**11,231**
Assets		
Non-current assets	9,123	9,140
Working capital		
Current assets	9,216	8,665
Current liabilities	(5,792)	(6,574)
Net working capital	**3,424**	**2,091**
	12,547	**11,231**

Condensed Cash Flow Statement for the year ended 31 December

	2018 KSh' m	2017 KSh' m
Cash generated from operations	7,207	6,419
Net interest paid	(352)	(490)
Tax paid	(1,555)	(1,215)
Net cash from operating activities	**5,300**	**4,714**
Net cash used in investing activities	(858)	(379)
Net cash used in financing activities	(2,600)	(4,300)
Movement in cash & cash equivalents	**1,842**	**35**
At the start of the year	(1,652)	(1,687)
At the end of the year	**190**	**(1,652)**

Condensed Statement of Changes in Equity for the year ended 31 December

	Share capital KSh' m	Revaluation surplus KSh' m	Retained earnings and reserves KSh' m	Total KSh' m
At 1 January 2017	**1,000**	**1,902**	**5,895**	**8,797**
Comprehensive Income	-	**(41)**	**3,384**	**3,343**
Dividends	-	-	**(4,300)**	**(4,300)**
At 31 December 2017	**1,000**	**1,861**	**4,979**	**7,840**
At 31 December 2017	**1,000**	**1,861**	**4,979**	**7,840**
Accounting policy change	-	-	**(14)**	**(14)**
Revised as at 1 January 2018	**1,000**	**1,861**	**4,965**	**7,826**
Comprehensive income	-	**(41)**	**4,125**	**4,084**
Dividends	-	-	**(2,600)**	**(2,600)**
At 31 December 2018	**1,000**	**1,820**	**6,490**	**9,310**

Business performance

Profit

The Company performed well in Kenya and across its export markets to deliver a strong set of results in 2018. However, the performance was dampened by the negative impact of illicit trade in cigarettes in Kenya, the incidence of which rose from 12.4% in December 2017 to 14.1% in December 2018 – reducing sales volumes in Kenya and denying government much needed revenue.

Gross revenue increased by 6% to KSh 36.5 billion, driven by excise-led pricing in the Kenya and export markets coupled with an increase in cut rag (semi-processed tobacco) sales volumes. This was partially offset by lower sales volumes in Kenya due to consumer affordability challenges and the adverse impact of illicit trade. Net revenue increased in line with growth in gross revenue, with excise duty and value added tax (VAT) marginally decreasing due to the drop in sales volumes in Kenya as explained above.

The cost of operations increased by 9% to KSh 14.5 billion, driven by the higher cut rag sales volumes, investments in portfolio and work place transformation, the full year impact of incremental cost of tax stamps as well as inflationary cost increases which were partially offset by productivity initiatives.

The growth in net revenues was reflected in operating profit with operating margin increasing by 1.3% to 30.0%. Finance costs reduced by 32% to KSh 338 million driven by higher profitability and better working capital management in 2018, resulting in lower overdraft utilisation in the period under review.

Cash

Cash generated from operations increased to KSh 7.2 billion, driven by the improved profitability and further gains from working capital management.

Contribution to Government revenues

Taxes in the form of Excise Duty, VAT, Pay As You Earn (PAYE) and Corporation Tax increased by KSh 233 million (1.3%) to KSh 18.3 billion in 2018 as a result of the higher corporation tax and VAT due to improved profitability, which were partially offset by lower excise duty payments in line with the drop in sales volumes in Kenya.

Dividend

The Board of Directors has proposed a final dividend in respect of the year ended 31 December 2018 of KSh 31.50 per share to be recommended for approval by the shareholders at the Annual General Meeting to be held on 10 May 2019.

The final dividend when added to the interim dividend already paid, gives a total dividend of KSh 35.00 per share. The dividend, which is subject to withholding tax, will be paid on 10 May 2019 to the shareholders on the register at the close of business on 14 March 2019.

Nairobi
13 February 2019

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