BRITISH AMERICAN TOBACCO
KENYA

FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The Directors of British American Tobacco Kenya plc announce the unaudited results for the six months period ended 30 June 2018 as shown below:

STRATEGIC MOMENTUM IN A CHALLENGING ENVIRONMENT

Gross revenue (KSh)	Contribution to Government taxes (KSh)	Operating margin	Profit after tax (KSh)	Interim dividend (KSh)
17.5bn	8.8bn	30.9%	2.0bn	3.50
+1.9%	-3.7%	-2.0pp	+3.4%	per share

The extracts of the financial statements are as follows:

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

	2018 KSh'm	2017 KSh'm
Gross revenue	**17,472**	**17,142**
Excise Duty and Value Added Tax	(7,655)	(8,004)
Net revenue	**9,817**	**9,138**
Operating profit	**3,035**	**3,003**
Finance costs	(164)	(210)
Profit before tax	**2,871**	**2,793**
Income tax expense	(857)	(845)
Profit after tax	**2,014**	**1,948**
Other comprehensive income	57	-
Total comprehensive income	**2,071**	**1,948**
Interim dividend	350	350
Basic and diluted earnings per share (KSh.)	20.14	19.48

Condensed Statement of Financial Position as at 30 June

	2018 KSh'm	2017 KSh'm
Capital and reserves		
Share capital	1,000	1,000
Revaluation surplus	1,861	1,902
Hedging reserve	64	-
Retained earnings	4,736	3,893
Shareholders' funds	**7,661**	**6,795**
Non-current liabilities	3,387	3,371
	11,048	**10,166**
Assets		
Non-current assets	**9,161**	**9,373**
Working capital		
Current assets	8,865	9,988
Current liabilities	(6,978)	(9,195)
Net working capital	**1,887**	**793**
	11,048	**10,166**

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

	2018 KSh'm	2017 KSh'm
Cash generated from operations	903	1,723
Net interest paid	(179)	(208)
Tax paid	(745)	(782)
Net cash from operating activities	**(21)**	**733**
Net cash used in investing activities	(266)	(205)
Net cash used in financing activities	(2,250)	(3,950)
Decrease in cash & cash equivalents	**(2,537)**	**(3,422)**
At the start of the year	(1,652)	(1,687)
At the end of the year	**(4,189)**	**(5,109)**

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 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**
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**

Business performance

The Company has built strategic momentum in a challenging environment in Kenya and across our export markets to deliver a solid set of results.

Gross revenue increased by 1.9% to KSh 17.5 billion. This was driven by growth in export volumes and revenues due to incremental pricing and distribution expansion initiatives coupled with growth in cut rag sales from supplying new markets. This was offset by a decline in the domestic market as a result of the continued impact of affordability challenges in the early part of the year together with illicit trade.

Operating margin reduced by 2.0 percentage points to 30.9%. This is a result of the disproportionate 87% increase in the cost of tax stamps in April 2017, lower product mix and inflationary cost increases partly offset by benefits from continued productivity initiatives.

Profit before tax increased by 2.8% to KSh 2.9 billion reflecting the impact of higher revenues and lower financing costs partially offset by a higher cost base.

Cash from operating activities reduced because of 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 fell by KSh 336 million to KSh 8.8 billion, mainly due to a reduction in domestic volumes as highlighted above.

Our engagement with government agencies continues with a view to ensuring that a more stable and predictable tax environment prevails, illicit trade incidence is reduced and that there is a level playing field in markets across East and Central Africa. With these measures in place, we are confident that the business will continue to grow shareholder value into the future.

Dividend

The Board of Directors has recommended an interim dividend in respect of the year ending 31 December 2018 of KSh 3.50 per ordinary share. The interim dividend, which is subject to withholding tax, will be paid on 21 September 2018 to shareholders on the register at the close of business on 20 August 2018.

Nairobi
19 July 2018

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