BRITISH AMERICAN TOBACCO
KENYA

FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors of British American Tobacco Kenya plc announce the results for the year ended 31 December 2019 as shown below:

A GOOD PERFORMANCE IN A CHALLENGING REGULATORY ENVIRONMENT

Key highlights in 2019 compared to 2018 are:

Gross revenue	Operating margin	Profit after tax	Net cash from operating activities	Contribution to Government revenues	Dividend per share
39.8bn	**23.8%**	**3.9bn**	**7.7bn**	**18.0bn**	**33.50**
+9.1%	-6.2 pp	-4.9%	+45%	-1.4%	KSh

The results below have been extracted from the audited Consolidated Financial Statements of British American Tobacco Kenya plc for the year ended 31 December 2019. 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

	2019 KSh' m	2018 KSh' m
Gross revenue	**39,827**	**36,496**
Excise Duty and Value Added Tax	(15,788)	(15,746)
Net revenue	**24,039**	**20,750**
Cost of operations	**(18,313)**	**(14,531)**
Profit from operations	**5,726**	**6,219**
Finance costs	**(193)**	**(338)**
Profit before tax	**5,533**	**5,881**
Income tax expense	(1,648)	(1,796)
Profit after tax	**3,885**	**4,085**
Net fair value gain/(loss) on currency hedges	20	(1)
Total comprehensive income	**3,905**	**4,084**
Dividend	3,350	3,500
Basic and diluted earnings per share (Shs)	**38.85**	**40.85**

Condensed Statement of Financial Position as at 31 December

	2019 KSh' m	2018 KSh' m
Capital and reserves		
Share capital	1,000	1,000
Revaluation surplus	1,756	1,820
Retained earnings	6,959	6,490
Shareholders' funds	**9,715**	**9,310**
Non-current liabilities	1,871	3,237
	11,586	**12,547**
Assets		
Non-current assets	**10,685**	**9,123**
Working capital		
Current assets	11,122	9,216
Current liabilities	(10,221)	(5,792)
Net working capital	**901**	**3,424**
	11,586	**12,547**

Condensed Cash Flow Statement for the year ended 31 December

	2019 KSh' m	2018 KSh' m
Cash generated from operations	10,384	7,207
Net interest paid	(207)	(352)
Tax paid	(2,493)	(1,554)
Net cash from operating activities	**7,684**	**5,301**
Net cash used in investing activities	(1,564)	(858)
Net cash used in financing activities	(4,499)	(2,600)
Movement in cash & cash equivalents	**1,621**	**1,843**
At the start of the year	190	(1,653)
At the end of the year	**1,811**	**190**

Condensed Statement of Changes in Equity

	Share capital KSh' m	Revaluation surplus KSh' m	Retained earnings KSh' m	Total KSh' m
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
Dividend	-	-	(2,600)	(2,600)
At 31 December 2018	**1,000**	**1,820**	**6,490**	**9,310**
At 1 January 2019	**1,000**	**1,820**	**6,490**	**9,310**
Comprehensive income	-	(64)	3,969	3,905
Dividend	-	-	(3,500)	(3,500)
At 31 December 2019	**1,000**	**1,756**	**6,959**	**9,715**

Business performance

Profit

The Company performed well in Kenya and across its export markets to deliver good revenue growth. However, profitability was lower due to significant increases in regulatory costs in Kenya following the introduction of a solatium contributory levy (Solatium) impact and a 20% increase in excise duty rates during the year.

Gross revenue increased by 9.1% to KSh 39.8 billion. This was driven by excise-led pricing on cigarettes in Kenya, increased cutrag (semi-processed tobacco) sales volumes into Sudan and the introduction of new category revenue in Kenya following the launch of LYFT (modern oral nicotine pouches without tobacco). However, the excise-led price increases have continued to adversely impact consumer affordability leading to lower cigarette sales volume and a high incidence of illicit trade of 11.3%.

Net revenue increased in line with 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 26% to KSh 18.3 billion, mainly due to the estimated impact of the introduction of Solatium in 2019. We continue to engage government authorities to clarify the basis of computing this levy and ensure it does not adversely impact the Company's competitiveness especially on exports. Higher cutrag sales volumes as well as inflationary cost increases also drove costs up, but these were partially offset by the positive contribution of productivity initiatives. These incremental costs led to a decline in operating margins by 6.2pp to 23.8%.

Finance costs reduced by 43% to KSh 193 million driven by lower overdraft utilisation in the period under review. This is due to the higher underlying profitability and continued improvements in working capital management in 2019.

Profit before tax reduced despite the revenue growth and reduced financing costs due to incremental cost of operations as explained above.

Cash

Net cash from operating activities increased by 45% to KSh 7.7 billion, driven by the improved profitability and further gains from working capital management. A significant part of this cash has been reinvested in establishing a factory for the manufacture of modern oral nicotine pouches without tobacco in our Nairobi manufacturing hub.

Contribution to Government revenues

Taxes in the form of Excise Duty, VAT, Pay As You Earn (PAYE) and Corporation Tax reduced by KSh 265 million (1.4%) to KSh 18.0 billion in 2019 as a result of lower sales volumes in Kenya and lower profitability.

Dividend

The Board of Directors has proposed a final dividend in respect of the year ended 31 December 2019 of KSh 30.00 per share to be recommended for approval by the shareholders at the Annual General Meeting to be held on 29 April 2020.

The final dividend, when added to the interim dividend already paid, gives a total dividend of KSh 33.50 per share. The dividend, which is subject to withholding tax, will be paid on 29 April 2020 to the shareholders on the register at the close of business on 20 March 2020.

Nairobi
19 February 2020

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