

## FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors of British American Tobacco Kenya plc announce the results for the year ended 31 December 2016 as shown below:

Key highlights in 2016 compared to 2015 are:

Gross revenue (Shs) <b>36.7bn</b> +2%	Profit after tax (Shs) <b>4.2bn</b> -15%	Cash generated from operations (Shs) <b>8.0bn</b> +2.3bn	Contribution to Government revenues (Shs) <b>19.2bn</b> +3.1bn	Dividend per share (Shs) <b>43.00</b>
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The results below have been extracted from the audited consolidated financial statements of British American Tobacco Kenya plc for the year ended 31 December 2016. 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 2016

	2016 Shs'm	2015 Shs'm
Gross revenue	36,676	35,817
Excise Duty and Value Added Tax (VAT)	(16,826)	(13,560)
Net revenue	19,850	22,257
Cost of operations	(13,306)	(14,584)
Profit from operations	6,544	7,673
Reorganisation costs	(338)	-
Finance costs	(295)	(534)
Profit before tax	5,911	7,139
Income tax expense	(1,677)	(2,163)
Profit after tax	4,234	4,976
Gain on revaluation of property	616	-
Total Comprehensive Income	4,850	4,976
Dividend	4,300	4,950
Basic and diluted earnings per share (Shs)	42.34	49.76

### Condensed Statement of Financial Position as at 31 December 2016

	2016 Shs'm	2015 Shs'm
Capital and reserves		
Share capital	1,000	1,000
Revaluation surplus	1,902	1,416
Retained earnings	5,895	6,437
Shareholders' funds	8,797	8,853
Non-current liabilities	3,357	3,227
	12,154	12,080
Assets		
Non-current assets	9,532	9,102
Working capital	8,968	9,579
Current assets	(6,346)	(6,601)
Current liabilities	2,622	2,978
Net working capital	12,154	12,080

### Condensed Cash Flow Statement for the year ended 31 December 2016

	2016 Shs'm	2015 Shs'm
Cash generated from operations	7,987	5,660
Net interest paid	(315)	(339)
Tax paid	(2,510)	(1,391)
Net cash from operating activities	5,162	3,930
Net cash used in investing activities	(287)	(559)
Net cash used in financing activities	(4,950)	(4,250)
Decrease in cash & cash equivalents	(75)	(879)
At the start of the year	(1,612)	(733)
At the end of the year	(1,687)	(1,612)

### Condensed Statement of Changes in Equity for the year ended 31 December 2016

	Share capital Shs' m	Revaluation surplus Shs' m	Retained earnings Shs' m	Total Shs' m
At 1 January 2015	1,000	1,446	5,681	8,127
Comprehensive Income	-	(30)	5,006	4,976
Dividends	-	-	(4,250)	(4,250)
At 31 December 2015	1,000	1,416	6,437	8,853
At 1 January 2016	1,000	1,416	6,437	8,853
Comprehensive Income	-	486	4,408	4,894
Dividends	-	-	(4,950)	(4,950)
At 31 December 2016	1,000	1,902	5,895	8,797

### Business performance

Gross revenue increased by 2% to Shs 36.7 billion driven by higher domestic revenues following excise led price increases which were offset by lower contract manufacturing sales. Excise Duty and VAT increased by 24% to Shs 16.8 billion driven by significantly higher Excise Duty following the implementation of a single tier Excise regime on 1 December 2015. We grew market share in 2016 notwithstanding the adverse impact of price increases on sales mix.

Notwithstanding inflationary increases, cost of operations reduced by 9% to Shs 13.3 billion through stringent cost management, productivity and overheads savings. Following the introduction of new ways of working primarily in the factory and in order to manage the cost base and deliver savings into the future, the company undertook a reorganisation in the second half of 2016 which cost Shs 338 million. Finance costs decreased by 45% to Shs 295 million principally due to lower foreign exchange related losses and interest expenses during the year.

Profit after tax reduced by 15% to Shs 4.2 billion, whilst operating margin declined by 1.5 percentage points to 33.0% in 2016 indicating the impact of a decline in net revenue offset by lower costs. The company undertook a valuation of its assets in line with accounting policy which resulted in a gain of Shs 616 million in other comprehensive income. Consequently, total comprehensive income reduced marginally by 3% to Shs 4.9 billion.

Cash generated from operations increased significantly by 41% to Shs 8.0 billion reflecting enhanced working capital management during the year.

Contribution to Government revenues in the form of Excise Duty, VAT, Pay As You Earn (PAYE) and Corporation Tax increased significantly by Shs 3.1 billion to a record Shs 19.2 billion in 2016. This increase was mainly driven by significantly higher Excise Duty and VAT from the domestic business as well as higher PAYE.

### Dividend

The Board of Directors has recommended a final dividend in respect of the year ended 31 December 2016 of Shs 39.50 per Shs.10 Ordinary Share to be recommended for approval by the shareholders at the Annual General Meeting to be held on 27 April 2017. The final dividend when added to the interim dividend already paid, gives a total dividend of Shs 43.00 per share. The dividend, which is subject to withholding tax, will be paid on 27 April 2016 to the shareholders on the register at the close of business on 22 March 2017.