

SENS ANNOUNCEMENT
(the “Notice” or “Announcement”)

ISSUER



**BRITISH AMERICAN
TOBACCO
ZAMBIA**

BRITISH AMERICAN TOBACCO (ZAMBIA) PLC
[Incorporated in the Republic of Zambia]

Company registration number: 2333
Share Code: BATZ
ISIN: ZM0000000029
Authorised by: Valentine Kabonga – Company Secretary

SPONSOR



STOCKBROKERS ZAMBIA LIMITED

Stockbrokers Zambia Limited

[Founder Member of the Lusaka Securities Exchange]
[Regulated and licensed by the Securities and Exchange Commission of Zambia]

Contact Person: Boniface Mwamba
Contact Number: +260-211-232456
Website: www.sbz.com.zm

APPROVAL

The captioned Notice or Announcement has been approved by:

- i. the Lusaka Securities Exchange
- ii. the Securities and Exchange Commission
- iii. Stockbrokers Zambia Limited

RISK WARNING

The Notice or Announcement contained herein contains information that may be of a price-sensitive nature.

Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

ISSUED: 4 March 2019



ABRIDGED UNAUDITED FINANCIAL RESULTS

For the Year ended 31 December 2018

[Incorporated in the Republic of Zambia]

Company registration number: 119630002333

Share Code: BATZ

ISIN: ZM0000000029

The Directors of British American Tobacco (Zambia) Plc present the abridged unaudited financial results for the year ended 31 December 2018.

KEY FINANCIALS	2018	2017	Change
	ZMW '000	ZMW '000	
Turnover	165,206	123,291	34.0%
Operating (loss)/profit	16,637	(9,360)	277.7%
Loss before taxation	(16,586)	(11,058)	-50.0%
Income tax expense	483	(3,049)	115.8%
Loss attributable to shareholders	(16,103)	(14,107)	-14.1%
Attributable to owners of the parent	(16,103)	(14,107)	-14.1%
Basic and diluted earnings per share (Kwacha)	(0.08)	(0.07)	-6.2%
Dividends per ordinary share (Kwacha)			
Interim paid	-	-	-
Final proposed	-	-	-
Movement in Equity			
Equity at the start of the year	(3,179)	15,542	-120.5%
(Loss)/Profit for the year attributable to shareholders	(16,103)	(14,107)	-14.1%
Final dividend 2016	-	(10,623)	-100.0%
Other comprehensive income for the year	(900)	6,009	-115.0%
Equity at the end of the year	(20,182)	(3,179)	-534.9%

Chairman's Report

Year in Review

On behalf of the Board of Directors, it gives me great pleasure to present the abridged unaudited financial results for British American Tobacco Zambia Plc (“BAT Zambia”) for the year ended 31st December 2018. BAT Zambia continues to deepen its footprint in Zambia through renewed investments such as the state-of-the-art machinery in the Lusaka South Multi-facility Economic Zone (LS-MFEZ) valued at \$25million. Further, it remains committed to continuously achieving on its unarguably well-known operational excellence whilst simultaneously delivering shareholder value in an increasingly competitive and dynamic business environment. BAT Zambia’s ambition is to be the best at satisfying consumer moments in tobacco and beyond. This can, has, and will be made possible through the dedication, commitment, and hard work of BAT Zambia employees and strengthened engagement with various stakeholders.

We are excited to report that our newly constructed cigarette manufacturing plant is contributing positively to employment creation, wealth creation, and skills development in Zambia, and is expected to be formally commissioned this year (2019). Further, we recognize our responsibility to the development of our society and are pleased to report that in 2018, BAT Zambia registered a 100% growth in direct employment, of which all the employees are Zambian. Our people and their well-being are at the core of BAT Zambia’s success, and as such our company remains committed to creating quality employment and supporting human capital development in Zambia.

Economic Performance

In 2018 the Zambian economy registered real GDP growth at an estimated 4.0% as compared to 4.1% in 2017. In line with the government’s homegrown economic recovery program “*Zambia Plus*”, Zambia’s growth was projected to strengthen to above 4% over the medium-term anchored in renewed government commitment to the dismantling of arrears and improvements in monetary conditions. Higher copper prices¹ in 2018 as compared to previous years eased external pressures, leading to a stable kwacha, which, together with a bumper harvest despite lower rainfall, and growth in construction² sector helped contain inflation within the target of 6-8%. These developments resulted in the further easing of monetary policy for a total policy rate cut of 575 basis points by the close of 2018. Going forward, macroeconomic stability is expected to bolster the recovery of the financial sector and unlock consumption and investment lending, leading to a more positive outlook for Zambia. Macroeconomic fundamentals impact directly on our consumers and the choices they make. As such the projected growth aligns perfectly with our investment in Zambia.

Regulatory Environment

The regulatory environment in 2018 did pose some challenges for the business. Specifically, changes to the Customs and Excise Act 2018 threatened the viability of our new state-of-the-art manufacturing plant. The uncertainties created by the changes were addressed and it must be noted that the achievements recorded thus far would not have been possible without appropriate legislative amendments. We support policy measures that maintain stable excise regimes, and exempt critical raw materials used in the manufacture of local cigarettes from excise duty as they are key to securing the growth of local manufacturers in addition to supporting efforts to curb illicit trade.

Illicit Trade

Illicit trade in cigarettes remains a challenge for the business as it harms established brands and undermines the regulatory frameworks governing legitimate tobacco industry players. We are encouraged by the introduction of a focused team to counter illicit trade by the Zambia Revenue Authority (ZRA). We believe this should go a long way in ensuring the problem is brought under control. The sale of illicit cigarettes - which are constituted mainly of smuggled illicit cigarettes from

¹ Copper production continued to increase by an estimated 4%–4.5% in 2018(AfDB, 2019)

² Investments in public infrastructure projects, commercial buildings and residential housing, towing cement production, increased by an estimated 10% in 2018 (AfDB, 2019).

across borders - is estimated to have taken over 30% of the market, representing estimated revenue losses to the Zambian government of over ZMW200million annually. This is amongst the highest incidences in Southern Africa. This is further exacerbated by changes in the excise regime which expose legitimate manufacturers to unfair competition through the creation of an unlevel playing field. Consistency and predictability in the excise regime and enhanced enforcement by law enforcement agencies remain key to addressing the scourge of illicit trade and supporting the growth of the industry. There is also a need to strengthen enforcement to ensure all legal players pay the prescribed taxes. There is sufficient evidence that some players may not be paying the legislated excise and vat on Cigarettes and they must be brought to book. BAT Zambia fully supports the efforts of government and regulators in seeking to eliminate all forms of cigarette smuggling through constant raids and seizures of illicit tobacco products in the country. Additionally, we remain open to engaging directly with the local authorities on matters involving the illicit movement of tobacco product.

Financial Results

The Company (“BAT Zambia”) recorded an increase in turnover of 34% amounting to K165.2million during the period under review compared to the K123.3 million recorded in same period in 2017. The increase in turnover was largely driven by a general volume increase across the portfolio of over 67%. The increase in volumes sold was on the backdrop of the Company being able to compete favourably on price following the commencement of local production at the back end of 2017. The Company has in 2018 reaped the benefits of the first full year of local production thereby paying excise taxes at the rate of a local manufacturer. The investment in aggressive marketing and distribution initiatives embarked on during the year to regain lost market share also paid dividends in 2018 and added to the continuing positive trajectory of recovery on which the business has embarked on. Turnover in the financial results represents revenue, excluding excise duties.

An operating profit of K16.6 million was recorded compared to a loss of K9.3 million in 2017. This represents an increase of 278%. The increase in operating profit was driven by the increase in volumes and turnover as earlier highlighted. Coupled with that, the business engaged in smart cost management which enabled it to record savings while at the same time building efficiencies in vital areas of the business, especially in satisfying different stakeholder interests key among them our customers, employees, the government and regulators to mention but a few.

A loss before taxation of K16.6 million was recorded during the year 2018 and represents a 50% increase over the loss recorded in 2017 of K11.1 million. The loss before taxation was mainly due to high net finance costs driven by foreign exchange losses suffered on the US\$15 million loan that the Company contracted in 2017 for the construction of the new factory. The Company is committed to ensuring that this liability is liquidated in the short to medium term in order to arrest the erosion of shareholder value. To this effect, various interventions have been employed and more are still being explored to manage the foreign exchange risk that this necessary liability carries. The Directors and management are confident and optimistic that the impact of this risk will be mitigated and managed going forward as the business starts yet another exciting year of continued growth and recovery.

Negative cash generated from operations of K58.4 million was recorded during the year compared to a positive K47.3 million recorded in the prior year. This represents a reduction of about 223%.

Dividends

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 in view of the financial results recorded as highlighted. Further, no interim dividend was declared or paid for the year ended 2018. The Directors recommend that the short-term focus for the business be on the liquidation of the Inter-company loan that was obtained to finance the factory construction and returning the business to sustainable profitability in the medium to long term. The Directors are confident that they will be able to recommend the payment of a reasonable dividend in the near future as the business takes back its industry leadership.

Contributions to the Government Treasury

The Company continues to be a key contributor to the Zambian Government treasury in various taxes key among them Excise, Corporate Tax, VAT, PAYE and Withholding Taxes. The Company re-affirms its commitment to ensuring that it remains compliant with all tax laws, regulations and various guidelines issued by the Zambian Revenue Authority from time to time in the administration of taxes. In this way, the Company continues to support the Government's development agenda as outlined in the Seventh National Development Plan.

Governance

Good corporate governance is core to the BAT Group's sustainability and our commitment to creating shared value. In this regard, BAT Zambia is committed to operating to the highest standards of corporate conduct and transparency and is registered to the Lusaka Stock Exchange (LuSE)³ in addition to having in place robust internal systems to ensure compliance with existing regulations and laws and ensure that we are conducting our business with honesty, integrity and transparency.

Outlook

In view of the milestones BAT Zambia has achieved to date, the Company remains focused on further consolidating its performance and position in 2018 and beyond. We are committed to further stimulating business growth and maximizing shared value with all our stakeholders.

I take this opportunity to thank our shareholders for their support in 2018. Additionally, I am thankful to my fellow Board members for their continued guidance and commitment, as well as the management team for steering BAT Zambia to its current and future performance levels through a challenging period. Heartfelt gratitude is further expressed to our employees for their commitment to achieving BAT's vision and mission anchored in our strategic focus areas; growth; productivity; winning organization; and sustainability.

We stand resolute in our belief that our quality brands, unique strategies, and pool of diversely talented people will deliver on shareholder value in 2019 and beyond.



Michael Mundashi
Chairman
4 March 2018

³ The exchange calls for accurate and complete disclosure of information to investors, to ensure that capital markets are driven by accurate and credible information.



**BRITISH AMERICAN
TOBACCO
ZAMBIA**

**British American Tobacco (Zambia) Plc
ABRIDGED UNAUDITED FINANCIAL RESULTS
For the year ended 31 December 2018**

This report is published to comply with the Securities Act (Act No. 41 of 2016).

The unaudited results of the Company's operations for the year ended 31 December 2018 are as follows:

Abridged Income Statement

	31 December		
	2018 K '000	2017 K '000	Var %
Turnover	165,206	123,291	34.0%
Operating (loss)/profit	16,637	(9,360)	277.7%
Loss before taxation	(16,586)	(11,058)	-50.0%
Taxation on profits	483	(3,049)	115.8%
Loss after taxation	(16,103)	(14,107)	-14.1%
Loss attributable to shareholders	(16,103)	(14,107)	-14.1%
Earnings per share (Kwacha)	(0.08)	(0.07)	-14.1%
Dividend per share (Kwacha)	-	-	-

Abridged Balance Sheet

	As At 31 December	
	2018 K '000	2017 K '000
Non-current assets	106,131	61,551
Bank balances and cash	27,469	27,186
Other current assets	107,718	98,460
Total current assets	135,187	125,646
Total assets	241,318	187,197
Non-current liabilities	(178,875)	(6)
Current liabilities	(82,625)	(190,370)
Total net liabilities	(20,182)	(3,179)
Total shareholders' funds	(20,182)	(3,179)
Total capital employed	(20,182)	(3,179)

Abridged Cash Flow Statement

	31 December	
	2018 K '000	2017 K '000
Operating activities		
Cash generated from/(utilised in) operations	(58,392)	47,287
Interest received	3,210	952
Interest paid	(10,177)	(773)
Tax paid	1,486	(4,218)
Net cash generated from /(utilised in) operating activities	(63,873)	43,248
Investing activities		
Purchase of property, plant and equipment	(47,543)	(60,547)
Proceeds on sale of property, plant and equipment	415	158
Net cash utilised in investing activities	(47,128)	(60,389)
Cash flows from financing activities		
Unclaimed dividend paid for previous years	300	(2,651)
Final 2015 dividend paid for major shareholder	(15,759)	(2,527)
Proceeds from loans and borrowings	163,416	-
Repayment of loans and borrowings	(10,247)	-
Net cash inflows/(out flows) from financing activities	137,710	(5,178)
Net increase/(decrease) in cash and cash equivalents	26,709	(22,319)
Differences on Exchange	26,406	-
Cash and cash equivalents at beginning of year	(25,646)	(3,327)
Cash and cash equivalentenents at end of period	27,469	(25,646)

By Order of the Board



Valentine Chola Kabonga
Company Secretary
4 March 2019



NOTICE IS HEREBY GIVEN that the Fifty-Seventh Annual General Meeting of the Shareholders of British American Tobacco (Zambia) Plc ("the Company"), will be held at the Company's Head office on Plot No.PH1 IND 53 & 54 Lusaka South Multi-Facility Economic Zone, Chifwema Road Lusaka, on Thursday 17th April 2019 starting at 10:00 hours for the purpose of transacting the following business:

1. Minutes of the Previous Meeting
To confirm and sign off the minutes of the Fifty-Sixth Annual General Meeting held on Thursday 26 April 2018.
2. Financial Statements and Reports
To receive and adopt the audited financial statements for the year ended 31 December 2018, together with the reports of the Directors and Auditors thereon.
3. Directorate
 - 3.1. To authorise the Directors to fix their remuneration for the year ending 31 December 2019.
 - 3.2. To re-elect Directors in place of those retiring in accordance with the provisions of section 99 (b) of the Companies Act No.10 of 2017.
 - 3.3. The profiles of Directors to be re-elected are included in the Annual Report under Board of Directors.
4. Auditors
To authorise the Directors to determine the remuneration of the auditors for the past audit and to appoint auditors for the year to 31 December 2019.
5. Dividends
To approve that no dividend be declared for the year ended 31 December 2018(2018: Nil).
6. To transact any other business that may properly be transacted at the Annual General Meeting.

A shareholder is entitled to appoint any person (whether a member of the company or not) to attend and/or speak and vote in his or her stead.

Proxy forms must be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

Formalised notices of the Annual General Meeting will be sent to all shareholders in compliance with Rule 14 of the Securities (Registration of Securities) Rule, 1993.

By order of the Board

Valentine Chola Kabonga

Company Secretary

Lusaka Securities Exchange Sponsoring Broker



T | +260-211-232456
E | advisory@sbz.com.zm
W | www.sbz.com.zm

Stockbrokers Zambia Limited (SBZ) is a founder member of the Lusaka Securities Exchange and is regulated by the Securities and Exchange Commission of Zambia

First Issued on 4 March 2019