

SENS ANNOUNCEMENT
(the "Notice" or "Announcement")

ISSUER



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

Company registration number: 2333
Share Code: BATZ
ISIN: ZM0000000029
Authorised by: Kimeshi Naidoo – Managing Director

SPONSOR



Stockbrokers Zambia Limited

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

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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: 14 August 2020

PRESS RELEASE

UNAUDITED FINANCIAL RESULTS For the Half Year ended 30 June 2020

[Incorporated in the Republic of Zambia]
Company registration number: 119630002333
Share Code: BATZ
ISIN: ZM0000000029



The Directors of British American Tobacco (Zambia) plc ("the Company") present the unaudited financial results for the period ended 30 June 2020.

Resilient performance in a challenging environment

Net revenue
ZMW 146million
(+42.1%)

Total cost of operations
ZMW 123million
(+31.0%)

Operating profit
ZMW 24million
(+153.6%)

Operating margin
16.3%
(+7.2pp)

Extracts of the financial statements are as follows:

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE

	2020 ZMW'000	2019 ZMW'000
Gross revenue	226,155	169,520
Excise Duty and Value Added Tax (VAT)	(79,681)	(66,483)
Net revenue	146,474	103,037
Total cost of operations	(122,658)	(93,645)
Operating profit	23,816	9,392
Finance costs	(50,018)	(9,981)
Profit/(Loss) before tax	(26,202)	(589)
Income tax expense	(210)	807
Profit/(Loss) after tax	(26,412)	218
EPS	(0.12)	0.00

CONDENSED STATEMENT OF FINANCIAL POSITION

	30 June 2020 ZMW'000	31 Dec 2019 ZMW'000
Assets		
Non-current assets	141,452	145,357
Cash and cash equivalents	36,675	28,332
Other current assets	73,879	58,862
Total current assets	110,554	87,194
Total assets	252,006	232,551
Non-current liabilities	(191,931)	(151,977)
Current liabilities	(103,246)	(97,333)
Total net assets	(43,171)	(16,759)
Equity		
Shareholders' funds	(43,171)	(16,759)
Deficit in Equity	(43,171)	(16,759)

CONDENSED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE

	2020 ZMW'000	2019 ZMW'000
Cash generated from operations	19,298	29,177
Net interest paid	(725)	209
Tax paid	(280)	(1,084)
Net cash from operating activities	18,293	28,302
Net cash used in investing activities	(3,103)	2,888
Net cash used in financing activities	(6,847)	(26,194)
Decrease in cash & cash equivalents	8,343	4,996
At the start of the period	28,332	27,469
At the end of the period	36,675	32,465

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD

	Share capital ZMW'0000	Accumulated (Losses)/ Profits ZMW'000	Foreign currency translation reserve ZMW'000	Total Equity ZMW'000
At 1 January 2019	2,125	4,376	(900)	5,601
Comprehensive Income		218		218
Other Comprehensive Income		(9,979)		(9,979)
At 30 June 2019	2,125	(5,385)	(900)	(4,160)
At 1 January 2020	2,125	(18,884)		(16,759)
Comprehensive Income		(26,412)		(26,412)
At 30 June 2020	2,125	(45,296)		(43,171)

Operating Environment

The operating environment in Zambia has been challenging and the cigarette industry has not been spared from the impact of the current economic climate. The Company has demonstrated resilience in the wake of the significant devaluation of the Kwacha by 30% as at 30 June 2020 from the previous year, and amidst the COVID-19 pandemic which worsened an already challenging environment. The economic impact of the COVID-19 pandemic has put severe pressure on consumer affordability, in addition to adversely impacting the trading environment, occasionally resulting in limited product availability owing to border closures and the implementation of strict lockdowns by key trading partners such as South Africa. Illicit trade in tax-evaded cigarettes remains a major concern for Zambia.

Our Company remains focused on ensuring that our employees are safe throughout the duration of the pandemic. The Company has maintained business continuity, and has continued to work with relevant Government agencies to ensure a stable and predictable regulatory environment which will support economic recovery.

Financial Performance

The Company maintained operating profitability despite the impact of the COVID-19 pandemic.

The Company recorded an increase in gross revenue of 33% amounting to ZMW226.2million during the period under review compared to the ZMW 169.5million recorded in same period in 2019. The increase was mainly driven by improved revenues resulting from a price increase on our key brands.

Net revenue increased by 42.1% to ZMW146million driven by the increase in gross revenue. Total cost of operations increased by 31% to ZMW123million reflecting the impact of increased costs of operation.

This was mainly driven by leaf and wrapping material imports which have been impacted by the foreign exchange devaluation of the Kwacha against other major currencies.

Operating margin increased by 7.2 percentage points to 16.3% as a result of an increase in total revenues.

For the period ended 30 June 2020, the Company made a loss before taxation of ZMW26.2million compared to a loss before taxation in 2019 of ZMW 0.6million. The increase is largely attributable to the severe devaluation of the Kwacha versus the United States Dollar which impacted the Company's foreign currency denominated borrowings.

Contribution to Government Revenues

The Company continues to be a key and compliant contributor to the Zambian Government's treasury through the payment of various taxes key among them; Excise, Corporate Tax, VAT, PAYE and Withholding Taxes. The Company's contribution to the Zambian Government treasury in various taxes for the period to 30 June 2020 was ZMW80million (2019: ZMW66 million).

Dividend

In view of the Company's financial performance for the period, the Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020.

Lusaka
14 August 2020

By Order of the Board
Zoe Chisanga Chiliboji
Company Secretary