

**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: Kimesh Naidoo – Managing Director

**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]

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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: 26 March 2020**

# Press Release

## ABRIDGED AUDITED FINANCIAL RESULTS

For the Year Ended 31 December 2019

[Incorporated in the Republic of Zambia]

Company Registration Number: 119630002333

Share Code: BATZ, ISIN: ZM0000000029



**BRITISH AMERICAN  
TOBACCO  
ZAMBIA**

The Directors of British American Tobacco (Zambia) Plc present the abridged audited financial results for the year ended 31 December 2019.

### Key Financials

	2019 ZMW '000	2018 ZMW '000	Change
Turnover	230,631	165,206	40%
Operating profit	19,007	16,637	14%
(Loss)/profit before taxation	(25,098)	8,862	-383%
Income tax credit	1,838	818	25%
(Loss)/profit attributable to shareholders	(23,260)	9,680	-340%
Attributable to owners of the parent	(23,260)	9,680	-340%
Basic and diluted earnings per share (Kwacha)	(0.11)	0.05	-320%
<b>Dividends per ordinary share (Kwacha)</b>			
Interim paid	-	-	0%
Final Proposed	-	-	0%
<b>Movement in Equity</b>			
Equity at the start of the year	5,601	(3,179)	-276%
(Loss)/Profit for the year attributable to shareholders	(23,260)	9,680	-340%
Other comprehensive income/(loss) for the year	900	(900)	-200%
<b>Equity at the end of the year</b>	<b>(16,759)</b>	5,601	-399%

## Chairman's Report

### Introduction

On behalf of the Board of Directors of British American Tobacco (Zambia) Plc ("BAT Zambia"), it gives me great pleasure to present to you the financial results for the full year ended 31 December 2019.

In 2019 the Zambian economy registered real GDP growth at an estimated 2% as compared to 4% in 2018. This was below the projected 4% growth for the year. Subdued economic growth was mainly on account of adverse climatic conditions, particularly poor rainfall in the 2018/2019 rainy season, which negatively affected agricultural production and electricity generation. Copper prices averaged US\$ 6,091 per metric tonne compared to US\$ 6,723 per metric tonne over the corresponding period in 2018. Industry and households experienced long periods of electricity load shedding and this negatively affected economic activity in almost all sectors. Inflation rose from 7.5% in 2018 to 11.7% in 2019, pushed by large exchange rate depreciations and food price increases. This prompted monetary policy tightening, with the Bank of Zambia raising the policy rate by 50 basis points to 10.25% in May 2019. Correspondingly, the exchange rate faced significant pressures during 2019, depreciating by about 10% to about ZMK13.0/US\$ through August.

These conditions resulted in constrained economic growth and a challenging operating environment.

The illicit cigarettes market continues to be a challenge for the cigarette industry. Duty not paid cigarettes, are openly sold on the informal market, without the appropriate health warning messages or tax stamps as required by Zambian Law. The illicit cigarette market constitutes approximately 30% of the total market representing revenue loss to Government of approximately ZMW200 million annually.

### Financial Results

The Company recorded an increase in turnover of 40% amounting to K230.6 million during the period under review compared to the K165.2 million recorded in same period in 2018. The increase in turnover was largely driven by a general volume increase across the portfolio of 32%. The increase in volume sold was as a result of the Company being able to compete favourably on price following the commencement of local production at the end of 2017. The Company continues to invest in marketing its brands and improve on the distribution of products. Turnover in the financial results represents revenue, excluding excise duties.

An operating profit of K19.0 million was recorded compared to an operating profit of K16.6 million in 2018. This represents an increase of 14%. The increase in operating profit was driven by the increase in turnover, coupled with smart cost management across the rest of the business.

For the period ended 31 December 2019, the Company made a loss before taxation of K25.1 million compared to a profit before taxation in 2018 of K8.9 million. The decrease is largely attributable to the severe depreciation of the Kwacha versus the United States Dollar which negatively impacted the Company's foreign currency denominated borrowings.

Cash generated from operations increased by K92.6 million from a negative cash generated from operations in 2018.

### Going Concern

The Company incurred a net loss for the year ended 31 December 2019 of K23,260,000 (2019: Profit K9,680,000) and as at that date its current liabilities exceeded its current assets by K10,139,000 (2018: current assets exceeded current liabilities by K52,543,000). The total liabilities of the Company exceeded total assets by K16,759,000 (2018: total assets exceeded total liabilities by K5,601,000).

The loss for the year was mainly driven by the 19% devaluation of the Kwacha against the United States Dollar during the year (2018: 20% devaluation).

Aligned to its business strategy, the Company has projected profits and positive cash flows for the years ending 31 December 2020 and 2021. Management believe that this is achievable based on the investment in the construction of a local manufacturing plant that will allow the Company to continue its competitiveness for volume and value growth in Zambia which will ultimately see the Company return to positive equity. In line with its plans and profit forecasts, the Company is expected to generate profits higher than the accumulated losses recorded as at 31 December 2019 by the second quarter of 2020.

The majority shareholder, British American Tobacco International Holdings (UK) Limited, has further pledged financial support to the Company in a letter of support for the purposes of its business operations. The US\$10 million loan from British American Tobacco International Finance Dollar Limited is due in November 2021.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and the trade and other payables continue to be settled in the ordinary course of business.

### Dividends

In view of the company's performance for the period, the Directors do not recommend the payment of a dividend.

### Contributions to the Government Treasury

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 are Excise, Corporate Tax, VAT, PAYE and Withholding Taxes. The Company's contribution to the treasury in various taxes for the period to 31 December 2019 was ZMW149.3 million (2018: ZMW105.5 million).

### Board Composition

Mr. Godfrey Machanzi resigned on 30th September 2019 as Managing Director. The Board extends its appreciation to Mr. Machanzi for his service during his tenure. I take this opportunity to welcome Mr. Kimesh Naidoo, who succeeded Mr. Machanzi in the role of Managing Director. The Board congratulates Mr. Naidoo and wish him well in his new role.

### Outlook

Excise was increased from ZMK 240/mille to ZMK 265/mille with effect from 1 January 2020. The excise increase is within the bounds of inflation. It is our view that manageable increases which are in line with inflation, will avoid the further growth of the illicit cigarette market.

Trading conditions are expected to remain challenging in 2020 as the country continues to strive for economic stability. We are confident that our strategies remain appropriate and that our brand portfolio is consumer relevant. Further, the quality of our people and processes will help us to deliver the sustainable competitive advantage required for the future success of the Company.

### Conclusion

I would like to express my thanks and appreciation to my fellow Directors on the Board, the Management Team, staff and all other stakeholders.

**Michael Mundashi**  
Chairman  
20 March 2020

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

The audited results of the Company's operations for the year ended 31 December 2019 are as follows:

### Abridged Income Statement

	31 December		
	2019 K '000	2018 K '000	Var %
Turnover	230,631	165,206	40%
Operating profit	19,007	16,637	14%
(Loss)/profit before taxation	(25,098)	8,862	-383%
Income tax credit	1,838	818	25%
(Loss)/profit after taxation	(23,260)	9,680	-340%
(Loss)/profit attributable to shareholders	(23,260)	9,680	-340%
Earnings per share (Kwacha)	(0.11)	0.05	-320%
Dividend per share (Kwacha)	-	-	-

### Abridged Balance Sheet

	As At 31 December	
	2019 K '000	2018 K '000
Non-current assets	145,357	131,933
Bank balances and cash	28,332	27,469
Other current assets	58,862	107,270
Total current assets	87,194	134,739
Total assets	232,551	266,672
Non-current liabilities	(151,977)	(178,875)
Current liabilities	(97,333)	(82,196)
<b>Total net Liabilities</b>	<b>(16,759)</b>	<b>5,601</b>
Total shareholders' (deficit)/funds	(16,759)	5,601
<b>Total capital employed</b>	<b>(16,759)</b>	<b>5,601</b>

### Abridged Cash Flow Statement

	31 December	
	2019 K '000	2018 K '000
<b>Operating Activities</b>		
Cash generated from/(utilised in) operations	43,244	(67,826)
Interest received	1,614	3,210
Interest paid	(14,517)	(743)
Income tax (Paid)/refunded	(1,618)	1,486
Net cash generated from/(utilised in) operating expenses	28,723	(63,873)
<b>Investing activities</b>		
Purchase of property, plant and equipment	(262)	(47,543)
Proceeds on sale of property, plant and equipment	267	415
Net cash generated from/(utilised in) investing activities	5	(47,128)
<b>Cash flows from financing activities</b>		
Net unclaimed dividend (paid)/refunded for previous years	(37)	300
Final 2015 dividend paid for major shareholder	-	(15,759)
Proceeds from loans and borrowings	-	163,416
Repayment of loans and borrowings	(53,353)	(10,247)
Net cash (utilised in)/generated from financing activities	(53,390)	137,710
Decrease/(increase) in cash and cash equivalents	(24,662)	26,709
Effect on exchange rate fluctuations on cash and bank	25,525	26,406
Cash and cash equivalents at beginning of year	27,496	(25,646)
<b>Cash and cash equivalents at end of period</b>	<b>28,332</b>	<b>27,469</b>

### NOTE

**The Notice of the Eighty Fifth Annual General Meeting will be issued separately**

By Order of the Board

**Zoe Chisanga Chiliboyi**  
Company Secretary  
26 March 2020