



MEDIA STATEMENT: BRITISH AMERICAN TOBACCO KENYA ANNOUNCES FULL-YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

Nairobi, 14th February 2019

A strong performance in a challenging operating environment

British American Tobacco Kenya plc has today announced its full year results for the year ended 31 December 2018, posting gross revenues of KSh 36.5 billion, profit after tax of KSh 4.1 billion and a contribution to Government revenue of KSh 18.3 billion. The company's shareholders will receive a total dividend of KSh 35 per share.

The results reflect a strong performance in what continues to be a challenging operating environment, particularly in a domestic market that has seen the sale of illicit cigarettes rise year-on-year – now standing at 14.1% of the total market, up from 12.4% in 2017.

Commenting on the results, BAT Kenya Managing Director, Beverley Spencer-Obatoyinbo said: "I am pleased to report that BAT Kenya delivered a strong performance in 2018 in what were difficult trading circumstances in Kenya and across its export markets.

"For the Full year 2018, profit after tax increased by 22% to KSh 4.1 billion while net revenue increased by 11% to KSh 20.8 billion. This was driven by excise-led pricing in the Kenya and export markets coupled with an increase in cut rag (semi-processed tobacco) sales volumes.

"Despite the improved performance, it is worrying to note that the illicit cigarette market in Kenya grew.

"At the end of 2017, we commissioned independent third-party research which found that 12.4% of the cigarettes sold in the market were illicit, either having been smuggled into the country, having been destined for a lower tax market that was never reached or having been produced in Kenya with forged tax stamps.

"Worryingly and despite heightened attention from the authorities - whose efforts we welcome and fully support - this figure had reached 14.1% at the end of 2018, meaning that some 700 million cigarettes in the market have evaded tax and denied as much as KSh 2.5 billion in revenue to the Government.

"From our research the majority of illicit cigarettes seen in the Kenyan market appear to be labelled as one product – Supermatch. Other industry players have also recognised the prevalence, denied their involvement and raised similar concerns with the relevant authorities.

“It is therefore essential that the authorities take urgent action to investigate the source of these products and put in place the necessary measures and safeguards to ensure a wholly legitimate market for cigarettes.

“At the same time, we both welcome and encourage the principle of fair competition which enables a wholly legitimate market to flourish.

“Despite the challenges we face as a business, our well-balanced portfolio of brands, which covers all major price points, and our geographic diversity mitigates the risks for shareholders and we believe our strategy is the right one to drive future growth.

“Going forward, regulatory and fiscal stability in the domestic business is critical for business growth and to further contribute to the advancement of manufacturing as a pillar of the Government’s “Big Four” agenda.”

Also commenting on the results, BAT Kenya Chairman, George Maina said:

“As we continue into 2019 and onwards, BAT Kenya remains committed to building a sustainable business which contributes to economic growth and delivers value for its shareholders.

“In 2018, we began a workplace transformation project that saw us invest over KSh 600 million to transform our Nairobi manufacturing hub into a modern and great place to work for our employees – ensuring we attract and retain the very best in the market. With this infrastructure, alongside the exceptional quality of talent within the Company and our partnerships with over 80,000 trade partners and tobacco farmers, I am confident that we have the right strategy and the right people in place to deliver business growth and continued value to all our stakeholders in the years ahead.”

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ABOUT BAT KENYA

British American Tobacco Kenya plc (BAT Kenya), is a limited liability company duly incorporated under the provisions of the Kenyan Companies Act. The company was established in Kenya in 1907 and has been listed on the Nairobi Securities Exchange (formerly Nairobi Stock Exchange) since 1969. It has approximately 5,000 shareholders around 4,000 of whom are local shareholders. The company is in the business of tobacco farming, tobacco processing, cigarette manufacture and the exporting and selling cigarettes and tobacco products.

BAT Kenya’s tobacco growing operations partner with over 5,000 contracted farmers in the counties of Bungoma, Busia, Migori, Homa Bay, Meru, Embu and Tharaka Nithi. In the 2017 tobacco growing season, our farmers delivered 8.9 million tonnes of leaf and received KSh 1.5 billion in payment. BAT Kenya has generated direct and indirect employment opportunities for more than 80,000 Kenyans through tobacco farming, tobacco processing, cigarette manufacturing, tobacco product distribution, urban and rural retailing, wholesale trade, transport, logistics and domestic procurement.

BAT Kenya currently employs about 400 permanent employees and has a manufacturing plant in Nairobi. This is a strategic manufacturing hub for the British American Tobacco Group, exporting more than 60% of its output to thirteen countries in Africa.

BAT Kenya has contributed to Kenya's economic growth through its continued and systematic year-on-year investments. Over the past 5 years, it has invested over KSh 8 billion in tobacco farming and processing including at the Green Leaf Threshing Plant in Thika and the cigarette manufacturing factory in Nairobi. In the past 5 years, BAT Kenya contributed over KSh 87 billion to national revenue through various taxes (Excise Duty, Value Added Tax (VAT), Pay as You Earn (PAYE) and Corporation Tax).

BAT Kenya operates a sustainable business and invests in various initiatives to reduce the impacts of its business and contribute to the development and protection the communities and ecosystems in which it operates. The Company drives various programmes in Sustainable Agriculture and Environmental conservation, including afforestation activities through which it has recorded over 50 million surviving trees planted since 1978.