



MEDIA STATEMENT: BRITISH AMERICAN TOBACCO KENYA RELEASES FULL YEAR 2019 PERFORMANCE REPORT

Nairobi, 20th February 2020

A sustained performance in a challenging regulatory environment

British American Tobacco Kenya plc has today announced its full year results for the year ended 31 December 2019; posting gross revenues of KSh 39.8 billion, after tax profit of KSh 3.9 billion and a contribution to Government revenue of KSh 18 billion. The Company recommends a final dividend of KSh 30.00 per share for their shareholders, payable net of Withholding Tax to shareholders on the register on at the close of business on 20 March 2020. The total dividend for 2019 will be KSh 33.50 per share.

Commenting on the results, BAT Kenya Managing Director, Beverley Spencer-Obatoyinbo said:

“I am pleased to report that BAT Kenya’s business continues to show resilience and deliver sustained shareholder value, despite the difficult operating environment in Kenya and in many of our export markets.

“Gross revenue increased by 9.1%, driven by excise-led pricing on cigarettes in Kenya, increased cut rag (semi-processed tobacco) sales into Sudan and the introduction of new category revenue in Kenya following the launch of BAT’s new oral nicotine pouch, which does not contain tobacco. Profit before tax reduced despite the revenue growth, primarily due to the anticipated impact of the solatium compensation contribution and a 20% increase in excise duty rates during 2019.

“The launch of BAT’s oral nicotine product category was a major milestone for the Business in 2019 and a significant first step on our journey towards transforming the tobacco industry. Given the high incidence of oral stimulant use amongst smokers, we believe that this new product category will provide a viable alternative to smoking. As such, we are looking to invest KSh 2.5 billion in building a first-of-its-kind factory in Africa for the manufacturing of our oral nicotine pouch. The factory would serve as a major export hub for Africa and beyond. It is an investment that speaks to Kenya as a destination for foreign direct investment and our commitment to the manufacturing agenda.

“Despite this encouraging performance and the introduction of a new product category, our Business revenues will continue to be driven by our cigarette business for the foreseeable future. We therefore cannot afford to underestimate the threat of illicit trade and its impact on the legitimate cigarette market.

“Excise increases continue to adversely impact consumer affordability, leading to a higher incidence of illicit trade at the expense of the legitimate industry and tobacco-related government revenues. As at November 2019, our data suggests that a decline in the incidence of illicit trade originating from Kenya has been almost entirely offset by a significant increase in the volume of illicit cigarettes coming across the Ugandan border, which by our estimate now accounts for more than 90% of all tax-evaded cigarettes sold in Kenya. These are predominantly cigarettes comprised of non-Kenyan tobacco leaf and are therefore adversely impacting Kenyan tobacco farmers.

“Affordability challenges for tobacco consumers were intensified following the 20% increase in excise duty on tobacco products towards the end of 2019. We are extremely concerned that this latest excise shock will lead to a major increase in the incidence of tax-evaded cigarettes unless the Kenyan and Ugandan governments work together and take decisive action to tackle the problem at source. We therefore continue to urge the responsible government agencies to redouble their efforts towards combating illicit trade in cigarettes and put in place the necessary border control, manufacturing and supply chain measures to protect the consumer and recover the estimated KSh 2.5 billion of Government revenues lost to smuggled tax-evaded cigarettes.”

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

“I am extremely pleased by the business’ resilient performance, which is reflected in the recommendation by the Board of Directors of a final dividend of KSh 30.00 for 2019. The total dividend for 2019 will be KSh 33.50 per share.

“As we continue into 2020 and beyond, BAT Kenya remains committed to leading the transformation of the tobacco industry and building a sustainable business that contributes to manufacturing and economic growth.

“I am confident that with our sustained investment, the exceptional quality of talent within the Company, and our partnerships with over 80,000 business partners and 5,000 tobacco farmers we have the right strategy in place to deliver continued value to our shareholders and other stakeholders in the years ahead.”

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ABOUT BAT KENYA

British American Tobacco Kenya plc (BAT Kenya) was established in Kenya in 1907 and has been listed on the Nairobi Securities 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, manufacture and sale of tobacco and nicotine products without tobacco.

BAT Kenya has a manufacturing plant in Nairobi and a green Leaf Threshing plant in Thika. This is a strategic manufacturing hub for the British American Tobacco Group, exporting more than 65% of its output to over thirteen countries in Africa.

BAT Kenya's tobacco growing operations partner with approximately 5,000 contracted farmers in the counties of Bungoma, Busia, Migori, Homa Bay, Meru, Embu and Tharaka Nithi. In the 2019 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 is a major contributor to Kenya's economic growth through continued and systematic year-on-year investments and payments to the exchequer. Over the past 5 years, the Company has invested over KSh 6 billion in tobacco farming, processing and manufacture, including at the Green Leaf Threshing Plant in Thika and the cigarette manufacturing factory in Nairobi and contributed over KSh 90 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 of 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.



Solid Rock Commendation, Lifetime Achievement Award 2019 - Kenya Exporter of the Year Awards

Overall Best Employer in Kenya, 2018 – Federation of Kenya Employers Awards

Best Company in Electricity Savings, Water Savings & Sustained High Performance, 2019 – KAM Energy Management awards

Energy Compliance Certification 2019-2022 – Energy & Petroleum Regulatory Authority

Best Company in Sustainable Corporate Social Responsibility, 2018 – Think Business Awards