



MEDIA STATEMENT: BRITISH AMERICAN TOBACCO KENYA PLC (BAT KENYA) RELEASES HALF YEAR 2020 PERFORMANCE REPORT

Resilient performance during a challenging time for Kenyan businesses

Nairobi, 16th July 2020: BAT Kenya has today announced its half year results for the six months ending 30th June 2020; posting gross revenue of KSh 16.6 billion, profit before tax of KSh 3.7 billion and contributions to Government revenue of KSh 7.4 billion.

The Board of Directors have approved an interim dividend of KSh 3.50 per share. The interim dividend, which is subject to withholding tax, will be paid on 18th September 2020 to shareholders on the register at the close of business on 21st August 2020.

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 despite the difficult operating environment in Kenya and our export markets.

“For the first half of 2020, gross revenue reduced by 13.6% to KSh16.6 billion as a result of lower domestic and export sales. This was mainly due to the impact of the COVID-19 pandemic on the consumer purse. With high unemployment and a significant increase in the cost of a number of basic consumer goods both in Kenya and our export markets, the pandemic has left many consumers more cash-stretched than ever.

““Our domestic business, in particular, continues to be impacted by consumer affordability challenges, owing to the recent 20% increase in tobacco excise duty. As a result, we are seeing an increased presence of tax-evaded cigarettes in the Kenyan market as consumers seek out cheaper illegal product. The combined effect has been a domestic volume reduction of 35%, while contributions to Government revenues have reduced by KSh 1.9 billion to KSh 7.4 billion.

“Despite such impacts, profit before tax increased by 1.5% to KSh 3.7 billion, with the decline in revenue mitigated by productivity savings initiatives and prudent cost management measures.

“We are concerned that, despite the current heightened border controls put in place to mitigate the spread of COVID-19, our trade teams continue to report an increased presence of illegal tax-evaded cigarettes particularly in western Kenya. This is consistent with third party research

conducted at the end of last year, which indicates that more than 90% of illegal cigarettes sold in Kenya are smuggled across the Ugandan border.

“Illegal cigarettes continue to deny the Government in excess of KSh 2.5 billion every year. With the rising cases of COVID-19 infection and resulting impact on the business environment, this is revenue that is desperately needed to support the economic recovery.

“Evidently, border enforcement alone is not sufficient to stem the illicit trade in cigarettes. While Kenya’s ratification of the WHO’s Illicit Trade Protocol (ITP) is an important step, we urge the Kenyan authorities to redouble their enforcement efforts and enhance cooperation with their Ugandan counterparts to stem the flow of these products into Kenya. This requires the identification of the source of these illegal products and their supply routes.

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

“The resilient performance of our business reflects our commitment to build a sustainable business that contributes to Kenya’s manufacturing and economic growth. As we navigate the COVID-19 pandemic, our primary focus is to ensure the safety of our employees, maintain business continuity and work with relevant Government agencies to ensure a stable and predictable regulatory environment.

“Looking forwards, I am confident that with our sustained investment in our cigarette business and new product categories, including our tobacco-free modern oral nicotine pouch, the exceptional quality of talent within the Company, and our partnerships with over 80,000 business partners and tobacco farmers, we have the right strategy in place to deliver a better tomorrow for consumers, society, employees and shareholders.”

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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 60% 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 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.

