



EABL F14 Full Year Results Media Briefing

7th August 2014

Outline of the Full Year Results Briefing



- F14 Full Year Review Charles Ireland
- Financial Performance Tracey Barnes
- Summary and Outlook Charles Ireland
- Q&A



F14 Full Year Review

Charles Ireland
Group Managing Director

EABL has a stretching ambition and is well-positioned to achieve it...

To create the **best performing, most trusted and respected consumer products company in Africa**



- Market-leading brands in beer and spirits
 - In this region since 1922
- Strategy of investing for future growth
 - Strong values
 - Global best practice

We achieved Net Sales growth of 4%...

	<u>Kshs M</u>	
Net Sales	61,292	+4%
Cost of Sales		-1%
Gross Profit		+10%
Profit After Tax	6,859	+5%

EABL delivered strong growth across the Group which mitigated the decline of Senator Keg...



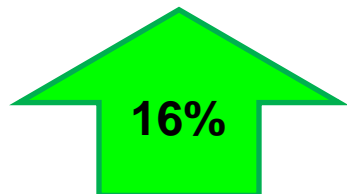
Key wins

- Premium and mainstream beer performance
- Growth of spirits
- Supply chain efficiencies

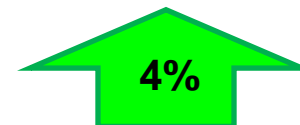
Key challenges faced

- Excise tax on Senator Keg
- Tanzania business performance
- Political instability in South Sudan

Growth excluding Senator



Growth including Senator

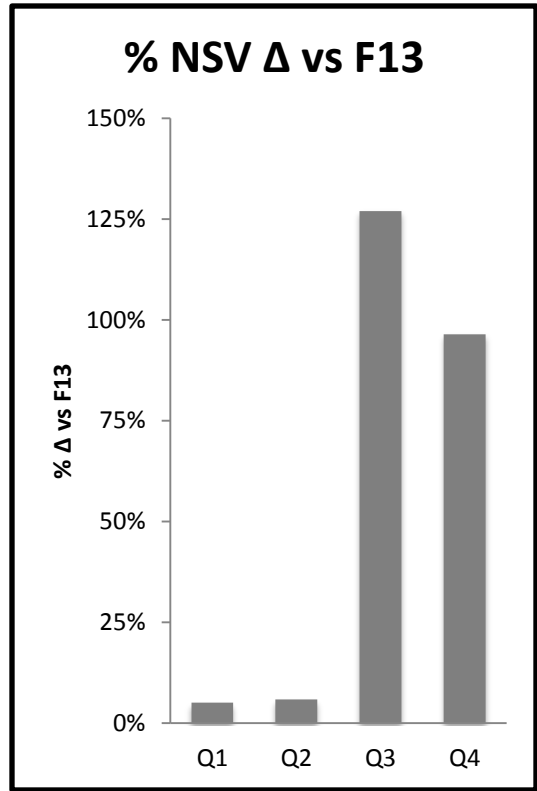
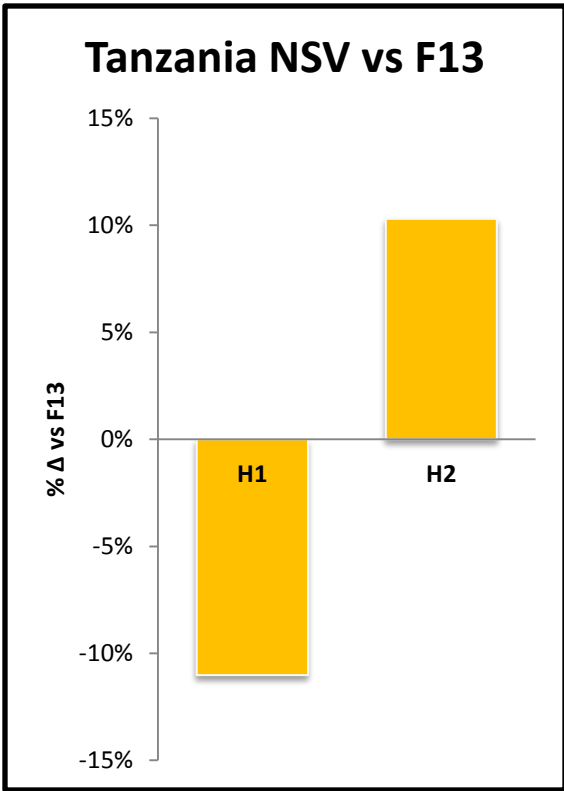
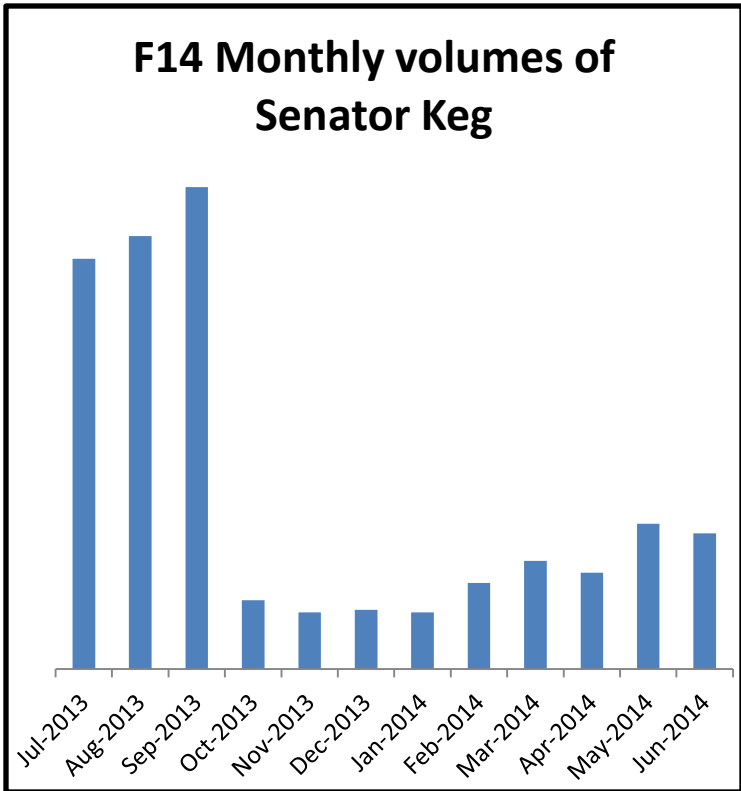


Impact of those Key challenges...

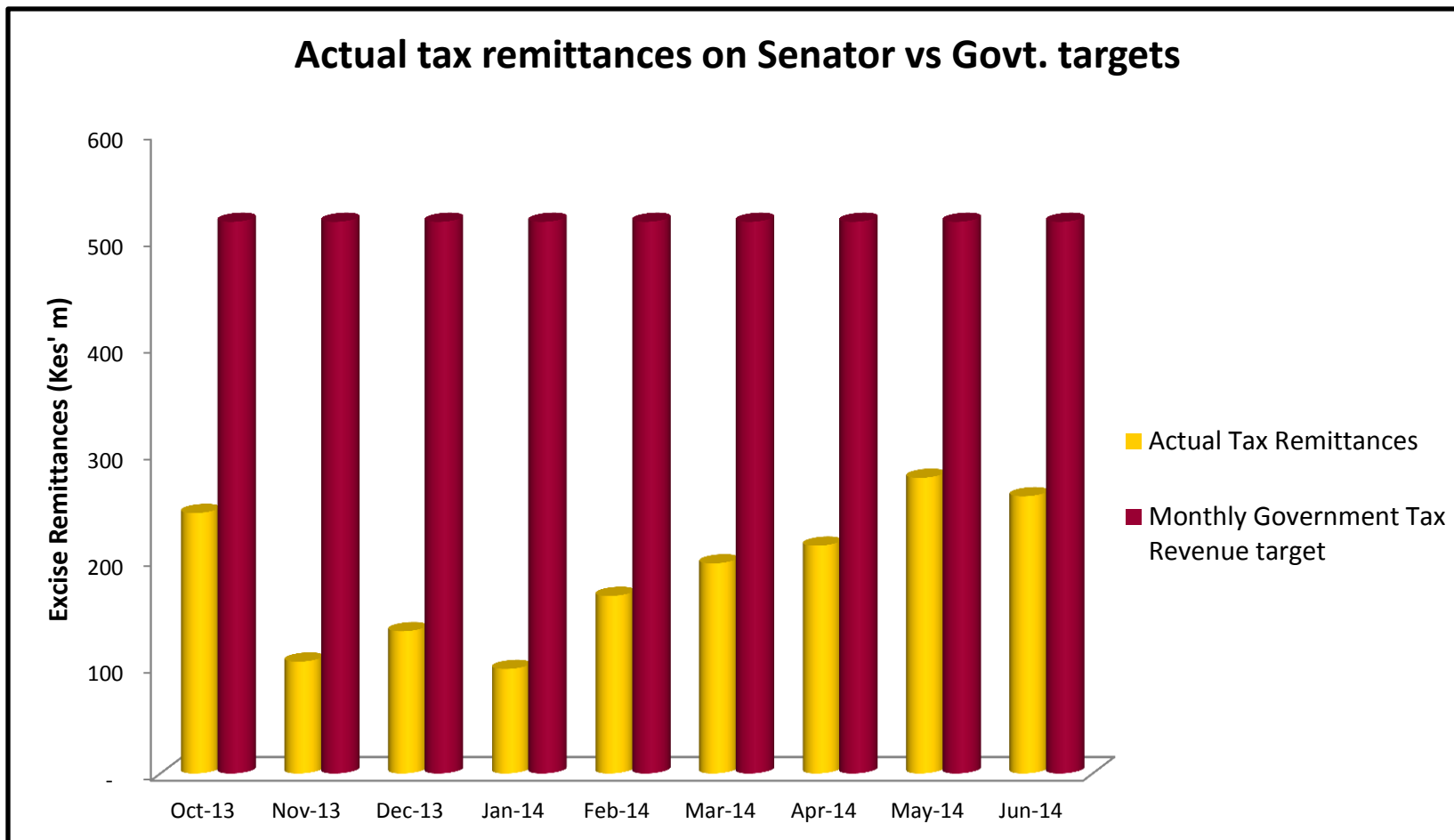
Senator

Tanzania

South Sudan



Senator excise duty increase has also impacted Government revenue collections...



Growth in NSV in Uganda and EABLi...

Kenya

Uganda

Tanzania

EABLi

64% of NSV

18% of NSV

11% of NSV

7% of NSV



(1%)

13%

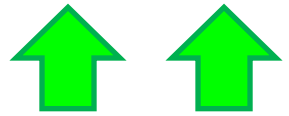
(1%)

50%

Excluding Senator +18.2%

Premium and mainstream sectors performed strongly in the year...

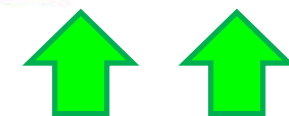
Premium Beer



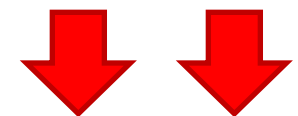
RTDs



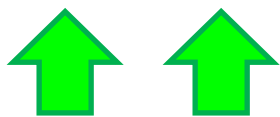
Mainstream Beer



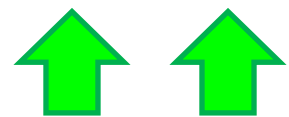
Emerging Beer



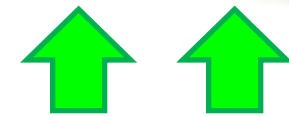
Reserve Spirits



Premium Spirits



Mainstream Spirits



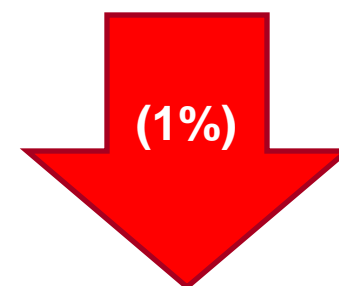
Emerging Spirits



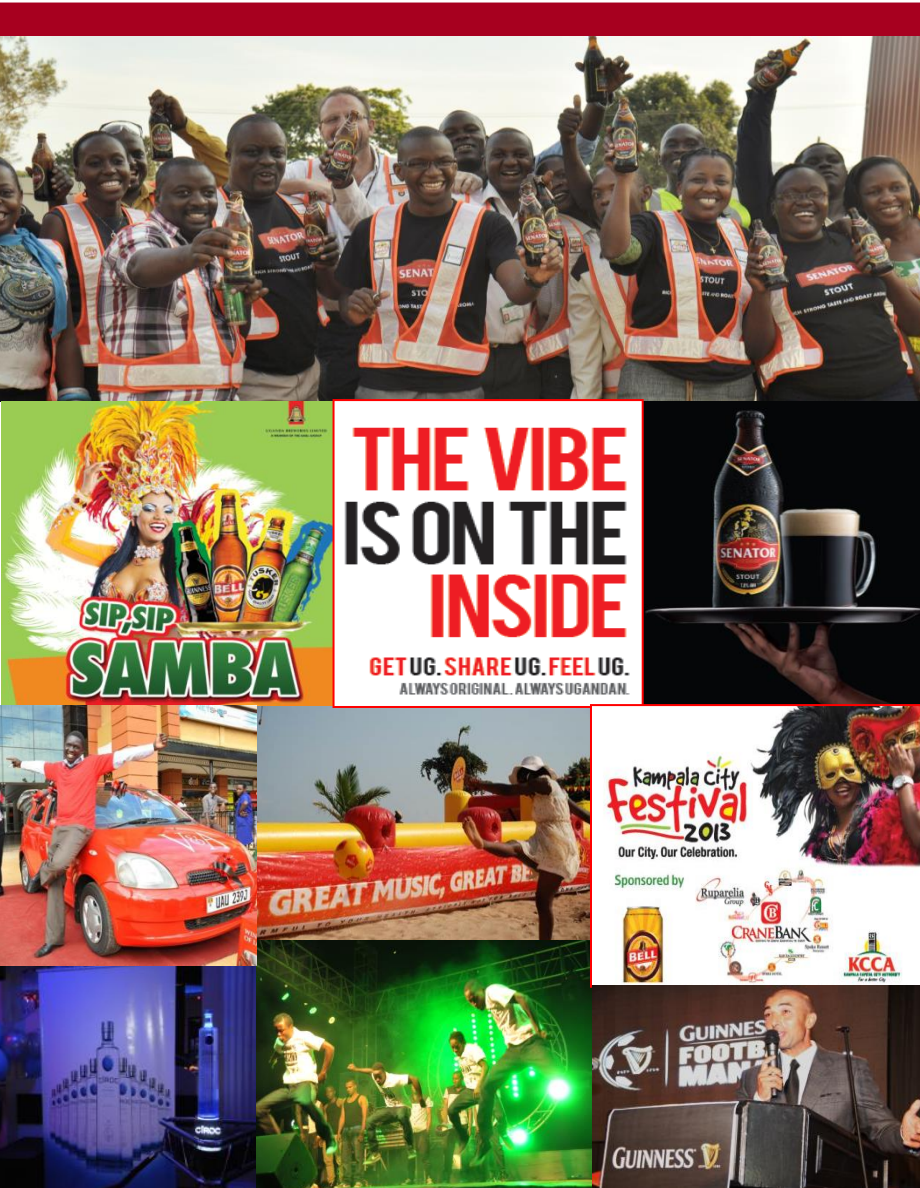
Kenya delivered flat performance at NSV...



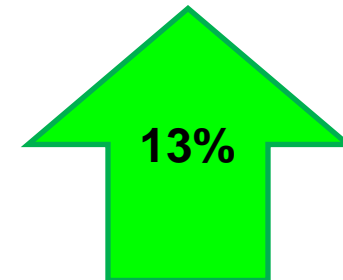
- Senator volumes collapsed Q2,3, 4
- Actions taken to strengthen Tusker, Guinness, Baileys, overall packaged beer and overall Spirits
- Strong Innovation programme
- Significant actions taken to optimise cost base
- Route to Consumer Project underway
- Actions taken to strengthen People Performance



Uganda delivered good performance with 13% Net Sales growth...



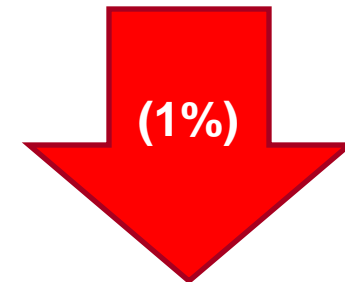
- Pricing interventions and new campaign on Bell
- Premium beer drives improved mix
- Strong performance on Waragi Gin
- Successful launch of Reserve portfolio
- Route to Consumer project underway
- Strengthened management team



Tanzania performance was impacted by the short-term effect of our Route to Consumer changes...



- Significant changes made to our Route to Consumer which resulted in short-term destocking
- Premium Serengeti Lager delivering year on year volume growth
- Growth in Q4 with the Launch of Serengeti Platinum
- Kibo Gold re-launched in new bottle
- Actions taken to drive out costs



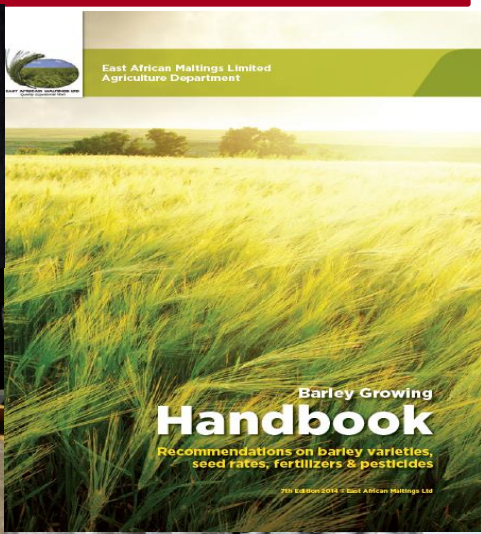
Strong performance in EABLi despite the political unrest...



- New depot launched in Juba
- Premium beer drives improved mix
- Successful roll-out of cans
- Poor duty free performance



Our momentum continues on our Capex and Cost agenda...



Driving Out Cost

INCREASE SALES

COSTS Drive out costs

Increase PROFITS

Capex

- New spirits line commissioned in Kenya in June
- Kenya warehouse opened in March
- Tanzania mash cookers installed in March
- KBL Capacity expansion completed in November

Driving out Costs

- Supply Chain efficiencies delivered Kshs1.6b savings in 2014
- Priority based budgeting in Tanzania
- Barley farmer engagement
- Group restructure successfully concluded

We are optimising our Route to Consumer...



- Route to Consumer restructuring projects underway in all EABL markets
- New Route to Market (RTM) launched in Tanzania
- New depot opened in Juba
- KasKazi pilot launched in Kenya

Our investment in people and communities underpins our business objectives...



- Skills for Life programme
- 100+ EABL employees on accelerated development programmes at entry, mid career and senior leadership levels
- Amazing line manager programme for our top 100 people managers
- Implemented our integrated HR information system
- Multi-year Talent programme linked to our performance ambition
- Water of Life to 1m East Africans
- Award-winning Responsible Drinking initiatives

Thank You

Please Hold the questions to the end

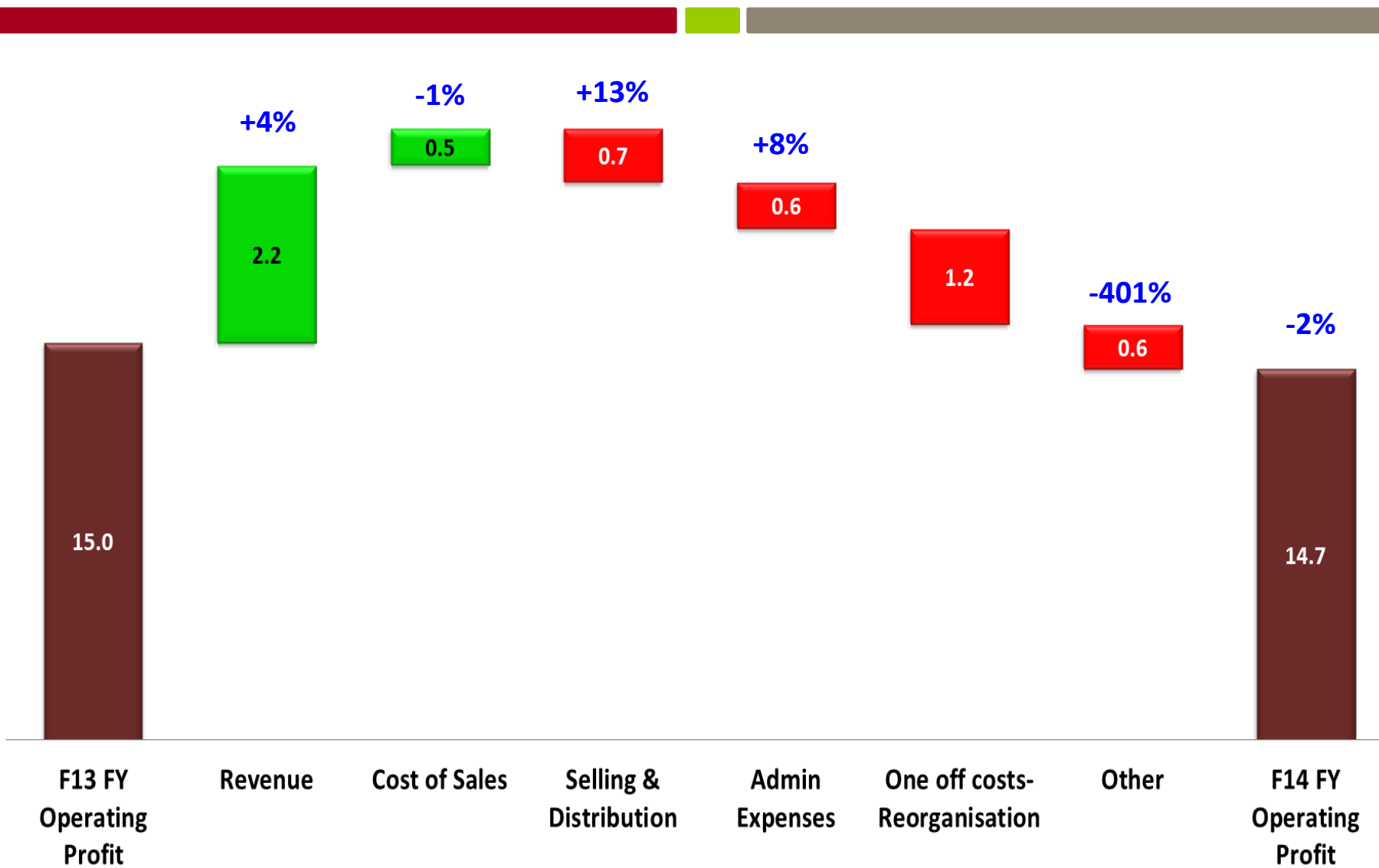




F14 Full Year Review

**Tracey Barnes,
Group Finance Director**

EABL Profit from operations declined by 2%...



Priority brands drove growth in Revenue...

Financial Report FY 30th June 2014

EABL Consolidated Income Statement

	30/06/2014	30/06/2013	
	<u>Kshs M</u>	<u>Kshs M</u>	<u>Growth %</u>
Net Revenue	61,292	59,062	4%
Cost of Sales	<u>(31,099)</u>	<u>(31,563)</u>	-1%
Gross Profit	30,194	27,499	10%
Selling and Distribution costs	(5,761)	(5,085)	13%
Administrative expenses	(8,139)	(7,555)	8%
One off costs- reorganisation	(1,205)	-	
Other operating income / (expense)	<u>(422)</u>	<u>141</u>	-401%
Operating Profit	<u>14,666</u>	<u>14,999</u>	-2%

Net Sales grew +4%. Key brand highlights are:

- Tusker retained its market leadership position and grew 17% above last year
- Guinness grew by 20% supported by a new packaging launch and price increase
- Bell grew by 14% as a result of stronger communication, activations and price increases and access to local raw materials concessions
- Serengeti Premium Lager grew by 16% through the Fiesta Music Tour and route to consumer changes
- Adverse mix in spirits as higher growth on the lower end value category
- Senator declined by over 75% post implementation of excise duty

Cost of sales improved by 1% driven by supply chain efficiencies...

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Fixed costs under-recovery mainly due to lower Senator volume shortfall, mitigated through COGs savings initiatives across our businesses. These includes:-

- Raw-materials-Savings from use of locally sourced raw materials
- Savings from reduction in 3rd party ware-houses
- Improvement on waste levels, utility usage and product quality
- Lengthening our maintenance cycle and cost conscious culture

Continued investment in Selling & Distribution...



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- Selling and distribution costs rose by 13% as we continue to invest ahead in our brands
- Administrative expenses increased by 8%.
- One – off costs of Kshs 1.2bn relating to reorganisation costs which will set us up for success in the years to come

Increased finance costs driven by higher borrowings . . .

Financial Report FY 30th June 2014

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Operating Profit	14,666	14,999	-2%
Net Finance income / (costs)	(4,259)	(3,885)	10%
Profit before taxation	10,407	11,115	-6%

- Total group borrowings increased in FY14 to fund operations and capital expenditure, which increased interest expenses

The effective tax rate has improved to 34% this year...

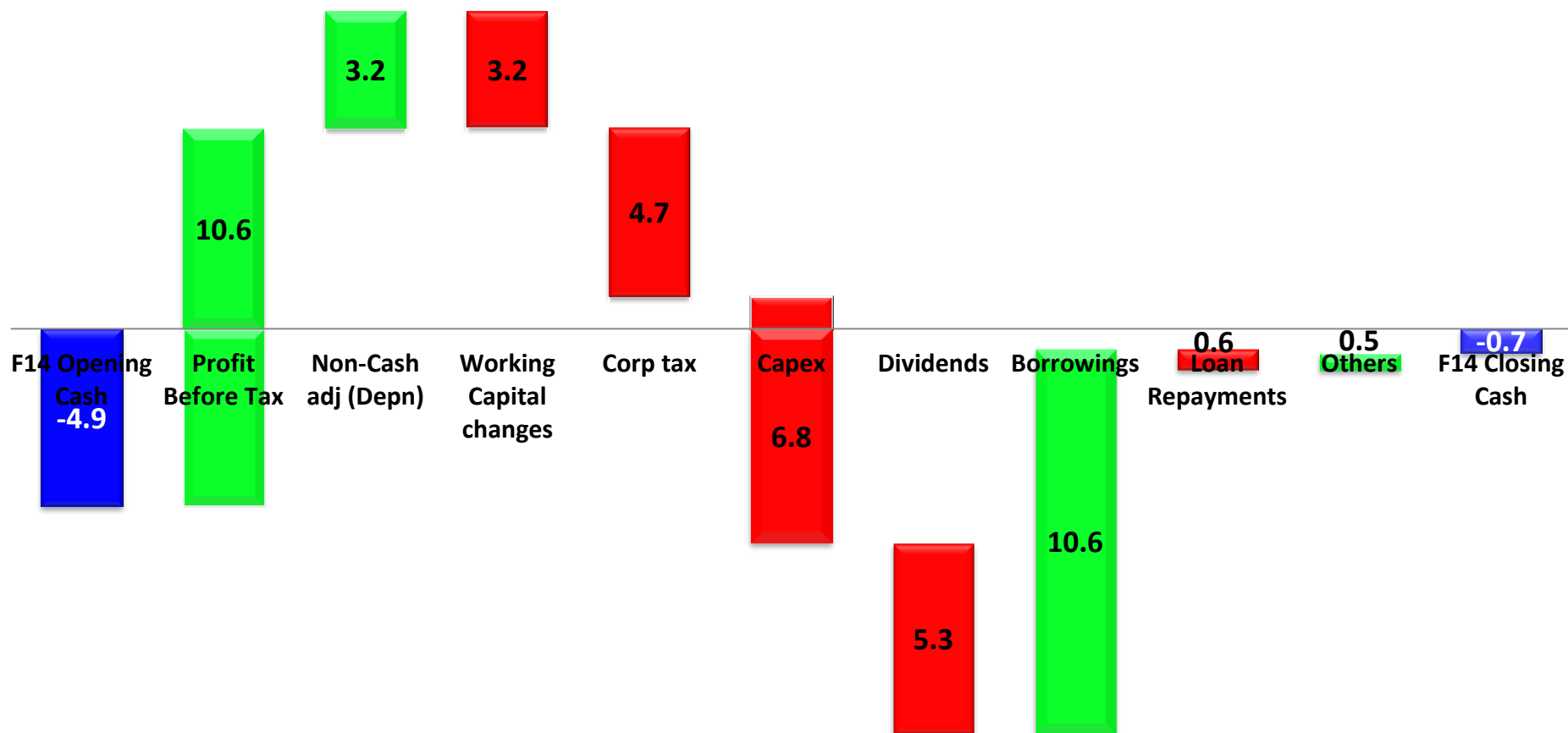
Financial Report FY 30th June 2014

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Operating Profit	14,666	14,999	-2%
Net Finance income / (costs)	(4,259)	(3,885)	10%
Profit before taxation	10,407	11,115	-6%
Income tax expense	(3,548)	(4,593)	-23%
Profit after taxation	6,859	6,522	5%
Non Controlling interest	360	(241)	249%
Profit attributable to Equity holders	6,499	6,764	-4%

- Tightening our tax compliance environment and implementing a number of tax efficiency initiatives has lowered the ETR to 34% in F14
- The F13 effective tax rate (ETR) was 38% compared to 41% after the restatement. Deferred tax charge in FY13 was restated in order to correct the revaluation reserve balances and to align to the correct write-down values as per the Tanzania Revenue Authority's (TRA) investigations
- The increase in NCI is attributable to increase in profits in some of our subsidiaries

We improved our Cash position in the year...



Proposed dividends

Proposed Dividends - KES

Interim Dividend

1.50

Final Dividend

4.00

Total Dividend

5.50



Summary & Outlook

Charles Ireland
Group Managing Director

In summary, our performance was positive in spite of some headwinds.....



- EABL delivered +4% Net Sales and +5% Profit After Tax growth
- Our overall FY performance was impacted by:
 - Implementation of duty on Senator Keg
 - Route to Consumer changes in Tanzania
 - Political Instability in South Sudan
- We are confident in the long-term outlook for East Africa's consumer economies, and EABL's ability to win market share
- We have continued to invest for future growth:
 - We increased investment behind our brands by +13%
 - Increased salesforce and Route to Consumer investment
 - Net capex of 6.8bn Kshs

Q & A Session





- END -

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These factors include, but are not limited to:

- global and regional economic downturns;
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- the effects of EABL or Diageo's strategic focus on premium drinks, the effects of business combinations, partnerships, acquisitions or disposals, existing or future, and the ability to realise expected synergies and/or costs savings;
- EABL or Diageo's ability to complete existing or future business combinations, restructuring programmes, acquisitions and disposals;
- legal and regulatory developments, including changes in regulations regarding production, product liability, distribution, importation, labeling, packaging, consumption or advertising; changes in tax law, rates or requirements (including with respect to the impact of excise tax increases) or accounting standards; and changes in environmental laws, health regulations and the laws governing labour and pensions;
- developments in any litigation or other similar proceedings (including with tax, customs and other regulatory authorities) directed at the drinks and spirits industry generally or at EABL or Diageo in particular, or the impact of a product recall or product liability claim on EABL or Diageo's profitability or reputation;
- developments in the Colombian litigation, Korean customs dispute, thalidomide litigation or any similar proceedings to which Diageo is a party;
- changes in consumer preferences and tastes, demographic trends or perception about health related issues, or contamination, counterfeiting or other circumstances which could harm the integrity or sales of EABL or Diageo's brands;
- changes in the cost or supply of raw materials, labour, energy and/or water;
- changes in political or economic conditions in countries and markets in which EABL or Diageo operates, including changes in levels of consumer spending, failure of customer, supplier and financial counterparties or imposition of import, investment or currency restrictions;
- levels of marketing, promotional and innovation expenditure by Diageo and its competitors;
- renewal of supply, distribution, manufacturing or licence agreements (or related rights) and licenses on favourable terms when they expire;
- termination of existing distribution or licence manufacturing rights on agency brands;
- disruption to production facilities or business service centres, and systems change programmes, existing or future, and the ability to derive expected benefits from such programmes;
- technological developments that may affect the distribution of products or impede EABL or Diageo's ability to protect its intellectual property rights; and
- changes in financial and equity markets, including significant interest rate and foreign currency exchange rate fluctuations and changes in the cost of capital, which may reduce or eliminate EABL or Diageo's access to or increase the cost of financing or which may affect EABL or Diageo's financial results and movements to the value of EABL or Diageo's pensions funds.

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