



EABL F14 Half Year Results Investor Briefing

14th February 2014

Outline of the Half Year Results Briefing



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



F14 Half 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
- History in this region since 1922
- Strategy of investing for future growth
 - Strong values
 - Global best practice

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

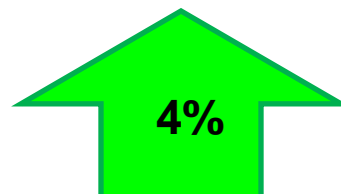


H1 Positives

- Premium and mainstream beer performance
- Growth of spirits portfolio
- Uganda growth
- Cost of sales efficiencies

H1 Challenges

- Excise Duty on Senator Keg
- Destocking in Tanzania



Good growth in Uganda led our business unit performance...



Kenya

▪ 66% of NSV



6%

Uganda

▪ 18% of NSV



17%

Tanzania

▪ 11% of NSV



(11%)

EABLi

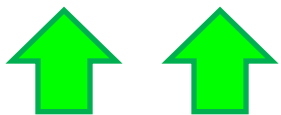
▪ 5% of NSV



6%

Premium and mainstream sectors performed strongly in H1...

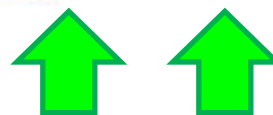
Premium Beer



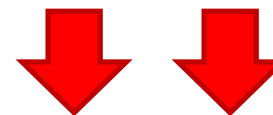
RTDs



Mainstream Beer



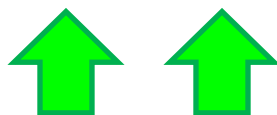
Emerging Beer



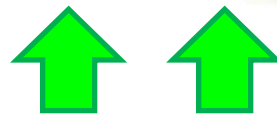
Reserve Spirits



Premium Spirits



Mainstream Spirits



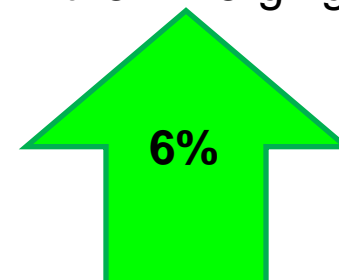
Emerging Spirits



Innovation, premiumisation and pricing delivered +6% Net Sales growth in Kenya...



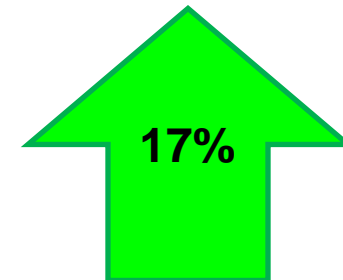
- Strong Q1, tough Q2 performance
- Impact of the VAT Act
- Implementation of excise Duty on Senator Keg on 1st October
- Pricing initiatives and growth of premium beer drove Net Sales growth
- Successful new Marketing campaigns
- Innovation in the Emerging sector



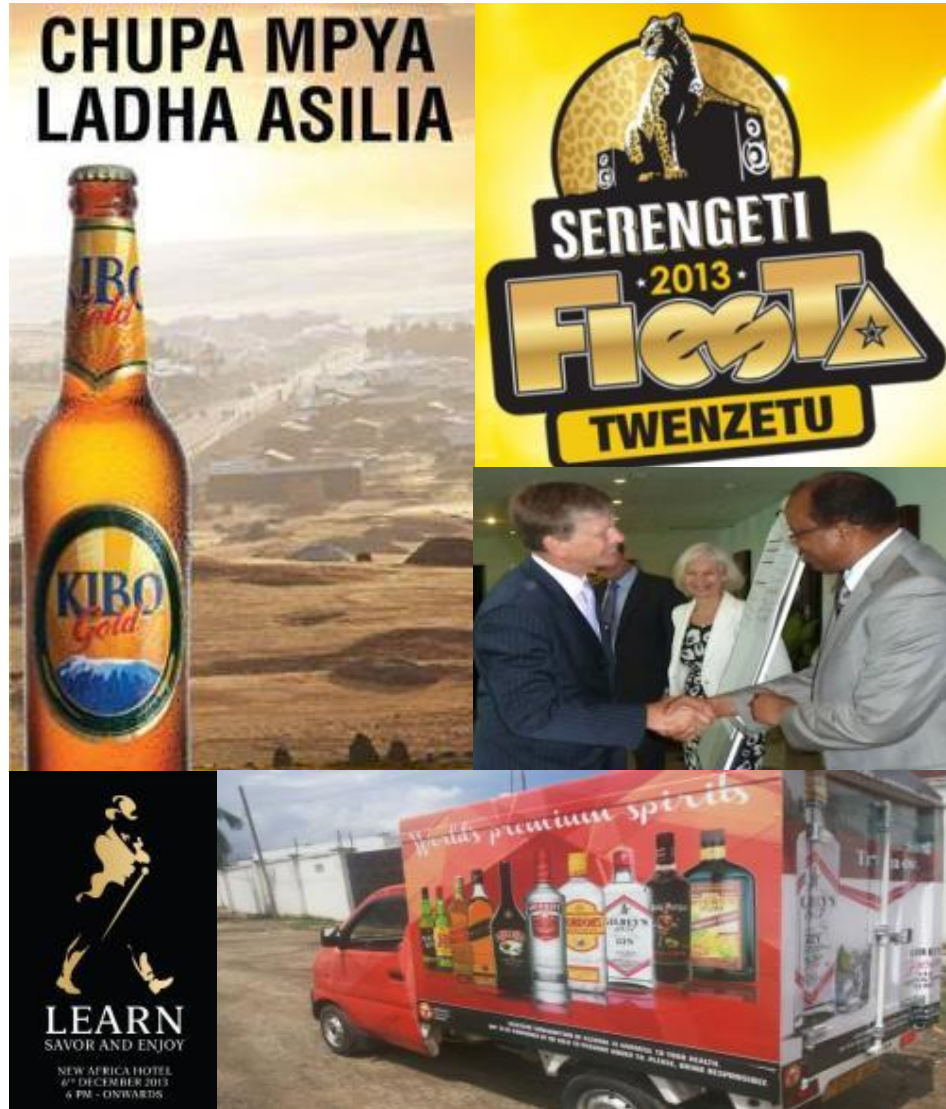
We delivered robust performance in Uganda with 17% Net Sales growth...



- Pricing interventions and new campaign on Bell
- Improved mix into premium beer
- Strong performance on Waragi Gin
- Successful launch of Reserve portfolio



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



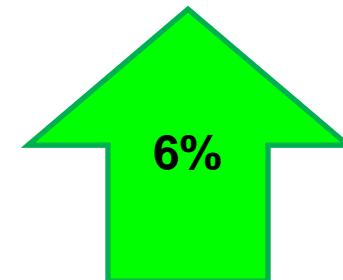
- Improved beer market
- Significant changes made to our Route to Consumer during Q1 leading to destocking in wholesaler channel
- Kibo Gold relaunched in new bottle
- Growth seen in Q2 as new Route to Consumer starts to deliver

-11%

Improving our mix has driven 6% Net Sales growth in our EABLi markets...



- All markets experienced consumer economy challenges during the first half
 - Subdued demand in Rwanda due to restrictions on donor funding
 - Unrest in South Sudan in December
- New depot launched in Juba
- Roll-out of cans
- Improved mix into premium beer



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



Capex

- New spirits line commissioned in Kenya
- Kenya warehousing project nearing completion
- Tanzania mash cookers on track

Driving out Costs

- Supply Chain projects underway to deliver Kshs 800m savings in 2014
- Priority based budgeting in Tanzania
- Barley farmer engagement
- Group restructure successfully concluded

We are optimising our Route to Consumer...



- Full Route to Consumer restructuring projects underway in all key EABL markets
- Increased direct distribution launched in Tanzania
- New depot installed in Juba
- Continued development of alternative sales channels

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



- New Leadership training programme launched
- 100+ EABL employees on accelerated development programmes
- Award-winning Responsible Drinking initiative
- Skills for Life programme
- Nairobi Water Round Table discussions
- Water of Life

This led to total net sales growth of +4%...

F14 H1 P&L vs F13

Kshs M

Net Sales

31,858

+4%

Cost of Sales

-1%

Gross Profit

+9%

Profit After Tax

4,161

+4%

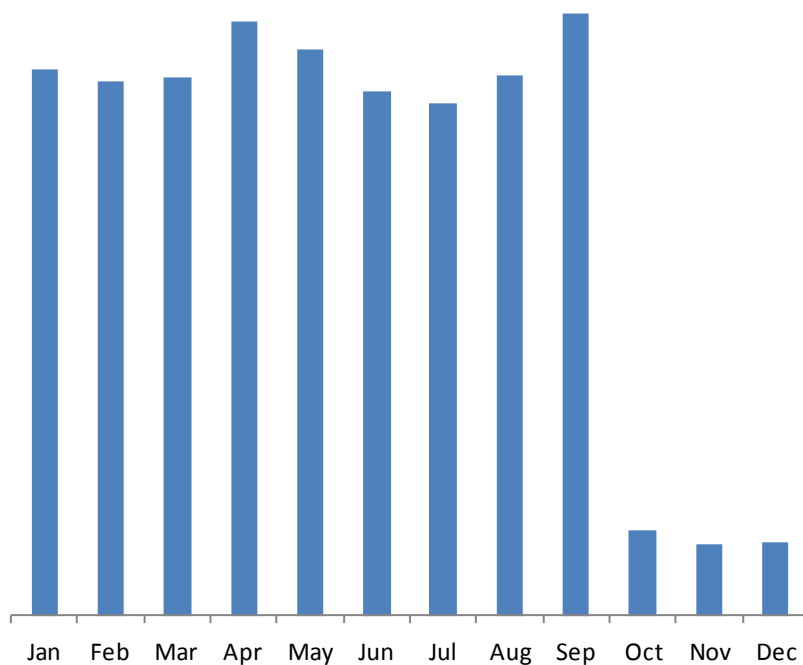


F14 Half Year Review

**Tracey Barnes,
Group Finance Director**

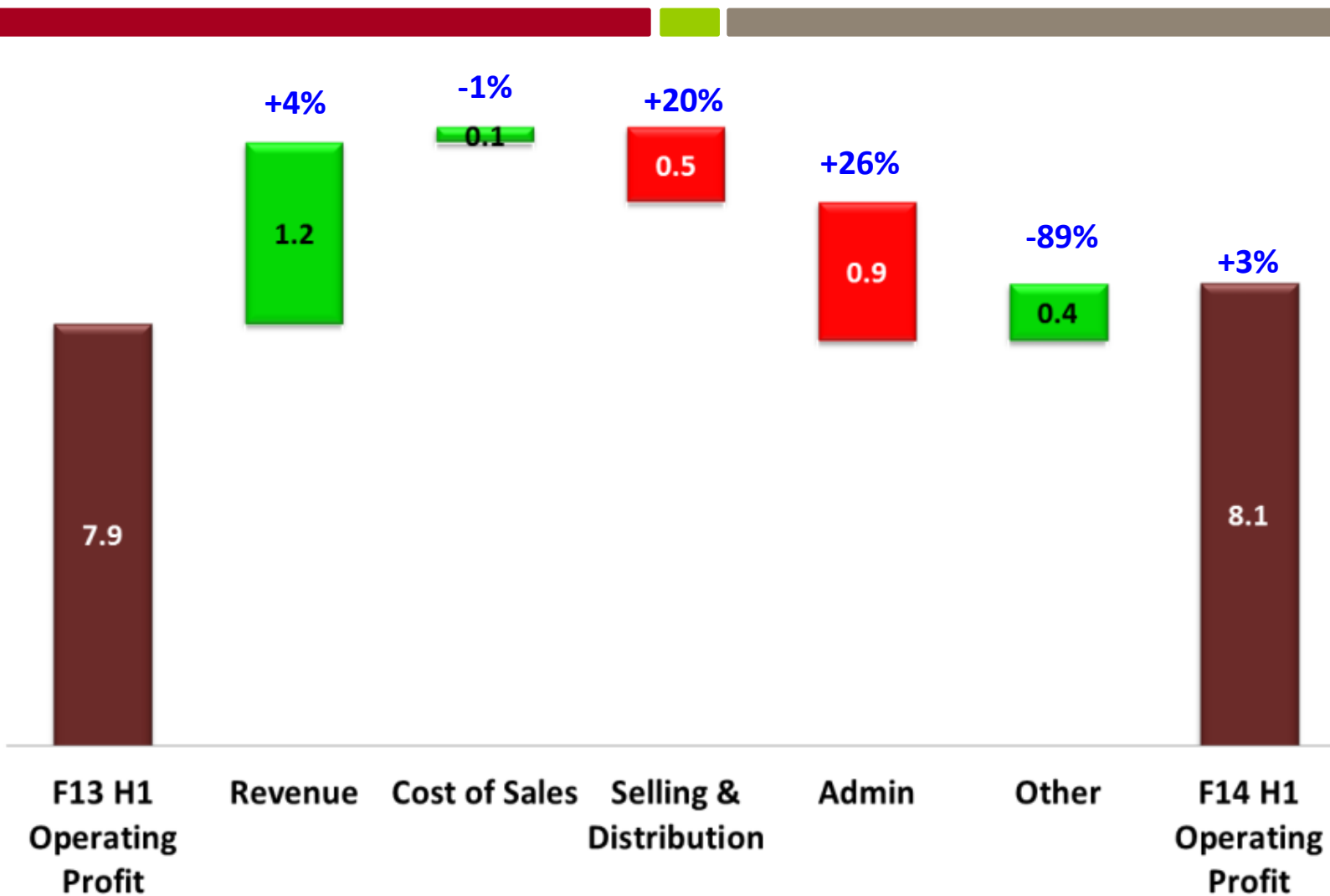
We have seen significant volume declines on Senator Keg...

2013 monthly volumes of Senator Keg



- Volumes declined by 85% following the implementation of Duty on 1st October
- 3,000 outlets have closed
- 3,000 other outlets in danger of closing
- We are working to improve performance
 - Innovation (Senator Dark Extra and Jebel Gold)
 - Pricing and marketing interventions

EABL delivered Operating Profit growth of 3% in H1...



Priority brands drove growth in Revenue...

Financial Report Half Ended 31st December 2013

EABL Consolidated Income Statement

	31-Dec-13	31-Dec-12	
	<u>Kshs M</u>	<u>Kshs M</u>	<u>Growth %</u>
Net Revenue	31,858	30,633	4%
Cost of Sales	<u>(16,127)</u>	<u>(16,234)</u>	-1%
Gross Profit	15,731	14,399	9%
Selling and Distribution costs	(3,047)	(2,541)	20%
Administrative expenses	(4,507)	(3,564)	26%
Other operating income / (expense)	<u>(50)</u>	<u>(436)</u>	-89%
Operating Profit	8,127	7,858	3%

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

- Tusker retained its market leadership position and grew 17% above last year
- Guinness grew by 24%
- Bell grew by 16% as a result of stronger communication, activations and price increases
- Serengeti Premium Lager grew by 3% through the Fiesta Music Tour and route to consumer changes
- Strong growth in spirits across all sectors
- Senator declined by 47% driven by the excise duty increase in Kenya in Q2

Raw materials costs improved by 6% on an equivalent unit basis...



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Cost of Sales decreased by -1%:

- On a per unit basis, raw materials costs were 6% below last year
- Realized efficiencies in both variable and fixed costs e.g.- maintenance and distribution costs

Continued investment in Selling & Distribution...



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Operating Profit	8,127	7,858	3%

- Selling and distribution costs rose by 20% as we continue to invest ahead in our brands
- Administrative expenses increased by 26% mainly driven by:
 - One-off costs to right size the organization
 - Investment in Route to Consumer in Kenya
 - Incremental investments in strengthening the back office of SBL
- Improved foreign exchange movement drove the improvement in other income and expenses

Net Finance Costs were broadly flat...

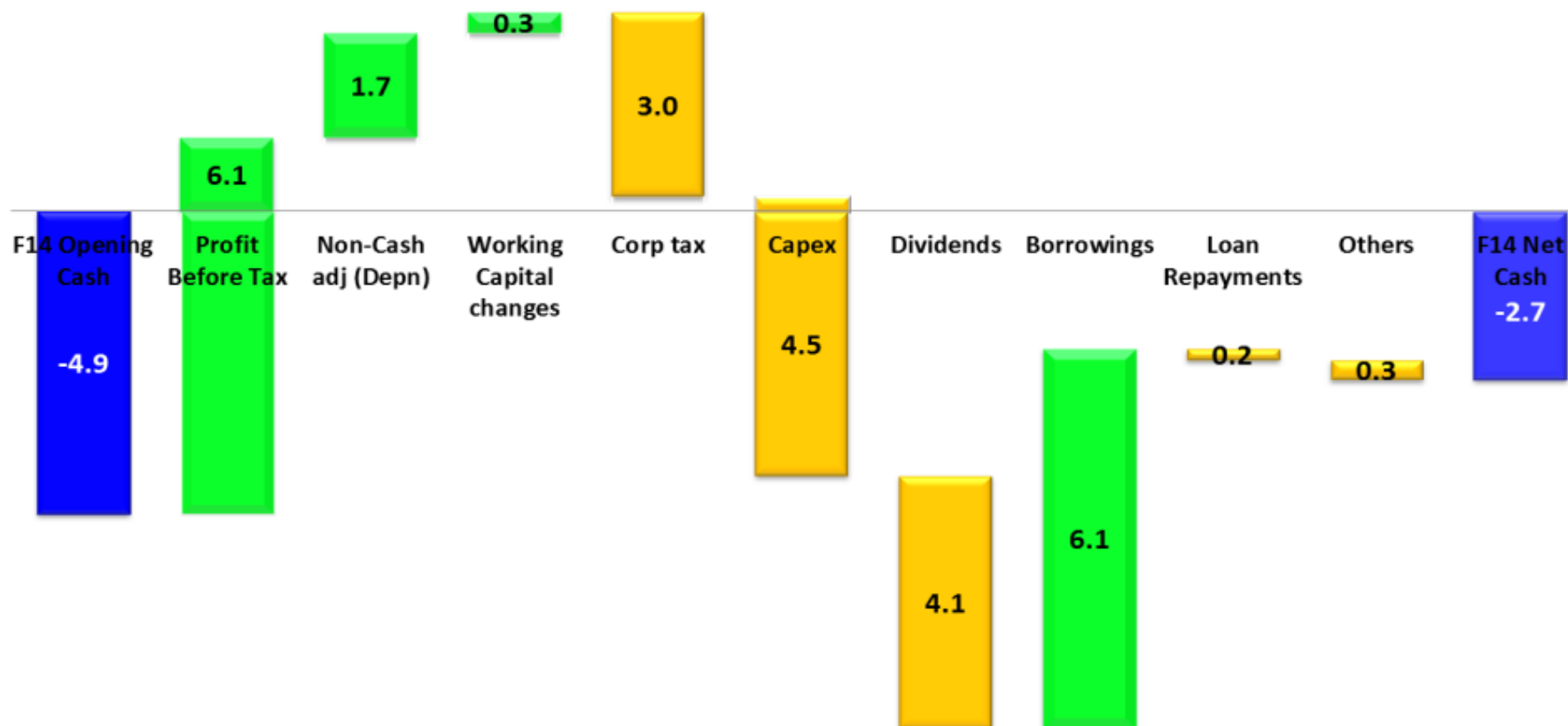
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Other operating income / (expense)	(50)	(436)	-89%
Operating Profit	8,127	7,858	3%
Net Finance income / (costs)	(2,043)	(2,061)	-1%
Profit before taxation	6,084	5,797	5%
Income tax expense	(1,923)	(1,815)	6%
Profit after taxation	4,161	3,982	4%
Non Controlling interest	(212)	(227)	-7%
Profit attributable to Equity holders	3,949	3,755	5%

- Net Finance costs and taxes have remained broadly flat year on year, with lower interest rates in Kenya offsetting higher borrowing

We improved our Cash position in the half...



Proposed dividends

Proposed Dividends - KES

Interim Dividend

1.50



Summary & Outlook

Charles Ireland
Group Managing Director

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



- EABL delivered +4% Net Sales growth and +4% Profit After Tax growth
- Our overall H1 performance was impacted by:
 - Implementation of duty on Senator Keg
 - Route to Consumer changes in Tanzania
- 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 +20%
 - Increased salesforce and Route to Consumer investment
 - Net capex of 4.5bn Kshs

Overall outlook is optimistic...

- Performance positives
 - Improving Net Sales in Uganda
 - Spirits growth across all sectors
 - Improved mix in beer
 - Sales focus benefits from new Route to Consumer in Tanzania
 - Lapping a quiet Q3 in Kenya (elections)
 - Supply Chain efficiency initiatives
 - Strong Innovation pipeline
- Performance inhibitors
 - Senator Keg performance
 - Unrest in South Sudan

Q & A Session





- END -

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- 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;
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- 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
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