CELEBRATING LIFE,
EVERY DAY, EVERYWHERE

FULL YEAR RESULTS 2016

YEAR ENDED JUNE 2016

FULL YEAR RESULTS BRIEFING

F16 Commercial Review
Charles Ireland

F16 Financial Performance
Gyuri Geiszl

F17 Priorities
Andrew Cowan

Q&A

F16 FULL YEAR REVIEW

Charles Ireland

Group Managing Director

We are clear on our ambition

Since 1922…

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

- Strengthen and accelerate our premium core brands
- Win in reserve in every market
- Innovate at scale to meet new consumer needs
- Build and then constantly extend our advantage in route to consumer
- Drive out cost to constantly invest in growth
- Guarantee our plans with the right people and capabilities

Moving in the right direction whilst overcoming short term challenges

Volumes up +25%, net sales up +12% on constant currency basis

Loss of South Sudan business, excise increases and FX result in flat headline net sales

Costs reduction and robust cash delivery

Disposal of non-core assets

Solid performance in a volatile environment

	vs LY
Volume	**+25%**
Net Sales	**0%**
Gross Profit	**+1%**
Profit for the Year	**+7%**
Cash Flow from Operations	**+32%**
Total Dividend	**KES 12/share**

With the exception of South Sudan– all markets in organic growth

	Contribution to Overall EABL	Net Sales Growth (KES)	Net Sales Growth (local currency)	Key Brands
KENYA	71%	+16%	+16%	Tusker, Guinness, Senator, Smirnoff
UGANDA	16%	-11%	+5%	Bell, Uganda Waragi, Guinness
TANZANIA	10%	-3%	+12%	Serengeti, Kibo Gold, Keep Walking Johnnie Walker, Jebel Gold
EABLi	3%	-80%	n/a	Tusker, Guinness, Smirnoff
Total EABL	100%	0%	+12%	

Five out of eight segments in growth….

	Premium	RTDs	Mainstream	Emerging
Beer & RTDs	+2%	+3%	-6%	+112%

	Reserve	Premium	Mainstream	Emerging
Spirits	+22%	-9%	+22%	-2%

Innovation contribution is increasing

KENYA	UGANDA	TANZANIA
		
+67%	+9%	+122%

Kenya +16%

Growth driven by Senator and Spirits

- Excluding Senator net sales **+4.5%**
- Senator has more than **tripled**
- **+43%** Excise increase on Beer and **+46%** on Spirits in Dec 2015 deteriorated H2 performance
- Mainstream spirits in growth driven by **Kenya Cane**

Tusker "Twende Rio" campaign well received,
Tusker Gold growing

KC Coconut driving innovation growth

Reserve brands +38% up driven by Singleton and Cîroc

Uganda +5%*

Accelerating growth in a difficult environment

- Double digit growth of **Tusker Lite**
- Strong **Premium Spirits** performance
- Robust **Reserve** performance
- Weakness from **Bell Lager**

Innovation driven by the new **Ngule Beer**

New pack for **Uganda Waragi**

Bell Lager pack refreshed

* Net sales growth in local currency

Tanzania +12%*

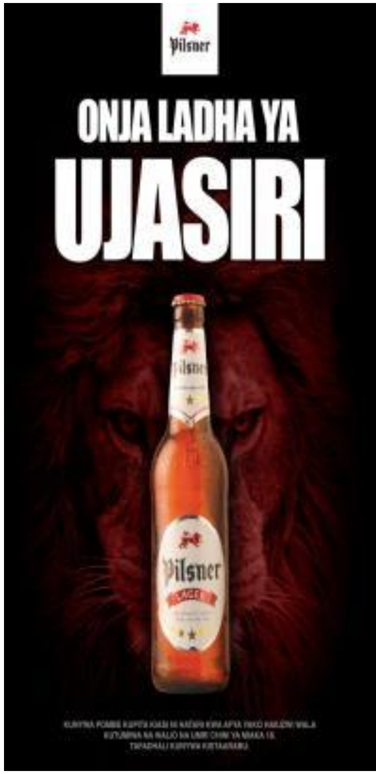
Strong growth driven by Pilsner

- **Strong** performance of Pilsner
- Decline in **premium** Beer
- Strong performance of **Smirnoff Black Ice**

Pilsner growth at double digits

Developing **RTC**

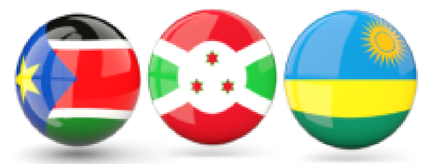
Reserve brands rapid growth



* Net sales growth in local currency

EABLi

Growth in Rwanda, volatility in South Sudan



Currency challenges

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- ❑ Strong Growth in **Rwanda**
- ❑ Tough East DRC market
- ❑ Political instability in **South Sudan** and **Burundi**
- ❑ South Sudanese Pound **depreciation**

Extending our advantage in Route to Consumer delivering deeper and sustainable availability

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- ❑ Uplifted standards for our distributors delivering 3 Gold distributors in Kenya
- ❑ Expanded our outlet universe and continued to increase number of outlets called directly
- ❑ Continued to uplift our commercial teams including distributors, on our revamped License to Sell program
- ❑ Upgrade of our Sales force automation tools improving accountability, insights generation, performance, asset management and monitoring & evaluation

DIAGEO ROUTE to CONSUMER

Sustainability: Creating shared value through positive social & economic contribution

- Driving Local Raw Material resourcing added **+30,000** sorghum farmers in Kenya

- EABL Foundation Celebrated **10 year** anniversary

- **30,000** people signed up to responsible drinking **digital** platforms

Sustainable Sourcing

Partnership with government on a structured sorghum supply chain programme

33,000

People benefit from Water of Life progamme

+1,200 Head Teachers

Trained on addressing under 18 drinking

We continue to invest in our people to guarantee our ambition

- **Employer of Choice awards:** #1Runners Up in Africa

- Top 3 in Kenya : **Deloitte Best Company to Work For Survey**

- Awarded **#2 best** employer in Uganda by the Federation of Uganda Employers

- **Amazing people manager programme** for all line managers. Programme now adopted globally by Diageo

Deloitte Best Company to Work for Survey

EMPOWERING OUR PEOPLE

Many successes across the year

F16 Highlights

- ❑ Strong performance of Senator in Kenya, Pilsner in Tanzania, and Ngule in Uganda
- ❑ Big momentum on Spirits
- ❑ Innovations contribution – Ngule Lager, KC Coconut and Chrome Vodka
- ❑ Cultural transformation embedment: Focus; Delivery; Improvement; Teamwork
- ❑ Special dividend and debt reduction

Thank You

Please hold the questions to the end

F16 FINANCIAL PERFORMANCE

Gyuri Geiszl

Group Finance Director

GREAT
PEOPLE | BRANDS | PERFORMANCE

Key Highlights

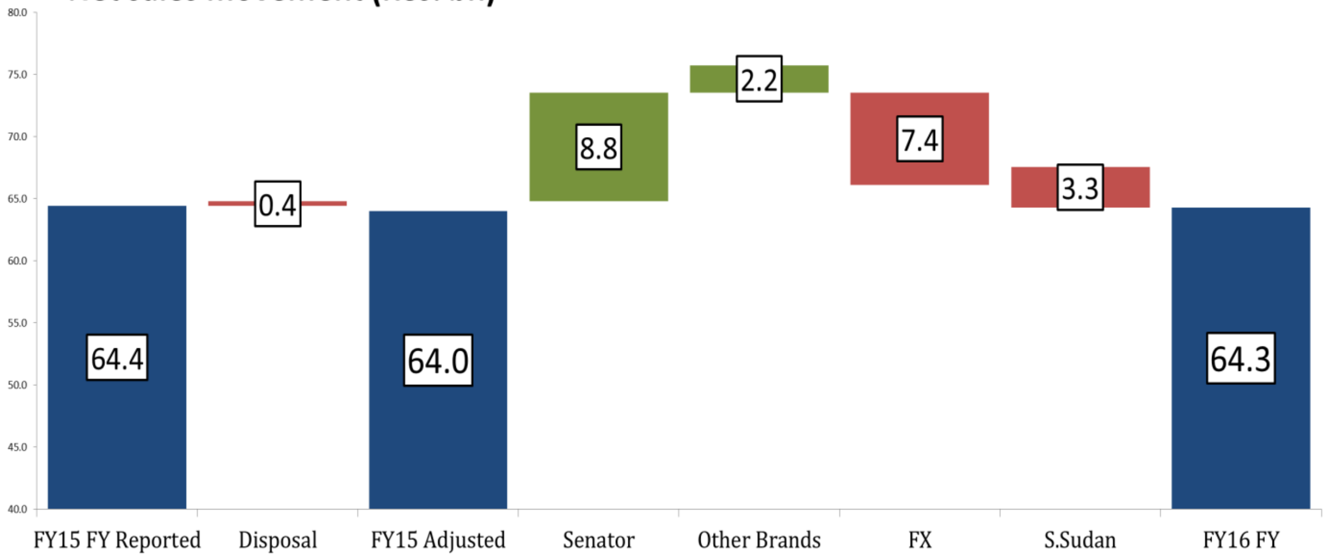
	F16	vs LY
Volume		**+25%**
Net sales	**KES 64.3bn**	**0%**
Operating profit	**KES 16.9bn**	**-7%**
Profit after tax - continuing operations	**KES 8.0bn**	**-16%**
Profit after tax	**KES 10.3bn**	**+7%**
Cash from operating activities	**KES 27.9bn**	**+32%**
Total dividend	**KES 12.0/Share**	**+60%**

Strong volume growth offset by excise increase, FX and negative mix

- **Excise duties** as a percentage of gross sales up to 44.5% from 36.2% despite Senator benefit
- Growth of value segment and weak mainstream drove **negative mix**

	F16 KES bn	F15 KES bn	vs LY
Volume (M EU)	**11.2**	**8.9**	**+25%**
Gross sales	**115.9**	**101.0**	**+15%**
Excise duties	**(51.6)**	**(36.5)**	**+41%**
Net sales	**64.3**	**64.4**	**0%**
Cost of sales	**(32.1)**	**(32.4)**	**-1%**
Gross profit	**32.2**	**32.0**	**+1%**

Senator growth offset by FX and South Sudan



- **Senator keg** in Kenya more than trebled
- Volume down in **South Sudan** by 60%
- Uganda and Tanzania shilling weakening against Kenya shilling causing negative translation **FX impact**

Cost of sales down due to mix and efficiencies

- COGS decline driven by **Senator** growth
- Senator **Gross Margin improved** significantly as a result of better fixed cost absorption
- COGS/unit on other brands up only +2% due to **cost reduction initiatives**
- **Savings** from
  - local sourcing
  - hedging
  - operational efficiencies
  - retendering, e-auctions

BUT: **one-offs** reducing the benefit.

	F16 KES bn	F15 KES bn	vs LY
Volume (M EU)	11.2	8.9	+25%
Gross sales	115.9	101.0	+15%
Excise duties	(51.6)	(36.5)	+41%
Net sales	64.3	64.4	0%
Cost of sales	(32.1)	(32.4)	-1%
Gross profit	32.2	32.0	+1%

Increased operational costs impacted the operating profit

- **Staff Costs** reflecting annual inflation and incentives review
- **Advertising and promotion** investment growth offset by procurement savings
- Volume growth and **inflation** impact not fully mitigated for other costs
- Launch of **zero based budgeting** will be a game changer for managing indirect spend
- FX includes losses of 1.0bn on **SSP**, net gain on other currencies
- Lower profit on **land sales**

	F16 KES bn	F15 KES bn	vs LY
Gross profit	**32.2**	**32.0**	**+1%**
Selling & distribution	**(6.1)**	**(6.0)**	**+0%**
Staff costs	(6.1)	(5.1)	+18%
Other costs	(2.9)	(2.7)	+7%
Administrative Expenses	**(9.0)**	**(7.9)**	**+14%**
	17.1	**18.1**	**-5%**
FX losses net	**(0.4)**	**(0.9)**	
Gain on land sale	**1.1**	**1.8**	
Other charges, net	**(0.9)**	**(0.8)**	
Operating profit	**16.9**	**18.2**	**-7%**

Substantial reduction in net debt and finance charges

- ❑ Borrowings decreased by KES 7.2bn, net borrowings by KES 5.4bn
- ❑ Settlement of long term debt of KES 8bn
- ❑ Net finance costs decreased by 0.8bn due to lower net debt and rebasing of the long term loan
- ❑ Cost of Funding was 11.5% (11.4% in F15)

	F16 KES 'bn'	F15 KES 'bn'	vs LY
Net borrowings	(26.6)	(31.0)	-17%
Finance cost, net	(3.3)	(4.1)	-20%

Higher tax charge reduces impact of sale on bottom line

- Income tax expense includes provision 1.0bn for **tax audits and exposures**
- Underlying **effective tax rate** slightly up at 32%
- Profit on **sale of CGI** in the first quarter contributed to growth in bottom line

	F16 KES 'bn'	F15 KES 'bn'	vs LY
Operating profit	**16.9**	**18.2**	**-7%**
Finance costs, net	(3.3)	(4.1)	-20%
Profit before tax	**13.6**	**14.2**	**-4%**
Income tax expense	(5.6)	(4.6)	+21%
Profit after tax-continuing operations	**8.0**	**9.5**	**-16%**
Profit from sale of CGI	2.3	0.1	
Profit for the year	**10.3**	**9.6**	**+7%**
Non-controlling interest	(0.6)	(0.6)	
Equity holders of the company	**9.7**	**9.0**	**+8%**
EPS - continuing operations	**9.36**	**11.27**	**-17%**
EPS – total	**12.20**	**11.32**	**+8%**

Cash from operating activities increased by 32%

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- Significant improvements in **working capital management**
- Improved planning process and forecasting accuracy enables us to keep lower level of **inventory**
- Increase in Senator's share benefits faster cash collection from **debtors**
- Higher excise drives increase of other **payables**
- Large **income tax payments** reduces cash flow over delivery

	F16 KES 'bn'	F15 KES 'bn'	vs LY	%
Operating profit	13.7	14.1	(0.5)	**-4%**
Depreciation and amortization	5.7	6.1	0.4	
Working capital movements	8.5	1.0	7.5	
Inventory	2.5	(1.0)	3.5	
Debtors	(1.2)	0.2	(1.4)	
Creditors	7.2	1.8	5.4	
Cash generated from operations	27.9	21.2	6.7	**+32%**
Net interest paid	(3.3)	(4.1)	0.8	
Income tax paid	(6.1)	(3.6)	(2.5)	
Net cash from operations	**18.5**	**13.6**	**4.9**	**+37%**

We continue to invest in our future growth

CAPEX

- ❑ Total F16 investment of **KES 5bn**
  - Returnable packaging and new keg barrels
  - Non-tamper nip caps to support fight spirits counterfeits
  - In Uganda effluent treatment plant upgrade in line with our commitment to clean environment
  - Coolers to improve visibility
  - Health & Safety: fire detectionTotal
- ❑ F17: capacity expansion, returrnables, kegs, keg rackers, efficiency, safety & security, quality

Dividends

Dividends	F16 KES/Share	F15 KES/Share
Interim	2.0	1.5
Final (Proposed)	5.5	6.0
	7.5	7.5
Special	4.5	-
Total	**12.0**	**7.5**

Thank You

Please hold the questions to the end

F17 PRIORITIES

Andrew Cowan

Group Managing Director

Focus areas for F17

Opportunities for further growth

- ❑ Continue to invest behind **Innovation**
- ❑ Grow **Mainstream Beer**
- ❑ Leverage on **Mainstream Spirits** momentum
- ❑ Finalise investment in production **capacity** for growth
- ❑ Sustainable **productivity** focus to invest in growth

Q & A Session


PREMIUM
ICE
FRONTIER
JEBEL
GOLD
TUSKER
FINEST
STORM
SINGLE MALT
SCOTCH WHISKY

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- increased costs or shortages of talent;
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