



eabl HALF YEAR
RESULTS 2016



HALF YEAR RESULTS BRIEFING

F16 Half Year Review

Charles Ireland

Financial Performance

Gyuri Geiszl

Q&A



F16 HALF YEAR REVIEW

Charles Ireland
Group Managing Director



Focused 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





Good top line performance with solid profit growth

	vs LY
Volume	+21%
Net Sales	+8%
Gross Profit	+2%
Operating Profit (excl. FX)	+6%
Profit After Tax	+67%
Cash Flow from Operations	+51%

Good performance in Kenya mitigating challenges in other markets

	Contribution to Overall EABL	Net Sales Growth (KES)	Net Sales Growth (local currency)	Key Brands
KENYA	74%	+22%	+22%	   
UGANDA	15%	-7%	+3%	  
TANZANIA	9%	-12%	-3%	   
S Sudan	2%	-74%	-72%	  
Total EABL	100%	+8%		

Double digit growth in 5 segments

	Premium	RTD's	Mainstream	Emerging
Beer & RTDs	+10%	+21%	-10%	+106%
				

	Reserve	Premium	Mainstream	Emerging
Spirits	+45%	-8%	+14%	-9%
				

**Kenya
+22%**

Growth led by recovery of Senator

- ❑ Excluding Senator NSV
+6%



- ❑ Senator has more than
doubled



New Tusker campaign having impact

- ❑ Premium beer still growing healthily driven by
Guinness and **Tusker Lite**



New Tusker Lite pack well received



- ❑ Mainstream spirits in growth driven by **Kenya Kane**



Reserve brands healthy growth

Uganda
+3%*

Weakening currency impacting growth

- ❑ Double digit growth of **Guinness**

- ❑ Strong **Premium Spirits** performance

- ❑ Strong **Reserve** performance



Innovation driven by the **Waragi Sachet** and new **Senator Stout**

New pack for **Uganda Waragi**



Bell Lager pack refreshed



* Net sales growth in local currency

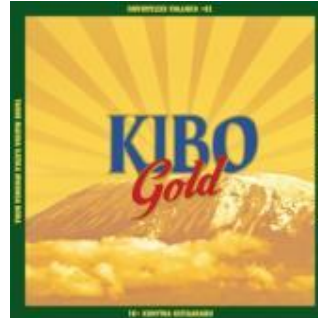
Tanzania
-3%*

Consumer down trading in a tough economy

- ❑ Strong growth of **Pilsner Lager**



- ❑ **Strong** performance of value category



Developing
RTC

Pilsner volumes up



Reserve brands
rapid growth



- ❑ Smirnoff **double digit** growth

* Net sales growth in local currency

International

Volatile environment in South Sudan

- ❑ Rwanda volumes grew by **double digit**



Currency challenges



- ❑ South Sudanese Pound **depreciation**

- ❑ Tough East DRC market

- ❑ Political **instability** in Burundi



EABL Foundation celebrates 10 years of giving back to our communities

- ❑ #2 **Employer of Choice** in Africa



#1

in Africa for number of women on the Board

- ❑ **Water of life** with 10x10 programme

- ❑ **Skills for life** - Career days+400 participants



1st Runners Up

Corporate and social responsibility in Africa



- ❑ Tackling **under age drinking**



+320,000

Additional Residents with clean and safe water across East Africa

Priorities going forward



Opportunities for further growth

- Mitigate excise tax impact in Kenya
- Strengthen our mainstream beer brands
- Continued focus on Innovation
- Drive productivity up and costs out
- Complete and embed RtC transformation in Kenya and Uganda

Thank You

Please hold the questions to the end





FINANCIAL PERFORMANCE

Gyuri Geiszl

Group Finance Director

Strong performance – Key highlights

	H1 F16	vs LY
Volume		+21%
Net sales	KES 37.5bn	+8%
Operating profit excl. FX losses	KES 9.8bn	+6%
Profit from continued operations	KES 5.5bn	+16%
Profit on sale of CGI (after tax)	KES 2.2bn	n/a
Cash from operating activities	KES 11.4bn	+51%
EPS / EPS from continuing op's	KES 9.1 / 6.2 ps	+74% / +15%
Interim dividend	KES 2.0 per share	+33%

Net sales growth driven by Senator



- ❑ Net sales up +8%, excluding FX and disposal of CGI growth is +12%

- ❑ Sales of Senator in Kenya more than doubled and is largest contributor to overall EABL growth



- ❑ For the other brands, collapse of South Sudan and weakness of beer in Uganda and Tanzania offsets spirits growth in Kenya and Uganda



Gross profit up 2% despite negative mix and inflation



- ❑ COGS growth of 16% is primarily driven by 21% volume increase

- ❑ Senator Gross Margin % improved vs last year as a result of better fixed cost absorption



- ❑ COGS/EU growth on other brands was only 4% as savings from cost reduction initiatives largely mitigated impact of rising inflation and weaker currencies

Operating costs kept under control – FX loss of KES 900m in South Sudan

		31-Dec-15 KES 'm'	31-Dec-14 KES 'm'	vs LY
<ul style="list-style-type: none"> Operating expenses are up due to higher volume, inflation and FX, offset by efficiency savings 	Operating expenses	(8,339)	(7,586)	+10%
<ul style="list-style-type: none"> Largest item in FX losses is due to devaluation of South Sudanese Pound (KES 908m) 	FX losses	(537)	(196)	+174%
	Other income/ (expenses)	728	(251)	
<ul style="list-style-type: none"> Other income/ (expenses) include sale of land of KES 707m 	TOTAL OPERATING CHARGES	(8,148)	(8,033)	+1%

Substantial reduction in net debt and finance charges

- Total net borrowings (gross debt less cash) decreased by KES 6.5bn due to CGI sale and strong operating cash flow

	31-Dec-15 KES 'm'	31-Dec-14 KES 'm'	vs LY
Net borrowings	(22,485)	(29,024)	-23%

- Net finance cost decreased by 38% despite higher interest rates

Finance costs, net	(1,360)	(2,182)	-38%
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Solid underlying PAT combined with sale of non-core CGI

	31-Dec-15 KES 'm'	31-Dec-14 KES 'm'	vs LY
Profit after tax – continuing operations	5,485	4,724	+16%
Profit/(loss) from discontinued operations (CGI)	2,249	(101)	
Profit for the period	7,734	4,622	+67%
Non-controlling interest	(507)	(479)	+6%
Profit attributable to parent company	7,227	4,143	+74%
EPS - continuing operation	6.19	5.37	+15%
EPS – total	9.14	5.24	+74%

Cash from operating activities increased by 51%

	31-Dec-15 KES 'm'	31-Dec-14 KES 'm'	vs LY
Operating profit	7,922	6,803	1,119
Depreciation and amortization	2,672	2,819	(147)
Working capital movements	5,459	1,071	4,388
Inventory	618	(889)	1,507
Debtors	2,220	(1,503)	3,723
Creditors	2,621	3,463	(842)
Net interest paid	(1,726)	(1,802)	76
Income tax paid	(2,882)	(1,321)	(1,561)
Cash from operating activities	11,445	7,570	3,875

We continue to invest in future growth

Capital expenditure	H1 F16	H1 F15	Vs LY
KES m	1,544	1,097	+41%



Returnable packaging to support increase in demand

Effluent treatment plant upgrade in Uganda

Fire safety across all sites



Proposed dividend

Proposed dividend	F16	F15	Vs LY
Interim dividend (KES per share)	2.0	1.5	+33%

Q & A



Cautionary statement concerning forward-looking statements

This presentation contains ‘forward-looking’ statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. In particular, forward-looking statements include all statements that express forecasts, expectations, plans, outlook and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability or cost of financing to EABL and/or Diageo, anticipated cost savings or synergies, the completion of EABL and/or Diageo’s strategic transactions and restructuring programmes, anticipated tax rates, expected cash payments, outcomes of litigation, anticipated deficit reductions in relation to pension schemes, general economic conditions and all statements on the slide “outlook statements”. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

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- changes in political or economic conditions in countries and markets in which EABL and/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;
- changes in consumer preferences and tastes, demographic trends or perceptions about health related issues, or contamination, counterfeiting or other circumstances which could harm the integrity or sales of EABL and/or Diageo’s brands;
- 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 and/or Diageo in particular, or the impact of a product recall or product liability claim on EABL and/or Diageo’s profitability or reputation;
- the effects of climate change and regulations and other measures to address climate change including any resulting impact on the cost and supply of water;
- changes in the cost or supply of raw materials, labour and/or energy;
- legal and regulatory developments, including changes in regulations regarding production, product liability, distribution, importation, labelling, 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;
- the costs associated with monitoring and maintaining compliance with anti-corruption and other laws and regulations, and the costs associated with investigating alleged breaches of internal policies, laws or regulations, whether initiated internally or by external regulators, and any penalties or fines imposed as a result of any breaches;
- ability to maintain EABL and/or Diageo’s brand image and corporate reputation, and exposure to adverse publicity, whether or not justified, and any resulting impacts on Diageo’s reputation and the likelihood that consumers choose products offered by Diageo’s competitors;
- increased competitive product and pricing pressures and unanticipated actions by competitors that could impact EABL and/or Diageo’s market share, increase expenses and hinder growth potential;
- the effects of 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 and/or Diageo’s ability to complete existing or future business combinations, restructuring programmes, acquisitions and disposals;
- contamination, counterfeiting or other events that could adversely affect the perception of EABL and/or Diageo’s brands;
- increased costs or shortages of talent;
- 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;
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