

EABL's Full Year Results, twelve months ended 30 June, 2011

The Board of Directors of East African Breweries Limited is pleased to announce its full-year results for the period up to 30 June 2011. On an organic basis (before accounting for the impact of acquisitions), the Group delivered top line growth of 6% and profit from operations growth of 17% above prior year. When we incorporate the impact of consolidating SBL into EABL, the Group delivered a top line growth of 16% and profit from operations growth of 10%.

East African Breweries Limited			
Financial Report for the year ended 30 June 2011 (Audited)			
Consolidated Profit and Loss Account			
	Year ended		
	30-Jun-11	30-Jun-10	
	<u>Kshs M</u>	<u>Kshs M</u>	<u>Change %</u>
Net Revenue	44,895	38,679	16%
Cost of Sales	(22,831)	(19,537)	17%
Gross profit	22,064	19,142	15%
Other operating income / (expense)	321	(474)	168%
Selling and distribution costs	(3,491)	(2,570)	36%
Administrative expenses	(6,481)	(4,842)	34%
Profit from operations	12,412	11,256	10%
Net finance (cost) / income	(163)	169	-196%
Income from associate	-	1,144	-100%
Profit before taxation	12,249	12,569	-3%
Income tax expense	(3,235)	(3,731)	-13%
Profit after taxation	9,014	8,838	2%
Minority interest	(1,661)	(1,659)	0%
Net profit	7,353	7,179	2%
Basic earnings per share	9.30	9.08	2%
Diluted earnings per share	9.30	9.08	2%
Total dividend per share paid	8.75	8.75	0%

Business Overview

These encouraging results were delivered in a macroeconomic environment that was challenging on all fronts. At the close of the current financial year, the weakening economic fundamentals continued to deteriorate across the Eastern Africa region, reflecting the tough operating environment. The weak economic parameters were driven by rising inflation, elevating fuel prices, weakening local currencies against the US dollar and extended food crisis due to poor rainfall and drought. This has in turn affected disposable incomes, diminished per capita income and raised the costs of living.

From a regulatory perspective, Kenya in particular witnessed the introduction of the Alcoholic Drinks Control Act (ADCA), which sought to regulate the production and sale of alcohol. This greatly affected normal operations within the industry, resulting in the industry players engaging the Government on its implementation to ensure an equitable playing field for all, and

deliver against the spirit and intent of the Act. In addition, the industry experienced a significant tax increase on the beer category in Kenya in the June budget resulting in higher pricing to our consumers. However, the Government maintained a stable tax regime on the spirits category which contributed to a solid performance of our spirits business in Kenya.

Uganda delivered a solid performance in the second half as a result of improved product availability and operating efficiencies, while increasing investment on brands including the re-launch of our **flagship brand Bell** in a new pack, route-to-market and capital expenditure.

Our international business which includes exports into the Great Lakes region experienced a challenging year with uncertainty before the referendum in Southern Sudan. However we are encouraged by the improvement we have seen since the referendum and subsequent recognition of South Sudan as an independent country.

In line with our strategy, EABL acquired 51% equity stake in Serengeti Breweries Limited (SBL) in November 2010, the 2nd largest beer brewing and distribution business in Tanzania. As a result of the acquisition, the group is well poised to consolidate its leadership position in the Eastern Africa region in the adult beverages market. We have consolidated 8 months of their performance in the EABL results. Since acquisition we have focused on integrating the business into the EABL including upgrading systems and processes, investing in a new brewery in Moshi, continued investment in our brands, raising the talent and capability base and delivering on cost synergies.

In the year we increased our investment in sales and marketing by 36% to drive the results. Marketing investment focused on our strategic brands of Tusker, Guinness, Bell, Johnnie Walker and Smirnoff. Our **flagship brand Tusker**, was renovated with the new look that continues to resonate positively with our consumers. The **Guinness Football Challenge** and **Bell Renovation** supported the growth of the brands and the business as a whole. We also enhanced investment in sale and promotions of our quality brands across the region. This coupled with our continued capital expenditure will assure the Group consistent delivery of growth through quality brands.

Turnover grew by 16% to Kshs 44.9 billion (including SBL contribution of Kshs 4bn for the eight months to June 2011) over prior year's turnover of Kshs 38.7 billion. Cost of sales increased by 17% due to the challenging economic environment, but our strategic focus on cost management and incorporating cost of integrating SBL business resulted in our operating profit increasing by 10% to Kshs 12.4bn. Profit after tax was Kshs 9bn (2010 Kshs 8.8bn) representing a 2% growth over prior year.

In summary, the Board considers these results satisfactory for the Group considering the prevailing challenging economic conditions witnessed across the entire Eastern African region and confirm our belief in the long-term value contribution from our new acquisition, following higher costs incurred on integration this financial year.

Dividend

The Directors are pleased to recommend a final dividend of Kshs 6.25 per share (2010: KShs 6.25 per share). An interim dividend of kshs 2.50 was paid in the year. This brings the total dividend payout to Kshs 8.75 per share (2010: Kshs 8.75 per share).

The records date for qualification of the dividends is the 30th September 2011. The register of members shall remain closed until close of business on 30th September 2011 for purposes of preparing dividend warrants. The dividends shall be paid on or about 11th November 2011.

By order of the Board

Agnes Murgor

Group Company Secretary

The Group:

Kenya Breweries Ltd.	Uganda Breweries Ltd.	East African Maltings Ltd.
Central Glass Industries	UDV (Kenya) Ltd.	International Distillers Uganda Ltd.
EABL International Ltd.	Serengeti Breweries Ltd	

Consolidated income statement

	Notes	Year ended 30 June	
		2011 KShs'000	2010 KShs'000
Revenue	6	44,895,037	38,679,196
Cost of sales		(22,831,067)	(19,536,924)
Gross profit		22,063,970	19,142,272
Selling costs		(3,491,554)	(2,570,619)
Administrative expenses		(6,481,062)	(4,842,028)
Other income/(expenses)	7	320,673	(473,756)
Finance income	8	109,633	358,585
Finance costs	8	(272,156)	(190,365)
Results before share of associate's profit after tax		12,249,504	11,424,089
Share of associate's profit after tax	23(a)	-	1,143,998
Profit before income tax		12,249,504	12,568,087
Income tax expense	11	(3,235,329)	(3,730,527)
Profit for the year		9,014,175	8,837,560
Profit attributable to:			
Equity holders of the Company		7,353,190	7,179,029
Non-controlling interest		1,660,985	1,658,531
Profit for the year		9,014,175	8,837,560
Earnings per share for profit attributable to the equity holders of the Company			
- basic and diluted (Kshs per share)	12	9.30	9.08
Dividends:			
Interim dividends – paid in the year	15	1,976,936	1,976,936
Proposed final dividend for the year	15	4,942,340	4,942,340
		6,919,276	6,919,276

Consolidated statement of comprehensive income

	Year ended 30 June	
	2011 KShs'000	2010 KShs'000
Profit for the year	9,014,175	8,837,560
Other comprehensive income, net of tax:		
Exchange differences from translation of net foreign operations	179,466	200,341
Total comprehensive income for the year	9,193,641	9,037,901
Total comprehensive income for the year attributable to:		
Equity holders of the Company	7,408,286	7,379,691
Non-controlling interest	1,785,355	1,658,210
Total recognised income for the year	9,193,641	9,037,901

Consolidated statement of financial position

	Notes	At 30 June	
		2011 KShs'000	2010 KShs'000
Equity attributable to the owners of parent			
Share capital	13	1,581,547	1,581,547
Share premium	13	1,691,151	1,691,151
Revaluation surplus	14	1,473,289	1,473,289
Retained earnings		11,202,570	10,768,656
Proposed dividends	15	4,942,340	4,942,340
Translation reserve		410,074	354,978
		21,300,971	20,811,961
Non-controlling interest		5,587,156	3,140,665
Total equity		26,888,127	23,952,626
Non-current liabilities			
Borrowings	16	3,917,688	-
Deferred income tax liabilities	17(a)	3,397,129	2,783,675
		7,314,817	2,783,675
Total equity and non-current liabilities		34,202,944	26,736,301
Non-current assets			
Property, plant and equipment	18(a)	28,496,792	17,137,468
Intangible asset – software	19	380,026	531,226
Intangible asset – Goodwill	20(a)	3,577,191	648,664
Intangible asset – Brand	20(b)	563,005	-
Prepaid operating lease rentals	21(a)	29,715	30,262
Investment in associate company	23(a)	-	2,465,213
Other investments	23(d)	10,400	10,400
Financial assets	24	97,961	97,562
Deferred income tax assets	17(a)	236,583	141,023
		33,391,673	21,061,818
Current assets			
Inventories	25	4,399,365	3,465,054
Trade and other receivables	26(a)	7,066,073	5,593,453
Current income tax recoverable		740,353	405,251
Term deposits	28(b)	-	6,570,036
Cash and bank balances	28(b)	1,649,453	1,325,079
		13,855,244	17,358,873
Non-current asset held for sale	23(b)	2,465,213	-
		16,320,457	17,358,873
Current liabilities			
Trade and other payables	27(a)	13,581,299	9,922,149
Current income tax payable		352,772	1,454,193
Borrowings	16	1,229,970	-
Dividends payable		345,145	308,048
		15,509,186	11,684,390
Net current assets		811,271	5,674,483
Net assets		34,202,944	26,736,301

Consolidated statement of changes in equity

Year ended 30 June 2010	Share capital KShs'000	Share premium KShs'000	Revaluation reserves KShs'000	Translation reserves KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000	Total KShs'000	Non-controlling interest KShs'000	Total Equity KShs'000
At start of year	1,581,547	1,691,151	1,473,289	154,316	10,508,903	4,388,798	19,798,004	2,650,519	22,448,523
Comprehensive income									
Profit for the year	-	-	-	-	7,179,029	-	7,179,029	1,658,531	8,837,560
Other comprehensive income									
Exchange differences on translation of foreign subsidiaries	-	-	-	200,662	-	-	200,662	(321)	200,341
Total comprehensive income for the year	-	-	-	200,662	7,179,029	-	7,379,691	1,658,210	9,037,901
Transactions with owners									
Dividends:									
- 2009 final paid	-	-	-	-	-	(4,388,798)	(4,388,798)	(1,168,064)	(5,556,862)
- 2010 interim paid	-	-	-	-	(1,976,936)	-	(1,976,936)	-	(1,976,936)
- 2010 final proposed	-	-	-	-	(4,942,340)	4,942,340	-	-	-
Total transactions with owners	-	-	-	-	(6,919,276)	553,542	(6,365,734)	(1,168,064)	(7,533,798)
At end of year	1,581,547	1,691,151	1,473,289	354,978	10,768,656	4,942,340	20,811,961	3,140,665	23,952,626

The translation reserve comprises the transfer of the cumulative foreign exchange differences arising from the translation of financial statements of foreign operations.

The notes set out on pages 19 to 74 form an integral part of these financial statements.

Consolidated statement of changes in equity (continued)

Year ended 30 June 2011	Share capital KShs'000	Share premium KShs'000	Revaluation reserves KShs'000	Translation reserves KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000	Total KShs'000	Non-controlling interest KShs'000	Total Equity KShs'000
At start of year	1,581,547	1,691,151	1,473,289	354,978	10,768,656	4,942,340	20,811,961	3,140,665	23,952,626
Comprehensive income									
Profit for the year	-	-	-	-	7,353,190	-	7,353,190	1,660,985	9,014,175
Other comprehensive income									
Exchange differences on translation of foreign subsidiaries	-	-	-	55,096	-	-	55,096	124,370	179,466
Total comprehensive income for the year	-	-	-	55,096	7,353,190	-	7,408,286	1,785,355	9,193,641
Transactions with owners									
Non-controlling interest arising on business combination	-	-	-	-	-	-	-	1,935,472	1,935,472
Dividends:									
- 2010 final paid	-	-	-	-	-	(4,942,340)	(4,942,340)	(1,274,336)	(6,216,676)
- 2011 interim paid	-	-	-	-	(1,976,936)	-	(1,976,936)	-	(1,976,936)
- 2011 final proposed	-	-	-	-	(4,942,340)	4,942,340	-	-	-
Total transactions with owners	-	-	-	-	(6,919,276)	-	(6,919,276)	661,136	(6,258,140)
At end of year	1,581,547	1,691,151	1,473,289	410,074	11,202,570	4,942,340	21,300,971	5,587,156	26,888,127

The translation reserve comprises the transfer of the cumulative foreign exchange differences arising from the translation of financial statements of foreign operations.

Consolidated statement of cash flows

	Notes	Year ended 30 June	
		2011 KShs'000	2010 KShs'000
Operating activities			
Cash generated from operations	28(a)	14,176,244	13,214,725
Interest paid		(272,156)	(9,584)
Interest received		109,633	358,432
Income tax paid		(5,136,026)	(1,361,025)
Net cash generated from operating activities		8,877,695	12,202,548
Investing activities			
Purchase of property, plant and equipment	18(a)	(6,372,916)	(3,786,659)
Dividends received from associate	23(a)	-	453,205
Net cash outflow on acquisition of subsidiary	29	(4,579,402)	-
Proceeds from disposal of property, plant and equipment		1,217,812	-
Proceeds from disposal of prepaid operating lease rentals		-	97,838
Net cash used in investing activities		(9,734,506)	(3,235,616)
Financing activities			
Dividends paid to company's shareholders		(6,882,179)	(6,392,214)
Dividends paid to non-controlling interests		(1,274,336)	(1,168,064)
Proceeds from borrowings		1,796,316	-
Net cash used in financing activities		(6,360,199)	(7,560,278)
Net (decrease)/increase in cash and cash equivalents		(7,217,010)	1,406,654
Movement in cash and cash equivalents			
Cash and cash equivalents at start of year		7,895,115	6,488,461
Net (decrease)/increase in cash and cash equivalents		(7,217,010)	1,406,654
Cash and cash equivalents at end of year	28(b)	678,105	7,895,115