



Earnings Announcement

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East African Breweries Audited Statements For The Twelve Months Ended 30th June, 2009

Highlights

- ✓ Revenue up 6% to Kshs 34.4 bn
- ✓ Profit before tax down 3% to Kshs 12.0 bn
- ✓ Profit margin down 3.1% to 34.8%
- ✓ Return on equity down 3.6% to 31.6%
- ✓ Economic slowdown slows revenue growth
- ✓ Costs exert significant pressure on margins
- ✓ Unanticipated tax changes
- ✓ EPS down 5% to Kshs 9.09
- ✓ Proposed final dividend of Kshs 5.55 yielding 3.7%. Books closure date is 29th September, 2009
- ✓ Current Share Price is up 3.5% to Kshs 149 since Dec 2008 against a 11.9% drop in the NSE 20 Index (Jan to Aug)

Report Summary

1::	General Review
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2::	Conclusions
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01 SEPTEMBER 2009

1:: GENERAL REVIEW OF EAST AFRICAN BREWERIES RESULTS

Income Statement (KSh mn)			
	FY Jun '08	FY Jun '09	
Net Revenue	32,488	34,408	6%
Cost of Sales	(15,007)	(17,079)	14%
Gross Profit	17,481	17,329	-1%
Operating Costs	(6,597)	(6,289)	-5%
Operating Profit	10,884	11,039	1%
Profit Before Tax	12,316	11,989	-3%
Profit After Tax	7,553	7,189	-5%
Earnings Per Share	9.55	9.09	
Dividend Per Share	8.05	8.05	
Dividend Payout	84.3%	88.6%	
Return on Equity	35.2%	31.6%	
Profit Margins			
Gross Margin	53.5%	50.4%	
Profit Margin	37.9%	34.8%	
Net Margin	23.3%	20.9%	
Balance Sheet (KSh mn)			
	FY Jun '08	FY Jun '09	
Shareholders' Funds	22,117	23,368	6%
Non Current Liabilities	2,269	3,032	34%
	24,386	26,400	
Non Current Assets	15,720	16,891	7%
Current Assets	17,535	18,941	8%
<i>Debtors</i>	4,112	4,161	
<i>Stocks</i>	5,934	6,946	
Current Liabilities	8,868	9,432	6%
<i>Creditors</i>	8,203	9,035	
Net Current Assets	8,667	9,509	10%
	24,386	26,400	
Ratios			
Acid Test	1.3	1.3	
Current Ratio	2.0	2.0	
Asset Turnover	1.0	1.0	
Return on Assets	23.5%	20.8%	
Return on Capital Employed	31.9%	28.3%	
Cash Flow Statement (KSh mn)			
	FY Jun '08	FY Jun '09	
Net Cash Generated	9,309	8,661	-7%
Cash used in Investing	(2,441)	(2,049)	-16%
Cash used in financing	(7,727)	(7,195)	-7%
(De)/Increase in Cash	(859)	(583)	-32%
Cashflow to Sales	28.7%	25.2%	

Source: East African Breweries Published Interim Results

Economic shocks dent revenue growth

During the period the brewer realized marginal growth in revenues and the gloomy economic conditions in the region contributed to lower volumes sold (that declined by 4%). The management is keen on protecting its Kenyan market and enhance its share of consumers' pockets; however, the increase in taxes of non-malted beer and spirits continued to complicate the company's product pricing. Gross margins dipped to 50%; a trend that has seen gross margins drop consistently by an average of 3% from 69% in 2004 due to cost of sales (COGS). Cost drivers raising COGS include inputs such as Barley that were imported to bridge supply deficits. Due to the harsh local weather conditions EABL was forced to source about 40% of its Barley from abroad.

Regional expansion to spur future growth

To expand its footprint regionally EABL plans to move its business into new markets such as DRC and its plans to expand into Tanzania through an key acquisition were interrupted by a court ruling. Profit margins were supported by contributions from associate profits that rose 26% to Kshs1.0 bn (representing the highest growth seen since 2005 from its Tanzanian associate).

Cost management initiatives bear fruit

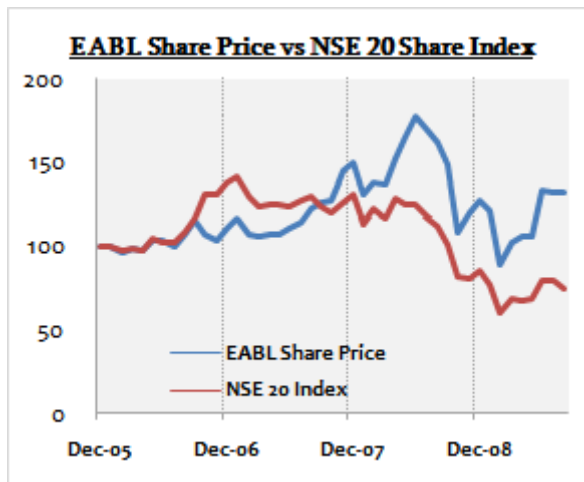
Despite the higher electricity and transport costs, total operating costs declined by only 5%. Management had announced significant cutbacks in staff during the beginning of 2009 and realized high reorganization costs (shaving of about 1.5% from profit margins). To mitigate against higher energy bills, cost cutting measures were put in place to counter any disruptions to the power supply and improve on factory savings. By maintaining good working capital management EABL's conversion cycle and asset turnover remain unchanged. EABL's zero gearing policy enabled finance income to support pre-tax profits. The company was able to increase its payout ratio thanks to steady cashflows. During the period EABL spent about KShs2 bn on capex spend to facilitate plant expansion and support its cost initiatives.

2:: CONCLUSIONS

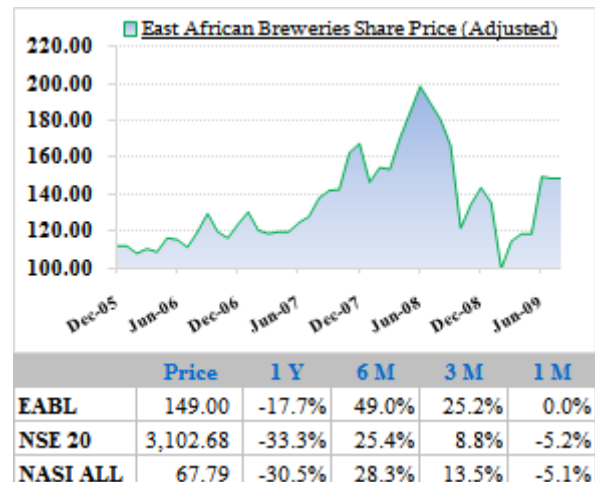
Positive Outlook

The brewer expects anticipated economic recovery to drive sales volumes reducing the risk of raising prices to counter the cost push pressures. EABL is also banking on economic growth going forward to avail more disposable income and sustain growth in consumer spending. The Group is also venturing further into regional markets to reduce economic risk exposure to the competitive Kenyan market. The level of rainfall in the country is expected to pick up due to the forecasted El Nino rains and this may enable the company to source cheaper, locally made raw material. Following the restructuring of its operations in early 2009 we do not expect any increases in employee costs. The brewer expects that its cost management initiatives coupled with targeted capex spend to support profit margins in the future; however, this will depend on effective implementation. Among the initiatives expected to improve profitability include reducing waste and conservation of water within their factories as well as the installation of power generators to alleviate most power disruptions. The company's shares have consistently rewarded investors with generous dividends and over the past five years dividend growth has averaged 23.9% against an average of 16.2% for annual average inflation. The company's residual dividend policy has meant that cashflows not utilized in capex spend are disbursed to shareholders. Currently the final dividend yields 3.7% and total dividends paid for the financial year represent 88% of earnings (2008; 84%).

Market Performance



Source: NSE



Source: NSE

GLOSSARY OF TERMS USED IN DOCUMENT

Gross Margin – Refers to gross profits as a percentage of sales

Profit Margin – Refers to profit before tax as a percentage of sales

Net Margin – Refers to net profits as a percentage of sales

Acid Test – Refers to the ratio of highly liquid current assets to current liabilities

Current Ratio – Refers to the ratio of current assets to current liabilities

Asset Turnover – Refers to the ratio of sales to total assets

Debt Equity Ratio – Refers to the ratio of borrowings to total equity

Non Current Assets – Also known as fixed assets

Interest Coverage – Measures the ability of earnings to cover finance costs (a.k.a Times Interest Covered)

Stock Data Sheet
***Pricing as at August 28 2009**
****Fiscal Year End: June**
Brief Profile

East African Breweries' principle activities include the marketing, brewing and selling of alcohol beverages as well as other non alcoholic drinks. It has a market capitalization of US\$1.5 bn.

Large Shareholders as at Year End

	2006	2007	2008
Diageo Kenya Limited	42.82	42.82	42.82
Board of Trustees (NSSF)	4.82	4.69	4.69
Diageo Holdings Netherlands B.V.	4.60	4.55	4.55

Sub-Saharan Africa Peer Comparison (based on 12 month earnings) - USD mn

	Mkt Cap	Revenue	Profit	ROA	ROE	PBV	PE (Trl)	P/Sales
East African Breweries	\$1,509	\$447	\$93	20.8	31.6	4.9	15.9	3.3
Tanzania Breweries	\$286	\$310	\$58	31.3	61.4	4.2	7.2	0.9
Zambia Breweries	\$103	\$120	\$8	7.8	21.0	2.2	10.7	0.7

Performance History	2003	2004	2005	2006	2007	2008	2009	Jan-Aug
Inflation Adj. Return %	166.1	89.1	76.1	-13.0	5.8	34.7	-36.0	-
Share Price %	173.9	98.3	100.9	-6.7	10.8	55.1	-24.6	-3.3
NSE 20 Index %	78.0	36.4	50.5	7.3	20.8	0.8	-36.5	-12.2
Dividend Yield %	9.7	6.2	1.5	4.1	6.0	4.6	4.6	5.5
Market Cap - Sh m	24641	48874	98188	91598	101483	157364	118616	114662
Valuation (x)	2003	2004	2005	2006	2007	2008	Jun-09	Aug-09
Price/Earnings (P/E)	16.4	12.7	20.6	17.0	16.5	20.8	16.5	15.9
NSE-20 Index (P/E)	11.4	20.0	15.3	15.3	16.8	16.1	11.5	13.2
Price to Book - EABL	2.0	3.2	5.8	4.9	4.9	7.1	5.1	4.9

Profit Margins	2003	2004	2005	2006	2007	2008	2009	3Yr AVG
Gross Margin %	65.8	69.2	67.2	62.2	55.1	53.5	50.4	53.0
Net Margin %	9.8	23.2	24.9	25.8	23.7	23.3	20.9	22.6
Income Statement - Sh m	2003	2004	2005	2006	2007	2008	2009	
Revenue	15231	16592	19186	20907	25871	32488	34408	-
Operating Profit	4894	6016	7496	7933	9474	10884	11040	-
Profit Before Tax	3641	7042	8223	8577	10636	12316	11991	-
Profit After Tax	1500	3849	4770	5392	6133	7554	7190	-
EPS Sh	13.76	35.05	7.24	8.18	9.31	9.55	9.09	-
DPS Sh	15.00	20.82	4.50	5.90	8.81	8.05	8.05	-
Issued Shares Mn	109	110	659	659	659	791	791	-
Bk Value per Share	115.48	138.93	25.63	28.20	31.64	27.97	29.55	-
Revenue %	5.4	8.9	15.6	9.0	23.7	25.6	5.9	18.4
Earnings %	-35.3	156.6	23.9	13.1	13.7	23.2	-4.8	10.7
Return on Equity %	12.6	27.6	29.7	30.4	31.1	35.2	31.6	32.6

Balance Sheet & Cashflow Statement - Sh m

Total Assets	17298	20771	22625	24782	31106	33254	35832	-
Total Equity	12591	15259	16892	18586	20851	22117	23368	-
Asset Turnover	0.9	0.8	0.8	0.8	0.8	1.0	1.0	0.9
Return on Assets %	8.5	20.2	22.0	22.7	21.9	23.5	20.8	22.1
Cashflow to Sales %	26.9	35.9	31.7	24.4	33.1	28.7	25.2	29.0

Source: East African Breweries Published Results

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