Pursuant to Regulation 4(3) of The Capital Markets (Take-overs & Mergers) Regulations, 2002 (the Take-over Regulations), etc., Diageo Kenya Limited (Diageo Kenya), hereby announce to the public that we have on 12 October 2022 served on East African Breweries PLC (EABL) notice of our intention to acquire up to 118,394,897 additional ordinary shares in EABL, by means of a tender offer (Tender Offer) made to all other shareholders of EABL.

1. The Proposed Offeree

The proposed offeree is EABL, a public limited company incorporated under the laws of Kenya with registration number C.534, listed on the Main Investment Market Segment of the Nairobi Securities Exchange, whose registered office is 5th Floor, Garden City Business Park, Block A and of P.O. Box 30161-00100, Nairobi, Kenya. Further information in relation to EABL is available on its website at https://www.eablspl.com/.

2. The Proposed Offeror

The proposed offeror is Diageo Kenya, a private limited liability company incorporated under the laws of the Republic of Kenya with registration number C.3445 and having its registered office at Land Reference Number 1870/117A, ALJ House, Edema Ravine Close, off Edema Ravine Road, Westlands, Nairobi. Diageo Kenya is a wholly owned indirect subsidiary of Diageo plc (Diageo). Diageo is headquartered in London, England and has a primary listing on the London Stock Exchange and a secondary listing on the New York Stock Exchange and, through its subsidiaries, joint ventures and other investments operates in multiple other African countries offering various alcoholic and non-alcoholic beverages to consumers around the world. Further details on Diageo, including its annual financial reports, details of directors, core activities and management can be found on its website at https://www.diageo.com/.

Additional reporting information is available at https://www.diageo.com/en/investors.

3. Current Shareholding by Diageo Kenya in EABL

As at the date of this announcement, Diageo Kenya holds 395,608,434 ordinary shares in the capital of EABL (Ordinary Shares), which represents 50.03% of the issued share capital of EABL. Diageo Kenya therefore currently has effective control of EABL within the meaning of the Take-over Regulations.

4. Proposed Acquisition of Additional Shares of EABL by Diageo Kenya

Diageo Kenya proposes to acquire up to an additional 118,394,897 Ordinary Shares (the Additional Shares) in EABL, representing no more than fourteen decimal point nine seven per cent (14.97%) of the issued share capital of EABL, through the Tender Offer. The price payable for each Ordinary Share tendered in the proposed Tender Offer is Ksh 172.00 (Tender Price). As will be explained in more detail in the Tender Offer Document, the Tender Price represents:

(i) a premium to the volume weighted average price (VWAP) at which Ordinary Shares of EABL traded on the Nairobi Securities Exchange days up to 12 October 2022 (the last day on which EABL shares traded before Diageo Kenya submitted its Notice of Intention to launch the Tender Offer); or
(ii) 30% of the 50 trading days' worst price.

5. Application for Exemption from the requirement to make a Take-over Offer

Diageo Kenya (and its parent company, Diageo) regards East Africa as one of its strategic growth markets that will help Diageo to fulfil its ambition to be one of the best performing, most trusted and respected consumer products companies in the world. Diageo is a global leader in beverage alcohol with an outstanding collection of brands across beer and spirits. Diageo's strategic priorities – sustain quality growth; embed everyday efficiency; invest smartly; promote positive drinking; champion inclusion and diversity; and pioneer grain-to-glass sustainability support the achievement of this ambition. In Africa, Diageo's strategy is to grow its beer brands fast and its spirits brands faster, through selective participation, including “near beer”, leveraging the broad-based portfolio of the Diageo's operating model seeks to build resilience, agility and strength into its African businesses. Diageo seeks to drive smart investments through local manufacturing, innovation and partnerships to unlock growth. Local sourcing is very important to Diageo's strategy, currently at 80%, directly supporting its commercial operations whilst bringing wider economic benefits to local communities, agricultural development and farmers. The proposed acquisition by Diageo Kenya of the Additional Shares is consistent with Diageo's African growth and active portfolio management. Diageo's East African business continues to go from strength to strength and is expanding its reach at pace. In addition, a resilient and adaptive approach by the East African business through the Covid-19 pandemic combined with vibrant ecommerce growth has cemented Diageo's belief that this is an appropriate time to deepen its East African position. This transaction will enhance Diageo's exposure to the East Africa growth opportunity. It is a demonstration of Diageo's long-term confidence in EABL, and in the East African alcoholic and non-alcoholic beverage market and economy, generally. Furthermore, Diageo's indirect shareholding in EABL of 50.03% is lower than the average shareholding of approximately 66.9% held by multinational parent companies in listed subsidiaries in Kenya. It is also lower than the average shareholding for other listed subsidiaries of Diageo in Africa such as in Guinness Nigeria and Guinness Ghana Breweries Limited where Diageo indirectly holds a 58.02% and 80.4% stake, respectively. Diageo Kenya intends to maintain EABL's listing on the Nairobi Securities Exchange following completion of the Tender Offer, as it believes the interests of EABL's shareholders and the broader public would be best served by EABL remaining a company listed on the Nairobi Securities Exchange and available to be invested in by the Kenyan public. Diageo Kenya does not intend to make a take-over offer for EABL, within the meaning of the Take-over Regulations. Diageo Kenya will apply to the Capital Markets Authority (the CMA), pursuant to the provisions of Regulation 5(1) and 5(2)(a) of the Take-over Regulations, for an exemption from complying with the requirement to make a take-over offer on the basis that the proposed acquisition of the additional Ordinary Shares is for the purpose of a strategic, long term investment reflecting Diageo Kenya’s belief in the future potential of EABL within the Kenya and regional economy, and desire to continue the governance structure of EABL as it currently stands, with continued full participation of local stakeholders. Permitting such an exemption will allow the maintenance of domestic shareholding for strategic reasons and serves the public interest.

6. Persons acting in concert

Diageo Kenya is not acting in concert with any person (whether pursuant to a formal or informal agreement or understanding) in relation to the acquisition of the Additional Shares or the consolidation of control of EABL.

7. Conditions

The Tender Offer is entirely subject to and conditional on:

(i) approval from the CMA and the CMA granting the exemption sought pursuant to Regulation 5(1) of the Take-over Regulations; and
(ii) any other regulatory approvals that may be required to implement the Tender Offer, and will not commence unless and until those approvals and exemptions have been granted.

If these conditions are met, it is expected that the Tender Offer will open at 9:00 a.m. on 30 January 2023 and will be open to holders of Ordinary Shares on the register of EABL at 5:00 p.m. on 16 January 2023 (the Record Date). The Tender Offer will close in two phases:

(i) First Closing: the first phase of the offer will close at 5:00 p.m. on 17 February 2023 (the First Closing Date); and
(ii) Second Closing: the second and final phase of the offer will open at 9:00 a.m. on 20 February 2023 and close at 5:00 p.m. on 10 March 2023 (the Second Closing Date). The Record Date and the dates for the First Closing and Second Closing are estimated dates and are therefore subject to change. Any changes will be communicated by Diageo Kenya in due course. A holder of Ordinary Shares will only be permitted to tender their Ordinary Shares in the Tender Offer if at the First Closing Date or the Second Closing Date, as applicable, such shares are free from all pledges, liens and other encumbrances. In accepting tenders, Diageo Kenya intends to give preference to shareholders on the register of members on the Record Date, in respect of the Ordinary Shares held by them at the Record Date, up to a maximum of 10,000 Additional Shares. In order to facilitate the settlement of the Tender Offer and ensure that ordinary shares tendered in the Tender Offer can be transferred, an application will be made for trading in EABL's ordinary shares to be suspended for a short period post Second Closing to allow for the settlement and transfer of shares.

Dated 14 October 2022

By order of the Board

Diageo Kenya Limited