

## **East African Cables recovers from its half year loss, sets sight on its expanded capacity and new products to drive growth**

**...from an after tax loss of Kshs.57 million at half year to an after tax profit of Kshs.184 million at year end**

9/2...Regional cables and conductors manufacturer East African Cables has outlined plans to further increase its market and shareholder value with expanded capacity and a mix of new products and market forays within and beyond the East Africa region.

In a first for a sub-Saharan cables manufacturer, East African Cables has already commenced production of aerial bundled conductors (ABC) which are much safer and more environmentally friendly for power transmission. In addition, East African Cables has introduced crosslink polyethylene cables (XLPE) which have the ability to carry more current for the same size of cable compared to PVC cables and have better strength at high temperatures. The company has also commenced manufacture of Halogen Free Flame Retardant (HFFR) cables which is a first for any cable manufacturer in the region.

Besides the new products, East African Cables will be moving to entrench its market footprint in key East, Central and horn of Africa countries including Burundi, Eastern DRC and Southern Sudan this year alongside its operations in Kenya, Tanzania, Uganda and Rwanda. The additional capacity commissioned in January 2011 now positions the company to capture growing demand in these markets.

Speaking during an investor briefing session for the firm's shareholders, East African Cables Chief Executive Officer Mr. George Mwangi confirmed that production for ABC conductors and XLPE cables is now underway following the successful completion of development tests. We have had an excellent market response in the last few months and the products will no doubt drive our growth this year.

On the production front, Mwangi confirmed the Company is also setting the stage for the installation of a medium voltage production line at its Nairobi plant which it plans to commission next year. This will help the Company to substitute traded with manufactured products by acquiring a slice of the lucrative medium voltage market.

East African Cables has managed to tremendously grow its consolidated turnover by more than 28% having closed its 2010 financial year with a turnover of Kshs 3.6billion up from Kshs

2.8billion posted the previous year.

The Group also managed to maintain its profit run posting a Kshs 183.8 million profit for the year 2010 despite having suffered a “once off” impairment loss amounting to KShs.193M from its subsidiary in Tanzania that saw the company record an after tax loss of KShs.56 million in the first half of 2010. However, a strong performance in the second half of 2010 saw the Group record a second half profit of Kshs.241 million rebounding to profitability

The firm’s Chairman Mr. Zephaniah Gitau Mbugua, confirmed that the firm had managed to successfully commission new production lines at its Nairobi factory. We have more than doubled our capacity and are looking forward to serve the market better. Capacity constraints hampered our efforts to serve those markets within the year. He also noted that the installation and upgrade to new technology in the factory also disrupted production in the Nairobi plant within the year.

“As East African Cables continues to grow its market capacity, we have successfully managed to develop and produce new products which will drive growth in shareholder value,” Mbugua said. He added “our successful production of new products now puts us in a very good position to engage regional power distribution companies who have largely used bare conductors”.

On the firm’s profitability, Mwangi pointed out that this had further been improved by the management’s efforts to maintain lean and efficient operations while ensuring production rationalisation processes are maintained across the region.

While confirming that the range of new products have already started receiving excellent response from the market, Mwangi noted that in the developed world, ABC has turned out to be a novel concept for overhead power distribution systems guaranteeing both safety and higher system efficiencies for utility companies.

Buoyed by the regional governments commitment towards grid extension programs, domestic electrical connections and rural electrification programs, Mr. Mwangi further confirmed that EAC is looking ahead to an even brighter future.

Capacity enhancements programmes already undertaken by the firm in Kenya and Tanzania backed by new human capital skills are expected to further boost the company’s fortunes this year.

Focus by the firm to enhance its delivery channels structure through regional exclusive service centres and partnerships with the right stakeholders will drive value upstream. We want to contribute to the society through value addition initiatives that drive economic development across the region.