

# EAAGADS LIMITED

## PROFIT WARNING ANNOUNCEMENT

**This announcement is made pursuant to the Capital Markets Act, Chapter 485a, of the Laws of Kenya and the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002.**

Eaagads Limited (the "Company") hereby announces that the earnings for the financial year ending 31 March 2020 could be lower by at least 25% of the earnings reported in the audited financial statements for the year ended 31 March 2019. These projections are based on the half year unaudited results of the Company for the period ended 30 September 2019.

### **Profit warning**

The projected drop in profitability has been occasioned by a dip in coffee production levels. Unpredictable and erratic weather patterns caused by the effects of global warming resulted in the severe drought experienced in the first half of the year, leading to reduced water levels in our rivers and subsequently, total restrictions placed on irrigation activities on the farms. The rising temperatures also did not favor the crop, contributing to poor flowering of the crop and hence depressed production levels. Coffee prices have been affected by the New York Coffee Exchange prices, which principally determine the prices of coffee. These prices are still very low due to South American coffee oversupply.

The drop in profitability was further exacerbated by an increase in coffee production costs, notably increased labour costs, which have been on an upward trend, year on year. Management continues to adopt sound crop tree nutrition practices to ensure that Eaagads coffee quality levels are not compromised. Management is also adopting prudent cost cutting measures to ensure savings on production costs.

### **By Order of the Board**

**Chairman**

**12 November 2019**

**Disclaimer:** *This announcement has been issued with the approval of the Capital Markets Authority pursuant to the Capital Markets (public offers, Listing and Disclosures) Regulations, 2002 as amended. As a matter of policy, the Capital Markets Authority assumes no responsibility for the correctness of the statements appearing in this announcement.*