

PROFIT WARNING ANNOUNCEMENT

THIS ANNOUNCEMENT IS MADE PURSUANT TO PARAGRAPGH 6.05(1)(f) AND PARAGRAPGH 6.05 (2) OF THE FIFTH SCHEDULE TO THE CAPITAL MARKETS (SECURITIES) (PUBLIC OFFERS, LISTING AND DISCLOSURE) REGULATIONS 2002

The Board of Directors of Centum Investment Company Plc (the "Group" or the "Company") wishes to inform the shareholders of the Company, potential investors and the general public that based on the preliminary assessment of its projected consolidated financial results for the financial year ending 31 March 2021, net earnings will be at least 25% lower than that reported in the financial year ended 31 March 2020.

The expected lower than prior year earnings is mainly attributed to the following factors:

A. GAINS ON DISPOSAL OF INVESTMENTS IN THE FINANCIAL YEAR ENDED 31 MARCH 2020

The results for the financial year ended 31 March 2020 included gains on disposal of investments amounting to Kes 12.5 Billion. There has been no disposal of investments in the year ending 31 March 2021 and consequently, no gains on disposal have been recorded.

B. IMPACT OF COVID-19 ON THE PRIVATE EQUITY PORTFOLIO BUSINESSES

Our private equity business segment holds investments in various sectors some of which were significantly affected by the Covid-19 pandemic especially in the first half of this financial year. Consequently, some of the portfolio companies in which we have a controlling or significant stake have reported a decline in net earnings which will reflect in the Group's lower than prior year consolidated net earnings as well as a lower share of associate profits. Other portfolio companies in which we have minority stakes, and which would usually contribute to the Group's performance through dividend distributions have cut back on dividend payments during this financial year in order to preserve their liquidity as they navigate through Covid-19 uncertainties.

These challenges have been mitigated by the enhanced earnings generated in the financial year from the marketable securities portfolio that we invested in using part of the proceeds from the exits completed in the previous financial year. Following the repayment of our long-term liabilities, finance costs have significantly reduced in the current financial year, further mitigating the impact of declined portfolio performance.

C. REAL ESTATE BUSINESS

i) Revenue recognition threshold for sale of residential projects

Our real estate subsidiary sustained a very strong sales and cash collection level despite the challenging environment. Out of the 1,478 units under construction 72% are sold with a revenue potential of Kes 10 Billion. Deposits collected in respect of these sales are Kes 3.5 Billion (representing 35% of total revenue). However, this performance will not reflect in the Group's consolidated income statement for this financial year because revenue from the sale of residential units is only recognized upon registration and transfer of ownership to the respective buyers. This revenue will therefore be recognized in subsequent financial years.

ii) Property value uplift recognized in prior periods but realized in the current financial year through land sales

Centum Real Estate completed land sales in this financial year and booked approximately Kes 2 Billion in revenue at a significant value uplift on the initial cost. Although these sales have had a significant impact on the Group's cash flows, their impact on profitability has been minimal because the transactions were done at approximately the carrying value which was based on the most recent market valuation. Investment property is revalued annually to reflect the current market value in the books, with the resulting value movement recognized as a gain or loss in the income statement in the accounting period when the revaluation is carried out. Therefore, the value uplift on the parcels of land that were sold this year was already recognized in prior periods even though it has been realized in the current year.

BY ORDER OF THE BOARD



MWANGI MBOGO
COMPANY SECRETARY
CENTUM INVESTMENT COMPANY PLC