

CENTUM INVESTOR UPDATE
21 OCTOBER 2020

APPENDIX ONE: QUESTIONS AND MANAGEMENT RESPONSES

Question	Management Response	Cross reference
<p>1. Please provide further clarification about when share re-purchases will be permitted in Kenya and if management agree that share buybacks would be the best use of cash, given the discount to NAV?</p>	<p>At this point, it is not possible for us to give a precise timing as the process is with the regulator and we can only wait for them to finalize the relevant regulations. Management is open to consider this idea, but we also acknowledge that we are in a dynamic environment and the assessment for suitability of a buyback may only be made conclusively once the regulations are out and based on the prevailing market conditions at that time.</p>	<p>Slide 44</p>
<p>2. Please provide management’s thoughts on how to better align management to shareholders, specifically in regards to compensation tied to share price rather than NAV and the potential use of share options?</p>	<p>Our alignment of management and shareholders is through the company’s bonus structure which is pegged on the growth of long-term intrinsic value as measured through net asset value. This is believed to be a better alignment as it allows management to focus on growing the business. The performance of the business is thus expected to impact the share price over time. The share price is also prone to short term fluctuations driven by many external factors outside management’s control. Our share price movement has been highly correlated with the general market performance over the past years.</p>	<p>Slide 44</p>
<p>3. Please provide management’s thoughts on Christopher Kirubi’s recent comments on not wishing to add to his position in Centum and how that reflects on the company?</p>	<p>Dr. Kirubi’s comments were regarding the timing of his purchases as opposed to abandonment of his earlier intentions. As announced earlier in the year, he pursued a regulatory approval to be allowed to increase his holdings by approximately 20% if he so wished. This approval was granted in March 2020 and remains open. Overall, insider holdings (by directors and staff) have increased over the past five years.</p>	<p>Slide 45</p>
<p>4. There is a slowdown in the Real Estate sector. Outlook of the property sector (divers & risks)? Should we be concerned about the increased exposure to the Real estate sector</p>	<p>We have embedded a robust risk management approach in our real estate strategy to mitigate inherent real estate risks such as market risks, funding risks, project delivery risks among others. The effectiveness of these measures has been validated by the strong sales and collections which have been sustained even under Covid 19 circumstances. In October 2020, we handed over to buyers two projects in Vipingo and Mirabella which were both over 90% sold, completed within budget and schedule.</p>	<p>Slide 13 - 17</p>
<p>5. Are there any exits expected in the near term?</p>	<p>We continue to monetize the portfolio in various forms which may entail equity exits, repayment of shareholder loans or disposal on the underlying assets within a portfolio company and up streaming of the proceeds in form of dividends or interest. Several</p>	<p>Slide 5</p>

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	workstreams are ongoing in this regard with greater focus on monetization of real estate portfolio for redeployment into the other business segments. This is part of our investment cycle in the ordinary course of execution of our business strategy.	
<p>6. What is the company's dividend policy? In trying to access the company's ability to pay dividends, would an investor be correct in looking at the company and not the group's numbers?</p>	<p>As highlighted in our first strategic pillar under Centum 4.0, our policy is to pay the higher of 30% of annuity cash income and prior year dividends. In assessing the ability to pay, both sets of information may be relevant. The company's liquidity and return would indicate the immediate ability to pay. The consolidated statements show the profitability of the underlying portfolio whether or not that profit has been distributed to Centum, thus it would be indicative of long-term sustainability of dividend payment.</p>	<p style="text-align: center;">Slide 5</p>
<p>7. How has COVID-19 affected your business?</p>	<p>Overall, our assessment is that 21% (by value) of the portfolio was negatively impacted and we have seen recovery towards pre-covid business activity levels in most of them. Full recovery may be expected in the short and medium term.</p>	<p style="text-align: center;">Slide 47</p>
<p>8. What are the current leverage levels (debt on individual companies' balance sheets)?</p>	<p>The consolidated commercial borrowings at March 2020 was Kes 22 billion. This included Centum's Kes 6.6 billion which was subsequently fully repaid in June 2020. The consolidated assets were 102 billion, thus the group debt ratio was 21.5%.</p>	<p style="text-align: center;">FY2020 Annual Report (Page 122)</p>
<p>9. Are you issuing a Real Estate bond? Where will this debt sit (group or company level)?</p>	<p>Yes, our real estate business unit is issuing a bond to bridge the timing gap between cash inflows (deposits) and outflows on various developments, in case that arises. This will sit on the real estate holding company balance sheet. Centum owns 100% of the RE Holdco.</p>	<p style="text-align: center;">Slide 18</p>
<p>10. The company has previously written off debt given to individual companies. Under what circumstance does this occur/what's the likelihood of it occurring in the future (esp. in the current environment)?</p>	<p>The major provision we made in the last financial year was with respect to Amu Power owing to project implementation uncertainties. We believe this was a one-off event which is not expected to recur. The bulk of the balance of our shareholder loans are in the real estate business and with the traction we have seen and the track record it continues to build, we don't foresee any repayment challenges.</p>	<p style="text-align: center;">Slide 12 & 36</p>
<p>11. There's a large portion of dollar denominated debt in the balance sheet. What is the possible impact of the depreciation of the KES on the dollar debt?</p>	<p>Centum Investment fully retired the largest dollar denominated debt in Sep 2019, and this was USD 75m that the Company had taken from Rand Merchant Bank (SA). In June 2020, we redeemed Kes 6.6 billion bond which was the only other long term debt in our books. We have some USD 15m short term facilities (RCF) which would not be majorly be impacted by KES/USD fluctuations, as it is drawn and</p>	<p style="text-align: center;">Slide 12 & 36</p>

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21 OCTOBER 2020

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	repaid in short intervals. At subsidiary levels some of the real estate entities have dollar denominated debt which is supported by dollar inflows.	
12. There's concern over Centum's exposure to the Real estate sector. Kindly touch on what's been sold and what's remaining.	We have 1,450 units under construction and 77% of these have been sold. Kes 2.6 (28%) has been collected in deposits out of a total revenue potential of Kes 9.37 billion from the <u>sold</u> units only.	Slide 13 & 17
13. Investors believe that there's a slowdown in the middle income residential segment. Is this true? What's your target market and the average prices of houses?	Our Reals Estate sales are demand driven which ensures that we have to sell 30% of the units before ground breaking. Over 85% of the units in our development pipeline target mid-market and affordable housing segments. These are units selling from Kes 2.4m for a 1-bedroom and Kes 9m for 3-bedroom depending on location and other factors. Recent research has shown that the demand and supply gap for middle income residential segment is still significant and our sales traction for this segment seems to have validated that.	Slide 17
14. Land at Vipingo sold at KES 15mn per acre (less than 10 acres). Is this sustainable? What percentage of land has been sold?	The land bank at Vipingo is over 10,250 acres which as may be expected is not homogeneous. Preces in strategic locations have fetched Kes 15m per acre and as the site opens with recent hand over of the first batch of infill developments, we believe the pricing could even go up. To date 1,375 acres (13%) have been sold with an additional 1,100 acres in the pipeline.	-
15. Two Rivers: There was an impairment of KES 3.9 bn and KES 2.4 in 2020 and 2019. What does this relate to? Is it likely to recur in in the future?	These related to revaluation of the mall on the basis of income potential and projected occupancy. The first write down was largely driven by delayed occupancy than earlier anticipated and the second one was based on conservative outlook when covid-19 pandemic had just been announced. Assuming economic recovery and resumption of normal business activity, we don't anticipate any further write downs.	Slide 24
16. Given the recent sale of a number its profitable businesses where is growth likely to come from?	Growth will be derived from the redeployment of sales proceeds into new profitable opportunities and realization of the remainder of the portfolio, especially in real estate, which is also very profitable.	
17. Kindly touch on the profitability of portfolio companies	The remaining portfolio companies such as NAS Servair, Isuzu, Longhorn are market leaders in their industries and have been profitable with significant dividend payment to Centum. Eliminating the short-term impact of covid-19, we believe these businesses will remain sustainably profitable in the long term. Other assets such as Sidian, Zohari, Greenblade and SABIS School are all in their growth	Slide 30 - 37

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	phases and on course to transition into mature and profitable businesses.	
<p>18. Could you shed some light on the progress of Fund 2.</p>	<p>The fund raising for Fund II is still in progress with discussions on going with numerous potential LPs showing interest. We anticipate to close in 2021. We also continue to evaluate a healthy pipeline of opportunities in readiness to deploy at attractive entry prices as economies recover from covid 19. Centum has already made commitments to invest in the fund with this commitment being available for drawdown should an attractive opportunity require funding.</p>	<p style="text-align: center;">Slide 34</p>
<p>19. Kindly touch on Akira and Amu. How long/what's required for them to become profitable? Would it be correct in assuming that there are more risks than opportunities?</p>	<p>The two projects are still progressing, tough at a slower pace than we initially anticipated. The risks related to Amu Power have been fully taken to account through our decision to make a full provision for it in our FY2020 financials, thus no further downside impact would be expected. Akiira's progress is much better and will be resuming drilling having concluded new geoscientific studies in partnership with KENGEN. The demand for base load power and green energy remains and this is what Akiira would be providing.</p>	<p style="text-align: center;">Slide 36</p>
<p>20. Agribusiness has been a profitable venture. What is its current potential? Was it affected by the COVID-19 shutdowns?</p>	<p>Our agribusiness venture focusing on horticultural exports has great potential and very good prospects. We have addressed the production efficiency challenges and beefed up the commercial team to grow its markets. We have also significantly enhanced the production capacity by adding more greenhouses and tripling the area under crop.</p>	<p style="text-align: center;">Slide 37</p>
<p>21. Centum is a complex business. There may be a lot of subjectivity when calculating NAV. How should an analyst value this company?</p>	<p>Centum's value is the sum of the value of its individual portfolio companies. An analyst should understand each of the three business segments (Real Estate, Private Equity and Marketable Securities) and their value driver which are detailed in our annual reports and investor updates. With this, one should be able to assess the value of individual assets which make up Centum. NAV is the asset value less liabilities and both parameters can be determined objectively in line with existing guidelines. We have also endeavored to provide detailed information on the three segments in the annual reports as well as in our presentations. We are also available to provide additional information as may be required by the analysts.</p>	<p style="text-align: center;">Slide 43</p>