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**TRANSACTION CIRCULAR IN RESPECT OF THE PROPOSED
ACQUISITION OF 80% EQUITY STAKE IN DISTELL WINES AND
SPIRITS NIGERIA LIMITED AND 100% OF THE IMPORT BUSINESS OF
HEINEKEN BEVERAGES (HOLDINGS) LIMITED**

By



NIGERIAN BREWERIES PLC
RC: 613

(In compliance with Rule 20.7 of the Nigerian Exchange Limited Rulebook, 2015)

The notice (together with a Proxy Form) convening the Extra-Ordinary General Meeting (“EGM”) of Nigerian Breweries Plc is enclosed with this Circular. To be valid for the purpose of the EGM, the Proxy Form must be completed, signed and stamped, together with the power of attorney or other authority, if any, under which it is signed and in accordance with the instructions printed therein and must reach the Registrar of Nigerian Breweries Plc, First Registrars and Investor Services Limited at Plot 2, Abebe Village Road, Iganmu, Lagos, not later than 48 hours before the time fixed for the EGM.

This Circular is dated the 16th of November 2023.

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To: The Shareholders of Nigerian Breweries Plc

TRANSACTION CIRCULAR ON THE PROPOSED ACQUISITION BY NIGERIAN BREWERIES PLC OF 80% SHAREHOLDING IN DISTELL WINES AND SPIRITS NIGERIA LIMITED AND 100% OF HEINEKEN BEVERAGES (HOLDINGS) LIMITED'S IMPORT BUSINESS IN NIGERIA

1. BACKGROUND

Following the acquisition of Distell Group Holdings Limited ("Distell") in South Africa by Heineken N.V. ("Heineken"), the Board of Nigerian Breweries Plc ("Nigerian Breweries" or the "Company") received an offer from Heineken Beverages (Holdings) Limited ("Heineken Beverages") for Nigerian Breweries to acquire Heineken Beverages' business and operations in Nigeria (the "Transaction").

The Transaction is structured in two parts: the acquisition of an 80% equity stake in Distell Wines and Spirits Nigeria ("DWSN") and the acquisition of 100% of Heineken Beverages' import business in Nigeria. The DWSN acquisition gives Nigerian Breweries 80% of the economic interest, voting and other rights in DWSN. The 100% acquisition of the import business gives Nigerian Breweries an exclusive right to import all Heineken Beverages' wines, spirits and ciders brands from South Africa, as well as the license to market and distribute the products in Nigeria, including the right to locally produce any of the imported brands.

The Transaction is expected to provide Nigerian Breweries with access to a complimentary multi-category portfolio of fast-growing brands in the wines and spirits market segment and capture the significant growth opportunities in that market. The Transaction would also eliminate any potential conflict between two controlled subsidiaries of Heineken in Nigeria, that is, between Nigerian Breweries and DWSN.

The Transaction will be implemented in line with Chapter 20 of the Nigerian Exchange Limited ("NGX") Rulebook, 2015.

The Board engaged the services of Stanbic IBTC Capital Limited and Banwo & Ighodalo to act as Lead Transaction/Financial Adviser and Legal Adviser respectively, to provide requisite advice and guidance to the Company on the Transaction. The firm of Deloitte & Touche was also appointed to conduct Finance and Tax Due Diligence on DWSN and the import business.

Given the related party nature of the Transaction and in line with Rule 20.7(d) of the NGX Rulebook, 2015, the firm of KPMG Professional Services was engaged to independently determine the fairness of the consideration for the Transaction.

After a careful consideration, the Board has resolved to recommend the Transaction to Shareholders for consideration at an Extra-Ordinary General Meeting ("EGM") to be held on Wednesday, the 20th of December 2023 at the Grand Ballroom, Oriental Hotel, 3 Lekki Expressway, Victoria Island, Lagos State.

2. INFORMATION ABOUT THE OPERATIONS AND BUSINESS OF HEINEKEN BEVERAGES (PREVIOUSLY DISTELL) IN NIGERIA

DWSN's operations commenced in 2018 and consist of a local manufacturing, marketing and sales of a portfolio of wines and ready-to-drink beverages ("RTDs"). DWSN's leading brands which are produced, marketed, and distributed in Nigeria under license from Heineken Beverages include 4th Street wine range (red, rose, white, sparkling and non-alcoholics), Chamdor, Hunters Dry, Savannah Dry and Gold.

Heineken Beverages owns an 80% equity stake in DWSN, while the other 20% is held by Next International Limited and Ekulo International Limited who each hold a 10% stake. The 80% equity stake is held in the name of Distell International Holdings Limited.

DWSN's operates from a 1.4 hectares site in Ikeja, Lagos State. DWSN currently utilises distributors across the country who distribute its products across thousands of outlets. In the full year ended 30 June 2023, DWSN generated a net revenue of ₦4.9 billion, and an Earnings Before Interest Taxation, Depreciation and Amortisation ("EBITDA") of ₦667 million.

Heineken Beverages' import business in Nigeria comprises the importation, marketing and distribution of an extensive range of wines, spirits and RTD beverages from South Africa through distributors appointed locally. The import portfolio consists of Drostdy-Hof ranges, Nederburg ranges, JC Le Roux, Amarula cream liqueur, Bain's Whisky, Scottish Leader Whisky, Zonnebloem, Knight Whisky, Durbanville Hills ranges, and Klipdrift Brandy.

3. RATIONALE FOR THE TRANSACTION AND EXPECTED BENEFITS

The Directors of Nigerian Breweries are of the opinion that the Transaction would create value for the Shareholders and relevant stakeholders of the Company for the following reasons amongst others:

- a) It provides Nigerian Breweries with a complimentary multi-category portfolio and strengthens the Company's market share in the wider beverages market as it expands its product offerings to a wider consumer segment.
- b) It enhances Nigerian Breweries' long-term profitability through the addition of new product categories such as wines, spirits and flavored beverages, which are projected to grow at a higher rate than the lager, malt and stout categories.
- c) It would accelerate the growth of DWSN's portfolio through Nigerian Breweries' wide and strong route-to-market capabilities.
- d) Migrating part of the imported portfolio to local production on Nigerian Breweries' platform presents an opportunity for expedited volume growth as well as growing the local production of wines and spirits.

4. PURCHASE CONSIDERATION

The consideration put forward by Nigerian Breweries for the proposed acquisition of the 80% economic and voting rights in DWSN and 100% of Distell's import business in Nigeria is **₦7.01 billion**. Following the conclusion of the Transaction, DWSN will become a subsidiary of Nigerian Breweries. Also, the operations of Nigerian Breweries will be expanded to include importation, marketing and distribution of wines, spirits and cider products.

5. STATEMENT OF FINANCIAL CAPABILITY

Nigerian Breweries has access to the necessary financial resources to meet the purchase consideration. As evidence of Nigerian Breweries' financial capabilities to implement the Transaction, the Company had a cash balance of **₦21 billion** as of 30 September 2023.

6. TERMS AND CONDITIONS OF THE TRANSACTION

The terms and conditions of the Transaction, including the aforementioned consideration and the representations and warranties furnished by the parties, will be contained in a Share Purchase Agreement to be negotiated and agreed on by the parties.

Parties will proceed to complete the Transaction upon obtaining shareholders' and regulatory approvals (where applicable).

7. TAX CONSEQUENCES OF THE TRANSACTION

The provisions of the Capital Gains Tax ("CGT") Act (as amended by the Finance Act 2021) state that the 'gains' from the share disposal proceedings arising from the transaction, which involves a transfer of shares in a Nigerian company registered under the Companies and Allied Matters Act, 2020 (as amended), will be subject to 10% CGT payable by the selling shareholder, provided that:

- a) the aggregate share disposal proceeds are more than **₦100,000,000** (One Hundred Million Naira) within a period of 12 (twelve) consecutive months, and;
- b) the transaction does not qualify as a Regulated Securities Lending Transaction within the meaning of the Companies Income Tax Act.

Given that the Transaction share disposal proceeds totals to more than the **₦100,000,000** (One Hundred Million Naira) threshold and does not qualify as a Regulated Securities Lending

Transaction, Heineken Beverages will be required to pay CGT on the Transaction. There is no tax liability on Nigerian Breweries as a result of the acquisition of the shares.

From a transfer pricing perspective, the Company has also taken steps to ensure that the pricing and terms of the Transaction are concluded at arm's length in line with applicable law.

8. INFORMATION ON DISTELL WINES AND SPIRITS NIGERIA LIMITED

DWSN was incorporated in Nigeria on 8 March 2018 as a private company limited by shares. The principal activities of the company are to carry on the business of production and distribution of wines, spirits ciders and any other RTD alcoholic and non-alcoholic beverages as well as to build, acquire, own, maintain and operate distilleries and all plants, factories and establishments capable of being used to produce wines, spirits, ciders and any other RTD alcoholic and non-alcoholic beverages; to bottle, pack, supply, import, export, buy, sell, distribute and otherwise deal in wines and spirits.

A. CORPORATE INFORMATION OF DWSN

Registered Address:

St. Nicholas House (10th Floor)
Catholic Mission Street
Lagos Island

Board of Directors:

Mr. Schalk Klopper

Non-Executive Chairman
St. Nicholas House (10th Floor)
Catholic Mission Street
Lagos Island, Lagos

Mrs. Olive U. Obi

Non-Executive Director
St. Nicholas House (10th Floor)
Catholic Mission Street
Lagos Island, Lagos

Mr. Steve Ighorimoto

Managing Director
St. Nicholas House (10th Floor)
Catholic Mission Street
Lagos Island, Lagos

Chief Emmanuel C. Okonkwo

Non-Executive Director
St. Nicholas House (10th Floor)
Catholic Mission Street
Lagos Island, Lagos

Company Secretary:

Alsec Nominees Limited

(Company Secretary)
St. Nicholas House (10th Floor)
Catholic Mission Street
Lagos Island, Lagos

B. INCORPORATION AND SHARE CAPITAL HISTORY

DSWN was incorporated in Nigeria on 8 March 2018 as a private company limited by shares. The company has a share capital of ₦10,000,000 comprising 10,000,000 ordinary shares of ₦1.00 each, and an issued share capital of ₦5,000,000 comprising 5,000,000 ordinary shares of ₦1.00 each.

C. OWNERSHIP STRUCTURE

The shareholding structure of the company as at 30 June 2023 is as follows:

| Shareholder (₦'m) | Ordinary Shares held | % |
|--|-----------------------------|------------|
| Distell International Holdings Limited | 4,000,000 | 80 |
| Ekulo International Limited | 500,000 | 10 |
| Next International Limited | 500,000 | 10 |
| Total | 5,000,000 | 100 |

D. HISTORICAL FINANCIAL INFORMATION

Income statement

| Year ended 30 June (₹'m) | 2023 | 2022 | 2021 |
|---|----------------|--------------|-------------|
| Revenue | 4,857 | 4,958 | 3,486 |
| Cost of sales | (4,000) | (3,895) | (2,827) |
| Gross profit | 857 | 1,063 | 659 |
| Other income | 188 | 254 | 55 |
| Operating expenses | (657) | (915) | (436) |
| Operating profit | 388 | 401 | 279 |
| Finance costs | (2,709) | (67) | (67) |
| Profit/Loss before taxation | (2,321) | 335 | 212 |
| Taxation | (117) | (36) | (19) |
| Profit /loss from operations | (2,437) | 299 | 192 |
| Deferred tax expense | (616) | (251) | (120) |
| Total comprehensive (loss) income for the year | (3,054) | 48 | 72 |

Statement of Financial Position

| Year ended 30 June (₹'m) | 2023 | 2022 | 2021 |
|-------------------------------------|--------------|--------------|--------------|
| Property, plant and equipment | 3,496 | 2,893 | 2,822 |
| Right-of-use assets | 65 | 65 | 65 |
| Non-Current Assets | 3,561 | 2,958 | 2,891 |
| Inventories | 1,729 | 1,203 | 469 |
| Trade and other receivables | 1,642 | 822 | 741 |
| Prepayments | 80 | 195 | 171 |
| Cash and cash equivalents | 89 | 703 | 386 |
| Current Assets | 3,541 | 2,923 | 1,767 |
| Total Assets | 7,102 | 5,881 | 4,658 |
| Share capital | 5 | 5 | 5 |
| Share premium | 1,899 | 1,899 | 1,899 |
| Retained income | (2,737) | 317 | 165 |
| Equity/Accumulated loss | (832) | 2,221 | 2,069 |
| Borrowings | 2,133 | 1,178 | 1,229 |
| Deferred tax | 964 | 319 | 68 |
| Non-Current Liabilities | 3,097 | 1,497 | 1,297 |
| Trade and other payables | 4,045 | 1,764 | 1,096 |
| Lease liabilities | 14 | 38 | 57 |
| Current tax payable | 89 | 37 | 20 |
| Provisions | 690 | 324 | 120 |
| Current Liabilities | 4,837 | 2,163 | 1,292 |
| Total Liabilities | 7,934 | 3,660 | 2,589 |
| Total Equity and Liabilities | 7,102 | 5,881 | 4,658 |

Statement of Cash Flows

| Year ended 30 June (¥'m) | 2023 | 2022 | 2021 |
|---|----------------|--------------|--------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 2,293 | 672 | 152 |
| Tax paid | (65) | (19) | (31) |
| Net cash from operating activities | 2,229 | 653 | 121 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | (882) | (326) | (283) |
| Net cash from investing activities | (882) | (326) | (283) |
| Cash flows from financing activities | | | |
| Repayment of borrowings | 955 | (51) | 194 |
| Payment on lease liabilities | (24) | (19) | (14) |
| Finance costs | (2,709) | (67) | (67) |
| Other non-cash movements | (182) | 126 | 57 |
| Net cash from financing activities | (1,960) | (11) | 169 |
| Total cash movement for the year | (613) | 317 | 8 |
| Cash at the beginning of the year | 703 | 386 | 378 |
| Total cash at end of the year | 89 | 703 | 386 |

E. SUMMARY FORECASTS OF DWSN AND THE IMPORT BUSINESS

| Period ended 31 December (¥'m) | 2024 | 2025 | 2026 | 2027 | 2028 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net revenue | 15,437 | 20,811 | 27,121 | 32,146 | 36,970 |
| Cost of sales | (11,839) | (16,060) | (20,943) | (24,837) | (28,620) |
| Gross profit | 3,598 | 4,751 | 6,178 | 7,309 | 8,350 |
| Advertising & Promotion | (1,226) | (1,653) | (2,167) | (2,397) | (2,621) |
| Total operating expenses | (888) | (1,011) | (1,151) | (1,230) | (1,313) |
| EBITDA | 2,224 | 2,867 | 3,669 | 4,473 | 5,190 |
| Depreciation | 741 | 779 | 810 | 791 | 773 |
| EBIT | 1,484 | 2,087 | 2,859 | 3,682 | 4,416 |

9. INFORMATION ON NIGERIAN BREWERIES PLC

Nigerian Breweries was incorporated in 1946 as a private company limited by shares and is engaged in the brewing, marketing and sales of both alcoholic and non-alcoholic beverage drinks. It is a subsidiary of Heineken N.V.

A. CORPORATE INFORMATION OF NIGERIAN BREWERIES

Registered Address:

Iganmu House
Abebe Village Road
Iganmu
Lagos

Board of Directors:

Mr. Asue Ighodalo

Non-Executive Chairman
Iganmu House
Abebe Village Road
Iganmu
Lagos

Mr. Hans Essaadi

Managing Director/CEO
Iganmu House
Abebe Village Road
Iganmu
Lagos

Mrs. Juliet Anammah

Independent Non-Executive Director
Iganmu House
Abebe Village Road
Iganmu
Lagos

Mrs. Ifueko M. Omoigui Okauru

Non-Executive Director
Iganmu House
Abebe Village Road
Iganmu
Lagos

Mr. Jaap A. A. Overmars

Non-Executive Director
Iganmu House
Abebe Village Road
Iganmu
Lagos

Mr. Roland Pirmez

Non-Executive Director
Iganmu House
Abebe Village Road
Iganmu
Lagos

Mrs Adeyinka O. Aroyewun

Independent Non-Executive Director
Iganmu House
Abebe Village Road
Iganmu
Lagos

Mr. Sijbe “Siep” Hiemstra

Non-Executive Director
Iganmu House
Abebe Village Road
Iganmu
Lagos

Mrs. Ndidi O. Nwuneli, MFR

Independent Non-Executive Director
Iganmu House
Abebe Village Road
Iganmu
Lagos

Mr. Ibrahim A. Puri

Non-Executive Director
Iganmu House
Abebe Village Road
Iganmu
Lagos

Mr. Bernardus A. Wessels Boer

Finance Director
Iganmu House
Abebe Village Road
Iganmu
Lagos

Uaboi G. Agbebaku, Esq.

Company Secretary
Iganmu House
Abebe Village Road
Iganmu
Lagos

B. INCORPORATION AND SHARE CAPITAL HISTORY

Nigerian Breweries Plc was incorporated in Nigeria on 16 November 1946, under the name, Nigerian Brewery Limited. The name was changed on 07 January 1957, to Nigerian Breweries Limited and thereafter to Nigerian Breweries Plc following the coming into effect of the 1990 Companies and Allied Matters Act.

As at 31 December 2022, the Company's issued share capital was ₦5,138,066,189 comprising 10,276,132,378 ordinary shares of ₦0.50 each

Share Capital History: Issued and Fully Paid (₦)

| Date | Increase | Cumulative |
|--------|---------------|---------------|
| Jan-76 | - | 6,100,000 |
| Jun-76 | 3,050,000 | 9,150,000 |
| Feb-77 | 9,150,000 | 18,300,000 |
| Feb-78 | 3,660,000 | 21,960,000 |
| Jul-79 | 7,320,000 | 29,280,000 |
| Jun-80 | 7,320,000 | 36,600,000 |
| Jun-81 | 9,150,000 | 45,750,000 |
| Jun-83 | 11,437,500 | 57,187,500 |
| Jun-86 | 28,593,750 | 85,781,250 |
| Jun-90 | 28,593,750 | 114,375,000 |
| Jun-93 | 114,375,000 | 228,750,000 |
| Jun-95 | 228,750,000 | 457,500,000 |
| Jun-99 | 305,000,000 | 762,500,000 |
| Jun-00 | 182,225,000 | 944,725,000 |
| Dec-01 | 570,000 | 945,295,000 |
| Jun-02 | 945,294,827 | 1,890,589,827 |
| Dec-02 | 12,000 | 1,890,601,827 |
| Dec-03 | 39,000 | 1,890,640,827 |
| Jun-04 | 1,890,640,827 | 3,781,281,170 |
| May-12 | 71,046 | 3,781,352,216 |
| Dec-14 | 183,198,228 | 3,964,550,444 |
| Jun-17 | 33,990,582 | 3,998,451,026 |
| Jun-21 | 39,464,924 | 4,037,915,950 |
| Jun-22 | 72,537,001 | 4,110,452,950 |
| Dec-22 | 1,027,613,239 | 5,138,066,189 |

C. OWNERSHIP STRUCTURE

The shareholding structure of the Company as 31 December 2022 is as follows:

| Shareholder | Ordinary Shares held | % |
|--------------------------------------|-----------------------|---------------|
| Heineken Brouwerijen B.V | 3,937,890,521 | 38.32 |
| Distilled Trading International B.V. | 1,606,123,477 | 15.63 |
| Stanbic Nominees Nigeria Limited | 1,213,526,565 | 11.81 |
| Others | 3,518,591,815 | 34.24 |
| Total | 10,276,132,378 | 100.00 |

D. HISTORICAL FINANCIAL INFORMATION

Income Statement

| Year ended 31 December (¥'m) | 2022 | 2021 | 2020 |
|---|------------------|------------------|------------------|
| Revenue | 550,638 | 437,285 | 337,046 |
| Cost of sales | <u>(337,310)</u> | <u>(276,872)</u> | <u>(218,335)</u> |
| Gross profit | 213,328 | 160,413 | 118,691 |
| Other income | 2,986 | 4,627 | 828 |
| Selling and distribution expenses | (135,830) | (98,358) | (70,702) |
| Administrative expenses | (28,153) | (26,241) | (19,212) |
| Net release of expected credit loss on financial assets | (575) | 1,054 | |
| Profit from operating activities | 51,756 | 41,494 | 29,605 |
| Finance income | 349 | 314 | 246 |
| Net loss on foreign exchange transactions | (26,342) | (7,041) | (4,770) |
| Finance costs | (8,422) | (11,065) | (13,504) |
| Net finance costs | (34,415) | (17,793) | (18,028) |
| Profit before tax | 17,341 | 23,701 | 11,577 |
| Income tax expense | (4,154) | (11,029) | (4,208) |
| Profit after tax | 13,187 | 12,672 | 7,368 |
| Profit for the year attributable to: | | | |
| Owners of the company | 13,182 | 12,666 | 7,363 |
| Non-controlling interest | 5 | 6 | 5 |
| Profit for the year | 13,187 | 12,672 | 12,672 |

Statement of Financial Position

| Year ended 31 December (R'm) | 2022 | 2021 | 2020 |
|--|----------------|----------------|----------------|
| Property, plant and equipment | 358,968 | 257,217 | 213,412 |
| Right-of-use assets | 9,902 | 12,520 | 42,916 |
| Intangible assets and goodwill | 93,425 | 94,334 | 95,272 |
| Investments | 150 | 150 | 150 |
| Other receivables | 2,022 | 1,134 | 911 |
| Non-current assets | 464,467 | 464,129 | 352,662 |
| Inventories | 83,517 | 62,191 | 36,087 |
| Trade and other receivables | 40,710 | 26,501 | 11,417 |
| Prepayments | 1,958 | 2,852 | 3,745 |
| Deposit for imports | 6,898 | 11,891 | 11,575 |
| Cash and cash equivalents | 22,180 | 16,730 | 30,369 |
| Assets held for sale | 158 | | |
| Current Assets | 155,422 | 120,166 | 93,195 |
| Total Assets | 619,889 | 485,522 | 445,857 |
| Share capital | 5,138 | 4,038 | 3,998 |
| Share premium | 82,944 | 77,500 | 73,770 |
| Share based payment reserve | 944 | 171 | 215 |
| Retained income | 90,774 | 90,095 | 83,093 |
| Equity attributable to owners of the Company | 179,800 | 171,803 | 161,076 |
| Non-controlling interest | 113 | 109 | 103 |
| Total Equity | 179,914 | 171,912 | 161,179 |
| Loans and borrowings | 2,426 | 4,098 | 39,637 |
| Lease liabilities | 15 | 2,734 | |
| Employee benefits | 11,422 | 10,964 | 16,720 |
| Deferred tax liabilities | 18,407 | 23,282 | 17,854 |
| Non-Current Liabilities | 32,270 | 41,077 | 74,211 |
| Loans and borrowings | 119,825 | 23,887 | 51,811 |
| Lease liabilities | 17 | 655 | |
| Current tax payable | 13,003 | 10,624 | 11,713 |
| Dividend payable | 9,007 | 10,438 | 7,707 |
| Trade and other payables | 264,089 | 226,418 | 139,201 |
| Provisions | 1,763 | 511 | 36 |
| Current Liabilities | 407,705 | 272,533 | 210,468 |
| Total Liabilities | 439,975 | 313,610 | 284,678 |
| Total Equity and Liabilities | 619,889 | 485,522 | 445,857 |

Statement of Cash Flows

| Year ended 31 December (₹'m) | 2022 | 2021 | 2020 |
|---|-----------------|-----------------|-----------------|
| Profit for the year | 13,187 | 12,672 | 7,368 |
| Adjustments for: | | | |
| Depreciation | 38,033 | 39,777 | 36,830 |
| Amortisation of intangible assets | 1,567 | 1,522 | 1,439 |
| Finance income | (349) | (314) | (246) |
| Interest expenses | 8,422 | 11,065 | 13,504 |
| Gratuity, employee benefit and share-based recharge | | | 3,928 |
| Gain/ (Loss) on foreign exchange transactions | (122) | 46 | |
| Employee benefit charge | 1,661 | 298 | |
| Share based payment charge | 1,307 | (44) | |
| Gain on sale of property, plant and equipment | (692) | (2,982) | (10) |
| Changes in provisions | 1,252 | 475 | |
| Income tax expense | 4,154 | 11,029 | 4,208 |
| | 68,420 | 73,546 | 67,021 |
| Changes in: | | | |
| Inventories | (21,326) | (26,104) | 2,433 |
| Trade and other receivables | | | 9,630 |
| Inventories | (15,097) | (15,306) | |
| Prepayments | 895 | 893 | (187) |
| Trade and other payables | 21,854 | 96,539 | 50,309 |
| Provisions | | | 36 |
| Deposit for imports | 4,993 | (316) | (8,735) |
| Cash generated from operating activities | 59,738 | 129,251 | 120,508 |
| Income tax paid | (6,675) | (8,142) | (10,307) |
| Gratuity paid | (931) | (824) | (800) |
| Other long term employee benefits paid | (1,380) | (695) | (776) |
| Provisions paid | | | (1,379) |
| Share-based payment | (534) | | (304) |
| VAT paid | (27,691) | (27,975) | (21,600) |
| Net cash from operating activities | 22,528 | 91,615 | 85,342 |
| Cash flows from investing activities | | | |
| Finance income | 349 | 314 | 246 |
| Proceeds from sale of property, plant and equipment | 435 | 55 | 19 |
| Acquisition of property, plant and equipment | (97,861) | (59,407) | (37,214) |
| Acquisition of right-of-use asset | (1,524) | (1,390) | (1,327) |
| Acquisition of intangible assets | (658) | (584) | (246) |
| Net cash used in investing activities | (99,258) | (61,013) | (38,523) |
| Cash flows from financing activities | | | |
| Repayment of loans and borrowings | (66,782) | (95,450) | (106,951) |
| Proceeds from loans and borrowings | 161,048 | 67,602 | 109,865 |
| Repayment of lease liabilities | (114) | (8,638) | (6,311) |
| Interest paid | (4,648) | (5,461) | (8,370) |
| Cash received from Registrars | 141 | 2,731 | 3,030 |
| Dividends paid | (7,587) | (4,979) | (14,075) |
| Net cash from (used in) financing activities | 82,059 | (44,195) | (22,811) |
| Net increase (decrease) in cash and cash equivalents | 5,328 | (13,593) | 24,009 |
| Effect of foreign exchange rate changes on cash and cash equivalent | 122 | (46) | |
| Cash and cash equivalents at 1st January | 16,730 | 30,370 | 6,361 |
| Cash and cash equivalents at 31st December | 22,181 | 16,730 | 30,370 |

10. FAIRNESS OPINION

The fairness opinion of KPMG Professional Services on the purchase consideration is captured in full in its letter as extracted hereunder.



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Nigerian Breweries Plc
Iganmu House
Abebe Village Road, Iganmu
Lagos
Nigeria

07 November 2023

Dear Sir,

Independent expert's opinion on the offer price in the proposed purchase of Distell Wines and Spirits Nigeria Limited by Nigerian Breweries Plc

Introduction

Nigerian Breweries Plc ("NB" or "the Company") is a listed company primarily involved in the brewing, marketing, and selling of lager, stout, non-alcoholic drinks, and soft drinks. NB seeks to acquire the 80% stake in Distell Wines and Spirits Nigeria Limited ("DWSN" or "the Target") and 100% of the import portfolio business (the Import Business), currently owned by Heineken Beverage International ("HBI"), hereinafter together referred to as "the Transaction". The Import Business is currently reported in the books of HBI.

Consequently, KPMG has been appointed by NB to provide an independent expert's opinion on the fairness of the proposed offer price for the Transaction. The fairness opinion is required in the context of obtaining minority shareholders' approval for the acquisition, given the related-party nature of the Transaction.

The Company is proposing a total consideration of N7.01bn for the Transaction. When we gross the proposed consideration for a 100% stake in DWSN, the implied total consideration would be N7.85bn.

Definition of the term "fair"

For the purpose of this opinion, "fair market value" and "fair value" are defined as the price available in an open and unrestricted market, between informed, prudent parties acting at arm's length and under no compulsion to act, expressed in terms of money or money's worth, as determined in the context of the Transaction. Fairness is primarily based on quantitative issues while reasonableness is based largely on qualitative issues.

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Registered in Nigeria No BN 2145583

Partners:

| | | | | | |
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| Adegoke A. Oyelemi | Bolanle S. Akolabi | John O. Anyanwu | Delembaj O. Asuni | Olayomi M. Akinyemi | Yitande O. Karu |
| Adetola P. Adoyemi | Boluwaj D. Apanga | Kabir G. Okunkola | Olanke I. James | Omelani O. Ogun | |
| Adewale K. Ajayi | Chibuzor N. Anyanachi | Lawrence C. Aradi | Dufemi A. Babem | Oseme J. Osofoke | |
| Ademola O. Abioye | Chineme B. Nwifio | Martins I. Ayojale | Dunmade O. Olayinka | Sahawal O. Olayoyi | |
| Ajibola D. Damala | Dokupo R. Adesokun | Muhammed M. Adama | Durosoyan A. Sowemile | Tennison A. Onishi | |
| Akinwale D. Alibi | Dunni D. Okagbemi | Nasir M. Chibada | Duroyin I. Oguntayo | Talagbe A. Odutale | |
| Akinyemi J. Ashade | Elijah O. Oladunmoye | Nneka C. Esuma | Duwofemi D. Awotoye | Uzodukwe N. Ogburn | |
| Ajayemi L. Salami | Goodluck C. Oti | Ogunzajo I. Ogunlakin | Duwofemi A. Odeku | Uzodinma G. Nwankwo | |
| Ayodele A. Sayinka | Idrisi M. Adegoja | Obalimpo S. Afolabi | Duwofemi A. Odeku | Victor U. Oyenike | |



Opinion

This opinion is given as of 07 November 2023. KPMG disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting this opinion, which may occur after the date of this opinion. Without limiting the foregoing, if there is any material change in any fact or matter affecting this opinion after the date hereof, KPMG reserves the right, but will be under no obligation, to change, modify or withdraw this opinion. Moreover, KPMG reserves the right, but will be under no obligation, to complete any additional analyses that might subsequently be required, following the receipt of additional information.

Based upon and subject to the foregoing and such other matters KPMG considered to be relevant as of the date hereof, KPMG is of the opinion that the proposed offer price of N7.01bn for the Transaction, which translates to an implied total consideration of N7.85bn, when a 100% stake in DWSN is considered appears to be fair and reasonable and in the best interest of NB.

The reasons for the opinion are:

- The proposed purchase consideration of N7.01bn (implied N7.85bn for 100% of the equity stake) is lower than the derived equity value.
- We emphasise that the valuation of DWSN and the Import Business, may be materially different if one or more of the fundamental assumptions applied to this valuation proves to be invalid.

Consent

We consent to the inclusion of this letter and the reference to our opinion in the Transaction circular to be issued in the form and context in which it appears.

Yours faithfully

Ijeoma Emezue-Ezigbo
Partner & Head, Transaction Services

11. SUMMARY OF STATUTORY AUDIT COMMITTEE OPINION

The Statutory Audit Committee (“the Committee”) of Nigerian Breweries also met to consider the terms of the Transaction. The Committee agrees with the opinion of KPMG Professional Services on the fairness and reasonableness of the purchase consideration and supports the Board of Directors’ decision to recommend the Transaction to Shareholders for their approval. The Committee is also in support of the Transaction.

12. VOTING BY HEINEKEN

In line with the requirements of the NGX on related party transactions, the majority Shareholder in Nigerian Breweries, Heineken, and its representatives and proxies, including Heineken Brouwerijen B.V., Distilled Trading International B.V. and Heineken International B.V., the vehicles through which Heineken’s shares are held in Nigerian Breweries, will not vote on the resolutions to approve the Transaction at the EGM. In addition, none of the representatives of Heineken on the Board was part of the Investment Committee set up by the Board to review the offer and the said representatives also abstained when the Board passed the resolutions on the Transaction.

13. CONCLUSION AND RECOMMENDATIONS

The Board of Nigerian Breweries having considered the terms and conditions and fair market value of the Transaction and the benefit thereof, recommends that you vote in favour of the special resolutions which will be proposed at the EGM.

14. CONTACT FOR MORE INFORMATION

For more information on the Transaction, please send all enquiries, questions and comments to the Company Secretary no later than 48 hours before the EGM to the address below:

Uaboi G. Agbebaku, Esq.
Company Secretary/Legal Director
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Iganmu House
Abebe Village Road
Iganmu, Lagos
Email: ir.nbplc@heineken.com