



Food and Agro-Allied Group

FLOUR MILLS OF NIGERIA – CARVE-OUT OF BAGCO DIVISION FAQs

MAY 2024

1. What is the Proposed Transaction?

Flour Mills of Nigeria PLC (“FMN” or the “Company”) is undertaking a carve-out of its bagging and packaging division, (Bagco or Bagco Division) into a separate and stand-alone operating company, Bagco Industrial Solutions Limited (“Bagco Limited”) through a Scheme of Arrangement pursuant to Section 711 of the Companies and Allied Matters Act, No. 3 of 2020 (as amended), (“CAMA”) (the “Scheme” or “Proposed Transaction”). Further to the Proposed Transaction, the assets and undertakings relating to Flour Mills’ packaging division will be carved-out and transferred to Bagco Limited, a wholly owned subsidiary of Flour Mills.

2. Why is Flour Mills of Nigeria (“FMN”) carving out its bagging and packaging division, Bagco?

Given the dynamic nature of the packaging sector, FMN believes that Bagco Division requires enhanced focus from a dedicated management team who are well equipped to define a divergent strategy for the business. The carve-out of the Bagco Division is thus in furtherance of the long-term growth strategy for the packaging business, aimed at expanding its manufacturing capacity to take advantage of the opportunities in the fast-moving consumer goods, agriculture, and manufacturing sectors of the economy.

The carve-out will allow Bagco Limited pursue alternative source(s) of capital independent of FMN, in order to invest significantly in its capacity and improve its product portfolio.

3. At the last Annual General Meeting of November 9, 2023, shareholders approved a resolution to undertake the carve-out of Bagco as a separate entity and subsidiary of FMN, why do shareholders need to convene a Court Ordered Meeting?

Further to the shareholders’ resolution authorising the Company to undertake the carve-out, the Company has identified a Scheme of Arrangement as the most optimal and cost-saving structure for implementing the restructuring. As such, in accordance with the requirements of CAMA, the court ordered meeting is being convened to enable the shareholders consider and approve the Scheme.

4. What will happen if shareholders approve the Scheme?

FMN will seek the formal approval of the Securities and Exchange Commission (“SEC”) and the sanction of the Federal High Court, to make the Scheme effective.

The assets, liabilities and undertakings attached to the bagging and packaging business of FMN will then be transferred to Bagco Limited, and Bagco Limited as a separate legal entity will carry on the business of packaging providing solutions to clients across Nigeria and Africa.

5. Will shareholders be allotted shares in Bagco Limited?

Shares of Bagco Limited will not be allotted to shareholders of FMN, but will be fully held by Flour Mills of Nigeria Plc., the existing shareholding of FMN shareholders will be unaffected by the Scheme, and remain unchanged. Hence, the shareholders of the Company will indirectly own Bagco Limited as a subsidiary of FMN.

6. Does the carve-out imply that Bagco Limited has now been divested from the FMN group?

The carve-out process will result in Bagco Limited becoming a wholly owned subsidiary of FMN. In furtherance of the Company's strategic focus on streamlining its operations and expanding its core businesses, the Company will identify suitable partner(s) with requisite expertise and capabilities that can position Bagco Limited as a market leader in the African packaging sector. This divestment process will be undertaken separately in line with the shareholders' approval at the Company's AGM of 2023 and will be geared at selecting a suitable partner that can deliver on the long-term ambitions for the bagging and packaging business and building long-term shareholder value.

7. What is the estimated timeline for the completion of the Scheme?

The target timeline for the completion of the Scheme is July, 2024.

8. Will the carve-out have an impact on the performance of the Company?

The carve-out will enable the respective management teams of FMN and Bagco Limited to take direct responsibility and accountability for the performance and growth of the respective companies.

FMN management will thus be able to streamline operations and focus on its core businesses improving efficiencies through the reduction in operational complexity and costs overtime. Overall, this will deliver long-term value for shareholders.

Meeting and Voting procedures.

9. When and where will the meeting be held?

The meeting / COM will hold virtually on Wednesday, 15th of May 2024 and link for the meeting can be accessed through the Company's website <https://www.fmnplc.com/>

Members entitled to vote at the COM are entitled to attend the meeting virtually or appoint a proxy, who may be a shareholder of the Company or not, to attend virtually and vote in his/her stead.

10. What will the voting process be?

Voting at the COM will be by poll, through a transparent and effective electronic process.

11. How will shareholders cast their votes?

Shareholders will cast their votes in respect of the Proposed Transaction via an online voting platform, in person online or by proxy. The statutory majority required to approve the Scheme is a majority representing not less than three-quarters ($\frac{3}{4}$) in value of the shares of members present and voting either in person online or by proxy at the virtual meeting.

Ahead of the COM, voting links will be sent to duly accredited shareholders of the company by the Company's registrar, Atlas Registrars via email and SMS to enable shareholders exercise their voting rights.

12. What will happen to current employees of the packaging business?

Upon the completion of the Scheme, all employees of the packaging division of Flour Mills, Bagco Division will become employees of Bagco Industrial Solutions Limited, pursuant to the terms of the Scheme and the Court order.