

## **SCHEME OF ARRANGEMENT BETWEEN FAN MILK PLC AND THE HOLDERS OF ITS FULLY PAID ORDINARY SHARES OF 50 KOBO EACH**

1. ***What does the Proposed Transaction entail?***

- The Transaction is an offer from Fan Milk International A/S (“FMI” or the “Core Shareholder”) (the “Offer”) to acquire the shares it does not currently own (the “Scheme Shares”) from other shareholders of Fan Milk Plc (“Fan Milk” or the “Company”) and subsequently remove the Company’s shares from NASD OTC Securities Exchange (“NASD”) (the “Transaction”)

2. ***How many shares does the Core Shareholder hold in Fan Milk?***

- FMI holds 1,155,650,318 ordinary shares representing 99.37% of the issued share capital of Fan Milk

3. ***At what price will the shares be bought by the Core Shareholder?***

- FMI has offered a price of ₦23.00 for each share held by the minority shareholders. This Offer price represents a 15% premium to the Company’s share price of ₦20.00 on 31 July 2024, being the last closing share price prior to the Offer

4. ***How will the Transaction be structured?***

- The Transaction will be implemented via a Scheme of Arrangement (the “Scheme”) under Section 715 of the Companies and Allied Matters Act, No. 3 of 2020 (as amended) (“CAMA”)
- The Transaction will be subject to review and clearance from the Securities and Exchange Commission (“SEC”) and NASD, as well as shareholders’ approval

5. ***Has the regulatory approval process already started? How many weeks are left to receive approval?***

- The Company has received SEC’s No-Objection to convene the Court Ordered Meeting in relation to Scheme, the Company has also notified NASD of the Offer received from FMI and the proposed Scheme. Fan Milk will seek SEC’s formal approval for the Transaction further to the completion of the Court-Ordered Meeting.

6. ***Will the requirements of minority shareholders be explained in detail?***

- The Scheme Document, which includes all the details of the Scheme and requirements for shareholders, will be dispatched to every shareholder at their respective addresses as contained in Fan Milk Plc’s shareholder register

7. ***When will the Scheme be effective?***

The Scheme will be effective after Fan Milk receives shareholder approval at the Court Ordered Meeting and the order of the Federal High Court sanctioning the Scheme is delivered to the Corporate Affairs Commission for registration pursuant to 715 (4) of CAMA (“Effective Date”)

8. ***When will shareholders receive consideration for shares?***

- We expect shareholders who are on Fan Milk Plc’s register as at the Effective Date to receive cash consideration for their shares within seven (7) business days of the Effective Date (to bank accounts in respect of which the Registrars have e-dividend mandates). This date will be communicated in the Scheme Document.

9. ***Why should we accept the price the Core Shareholder is offering?***

- The offer price is a 15% premium to the Company’s share price of ₦20.00 on 31 July 2024, being the last closing share price prior to the Offer
- This Transaction allows the shareholders monetise their shares and receive a return on their investment given that Fan Milk has not paid dividends in recent years and may be unable to pay for the next few years
- A Fairness Opinion Adviser has conducted an independent review of the offer price and consider the terms of the offer to be fair and reasonable
- Shareholders are advised to consult with their advisers before considering the offer price

10. ***Does FMI stand to benefit at the expense of other shareholders?***
  - FMI does not stand to gain at the expense of other shareholders
  - FMI believes that the Transaction is in the best interest of Fan Milk in the long run and will provide an immediate liquidity for other shareholders to monetise their investment (which otherwise would have been difficult to achieve)
  - The rationale and benefits of the Transaction is contained in the Scheme Document
11. ***Will shareholders have a say in the Transaction?***
  - Shareholder approval of the Scheme is one of the key conditions required before the Transaction can be completed. Shareholders will have the opportunity to vote during the Court-Ordered Meeting convened to consider the terms and conditions of the Scheme
  - The Scheme is required to be approved by a majority representing not less than three-quarters in value of ordinary shares cast by the Qualifying Shareholders, present and voting, either in person or by proxy, at the Court-Ordered Meeting
  - Shareholders are encouraged to attend the Court-Ordered Meeting to cast their vote or submit their completed and signed Proxy Form to the Registrar
12. ***What will happen if shareholders approve the Scheme?***
  - If the Scheme is approved, all shareholders, excluding FMI will receive ₦23.00 for every share held and will cease to be shareholders of Fan Milk Plc
  - The entire ordinary share capital of Fan Milk will be held by FMI
  - The Company will be removed from NASD
13. ***What will happen if shareholders don't approve the Scheme?***
  - Should the shareholders not approve the Scheme, there will be no change in the shareholding of Fan Milk, and they will remain listed on NASD
14. ***What will happen to current employees of Fan Milk Plc?***
  - The Scheme is not expected to affect existing employment rights, including pension rights, of all employees of Fan Milk. It is expected that the appointment of Directors of Fan Milk will be governed by the requirements in the Company's Memorandum and Articles of Association and CAMA. Where any employee or director does not wish to continue in the employment or service of Fan Milk after the Scheme is affected, such employee or director will be entitled to obtain the full terminal benefits due under his/her existing contract of service
15. ***Will the Core Shareholder vote at the Court Ordered Meeting?***
  - FMI will not be voting at the Court Ordered Meeting on the resolutions to approve the Transaction
16. ***What is the rationale for the Transaction?***
  - To improve Fan Milk's earnings and move from a negative net asset position, the Board believes that Fan Milk needs to restructure its capital base by raising new equity from its Core shareholder and/or converting its foreign currency obligations to Naira which will result in a significant dilution of minority shareholders
  - To this end, the Core Shareholder has made a proposal to buy the shares held by all the other shareholders of the Company through a Scheme of Arrangement. The Core Shareholder believes that the Transaction presents an opportunity to return immediate value to the Scheme Shareholders despite the Company's current significantly deteriorated net asset position.
  - The Board believes the Offer is fair and should be presented to the other shareholders. To assess the fairness of the Offer to shareholders, the Board appointed SIAO Partners as Fairness Opinion Adviser to review the terms of the Offer. The Fairness Opinion Adviser conducted its review and considered the terms of the Offer to be fair and reasonable
17. ***Where will the requirements of shareholders be explained in detail***

- A Scheme Document, which has all the details of the Scheme and requirements for shareholders, has been dispatched to every shareholder at their respective addresses as contained in the Company's shareholder register.
- Shareholders can also obtain copies of the Scheme Document from Greenwich Registrars & Data Solutions Limited, 274 Murtala Muhammed Way Alagomeji Yaba Lagos