# THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

**If you are in any doubt about what to do, you should consult your stockbroker, custodian, investment bank or other professional adviser.**

This Circular will be sent to all Unga Group Plc shareholders on the Register of Members as at the close of trading at the Nairobi Securities Exchange on 3 May 2018. If you have transferred all your shareholding in Unga Group Plc, please send this Circular at once to the stockbroker, investment bank, investment adviser or agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

UNGA GROUP Plc

Incorporated in Kenya under the Companies Act (Laws of Kenya)
(Registration Number C.11/56)

# CIRCULAR TO SHAREHOLDERS

**in relation to the take-over offer by Seaboard Corporation**

**for the acquisition of shares in Unga Group Plc**

**and**

**incorporating the Independent Adviser's Circular as required under regulation 10 of the Capital Markets (Take-overs and Mergers) Regulations, 2002 prepared by Faida Investment Bank Limited**

This Circular is issued pursuant to Regulation 9(1) of the Capital Markets (Take-Overs and Mergers) Regulations, 2002 (the "**Take-over Regulations**") for the purpose of providing information to shareholders in connection with the take-over offer by Seaboard Corporation.

Approval has been obtained from the Capital Markets Authority (the "**CMA**") in respect of the compliance of this Circular with the Take-over Regulations. As a matter of policy, the CMA assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Circular. Approval of the Circular by the CMA is not to be taken as an indication of the merits of the Offer or of a recommendation by the CMA to the minority shareholders of Unga Group Plc.

This Circular has been approved by the board of directors (excluding those directors who have recused themselves), of Unga Group Plc whose names appear on page 3 of this Circular, all of whom, jointly and severally, accept responsibility for the accuracy of the information given and confirm that after making all reasonable enquires and to the best of their knowledge and belief, there are no facts the omission of which would make any statement herein misleading. The directors recognize that each Shareholder has unique investment objectives and so the decision on whether to accept or reject the Offer should be made individually.

No person is authorised to give any information or to make any representation not contained in this Circular and any information or representation not contained in this document must not be relied upon as having been authorised by Unga Group Plc. Neither the delivery of this document, nor any disposal made pursuant to the Offer will, under any circumstances, create any implication that the information contained in this document is correct as at any time subsequent to its date.

The Offer is for securities of a company incorporated under the laws of Kenya and is subject to the procedural and disclosure requirements of Kenyan law. Since this document has been prepared in accordance with Kenyan law and the Take-over Regulations, the information disclosed may not be the same as that which would have been provided in accordance with the laws of any other jurisdiction.

Dated: 21 May 2018

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# CORPORATE INFORMATION AND UNGA GROUP Plc's ADVISERS

| | |
|---|---|
| ***Registered office:*** | Unga Group Plc<br>L R No. 209/6841, Ngano House<br>Commercial Street, Industrial Area<br>P.O. Box 30096-00100<br>Nairobi, Kenya |
| ***Auditors:*** | PricewaterhouseCoopers<br>Certified Public Accountants (Kenya)<br>PwC Tower, Waiyaki Way / Chiromo Road<br>Westlands, P.O. Box 43963-00100, Nairobi, Kenya |
| ***Directors:*** | Isabella Ochola-Wilson — Chairman<br>Nicholas Hutchinson — Group Managing Director<br>Patrick Obath — Independent Non-executive Director<br>Shilpa Haria — Independent Non-executive Director<br>Vitalis Ojode — Non-executive Director<br>Andrew Ndegwa* — Non-executive Director<br>Alan McKittrick* — Non-executive Director<br>Jinaro Kibet* — Non-executive Director<br>* Andrew Ndegwa, Alan McKittrick and Jinaro Kibet have recused themselves from all discussions relating to the Offer. |
| ***Company Secretary:*** | Winniefred Nyagoha Jumba<br>Livingstone Associates<br>Deloitte Place, Waiyaki Way, Muthangari<br>P.O. Box 30029-00100<br>Nairobi, Kenya |
| ***Independent Financial Adviser:*** | Faida Investment Bank Limited<br>Crawford Business Park, Ground Floor<br>State House Road, P.O. Box 45236-00100<br>Nairobi, Kenya |
| ***Corporate Adviser:*** | I&M Burbidge Capital Limited<br>3rd Floor, Block A, Eldama Park, Eldama Ravine Road, Westlands,<br>P.O. Box 51525-00100<br>Nairobi, Kenya |
| ***Legal Advisers:*** | Coulson Harney LLP (Bowmans)<br>5th Floor, West Wing, ICEA Lion Centre<br>Riverside Park, Chiromo Road<br>P.O. Box 10643-00100, Nairobi, Kenya |
| ***Public Relations Adviser:*** | Levanter Africa<br>Kilimani Business Centre<br>Kirichwa Road<br>P.O. Box 76581-00508<br>Nairobi, Kenya |

# DEFINITIONS

The following definitions apply throughout this Circular, unless the context requires otherwise:

| | |
|---|---|
| **"CMA"** | the Capital Markets Authority |
| **"Circular"** | this circular issued to all shareholders of the Company |
| **"Company" or "Unga Group"** | Unga Group Plc, a public limited liability company (incorporated in Kenya under registration number C.11/56), listed on the NSE |
| **"Directors" or "Board"** | the Directors of the Company |
| **"Group"** | Unga Group Plc and its subsidiaries |
| **"KES"** | Kenya Shillings / Shillings |
| **"Non-conflicted Directors"** | the following Directors: Isabella Ochola-Wilson (Chairman), Nicholas Hutchinson, Patrick Obath, Shilpa Haria and Vitalis Ojode |
| **"NSE"** | the Nairobi Securities Exchange |
| **"Offer Document"** | the offer document dated 30 April 2018 issued by Seaboard to the Shareholders of the Company |
| **"Offer Price"** | KES 40/- (forty Shillings) per share |
| **"Seaboard"** | Seaboard Corporation, a public company incorporated in Delaware, (registration number 0405526) having its registered office at 9000 West 67th Street, Suite 300, Shawnee Mission, KS 66202, United States of America |
| **"Shares"** | the ordinary shares of KES 5/- each in the capital of the Company that are the subject of the Offer |
| **"Shareholder"** | a person who is the registered holder of the issued shares in the Company other than Seaboard or its nominee and Victus |
| **"Take-over Regulations"** | the Capital Markets (Take-overs and Mergers) Regulations, 2002 |
| **"Victus"** | Victus Limited, a private limited liability company (incorporated in Kenya under registration number C.42694) and whose address is P.O. Box 46143-00100 Nairobi, Kenya. |

# Letter from the Chairman of Unga Group Plc

21 May 2018

To: All Shareholders of Unga Group Plc

Dear Shareholder,

**Take-over Offer by Seaboard Corporation, acting in concert with Victus Limited, for the acquisition of 34,939,396 ordinary shares in Unga Group Plc**

***Background***

On 7 February 2018, the Company was served with the Notice of Intention in which Seaboard stated its intention to make an offer to acquire all the issued shares in the Company not already held by it and by Victus. Collectively, Seaboard and Victus hold 53.85% of the issued shares of the Company, and are therefore seeking to acquire the remaining 46.15% of the shares held by the Shareholders.

The terms of the Offer are that each Shareholder will be offered KES 40/- (forty Shillings) in cash for each ordinary share held.

The success of the Offer is subject to the fulfilment of several conditions which can be found in part 1.4 *(Terms of the Offer)* of this Circular.

***Independence of the Board and Confidentiality Arrangements***

In order to maintain the independence and the impartiality of the Board, upon the service of the Notice of Intention, all the Directors reviewed any conflicts of interest that they have or may have had in relation to the Offer.

Andrew Ndegwa is a director of Victus, which is acting in concert with Seaboard in relation to the Offer. Jinaro Kibet represents Victus, and Alan McKittrick is employed in businesses in which Andrew Ndegwa has interests. Andrew Ndegwa, Alan McKittrick and Jinaro Kibet, therefore declared their interests and recused themselves from the Board in terms of all discussions concerning the Offer.

Andrew Ndegwa, Alan McKittrick and Jinaro Kibet have not attended any discussions or meetings of the Board in relation to the Offer, nor been privy to Unga Group's management accounts for the period beginning 1 January 2018 to date. Additionally, they have not been privy to any communication exchanged between the Non-conflicted Directors and between the Board and Unga Group's advisers in relation to the Offer. The Non-conflicted Directors and James Nyutu (Group Finance Director) signed non-disclosure agreements relating to the handling of information relating to the Offer.

***Independent Valuation***

Pursuant to the requirements of the Take-over Regulations the Board appointed an Independent Financial Adviser - Faida Investment Bank – to prepare a circular containing information required under regulation 10 and the Fourth Schedule of the Take-over Regulations. The circular prepared by Faida is set out Appendix I of this Circular. The Faida circular contains information which shareholders, and their professional advisers, would reasonably require or expect to be informed about in an independent advice, or for the purpose of making an informed assessment as to the merits of accepting or rejecting the Offer, and the extent of the risks involved.

***Recommendation***

The Non-conflicted Directors have carefully considered the advice provided by Faida Investment Bank and the contents of the circular prepared by them. In addition, the Non-conflicted Directors have taken account of a number of specific factors that they considered to be relevant to their assessment, among these being:

- their duty to promote the success of the Company for the benefit of its members as a whole, as well as the interests of stakeholders such as the Group's employees, suppliers and consumers of its products, and the long-term well-being of the business;

- that the valuation methodologies considered by Faida are consistent with what the Non-conflicted Directors would expect and that certain valuation methods are not compatible with a true understanding of the Company's worth, and should, accordingly, be disregarded;

- that the valuation methods considered by Faida in their circular indicate that the Offer Price is soundly formulated;

- that between them Victus and Seaboard already hold effective control of the Company by virtue of the current shareholding structures of the Group;

- that the involvement by Victus and Seaboard as anchor shareholders and strategic business partners for the Group for almost two decades has helped to secure the long-term viability of the business and has provided stability in the midst of a complex and competitive landscape.

Accordingly, based on the foregoing, while KES 40/- per Share may seem to be at the low end of the price range that has been evaluated by Faida Investment Bank, the Non-conflicted Directors recommend that Shareholders accept the Offer Price as representing a fair return on investment in the current circumstances.

Recognizing that each Shareholder has unique investment objectives, the Non-conflicted Directors recommend that each shareholder consults with his stockbroker, custodian, investment bank or other professional adviser if they are in doubt about what to do.

Yours sincerely,
Isabella Ochola-Wilson
Chairman

# 1. SUMMARY OF THE OFFER

### 1.1 Background

On 7 February 2018, Unga Group was served with a Notice of Intention by Seaboard, under the terms of which, Seaboard made an offer to acquire the remaining 46.15% of the issued shares in Unga Group not already held by Seaboard and by Victus. A press notice to this effect was published in the Daily Nation and The Standard newspapers on 8 February 2018.

On 20 February 2018, Seaboard served an offeror's statement on Unga Group, pursuant to the provisions of regulation 4(4) of the Take-over Regulations. The offeror's statement contained additional information on the Offer as well as information on Seaboard. A press notice summarising the key terms of the offeror's statement was published by Unga Group on 21 February 2018 in the Daily Nation and The Standard newspapers.

On 30 April 2018 Seaboard served the Offer Document on Unga Group. A copy of the Offer Document, which sets out details of the proposed Offer is enclosed with this Circular.

### 1.2 Undertakings

Victus, which currently holds a 50.93% stake (38,557,190 ordinary shares) in Unga Group, has irrevocably undertaken to support the Offer as a concert party. Victus has stated in the Offer Document that it does not wish to increase its present shareholding.

### 1.3 Shareholding by Victus and Seaboard

As at the date of this Circular, Victus and Seaboard hold the following shares (directly or indirectly) in Unga Group:

| Company | No. of Shares | Percentage |
|---|---:|---:|
| Victus Limited | 38,557,190 | 50.93% |
| Seaboard Corporation | 2,210,400 | 2.92% |
| Total | 40,767,590 | 53.85% |

Seaboard also holds a 35% stake in Unga Holdings Limited, a subsidiary of Unga Group. See part 2.2 of this Circular *(Unga Holdings and the Investment by Seaboard)* for more information.

### 1.4 Terms of the Offer

The terms of the Offer are that each Shareholder of Unga Group will be offered KES 40/- (forty Shillings) for each ordinary share held. Further, the success of the Offer is subject to the fulfilment of several conditions. These are:

(i) receipt of an authorising order from the Competition Authority of Kenya under the Competition Act (Act. No. 12 of 2010) in respect of the Offer or confirmation that no such order is required;

(ii) no governmental, revenue collection or regulatory body having decided to take any action or proceedings or make an investigation which might:

   a. make the acquisition of ordinary shares in Unga Group pursuant to the Offer void or illegal;
   b. impose any restriction on the ability of Unga Group to carry on its business as the same was carried on prior to the making of the Offer; or
   c. otherwise materially affect the business profits or prospects of Unga Group or Seaboard;

(iii) there being no material adverse change in the trading prospects of financial situation of Unga Group;

(iv) no material litigation or other legal proceedings having been commenced against Unga Group and no order being given by a court or authority in Kenya to prevent or restrict the transfer of any shares in Unga Group under the Offer;

(v) no material adverse change occurring in the Kenyan or international financial markets resulting from an outbreak of hostilities or escalation thereof involving Kenya, an act of terrorism or war, civil war, riots, unrest or other calamity, or crisis or a change, or development involving a prospective change, in national or international, financial, political, or economic conditions, or currency exchange rates or exchange controls which in each case, affects the willingness of Seaboard to acquire the shares of Unga Group not already beneficially owned by and/or registered in the name of Seaboard and Victus; and

(vi) Seaboard receiving acceptances that when aggregated with the shares held by Seaboard and Victus, represent not less than 90% of the issued ordinary shares of Unga Group. If the 90% threshold is not achieved but a threshold of 75% or more is achieved in aggregate, Seaboard may, at its discretion, proceed to closing.

(vii) the Offer being completed by no later than 30 September 2018, or such later date as may be agreed between Seaboard and Unga Group with the approval of the CMA.

In the event of a waiver of a condition, the appropriate notices will be given to the CMA, the NSE and a public notice of such waiver will be published in two English language daily newspapers with national circulation in Kenya within 24 hours of the waiver.

Seaboard proposes to acquire the Shares free from all liens, charges, encumbrances and other interests, and together with all rights now and hereafter attaching to the Shares, including the right to receive all dividends and other declarations that may be declared or paid.

The Offer is a cash offer and no consideration will be paid in any other form.

Assuming the Offer is declared to be unconditional in all respects, it is the intention of Seaboard to propose that the Shares of Unga Group be delisted from the NSE.

### 1.5 Regulatory Approvals

Approval has been obtained from the CMA in respect of the compliance of this Circular and the Offer Document with the Take-over Regulations. As a matter of policy, the CMA assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Circular. Approval of the Circular by the CMA is not to be taken as an indication of the merits of the Offer or of a recommendation by the CMA to the minority shareholders of Unga Group.

An application for approval of the proposed acquisition is, as at the date of this circular, in the process of being submitted to the Competition Authority of Kenya.

If any other regulatory approval is required this will be sought and obtained prior to the Offer becoming unconditional in all respects.

### 1.6 Timetable of Key Events

| Event | Date (2018) |
|---|---|
| Value date for purposes of the Offer (last day before service of the Notice of Intention) | Tuesday, 6 February |
| Service of Offer Document on Unga Group | Monday, 30 April |
| Opening of the Offer | Monday 30 April |
| Record date for purposes of the Offer | Thursday 3 May |
| Posting of Offer Document to Shareholders | By Monday 21 May |
| Closing date of the Offer | Wednesday, 13 June |
| Suspension of trading to facilitate reconciliation | Wednesday, 13 June to Tuesday, 3 July |
| Announcement of the results of the Offer including date of declaration as to whether the Offer has become unconditional | Monday, 2 July |
| Commence transfer of shares to Seaboard Corporation | Tuesday, 3 July |
| Despatch of payments to shareholders who have accepted the Offer | Friday, 13 July |

These dates are subject to change by Seaboard which reserves the right to extend the period of the Offer (subject to obtaining the necessary regulatory consents). Any change in the timetable will be published in two English language daily newspapers with national circulation in Kenya.

### 1.7 Financing Arrangements

It is estimated that acceptance of the Offer by all Unga Group shareholders would require the payment by Seaboard of approximately KES 1.397 billion in cash.

In the Offer Document, Seaboard has stated that CBA Capital Limited, Seaboard's financial adviser and sponsoring stockbroker, has confirmed that it is satisfied that sufficient resources are available to Seaboard to satisfy the maximum amount of cash payable under the Offer. A copy of the comfort letter from CBA Capital Limited, confirming the existence of adequate funds to pay the maximum amount of cash payable under the Offer is set out in Appendix II of the Offer Document.

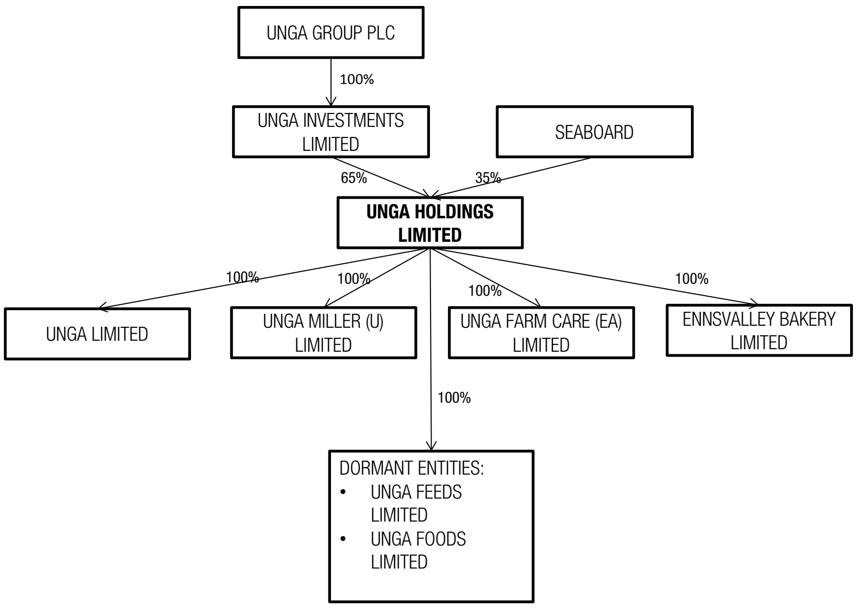
# 2. INFORMATION ON UNGA GROUP

### 2.1 Background and General Information

Unga Group is a holding company which, through its subsidiaries, operates in two business segments: (i) human nutrition, and (ii) animal nutrition and health. The subsidiaries are engaged in the production and distribution of wheat and maize flour, porridges, pulses, rice, bakery and animal nutrition products, and animal health products.

The Company's operating subsidiaries include Unga Limited, Unga Farm Care (EA) Limited, Unga Millers (U) Limited and Ennsvalley Bakery Limited.

**Figure 1: Group Structure**




Unga Limited produces and sells a wide range of wheat and maize flours, porridges, pulses and rice products.

Unga Farm Care (EA) Limited produces and sells a wide range of animal nutrition products and distributes a limited range of animal health products.

Unga Millers (U) Limited was previously milling wheat and distributing some of Unga Farm Care (EA) Limited's and Unga Limited's products. Operations for this company have been discontinued and its assets are in the process of being disposed of.

Ennsvalley Bakery Limited's core business is the production and marketing of premium bread, cakes, pastries and related products.

### 2.2 Unga Holdings and the Investment by Seaboard

By a subscription agreement dated 17 March 2000 Seaboard invested in Unga Group by acquiring a 35% stake in its subsidiary Unga Holdings Limited (see Figure 1 above).

In addition, Unga Holdings Limited and Seaboard entered into a management agreement through which Seaboard offered its technical and managerial support to Unga Group. This agreement, which was for an initial five (5) year term, was renewed once and ultimately expired on 17 March 2010.

On 1 July 2010, Seaboard and Unga Holdings Limited entered into a product supply agreement and a support services agreement. Under these agreements Seaboard provides and finances key raw material inputs to Unga Group's subsidiaries at competitive rates, as well as offers technical support to Unga Group's various subsidiaries, as required.

Further information on Unga Holdings Limited is as follows:

| | |
|---|---|
| Shareholders: | Unga Investments Limited – 65%<br>Seaboard Corporation – 35% |
| Directors: | Isabella Ochola-Wilson<br>Nicholas Hutchinson<br>Andrew Ndegwa<br>Alan McKittrick<br>David Dannov*<br>Johannes Combrink*<br>*David Dannov and Johannes Combrink who are representatives of Seaboard on the board of Unga Holdings Limited have had no access to management accounts of the Company for the period beginning 1 January 2018 to date. |
| Company Secretary: | Winniefred Nyagoha Jumba<br>Livingstone Associates<br>Deloitte Place, Waiyaki Way, Muthangari<br>P.O. Box 30029-00100<br>Nairobi, Kenya. |

### 2.3 Directors

At the date of this Circular the Board of Unga Group is composed of the following members:

| Director | Position | No. of Shares held |
|---|---|---|
| Isabella Ochola-Wilson | Chairman | 0 |
| Nicholas Hutchinson | Group Managing Director | 0 |
| Vitalis Ojode | Non-executive Director | 0 |
| Patrick Obath | Independent Non-executive Director | 0 |
| Shilpa Haria | Independent Non-executive Director | 0 |
| Andrew Ndegwa | Non-executive Director | Mr. Ndegwa is a director of Victus, which holds 38,557,190 Shares |
| Alan McKittrick | Non-executive Director | 13,472 |
| Jinaro Kibet | Non-executive Director | 0 |

### 2.4 Shareholders

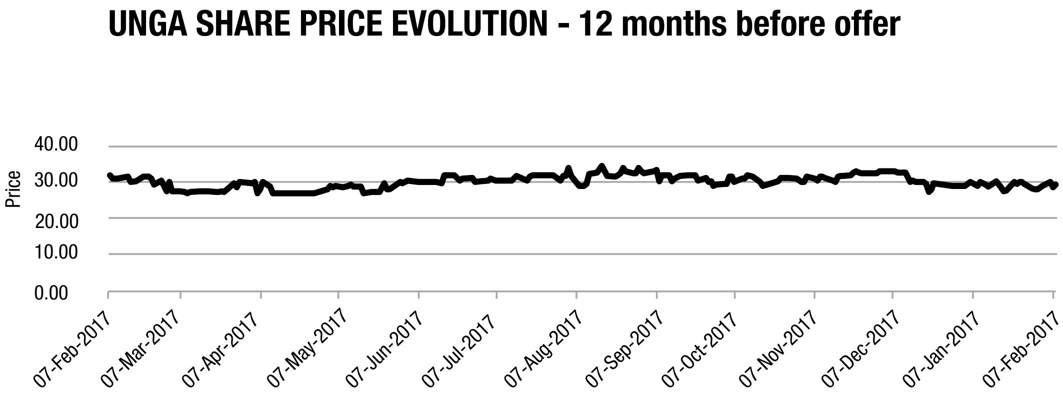
The top ten Shareholders of the Company as at 30 April 2018:

| | Name of Shareholder | Number of Shares | % of total issued shares |
|---|---|---|---|
| 1. | Victus Limited | 38,557,190 | 50.93% |
| 2. | Gadani Rakesh Prakash | 3,514,780 | 4.64% |
| 3. | Thara Moses | 2,808,117 | 3.71% |
| 4. | Bid Portfolio Management Ltd | 2,394,600 | 3.16% |
| 5. | CSFS Nominees A/C | 2,210,400 | 2.92% |
| 6. | Broadway Bakery Limited | 1,149,700 | 1.52% |
| 7. | Sayani Investments Ltd | 1,130,900 | 1.49% |
| 8. | Mr Alimohamed Adam | 1,047,342 | 1.38% |
| 9. | Shah Savitaben Velji Raichand | 745,677 | 0.98% |
| 10. | Investments & Mortgages Nominees Ltd A/C 028950 | 480,720 | 0.63% |
| | TOTAL | 54,039,426 | 71.36% |

### 2.5 Information on movements in share price at the NSE Over the Last 12 Months

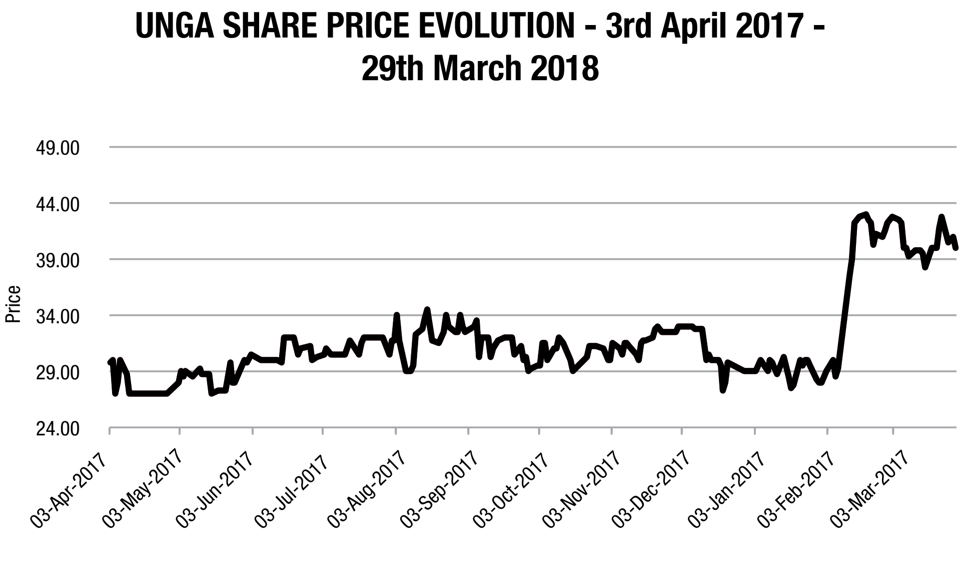
**(i) Movement of share price prior to making of the Offer**

The figure below shows the movement of the share price of the Company over the twelve months preceding the date of the Notice of Intention (on 7 February 2018).




**(ii) Movement of share price after the making of the Offer**

The figure below shows the movement of the share price of the Company over the twelve months ending on 29 March 2018. The Offer was made on 7 February 2018 (via the Notice of Intention).

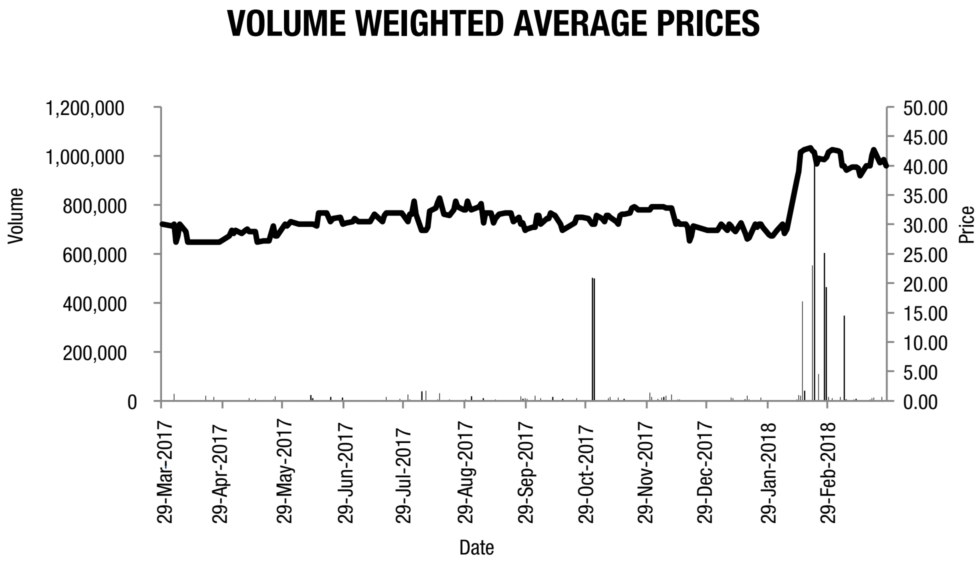


### (iii) Volume weighted average prices

The table below shows the volume weighted average price of Shares traded over (i) the twelve months preceding the date of the Notice of Intention, and (ii) the period ending 29 March 2018.

| | 29 March 2017 - 29 March 2018 (KES) | 7 February 2017 - 7 February 2018 (KES) |
|---|---|---|
| Volume Weighted Average Price | 32.19 | 30.29 |
| Volume of Shares Traded | | |
| Total | 5,556,400 | 1,982,700 |
| Average Daily Volume | 26,586 | 9,625 |

The figure below shows the volume weighted average price of Shares traded over the twelve months ending 29 March 2018.




## 2.6 Financial information on Unga Group

The audited financial statements of Unga Group for the financial years ending 30 June, 2010 to 2017 (both inclusive), as well as the half year unaudited accounts for the period ending 31 December 2017 can be accessed on Unga Group's website at http://ungagroup.com/downloads/.

# 3. FURTHER INFORMATION PURSUANT TO REGULATION 9 OF THE TAKE-OVER REGULATIONS

### 3.1 Directors' Interests

None of the Directors of Unga Group hold any shares in Seaboard.

None of the directors of Unga Group, other than Andrew Ndegwa, hold any shares or beneficial interests in Victus (which is acting in concert with Seaboard). Details of Victus' interests in Unga Group can be found in part 1.2 (Undertakings) of this Circular.

Victus will not be selling its shares as part of the Offer, but has agreed to support Seaboard's Offer. Therefore, Andrew Ndegwa, through his beneficial interests in Victus, has an interest in the outcome of the Offer.

### 3.2 Payment to Directors

No payment or other benefit shall be made or be given to any Director of Unga Group or of any of its subsidiaries as consideration, or in connection with, his or her retirement from office in relation to the Offer.

### 3.3 Other arrangements with Seaboard

To the knowledge of the Non-conflicted Directors there is no arrangement made between any Director of Unga Group and any other person in connection with or conditional upon the outcome of the Offer.

The Non-conflicted Directors understand that, as of now, Alan McKittrick, who holds 13,472 Shares in Unga Group, intends to accept the Offer for his Shares.

### 3.4 Material Changes

Save as disclosed in the half year results of the Company published on 28 February 2018, there has been no material change in the financial position of Unga Group since the date of the last balance sheet laid before the company in general meeting on 5 December 2017.

### 3.5 Seaboard Confirmations

In the Offer Document, Seaboard has confirmed that:

(a) it intends to acquire all of the Shares and has no present intention of disposing of them;

(b) it has not dealt in the voting shares in Unga Group during the period commencing six months prior to the beginning of the Offer and ending with the latest practicable date prior to the sending of the Offer Document;

(c) neither Seaboard nor any of its subsidiaries has entered into any service contract with any director or proposed director of Seaboard or any of its subsidiaries which is not expiring within twelve months or determinable by the employing company within twelve months without payment of compensation;

(d) commercial justification for the proposed take-over offer:
It is Seaboard's intention that Unga Group retains its position as the preferred flour producer in Kenya and appreciates that price is a key decision factor for the vast majority of Unga Group's consumers. It is therefore important to re-evaluate Unga Group's growth and expansion strategies to accommodate innovative cost minimization strategies coupled with product range diversification and/or value addition strategies in order to boost the company's operations and product offering to its consumers.

As a publicly listed entity, Unga Group is disadvantaged because this status requires public disclosure of otherwise confidential business information relating to its business strategies, which thereby become available to its competitors. Further, there are material direct and indirect expenses associated with being a public company which also place Unga Group at a cost disadvantage to its competitors and thereby reducing its ability to consistently offer a wide variety of competitively priced products. This in turn negatively impacts its return on invested capital.

In addition, the present public structure makes it difficult to attract additional strategic investors and Seaboard believes that further strategic investment is imperative to address the realities of a more competitive environment dependent upon strategic investment. Implementation of the Offer will therefore serve the dual purpose of facilitating the transition of Unga Group from a publicly-listed to a privately held company and attainment of strategic goals in both milling and added value segments.

(e) Seaboard intends that the development of Unga Group's business will continue to be determined by its current executive management and does not foresee any change in the current Unga Group workforce as a direct result of the Take-over.

# 4. GENERAL INFORMATION

### 4.1 Responsibility Statement

Andrew Ndegwa, Alan McKittrick and Jinaro Kibet, who declared their interests in the proposed transaction and have recused themselves from voting on all matters relating to the Offer did not participate in the preparation of or the approval of this Circular.

The Non-conflicted Directors of Unga Group, whose names appear on page 3 of this Circular, accept responsibility for the information contained in this Circular. To the best of the knowledge and understanding of Non-conflicted Directors the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. The Non-conflicted Directors assert they have taken all reasonable care to ensure that such is the case.

### 4.2 Unga Group share capital

As at the date of this Circular, the issued share capital of Unga Group comprises 75,706,986 ordinary shares of KES 5/- each, all of which are voting shares.

The share capital of Unga Group is not divided into different classes of shares and all of its ordinary shares carry equal rights.

### 4.3 Financial Statements

Unga Group's Annual Financial Statements (available on Unga Group's website at http://ungagroup.com/downloads/) were prepared on the basis of IFRS and in a manner required by the Companies Act, 2015.

### 4.4 Consents

Faida Investment Bank Limited has given and not withdrawn its consent to the issue of this Circular with the inclusion herein of its report and the references thereto, in the form and context in which it appears.

### 4.5 Confirmation of independence

The valuation report contains a valuation of Unga Group by Faida Investment Bank. As at the date of this Circular, Faida Investment Bank confirmed that neither it, nor its directors and employees, had a material relationship with Unga Group, other than that specified in the contract for services for their independent valuation and commentary.

### 4.6 Governing Law

This Circular shall be governed by and construed in accordance with Kenyan law.

### 4.7 Documents Available for Inspection

Copies of the following documents will be available for inspection, free of charge, at Livingstone Associates, Deloitte Place, Waiyaki Way, Muthangari, P.O. Box 30029-00100, Nairobi, Kenya:

(a) A copy of this Circular;
(b) The Notice of Intention dated 7 February 2018;
(c) The Offeror's Statement dated 20 February 2018;
(d) The Offer Document dated 30 April 2018;
(e) Unga Group's audited financial statements for the three financial years prior to and including 30 June 2017;
(f) Faida Investment Bank's circular to the Non-conflicted Directors of Unga Group dated 4 May 2018; and
(g) The approval by the Capital Markets Authority relating to this Circular.

## APPENDIX 1 - INDEPENDENT FINANCIAL ADVISER'S CIRCULAR

# UNGA GROUP PLC

## INDEPENDENT ADVISOR CIRCULAR

in relation to the take-over offer by Seaboard Corporation

for the acquisition of shares in Unga Group Plc

Prepared by:

FAIDA INVESTMENT BANK

Independent Financial Advisor

4th May 2018

## Disclaimer

This Independent Advisor Circular is for informational purposes only and should not be used or considered as a solicitation to shareholders to take any specific action. Faida Investment Bank does not make any representation or warranty or guarantee as to the completeness, accuracy, timeliness, or suitability of any of the information contained within any part of the Circular nor that it is free from error. Whilst the information provided has been obtained from sources believed to be reliable, Faida Investment Bank does not attest to its accuracy or completeness.

Every effort has been made by Faida Investment Bank Limited to undertake an independent valuation of the Company in order to provide to the Board of the Company a fairness opinion on the take-over offer price to aid it in making its recommendations to shareholders. Furthermore, the valuation methodologies applied to value the Company are in line with industry best practices. The valuations are based on the economic, monetary, market, and other prevailing conditions in effect as at 4th May 2018, and the information made available to Faida Investment Bank Limited as at the date hereof. Developments after 4th May 2018, may affect the valuation, which Faida is under no obligation to update or revise.

Information relied on to arrive at the valuation is from previous audited accounts (FY2013 – FY2017), management accounts and limited review report by the auditors for the HY2018 (December 31, 2017) published results, financial projections and meetings held with the management of the Company. It is also important to note that Faida's opinion/valuation does not address any legal, regulatory, tax or accounting matters, except in instances where their impact has a significant effect on the valuation/opinion.

Whereas Faida Investment Bank has issued its valuation/opinion in regard to a fair value of the Company, we advise shareholders to seek independent advice from their financial advisors before making their final decision in regard to the Offer.

The information provided in this Independent Advisor Circular is specifically for the Board of Directors of the Company. It should not be used or considered as an offer or a solicitation to shareholders to approve or decline the Offer.

## Table of Contents

# 1. INTRODUCTION & BACKGROUND

### 1.1 Background and important notices

On 7th February 2018, Unga Group Plc ("**Company**") was served a notice of intention by Seaboard Corporation ("**Seaboard**" or the "**Offeror**") by which Seaboard stated its intention to acquire all the issued shares in the Company not already held by it, and by Victus Limited ("**Victus**") which is acting in concert with Seaboard ("**Offer**"). Collectively, Seaboard and Victus hold 53.85% of the issued shares of the Company, and are therefore seeking to acquire the remaining 46.15% of the issued shares. The Offer was priced at KES 40.00 for each ordinary share of the Company. This values the 46.15% stake held by other shareholders of the Company at KES 1,397,651,320.

Faida Investment Bank Limited ("**Faida**") was appointed by the board of directors (the "**Board**) of the Company to prepare a circular containing information required under regulation 10 and the Fourth Schedule of the Capital Markets (Take-overs and Mergers) Regulations, 2002 ("**Take-over Regulations**").

This Independent Advisor's Circular ("**Circular**") has been prepared for the sole purpose of providing the Board with an opinion on the financial adequacy of the Offer, in order to aid the Board in making its recommendations to shareholders. The Circular has been prepared in accordance with the Take-overs Regulations. Faida accepts no responsibility to any person other than the Board of the Company in relation to the contents of this Circular, even if it has been disclosed with our consent. Any other use, including the communication or distribution in whole or in part of the content of this Circular, must first be authorized by Faida in writing, with the exception that this Circular may be made available to shareholders of the Company in the circular to be issued by the Company pursuant to the Offer.

The statements and conclusions in this Circular are based on the entirety of the information and valuations contained herein, and no part of it may be used without considering the Circular in its entirety. In addition, the valuations are based on the current financial performance and position as well as future prospects of the Company on a "standalone" basis, without taking into account any potential synergies from the take-over.

Faida Investment Bank is an independent stockbroker and investment bank licensed by the Capital Markets Authority ("CMA") and a member of the Nairobi Securities Exchange ("NSE") since 1995. Faida's core business activities include offering stock brokerage and financial advisory services to clients. This business includes performing valuations of businesses such as the Company. We thus confirm that we are eligible to be appointed as an Independent Financial Advisor to the take-over Offer as per Regulations 10 and 11 of the Capital Markets (Take-overs and Mergers) Regulations, 2002.

The fees arising from this engagement are not inclusive of any contingent element. Moreover, Faida Investment Bank and its employees have no material financial interests reliant on the outcome of the transaction, other than remuneration due for the valuation services.

### 1.2 Purpose of the Independent Financial Advisor Circular

The purpose of this Circular is to provide the Board with a fairness opinion on the take-over offer price by Seaboard in order to offer its recommendations to shareholders.

Furthermore, the analyses and valuations contained in this Circular are for the sole purpose of providing an appropriate fair value range for the share price relating to the take-over offer.

In addition, this Circular should not be interpreted by the shareholders of the Company as a recommendation in relation to the exercise of their right to accept or decline the Offer by Seaboard Corporation, but as a guide.

### 1.3 Definition of Fair Value

Fair value is defined as the value of an asset based on an agreed upon price by a willing buyer and a willing seller with access to all relevant information, transacting in a free market.

### 1.4 Definition of Fairness

For the purposes of evaluating the take-over offer from a financial point of view, the fairness of the offer relates to a comparison of the offer price with the fair value of the Company (derived by analyzing the Company's financials and fundamentals as well as future prospects, growth opportunities and risk factors).

### 1.5 Documentation and Information Used

In preparing this Circular we reviewed the historical performance and financial position of the business, incorporated our opinion on the current status of the business and its future prospects, to inform our choice of valuation method and the rationale behind the assumptions.

In our assessment of the historical financial performance and position of the business, we reviewed:

- The Company's audited statements from FY2013 to FY2017;
- The FY2018 half year (ended December 31, 2017) unaudited management accounts;
- Financial projections for FY2018 – FY2022
- Management meetings to broaden our understanding of the business;
- Additional documentation and correspondence (necessary to improve understanding of financial statement line items) provided by the Company;
- Independent valuation report of property (land and buildings) owned by the Company and its subsidiaries.

In preparing the Circular, Faida assumed that:

- All the information, data, statements and report - of a financial and non-financial nature – provided to, analyzed or discussed with Faida by the management of the Company are true and complete, with no independent verification carried out by Faida;
- No materially relevant information has been withheld or omitted from Faida; and
- The independent property valuation summary, done by Tysons Limited, provided to Faida by the Company gives a realistic estimate of the value of the land and buildings.

Faida, therefore, assumes no responsibility or liability for the authenticity, completeness or accuracy of the information used, nor provides any guarantee to that effect.

The Board confirmed that Faida has been provided with, for the purpose of this Circular, all the information relevant to the take-over offer that is known to the Board and that all the information is true and accurate.

# 2. VALUATION OF UNGA GROUP PLC

### 2.1 Valuation Disclaimer

The valuation process, by nature, cannot be regarded as an exact science and the conclusions arrived in many cases tend to be subjective and dependent on individual judgment after various business, industry and economic considerations. The intrinsic value of the company is never attained with absolute preciseness. The analysis can only result in a range of values within which the true intrinsic value of the company may lie. For a takeover transaction such as this one, our role as an Independent Financial Advisor is to come up with an estimate of the fair value of the business.

### 2.2 Basis for choice of valuation

In arriving at the choice of valuation methodology to use, we considered the following factors:

i. the Company's historical performance
ii. the Company's current financial position
iii. Financial projections for FY2018 – FY2022
iv. Strategic initiatives aimed at tapping into new revenue sources and improving operational efficiencies
v. Independent valuation report of property (land and buildings) owned by the Company and its subsidiaries
vi. The current and expected future industry environment (competition, product differentiation, pricing etc.) and
vii. Outcome of our management review

Under the three main valuation approaches considered in investment literature and practice, namely: the market, income and asset approaches, we considered the following valuation methodologies.

A. Market/ Relative Valuation Approach:
   (i) Multiples Valuation using Enterprise Value to Earnings Before Interest, Tax, Depreciation and Amortization (EV/EBITDA) Multiple;
   (ii) Price-to-Earnings (P/E) Multiple

B. Income/Intrinsic Approach:
   (i) Discounted Cash Flow (DCF) to Equity Method

C. Asset Based Approach:
   (i) Net Asset Valuation (NAV);
   (ii) Discounted Cash Flow (DCF) to Equity Method (Theoretical Asset Sale and Lease back);
   (iii) Adjusted NAV

Given the fact that the Company trades on the Nairobi Securities Exchange (NSE), we also considered:

(i) Average Historical Share Prices

We considered each of the aforementioned valuation methodologies in relation to the Company's financial performance and position, taking into consideration the organizational structure of the Company. *(35% of Unga Holdings Limited (UHL) is owned by Seaboard Corporation, while 65% is owned by Unga Investments Limited. Therefore, in carrying out our valuation we only considered the proportion due to the equity owners of the Parent Company i.e. 65% of UHL.*

Our selection criteria is explained below.

### 2.3 EV/EBITDA Multiple Valuation Methodology

Enterprise Value to Earnings before Interest, Tax, Depreciation and Amortization (EV/EBITDA) multiple is a valuation multiple that compares the value of the entire firm to its cash earnings. The EV is calculated using the formula below:

EV=Market Cap + Debt + Minority Interest - Cash and Cash Equivalents

EBITDA provides a good measure of operating earnings of the business, which excludes financing and tax expenses. It is a measure of earnings that is not distorted by the differences in accounting treatments of depreciation, the effects of financial leverage and varying tax rates and treatments. This offers comparability amongst companies. Additionally, EBITDA gives a sense of the company's ability to generate cash and service its debt.

The forward EV/EBITDA multiple is usually applied to the forecast EBITDA (usually one year) to determine the implied enterprise value. In order to determine the implied equity value of the firm, the EV formula above is used to arrive at the market capitalization.

For our multiple benchmark we also used comparables listed companies in the Sub Saharan Africa (SSA) Region. Our source for these comparable was Bloomberg LLP

**This valuation methodology resulted in an equity value of KES 3,529,255,769 which equates to a fair value of KES 46.62 per share.**

### 2.4 P/E Multiple Valuation Methodology

The price to earnings multiple (P/E ratio) is a ratio used for valuing a company that measures its current share price relative to its earnings per share. This ratio shows the price an investor is willing to pay for every Shilling of the company's earnings.

P/E multiple can also be used to compare two companies within the same industry or used to compare the same stock at two different points in time.

In applying this method to value the Company, our benchmark PE was based on comparable listed companies in the Sub Saharan Africa (SSA) Region. (Our source for these comparable was Bloomberg LLP)

**This valuation methodology resulted in an equity value of KES 2,377,527,255 - which equates to a fair value of KES 31.40 per share**

### 2.5 Discounted Cash Flow to (DCF) Valuation Methodology

This approach is applied by discounting the expected future cash flows at an appropriate discount rate that reflects the risk characteristics of the cash flows. A terminal value at the end of the forecast period is also discounted at the appropriate rate. This terminal value captures the stable long-term growth rate beyond the forecast period. Various factors push the long-term growth rate towards the GDP growth rate. A company cannot continue to grow at above the rate of GDP growth forever. These factors include, company getting to maturity level, competition in the industry as other firms gain financial muscle, and loss of market share.

In valuing the Company, we used free cash flows to equity (FCFE) which is a measure of how much cash is available to the equity shareholders of a company after all expenses, reinvestment and debt are paid.

FCFE = Net Income + Depreciation & Amortization – Capex – Changes in Non-Cash Working Capital + Net Debt

We then discounted the FCFE to the present using the firms cost of equity (which we calculated as shown below).

| Cost of Equity = Risk Free Rate + Beta of the Company x (Equity Risk Premium) |
|---|

**Risk Free Rate**

The risk free rate was based on the Kenya Shilling interest rate for a risk free investment. We used the yield of a bench-mark long-term 5-year bond issued by the Government of Kenya as the risk free rate.

**Equity Risk Premium**

Since investors bear additional risks investing in equities, the equity risk premium is offered in addition to the risk free rate as a compensation to investors for bearing additional risk. In order to deduce the equity risk premium for the Company, we conducted a market survey to ascertain the appropriate equity risk premium for the Kenyan stock market, computed historical stock market returns and considered company specific information pertinent to an investor.

**Beta of the Company**

The beta of a stock is a measure used in fundamental analysis to determine the volatility of a stock in relation to the overall stock market. In order to determine the beta of the Company, we considered the historical covariance of stock market returns and the returns from the Company's stock over a historical period.

**This valuation methodology resulted in an equity value of KES 3,014,641,621 - which equates to a fair value of KES 39.82 per share.**

### 2.6 Theoretical Asset Sale-and-Lease Back (FCFE)

A sale-and-leaseback arrangement is where one sells their asset(s), and then leases them back from the purchaser(s) for the long term. This valuation methodology is especially useful when valuing a business with substantial investment in fixed assets such as land and buildings, as it assists investors to determine the impact of revaluation of the land and building on the valuation of the business.

The Company and its subsidiaries own various investments in land and buildings in the country. These assets are utilized to generate the income for the Group.

In this methodology, the discounted cash flow technique was used (free cash flows to equity), and we made the assumption that the Company will sell its land and enter into a sale-and-leaseback arrangement with one or more purchasers for land and buildings that it currently owns.

This notwithstanding, it is important to note that this valuation methodology is **purely theoretical (as there is no current plan to dispose of the assets of the Company).** This methodology also assumes that the purchaser(s) of the asset will allow the company to continue to operate as it is now, on the land for the foreseeable future.

Consequently, it would be very difficult to find a purchaser(s) who would allow the company to continue milling operations for a long period (over 5 years) without exploring other potentially higher yielding real estate opportunities (for the land).

The land and buildings assumed to be sold and leased back do not include the (i) property owned by the Company on Ngong Road – LR No. 209/5807, which has a restricted use thus rendering it marketable to only a very limited clientele, and (ii) the land and buildings owned in Uganda by the Company's subsidiary - Unga Millers (U) Limited – Plot M.229.13 at Ntinda Industrial Area, Kampala, which are in the process of being sold. Sale proceeds from the disposal of these assets have been factored into the cash flow projections. *(Please note: The key restrictions on the Ngong Road plot are: a) The land and buildings shall only be used for the purpose of a non-residential sports club and b) Notwithstanding anything to the contrary contained in [the special conditions to the Title] or implied by the Government Lands Act (Chapter 280) the Grantee shall on receipt of six months' notice in writing in that behalf surrender all or any part of the land required for public purposes without payment of compensation save in respect of such of the approved buildings as may have to be evacuated or demolished. No compensations shall be payable in respect of severance of part of the land by reason of such surrender.)*

In calculating the FCFE, we incorporated, in addition to the cash flows generated from business operations, the cash outflows related to the lease rentals for the land and building as well as the cash inflows related to the sale of the assets. The market values of the land and buildings, and the expected lease rentals were obtained from the valuation report submitted by an independent valuer - Tysons Limited dated 28th February 2018 following a valuation exercise it undertook for the Company's land and buildings in Kenya.

The theoretical sale and lease back methodology valuation was undertaken on the assumptions that as at the date of this report the assets have been disposed of, sales proceeds received in cash and leased back for use by the Company. Furthermore, it is assumed that the cash proceeds from the sale of the assets would be distributed to shareholders, by 30th June 2018. For purposes of this exercise, the forced sale values for each of the property was used as provided in the valuation report submitted by Tysons Limited.

Given the assumption that the proceeds arising from the sale of land and buildings would be distributed to shareholders, we incorporated the impact of capital gains tax as well as the compensating tax taking into account the dividend tax account balances of all the subsidiaries.

**This valuation methodology resulted in an equity value of KES 4,307,154,022 - which equates to a fair value of KES 56.89 per share.**

### 2.7 Net Asset Valuation (NAV)

Net Asset Value is an asset-based approach for valuing a company with reference to the accounting value of its assets and liabilities as reflected in its most recent financial statements. Through this method, the value of a company is estimated as its net assets being the difference between the value of the company's total assets and total liabilities as at a given date.

Given that there are several accepted accounting standards for assets and liabilities (some assets and liabilities are measured based on historical cost, sometimes with adjustments, whereas other assets and liabilities are measured based on a current value), the Net Asset Value tends to be highly dependent on accounting standards adopted by the company.

Another limitation of this method is that this valuation methodology does not take into account other factors such as future cash flows expected to be generated by the company and current market conditions. Furthermore, important aspects of a company's ability to generate future cash flows (for example, its reputation and management capability) are also not captured by this valuation method.

It is for these reasons coupled with our understanding of the Company that we do not believe that the NAV reflects the most accurate value of the Company. Consequently, we have not included it in our conclusion.

**The Company's Net Asset Value on the balance sheet as at 31st December 2017 was KES 3,994,471,000 - which equates to a value of KES 52.76 per share.**

### 2.8 Adjusted Net Asset Value

As mentioned in the previous section, the Net Asset Value method has a number of limitations, one of which is the fact that the NAV of a company tends to be highly dependent on the accounting standards adopted by the company and it does not take into account other important factors such as the cash flows expected to be generated by the company and current market conditions.

That notwithstanding, and so as to provide an asset based valuation of the business that is more reflective of the current value of the Company's assets we undertook a further exercise to determine the adjusted NAV had the Company's fixed assets (specifically the buildings and leasehold improvements) been revalued as at 31st December 2017.

In determining the adjusted NAV, we used the open market values for the leasehold improvements provided in the valuation report submitted by Tysons Limited in February 2018. (Note: this revaluation did not factor into account revaluation of land, as each of the properties owned by Unga Holdings Limited and its subsidiaries is categorized as ''leasehold", revaluation of which is not permissible under the generally accepted international accounting standards (IAS 17).

The revaluation surplus was determined as the difference between the net book value of the Company's improvements to leasehold land and buildings as at 31st December 2017 and the market value. The revaluation surplus was adjusted for the proportion that would only be due to the owners of the parent company

It is emphasized that this valuation methodology was undertaken as a theoretical exercise done to illustrate the Company's NAV had certain assets been revalued as at 31st December 2017. In reality, a company may or may not revalue its assets given that such revaluation of assets comes at the cost of future profitability attributed to a higher amortization cost and subsequently lower profits in subsequent years. Furthermore, this valuation does not reflect the intrinsic or actual value of a business and therefore should be used with caution.

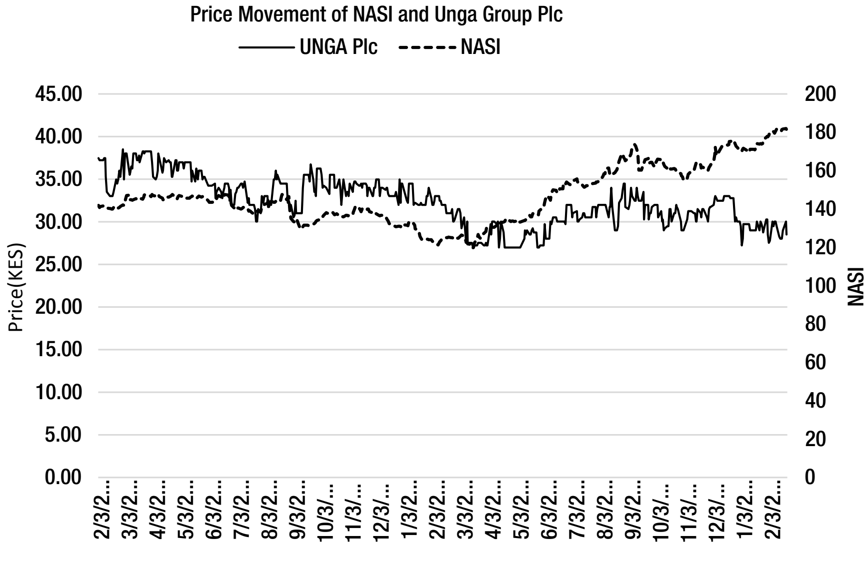
**This modification resulted in an Adjusted Net Asset Value on the balance sheet as at 31st December 2017 of KES 5,086,644,187 - which equates to a value of KES 67.19 per share**

### 2.9 Average Historical Share Prices

Average historical share price method determines the value of a company on the basis of the share price of the company as traded on a securities exchange. This method is founded on the view that the stock trades in a more or less efficient market such that share price of the stock tends to reflect all the relevant information concerning the company. Faida reviewed the share price performance of the Company before 6th February 2018, which was the last business day practicable prior to the submission of the Notice of Intention. The period after this day was excluded from the review given the fact that the market price was affected by the news of the take-over Offer, and consequently moved towards the offer price in order to eliminate arbitrage opportunities.

| From the last business day practicable (6th February 2018) | VWAP Price (KES) | Seaboard Offer Premium % (KES 40.00) |
|---|---|---|
| 30 day VWAP | 29.17 | 37.14 |
| 90 day VWAP | 30.39 | 31.62 |
| 180 day VWAP | 30.71 | 30.25 |
| 250 day VWAP* | 30.18 | 32.54 |

*Source: Bloomberg LLP *250-Day VWAP represents the total number of trading days in a year.*




*Source: Bloomberg LLP*

From the chart above it can be seen that the stock price of the Company generally tends to follow the trend in the overall stock market.

### 2.10 Valuation Summary

| Valuation Method | Price per share (KES) | Offer Premium/ (Discount) to Offer Price of KES 40.00 |
|---|---|---|
| Closing price of 6th February 2018 (last business day practicable prior to the submission of the Notice of Intention) | 28.50 | 40.35% |
| 30 Day VWAP | 29.17 | 37.14% |
| 90 Day VWAP | 30.39 | 31.62% |
| 180 Day VWAP | 30.71 | 30.25% |
| 250 Day VWAP | 30.18 | 32.54% |
| **Market Based Valuation Approach** | | |
| Forecasted PE Multiple Valuation Approach Peer Comparison | 31.40 | 27.37% |
| EV/EBITDA Multiple Valuation Approach Peer Comparison | 46.62 | -14.19% |
| **Average** | 39.01 | 2.54% |
| **Income Based Valuation Approach** | 39.82 | 0.45% |
| Free Cash flow to Equity Valuation Approach | | |
| **Asset Based Valuation Approach** | | |
| Free Cash flow to Equity Valuation Approach - Asset Sale & Leaseback | 56.89 | -29.69% |
| Adjusted Net Asset Value (as at 31st December 2017) | 67.19 | -40.47% |
| **Average** | 62.04 | -35.53% |
| **Net Asset Value** | 52.46 | -24.18% |
| Net Asset Value (as at 31st December 2017) | | |

** Figures are rounded off to two decimal places.*

*250 Days represents the number of trading days in a year.*

# 3. CONCLUSION

In summary, after carefully considering all the information available to us, and based on the market, economic and other relevant considerations prevailing as at 4th May 2018, and subject to our terms of reference, we are of the opinion that the financial terms of the Offer are fair and range bound. The Offer Price of KES 40.00 lies within the range of values derived from our valuation analyses as shown in the table below:

| Valuation Approach | Valuation Method | Fair Value Price (KES per share) | Seaboard Corporation Offer Premium/(Discount) KES 40.00 |
|---|---|---|---|
| Market Approach | Average of Comparable Companies Valuation Multiple | 39.01 | 2.54% |
| Income Approach | Free Cash flow to Equity Valuation | 39.82 | 0.45% |
| Asset Approach (Theoretical) | Average of Asset Sale and Leaseback and Adjusted Net Asset Value | 62.04 | -35.53% |

In reviewing the fairness of the Offer, we looked at the financials and fundamentals of the Company as well as future prospects, growth opportunities and risk factors, in order to derive a fair value range, which we compared to the Offer price.

We also took into consideration the actual and potential financial impact of other circumstances surrounding the Offer and the Company which we consider relevant, both qualitative and quantitative in nature.

# 4. DISCLOSURES

### INFORMATION AND STATEMENTS REQUIRED IN AN INDEPENDENT ADVISOR'S CIRCULAR AS PER THE FOURTH SCHEDULE OF THE CAPITAL MARKETS (TAKE-OVERS AND MERGERS) REGULATIONS, 2002

The following disclosures include information required in this Circular. The information in this section was obtained from the offer document prepared by Seaboard and from the Company's Management.

**Intentions regarding the continuation of the business**

In the Offer Document, Seaboard has confirmed that it intends to acquire all of the Shares and has no present intention of disposing of them, Further it is Seaboard's intention that the Company continues its business and retains its position as the preferred flour producer in Kenya.

**Intentions regarding any major changes to be introduced in the business**

According to Seaboard, further strategic investment in the Company is imperative to address the realities of a more competitive environment dependent upon strategic investment. Implementation of the offer will therefore serve the dual purpose of facilitating the transition of the Company from a publicly-listed company to a privately held company and attainment of strategic goals in both milling and added value segments.

**Long-term commercial justifications for the proposed take-over offer**

It is Seaboard's intention that the Company retains its position as the preferred flour producer in Kenya and appreciates that price is a key decision factor for the vast majority of the Company's consumers. It is therefore important to re-evaluate the Company's growth and expansion strategies to accommodate innovative cost minimization strategies coupled with product range diversification and/or value addition strategies in order to boost the company's operations and product offering to its consumers.

As a publicly listed entity, the Company is disadvantaged because this status requires public disclosure of otherwise confidential business information relating to its business strategies, which thereby become available to its competitors. Further, there are material direct and indirect expenses associated with being a public company which also place the Company at a cost disadvantage to its competitors and thereby reducing its ability to consistently offer a wide variety of competitively priced products. This in turn negatively impacts its return on invested capital.

In addition, the present public structure makes it difficult to attract additional strategic investors and Seaboard believes that further strategic investment is imperative to address the realities of a more competitive environment dependent upon strategic investment. Implementation of the Offer will therefore serve the dual purpose of facilitating the transition of the Company from a publicly-listed to a privately held company and attainment of strategic goals in both milling and added value segments.

**Intentions regarding the continued employment of employees**

Seaboard intends that the development of the Company business will continue to be determined by its current executive management and does not foresee any change in the current the Company workforce as a direct result of the Take-Over.

**Reasonableness of the take-over offer**

Based on the underlying valuation analyses in this Circular, Faida considers the take-over offer from Seaboard to be fair and range bound.

**Outlook on the industry and prospects of the Company**

The Company expects that uncertainties where raw material supply is concerned will continue, particularly with regard to maize, and government policy will continue to favour farmers over manufacturers.

Marketing spend by the Company will continue to be important to support brand awareness and new product launches. It is also expected that trade margins will be increased to ensure continued and improved support from the Company's distribution and retail partners.

Going forward, increasing competition, particularly in the wheat sector, will place further pressure on pricing and margins. Competition from imports is expected to increase, and export opportunities will be limited by Kenya's higher cost of goods attributable, for the most part, to the higher cost of raw material.

The Company will continue to invest in plant modernization, efficiency improvements as well as seek value-adding investment opportunities in a view to continue to improve the competitiveness of the business.

**Information regarding the holdings of any voting shares or convertible securities**

The Company does not hold directly or indirectly, any voting shares or convertible securities in Seaboard Corporation

**Information regarding the holdings of any voting shares or convertible securities by directors**

None of the directors of the Company holds any voting shares or convertible securities in Seaboard Corporation, either directly or indirectly. None of the other directors of the Company, other than Mr. Andrew Ndegwa hold any shares or beneficial interests in Victus Limited (which is acting in concert with Seaboard Corporation). Mr. Andrew Ndegwa is a director in both Victus Limited and the Company and has indirect beneficial interests in Victus Limited. Victus Limited owns 50.93% of the Company.

Victus will not be selling its shares as part of the Offer, but has agreed to support Seaboard's offer. Therefore, Mr. Ndegwa, through his beneficial interests in Victus, has an interest in the outcome of the Offer.

**The table below shows the Company Top 10 Shareholders as at 30 April, 2018**

| Rank | Name | Industry | Total Shares | % |
|---|---|---|---:|---:|
| 1 | VICTUS LIMITED | LC | 38,557,190 | 50.93% |
| 2 | RAKESH PRAKASH GADANI | LI | 3,514,780 | 4.64% |
| 3 | MOSES THARA | LI | 2,808,117 | 3.71% |
| 4 | BID PORTFOLIO MANAGEMENT LTD | LC | 2,394,600 | 3.16% |
| 5 | CSFS NOMINEES A/C | LC | 2,210,400 | 2.92% |
| 6 | BROADWAY BAKERY LIMITED | LC | 1,149,700 | 1.52% |
| 7 | SAYANI INVESTMENTS LTD | LC | 1,130,900 | 1.49% |
| 8 | MR ALIMOHAMED ADAM | LI | 1,047,342 | 1.38% |
| 9 | SAVITABEN VELJI RAICHAND SHAH | LI | 745,677 | 0.98% |
| 10 | INVESTMENTS & MORTGAGES NOMINEES LTD A/C 028950 | LC | 480,720 | 0.63% |
| | **TOTAL SHARES (OF TOP 10 SHAREHOLDERS)** | | **54,039,426** | **71.36%** |
| | REMAINING SHARES | | 21,667,560 | 28.64% |
| | **TOTAL SHARES** | | **75,706,986**** | **100%** |

Source: Custody & Registrars Services Limited

**FC – Foreign Corporate, FI – Foreign Individuals, LC – Local Corporate, LI – Local Individual*
***From the Company Annual Report and Financial Statements FY2017*

**Information regarding dealings of voting shares**

None of the directors of the Company have dealt in the voting shares of the Company during the period commencing six months prior to the beginning of the take-over offer and ending with the latest practical date prior to the sending of the offer document.

**Information regarding the service contracts of the directors with the Company**

The Company does not have service contracts with any of its directors.

We hereby consent to the inclusion of this report in the shareholders circular to be circulated to the shareholders of the Company.

May 4th 2018

**Lucas Otieno**
**Managing Director**
**Faida Investment Bank Limited**

**Rina Hicks**
**Operations Director**
**Faida Investment Bank Ltd**