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| **Cadbury Nigeria PLC** |
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| **Proposed Debt to Equity Conversion****Frequently Asked Questions** |
| **5 February 2024** |

# What will the Conversion entail?

* + The Conversion will involve the conversion of the outstanding shareholder loan of US$7,718,118.44 (₦7,036,446,501.26) owed by Cadbury Nigeria PLC ("Cadbury Nigeria” or the “Company”) to Cadbury Schweppes Overseas Limited (“Cadbury Schweppes Overseas”), into equity.
	+ The outstanding shareholder loan amount will be converted at a price of 17.50 per share into 402,082,657 ordinary shares of 50 kobo each, to be issued to Cadbury Schweppes Overseas.
	+ This will increase the total issued shares from 1,878,201,962 ordinary shares to 2,280,284,619 ordinary shares.

# How did the Company obtain the shareholder loan?

* + The Company typically funds the import of its required raw materials by obtaining debt facilities from different banks.
	+ Outstanding loans obtained from the local banks had fallen due, and the Company could not source FX to pay for it.
	+ Given the difficulty of procuring the required foreign exchange, the Company obtained intercompany loans totaling US$23 million from Cadbury Schweppes Overseas to settle some of these outstanding bank loans.
1. **How much of the shareholder loan has Cadbury Nigeria paid down and how much is outstanding?**
	* The Company has been able to repay Cadbury Schweppes Overseas, a total of US$18.6 million of the principal and accrued interest, and has an outstanding balance of US$7.7 million as at 31 December 2023. The settlement of the paid down portion of the shareholder loan, crystalised an estimated foreign exchange loss of ₦13.5 billion.

# What is the rationale for the Conversion?

* + In recent years, the Company, alongside other local manufacturers, has faced challenges with servicing its foreign currency denominated loans due to Nigeria’s persistent foreign currency scarcity.
	+ The devaluation of the currency in June 2023 put further pressure on the Company as the Naira value of its foreign currency denominated loans increased significantly, resulting in an unrealised exchange loss of ₦20.6 billion and a loss after tax of ₦10.2 billion for the period ended, 30 September 2023.
	+ The Board of Directors of Cadbury Nigeria has considered various options for settling the outstanding shareholder loan obligation and reducing the Company’s exposure to foreign currency risk. The conversion of the outstanding shareholder loan into equity was selected as the optimal option for the Company.
	+ The Conversion is expected to deleverage the Company’s balance sheet and save the Company further foreign exchange losses on this debt.

# What is the benefit of the Conversion?

* + It will deleverage the Company’s balance sheet, ultimately reducing pressure on the Company's cash flows and leading to improved liquidity which could be channeled into better uses by the Company.
	+ It will reduce the Company's exposure to foreign exchange risk and its impact on earnings.
	+ It will reduce finance costs and lead to improved profitability.
	+ It will improve the Company's financial ratios, such as debt-to-equity and coverage ratios, potentially enhancing the Company's financial standing and creditworthiness.

# How was the Conversion price determined?

* + The price was determined by using the share price of Cadbury Nigeria as at close of trading on 27 December 2023, the date of the Board Meeting to approve the Conversion.

# What will be the effect of the Conversion?

* + Following the Conversion, the shareholding of Cadbury Schweppes Overseas in the Company will change from 1,408,131,653 shares (74.97%) to 1,810,214,310 shares (79.39%), while that of the other shareholders will change from 470,070,309 shares (25.03%) to 470,070,309 shares (20.61%).

# What approvals will this transaction require?

* + Following the receipt of shareholders’ approval, the Company will also require the approval of Securities and Exchange Commission for the Conversion and for the registration of the new shares. The new shares will also be listed on the main board of the NGX.

# When will the Conversion take effect?

* + The Conversion will take effect when the new ordinary shares are allotted to Cadbury Schweppes Overseas and the register of members is updated to reflect the post-Conversion shares held by Cadbury Schweppes Overseas.
	+ The expectation is that the Conversion process will be concluded within the first quarter of 2024, subject to receiving shareholders’ and regulatory approvals.