



Company registration number C.62/63

CIRCULAR TO SHAREHOLDERS OF BOC KENYA PLC

in relation to the take-over offer for ALL of the ordinary shares of BOC Kenya Plc by

CARBACID INVESTMENTS PLC
(Company registration number C. 32/70)
and

AKSAYA INVESTMENTS LLP
(LLP registration number LLP-6R1MVM)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Circular is issued by the Board of Directors of BOC Kenya Plc pursuant to Regulation 7(5) and 9(1) of the Capital Markets (Take-overs and Mergers) Regulations, 2002 to shareholders of BOC Kenya Plc to assist them in making an informed assessment as to the merits of accepting or rejecting the offer by Carbacid Investments PLC and Aksaya Investments LLP for ALL the ordinary shares of BOC Kenya Plc.

Shareholders are advised to carefully consider the contents of this Circular, the Independent Adviser's Circular and the Offer Document; and to consult their professional investment advisers regarding the offer.

Approval has been obtained from the Capital Markets Authority ("CMA") for the publication of this Circular. 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 shareholders of BOC Kenya Plc.

This Circular is dated 15 February 2021.

Legal Adviser to BOC Kenya Plc



DLA Piper Africa, IKM Advocates

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1. Definitions

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

“**Aksaya Investments LLP**” or “**Aksaya**” means Aksaya Investments LLP, a limited liability partnership registered in Kenya on 20 June 2018 under the Limited Liability Partnership Act (Chapter 30A, Laws of Kenya) with registration number LLP-6R1MVM.

"**BOC Kenya PLC**" or "**Company**" means BOC Kenya Plc, a public limited liability company incorporated in the Republic of Kenya under company number C.62/63.

“**BOCH**” means BOC Holdings, a company registered in accordance with the laws of England under company registration number 212945, and whose registered address is The Priestley Centre, 10 Priestley Road, Guildford, Surrey GU2 7XY and BOCH group refers to the related companies of BOCH.

“**BOC Shares**” or the “**Offer Shares**” means the 19,525,446 ordinary shares in the capital of BOC with a par value of Kes. 5.00 each.

"**Carbacid Investments Plc**" or “**CIP**” means Carbacid Investments Plc, a company incorporated in Kenya with company registration number 32/70.

"**Circular**" means this Shareholders' Circular.

“**Closing Date**” means 6 April 2021 or such other date as may be approved by CMA.

"**CMA**" means the Capital Markets Authority of Kenya, established under the Capital Markets Act (Chapter 485A of the Laws of Kenya).

"**Companies Act**" means the Companies Act, 2015 (Laws of Kenya).

"**Directors**" or "**Board**" means the persons named in this Circular as directors of BOC Kenya Plc and “**Director**” shall be construed accordingly.

"**Dyer and Blair**" means Dyer & Blair Investment Bank Limited, the independent financial adviser appointed by the Board in accordance with, and for the purposes set out in, the Takeover Regulations.

"**KES**" means Kenya Shillings.

"**LPG**" means liquified petroleum gas.

“**Material Adverse Change**” has the meaning set out in the Offer Document, being (a) a material change in an event, matter or circumstance, or in any combination of such events, matters or circumstances, existing at any time from the date of the Press Notice which in the aggregate, has resulted in a reduction by more than 15% in the net asset value of BOC as compared to the net asset value of BOC as at 31 December 2019 (the “**Reduction**”), provided that any dividend distribution by BOC that may be declared at any time from the date of the Press Notice up to and including the Closing Date of an amount up to KES 4.25 per share shall be excluded for purposes of calculating the Reduction; or (b) the loss of any material asset, licence or consent necessary for BOC to continue to conduct business as a going concern.

“**NSE**” means Nairobi Securities Exchange.

"**Notice of Intention**" means the notice of intention dated 25 November 2020, served on the Board by Carbacid Investments Plc and Aksaya Investments LLP.

"**Offer**" means the offer made by Carbacid Investments Plc and Aksaya Investments LLP to acquire all the ordinary shares of BOC Kenya Plc on the terms and conditions contained in the Offer Document.

"**Offer Document**" means the Carbacid Investments Plc and Aksaya Investments LLP offer document dated 5 January 2021 as may be amended or supplemented from time to time with the approval of CMA.

"**Offer Price**" means the purchase price offered by Carbacid Investments Plc and Aksaya Investments LLP of KES 63.50 per Share.

"**Offer Period**" means the period commencing from the date of service of the Offer Document on BOC and ending on the Closing Date.

"**Offer Shares**" means all the BOC Shares.

"**Offerors**" means CIP and Aksaya jointly.

"**Press Notice**" has the meaning set out in the Offer Document, being the notice published by the Offerors with respect to the Offer on 26 November 2020 in the Daily Nation and the Standard newspaper pursuant to Regulation 4(1) of the Take-Over Regulations.

"**Record Date**" means 5pm on 5 February 2021.

"**Shareholders**" means the shareholders of BOC Kenya Plc as at the Record Date who are the recipients of the Offer.

"**Shares**" means the issued ordinary shares of KES 5.00 in BOC Kenya Plc and "**Share**" shall be construed accordingly.

2. RECOMMENDATION OF THE BOARD OF DIRECTORS OF BOC KENYA PLC

To all Shareholders of BOC Kenya Plc

Dear Shareholder

Carbacid Investments Plc and Aksaya Investments LLP have in the Offer Document made an Offer to acquire all the ordinary shares of BOC at a price of KES 63.50 per Share. The proposed acquisition is to be paid in cash to those Shareholders who accept the Offer in accordance with the terms and conditions of the Offer which are provided in the Offer Document. The terms and conditions are customary to transactions of this nature and include receipt of applicable regulatory approvals, approval for the acquisition from shareholders of CIL and there being no Material Adverse Change in the trading position or prospects or financial position of BOC.

The Offer is **not** conditional as to acceptances. This means that its success does not depend on the Offerors achieving a given level of acceptances. BOC Holdings (UK), the single largest shareholder of BOC holding 65.38 per cent of the ordinary shares of BOC has issued the Offerors with an irrevocable undertaking to accept the Offer. The irrevocable undertaking is issued on certain conditions including that the Offer is made at KES 63.50 or higher.

The Board has noted from the Offer Document that on 25 November 2020, the Offerors entered into a termination agreement (the **Termination Services Agreement**) in respect of certain arrangements provided to BOC by BOCH's group companies. As disclosed in the Offer Document, the Termination Services Agreement provides for *inter alia*, the termination of certain intra-group agreements between the BOCH group and BOC, the resignation of the BOCH appointed directors from BOC, the change of name of the BOC group entities (save for East African Oxygen Limited) as well as acknowledgement by the Offerors that they no longer have the right to certain designations (including various names, trademarks (whether registered or unregistered), business names, logos and domain names) vested in BOCH's group. It also provides for the re-branding of BOC's equipment and products once the Offer is completed. Your Board observes that the arrangements will be necessary following the exit of BOCH for effective operation of the business by the Offeror.

As required by the Takeover Regulations, your Board appointed an independent adviser to undertake an independent valuation of your Company to assist our Shareholders make an informed decision as to the merits of the Offer. Dyer and Blair Investment Bank Ltd, was appointed as Independent Adviser following a competitive recruitment process. The Independent Adviser has prepared the Independent Adviser's Circular which is circulated together with this Circular.

Your Board has carefully considered the report of the Independent Adviser.

We have noted the definition of a fair and reasonable value employed by the Independent Adviser being one where the purchase consideration is equal to or greater than the value of the entity. We have noted that the Independent Adviser has used three broad valuation methodologies and that the valuations consider both quantitative and qualitative considerations. We have had the opportunity to consider the underlying assumptions made by the Independent Adviser.

The Independent Adviser has made an extensive assessment of your Company's prospects with which we concur. Next year, we have projected revenue growth by 11.65 per cent and expect the growth trajectory to continue over the next few years on the back of a well-developed medical sector and responsive Route to Market in relation to the industrial sector gases and products. Similarly, we concur that there is significant value in the brand, your Company's technical competency, skilled workforce and product quality.

We acknowledge the threats posed by low-cost competitors and cheaper imports. Illegal filling of the Company's cylinders and delays in payments are other significant threats. We agree that the COVID-19 pandemic presents a challenge due to the reduced demand for industrial gases and accessories from customers engaged in industrial manufacturing. On the converse, the COVID-19 pandemic presents opportunities in increased demand for medical gases; medical oxygen, medical carbon dioxide and medical air. There are also additional opportunities in medical gases infrastructure and accessories. We expect that there will be development of sources of medical oxygen including oxygen generators and home care solutions where we will actively contribute.

We also recognize that as these sources come up, the main gases production unit, the Air Separation Unit may require replacement in the future. The nature and level of investment in this regard has not been considered or determined. There are also new opportunities for fumigation gases for use in horticulture and floriculture, gas applications for water treatment, oil and gas sector applications and gas reticulation applications in liquified petroleum gas and healthcare.

In addition to the report of the Independent Adviser, your Board has considered the stated intentions of the Offerors regarding the business. The Offerors acknowledge that there is significant value in the business. In the short term, the intention is to continue the business in materially the same way that it has been conducted without significant disruption. In the medium to long term, the Offerors will look to realize synergies in administration, marketing, distribution, selling and information technology.

The Board has also taken cognizance of the stated commercial justification for the Offer by the Offerors which is to capitalize on significant growth opportunities by leveraging an expanded non-competing portfolio of products and wider customer base, in addition to securing optimal pricing and terms from key suppliers from a larger and stronger group. Your Board recognizes that as the Offer is for a cash consideration, Shareholders who accept the Offer will not have the opportunity to benefit from this future growth.

In addition to the report of the Independent Adviser, the stated intentions of the Offerors, and the credentials of the Offerors, the Board has considered the state of the economy and the financial markets, the business and the wider industry. The Board has considered the depressed prices in the securities market and the lack of liquidity in shares of BOC. We have also taken note of the fact that at this time, this is the sole offer available to Shareholders.

The principal valuation methodologies used by the Independent Adviser are Discounted Cash Flow, Market Approach and Net Asset Approach. The prices based on the above three methodologies range from KES 61.55 to KES 127.40.

The assessment of the Independent Adviser is that all matters being taken into consideration, the fair value of an ordinary share of BOC is KES 91.76. This value is 44.5 per cent higher than the Offer Price of KES 63.50. The conclusion of the Independent Adviser consequently is that the Offer Price of KES 63.50 is **NOT** fair and reasonable.

Having carefully considered the opinion of the Independent Adviser, the credentials and stated intentions of the Offerors to grow the business significantly in the middle and long term, the future

prospects of the Company and the state of the economy and financial markets, and the fact that Shareholders who accept the Offer will not be in a position to benefit from future growth of the business, the Board unanimously agrees that the price of KES 63.50 does not reflect a fair value of the Company. Your Board has therefore for the foregoing reasons resolved **NOT** to recommend the Offer for acceptance by Shareholders.

We would like to draw your attention to the fact that the Offer is not conditional upon maintenance of a minimum percentage of shareholding by the public to satisfy the continuing eligibility requirements for listing under the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002. The Offer Document provides that while BOC shall continue to be listed on the Closing Date, should the Offerors achieve acceptances of 75% or more of the Offer Shares, the Offerors **will evaluate the continued efficacy of BOC remaining listed and may then, subject to approval from the CMA, apply for BOC to be de-listed from the NSE.** Therefore, should you decline to accept the offer and remain as a shareholder of BOC and BOC is on completion of the Proposed Takeover delisted, the shares will no longer trade at the NSE and BOC will cease being regulated by the NSE and CMA. In making your decision therefore, please consider this possibility.

In addition, the Board wishes to highlight, for your attention and consideration, the provisions of the Companies Act which give an offeror the right to buy minority shareholder(s). BOC's Legal Counsel has advised that an offeror who has, as a result of acceptances of the offer, acquired or unconditionally contracted to acquire (a) **not less than ninety percent in value of the shares** to which the offer relates; and (b) if the shares of that class are voting shares, **not less than ninety percent of the voting rights** conferred by those shares, may give notice to the holder of any shares of that class to which the offer relates that the offeror has not acquired or unconditionally contracted to acquire that the offeror intends to acquire those shares. The effect of the said notice is that an offeror is not only entitled but is bound to acquire the shares to which the notice relates on the terms specified in the offer. Therefore, should the Offerors meet the above legal threshold following acceptance of the Offer by some shareholders, it is a possibility that the shareholders who will decline the Offer may be squeezed out in accordance with the law, should the Offerors desire to do so.

Please find enclosed with this Circular the Independent Adviser's Circular and the Takeover Offer Document together with the Form of Acceptance in respect of the shares that you hold in the Company.

The Offer will remain open for acceptance until 6 April 2021 unless otherwise extended. Any extension of the Offer Period is required by the Takeover Regulations to be approved by the CMA and announced in at least two English language daily newspapers with national circulation in Kenya.

Your Board recognizes that considerations of the Shareholders in deciding as to whether or not to accept the Offer will depend on a wide range of factors including unique circumstances and objectives of each shareholder which are likely to be disparate. Shareholders are therefore encouraged to obtain independent professional advice from their professional advisers regarding the merits of accepting or not accepting the Offer.

By order of the Board

Robert Mbugua

CHAIRMAN

3. Information on BOC Kenya Plc

3.1 Incorporation History and Corporate Structure

BOC Kenya Plc was incorporated in Kenya on 9 December 1940 under the then Companies Ordinance as the East African Oxygen and Acetylene Company Limited, starting its operations in the coastal town of Mombasa. The Company has over time changed its name to East African Oxygen Limited (9 July 1957), BOC Kenya Limited (27 March 1995) and more recently to BOC Kenya Plc (20 November 2017). The Company was listed on the Nairobi Securities Exchange in 1969 and has been and remains a subsidiary of BOC Holdings (UK).

The Company has two fully owned subsidiary Companies, BOC Tanzania Limited and BOC Uganda Limited.

The BOC organization was set up in 1886 as Brin's Oxygen Company Ltd and renamed British Oxygen Company (BOC) in 1906. In 2006, the worldwide BOC organization was acquired by The Linde Group headquartered in Germany but retained its identity as “BOC”. The Company is therefore a member of The Linde Group.

While The Linde Group core strength lay in engineering (building chemical and plants for industrial gas production), the BOC organization’s was focused on the manufacture of gases which resulted in synergy and complementarity.

In 2018, The Linde Group merged with Praxair Inc, an American worldwide industrial gases company.

3.2 Corporate Governance

The Company maintains a strong corporate governance environment and seeks to comply with all internal as well as regulatory requirements and recommendations, including those contained in the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, as issued by the Capital Markets Authority.

The Board has developed a board charter in order to document its corporate governance practices and principles, in recognition of the role of good governance in corporate performance, maximisation of shareholder value and protection of investors’ rights, and also to promote the Company’s standards of self-regulation. The objective of the charter is to also ensure that all board members are aware of their duties and responsibilities and that they act in the best interest of the Company and its stakeholders. The board charter was last reviewed by the Board on 26 March 2020 and is published on the Company’s website (www.boc.co.ke).

The Board has established two principal Board Committees namely, the Audit and Risk Committee and the Nominations and Corporate Governance Committee. Under the authority of the Company’s Articles of Association, each Board Committee has specific responsibilities delegated to it by the Board. Each Committee has its own terms of reference which are reviewed annually and updated as appropriate.

Responsibility for implementing strategy and day-to-day operations has been delegated by the Board to the Managing Director and the Executive team.

Among other things, the Company ensures that it has a diverse Board, the Board has an annual regularly updated work-plan, new directors are inducted as appropriate, directors receive relevant training and development, an evaluation of the Board is conducted (including director-to-director peer reviews),

conflicts of interest are avoided – and should they arise – are disclosed, documented and dealt with as would be appropriate in the circumstances, risk management and internal control processes are in place, there is adequate communication with all stakeholders (including shareholders), relevant written governance policies are in place and are adhered to and disclosures and in the annual report are comprehensive.

3.3 Business Activities

The Company's portfolio includes dozens of different gases and mixtures, as well as related equipment and services. The Company's customer base cuts across a large spectrum and includes public and private hospitals, food processors, civil and mechanical engineering contractors, motor vehicle body builders, hotels and restaurants, the informal business sector ("Jua Kali") and small and medium enterprises.

The Company's products range include:

- a) bulk gases (liquid oxygen and liquid nitrogen);
- b) packaged (cylinder) gases, both industrial and medical;
- c) Medical equipment and accessories for gas use;
- d) welding products (hard goods) and accessories; and
- e) engineering services (supply and installation of medical equipment, construction of medical and other gas pipelines, LPG installations and related maintenance services).

Most of the Company's gases are manufactured at its plant in Nairobi Industrial Area while a few are imported from Group or third-party suppliers.

The Company safety and quality standards are well recognized by its customers.

3.4 Address and Contact Details

The Company's address contact details are as follows: -

Physical location: Kitui Road, off Kampala Road, off Enterprise Road, Nairobi Industrial Area

Telephone: +254 20 6944000 or +254 719 069000

Postal address: P. O. Box 18010-00500, Nairobi Industrial Area

Website: www.boc.co.ke

Email: boceastafrica@voc.com

3.5 Share Capital

The Company has an issued and fully paid-up share capital of 19,525,446 ordinary shares each with a par value of KES 5, thus total share capital KES 97,627, 230.

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

3.6 Directors

As at the date of this Circular, the Directors and their respective shareholdings are as follows:

Director	Position	Shares held
Mr. Robert N. Mbugua	Independent Non-Executive Chairman	0%
Mrs. Marion Gathoga-Mwangi	Managing Director	0%
Mr. Arthur. Kamau	Finance Director	0%
Mr. Marius Kruger	Non-Executive Director	0%
Mrs. Cosima Wetende	Independent Non-Executive Director	0%
Mr. Stephen Maina	Independent Non-Executive Director	0%
Mr. Ruben Chetty	Non-Executive Director	0%
Ms. R. T. Ngobi	Company Secretary	0%

3.7 Senior Management

The Company's Management team comprises:

Name	Position
Mrs. Marion Gathoga-Mwangi	Managing Director
Mr. Arthur. Kamau	Finance Director
Mr. James Njoroge	Operations Manager
Mr Lyodd Mayienga	SHEQ Manager
Mrs. Sarah Onyoni	Human Resource Manager
Mr. John Kamau	Sales Manager-Healthcare
Ms. Shevalyne Opiyo	Supply Chain and Distribution Manager

3.8 Shareholders

The shareholders of BOC as at the Record Date were:

Shareholder	Shares held	Shareholding (%)
BOC Holdings	12,765,582	65.38
Kiuna, Ngugi Kiuna	1,484,700	7.60
Standard Chartered Kenya Nominees Ltd A/C KE002670	1,046,600	5.36
Best Investment Decisions Ltd	276,500	1.42
Saraj Properties Limited	252,100	1.29
Rohin Jayandralal Chandaria & Sujal Rohin Chandaria	167,200	0.86
Allied Storage Limited	126,279	0.65
Standard Chartered Kenya Nominees Ltd A/C Ke002382	121,056	0.62
Standard Chartered Kenya Nominees Ltd Ac Ke001966	117,800	0.60
Mrs. Carolyn Anne Gray Rosso	110,143	0.56
Other shareholders	3,057,486	15.66

3.9 Staff

The Company has a permanent staff complement of 63 across its functions - Production, Distribution, Sales and Marketing and Administration.

3.10 Financial Information

A summary of financial information for BOC as at 31st December, 2020 is set out in Appendix I to this Circular.

4. Information pursuant to regulation 9(4) of the Take-Over Regulations

In relation to the Offer, the Offerors have provided the following information. Please note that the information represents the position of the Offerors and not that of your Board.

4.1 Reasons for the Offer

- 4.1.1 Given BOC's strength in the industrial, medical and special gases sector in East Africa and its provision of engineering services (supply of medical equipment, construction of medical and other gas pipelines, LPG (liquefied petroleum gas) installations, industrial gas storage, pipeline installations and related maintenance services), the Offerors believe that the combination of BOC's product portfolio and services with CIP's existing business is an excellent match that will, in the longer term, position the enlarged group to become the East and Central African region supplier of choice for carbon dioxide gas and related products, and industrial, medical and special gases and related equipment and services. The enlarged group will also provide greater opportunities for employee development, advancement and growth for both BOC and the CIP Group. Aksaya recognises the position that BOC's product portfolio and services offer to the market and is aligned in positioning the enlarged group as the suppliers of choice in their field.
- 4.1.2 The acquisition is consistent with CIP's strategy for growth and expansion into additional business lines through acquisition in addition to organic growth and is expected to create a more agile, responsive and competitive enlarged group with enhanced scale that can better meet client needs and create cross-selling opportunities. Aksaya recognizes that the acquisition is in the best interest of CIP and will lead to value enhancement for the CIP Group. Aksaya has therefore agreed to support and assist CIP in achieving its ultimate objective of acquiring up to 100% of the Offer Shares which may not be achievable immediately due to the reasons set out in paragraph 4.1.7 below.
- 4.1.3 In addition to the foregoing, between the 2015 fiscal year (**FY2015**) and the 2019 fiscal year (**FY2019**) the Earnings before Interest, Tax, Depreciation and Amortization (**EBIDTA**) of BOC has fallen by a Compounded Annual Growth Rate (**CAGR**) of 10.9% to KES 145 million from KES 230.3 million. Consequently, the EBITDA margin declined to 14.9% from 19.8% within the same period. The Offerors acknowledge the changes in performance of the business; however, they believe in the underlying long-term prospects of the business of BOC and BOC's product offering and therefore has confidence in making this Offer. The Offerors also have confidence that the integration of BOC's business with that of CIP's should, in the longer term, improve BOC's business and help it move from strength to strength.
- 4.1.4 Furthermore, the enlarged group would generate, among others, the following mutual benefits:
- 4.1.4.1 closer integration where possible and practical, of CIP and BOC's operations will provide opportunities to extract synergies in administration, marketing, distribution, selling, and information technology;
 - 4.1.4.2 the enlarged group will be in a stronger position to capitalize on significant growth opportunities by leveraging its expanded non-competing portfolio of products and wider customer base, in addition to securing optimal pricing and terms from key suppliers;

- 4.1.4.3 the combination of highly experienced and competent management resources will better position the enlarged entity to take advantage of opportunities in the East and Central African region;
 - 4.1.4.4 the enlarged group will have the financial strength and ability to drive further strategic growth and investments; and
 - 4.1.4.5 the enlarged group will be able to combine the best elements of the cultures of CIP and BOC to develop a blended corporate culture that will bring about positive change for the enlarged group and its employees.
- 4.1.5 Accordingly, the Offerors have decided to make the Offer at a price which it believes fully reflects BOC's current fair value and which provides a good opportunity for BOC shareholders who wish to take up the Offer to realise their investments in cash at a premium to the BOC Share price that has been prevailing over the past six months.
- 4.1.6 BOC currently holds 14,850,000 shares (representing 5.83%) in CIP.
- 4.1.7 Section 108 of the Companies Act prohibits a subsidiary from being a member of its holding company and provides that a transaction that would have the effect of making a body corporate a member of a company that is its holding company is void. Therefore, CIP cannot at this stage acquire more than 49% of the shares of BOC. For this reason, CIP is acting jointly with Aksaya in making the Offer. The following allocation criterion will apply for the acceptances of the Offer:
- 4.1.7.1 If by the Closing Date (being the latest time by which shareholders in BOC can accept the Offer in the manner provided for herein) BOC no longer owns shares in CIP, CIP will proceed to acquire up to 100% of the Offer Shares and Aksaya will waive its rights to acquire the Offer Shares; and
 - 4.1.7.2 if by the Closing Date, BOC still holds shares in CIP then, CIP will acquire up to 49% of the Offer Shares and Aksaya will acquire up to 51% of the Offer Shares. Aksaya has agreed with CIP that if the Offer Shares held by Aksaya are acquired by CIP within and up to six calendar months of the Closing Date, then the price for such Offer Shares shall be the Take-Over Offer Price and in addition Aksaya shall charge CIP a fee equivalent to 1% per month (and *pro rated* for periods less than a month) of the value of the Offer Shares actually acquired by Aksaya, for agreeing to be an Offeror. If the sale is effected after such six calendar month period, the price shall be a price as may be agreed between CIP and Aksaya. Such a sale by Aksaya to CIP will be subject to approval by the CMA for it to be effected as an off-market sale under Section 31(1A) of the Capital Markets Act and Regulation 57 of the Capital Markets (Licensing Requirements) (General) Regulations 2002.

4.2 The Offerors' intentions on the continuation of the business of BOC

The Offerors' stated intention is to continue to carry on the principal business of BOC.

4.3 The Offerors' intentions on any major changes to the business of BOC

- 4.3.1 The Offerors believe that the Offer, if successfully completed, should enhance BOC's value proposition to customers in the industrial gases sector, while building a more diversified non-competing portfolio of products.

- 4.3.2 Following the Offerors' review of BOC's business and its limited interactions with a small group of BOC's senior management and taking into account the Offeror's knowledge of the sector, the Offeror's intention is to maintain and continue to operate the business of BOC materially in the same way without any significant disruption to BOC's business following completion of the Offer.
- 4.3.3 The Offerors have not yet received sufficiently detailed information with which to conduct a more detailed assessment of BOC's business and based on the limited due diligence, it does not yet have sufficient information to be able to estimate the extent of the potential synergies. The Offerors expect to be able to begin a more detailed assessment of BOC's business and to develop detailed steps for its integration in the period after completion of the Offer.
- 4.3.4 The Offerors will look to realize future efficiencies and synergies and will undertake within a period of approximately 12 months a review of BOC's operations to streamline its business operations and increase productivity to drive BOC's growth.

4.4 The Offerors' intentions regarding the continued employment of the employees of BOC

- 4.4.1 The Offerors attach great importance to the reputation, expertise and experience of the existing management and employees of BOC. The Offerors believe that the BOC employees will, following completion of the Offer, benefit from being part of the enlarged group.
- 4.4.2 Furthermore, the Offerors confirm that, following completion of the Offer, the existing contractual and statutory employment rights, including in relation to pensions of all BOC employees will remain in force in accordance with applicable law.
- 4.4.3 The Offerors recognise that, to achieve certain of the expected benefits of the take-over, a detailed review of BOC's business and operations will be required and therefore the Offerors, will undertake within a period of approximately 12 months, a review of the organisational structure of BOC to confirm and potentially identify operational efficiencies, cost-savings and anticipated synergistic benefits. Until such review occurs, the Offerors are unable to definitively assess the impact the take-over will have on the employees of the enlarged group. However, the Offerors do not expect to implement material changes to the BOC organisational structure or to the terms and conditions of employment or in the balance of the skills and functions of the management and employees of BOC in the short term.

4.5 The Offerors' long-term commercial justification for the Offer

- 4.5.1 The Offer is consistent with CIP's strategy of business expansion through acquisition in addition to organic growth. Aksaya recognizes that the proposed acquisition is in the best interest of CIP and will lead to value enhancement for the CIP Group as a whole. Aksaya has therefore agreed to support and assist CIP in achieving its ultimate objective of acquiring 100 per cent of the Offer Shares.
- 4.5.2 The enlarged group will be in a stronger position to capitalize on significant growth opportunities by leveraging its expanded non-competing portfolio of products and wider customer base, in addition to securing optimal pricing and terms from key suppliers.
- 4.5.3 The introduction of cost and quality controls, processes and innovative and efficient management systems will unlock shareholder value from BOC's operations. In addition, closer integration where possible and practical, of CIP and BOC's operations will provide opportunities to extract synergies in administration, marketing, distribution, selling, and information technology.

4.5.4 Further, the combination of highly experienced and competent management resources will better position the enlarged group to take advantage of opportunities in the East and Central African region.

4.6 No profit forecasts have been included by the Offerors in the Offer Document.

5. Disclosures pursuant to the Third Schedule to the Take-Over Regulations

The Directors confirm the following:

- (a) There are no marketable securities/shares in BOC held by or on behalf of any Director.
- (b) Considering (a) above, no director is required to express an intention to accept or reject the Offer.
- (c) No marketable securities/shares of CIP and/or Aksaya are held by, or on behalf of, any Director.

As disclosed in the Offer Document, the issued and fully paid share capital of CIP is KES 254,851,985 divided into 254,851,985 ordinary shares of KES 1.00 each. All the issued shares are fully paid. Amarjeet Baloobhai Patel and Baloobhai Chhotabhai Patel jointly hold 40.38% of the issued shares in CIP. The remaining 59.62% of the issued shares in CIP are held by a diverse range of nearly 3,000 shareholders. Baloobhai Chhotabhai Patel is also a non-executive director of CIP.

The shareholders with a notifiable interest (3% or greater) in CIP two business days before the date of the Offer Document are as follows:

Shareholder Name	Number of shares	Percentage shareholding
Amarjeet Baloobhai Patel & Baloobhai Chhotabhai Patel	102,913,592	40.38
BOC Kenya Limited	14,850,000	5.83
SBM Bank Nominees Limited A/C 0035	14,654,831	5.75
Miss Tessa Irena Friedman	11,275,695	4.42

Baloobhai Chhotabhai Patel is the majority owner of Aksaya, owning 99% of the membership interest. Amarjeet Baloobhai Patel owns the remaining 1% membership interest in Aksaya.

Carbacid (CO₂) Limited is the main wholly owned subsidiary of CIL. The other two subsidiaries which are 100% beneficially owned by CIL are Goodison Twenty-Nine Limited and Goodison Forty-Seven Limited. Goodison Twenty-Nine Limited owns some land in Kenya. Goodison Forty-Seven Limited holds financial investments.

- (d) There is no proposed payment or other benefit to be made or given to any director of BOC or of any other company related to BOC as consideration for the Offer, or in connection with, retirement from office or otherwise.
- (e) No agreement or arrangement has been made between any Director or BOC and any other person in connection with, or conditional upon, the outcome of the Offer.
- (f) No Director has any direct or indirect interest in any contract entered into by the Offerors.

- (g) There has been no material change in the financial position of BOC since 31 December 2019, being the date of the last balance sheet which was presented at BOC's last annual general meeting.
- (h) The Offerors have received an irrevocable undertaking from BOC Holdings which holds 12,765,582 ordinary shares in BOC with a par value of KES 5.00 per share which constitutes 65.38% of the issued and fully paid-up share capital of BOC (the “**Committed Shares**”), further particulars of which are set out in the Offer Document.

6. General Information

6.1 Consent

Dyer and Blair has given and not withdrawn its consent to the issue of this Circular and the inclusion of its report and name and the references thereto, in the form and context in which they appear.

6.2 Governing Law

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

6.3 Shareholders' Engagement on the Offer

The proposed acquisition of shares is still in the early stages of the process as outlined in the Take-over Regulations. Thus far, BOC has communicated to shareholders via the publication of the Cautionary Statement (published on 26 November 2020), the Offerors' Statement (published on 12 December 2020) and the Annual General Meeting (AGM) for 2019 held virtually on 8 December 2020. The AGM agenda included a Question and Answer section as well as a presentation of the takeover process by the Company's legal advisers. Also published by the Offerors on 26 November 2020, was the Notice of Intention to acquire the shares.

6.4 Documents Available for Inspection

Copies of the following documents will be available for inspection free of charge, at the registered office of BOC at Kitui Road, off Kampala Road, off Enterprise Road, Nairobi Industrial Area and on the Company's Website (www.boc.co.ke):

- (a) The Notice of Intention.
- (b) The Offer Document.
- (c) The Offerors' Statement.
- (d) The audited financial statements of BOC for the last 3 years.
- (e) The circular prepared by Dyer and Blair addressed to the Directors dated 25 January 2021 (the “**Independent Adviser's Circular**”).

- (f) The approval by the CMA relating to this Circular.
- (g) The consent referred to in paragraph 6.1 above.
- (h) The Company's Memorandum and Articles of Association.

Appendix I - Financial Information on BOC Kenya Plc

BOC prepares its financial statements to 31st December each year in accordance with International Financial Reporting Standards (IFRS). These financial statements have been subject to audit, save for the financial year 2020. The sections below set out extracts from BOC's financial statements for the financial periods to 31st December 2016 to 31st December, 2020, and forecasts for financial periods 31st December, 2021 to 31st December, 2023.

	2016A	2017A	2018A	2019A	2020E	2021F	2022F	2023F
Revenue growth	-0.8%	-10.1%	-0.1%	1.0%	12.5%	11.6%	11.6%	9.4%
COGS (% of revenue)	48.7%	48.2%	50.3%	56.0%	56.4%	54.9%	53.4%	51.9%
SGA (% of revenue)	32.6%	39.5%	35.0%	29.9%	24.2%	28.0%	27.2%	26.4%
Tax rate (% of EBT)	33.8%	52.9%	45.2%	37.6%	32.1%	35.8%	35.3%	35.0%
Other income-from disposal of PPE (% of PPE)	0.2%	1.1%	0.3%	0.3%	1.2%	1.2%	1.2%	1.2%
CAPEX (% of sales)	7.9%	11.4%	7.6%	8.6%	4.9%	4.9%	4.9%	4.9%
CAPEX (% of net income)	67.7%	280.7%	112.1%	149.4%	51.5%	49.6%	43.9%	39.2%
Other operating activities (% of SGA)	19.7%	20.9%	21.3%	18.0%	25.1%	25.1%	25.1%	25.1%
Payout (%)	80.4%	257.8%	159.3%	181.6%	0.0%	80.0%	80.0%	80.0%

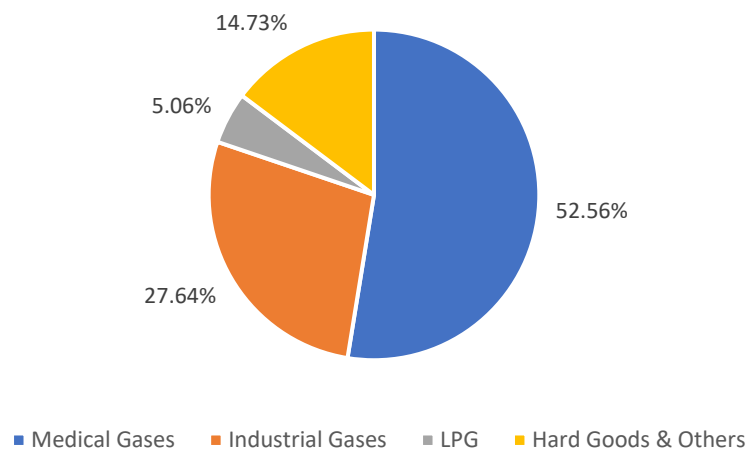
INCOME STATEMENT	2016A	2017A	2018A	2019A	2020E	2021F	2022F	2023F
	'000	'000	'000	'000	'000	'000	'000	'000
Revenue	1,076,719.0	967,626.0	966,543.0	975,863.0	1,098,104.4	1,225,987.1	1,368,150.4	1,496,366.7
Cost of sales	(524,047.0)	(466,459.0)	(486,259.0)	(546,914.0)	(619,451.0)	(673,201.0)	(730,742.0)	(776,778.0)
Gross Margin	552,672.0	501,167.0	480,284.0	428,949.0	478,653.4	552,786.1	637,408.4	719,588.7
Other income	1,741.0	9,137.0	2,464.0	2,076.0	8,490.0	1,500.0	1,500.0	1,500.0
Operating, Selling and administrative expenses	(351,129.0)	(382,063.0)	(337,822.0)	(291,553.0)	(265,595.5)	(342,901.6)	(372,159.6)	(394,539.6)
Impairment of financial assets	-	(19,922.0)	(16,753.0)	6,160.0	-	-	-	-
EBITDA	203,284.0	108,319.0	128,173.0	145,632.0	221,547.9	211,384.5	266,748.8	326,549.1
Depreciation expense	(70,916.0)	(78,642.0)	(78,858.0)	(99,669.0)	(97,417.0)	(51,428.1)	(56,082.8)	(61,173.8)
EBIT	132,368.0	29,677.0	49,315.0	45,963.0	124,130.9	159,956.4	210,666.0	265,375.3
Finance income	71,863.0	73,784.0	73,865.0	54,133.0	40,047.0	35,000.0	32,000.0	29,000.0
Finance costs	(13,549.0)	(19,848.0)	(3,588.0)	(10,562.0)	(9,246.8)	(5,000.0)	(5,000.0)	(5,000.0)
EBT	190,682.0	83,613.0	119,592.0	89,534.0	154,931.1	189,956.4	237,666.0	289,375.3
Tax expense	(64,359.0)	(44,234.0)	(54,015.0)	(33,633.0)	(49,679.0)	(68,019.1)	(83,965.1)	(101,233.6)
Net Income	126,323.0	39,379.0	65,577.0	55,901.0	105,252.1	121,937.4	153,700.9	188,141.7
EPS	6.5	2.0	3.4	2.86	5.39	6.25	7.87	9.64
Number of shares	19,525.4	19,525.4	19,525.4	19,525.4	19,525.4	19,525.4	19,525.4	19,525.4

BALANCE SHEET	2016A	2017A	2018A	2019A	2020E	2021F	2022F	2023F
	'000	'000	'000	'000	'000	'000	'000	'000
Assets								
Non-current assets								
Property, plant and equipment	773,122.0	803,933.0	789,593.0	773,811.0	685,226.0	687,270.9	692,011.7	697,057.6
Other assets and deferred charges	241,119.0	218,575.0	180,104.0	137,915.0	199,804.0	269,160.8	341,261.8	416,215.6
Total non-current assets	1,014,241.0	1,022,508.0	969,697.0	911,726.0	885,030.0	956,431.7	1,033,273.5	1,113,273.2
Current assets								
Inventories	141,969.0	140,829.0	162,623.0	155,032.0	157,345.0	169,741.0	184,249.4	195,857.0
Trade and other receivables	320,284.0	259,604.0	306,229.0	374,357.0	452,172.0	461,392.3	514,894.6	563,148.0
Other current assets	667,391.0	708,572.0	642,567.0	513,544.0	497,207.0	455,309.0	414,916.3	375,407.3
Cash and cash equivalents	79,953.0	97,156.0	60,631.0	37,980.0	73,896.0	128,524.0	102,027.9	65,063.0
Total current assets	1,209,597.0	1,206,161.0	1,172,050.0	1,080,913.0	1,180,620.0	1,214,966.4	1,216,088.1	1,199,475.2
Total assets	2,223,838.0	2,228,669.0	2,141,747.0	1,992,639.0	2,065,651.0	2,171,398.1	2,249,361.6	2,312,748.4
Equity and Liabilities								
Equity								
Share capital	97,627.0	97,627.0	97,627.0	97,627.0	97,627.0	97,627.0	97,627.0	97,627.0
Share premium	2,554.0	2,554.0	2,554.0	2,554.0	2,554.0	2,554.0	2,554.0	2,554.0
Other reserves	141,771.0	125,557.0	72,855.0	38,380.0	121,580.0	121,580.0	121,580.0	121,580.0
Retained earnings	1,447,497.0	1,385,344.0	1,346,460.0	1,300,829.0	1,365,319.0	1,457,725.5	1,572,430.8	1,699,269.9
Total equity	1,689,449.0	1,611,082.0	1,519,496.0	1,439,390.0	1,587,080.0	1,679,486.5	1,794,191.8	1,921,030.9
Non-current liabilities								
Lease liability	-	-	-	6,556.0	6,556.0	6,556.0	6,556.0	6,556.0
Deferred tax	-	265.0	-	-	-	-	-	-
Current Liabilities								
Lease liability	-	-	-	885.0	885.0	885.0	885.0	885.0
Tax payable	-	-	-	183.0	-	-	-	-
Bank overdraft	-	-	-	-	-	-	-	-
Trade and other payables	525,853.0	593,555.0	581,954.0	545,625.0	471,130.0	484,470.6	447,728.8	384,276.5
Total current liabilities	534,389.0	617,322.0	622,251.0	546,693.0	472,015.0	485,355.6	448,613.8	385,161.5
Total equity + liabilities	2,223,838.0	2,228,669.0	2,141,747.0	1,992,639.0	2,065,651.0	2,171,398.1	2,249,361.6	2,312,748.4
Check	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE

STATEMENT OF CASHFLOWS	2016A	2017A	2018A	2019A	2020E	2021F	2022F	2023F
	'000	'000	'000	'000	'000	'000	'000	'000
Cash flows from operating activities								
Profit before tax	190,682.0	83,613.0	119,592.0	89,534.0	154,932.0	189,956.4	237,666.0	277,352.4
Adjusted for:								
Depreciation and amortisation	70,843.0	78,537.0	84,786.0	99,669.0	97,417.0	51,428.1	56,082.8	61,173.8
Other operating activities	(69,275.0)	(79,757.0)	(72,101.0)	(52,431.0)	(66,717.0)	(69,356.8)	(72,101.0)	(74,953.8)
Changes in working capital:								
Trade and other receivables	39,317.0	60,680.0	(53,140.0)	(68,129.0)	(53,035.0)	(9,220.3)	(53,022.2)	(48,253.4)
Inventories	19,459.0	1,140.0	(21,794.0)	7,591.0	(1,982.0)	(12,396.0)	(14,508.4)	(11,607.5)
Trade and other payables	(86,126.0)	69,049.0	(11,601.0)	(36,329.0)	(28,380.0)	81,359.7	47,223.3	37,781.4
Interest receivable	-	-	-	-	-	-	-	-
Cash generated from operating activities	164,900.0	213,262.0	45,742.0	39,905.0	102,235.0	231,771.0	200,860.5	241,492.8
Tax paid	(80,298.0)	(37,722.0)	(41,689.0)	(37,191.0)	(35,637.0)	(68,019.1)	(83,965.1)	(101,233.6)
Net cash from operating activities	84,602.0	175,540.0	4,053.0	2,714.0	66,598.0	163,751.9	116,895.4	140,259.2
Cash flows from investing activities								
Purchase of property, plant and equipment (CAPEX)	(85,578.0)	(110,539.0)	(73,503.0)	(83,500.0)	(54,172.0)	(60,480.7)	(67,494.0)	(73,819.2)
Proceeds from disposal of equipment	4,196.0	9,519.0	3,699.0	2,197.0	16,414.0	7,007.8	6,670.4	7,599.5
Net proceeds on available for sale financial assets	(297,809.0)	(47,077.0)	47,768.0	146,885.0	(23,396.0)	-	-	-
Interest received	64,121.0	66,220.0	61,912.0	41,390.0	28,911.0	41,899.0	40,392.8	39,509.0
Dividends received	10,395.0	10,395.0	10,395.0	10,395.0	-	-	-	-
Net cash from / (used in) investing activities	(304,675.0)	(71,482.0)	50,271.0	117,367.0	(32,243.0)	(11,574.0)	(20,430.8)	(26,710.7)
Cash flows from financing activities								
Dividends paid	(101,532.0)	(101,532.0)	(104,461.0)	(101,532.0)	-	(97,549.9)	(122,960.7)	(150,513.3)
Payment of lease liabilities	-	-	-	(1,000.0)	-	-	-	-
Net cash used in financing activities	(101,532.0)	(101,532.0)	(104,461.0)	(102,532.0)	-	(97,549.9)	(122,960.7)	(150,513.3)
Increase/(decrease) in cash and cash equivalents	(321,605.0)	2,526.0	(50,137.0)	17,549.0	34,355.0	54,628.0	(26,496.2)	(36,964.9)
Movement in cash and cash equivalents								
At the beginning of year	400,568.0	71,417.0	73,389.0	20,334.0	37,980.0	73,896.0	128,524.0	102,027.9
Increase/(decrease) in cash and cash equivalents	(321,605.0)	2,526.0	(50,137.0)	17,549.0	34,355.0	54,628.0	(26,496.2)	(36,964.9)
Effects of exchange rate changes on foreign cash and cash equivalents	(7,546.0)	(554.0)	(2,918.0)	97.0	1,561.0	-	-	-
At the end of year	71,417.0	73,389.0	20,334.0	37,980.0	73,896.0	128,524.0	102,027.9	65,063.0

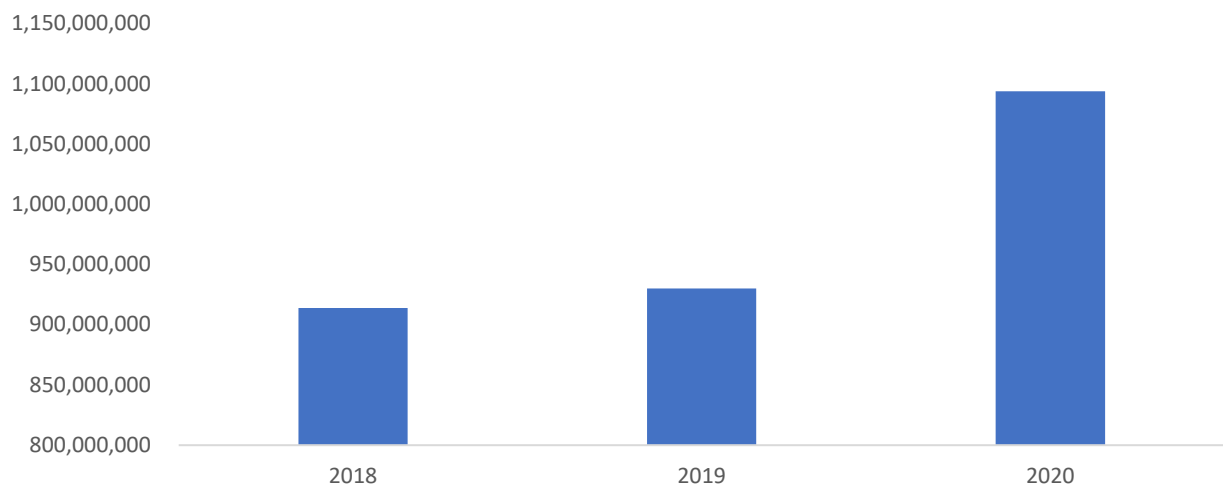
Summary financials

BOC Kenya Revenue Breakdown FY 2020



(Source: BOC Kenya Unaudited FY 2020)

BOC Kenya Revenue (KSH)



(Source: BOC Kenya Audited Financials 2018 and 2019, BOC Kenya Unaudited FY 2020)

Profit Before Tax vs Profit After Tax



(Source: BOC Audited Financials 2018 and 2019, BOC Unaudited FY 2020)