

This Programme Memorandum has been prepared in accordance with the guidelines of the Central Bank of Nigeria ("CBN") on the Issuance and Treatment of Bankers Acceptances and Commercial Papers issued on September 11, 2019, and the CBN circular to all deposit money banks and discount houses dated July 12, 2016 on the Mandatory Registration and Listing of Commercial Papers (together the "CBN Guidelines") and the Commercial Paper Registration and Quotation Rules of the FMDQ Securities Exchange Limited ("FMDQ Exchange" or the "Exchange") in force as at the date hereof. The document is important and should be read carefully. If you are in any doubt about its content or the action to take, kindly consult your Stockbroker, Accountant, Banker, Solicitor or any other professional adviser for guidance immediately. This Programme Memorandum has been seen and approved by Board of Directors of African Steel Mills (Nigeria) Limited who jointly and severally accept full responsibility for the accuracy of all information provided in this Programme Memorandum.



**AFRICAN STEEL MILLS (NIGERIA) LIMITED**

(RC 395473)

**₦10,000,000,000**

## **COMMERCIAL PAPER ISSUANCE PROGRAMME**

African Steel Mills (Nigeria) Limited ("ASM", "the Issuer" or "the Company"), a private limited liability company incorporated in Nigeria, has established this ₦10,000,000,000 Commercial Paper Issuance Programme ("the CP Programme"), under which the Company may from time to time issue Commercial Paper Notes ("CP Notes" or "Notes"), denominated in Nigerian Naira or in such other currency as may be agreed between the Issuer and each relevant Issuing and Placing Agent and or Arranger (as defined in the section titled, "Summary of the Programme", in separate series or tranches subject to the terms and conditions ("Terms and Conditions") contained in this Programme Memorandum.

Each Series or Tranche (as defined herein) will be issued in such amounts, and will have such discounts, period of maturity and other terms and conditions as set out in the Pricing Supplement (as defined herein) applicable to such Series or Tranche (the "Applicable Pricing Supplement"). The maximum aggregate nominal amount of all CP Notes from time to time outstanding under the CP Programme shall not exceed ₦10,000,000,000 over the three-year period that this Programme Memorandum, including any amendments thereto, shall remain valid.

This Programme Memorandum is to be read and interpreted in conjunction with any Supplement hereto and all documents which are incorporated herein by reference and, in relation to any Series or Tranche (as defined herein), together with the Applicable Pricing Supplement. This Programme Memorandum shall be read and construed on the basis that such documents are incorporated and form part of this Programme Memorandum. This Programme Memorandum, any Applicable Pricing Supplement and the Notes have not been and will not be registered with the Securities and Exchange Commission ("SEC"), or under the Investments and Securities Act, No. 29 of 2007 (as amended).

The CP Notes issued under this Programme shall be issued in dematerialized form, registered, quoted and traded over the counter ("OTC") via the FMDQ Securities Exchange Limited ("FMDQ Exchange" or the "Exchange") platform in accordance with the rules, guidelines and such other regulations as prescribed by the Central Bank of Nigeria and FMDQ Exchange from time to time, or any other recognised trading platform as approved by the CBN. The CP Notes issued under the Programme will settle via the FMDQ Depository Limited ("FMDQD"), acting as Central Securities Depository for the Notes.

This Programme Memorandum and the Applicable Pricing Supplement shall be the sole concern of the Issuer and the party to whom this Programme Memorandum and the Applicable Pricing Supplement is delivered (the "Recipient") and shall not be capable of distribution and should not be distributed by the Recipient to any other party nor shall any offer made on behalf of the Issuer to the Recipient be capable of renunciation and assignment by the Recipient in favour of any other party.

In the event of any occurrence of a significant factor, material mistake or inaccuracy relating to the information included in this Programme Memorandum, the Issuer will prepare a supplement to this Programme Memorandum or publish a new Programme Memorandum for use in connection with any subsequent issue of CP Notes.

### **LEAD ARRANGER/ISSUING & PLACING AGENT**



RC 1031358

### **JOINT ARRANGER/ISSUING & PLACING AGENT**



RC 446561

### **COLLECTING AND PAYING AGENT**



RC 103022

**THIS PROGRAMME MEMORANDUM IS DATED 05 JUNE 2023**

## TABLE OF CONTENTS

---

GLOSSARY OF DEFINED TERMS.....	3
IMPORTANT NOTICES.....	7
INCORPORATION OF DOCUMENTS BY REFERENCE.....	8
PROFESSIONAL PARTIES TO THE PROGRAMME .....	9
SUMMARY OF THE PROGRAMME .....	10
USE OF PROCEEDS.....	17
REGULATION ON THE ISSUANCE, REGISTRATION & QUOTATION OF CPS .....	18
TERMS AND CONDITIONS OF THE NOTES.....	20
TAX CONSIDERATIONS .....	26
RISK FACTORS .....	27
SETTLEMENT, CLEARING AND TRANSFER OF NOTES .....	30
GENERAL INFORMATION .....	33
PRO FORMA APPLICABLE PRICING SUPPLEMENT .....	34
AUDITOR'S COMFORT LETTER .....	37
FINANCIAL SUMMARY .....	39
EXTRACT OF THE ISSUER'S RATING REPORTS .....	42
LEGAL OPINION.....	46

## GLOSSARY OF DEFINED TERMS

Unless the context otherwise requires, the following expressions shall have the meanings respectively assigned to them:

Terms/Abbreviations	Description
"Agency Agreements"	(A) The Issuing and Placing Agency Agreement ("IPA Agreement") dated on or about the date of this Programme Memorandum executed by the Issuer and the Issuing and Placing Agents and (B) the Collecting and Paying Agency Agreement ("CPA Agreement") dated on or about the date of this Programme Memorandum executed by the Issuer and the Collecting and Paying Agent.
"Arrangers", "Issuing and Placing Agents" or "IPAs"	Stanbic IBTC Capital Limited and FCMB Capital Markets Limited.
"ASM", the "Issuer" or the "Company"	African Steel Mills (Nigeria) Limited.
"Board" or "Directors"	Board of Directors of African Steel Mills (Nigeria) Limited.
"Business Day"	Any day except Saturdays, Sundays and public holidays declared by the Federal Government of Nigeria on which banks are open for business in Nigeria.
"Collecting and Paying Agent" or "CPA"	Fidelity Bank PLC or any successor, collecting and paying agent in respect of the Notes, appointed by the Issuer from time to time in accordance with the Agency Agreement.
"CAMA"	Companies and Allied Matters Act No. 3 of 2020 as may be amended from time to time.
"CBN"	The Central Bank of Nigeria.
"CBN Guidelines"	CBN's Guidelines on the Issuance and Treatment of Bankers Acceptances and Commercial Papers, issued on 11 September 2019 and the CBN Circular of 12 July 2016 on Mandatory Registration and Quotation of Commercial Papers, as amended or supplemented from time to time.
"CGT"	The Capital Gains Tax as provided for under the Capital Gains Tax Act (Cap. C1) LFN 2004 (as amended by the Finance Act 2019, Finance Act 2020 and Finance Act 2021).
"CITA"	Companies Income Tax Act (Chapter C21) LFN, 2004 (as amended by the Companies Income Tax (Amendment) Act No. 11 of 2007, the Finance Act 2019, the Finance Act 2020, and the Finance Act 2021).
"Commercial Paper", "CP", "CP Notes" or "Notes"	Unsecured Commercial Paper Notes to be issued by the Issuer under the CP Programme in form of short-term zero-coupon notes.
"Conditions" or "Terms and Conditions"	Terms and conditions, in accordance with which the Notes will be issued, set out in the section of this Programme Memorandum headed "Terms and Conditions of the Notes".
"CP Programme" or "the Programme"	The ₦10,000,000,000 domestic commercial paper issuance programme established by the Issuer which allows for the multiple issuances of Notes from time to time under a standardised documentation framework.
"CSD" or the "Clearing System", or Depository	FMDQ Depository Limited
"Day Count Fraction"	The method of calculating the discount in respect of a Note as specified in the Applicable Pricing Supplement.
"Dealing Members"	An FMDQ Exchange-licensed member authorised to make market in securities admitted to trade on the FMDQ Exchange Platform .
"Deed of Covenant"	The Deed of Covenant dated on or about the date of this Programme Memorandum executed by the Issuer in favour of the Noteholders.

## GLOSSARY OF DEFINED TERMS

"Default Rate"	The interest rate equivalent to the daily overnight NIBOR + 5% per annum or issue rate + 5% per annum (whichever is higher).
"Event of Default"	An event of default by the Issuer as set out in Condition 6 of the "Terms and Conditions".
"Face Value"	The par value of the Notes.
"FGN"	Federal Government of Nigeria.
"FIRS"	Federal Inland Revenue Service.
"FMDQ Depository" or "FMDQD"	FMDQ Depository Limited.
"FMDQ Exchange" or the "Exchange"	FMDQ Securities Exchange Limited, a securities exchange and self-regulatory organisation licensed by the Securities and Exchange Commission to provide a platform for, amongst others, listing, quotation, registration, and trading of securities.
"FMDQ Exchange Rules"	The Commercial Paper Registration and Quotation Rules, April 2021 (as may be amended, from time to time) and such other regulations with respect to the issuance, registration and quotation of commercial papers as may be prescribed by FMDQ Exchange from time to time.
"Force Majeure"	Means any event or circumstance (or combination of events or circumstances) that is beyond the control of the Issuer which materially and adversely affects its ability to perform its obligations as stated in the Conditions, which could not have been reasonably foreseen, including without limitation, nationwide strikes, national emergencies, riots, wars, embargoes, legislations, acts of God, acts of terrorism, and industrial unrest.
"Government"	Any federal, state or local government of the Federal Republic of Nigeria.
"Holder" or "Noteholder"	The holder of a Note as recorded in the Register kept by the Depository in accordance with the Terms and Conditions.
"Implied Yield"	The yield accruing on the Issue Price of a Note, as specified in the Applicable Pricing Supplement.
"ISA"	The Investment and Securities Act No. 29 of 2007 as may be modified or amended from time to time.
"Issue Date"	The date upon which the relevant Series/Tranche of the Notes is issued as specified in the Applicable Pricing Supplement.
"Issue Price"	The price at which the relevant Series/Tranche of the Notes is issued, as specified in the Applicable Pricing Supplement.
"Issue Rate"	The discount rate at which the relevant Series or Tranche of the Notes is issued, as specified in the Applicable Pricing Supplement.
"Joint Arranger"	FCMB Capital Markets Limited.
"Lead Arranger"	Stanbic IBTC Capital Limited.
"LFN"	Laws of the Federation of Nigeria.
"Maturity Date"	The date as specified in each Applicable Pricing Supplement on which the Principal Amount is due.
"Material Adverse Change"	A material adverse effect on the ability of the Issuer to perform and comply with its payment obligations under the CP Programme.
"Naira", "NGN" or "₦"	The Nigerian Naira.
"NIBOR"	Nigerian Inter-Bank Offered Rate.

## GLOSSARY OF DEFINED TERMS

“Notes” or “CP Notes”	Means the commercial paper issued by the Issuer from time to time under the Programme, in accordance with the provisions of the CBN Guidelines and this Programme Memorandum.
“Noteholders” or “Holder”	The several persons for the time being, whose names are shown in the records of the CSD and/or entered in the Register as holders of the Notes and shall include the legal and personal representatives or successors of the Noteholders and those entered as joint Noteholders.
“Outstanding”	Means, in relation to the Notes, all the Notes issued, other than: (i) those Notes which have been redeemed (ii) those Notes in respect of which the date (including, where applicable, any deferred date) for its redemption in accordance with the relevant conditions have occurred and the redemption monies have been duly paid in accordance with the provisions of the applicable Deed of Covenant, and (iii) those Notes which have become void under the provisions of the applicable Deed of Covenant.
“PITA”	Personal Income Tax Act (Chapter P8) LFN 2004 (as amended by the Personal Income Tax (Amendment) Act of 2011, the Finance Act 2019, the Finance Act 2020, and the Finance Act 2021).
“Pricing Supplement” or “Applicable Pricing Supplement”	The pricing supplement applicable to a Series or Tranche of Notes issued under the CP Programme.
“Principal Amount”	The nominal amount of each Note, as specified in the Applicable Pricing Supplement.
“Programme”	The ₦10,000,000,000 (Ten Billion Naira) commercial paper issuance programme established by the Issuer which allows for the multiple issuance of Notes from time to time within the validity period of the Programme.
“Programme Memorandum”	This information memorandum dated 05 June 2023 which sets out the aggregate size and broad terms and conditions of the CP Programme.
“Qualified Institutional Investor” or “QII”	Includes banks, fund managers, pension fund administrators, insurance companies, investment/unit trusts, multilateral and bilateral institutions, registered private equity funds, registered hedge funds, market makers, staff schemes, trustees/custodians, issuing houses, stockbroking firms and any other category of investors as may be determined by FMDQ Securities Exchange Limited.
“Register”	A register or such registers as shall be maintained by the Registrar in which are recorded details of Noteholders.
“Registrar”	The CSD or such other registrar as may be appointed by the Issuer in respect of the Notes issued under the Programme.
“Relevant Currency”	The currency in which payments in respect of the Notes of the relevant Tranche or Series are to be made as indicated in the Applicable Pricing Supplement.
“Relevant Date”	The payment date of any obligation due on the Notes.
“Relevant Last Date”	The date stipulated by the CSD and specified in the Applicable Pricing Supplement, after which transfer of the Notes will not be registered.
“SEC”	The Securities and Exchange Commission.
“SEC Rules”	The Securities and Exchange Commission’s Rules and Regulations.
“Series”	A Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) are identical in all respects except for their respective Issue Dates, and/or Issue Prices.

## GLOSSARY OF DEFINED TERMS

---

“Special Resolution”	A resolution passed by 75% (seventy-five percent) of the Noteholders holding in aggregate not less than 75% (seventy-five percent) of the Principal Amount of outstanding Notes.
“Tranche”	Notes which are identical in all respects.
“Unique Identifier”	Means a code specifically designated/assigned to identify a CP.
“VAT”	Value Added Tax as provided for in the Value Added Tax Act, CAP VI, LFN 2004 (as amended by the Value Added Tax Act No 12 of 2007, the Finance Act 2019, 2020 and 2021).
“VAT Act”	Value Added Tax Act (Chapter V1) LFN, 2004 (as amended by the Value Added Tax (Amendment) Act No. 12 of 2007, the Finance Act 2019, the Finance Act 2020, and the Finance Act 2021).
“WHT”	Withholding Tax as provided for in section 78(2) of CITA and section 70 of PITA.
“Zero Coupon Note”	Notes which will be offered and sold at a discount to their Principal Amount and will not bear interest, save for default interest payable on late payments.

## IMPORTANT NOTICES

---

This Programme Memorandum contains information provided by the Issuer in connection with the CP Programme under which the Issuer may issue and have outstanding at any time Notes up to a maximum aggregate amount of ₦10,000,000,000. The Notes shall be issued subject to the Terms and Conditions contained in this Programme Memorandum.

The Issuer shall not require the consent of the Noteholders for the issue of Notes under the Programme.

The Issuer accepts responsibility for the information contained in this Programme Memorandum and confirm that it has taken reasonable care to ensure that the information contained or incorporated in this Programme Memorandum is correct and does not omit any material fact that is likely to affect the import of such information.

The Issuer, having made all reasonable enquiries, confirms that this Programme Memorandum contains or incorporates all information which is reasonably material in the context of the CP Programme and the offering of the Notes, that the information contained in this Programme Memorandum and the Applicable Pricing Supplement is true and accurate in all material respects and is not misleading and that there are no other facts the omission of which would make this document or any of such information misleading in any material respect.

Notes issued under the Programme shall be restricted to Qualified Institutional Investors who meet the qualification criteria prescribed by FMDQ Exchange from time to time.

No person has been authorised by the Issuer to give any information or to make any representation not contained or not consistent with this Programme Memorandum or any information supplied in connection with the CP Programme and if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

Neither this Programme Memorandum nor any other information supplied about the CP Programme is intended to provide a basis for any credit or other evaluation or should be considered as a recommendation or the rendering of investment advice by the Issuer, the IPAs, or the Arrangers that any recipient of this Programme Memorandum should purchase any Notes.

No representation, warranty or undertaking, express or implied is made and no responsibility is accepted by the Arrangers, the IPAs, or other professional advisers as to the accuracy or completeness of the information contained in this Programme Memorandum or any other information provided by the Issuer. The Arrangers, the IPAs and other professional advisers do not accept any liability in relation to the information contained in this Programme Memorandum or any other information provided by the Issuer in connection with the Programme.

**Specifically, FMDQ Securities Exchange Limited takes no responsibility for the contents of this Programme Memorandum, nor any other information supplied in connection with this CP Programme, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Programme Memorandum.**

Each person contemplating purchasing any Commercial Paper should make its own independent investigation of the financial condition and affairs, and its own appraisal of the credit worthiness, of the Issuer. Neither this Programme Memorandum nor any other information supplied in connection with the CP Programme constitutes an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any Notes.

The delivery of this Programme Memorandum does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof. Investors should review, among other things, the most recent audited annual financial statements of the Issuer prior to taking any investment decision.

In the event of any default by the Issuer, the IPAs and the Collecting and Paying Agent are under no obligation to seek recovery or initiate any action against the Issuer, either on its own or on behalf of a Noteholder.

## **INCORPORATION OF DOCUMENTS BY REFERENCE**

---

This Programme Memorandum should be read and construed in conjunction with:

1. Each Applicable Pricing Supplement relating to any Series or Tranche issued under the Programme;
2. The audited annual financial statements (and notes thereto) and any unaudited interim financial statements published subsequent to such annual financial statements of the Issuer for the financial years/periods prior to each issue of Notes under this Programme;
3. Credit rating reports on the Issuer by the Rating Agencies; and
4. Legal Opinion on the Programme by Templars.

which shall be deemed to be incorporated into, and to form part of, this Programme Memorandum and which shall be deemed to modify, complete and/or supersede the contents of this Programme Memorandum as appropriate.

The Issuer may for so long as any Note remains outstanding, publish an amended and restated Programme Memorandum or a supplement to the Programme Memorandum on the occasion of any subsequent issue of Notes, where there has been:

1. a material change in the condition (financial or otherwise) of the Issuer which is not then reflected in the Programme Memorandum or any supplement to the Programme Memorandum; or
2. any modification of the terms of the Programme, which would then make the Programme Memorandum materially inaccurate or misleading.

Any such new Programme Memorandum as supplemented and/or modified shall be deemed to have been substituted for the previous Programme Memorandum or to have modified the previous Programme Memorandum from the date of its issue.

# PROFESSIONAL PARTIES TO THE PROGRAMME

<b>Issuer:</b> <b>African Steel Mills (Nigeria) Limited</b> Plot 337, Ikorodu Industrial Estate Odogunyan Ikorodu Lagos	<b>Lead Arranger / Issuing and Placing Agent:</b> <b>Stanbic IBTC Capital Limited</b> I.B.T.C. Place, Walter Carrington Crescent Victoria Island Lagos
<b>Joint Arranger / Issuing and Placing Agent:</b> <b>FCMB Capital Markets Limited</b> First City Plaza (6 <sup>th</sup> Floor) 44 Marina Lagos	<b>Solicitor to the Transaction:</b> <b>Templars</b> 5 <sup>th</sup> Floor, The Octagon 13A A.J. Marinho Drive Victoria Island, Lagos
<b>Collecting &amp; Paying Agent:</b> <b>Fidelity Bank PLC</b> 2, Kofo Abayomi Street Victoria Island Lagos	<b>Auditor:</b> <b>Ernst &amp; Young</b> 10 <sup>th</sup> Floor, UBA House 57 Marina Road Lagos
<b>RATING AGENCIES</b>	
<b>Agusto &amp; Co Limited</b> 5 <sup>th</sup> Floor, UBA House, 57 Marina Rd, Lagos Island Lagos	<b>DataPro Limited</b> Foresight House 163/165 Broad St Lagos Island Lagos

## SUMMARY OF THE PROGRAMME

This summary information should be read in conjunction with the full text of this Programme Memorandum, from where it is derived. The information below is a summary of the key features and summarised terms and conditions of the proposed CP Programme:

TERMS	DESCRIPTION
<b>Issuer:</b>	African Steel Mills (Nigeria) Limited
<b>Lead Arranger / Issuing and Placing Agent:</b>	Stanbic IBTC Capital Limited
<b>Joint Arranger / Issuing and Placing Agent:</b>	FCMB Capital Markets Limited
<b>Collecting and Paying Agent:</b>	Fidelity Bank PLC
<b>Auditor:</b>	Ernst & Young
<b>Registrars/Custodians:</b>	The CSD stated in the Applicable Pricing Supplement
<b>Solicitor:</b>	Templars
<b>Programme Description:</b>	The Commercial Paper Issuance Programme established by the Issuer which allows for the multiple issuance of Notes from time to time under a standardised documentation framework
<b>Programme Size:</b>	₦10,000,000,000 (Ten Billion Naira)
<b>Issuance in Series:</b>	The Notes will be issued in Series or Tranches, and each Series may comprise one or more Tranches issued on different dates. The Notes in each Series, and each Tranche, will have the same maturity date and identical terms (except that the Issue Dates and Issue Price may be different). Details applicable to each Series or Tranche will be specified in the Applicable Pricing Supplement
<b>Currency of Issue:</b>	Nigerian Naira
<b>Issue Price:</b>	The price at which the relevant Series/Tranche of the Notes is issued, as specified in the Applicable Pricing Supplement
<b>Issue Size:</b>	As specified in the Applicable Pricing Supplement
<b>Use of Proceeds:</b>	Unless otherwise stated in the Applicable Pricing Supplement, the net proceeds from each issue of the CPs will be applied by the Issuer to support its short-term financing requirements
<b>Interest Payments:</b>	Notes shall be issued at a discount and in the form of Zero-Coupon Notes. Thus, the Notes will not bear interest, other than in the case of overdue payment
<b>Source of Repayment:</b>	The repayment of all obligations under the Programme will be funded from the cash flows of the Issuer

## SUMMARY OF THE PROGRAMME

<b>Method of Issue:</b>	The Notes may be offered and sold by way of a fixed price offer for subscription or through a book building process and/or any other methods as described in the Applicable Pricing Supplement within Nigeria or otherwise, in each case as specified in the Applicable Pricing Supplement.
<b>Tenor:</b>	<p>As specified in the Applicable Pricing Supplement, subject to a minimum tenor of 15 days and a maximum tenor of 270 days, including rollover from the date of issue.</p> <p>The maturity date of all outstanding CPs shall fall within the validity period of the Issuer/CP Programme rating filed with the Exchange at the commencement of the registration of the CP Programme.</p>
<b>Default Rate:</b>	Interest rate equivalent to the daily overnight Nigerian Inter-bank Offered Rate (NIBOR) + 5% per annum or issue rate + 5% per annum (whichever is higher).
<b>Redemption:</b>	As stated in the Applicable Pricing Supplement, subject to the CBN Guidelines and FMDQ Exchange Rules
<b>Issuer Rating:</b>	<p>The Company was recently assigned an investment grade rating of A1(short term) / A-(long term) rating by DataPro Limited and Bbb by Agosto &amp; Co Limited</p> <p>A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.</p>
<b>Status of Notes:</b>	Each Note constitutes a senior unsecured obligation of the Issuer and save for certain debts mandatorily preferred by law, the Notes rank pari-passu among themselves, and save for certain debts mandatorily preferred by law, with other present and future senior unsecured obligations of the Issuer outstanding from time to time
<b>Quotation:</b>	The Issuer may elect at its discretion to have any Series or Tranche of Notes quoted on the FMDQ Exchange Platform or any other recognized trading platform. All secondary market trading of the Notes shall be done in accordance with the rules in relation to the quotation of any Series or Tranche of Notes quoted or listed on the relevant trading platform
<b>Taxation:</b>	The Notes issued under the Programme will be Zero Coupon Notes and as such, will be offered and sold at a discount to Face Value. The Notes will thus not bear interest, however, in the case of a late payment, interest will accrue on the redemption monies to be paid to the Note holders. The discount on the Notes, and/or any accrued interest on the redemption monies to be paid to the Note holders may be taxed in accordance with applicable Nigerian tax laws
<b>Governing Law:</b>	The Notes issued under the Programme and all related contractual documentation will be governed by, and construed in accordance with the laws of the Federal Republic of Nigeria
<b>Settlement Procedures:</b>	The Notes will be settled via direct debit, electronic funds transfers, NIBSS Instant Payment (NIP), NIBSS Electronic Funds Transfer ("NEFT") or Real Time Gross Settlement ("RTGS")

## OVERVIEW OF AFRICAN STEEL MILLS NIGERIA LIMITED

### INTRODUCTION

African Steel Mills (Nigeria) Limited's steel manufacturing plant is one of African Industries Group's (AIG) top tier pioneering plants in Nigeria that produces high grade reinforcement bars (rebar), flat bar, square bar, equal angles, and u-channels. The Company produces ASM brand rebars and ASM TMT brand rebars which are used by various construction companies. ASM was incorporated as a limited liability company on 17 November 2000.

The Company is committed to producing premium products that rival the quality of the best imported products. ASM products are registered with the Economic Community of West African States (ECOWAS) and have prestigious quality management certifications such as the ISO 9001:2015 and ISO 45001:2018 certifications. ASM strives to become the largest and most reliable steel rebar producer in the ECOWAS Group of nations.

ASM's products are being used in over 18 states in Nigeria and over 4 countries in West Africa. ASM continues to serve the community and the nation by developing manufacturing skills and continuously upgrading operating practices & technology for the high productivity and waste minimization.

### HISTORY AND KEY MILESTONES

- 2000 – Incorporation of registered office
- 2004 – The company started its commercial production with 100,000MT/pa capacity
- 2008 – ASM doubled manufacturing capacity to 200,000 metric tons
- 2011 – ASM implemented Integrated Management Policy and was awarded ISO 9001:2008 and OHSAS 18001:2007
- 2014 – ASM achieved a turnover of over NGN 30 Billion
- 2017 – ASM started the manufacturing of new products' manufacturing which include angles and channels
- 2019 – ASM installed universal stansa for high beam rolling
- 2020 – ASM installed scrap shear and screening machine
- 2020 – Merger of African Oxygen and Industrial Gas Limited with ASM; the synergies from the merger enabled ASM obtain captive power supply
- 2021 – ASM revamped its melting furnaces
- 2022 – ASM increased its melting and rolling capacity from 200,000MT/year to 225,000MT/year along with modernisation and upgradation of existing plant.

### SHAREHOLDING STRUCTURE

ASM is owned by African Steel Holdings Limited, which is a Singapore company. African Steel Holdings is an investment company, which holds Steel assets in Nigeria.

Shareholder	Number of shares held	Percentage Holding (%)
African Steel Holdings Pte Limited	283,764,430	99.99%
Alok Gupta	1	0.00%
<b>Total</b>	<b>283,764,431</b>	<b>100.00%</b>

### CORPORATE GOVERNANCE STRUCTURE

The Board of ASM currently comprises of seven (8) Directors made up of the Chairman, four (4) Independent Non-Executive Directors and three (3) Executive Directors. The Directors bring a balance of independence, knowledge, experience, skills and diversity to the Board. The Board is also supported

## OVERVIEW OF AFRICAN STEEL MILLS NIGERIA LIMITED

by senior executives who actively participate as an integral part of all Board and Management committees.

The Board of Directors is responsible for the governance of the Company and is accountable to shareholders for creating and delivering sustainable value through the management of the Company's business. ASM is headed by an effective Board tasked with the responsibility of strategic and entrepreneurial leadership while ensuring ethical and sustainable culture.

The Independent Directors provide independent judgment, experience and objectivity to the Board without being subject to operational considerations. They help to ensure that the interests of all shareholders are indeed considered by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board. The independent directors do not have any material personal interest in the Company. They also do not have any significant business, financial or professional relationship in the Company.

The Board of ASM has 4 committees as detailed below:

Name of Committee	Board Member
Board Risk Management Committee	<ul style="list-style-type: none"><li>• Dr John Akanya – Chairman</li><li>• Munish Modi – Senior Member</li><li>• Gadadhar Panda – Member</li><li>• Sachin Mehra – Member</li></ul>
Board Governance and Remuneration Committee	<ul style="list-style-type: none"><li>• John Akanya – Chairman</li><li>• Tanvir Hashmi – Member</li><li>• M. Makinde – Member</li><li>• Shailesh Uikey – Member</li></ul>
Finance and Strategy Committee	<ul style="list-style-type: none"><li>• Dr. John Akanya – Chair Person</li><li>• Munish Modi – Member</li><li>• Tanvir Hashmi – Member</li><li>• Gadadhar Panda – Member</li><li>• Deepak Bansal – Member</li></ul>
Statutory Audit Committee	<ul style="list-style-type: none"><li>• Mr. Pradeep K. Srivastava – Chairman</li><li>• Munish Modi – Member</li><li>• Gadadhar Panda – Member</li><li>• Neil Elijah – Member</li><li>• Shailesh Uikey – Member</li></ul>

### BOARD OF DIRECTORS AND MANAGEMENT TEAM

#### The Board of Directors:

- Mr. Raj Kumar Gupta – Chairman
- Mr. Alok Gupta – Managing Director
- Dr John Akanya – Non Executive (Independent) Director
- Mr. Emeka Onwuka – Non Executive (Independent) Director
- Mr. Pradeep Kumar Srivastava – Executive Director
- Mr. Ravi Kant Sharma – Executive Director
- Mr. Ogilo Akpomedaye Issac – Non Executive (Independent) Director
- Mr. Adamu Ahmed Abdulkadir – Non Executive (Independent) Director

#### The Management team:

- Mr. Munish Modi – Group CFO & Steel Manufacturing CEO
- Mr. Tanvir Hashmi – Unit CEO
- Mr. Uche Iwuamadi – Corporate Affairs Head

## OVERVIEW OF AFRICAN STEEL MILLS NIGERIA LIMITED

---

- Mr. Shailesh Uikey – Quality & Sustainability Manager
- Mr. M. Makinde – GM Human Resource
- Mr. K. Thanikachalam – Head Rolling Mill
- Mr. Deepak Bansal – Technical Head
- Mr. Jean Jerry – Head Sales & Marketing
- Mr. Bijoy Panda – DGM Steel Melting Shop

### PROFILE OF THE BOARD OF DIRECTORS

#### **Raj Kumar Gupta – Chairman**

Raj started his career in the family business in India and then moved to Lagos. In his early years Raj focused on the trading side of the business developing a clear understanding of the operations as a whole. Raj strategically expanded the trading activities, introducing new products to diversify the franchise in an uncertain Nigerian market. With his understanding of the supply chain and a keen entrepreneurial focus, he dramatically increased the revenues and profitability of the trading outfit.

#### **Mr. Alok Gupta – Managing Director**

Alok Gupta joined the Group in 1999 after completing a degree in Chemical Engineering from Cambridge University. Alok today spearheads all the manufacturing efforts of African Industries. Under Alok's supervision, the AIG's manufacturing capacity for steel has increased six-fold in less than 10 years. Alok has setup a technical projects task force consisting of a team of highly experienced engineers to evaluate and implement on-going projects for African Industries.

#### **Dr John Akanya – Non-Executive (Independent) Director**

Dr. John Akanya has a bachelor's degree in Biochemistry (1976), Master's degree in Analytical Chemistry (1979) and a Doctorate in Analytical Chemistry (1984). He started his career as a lecturer for analytical Chemistry and then joined Standards Organization of Nigeria (SON) for teaching and establishing standards & quality control practices. He was also the Director General of the SON.

#### **Mr. Emeka Onwuka – Non-Executive (Independent) Director**

Emeka is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and has attended various specialist and executive development courses both in Nigeria and overseas. He is an experienced finance professional. He served as MD of Diamond bank and also was Partner in Andersen Tax. Currently he is CFO/Executive Director in Seplat Petroleum Dev. Co. He is an Alumnus of the Lagos Business School, Harvard Business School and the Wharton Business school of the University of Pennsylvania, U.S.A

#### **Mr. Pradeep Kumar Srivastava – Executive Director**

Pradeep Kumar is having bachelor's degree in Chemistry from India and Financial accounting from Harvard Business School. He has 30+ years of working experience in Sales and Marketing of various steel products. He has been associated with AIG Group for over 25 years. Pradeep Kumar heads the sales division of AIG for steel products like Pipes, Z-purlin, Cold rolling sheet, Hot rolling sheet, Angles, re-bars, nails, Billets etc.

#### **Mr. Ravi Kant Sharma – Executive Director**

Ravi Kant has over 35 years of solid industrial experience in setting up and handling operation of steel plants in India and Nigeria. He has worked in the top management of various companies such as Kew Metal Works based in Nigeria, Rajgarhia Group of Industries based in India, Bird and Company Kolkata and Krishna Steel, Mumbai, based in India. After joining AIG, he has been instrumental in setting up of steel plants of AIG like African Steel Mills Limited, Ikordu Steel Limited, African Foundries Limited and Abuja Steel Mills Limited. Etc.

## OVERVIEW OF AFRICAN STEEL MILLS NIGERIA LIMITED

---

### **Mr. Ogilo Akpomedaye Issac – Non-Executive (Independent) Director**

He is a 1972 graduate of the university of Lagos, a 2004 retired deputy comptroller general of the Nigeria customs service and presently the managing director of Daye Enterprises Limited, a firm of customs freight forwarding and shipping consultancy. He served as a deputy controller – general in inspectorate and investigation department, Nigeria custom service. While in the Nigeria customs service, he served the following capacities:

1995-1999: Comptroller, Federal Operations Unit

1993-1995: Comptroller, Zone C ‘Maiduguri’, Federal operations Unit, Zone E, -Owerri

1991-1993: Comptroller, Inspections & Investigations department Gwagwalada

1988-1991: Controller, Zonal Headquarters

### **Mr. Adamu Ahmed Abdulkadir – Non-Executive (Independent) Director**

He holds a National Diploma in Salesmanship from the National School of Salesmanship, Victoria House, Stockport SK 1 3AB, England and holds an Advanced National Diploma in Sales Management, Market Research & Advertising from the National School of Salesmanship, National House, Manchester, England. He served the following:

1998 Senator – Elect, FCT

2000 - 2003 National Chairman, Alliance for Democracy, Abuja

2003 - 2007 Special Adviser to the President on Manufacturing and Private Sector

2010 - Present Chairman, Chellco Textile Mill, Kaduna

2010 - Present Non-Executive Director, Chellarams, Nig, PLC

2017 - Present: Chairman, Ministerial committee on afforestation and deforestation, Fed. Min. of environment, Abuja

## PROFILE OF THE MANAGEMENT TEAM

### **Mr. Munish Modi – Group CFO & Steel Manufacturing CEO**

He is a Chartered Accountant from the ICAI and also holds MBA degree from London Business School. Munish is associated with ASM from inception. He was spearheading the team, which arranged initial financing for ASM project. He has over 32 years’ experience in Finance, Accounts and General Management in Africa, Europe & Asia

### **Mr. Tanvir Hashmi – Unit CEO**

Tanvir has cross-functional experience of over 25 years in the Steel Industry and has held various key positions in the past. His expertise lies in handling steel projects from concept to commissioning, technical discussions, negotiations, offers & evaluation, design & engineering, inspecting, testing & commissioning.

### **Mr. Uche Iwuamadi – Corporate Affairs Head**

Uche is an Economist, Administrator and Legal Practitioner. He is an Economics and Law Graduate with over 30 years of experience of working in various organisations. He also holds MBA degree and Diploma in Marketing.

### **Mr. Shailesh Uikey – Quality & Sustainability Manager**

He is a Metallurgical engineer with over 19 years of experience in Quality Management, System Development and Productivity Improvement. ASM is following global standards on Environment, Health & Safety (EHS) and Shailesh is overall in charge of EHS in ASM.

### **Mr. M. Makinde – GM Human Resource**

Mr. Makinde is a postgraduate and holds a diploma in Admin Management with an experience of over 35 years’ experience in General Human Resources Management. He has handled complex HR projects in Nigeria & has vast technical knowledge in all areas of HR strategic Management. He also holds membership in various esteemed institutions such as CIPM, IAM, MPISEN & NECA in Nigeria.

## **OVERVIEW OF AFRICAN STEEL MILLS NIGERIA LIMITED**

---

### **Mr. K. Thanikachalam – Head Rolling Mill**

Mr. K Thanikachalam is a mechanical engineer from Madurai University, India, and has work experience of over 29 years in rolling mill operations and maintenance, trouble shooting, designing and selection of equipment.

### **Mr. Deepak Bansal – Technical Head**

Deepak is a graduate mechanical engineer with over 25 years of experience in operation ,maintenance and projects of a steel plant with specialization in long product mills. He has set up many mills with the latest technology suppliers and upgradation of plant and equipment to increase the productivity & performance level.

### **Mr. Jean Jerry – Head Sales & Marketing**

Jean is a French national and having Engineering degree from IUP University in France. He has rich experience in Sales, Marketing and Customer relationship management. He is instrumental in setting up export market for ASM products. His command over French is helping ASM in navigating through Francophone Africa

### **Mr. Bijoy Panda – DGM Steel Melting Shop**

Bijoy has over 21 years' experience in production field with proficiency in Steel Melting Shop Production Process by implementing Cost Saving Initiatives in Process Operation & Completion within the specific Parameters.

## **USE OF PROCEEDS**

---

Unless otherwise stated in the Applicable Pricing Supplement, the net proceeds from each issue of the CPs will be applied by the company for its general corporate purposes including short term funding requirements.

The Applicable Pricing Supplement for each Series under the Programme will specify details of the use of proceeds of the particular Series.

### **Sources of Repayment**

The repayment of all obligations under the Programme will be funded from the cash flows of the Issuer.

## **REGULATION ON THE ISSUANCE, REGISTRATION & QUOTATION OF CPS**

---

### **BACKGROUND**

In an attempt to facilitate the effective and efficient functioning of the Nigerian money market and provide a regulatory framework for issuance of Commercial Papers and Bankers Acceptances in Nigeria, the CBN issued the CBN Guidelines.

### **REGULATORY FRAMEWORK**

Issuance and investment in CPs by Banks and Discount Houses in Nigeria is subject to the provisions of the CBN Guidelines and the FMDQ Exchange Rules. The provisions applicable to CPs are as highlighted below:

### **QUALIFICATION**

A CP qualifies as a financing vehicle if:

- i. The issuer has three (3) years audited financial statements, the most current not exceeding eighteen (18) months from the last financial year end; and
- ii. The issuer has an approved credit line with a Nigerian bank acting as an issuing and paying agent, where the bank guarantees the issue.

### **SIZE AND TENOR**

CPs shall be issued at the primary market for a minimum value of N100,000,000 and multiples of N50,000,000 or as otherwise determined by the FMDQ Exchange. Furthermore, they shall be issued for maturities of between 15 days and 270 days, from the date of issue. The interest or discount element on maturing CPs may not be capitalised and rolled over.

### **RATING**

Either the issuer of a CP or the specific issue shall have an investment grade rating (minimum of BBB-) by a rating agency registered in Nigeria or any international rating agency acceptable by the CBN. An indicative rating should have been obtained prior to the submission of declarations and information to the CSD.

### **INVESTORS IN BANKERS ACCEPTANCES AND COMMERCIAL PAPERS**

CPs may be issued to and held by individuals who meet the eligibility criteria set out by the FMDQ Exchange, deposit money banks, other corporate bodies registered or incorporated in Nigeria and unincorporated bodies, non-resident Nigerians and foreign institutional investors.

### **FORMS OF MAINTAINING CPs**

Issuers and investors in CPs may do so in dematerialized or physical form. Issuers and investors are encouraged to issue and hold CPs in a dematerialized form.

### **ISSUING AND PAYING AGENT**

Only a deposit money bank and discount house may act as an Issuing and Paying Agent ("IPA") for issuance of CP.

### **GENERAL REQUIREMENTS**

- i. CPs are only redeemable at maturity and as such cannot be pre-liquidated.
- ii. The investors may re-discount the paper with the Issuer before maturity at new market terms if the Issuer is willing to purchase the risk.

## **REVISED CBN GUIDELINES ON ISSUANCE OF CPS**

---

- iii. Any proposed issue of CPs shall be completed within the period of ten (10) business days from the date of opening of the issue for subscription.
- iv. All CPs issued in Nigeria shall be registered with the CSD, which shall serve as the custodian of all issues and central depository for all dematerialised instruments.

### **COMPLIANCE WITH SECURITIES REGULATIONS**

There is no obligation for the Issuer to register the Notes with the SEC. This is in line with Rule 8 of the SEC Rules, which exempts short-term securities (including notes) with maturity dates not exceeding nine months from the date of issuance, from registration with SEC.

### **MODE OF PAYMENT AND ISSUANCE OF CPS**

The initial investor in a CP may pay the discounted value of the CP through the Issuing and Placing Agent (where applicable). However, when the CP is held in dematerialized form, the Holder shall have it redeemed through a licensed Securities Depository and receive payment from the CPA.

### **MANDATORY REGISTRATION AND QUOTATION OF CPS**

CPs are required by law to be registered and quoted on authorised securities exchanges. Accordingly, banks are prohibited from transacting in CPs that are not quoted or intended for quotation on an authorised securities exchange, in any capacity whatsoever, including but not limited to act as issuer, guarantor, issuing, placing, paying and collecting agent.

The CBN has cleared FMDQ Exchange for the registration and quotation of CPs in Nigeria.

### **COMPLIANCE WITH THE CBN GUIDELINES AND FMDQ EXCHANGE RULES**

The Issuer has complied with all applicable provisions as stated in the CBN Guidelines and FMDQ Exchange Rules. A legal opinion confirming adherence to the CBN Guidelines and FMDQ Exchange Rules is incorporated on pages 46 – 55 of this Programme Memorandum.

## TERMS AND CONDITIONS OF THE NOTES

---

*The following are the Terms and Conditions of the Notes to be issued by the Issuer under the Programme. The provisions of the Applicable Pricing Supplement to be issued in respect of any Note are incorporated by reference herein and will supplement these Terms and Conditions for the purposes of that Note. The applicable Pricing Supplement in relation to any series of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Terms and Conditions contained herein, replace or modify the following Terms and Conditions for the purpose of such series of Notes.*

### 1. Issuance of Notes

The Issuer may from time to time, subject to these Terms and Conditions, issue Notes in one or more Series on a continuous basis under the Programme in an aggregate principal amount not exceeding ₦10,000,000,000.00 (Ten Billion Naira). Any Series of Notes issued under the Programme shall be constituted by, be subject to and benefit from the Deed of Covenant.

### 2. Form, Denomination and Title

#### 2.1. Form and Denomination

2.1.1. Unless otherwise specified in any Applicable Pricing Supplement, the Notes shall be registered electronically, serially numbered and denominated in a minimum amount of [₦100,000,000 (One Hundred Million Naira) and integral multiples of ₦50,000,000 (Fifty Million Naira)] thereafter; and will be sold at such discount from their face amounts as shall be agreed upon by the Issuer and Issuing and Placing Agent; and shall have a maturity not exceeding 270 days including the roll over from the Issue Date.

2.1.2. The Notes issued under this Programme will be denominated in Naira.

2.1.3. Notes issued will be in the form of Zero-Coupon Notes and will not pay interest prior to final maturity.

2.1.4. The Notes shall be issued in uncertificated (dematerialised or book entry) form, which shall be registered with a separate securities identification code with the CSD.

#### 2.2. Title

2.2.1. Title to the Notes will pass upon credit to the CSD account of the Noteholders.

2.2.2. Transfer of title to Notes shall be effected in accordance with the rules governing transfer of title in securities held by the CSD.

2.2.3. The Issuer may deem and treat the registered holder of any Note as indicated in the records of CSD and the Register as the absolute owner thereof for all purposes, including but not limited to the payment of outstanding obligation in respect of the Notes.

### 3. Status of the Notes

3.1 The Notes shall constitute a direct, unconditional, unsubordinated and unsecured obligation of the Issuer and the Notes rank *pari passu* among themselves and, save for certain debts preferred by law, *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer outstanding from time to time.

### 4. Redemption

The Notes are only redeemable at maturity and will be redeemed at the face value specified in the Applicable Pricing Supplement.

## **TERMS AND CONDITIONS OF THE NOTES**

---

### **5. Payments**

The face value of the Notes will be paid to the Noteholders whose names are reflected in the Register as at the relevant last date. The registered Noteholder shall be the only person entitled to receive payments in respect of a Note and the Issuer will be discharged by payment to, or to the order of, the registered Noteholder in respect of each amount so paid.

#### **5.1. Method of Payments**

- 5.1.1. Payment of the outstanding obligation in respect of the Notes will be made by electronic funds transfer, in Naira.
- 5.1.2. All monies payable in respect of the Notes shall be paid to or to the order of the Noteholders by the Collecting and Paying Agent. Noteholders shall not be required to present and/or surrender any documents of title to the Collecting and Paying Agent.
- 5.1.3. In the case of joint Noteholders, payment by electronic transfers will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer of its relevant payment obligations under the Notes to such joint Noteholders.
- 5.1.4. Neither the Issuer nor its agents shall be responsible for any loss in transmission of funds paid in respect of each Note.
- 5.1.5. If the Collecting and Paying Agent is prevented or restricted directly or indirectly from making any payment by electronic funds transfer (whether by reason of pandemics, epidemics, strike, lockout, fire explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, Government interference or control or any other cause or contingency beyond the control of the Issuer), the Issuer or the Collecting and Paying Agent shall make such payment by cheque (or by such number of cheques as may be required in accordance with applicable banking law and practice). Such payments by cheque shall be sent by post to the address of the Noteholder as set out in the Register.
- 5.1.6. Cheques may be posted by registered mail, provided that neither the Issuer nor the Agents shall be responsible for any loss in transmission and the postal authority shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this condition.

#### **5.2. Payment Day**

Any payment in respect of the Notes shall be made on a Business Day. Where the day on or by which a payment of any amount in respect of the Notes is due to be made is not a Business Day, that payment shall be made on or by the next succeeding Business Day, unless that next succeeding Business Day falls in a different calendar month, in which case that payment shall be made on that event shall occur on or by the immediately preceding Business Day.

#### **5.3. Closed Periods**

No Noteholder may require the transfer of the Notes (i) during the period of 5 (five) Business Days ending on the due date for redemption in respect of that Note; or (ii) following the issuance of a default notice to the Issuer pursuant to the conditions stated in the Conditions of Default (Action upon Event of Default).

### **6. Event of Default**

#### **6.1. Event of Default**

An event of default (each an “**Event of Default**”) in relation to the Notes shall arise if any one or more of the following events shall have occurred and be continuing:

## **TERMS AND CONDITIONS OF THE NOTES**

---

- 6.1.1. Non-payment default by the Issuer in the payment of the Redemption Amount to the Noteholders in respect of the Notes on the Redemption Date; or
- 6.1.2. In line with Rule 9.2 of the FMDQ Exchange Rules, part payment of the CP value to Noteholders shall constitute a default; or
- 6.1.3. In line with Rule 9.8 of the FMDQ Exchange Rules, in respect of any Tranche or Series, if the Agents fail to notify FMDQ (on behalf of the Issuer) that the Notes have been liquidated and funds have been transferred by the Collecting and Paying Agent to all Noteholders by 4:00pm on the Redemption Date; or
- 6.1.4. If the Issuer fails to perform or observe any of its other obligations under the Notes (except its payment obligations) and such failure has continued for a period of 5 (five) Business Days following the service on the Issuer of a written notice requiring that breach to be remedied; or
- 6.1.5. Should any representation or warranty made in connection with any documentation supplied by the Issuer be materially incorrect; or
- 6.1.6. If the Issuer initiates bankruptcy or insolvency proceedings or becomes insolvent, or is provisionally or finally sequestered, or is provisionally or finally wound up, or is unable to pay its debts as they become due, or is placed under provisional or final judicial management, or enters into a scheme of arrangement or compromise with its creditors in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Noteholders; or
- 6.1.7. Should the members of the Issuer pass a resolution for the winding up of the Issuer; or
- 6.1.8. If an attachment, execution or other legal process is levied, enforced upon, issued on or against a material or substantial part of any assets of the Issuer and is not appealed, discharged or stayed within 60 (Sixty) days of service by the relevant officer of the court of such attachment, execution or other legal process.

### **6.2. Action upon Event of Default**

Upon the occurrence of an Event of Default and where such Event of Default is continuing, any Noteholder may by written notice to the Issuer at its specified office(s), effective upon the date of receipt thereof by the Issuer, declare the Notes held by that Noteholder to be forthwith due and payable, provided that no such action shall be taken if the Issuer withholds or refuses to make any payment in order to comply with any law or regulation of Nigeria or to comply with any order of a court of competent jurisdiction.

Where an Event of Default occurs prior to the Redemption Date, the amount payable to the Noteholder shall be the face value of the Note discounted at the Issue Price from the Redemption Date to the Default Date. Provided that the amount payable shall bear interest at the Default Rate from the Default Date to the date of payment thereof.

Where an Event of Default occurs on the Redemption Date, the amount payable to the Noteholder shall be the face value of the Note. Provided that the amount payable shall bear interest at the Default Rate from the Redemption Date to the date of payment thereof.

In addition, each Noteholder shall have the right to exercise all other remedies available to them under the laws of the Federal Republic of Nigeria.

## **7. REGISTER**

## **TERMS AND CONDITIONS OF THE NOTES**

---

- 7.1. The Register shall be maintained by the CSD. The Register shall reflect the number of Notes issued and shall contain the name, address, and bank account details of the registered Noteholders. The Register shall set out the aggregate principal amount of the Notes issued to such Noteholder and the date of issue.
- 7.2. The records of the relevant CSD and/or statements issued by the CSD as to the aggregate number of Notes standing to the CSD account of any person shall be conclusive and binding for all purposes save in the case of manifest error and such person shall be treated by the Issuer and the Agents as the legal and beneficial owner of such aggregate number of Notes for all purposes.
- 7.3. The Register shall be open for inspection during the normal business hours of the CSD to any Noteholder or any person authorised in writing by the Noteholder.
- 7.4. The CSD shall alter the Register in respect of any change of name, address or bank account number of any of the registered Noteholders of which it is notified in accordance with these Terms and Conditions.

## **8. NOTICES**

### **8.1. Notices to the Noteholders.**

- 8.1.1. All notices to the Noteholders will be valid if mailed to them at their respective addresses of record or electronically mailed to them via their respective email addresses in the relevant Register. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of the CBN, the FMDQ Exchange, the CSD or such other regulatory authority as may be applicable to the Notes.
- 8.1.2. The Parties agree that the Collecting and Paying Agent's obligation under Condition 10.1.1 shall be limited to providing administrative support to relay notices issued to Noteholders pursuant to the CBN Guidelines, the FMDQ Exchange, CSD Rules or such other regulatory authority as may be applicable to the Notes. The Collecting and Paying Agent shall not be obliged to review or check the adequacy, accuracy, or completeness of any document/notice it relays or sends to the Noteholders pursuant to this Condition 8 where the Collecting and Paying Agent receives such document/notice from the Issuer and is not involved in the preparation of such document/notice. For the avoidance of doubt, the duties of the Collecting and Paying Agent is solely mechanical and administrative in nature. The Collecting and Paying Agent is not obliged to review or check the adequacy, accuracy, or completeness of any document it receives directly from the Issuer for delivery, publication or notification to the Noteholders. Provided that where such document/notice is prepared by the Collecting and Paying Agent, the Collecting and Paying Agent shall be obliged to confirm the adequacy, accuracy and completeness of such document/notice.
- 8.1.3. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication in national newspapers, or if published more than once or on different dates, on the date of the first publication.

### **8.2. Notices from the Noteholders**

- 8.2.1. Notices to be given by any Noteholder to the Issuer shall be in writing and given by lodging the same with the Collecting and Paying Agent.
- 8.2.2. Any change of name or address on the part of the Noteholder shall forthwith be notified to the Issuer and subsequently, the Register shall be altered accordingly following notifications to the CSD.

## **9. MODIFICATION**

## TERMS AND CONDITIONS OF THE NOTES

---

- 9.1. The Issuing and Placing Agents and the Issuer may agree without the consent of the Noteholders, to any modification of the Terms and Conditions, which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with the mandatory provisions of any law in Nigeria and which is not prejudicial to the interest of the Noteholders. Notice of such modification shall be published in at least 1 (one) daily newspaper of general circulation in Nigeria and shall be deemed to have been given and received on the date of first publication.
- 9.2. Save as provided in condition 9.1 above, no amendment of the Terms and Conditions may be effected unless;
- i. such amendment is in writing and signed by or on behalf of the Issuer; and
  - ii. such amendment:
    - if it affects the rights, under the Terms and Conditions, of all the Noteholders, is signed by or on behalf of Noteholders, holding not less than 75% of the outstanding principal amount of all the Notes; or
    - if it affects only the rights, under the Terms and Conditions, of a particular group (or groups) of Noteholders, is signed by or on behalf of the Noteholders in that group (or groups) holding not less than 75% of the outstanding principal amount of all the Notes held by that group.
- 9.3. Any such modification shall be binding on the Noteholders and shall be notified to the Noteholders in accordance with Condition 8 as practicable thereafter.

## 10. MEETING OF NOTEHOLDERS

- 10.1. The Issuer may at any time convene a meeting of all Noteholders upon at least 21 (Twenty-One) days prior written notice to such Noteholders. The notice is required to be given in terms of Condition 8. Such Notice shall specify the date, place and time of the meeting to be held, which place shall be in Nigeria.
- 10.2. Every director or duly appointed representative of the Issuer may attend and speak at a meeting of the Noteholders but shall not be entitled to vote, other than as a proxy or representative of a Noteholder.
- 10.3. Noteholders holding not less than 10% in principal amount of the outstanding Notes shall be able to request the Issuer to convene a meeting of Noteholders. Should the Issuer fail to requisition such a meeting within 10 (Ten) Business Days of such a request being received by the Issuer, the Noteholders requesting the meeting may convene such a meeting.
- 10.4. A Noteholder may by an instrument in writing ("**Form of Proxy**") signed by the holder or, in the case of a corporation executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation, appoint any person ("**Proxy**") to act on his or its behalf in connection with any meeting or proposed meeting of the Noteholders.
- 10.5. Any Noteholder, which is a corporation may by resolution of its directors or other governing body authorise any person to act as its representative ("**Representative**") in connection with any meeting or proposed meeting of the Noteholders.
- 10.6. Any Proxy or Representative appointed shall, so long as the appointment remains in force, be deemed for all purposes in connection with any meeting or proposed meeting of the Noteholder specified in the appointment, to be the Holder of the Notes to which the appointment relates and the Holder of the Notes shall be deemed for such purposes not to be the Holder.

## **TERMS AND CONDITIONS OF THE NOTES**

---

- 10.7. The chairman of the meeting shall be appointed by the Issuer. The procedures to be followed at the meeting shall be as determined by the chairman subject to the remaining provisions of this Condition 10. Should the Noteholders requisition a meeting, and the Issuer fail to call such a meeting within 10 (Ten) Business Days of the requisition, then the chairman of the meeting held at the instance of the Noteholders, shall be selected by a simple majority of Noteholders present in person or proxy.
- 10.8. At any meeting of Noteholders, two or more Noteholders present in person, by representative or by proxy, holding in aggregate not less than one third of the principal amount of outstanding Notes shall form a quorum. On a poll, each Noteholder present in person or by proxy at the time of the meeting shall have the number of votes equal to the number of Notes, by denomination held by the Noteholder.
- 10.9. If within thirty (30) minutes after the time appointed for any such meeting, a quorum is not formed, the meeting shall, if convened upon the requisition of Noteholders, be dissolved. In any other case, it shall be adjourned to such date and time not being less than fourteen (14) days nor more than twenty-one (21) days thereafter, and at the same time and place unless as otherwise prescribed by the chairman. At such adjourned meeting, one or more Noteholders present or represented by proxy holding in aggregate not less than one third of the Principal Amount of outstanding Notes shall form a quorum and shall have power to pass any Special Resolution and to decide upon all matters which could properly have been dealt with at the original meeting had the requisite quorum been present.
- 10.10. A resolution in writing duly signed by 75% (seventy-five percent) of the Noteholders holding in aggregate not less than 75% (seventy-five percent) of the Principal Amount of outstanding Notes, shall be as effective for all purposes as a resolution duly passed at a meeting of the Noteholders, provided that the resolution was sent to all the Noteholders entitled to receive notice of a meeting of Noteholders. Such resolution may be contained in one document or in several documents of identical form signed by all the Noteholders entitled to receive notice of a meeting.

### **11. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders to issue further Notes under the Programme.

### **12. GOVERNING LAW**

The provisions of the Programme Memorandum and the Notes are governed by, and shall be construed in accordance with, the laws of the Federal Republic of Nigeria.

## **TAX CONSIDERATIONS**

---

The Notes issued under the Programme will be zero-coupon notes and as such, will be offered and sold at a discount to Face Value. The Notes will thus not bear interest, however, in the case of a late payment, interest will accrue on the redemption monies to be paid to the Note holders. The discount on the Notes, and/or any accrued interest on the redemption monies to be paid to Note holders may be taxed in accordance with applicable Nigerian tax laws.

The foregoing does not constitute advice on tax to any actual or prospective purchaser of Notes issued under the Programme. In particular, it does not constitute a representation by the Issuer or its advisers on the tax consequences attaching to a subscription or purchase of Notes issued under the Programme. Tax considerations that may be relevant to a decision to acquire, hold or dispose of Notes issued under the Programme and the tax consequences applicable to each actual or prospective purchaser of the Notes may vary. Any actual or prospective purchaser of the Notes who intends to ascertain his/her tax position should seek professional advice from his/her preferred professional advisers as to the tax consequences arising from subscribing to or purchasing the Notes, bearing in mind his/her peculiarities. Neither the Issuer nor its advisers shall be liable to any subscriber or purchaser of the Notes in any manner for placing reliance upon the contents of this section.

## RISK FACTORS

---

*The following section does not ascribe nor describe all the risks (including those relating to each prospective investor's particular circumstances) with respect to an investment in the Notes. The risks in the following sections are provided as general information only. Prospective investors should refer to and carefully consider the risks described below and the information contained elsewhere in this Programme Memorandum, which may describe additional risks associated with the Notes. Investors should also seek professional advice before making investment decisions in respect of the Notes.*

### RISK RELATING TO THE ISSUER AND ITS BUSINESS

#### Political Risk

Political risk is the possibility that a political unrest or changes in government of the country could have a negative impact on the economy or a sector of the economy. A change in the executive, judicial, legislative, or military branches of government could cause instability that would have an impact on the country.

Political environment in the country has been stable despite difficult economic situation. Nigeria is a growing nation with large population and poor infrastructure. As evident from budgetary allocation, the government of Nigeria is keen on improving infrastructure in the nation and promoting local manufacturing, which creates huge indigenous demand for steel product. The government is also trying to diversify nation's economy from oil-based economy. This will result in a significant investment in infrastructure.

#### Market Risk

Market risk is the possibility of losing money or asset value because of events that have an impact on the performance of investments across all financial markets.

1. Competition from Importers:

Currently, steel rebars are included in the list of 41 items which are not eligible for Forex from the interbank market, thereby eliminating the competition from imported rebars completely. ASM currently produces ASM grade and ASM TMT grade rebars along with steel wire rods. Importation of all these products are banned for Forex which is a booster for the Company's products. The duty barrier for imports of steel rebars is around 54%, thereby making the imports more expensive than local productions. Imported steel costs almost twice as much as locally produced steel.

2. Competition from Local Manufacturers

a) New Entrants into the market:

- Steel industry is a capital-intensive business. When ASM began operation, the exchange rate was much lower than the current exchange rate at ₦132.35/\$1 and there were less barriers to obtaining Foreign Exchange
- Scale of operation is a critical consideration in the sector. Benefits of economies of scale are derived in the form of lower costs, R&D expenses and better bargaining power while sourcing raw materials. ASM enjoys economies of scale having been in operation since 2004 and having a higher installed capacity than other players in the industry

b) Product differentiation:

Normally, steel and other by-products have very low barriers in terms of product differentiation as it doesn't fall into the luxury or specialty goods and thus does not have any substantial price difference. The steel companies either sell the steel directly to the user industries or through their own distribution networks. Some companies also play in the exports market.

c) Rivalry between Industry Players:

ASM is ISO 9001 and ISO 45001 certified by Quality Australia. ASM produces rebars under 2 brands, "ASM" and "ASM TMT". Other factors which give ASM edge over its competitors include its strong branding and marketing team; full range of steel products available through various units of the Group; and economies of scale due to size of the plant.

## **RISK FACTORS**

---

### **Operating Risk**

Operational risk is the possibility of suffering losses due to ineffective policies, procedures, systems, or incidents that interfere with corporate operations.

Operating risk containing power availability & construction risk. ASM has a 17 MW power plant for captive consumption. This plant has the capacity to cater to the existing as well as the increase in capacity due to proposed expansion. Hence, there's no operational risk pertaining to power. The company has prior experience of expanding its rolling & smelting capacity, hence construction risk for this proposed expansion is negligible.

### **Raw Material Availability**

ASM currently uses locally available steel scrap as raw material to produce Rebar. The Company is amongst the top rebar producers of Nigeria and already has an established network of dealers and distributors for scrap procurement. The company has a long-standing relationship with its dealers. Additionally, the company will now be using DRI along with Scrap for its rebar production. From Q1 2023, the company will be procuring DRI from its group company African Natural Resources and Mines Limited. Considering present scrap procurement network and in-house availability of DRI, ASM faces minimal risk regarding availability and procurement of raw material.

### **Environmental Risk**

Environmental risk is the likelihood of the Company's operations causing harm to the environment. Numerous contaminants are released into the environment because of shortcomings in waste management and waste disposal, posing substantial risks to human health along the way. Severe weather or heavy carbon monoxide emissions can cause risks to the environment.

ASM's manufacturing operations and products are certified for quality management as well as environment, health, and safety. ASM has ISO 9001:2015 certification for quality management, and ISO 45001:2018 for Occupational Health & Safety Management certification. Hence, there's no environmental risk from ASM's manufacturing activities.

### **Non-Availability of Consumables**

Some inputs or materials including semiconductor wafers and fundamental chemicals are used up, destroyed, or irreversibly changed during the manufacturing process. These items need to be replaced on a regular basis and may not be available in the required volumes or at the expected prices when needed.

One of ASM's affiliate companies, African Refractory & Allied Products Limited, has a ramming mass and tundish board plant. These two consumables are being supplied by the group company only. Other consumables like ferro alloys etc are being imported. AIG is procuring goods in bulk for its many other units from various parts of the world and have well established procurements centres.

### **Reputational Risk**

Reputational risk results from possible damage to the Issuer's image which may impair its ability to retain and generate business. Such damage may result in a breakdown of trust, confidence or business relationships.

Each business line, legal entity or support function executive is responsible for identifying, assessing, and determining all reputational risks that may arise within their respective areas of business. The impact of such risks is considered alongside financial or other impacts. Matters identified as a reputational risk to the company are reported to the Chief Executive Officer (CEO), if required, the matter will be escalated to Group executive committee and board of directors.

## **RISK FACTORS**

---

### **Legal Risk**

ASM in the ordinary course of business may become vulnerable to litigation. Where proceedings lead to a substantial legal liability, this could have an adverse effect on the Group's business, results, operations, reputation and financial position.

The Company manages this risk by monitoring new legislation, creation of awareness of legislation amongst employee, identification of significant legal risks as well as assessing the potential impact of these. Legal risk management in ASM is also being enhanced by appropriate product risk review and management of contractual obligations via well documented Service Level Agreement and other contractual documents.

### **RISK RELATING TO THE NOTES**

#### **Market Price Risk**

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Company's operating results, adverse business developments, changes in the regulatory environment in which the Company operates, changes in financial estimates by securities analysts and the actual or expected sale or purchase of a large number of Notes. Each investor needs to assess the market prior to trading their Notes.

#### **Currency (Exchange Rate) Risk**

The Company will make payment in respect of the Notes in Naira. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency unit other than the Naira. These include the risk that exchange rates may significantly change (including changes due to depreciation of the Naira or appreciation/revaluation of the investor's currency) and the risk that authorities with jurisdiction over the investor's currency may impose or modify exchange controls. An appreciation/revaluation in the value of the investor's currency relative to the Naira may decrease the investor's currency equivalent:

- a) yield on the Notes;
- b) value of the principal payable on the Notes; and
- c) market value of the Notes.

#### **Interest Rate Risk**

The Notes could be offered at a fixed rate benchmarked against treasury bills; Noteholders will be exposed to potential risks as the Notes may vary inversely with changes in prevailing interest rates. That is, where the interest rates rise, the prices of fixed rate securities fall and when interest rates drop, the prices increase. Accordingly, the extent of the fall or rise in the prices is a function of the existing interest, days to maturity and the increase or decrease in the level of the prevailing interest rates. Increased interest rates which frequently accompany inflation and/or a growing economy are also likely to have a negative effect on the price of the Notes.

#### **Notes Issued at a Discount**

The Notes are discounted; the market value of securities issued at a discount from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the security, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

#### **Amendment to Prevailing Laws**

This Programme Memorandum, the Notes and the Terms and Conditions, are governed by, and will be construed in accordance with, the laws of the Federal Republic of Nigeria. No assurance can be given as to the impact of any possible judicial decision or amendment and, or review of the laws of the Federal Republic of Nigeria or administrative practice in the Federal Republic of Nigeria after the issue.

## **SETTLEMENT, CLEARING AND TRANSFER OF NOTES**

---

*Words used in this section shall bear the same meanings as used in the section headed “Definitions and Interpretations”, except to the extent that they are separately defined in this section or the meaning if applied, would be clearly inappropriate for the context.*

### **Clearing System**

The Notes will be issued in dematerialised form and will not be represented by any certificate or written instrument. As stipulated by the CBN Guidelines, each Series or Tranche of Notes will be held in custody by the CSD, either in the name of the beneficial owner or a nominee.

All transactions in the Notes shall be cleared and settled electronically in accordance with the rules and operating procedures of the CSD. Subject as aforesaid, each Series or Tranche of Notes will be issued, cleared and transferred in accordance with the Terms and Conditions and will be settled through Authorised Participants (as defined below) who will follow the electronic settlement procedures prescribed by the CSD.

### **Authorised Participants**

The CSD will maintain a central securities account for the CPA and Dealing Members (“Authorised Participants”) and each beneficial owner of the Notes is required to have a sub-account under the Authorised Participants. Noteholders may exercise their rights in respect of the Notes held in the custody of the CSD only through the Authorised Participants.

For purposes of Notes issued under this Programme, the Authorised Participant is Fidelity Bank PLC and any other bank appointed by the Issuer to act as CPA.

### **Registration**

- i. The Authorised Participant is required to register with the CSD before dealing in CPs.
- ii. Noteholders without sub-accounts are required to route their account opening applications and transactions through the Authorised Participant who would then notify the CSD to create a relevant sub-account for the Noteholder.
- iii. The CSD will assign a unique identification number (the “Trade Member Code”) to the Authorised Participant and also open the account(s) requested by the Authorised Participant.
- iv. FMDQ Securities Exchange Limited will request for the CP to be registered with the CSD, who in turn will furnish FMDQ Securities Exchange Limited and the Authorised Participant with the unique identifier for the registered CP.
- v. The CSD will re-open the existing unique identifier for all Tranches with same maturity dates, however new unique identifier will be issued for Tranches with different maturity dates.

### **Lodgement**

The Authorised Participant will electronically lodge CPs within 10 Business days after receiving the approval for quotation of the CPs on the Exchange and advise the CSD after lodgement to transfer the CPs to the sub-accounts of the beneficial owners of the Notes and the CSD shall process same.

### **Redemption**

- i. No transactions or trades may be effected for any CP fifteen (15) Business days prior to its maturity date.
- ii. The Authorised participant shall obtain the statement of investors’ accounts/holdings from the CSD one (1) business day before the maturity of the CP.
- iii. The Authorised Participant shall effect repayment to the designated accounts of all registered holders of the CP.

## SETTLEMENT, CLEARING AND TRANSFER OF NOTES

---

- iv. The Issuer shall ensure that there are sufficient funds in its funding account with the CPA to pay all investors (i.e., including investors that have indicated interest to participate in another CP issuance (which is not a Rollover) within the Programme) by 12:00 Noon on the maturity date of the CP, failing which the Issuer shall be in violation of FMDQ Exchange Rules.
- v. The CPA shall ensure that funds have been transferred to all CP holders by 3:00 PM on the maturity date of the CP

### Roll-Over

- i. All CPs, including roll-overs shall not exceed 270 days (tenor) from the date of issue.
- ii. Every Rollover shall be treated or classified as a fresh/separate CP.
- iii. Upon granting approval for rollover, FMDQ Exchange shall request for the rollover CP to be registered with the CSD, who in turn shall furnish FMDQ Exchange and the Authorised Participant with the new unique identifier, subject to receipt of CP rollover fees from the Authorised Participant.
- iv. The CSD shall expunge the existing CP unique identifier from the system and replace with new codes.

### Default

- i. The IPAs shall notify FMDQ Exchange in writing that the CP has been liquidated and that funds have been transferred to all CP holders by 4:00 PM on the maturity date of the CP, failing which, the Issuer shall be deemed to be in default.
- ii. In the case of a Rollover, if any investor objects to a Rollover, the Issuer shall effect the payment of the value of the investor's CP holding on the maturity date, based on the initial terms of the Issue. Failure by the Issuer to effect such payment shall result in a default.
- iii. The FMDQ Exchange shall be notified immediately it is identified that a default is imminent or there is a strong possibility of default. The IPAs shall provide reasons for the default or imminent default e.g., the investors may not be paid due to CPA experiencing technical issues such as a market disruption or insufficient funds in the funding account to meet payment obligations on maturity date or as the case may be.

*Note: In the event of default, the IPAs are under no obligation to seek recovery or initiate any action against the Issuer either on its own or on behalf of the investors.*

### Secondary Market Trading (OTC) Guidelines

- i. The Authorised Participant will submit CP transaction instructions/details to the CSD via the authorised data-exchange platform.
- ii. CP transactions are to be submitted to the CSD by the applicable cut off time on the settlement date and the Authorised Participant is to state the particular account number where the CP(s) should be traded from or deposited into.
- iii. The CSD shall deliver securities and send confirmation of transfers via the authorised platform by 2.00p.m. on the settlement date to the Nigeria Inter-Bank Settlement System ("NIBSS") and to the FMDQ Exchange simultaneously.
- iv. NIBSS shall transfer settlement amounts to respective accounts and send confirmation to the CSD, and the Authorised Participant simultaneously.
- v. Transactions for standard settlement (T+2) shall stop five (5) Business Days before the Maturity Date. Therefore, the last applicable settlement shall be before close of business on the date which is five Business Days before the Maturity Date.

### Reporting

- i. The CSD will effect the transfer of CPs on the settlement date as advised by the buyer and seller ("Trading Parties") and also keep records of consideration for each transaction.

## **SETTLEMENT, CLEARING AND TRANSFER OF NOTES**

---

- ii. The CSD will advise the Authorised Participant or the FMDQ Exchange for onward communication to the Authorised Participant, as applicable, of successful and failed transactions on each settlement day.
- iii. The Authorised Participant and Noteholders can ascertain their CP balances after each day's trade via the CSD's website (if applicable).

### **Transfer of Notes**

Title to beneficial interest in the Notes will pass on transfer thereof by electronic book entry in the securities accounts maintained by the CSD and may be transferred only in accordance with rules and operating procedures of the CSD.

### **Cash Settlement**

Trading Parties will be responsible for effecting the payment transfers either via Real Time Gross Settlement, NIBBS Electronic Funds Transfer or any other transfer mode agreed by the Trading Parties and recognised by the CBN.

## **GENERAL INFORMATION**

---

### **Authorisation**

This CP Programme and Notes issued hereunder were approved by the resolution of the Board of Directors of African Steel Mills (Nigeria) Limited dated 03 March 2023.

### **Auditors**

Ernst & Young acted as auditors of the annual financial statements of the Issuer for the fiscal years ended 31 December 2019, 31 December 2020 and 31 December 2021 and was responsible for the audit, and issued an unqualified report.

### **Commercial Paper Outstanding**

The Issuer has no commercial paper outstanding as at the date of this Programme Memorandum.

### **Going Concern**

The Issuer is at the date hereof a going concern and can be reasonably expected to meet all of its obligations as and when they fall due.

### **Litigation**

The Issuer is not engaged (whether as defendant or otherwise) in any legal, arbitration, administration or other proceedings, the result of which might have or have had a material effect on the financial position or the operations of the Issuer, nor is the Issuer aware of any such proceedings being threatened or pending.

### **Material Contracts**

The following agreements have been entered into and are considered material to this Programme:

1. the Deed of Covenant dated 05 June 2023 executed by the Issuer as a deed poll in favour of the Note holders;
2. the Issuing and Placing Agency Agreement dated 05 June 2023 executed by the Lead Arranger, Joint Arranger and the Issuer;
3. the Collecting and Paying Agency Agreement dated 05 June 2023 executed by the Issuer and the Collecting and Paying Agent; and

Other material contracts in respect of any issuance of Notes under the Programme will be disclosed in the Applicable Pricing Supplement issued in respect of that Series or Tranche.

### **Ultimate Borrower**

The Issuer is the borrower in respect of the Notes.

## PRO FORMA APPLICABLE PRICING SUPPLEMENT

---



**AFRICAN STEEL MILLS (NIGERIA) LIMITED**

(RC 395473)

---

***Issue of Up to ₦[x] (Series 1) Commercial Paper Notes  
Under Its ₦10,000,000,000  
COMMERCIAL PAPER ISSUANCE PROGRAMME***

---

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum dated 05 June 2023 prepared by African Steel Mills (Nigeria) Limited in connection with its ₦10,000,000,000 Commercial Paper Issuance Programme, as amended and/or supplemented from time to time (the "Programme Memorandum").

Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the Programme Memorandum.

This document constitutes the Applicable Pricing Supplement relating to the issue of Commercial Paper Notes ("CP Notes" or "the Notes") described herein. The Notes described herein are issued on and subject to the Terms and Conditions as amended and/or supplemented by the Terms and Conditions contained in this Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

This document has been prepared in accordance with the Central Bank of Nigeria Guidelines on the Issuance and Treatment of Bankers Acceptances and Commercial Paper, issued on September 11, 2019, and the CBN circular to all deposit money banks and discount houses dated 12 July 2016 on Mandatory Registration and Listing of Commercial Papers (together the "CBN Guidelines") and the FMDQ Securities Exchange Limited Rules. The document is not required to be registered with the Nigerian Exchange Limited ("NGX") or the Securities and Exchange Commission ("SEC"). This document is important and should be read carefully. If any recipient is in any doubt about its contents or the actions to be taken, such recipient should consult his/her Banker, Stockbroker, Accountant, Solicitor or any other professional adviser for guidance immediately.

---

**LEAD ARRANGER/ISSUING & PLACING AGENT**



RC 1031358

**JOINT ARRANGERS/ISSUING & PLACING AGENT**



RC 1079631

**COLLECTING AND PAYING AGENT**



RC 103022

**THIS PRICING SUPPLEMENT IS DATED [.] 2023**

**PRO FORMA APPLICABLE PRICING SUPPLEMENT**

TERMS	DESCRIPTION
<b>Issuer:</b>	African Steel Mills Nigeria Limited
<b>Lead Arranger / Issuing and Placing Agent:</b>	Stanbic IBTC Capital Limited
<b>Joint Arranger / Issuing and Placing Agent:</b>	FCMB Capital Markets Limited
<b>Sponsor(s) to the Quotation on FMDQ Exchange:</b>	[•]
<b>Collecting and Paying Agent:</b>	Fidelity Bank PLC
<b>Auditor:</b>	Ernst & Young
<b>Solicitor:</b>	Templars
<b>Series Number:</b>	[•]
<b>Programme Size:</b>	₦10,000,000,000.00
<b>Central Securities Depository:</b>	[•]
<b>Issued and Outstanding at the date of this Pricing Supplement:</b>	[•]
<b>Face Value:</b>	[•]
<b>Discounted Value:</b>	[•]
<b>Nominal Amount Per Note:</b>	[•]
<b>Tenor:</b>	[•]
<b>Maturity Date:</b>	[•]
<b>Final Redemption Amount:</b>	[•]
<b>Minimum Subscription:</b>	[•]
<b>Specified Currency:</b>	Nigerian Naira (₦)
<b>Status of Notes:</b>	Each Note constitutes a senior unsecured obligation of the Issuer and save for certain debts mandatorily preferred by law, the Notes rank <i>pari-passu</i> among themselves, and with other present and future senior unsecured obligations of the Issuer outstanding from time to time
<b>Restriction of the Issuance/Sale and Transfer of the CP Notes:</b>	The issuance, sale and transfer of the CP has been restricted to Qualified Institutional Investors as outlined in the FMDQ Exchange Rules
<b>Form of Notes:</b>	[•]
<b>Quotation:</b>	Notes may be quoted on the FMDQ Securities Exchange Limited or any other recognised Exchange
<b>Taxation:</b>	Please refer to the 'Tax Considerations' section in the Programme Memorandum
<b>Method of Offer:</b>	[•]
<b>Book Closed Period</b>	[•]
<b>Implied Yield:</b>	[•]
<b>Discount Rate:</b>	[•]

**PRO FORMA APPLICABLE PRICING SUPPLEMENT**

<b>Any other Formula or basis For Determining Amount(s) Payable:</b>	$PV = FV * (1 - (DR * t / \text{actual number of days in year}))$
<b>Day Count Fraction:</b>	Actual/Actual (actual number of days in month and actual number of days in a year)
<b>Business Day Convention:</b>	Any day except Saturday, Sunday, and public holidays declared by the Federal Government of Nigeria
<b>Source of Repayment</b>	The repayment of all obligations under the Programme will be funded from the operating cash flows of the Issuer which is majorly by revenues from the "Steel Manufacturing Plant"
<b>Use of Proceeds</b>	the net proceeds from each issue of the CPs will be applied by the Issuer to support its short-term financing requirements
<b>Redemption/Payment Basis:</b>	[•]
<b>Issuer's Early Redemption:</b>	[•]
<b>Issuer's Optional Redemption:</b>	[•]
<b>Other Terms Applicable on Redemption:</b>	[•]
<b>Offer Opens:</b>	[•]
<b>Offer Closes:</b>	[•]
<b>Allotment Date:</b>	[•]
<b>Issue Date:</b>	[•]
<b>Notification of Allotment:</b>	All applicants will be notified through an email and/or telephone of their allotment by no later than [•]
<b>Payment Date:</b>	[•]
<b>Settlement Procedures and Settlement Instructions:</b>	Purchases will be settled via direct debit, electronic funds transfer (NIBSS, NEFT, RTGS, etc.)
<b>Issuer/Issue Rating:</b>	[•]
<b>Specified Office of Arranger/Dealer:</b>	[•]

**MATERIAL ADVERSE CHANGE STATEMENT**

Except as disclosed in this document, there has been no significant change in the financial position of the Issuer since [date of last audited accounts or interim accounts (if later)] and no material adverse change in the financial position or prospects of the Issuer since [date of last published annual accounts].

**RESPONSIBILITY**

The Issuer and its Board of Directors accept responsibility for the information contained in this Pricing Supplement, which when read together with the Programme Memorandum [and supplemental Programme Memorandum, if any], contains all information that is material in the context of the issue of the Notes.

Signed at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 202[•]

**For and on behalf of  
African Steel Mills (Nigeria) Limited**

\_\_\_\_\_  
Name

Capacity: Director

\_\_\_\_\_  
Name

Capacity: Director / Company Secretary

## AUDITOR'S COMFORT LETTER

---



Ernst & Young  
10th & 13th Floor, UBA House  
57, Marina  
Lagos, Nigeria

Tel: +234 (01) 83 14500  
Fax: +234 (01) 463 0481  
Email: [services@ng.ey.com](mailto:services@ng.ey.com)  
[ey.com](http://ey.com)

8 March 2023

The Managing Director  
African Steel Mills (Nigeria) Limited  
337 Ikorodu Industrial Estate  
Odogunyan, Ikorodu  
Lagos State.

Dear Sir,

**REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY COMBINED HISTORICAL  
FINANCIAL STATEMENTS WITH RESPECT TO THE 30 BILLION NAIRA COMMERCIAL PAPER  
PROGRAMME OF AFRICAN STEEL MILLS (NIGERIA) LIMITED**

The accompanying summary combined financial statements, which comprise the summary statements of financial position as at 31 December 2021, 31 December 2020, and 31 December 2019 and the summary statements of profit or loss and other comprehensive income for the years ended 31 December 2021, 31 December 2020, and 31 December 2019 and summary statements of cash flows for the years then ended, are derived from the audited financial statements of African Steel Mills (Nigeria) Limited ("the Issuer") for the years ended 31 December 2021, 31 December 2020, and 31 December 2019 ("the audited financial statements"). Ernst & Young expressed an unmodified audit opinion on the audited financial statements for the year ended 31 December 2021 in the report dated 4 November 2022 and Deloitte & Touche expressed an unmodified audit opinion on the audited financial statements for the year ended 31 December 2020 and 31 December 2019 in the reports dated, 22 February 2022 and 16 November 2020 respectively.

Those audited financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of the report on those financial statements.

**Summary financial statements**

The summary financial statements do not contain all the disclosures required by the International Financial Reporting Standards, Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act No. 6, 2011, applied in the preparation of the audited financial statements. Therefore, the summary financial statements are not a substitute for the audited financial statements of the Company.

**Directors' responsibility for the summary combined financial statements**

The Directors are responsible for the preparation and fair presentation of a summary of the audited financial statements in accordance with the Companies and Allied Matter Act, 2020, International Financial Reporting Standards, and the FMDQ commercial paper quotation rules.

**Auditors' responsibilities for the summary financial statements**

Our responsibility is to express an opinion based on our procedures, which were conducted in accordance with International Standards on Auditing, on whether the summary financial statements are consistent, in all material respects, with the audited financial statements.

A member firm of Ernst & Young Global Limited



### Opinion

The accompanying summary financial information, included in the Programme Memorandum for the ₦30,000,000,000 (Thirty Billion Naira) Commercial Paper Issuance Programme (the "CP Programme") on pages 42 to 44 (the "Historical Financial Information"), which comprise the statements of financial position as at 31 December 2021, 31 December 2020 and 31 December 2019, the statements of profit or loss and other comprehensive income, and the statements of cash flows for the respective years then ended are derived from the Audited Financial Statements of African Steel Mills (Nigeria) Limited for the years ended 31 December 2021, 31 December 2020 and 31 December 2019.

In our opinion, the Summary Financial Information are consistent, in all material respects, with the Audited Financial Statements.

.....  
Omolola Alebiosu, FCA  
FRC/2012/ICAN/00000000145  
For: Ernst & Young  
Lagos, Nigeria



8 March 2023

## FINANCIAL SUMMARY

### THREE-YEAR FINANCIAL SUMMARY FOR THE YEAR ENDED 31 DECEMBER 2021



#### EXTRACT OF THE ISSUER'S AUDITED FINANCIAL STATEMENTS

#### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	31-Dec-2021 N'000	31-Dec-2020 N'000	31-Dec-2019 N'000
Revenue	55,438,121	35,931,287	38,178,788
Direct costs	(45,861,599)	(28,117,374)	(33,387,572)
<b>Gross profit</b>	<b>9,576,522</b>	<b>7,813,913</b>	<b>4,791,217</b>
Other income	24,263	14,271	17,423
Administrative expenses	(2,875,466)	(2,836,941)	(1,453,235)
Impairment write back/ (loss) on trade receivables	19,827	(4,091)	-
<b>Result from operating activities</b>	<b>6,745,146</b>	<b>4,987,152</b>	<b>3,355,405</b>
Finance income	1,846,833	926,496	699,395
Finance costs	(1,782,066)	(1,676,321)	(898,949)
<b>Profit before tax</b>	<b>6,809,913</b>	<b>4,237,327</b>	<b>3,155,851</b>
Income tax expense	(1,456,311)	(1,611,302)	(793,960)
<b>Profit for the year</b>	<b>5,353,602</b>	<b>2,626,025</b>	<b>2,361,891</b>
Other comprehensive income, net of tax	-	-	-
<b>Total comprehensive income for the year</b>	<b>5,353,602</b>	<b>2,626,025</b>	<b>2,361,891</b>
<b>Earnings per share</b>			
Basic/ diluted earnings per share (Naira)	18.87	9.25	9.72

## THREE-YEAR FINANCIAL SUMMARY FOR THE YEAR ENDED 31 DECEMBER 2021



### EXTRACT OF THE ISSUER'S AUDITED FINANCIAL STATEMENTS

#### STATEMENT OF FINANCIAL POSITION

	31-Dec-2021 N'000	31-Dec-2020 N'000	31-Dec-2019 N'000
<b>Assets:</b>			
<b>Non-Current assets</b>			
Property, plant and equipment	28,935,644	22,598,691	11,040,999
Right-of-use asset	81,025	55,818	68,052
Investment in subsidiaries	-	8,500	8,500
<b>Total non-current assets</b>	<b>29,016,669</b>	<b>22,663,009</b>	<b>11,117,551</b>
<b>Current assets</b>			
Inventories	18,664,583	18,274,385	12,946,299
Trade and other receivables	22,925,174	35,316,058	13,140,699
Prepayments	16,351	15,363	22,224
Investments in short-term securities	8,581,159	8,006,600	7,021,500
Cash and bank balances	20,162,965	11,321,685	901,301
<b>Total current assets</b>	<b>70,350,232</b>	<b>72,934,091</b>	<b>34,032,023</b>
<b>Total assets</b>	<b>99,366,901</b>	<b>95,597,100</b>	<b>45,149,574</b>
	=====	=====	=====
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued share capital	283,764	283,764	242,964
Share premium	1,266,939	1,266,939	1,287,739
Other reserves	38,659	38,659	38,659
Retained earnings	20,664,510	15,310,908	13,446,927
<b>Equity attributable to owners of the Company</b>	<b>22,253,872</b>	<b>16,900,270</b>	<b>15,016,289</b>
	=====	=====	=====
<b>Non-current liabilities</b>			
Loans and borrowings	8,149,987	4,966,376	1,642,523
Deferred taxation	3,686,840	2,502,778	1,303,149
<b>Total non-current liabilities</b>	<b>11,836,827</b>	<b>7,469,154</b>	<b>2,945,672</b>
	=====	=====	=====
<b>Current liabilities</b>			
Trade and other payables	29,671,575	10,682,083	3,353,635
Loans and borrowings	35,313,305	60,347,905	23,752,059
Income tax payable	291,322	197,688	81,919
<b>Total current liabilities</b>	<b>65,276,202</b>	<b>71,227,676</b>	<b>27,187,613</b>
	=====	=====	=====
<b>Total liabilities</b>	<b>77,113,029</b>	<b>78,696,830</b>	<b>30,133,285</b>
	=====	=====	=====
<b>Total equity and Liabilities</b>	<b>99,366,901</b>	<b>95,597,100</b>	<b>45,149,574</b>
	=====	=====	=====

## THREE-YEAR FINANCIAL SUMMARY FOR THE YEAR ENDED 31 DECEMBER 2021



## EXTRACT OF THE ISSUER'S AUDITED FINANCIAL STATEMENTS

## STATEMENT OF CASH FLOWS

	31-Dec-2021	31-Dec-2020	31-Dec-2019
	¥000	¥000	¥000
<b>Cash flow from operating activities</b>			
Profit before taxation	6,809,913	4,237,327	3,155,851
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	1,728,203	1,191,114	962,673
Depreciation of right-of-use asset	25,649	21,547	11,691
Impairment loss/ (write back) on trade receivables	19,827	(4,091)	-
Impact of foreign exchange difference	730,350	1,516,232	-
Share capital of merged company	-	20,000	-
Retained loss from combined entity	-	(762,044)	-
Finance income	(1,846,833)	(926,496)	(699,395)
Finance cost	1,782,066	1,676,321	898,949
<b>Changes in assets and liabilities</b>			
Increase in inventories	(390,199)	(5,328,085)	(3,548,862)
Decrease/ (increase) in trade and other receivables	12,371,058	(22,171,269)	2,042,717
(Increase)/ decrease in prepayments	(988)	6,861	(3,705)
Increase/ (decrease) in trade and other payables	18,989,491	7,328,448	(3,191,704)
Tax paid	(178,614)	(295,905)	(135,390)
<b>Net cash provided by/ (utilised in) operating activities</b>	<b>40,039,924</b>	<b>(13,490,039)</b>	<b>(507,175)</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment	(8,065,156)	(12,748,806)	(2,915,732)
Additions to right-of-use asset	(50,856)	(9,313)	(68,890)
Interest received	809,437	926,496	699,395
Increase in short-term investments	(566,059)	(985,100)	(7,021,500)
<b>Net cash used in investing activities</b>	<b>(7,872,634)</b>	<b>(12,816,723)</b>	<b>(9,306,727)</b>
<b>Financing activities</b>			
Proceeds from borrowings	44,781,246	66,294,938	20,982,056
Repayment of borrowings	(66,324,537)	(26,851,103)	(10,579,997)
Interest paid	(1,789,656)	(2,115,367)	(890,466)
<b>Net cash (used in)/ generated from financing activities</b>	<b>(23,332,947)</b>	<b>37,328,468</b>	<b>9,511,593</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>8,834,343</b>	<b>11,021,707</b>	<b>(302,309)</b>
Cash and cash equivalents at the beginning of the year	11,300,149	278,442	580,751
Net foreign exchange difference on cash held	-	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>20,134,492</b>	<b>11,300,149</b>	<b>278,442</b>

# AFRICAN STEEL MILLS LIMITED

## Long-Term Rating:

# A<sup>-</sup>

**Short Term Rating:** A1  
**Previous Rating:** BBB<sup>+</sup>  
**Rating Outlook:** Positive  
**Trend:** UP  
**Currency:** Naira  
**Date Issued:** 2 Mar., 2023  
**Valid Till:** 1 Mar., 2024

## Reference:

Abiodun Adeseyoju, FCA.  
 Abimbola Adeseyoju  
 Oladele Adeoye

This report is provided by DataPro subject to the Terms & Condition stipulated in our Terms of Engagement

## EXECUTIVE SUMMARY

	2021 N'000	2020 N'000	2019 N'000	2018 N'000
Turnover	55,438,121	35,931,287	38,178,788	34,781,213
Pre-Tax-Profit	6,809,913	4,237,327	3,155,851	2,490,229,
Shareholders Fund	22,253,872	16,900,270	15,016,289	12,654,399
Non-Current Asset	29,016,669	22,663,009	11,117,551	9,107,293
Borrowings	8,149,987	4,966,376	1,642,523	131,868

## Rating Explanation

The Short-Term Rating of **A1** indicates *Good Credit Quality* and satisfactory capacity for timely payment of financial commitments.

The Long-Term Rating of **A<sup>-</sup>** indicates *Low Risk*. It shows Very Good Financial Strength, Operating Performance and Business Profile when compared to the standard established by **DataPro**. This Company, in our opinion, has strong ability to meet its ongoing obligations.

## RATING SYNOPSIS

The Rating took into consideration all relevant qualitative and quantitative factors to arrive at the assigned risk indicator.

The qualitative information used were based on industry and market intelligence including public information. The quantitative information was obtained from the Company's Audited and Management Accounts.

The risk factors were assessed using the Company's Capitalization, Earnings Profile, Liquidity, Corporate Governance, Regulatory Compliance and Sustainability of its current healthy profile in the medium to long term period.

Overall, the following were observed:

### Positive Rating Factors:

- Very Good Revenue Profile
- Very Good Funding Profile
- Very Good Asset Base
- Good Liquidity Profile

### Negative Rating Factors:

- High Debt Profile
- High Input Cost

This report does not represent an offer to trade in securities. It is a reference source and not a substitute for your own judgment. As far as we are aware, this report is based on reliable data and information, but we have not verified this or obtained an independent verification to this effect. We provide no guarantee with respect to accuracy or completeness of the data relied upon, and therefore the conclusions derived from the data. This report has been prepared at the request of, and for the purpose of, our client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person. Finally, DataPro and its employees accept no liability whatsoever for any direct or consequential loss of any kind arising from the use of this document in any way whatsoever.

# African Steel Mills (Nigeria) Limited

Issuer Rating:

**Bbb**

*This is a company with satisfactory financial condition and adequate capacity to meet obligations as and when they fall due.*

**Outlook:** Stable  
**Issue Date:** 08 March 2023  
**Expiry Date:** 30 June 2023

**Previous Rating:** Bb+  
 (Expired 30 June 2021)

**Industry:** Steel

Outline	Page
Rationale	1
Company Profile	4
Ownership, Mgt & Staff	5
Financial Condition	7
Outlook	12
Financial Summary	13
Rating Definitions	15

**Analysts:**  
**Adedotun Adesanya**  
 adedotunadesanya@agusto.com

**Isaac Babatunde**  
 isaacbabatunde@agusto.com

**Agusto & Co. Limited**  
 UBA House (5th Floor)  
 57, Marina  
 Lagos  
 Nigeria

[www.agusto.com](http://www.agusto.com)

## RATING RATIONALE

- Agusto & Co. hereby assigns a "Bbb" rating to African Steel Mills (Nigeria) Limited ("African Steel Mills", "ASM" or "the Company"). The assigned rating reflects improved profitability and satisfactory operating cash flow positions, low leverage and ASM status as one of the leading steel manufacturers in Nigeria. The rating is further strengthened by the Company's improving operational and cost efficiencies, supported by its backward integration plans to reduce dependence on scrap metals by utilising direct reduced iron (DRI) in its production process and the upgrade of its plants with advanced technology to enhance productivity. In addition, we considered ASM's stable, qualified and experienced management team, as well as the strong technical and financial support provided by African Industries Group (AIG) in assigning the rating. However, the rating is constrained by the Company's inadequate working capital, highly concentrated ownership structure and corporate governance framework that requires strengthening in line with best practices.
- African Steel Mills is a member of the African Industries Group ("the Group"), a conglomerate with several business interests in Nigeria. ASM specialises in the manufacturing and trading of steel products, including reinforcement bars, steel billets, equal angles and u-channels. The Company predominantly sells its product to construction companies and key distributors in Nigeria and exports smaller volumes to neighbouring African nations. ASM has a fully integrated steel manufacturing plant in Ikorodu, Lagos State, with both melting and rolling production capacity of 225,000 metric tonnes per annum (MTPA).
- In the financial year ended 31 December 2021 (FYE 2021), the Company's revenue grew by 54% to ₦55.4 billion, driven by higher sales volume and upward price reviews. Despite the notable revenue growth, ASM's gross profit margins moderated to 17.3% in FYE 2021 (2020: 21.7%), owing to rising input (scrap metals) during the period. However, the Company's interest expense to revenue ratio improved to 5.2% in FYE 2021 (2020: 7.9%) due to greater sales resulting from higher production volumes. Thus, ASM posted an operating profit margin of 12.1% in FYE 2021, which was in line with our expectation. Overall, African Steel Mills reported a pre-interest pre-tax return on assets (ROA) of 8.8% in FYE 2021, which was in line with our benchmark, while its pre-tax return on equity (ROE) of 34.8% exceeded our expectation.

The copyright of this document is reserved by Agusto & Co. Limited. No matter contained herein may be reproduced, duplicated or copied by any means whatsoever without the prior written consent of Agusto & Co. Limited. Action will be taken against companies or individuals who ignore this warning. The information contained in this document has been obtained from published financial statements and other sources which we consider to be reliable but do not guarantee as such. The opinions expressed in this document do not represent investment or other advice and should therefore not be construed as such. The circulation of this document is restricted to whom it has been addressed. Any unauthorized disclosure or use of the information contained herein is prohibited.

**African Steel Mills (Nigeria) Limited**

During the nine months ended 30 September 2022 (Q3'2022), the Company posted revenue of ₦52.1 billion, representing an annualised growth rate of 25%, driven by higher local and export volume sales and further upward price adjustments. However, ASM's operating profit margin decreased to 11.3% owing to higher expenses to reflect its expanding production capacities and intense cost pressures. Nonetheless, the Company's annualised ROA and ROE ratios of 9.6% and 28.0% respectively, were in line with our expectations. In our opinion, ASM's profitability is good.

- In FYE 2021, African Steel Mills reported an operating cash flow (OCF) of ₦36.9 billion to reflect improved earnings and higher funding support from related parties. The Company's OCF in 2021, which represented 66.5% of sales, was more than sufficient to cover returns to finance providers wholly comprising interest expense of ₦1.8 billion. Similarly, ASM's three-year (2019-2021) average OCF as a percentage of returns to providers of finance of 739% was better than our benchmark, depicting a good cash-generating capacity.
- ASM posted an overall working capital surplus of ₦7.7 billion in FYE 2021, mainly driven by the increased funding support from related entities and suppliers. However, the Company recorded an overall working capital deficit of ₦3.8 billion in Q3'2022 to reflect repayments of amounts owed to related parties and trade creditors. Barring the introduction of additional long-term debt or equity in its financing mix, we expect the Company to continue to rely on funding support from its affiliated entities to meet its working capital requirements. In our view, African Steel Mills (Nigeria) Limited's working capital position requires improvement.
- As FYE 2021, ASM's total liabilities stood at ₦77.1 billion (2020: ₦78.7 billion), comprising non-interest-bearing liabilities (62%) and interest-bearing liabilities (38%). As at the same date, the Company's interest expense to sales ratio moderated to 3.2% (FYE 2020: 4.7%) on account of significant revenue growth and was in line with our benchmark. ASM posted an interest cover of 20.7 times in FYE 2021, which was better than our expectation. Overall, the Company's interest-bearing debt (net of cash & equivalents) to equity ratio of 1.2% in FYE 2021 highlighted its low-leverage position.
- Looking ahead, we expect the Steel Manufacturing Industry to grow over the long term despite the challenging macroeconomic environment, considering the country's massive infrastructure and housing deficit, increasing urbanisation and favourable government policies, all of which will bolster demand for steel products. Given ASM's enhanced production capacities and plans to improve its capacity utilisation and operational efficiencies, we believe the Company is well-positioned to capitalise on the sustained demand for steel products and will continue to generate sufficient earnings and cashflows to meet its obligations.
- Based on the above, we attach a stable outlook to African Steel Mills (Nigeria) Limited.

Figure 1: Strengths, Weaknesses, Opportunities and Challenges



# TEMPLARS

5<sup>th</sup> Floor, The Octagon, 13A AJ Marinho Drive  
Victoria Island, Lagos, Nigeria  
Tel: +234 1 46 11 290-94, 46 11 889-90  
Fax: +234 1 27 12 810  
Email: info@templars-law.com  
www.templars-law.com

5 June 2023

To: The parties set out in Schedule 1 hereto (the “Addressees”).

Dear Sirs,

---

**NIGERIAN LEGAL OPINION ON THE ₦10,000,000,00.00 (TEN BILLION NAIRA) COMMERCIAL PAPER  
ISSUANCE PROGRAMME BY AFRICAN STEEL MILLS (NIGERIA) LIMITED**

---

**1. INTRODUCTION**

1.1 We have acted as legal counsel to African Steel Mills (Nigeria) Limited (the “**Issuer**”) in connection with:

- (a) The establishment of the ₦10,000,000,000 (Ten Billion Naira) commercial paper issuance programme (the “**Programme**”) under which the Issuer may from time to time, issue commercial paper notes (the “**Notes**”) in separate series or tranches to support the Issuer’s working capital requirements (the “**Transaction**”);
- (b) the negotiation and preparation of the following (together the “**Transaction Documents**”):
  - (i) an Issuing and Placing Agency Agreement dated 5 June 2023 and entered into between the Issuer, FCMB Capital Markets Limited and Stanbic IBTC Capital Limited as agents (the “**IPAs**”);
  - (ii) a Collecting and Paying Agency Agreement dated 5 June 2023 and entered into between the Issuer and Fidelity Bank Plc as agent (the “**CPA**”);
  - (iii) a Deed of Covenant dated 5 June 2023 and entered into as a deed poll by the Issuer in favour of the Noteholders (the “**Deed of Covenant**”);
  - (iv) a programme memorandum in connection with the Transaction dated 5 June 2023 (the “**Programme Memorandum**”); and
  - (v) a pricing supplement in connection with the Transaction dated 5 June 2023 (the “**Pricing Supplement**”).

1.2 This opinion (the “**Opinion**”) is rendered pursuant to paragraph 4 of Schedule 3 of the Issuing and Placing Agency Agreement.

1.3 All capitalised terms used in this Opinion shall have the meanings ascribed to them in the Programme Memorandum, unless otherwise defined herein or the context otherwise requires. For the purposes of this Opinion, the following terms shall have the specific meanings given to them below:

“**FIRS**” means the Federal Inland Revenue Service;

“**High Court**” means the Federal High Court, the High Court of a state in Nigeria or the High Court of the Federal Capital Territory, Abuja;

“**Nigerian Court**” means any superior court of record in Nigeria, including the Supreme Court of Nigeria, the Court of Appeal, the Federal High Court, the National Industrial Court, the High Court of each of the states in Nigeria and the High Court of the Federal Capital Territory, Abuja;

“**Nigerian Law**” means as at the date of this Opinion, final decisions of the Nigerian Courts and any applicable statutes, laws or binding regulations made or imposed by any governmental authority in Nigeria and any treaty or international convention which Nigeria has given statutory force; and

“**Opinion Documents**” means the documents listed in paragraph 2 of Schedule 2 (*Documents and Enquiries*) of this Opinion.

## 2. DOCUMENTS

- 2.1 For the purposes of this Opinion, we have examined, reviewed and relied only on the Opinion Documents.
- 2.2 We have also reviewed such matters of law as we have considered appropriate for the purpose of rendering this Opinion.
- 2.3 We have completed only the searches and enquiries referred to in Schedule 2 (*Documents and Enquiries*) of this Opinion.

## 3. EXTENT OF REVIEW AND EXAMINATION

- 3.1 We have not carried out or assisted in the investigation or verification of the facts, or the reasonableness of any assumption or statement of opinion of any person expressed to be a party to the Transaction Documents or any other person disclosed in the Transaction Documents or in determining whether any material fact has been omitted therefrom.
- 3.2 For the purpose of providing this Opinion, we have examined several drafts and the executed copies of the Opinion Documents but based this Opinion only on the executed copies of the Opinion Documents and conducted a corporate search on the Issuer to ascertain whether or not it has been declared insolvent.
- 3.3 We have not examined any document or agreement cross-referenced in any of the Transaction Documents save for any other transaction document and such other documents that we have considered necessary for the purpose of giving this Opinion.

## 4. APPLICABLE LAW

This Opinion is governed by Nigerian Law. We express no opinion on the laws of any other jurisdiction.

## 5. ASSUMPTIONS

For the purposes of this Opinion, we have, without independent verification or further enquiry, assumed the following:

**5.1 Original and genuine documentation**

- (a) All signatures, stamps and seals are genuine, all original documents are authentic, and all copy documents provided to us by email are complete and conform to the originals and continue to remain in full force and effect.
- (b) Any certificate referred to in Schedule 2 (*Documents and Enquiries*) is correct in all respects.

**5.2 Status of the transaction parties**

- (c) The resolutions of the board of directors of the Issuer referred to in Schedule 2 (*Documents and Enquiries*):
  - (i) were duly passed at properly convened meetings, of duly appointed directors (in the case of the resolutions of the board of directors) of the Issuer; and
  - (ii) have not been amended or rescinded and are in full force and effect.
- (d) The directors of the Issuer acted in good faith and in the interests of the Issuer in approving the transactions contemplated under the Transaction Document.
- (e) The lack of bad faith and absence of fraud, coercion, duress or undue influence on the part of any party to the Transaction Documents, their respective directors, employees, agents and advisers.

**5.3 Searches and Enquiries**

There has been no alteration in the status or condition of the Issuer as disclosed by the searches referred to in paragraph 1 of Schedule 2 (*Documents and Enquiries*) to this Opinion.

**5.4 Other Documents**

There is no agreement, instrument or other arrangement between any of the parties to the Transaction Documents which modifies or supersedes the Transaction Documents.

**6. OPINION**

Based on the assumptions stated above, and subject to the qualifications in Paragraph 7 (*Qualifications*) below, we are, as of the date hereof, of the following opinion:

**6.1 Corporate Existence**

The Issuer (i) is a private limited liability company duly incorporated and validly existing under the laws of the Federal Republic of Nigeria; and (ii) has the capacity to own, occupy and possess its properties, to carry on its business and activities as described in the Transaction Documents and to sue or be sued in its own name.

**6.2 Capacity and Due Authorisation**

The Issuer has the capacity, corporate power and authorisation to enter into, and perform the obligations contained in the Transaction Documents to which it is a party and has taken all

necessary corporate authorisation to authorise the execution of the Transaction Documents, and the performance of its obligations thereunder including the issuance of the Notes.

**6.3 Insolvency**

To the best of our knowledge, no order has been made, or other steps taken, to liquidate or wind up the Issuer or to terminate its existence or to appoint a receiver, liquidator or similar insolvency officer in respect of their business or assets or otherwise to place any of their business or assets outside the control of their respective directors.<sup>1</sup>

**6.4 Proper Form and Enforceability**

- (a) The obligations expressed to be assumed by the Issuer in the Transaction Documents to which it is party constitute legal, valid, binding and enforceable obligations in Nigeria.
- (b) Each Transaction Document is in the proper legal form for its enforcement against the Issuer in the Nigerian Courts in the most expeditious manner available under Nigerian Law.
- (c) The Noteholders are empowered to enforce the Deed of Covenant against the Issuer.
- (d) The issuance of the Notes in dematerialized form is legal and valid under Nigerian law.

**6.5 Non-conflict**

Neither the execution by the Issuer of the Transaction Documents to which it is a party, nor the performance of the obligations of the Issuer under the Transaction Documents:

- (a) will conflict with (i) its constitutional documents; or (ii) any Nigerian Law or any published decision or judgment of any governmental instrumentality of Nigeria or any similarly published arbitral award, in each case binding on the Issuer or its properties; or
- (b) will violate, contravene or result in a breach of any existing treaty, agreement or other instrument disclosed to us to which the Issuer is a party, or which is binding on the Issuer in order to assume its obligations under the Transaction Documents.

The Notes will be Issued, and the Transaction Documents have been executed and delivered in compliance with the Guidelines on the Issuance and Treatment of Bankers Acceptances and Commercial Papers Issued by the Central Bank of Nigeria on September 11, 2019, and the Commercial Paper Registration and Quotation Rules of the FMDQ Securities Exchange Limited of April 2021.

**6.6 Further Acts**

Save for the registration of the Notes with a registered Central Securities Depository who shall serve as the custodian and registrar of the Notes, the registration of the Notes on the FMDQ

<sup>1</sup> We say to the best of our knowledge, because winding-up petitions (including other analogous steps) may be filed and heard before any division of the Federal High Court (or constitute the subject of appeals at higher court in the hierarchy of Nigerian Courts) and there is currently no systematic way of undertaking a comprehensive search of court records to allow for a definitive conclusion regarding the existence or non-existence of petitions of the nature under reference. Public notice of such events only occurs when an order arising from any such petition is published in the newspapers or filed at the CAC. However, based on our searches carried out at the CAC on the Issuer, no order or resolution for any suspension of payments, receivership, winding-up or similar insolvency proceedings has been registered in relation to the Issuer, nor has there been registered any notice of the appointment of a receiver, liquidator or similar insolvency representative over any part of the assets, business or undertaking of the Issuer.

Securities Exchange Limited for quotation and as provided in paragraph 6.7 (*Stamp Taxes*), it is not necessary that the Transaction Documents be filed, recorded, registered, notarised or enrolled with any court or other governmental or regulatory authority, or that any consent, approval or authorisation be obtained from any such governmental or regulatory authority, or that any other acts, conditions or things be done, fulfilled or performed by the Issuer to ensure the legality, validity, enforceability or admissibility in evidence of the Transaction Documents or to enable the Issuer lawfully to enter into, exercise its rights or perform its obligations under the Transaction Documents to which it is a party<sup>2</sup>.

#### 6.7 Stamp taxes

- (a) Under the Stamp Duties Act,<sup>3</sup> any instrument executed in Nigeria, or relating, wheresoever executed, to any property situate or any matter or thing done or to be done in Nigeria is required to be stamped and an appropriate stamp duty paid in respect of the said instrument. Thus, the Transaction Documents will be liable to stamp duty; and are required to be stamped within forty (40) days from the date they are first executed or if such Transaction Document is subject to *ad valorem* rate, within thirty (30) days after they are first executed or have been received in Nigeria (including electronic documents), if executed outside Nigeria.
- (b) The Transaction Documents will be assessed and stamped at the prevailing stamp duties rate as of the time of stamping.
- (c) The Notes will be issued in a dematerialised form and as book entries in the register of the CSD. Historically, the Notes did not attract stamp duty, as it was not in certificated form. However, the Finance Act, 2019 has amended the definition of stamp to include an “electronic stamp” or an “electronic acknowledgment for denoting any duty or fee”.
- (d) Save for the payment of the aforementioned stamp duty which is assessed and payable in respect of the Transaction Documents (other than the Programme Memorandum and/or Pricing Supplement) and the Notes (where so assessed as noted in paragraph 6.7(c) above), to the Commissioner for Stamp Duties, no other stamp duty is payable, and no filing or registration is required in Nigeria in connection with the execution, delivery, performance, enforcement of any of the Notes or the Transaction Documents.
- (e) The Transaction Documents will not be admissible in evidence in any civil proceedings for the enforcement of rights thereunder in a Nigerian Court or arbitration if appropriate stamp duty is not paid thereon.

<sup>2</sup> Section 313(1)(h) of the ISA provides that the Securities and Exchange Commission (“SEC”) may, from time to time, make rules and regulations for the purpose of giving effect to the ISA and may, in particular, make rules and regulations, among other things, prescribing that the provisions of the ISA shall not apply or shall apply with such modifications, if any, as may be specified in the regulations to any person or any securities or to any transaction. Rule 8 of the Rules and Regulation of the SEC, 2013 (as amended) (the “SEC Rules”) provides that the provisions of the ISA and the SEC Rules requiring registration shall not apply to, among other things, any note, bill of exchange or banker’s acceptance which arises out of a current transaction or the proceeds of which have been or are to be used for current transactions and which has a maturity, at the time of issuance, not exceeding nine (9) months exclusive of days of grace, or the maturity of which is likewise limited. This means that commercial papers which have a maturity of two hundred and seventy (270) days or less (such as the Notes) are not required to be registered with the SEC.

<sup>3</sup> Cap S8 Laws of the Federation of Nigeria 2004, as amended by the Finance Act 2019, the Finance Act 2020, and the Finance Act 2021.

#### 6.8 Withholding Tax

Interest payments on debt obligations are subject to withholding tax pursuant to the Companies Income Tax Act<sup>4</sup> and the Personal Income Tax Act<sup>5</sup>. As the Notes will not bear any interest (save for default interest in respect of late payments), all payments by the Issuer to Noteholders under the Transaction Documents may be made free and clear of and without withholding or deduction for or on account of, any income tax imposed, levied, collected, withheld or assessed by any Federal, State or Local government in Nigeria.

#### 6.9 Pari Passu Ranking

The Notes established pursuant to the Transaction Documents when issued, will rank at least *pari passu* with all present and future unsecured and unsubordinated obligations of the Issuer, except for any such obligation which is mandatorily preferred under Nigerian Law.

#### 6.10 Immunity

The Issuer is not entitled to claim in relation to itself or its assets any form of immunity from the service of processes, legal suits or proceedings and from the execution of judgments against it or its assets in any suit, action or proceedings arising out of the Transaction Documents.

#### 6.11 No Adverse Consequences

- (a) Under the laws of Nigeria, the Noteholders will not be deemed to be resident, domiciled or carrying on business in or subject to, companies' taxation in Nigeria by reason only of holding Notes.
- (b) It is not necessary under the laws of Nigeria that the Noteholders be authorised or qualified to carry on business in Nigeria for the execution, delivery, performance or enforcement of their rights under the Notes.
- (c) The due performance by any party of any of its rights, duties, obligations or representations under the Transaction Documents (including the Notes), subject to complying with applicable Nigerian securities law, the Guidelines on the Issuance and Treatment of Bankers Acceptances and Commercial Papers issued by the Central Bank of Nigeria on September 11, 2019, and the Commercial Paper Registration and Quotation Rules of the FMDQ Securities Exchange Limited of April 2021, will not violate any existing applicable law or regulation in the Federal Republic of Nigeria (subject to the requirements of such party's constitutional documents (other than the Issuer)).

#### 6.12 Choice of Law

The choice of Nigerian Law as the governing law of the relevant Transaction Documents is a valid choice of law and a Nigerian court or arbitral tribunal will apply same to give effect to the provisions of the relevant Transaction Documents.

<sup>4</sup> Cap. C21, Laws of the Federation of Nigeria, 2004, as amended by the Finance Act 2019, the Finance Act 2020, and the Finance Act 2021.

<sup>5</sup> Cap. P8, Laws of the Federation of Nigeria, 2004, as amended by the Finance Act 2019, the Finance Act 2020, and the Finance Act 2021.

### 6.13 Dispute Resolution

The submission to arbitration by the parties under the relevant Transaction Documents is permitted under the laws of Nigeria and an arbitral award rendered by a recognised arbitral tribunal would be enforced by the courts of Nigeria as a legal, valid and binding submission to arbitration subject to the provisions of the Arbitration and Conciliation Act<sup>6</sup>.

## 7 GENERAL QUALIFICATIONS

### 7.1 This Opinion is subject to the following qualifications:

- (a) In the case of such laws that have been subject to judicial interpretation or court action, we have relied on them as construed and enforced by duly constituted Nigerian Courts. With respect to the laws that have not been subject to judicial interpretation or been the subject of court action, we have relied on those laws on the basis of our belief of how they would be so interpreted and enforced by the courts aforesaid.
- (b) This Opinion is expressed as of the date hereof and we assume no obligation to update or supplement any opinion contained herein to reflect any fact or circumstance that may hereafter come to our attention or any changes in law that may hereafter occur or become effective.
- (c) We express no opinion as to any agreement, instrument or other document other than as specified in this Opinion.
- (d) Our opinion that an obligation or document is enforceable means that the obligation or document is of a type and form which the Nigerian Courts will enforce. It does not mean that the obligation or document will necessarily be enforced in all circumstances as the validity, enforceability and/or binding nature of such obligations or documents under Nigerian Law will be subject to, amongst other things, the laws of bankruptcy, insolvency, receivership, reorganisation, liquidation, moratorium, including the Companies and Allied Matters Act<sup>7</sup>, the Bankruptcy Act,<sup>8</sup> and other Nigerian Laws affecting the rights of creditors generally. In particular, equitable remedies such as injunctions and specific performance are discretionary and are not generally available in circumstances where damages are considered by the Nigerian Courts to be an adequate remedy.
- (e) The enforcement of the rights of the parties under the Transaction Documents may with the passage of time become statute-barred under Nigerian Law or may be or become subject to the defence of set-off or to counterclaim.
- (f) The enforcement of obligations may be limited by the provisions of Nigerian Law, which may hold an agreement to have been frustrated by a supervening event such as illegality, dissolution or incapacity of a corporation and similar events.
- (g) The law relating to misrepresentation and fraud may mean that an agreement, or part of it, is rescinded and, therefore, unenforceable.
- (h) Where an obligation is to be performed in a jurisdiction outside Nigeria, that obligation may not be enforceable in Nigeria to the extent that its performance would be illegal or contrary to public policy under the laws of the jurisdiction in which it is to be performed; and the Nigerian Courts take account of the law of that jurisdiction.

<sup>6</sup> Cap A18 LFN 2004

<sup>7</sup> Companies and Allied Matters Act, 2020.

<sup>8</sup> Cap B2, Laws of the Federation of Nigeria, 2004.

TEMPLARS

- (i) Nigerian Courts may refuse to treat as final, conclusive and/or binding any notification, calculation, certificate or determination which is stated in a Transaction Document to be final, conclusive and/or binding if it is shown to have an unreasonable or arbitrary basis, or not to have been reached in good faith, despite a provision to the contrary.

**8 BENEFIT OF OPINION**

- (i) This Opinion is issued to and is, other than as referred to below, solely for the benefit of the Addressees and may not, without our prior written consent, be transmitted or disclosed to or used or relied upon by any other person or for any other purpose except in connection with the validity and enforceability of the Transaction Documents.
- (ii) This Opinion may, however be disclosed by the Addressees (i) to the extent required by law, regulation (including the rules of any applicable securities exchange) or any governmental or competent regulatory authority or in connection with legal proceedings relating to the issuance of the Notes or any of the Transaction Documents; ii) to any person seeking to invest in the first series of the Notes; iii) to professional advisors in connection with the Transaction; iv) to any additional agents appointed under the Issuing and Placing Agency Agreement and Collecting and Paying Agency Agreement; and v) to the affiliates, officers, employees, auditors, regulators and professional advisers of the IPAs and CPA.

Yours faithfully,



for: **TEMPLARS**

**ZELDA AKINDELE**  
Partner

**SCHEDULE 1: THE ADDRESSEES**

---

1. **African Steel Mills (Nigeria) Limited**  
Plot 337, Ikorodu Industrial, Odoguyan, Ikorodu, Lagos
2. **FCMB Capital Markets Limited**  
44 Marina, Lagos, Nigeria.
3. **Stanbic IBTC Capital Limited**  
I.B.T.C Place, Walter Carrington Crescent, Victoria Island, Lagos , Nigeria.
4. **Fidelity Bank Plc**  
Fidelity Place, 2, Kofo Abayomi Street, Victoria Island, Lagos, Nigeria.
5. **Ernst & Young (EY)**  
10th Floor, UBA House, 57 Marina Road, Lagos Island, Lagos.

**SCHEDULE 2: DOCUMENTS AND ENQUIRIES**

---

**1. Searches and enquiries**

A search was conducted on the corporate records of the Issuer at the CAC on 15 March 2023.

**2. Opinion Documents**

- (a) A copy of the certificate of incorporation of the Issuer dated 7 November 2000.
- (b) A copy of the memorandum and articles of association of the Issuer dated 3 October 2000 .
- (c) The resolution of the board of directors of the Issuer dated 3 March 2023 authorising the establishment of the Programme; the entry into the Transaction Documents and their execution by the authorised signatories contained therein.
- (d) The Transaction Documents.