

SENS ANNOUNCEMENT

(the "Announcement")

ISSUER

Zambia Bata Shoe Company PLC.

Incorporated in the Republic of Zambia

Company registration number 2557

Share Code: BATA

ISIN: ZM0000000102

The Bata logo is written in a bold, red, cursive script font.

BROKER



Pangaea Securities Limited

[a member of the Lusaka Securities Exchange]

Regulated and Licensed by the Securities and Exchange Commission Zambia

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AUTHORISATION

Approval for this Announcement has been granted by:

- The Lusaka Securities Exchange
- The Securities and Exchange Commission Zambia
- Zambia Bata Shoe Company PLC.

DISCLAIMER AND RISK WARNING

The announcement contained herein contains information that may be of a price sensitive nature.

Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

ISSUED ON: 28 March 2024



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ZAMBIA BATA SHOE COMPANY PLC ROYALTY TRANSACTION ANNOUNCEMENT

The Board of Directors (“the Board”) of Zambia Bata Shoe Company PLC (“the Company” or “Bata Zambia”) wishes to inform its Shareholders that Bata Brands SA (“BBSA”) wishes to enter into a new Trade Mark and Know-How License Agreement (“Agreement”) hereinafter “the Transaction”.

As the majority shareholder in the Company and BBSA are both part of the Bata Group, Bata Zambia and BBSA are therefore classified as related parties. As a result, the Board intends to publish a Circular to the Shareholders (“the Circular”), in line with the Lusaka Securities Exchange (“LuSE”) Listing Rules (“Listing Rules”) requirements for a related party transaction, before the end of April 2024 that will detail the Transaction and all related party agreements with BBSA. The Circular will detail the salient features and effects of the Transaction, thereby ensuring the Shareholders are well informed.

In compliance with Section 10.4 of the Listing Rules which pertain to the requirements for a Related Party Transaction, this announcement hereby sets out the salient features of the proposed Transaction.

1. Background to and Rationale for the Transaction

The Company is engaged in the business of manufacturing and trading of shoes and, various leather and plastic products. Bata Zambia’s operations can be classified into three distinct segments, retail, wholesale, and export. The Company licenses the “Bata” brand from Bata Brands SA. BBSA owns the “Bata” trademark and trade name. Bata Zambia has in the past acquired, from BBSA, the license to operate under the “Bata” brand and to manufacture, distribute, retail and wholesale products under the “Bata” brand.

Bata Brands SA holds rights to the word and name “Bata” together with rights to various other registered and unregistered trademarks, trade names, service marks, logos, designs, copyright, domain names and goodwill. BBSA has also developed and acquired valuable propriety technical know-how relating to the design, marketing and promotion of footwear and other related goods.

The last agreement between Bata Brands SA and Bata Zambia, has since expired as at 31 December 2023 and a new agreement has since been agreed upon subject to Bata Shareholder approval.

2. Salient Features of the Agreement

The Agreement was made on 1 January 2024 and is subject to Shareholder approval. However, as this transaction is awaiting approval, no payments have been made in regards to accrued royalties thus far. Through the Agreement Bata Brands SA will provide Bata Zambia exclusive rights relating to:

- i. **Sourcing Rights:** This includes the use of the Trademarks in association with Branded Products manufactured by or on behalf of Bata Brands SA. The sourcing Rights also include the right to manufacture Bata Branded products or to source the Branded Products from other suppliers or to import the Branded Products which are supplied by foreign manufacturers.
- ii. **Marketing, Distribution and Promotion:** To use the Trademarks in Zambia for the purpose of marketing, distribution and promotion of Branded Products. This includes:
 - (a) the right to use of the word and name "Bata" in the Corporate name;
 - (b) the right to use the word and name "Bata" in connection with all business activities;
 - (c) the right to use the Trademarks in association with any services falling within Bata's respective class of application or registration and in particular the right to use any of the Trademarks designated by Bata Brands SA as a retail concept as a retail banner;
 - (d) the right, at its own expense, to apply the Trademarks to advertising, display (including point-of-sale) material, retail stores, wholesale and other distribution outlets, vehicles and other equipment, stationary and otherwise in connection with the marketing, distribution and promotion of Branded Products in Zambia in a manner consistent with any applicable brand positioning statement and/or brand guidelines for the respective Trademarks; and
 - (e) the right to access and take advantage in the territory of Bata Brands SA's global commercial presence and know-how in relation to Trademarks.
- iii. **Other Significant Terms of the Agreement:** The additional significant terms of the Agreement are listed below:
 - (a) **Duration:** This Agreement shall be effective on the date of signature following Shareholder approval and shall continue unless terminated by either part. Which means the Agreement shall automatically renew on a year-to-year basis.
 - (b) **Consideration:** In consideration of the right to use the Trademark, Know-How, Sourcing Rights and Marketing Rights, Zambia Bata Shoe Company Plc shall remit to Bata Brands SA, a royalty, in US Dollars, which shall be equal to:
 - a monthly royalty percentage of 7% multiplied by the net sales of Zambia Bata Shoe Company during the year; and
 - A monthly royalty of 7% discounted by 5% resulting in a royalty of 2% is applied on the sales by Bata Zambia of third party branded products during the year.

3. Nature of the relationship between Bata and Bata Brands SA

The majority shareholder of Bata Zambia is Bafin Nederland B.V, which currently holds 74.7% in the Company. BBSA and Bafin Nederland B.V are both members of the Bata Group. Therefore, BBSA and Bata Zambia are affiliate companies and thus, related parties.

4. Categorisation of the Transaction

Due to the nature of the relationship between BBSA and Bata Zambia, this Transaction is classified as a related party transaction in accordance with section 10 of the Listing Rules. Pursuant to this, the

Transaction is subject to regulatory and shareholder approval. Therefore, at the Annual General Meeting to be announced at a late date, the Shareholders will have an opportunity to vote on this Transaction.

The financial effects of the Transaction will be provided in the Circular to be issued by the Company.

Shareholders are advised to exercise caution when dealing in the Company's securities until the completion of the Transaction.

BY ORDER OF THE BOARD
NOAH MWANSA
Acting Company Secretary

Sponsoring Broker:



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