



BUSINESS PLAN

Premium Active Tanzania Limited

2023

ABSTRACT

Premium Active Tanzania has been operating in the Tanzanian Tobacco Market for 15 years. PATL has decided to substantially invest further to secure its position for the future.

PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. Box 1900 · MOROGORO · TANZANIA
TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

STATEMENT OF CONFIDENTIALY & NON-DISCLOSURE

This document contains proprietary and confidential information. All data submitted is provided in reliance upon its consent not being used or disclosed except in the context of its business dealings with Premium Active Tanzania Limited. The recipient of this document agrees to inform its present and future employees and partners who view and have access to the document of its confidential nature.

The recipient agrees to instruct each employee that they must not disclose any information concerning this document to others except to the extent such matters are generally known to, and are available for use by, the public. The recipient also agrees not to duplicate or distribute or permit others to duplicate or distribute any material contained herein without Premium Active Tanzania Limited express written consent.

Premium Active Tanzania Limited retains all titles, ownership and intellectual property rights to the material contained herein.

BY THE ACCEPTANCE OF THIS DOCUMENT, THE RECIPIENT AGREES TO BE BOUND BY THE AFOREMENTIONED STATEMENT.

PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. Box 1900 · MOROGORO · TANZANIA
TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

Contents

Executive Summary	3
Business Description	5
Introduction	5
PATL’s Participation in the Market	5
Tobacco Leaf	7
Description	7
Production Cycle	7
Scope of Operation – Tobacco Flow	10
Locations	10
Staff Structure	11
Senior Management Organogram	11
Agronomy Organogram	12
Finance and Administration Organogram	12
Leaf and Sales Organogram	13
Sustainability Organogram	13
Business Continuity Plan	14
Scenarios :.....	14
BCP Matrix :.....	14
Company Financials	16
Investment Plan	17
Introduction	17
Objectives	17
Phase 1	18
Map 1	18
Map 2	18
Photos	19
Strategic Advantages	19
Investment Financials (Phase 1 & 2)	20
Conclusion	20

PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. Box 1900 · MOROGORO · TANZANIA
 TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

Executive Summary

Premium Active Tanzania Limited (PATL) is a tobacco leaf merchant based in Morogoro, Tanzania. The company buys green tobacco leaf from farmers (AMCOS) and in turn sells processed leaf tobacco to International Buyers. PATL is a relatively new company (Inception in 2008) registered in Tanzania under the Companies Ordinance Act as a Company limited by shares.

PATL purchases green leaf tobacco from Tanzanian farmers before processing the tobacco at a local processing facility. PATL sells processed leaf tobacco that meets international standards produced using local expertise.

Tanzanian tobacco has cut for itself a niche in the global tobacco market. This is because the quality of the crop has improved considerably over the years from filler tobacco to semi flavour tobacco.

PATL has a competitive edge in the Tanzania tobacco market. On the supply side PATL enjoys good support from Farmers and Government and works closely with key stakeholders. On the marketing side the recent global consolidations have given rise to the need of small to medium size leaf merchants in the global marketplace. Efficiencies that come with new and small operations also add to the competitive edge.

PATL has a strong management team in place led by Mr. Harry Klonaridis as the Managing Director. Mr. Harry Klonaridis held a multitude of diverse roles, primarily focusing on sustainability in the tobacco industry and Tanzanian tobacco operations.

Mr. Georgios P. Klonaridis (Leaf & Sales Director) with 42 years tobacco experience handles the Tobacco Leaf & Sales side of the business. Utilizing all 42 years' experience on Tobacco Blending and smoking, Mr. Georgios P. Klonaridis ensures all tobacco packed for the international market meets highly stringent protocols and customer requirements in terms of leaf quality, chemical balances (nicotine and sugar) and smoking texture in blended tobacco.

Mr. Rudolph Prinsloo, Financial Director, who joined PATL in 2020. Mr. Prinsloo manages and determines cost of operations, identifies financial status by comparing and analysing actual results with plans and forecasts. His vast experience in the complicated and challenging finances of the tobacco sector serve the company well.

PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. BOX 1900 · MOROGORO · TANZANIA
TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

Mr. Daniel Mwakalinga recently joined PATL as the Sustainable Manager. Sustainability is one of main focuses of the Tobacco Industry and it is vital to have experience and the know how in this highly demanding and specialized market. This expertise is built after many years of experience in combination with higher education, which cannot be transferred solely through higher learning. The worldwide requirements and stringent standards set by the tobacco industry and organizations such as WHO, ILO and HRW require specialized expertise to meet these demands.

On the field management side, the company has engaged the services of Mr. Nico Roussos. Nico has 41 years' experience in farming tobacco which places him in a unique position of understanding farmer needs, cooperating with all farmers and Primary Societies.

Mr. Pius Achuma Okol is the Agronomy Manager who has a vast knowledge and expertise of growing the correct varieties and quality with over 25 years of experience. His vast knowledge is a key contributing factor to the current success of PATL.

Mr. Joseph Emmanuel Amuriate is the Processing and Quality Control Manager and his extensive knowledge and expertise spanning over 21 years is an important contributing factor in ensuring the tobacco products are processed within the stringent International Tobacco requirements.

Mr. Yusuph Mahundi has held a multitude of roles in the Tobacco industry with experience on both the leaf supply side and government side as a regulator on the Tanzania Tobacco Board. As Mr. Mahundi's knowledge stems from both sides of the industry, his experience on the Cooperative structure, agronomy operations, leaf classification and buying are a vital component to PATL's operations.

PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. BOX 1900 · MOROGORO · TANZANIA
TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

Business Description

Introduction

PATL is based in Morogoro with offices situated at the following address:

1st Floors, Tumbaku Building,
Dodoma Road,
Kihonda Bima Morogoro,
Tanzania.

PATL is registered in Tanzania under the Companies Ordinance Act as a company limited by shares with a Certificate of Incorporation Number 65046, Taxpayer Identification Number (TIN) 106804370, Value Added Tax (VAT) number 40002308A and First Trading Business License No. 01114966 issued on October 30th, 2008, Renewed with License No. 20000001198. The majority shareholder of the local Company is Premium Tobacco Central Africa Limited (PTCA), holding 90% of the shares and 10% shares held by Mr. Mike Kazamias.

PATL's Participation in the Market

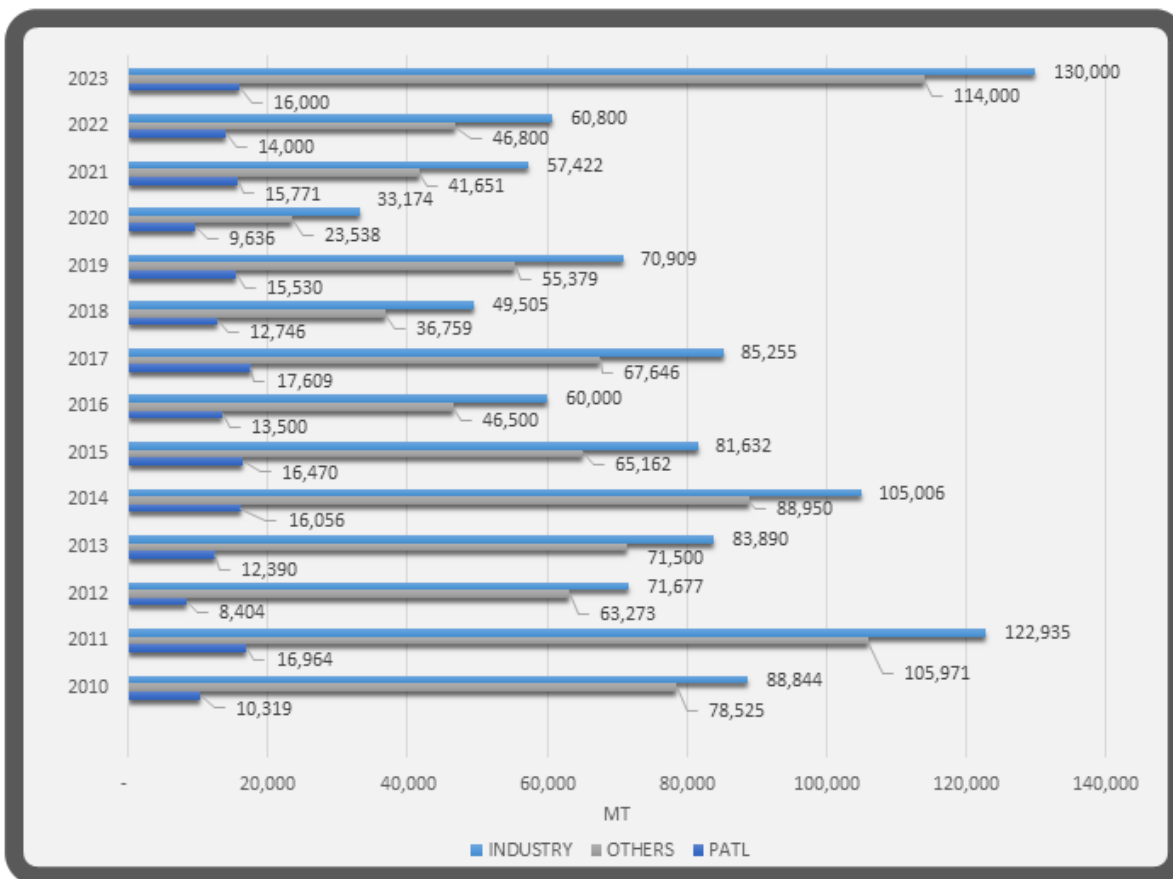
In the first year of trading PATL purchased, processed, and sold 2,490MT of processed tobacco. This represented 7% of the Tanzania FCV tobacco market share. The second year of operation saw the Company's market share of FCV tobacco business increase to 14%. The Company purchased, processed, and sold 6,707MT of processed tobacco. In crop year 2022, the Company's market share of FCV tobacco business increased to 23%.

The following is a chart of PATL participation in the FCV market from 2009 until 2022.

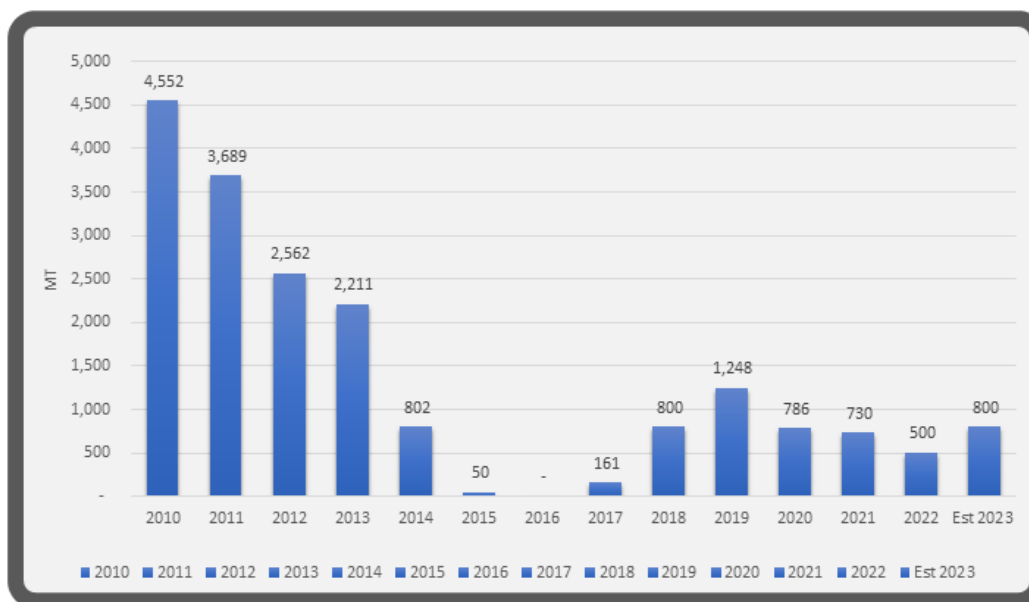
***2023 figures are based on estimates for the tobacco season which will begin in April 2023.*

PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. BOX 1900 · MOROGORO · TANZANIA
TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM



The following is a chart of PATL participation in the local DFC industry from 2017; **Note, PATL revived the DFC market in 2017.**



PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. Box 1900 · MOROGORO · TANZANIA
 TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

PATL has now been in existence for fifteen years. The Company is operating in three regions Chunya (13 P. Societies), Mpanda (16 P. Societies) and Ruvuma Songea (14 P. Societies) having contracts with 42 Primary Societies. The societies produce approximately 16,500MT of green tobacco (both FCV and DFC Varieties) which represents about 23% of the total tobacco produced in the Country.

PATL is a tobacco leaf merchant; the tobacco leaves that are used to produce cigarettes. The company purchases raw tobacco leaves directly from tobacco growers. Tobacco growers are linked to PATL through Primary Society contracts as per the Cooperative laws of Tanzania, which commit the growers to sell their production to PATL. PATL maintains a presence in the field by providing agronomic assistance at the macro level during the whole crop circle.

Tobacco Leaf

Description

PATL deals in leaf tobacco that cigarette manufacturers use in the manufacture of cigarettes. It purchases, processes, and sells FCV and DFC tobacco type.

Tanzania tobacco has cut for itself a niche in the global tobacco market. Over the years international cigarette manufacturers have incorporated Tanzania tobacco as a blend component in their leading cigarette brands. This position has been attained after several years of consistent supply of tobacco in both volume and quality.

Production Cycle

The tobacco production cycle (agricultural and industrial phases) evolves through the following stages:

- Tobacco growers' contract: These are entered into between the months of May and August each season and form the basic element of the relationship between PATL and growers. As tobacco growers are small-scale farmers, they lack the financial resources necessary for tobacco production. Using the purchase contract entered with PATL the

PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. BOX 1900 · MOROGORO · TANZANIA
TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

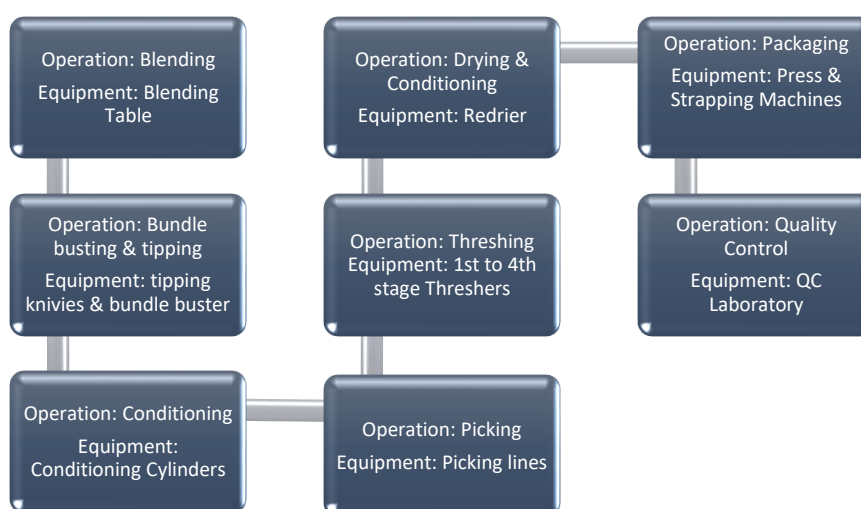
growers secure financing from local commercial banks. In the finance agreement, PATL undertakes to pay the farmers through an account held with the lending bank.

- Raw materials to tobacco growers: This phase consist of the purchase of the adequate tobacco inputs so that growers can proceed with crop planting. 13 Primary Societies contracted to PATL belong to Chunya Tobacco Cooperative Union (CHUTCU), 16 belong to Lake Tanganyika Tobacco Growers Cooperative Union (LATCU) and 14 belong to Songea Namtumbo Agricultural Marketing Cooperative Union (SONAMCU).
- Sowing and field transplantation: Tobacco is not seeded directly into the soil. Therefore, it is necessary to form seedlings that are transplanted to the soil when planting conditions are right (in the occurrence of first rainfalls).
- Harvest and curing: Harvest consists of “picking” tobacco leaves when they reach the right harvesting point. Since quality is an important factor in tobacco processing and cigarette manufacturing, tobacco must be harvested under right conditions. In addition, the correct process of harvesting tobacco leaves is an important factor in maintaining their quality. Tobacco curing involves subjecting the harvested leaves to controlled but varying temperatures and humidity over a specific period in specially constructed curing barns. The main source heat in the curing barn is wood fuel and now Biomass briquettes.
- Tobacco purchase/ procurement: Consists of acquiring green tobacco from contracted growers. This takes place in market centres registered with Tanzania Tobacco Board (TTB). Prior to bringing tobacco to the market, tobacco is graded and baled at TTB registered grading and baling centres under the supervision of primary society leadership. Growers then transfer bales from the grading and baling centres to the closest market centre. At market centres bales are weighed and scrutinized again for mixing and Non-Tobacco Related Material (NTRM) contamination. Bales that pass this final scrutiny are laid down for marketing. The sale of the tobacco is done when a TTB classifier assigns a national grade to tobacco bale presented for sale on the market day. PATL pays the grower a price corresponding to the grade assigned. Both grower and buyer can dispute grade assigned to a bale. When this occurs, TTB classifier returns to arbitrate on the dispute.

PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. BOX 1900 · MOROGORO · TANZANIA
 TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

- **Minimum Indicative Tobacco Grade Prices:** These are negotiated at the Tanzania Tobacco Council, a statutory stakeholder’s forum. Once the prices have been negotiated and agreed they are registered with the Tanzania Tobacco Board (TTB) and become legally binding. Of course, a tobacco buyer can offer contracted farmers prices above the minimum indicative prices. These prices are normally discussed before the commencement of the season, that is, between August and September each season.
- **Tobacco processing:** Consists of transforming green tobacco into processed dry and packed tobacco. The processing phase is detailed in the flowchart below;



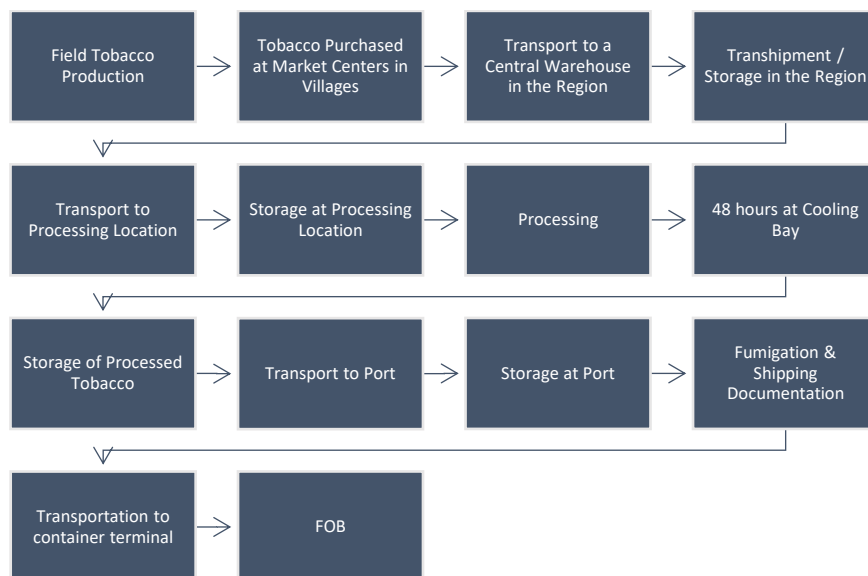
- Tobacco processing generates the following: lamina (main product) and stems and scraps (by-products).
- **Marketing and Sales:** Consists of the interaction between PATL and its global clients so that Premium can sell its products according to the clients’ different demands and needs.
- **Shipment:** Shipments are done according to client orders.

PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. Box 1900 · MOROGORO · TANZANIA
 TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

Scope of Operation – Tobacco Flow

Tobacco operations can be summarized in the flow diagram below.



Locations

Head Office

PATL headquarters are located in Morogoro at the following address:

1st Floor Tumbaku Building,

Dodoma Road,

Kihonda Morogoro,

Tanzania.

Telephone: +255 232 603604

Fax: +255 232 603603

Mobile: +255 787 017769

Email: info@premiumactive.co.tz

Market Centres

PATL purchases tobacco from market centres situated in the villages.

PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. Box 1900 · MOROGORO · TANZANIA
 TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

Warehouses in the Region

The company has a regional warehouse in Lupatingatinga Chunya, Iringa and Songea. The total capacity to store green tobacco in the regions is approximately 5-6 million kgs.

Processing of Green leaf tobacco

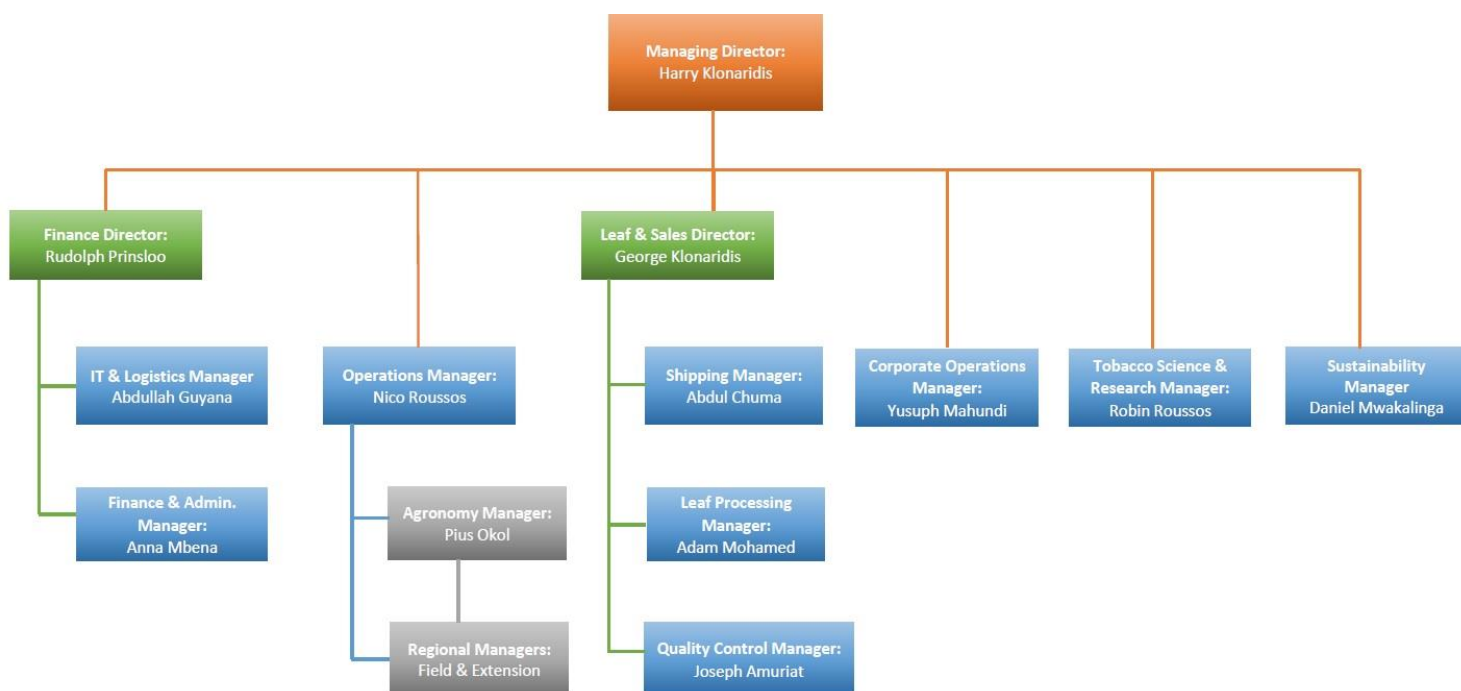
As mentioned before, the processing of tobacco is conducted in Morogoro at AOTTL processing facilities. The processing services comes with green tobacco storage space of 5,000 MT of green tobacco and dry tobacco storage space of 3,000MT.

Port

Tobacco is sea freighted to customers. In this regard, the Company uses the port of Dar Es Salaam to ship out tobacco to customers.

Staff Structure

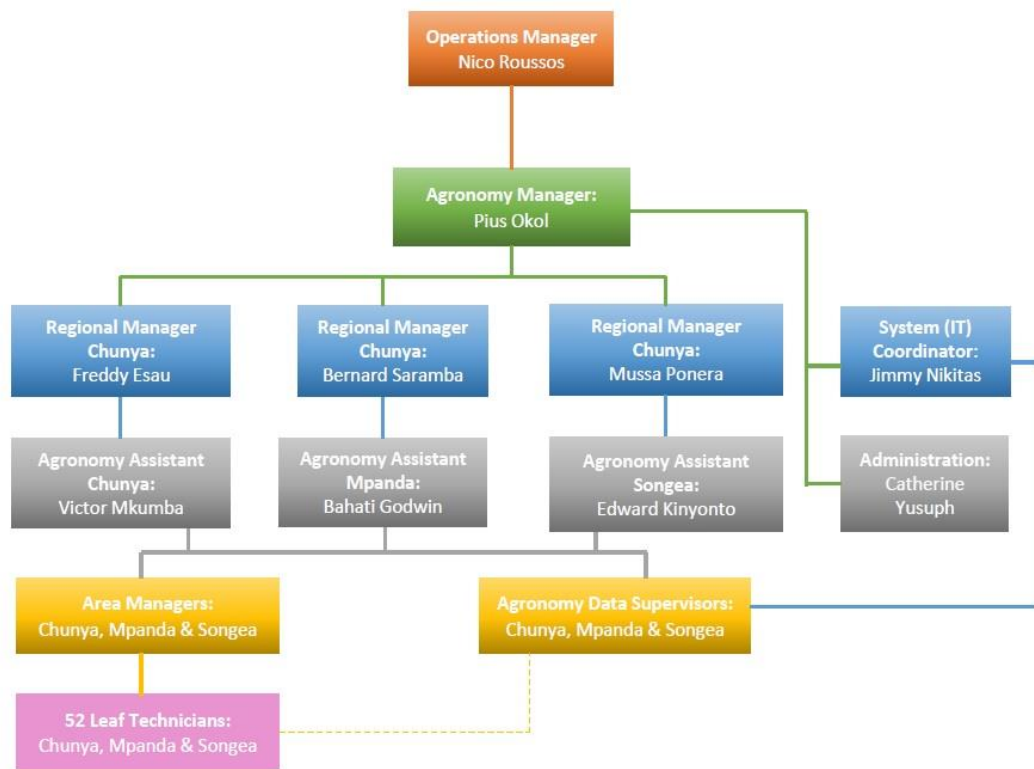
Senior Management Organogram



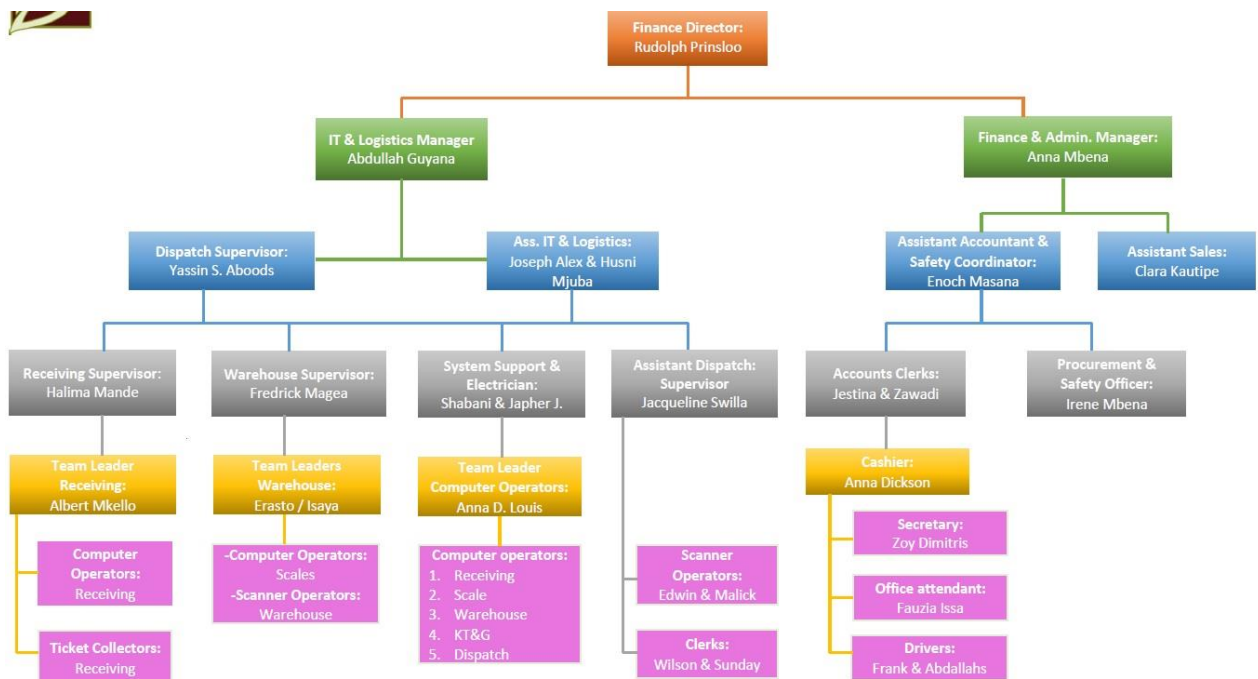
PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. Box 1900 · MOROGORO · TANZANIA
 TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

Agronomy Organogram



Finance and Administration Organogram



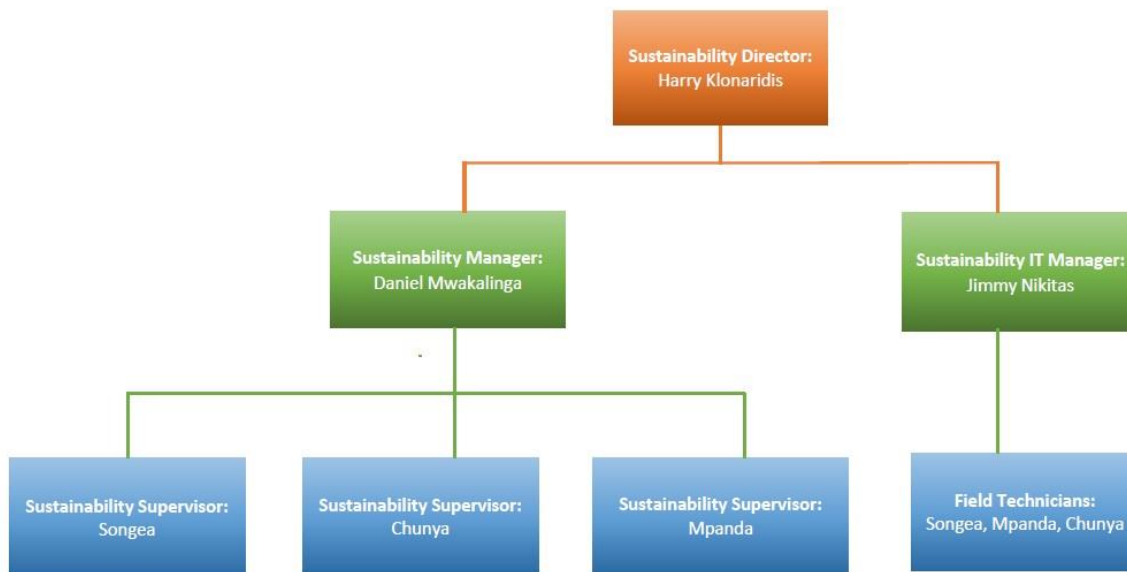
PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. Box 1900 · MOROGORO · TANZANIA
 TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

Leaf and Sales Organogram



Sustainability Organogram



The above organograms provide a detailed breakdown of how PATL's operational structure works.

PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. Box 1900 · MOROGORO · TANZANIA
 TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

Business Continuity Plan

Scenarios:

1. Natural Disasters
2. Shortage of Inputs
3. Key personnel resignation / sick
4. Large number of employees falling ill
5. Shutdown of third-party processing facilities
6. Pandemic
7. Civil unrest
8. Government intervention in industry
9. Information technology (IT) failure
10. Port disruptions
11. Key service providers disruptions
12. Government ban on wood-fuel

BCP Matrix:

Scenario	Probability	Impact	Preparation	Response
1	Medium	Extreme shortage in the crop	Create an operational model able to operate at bare minimum	Activate operational model
2	Medium	Crop shortage, low quality	<ol style="list-style-type: none"> 1. Safety fund/credit line to fund inputs & constant communication with inputs suppliers 2. Engage with multiple input suppliers 	Active option 1 & 2
3	Medium	Inability to conduct key operations e.g., Inhouse grading	Train and involve another employee in key personnel duties	Immediately inform fallback employee to cover job responsibilities
4	Low	Inability to meet daily operational requirements e.g., accounting	Collect telephone numbers and advise employees in the event of this scenario will have to fill in	Call all employees and advise they are required to fill in
5	Low	Unable to process tobacco and export not meeting customer demand	<ol style="list-style-type: none"> 1. Open communication with second processing facility in TZ 2. Negotiate rate annually with foreign facility, export tobacco to neighbouring country. Advise customers on BCP in 	Activate option 1 or 2.

PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. Box 1900 · MOROGORO · TANZANIA
 TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

			the event of this scenario	
6	Medium	Inability to operate as employees cannot perform job duties	Create a remote working policy	Activate remote working policy
7	Low	Complete shutdown of society and businesses	Ensure working capital sufficient to support employees for min of 3 months	Inform employees to remain home and support will be provided
8	Medium	Affecting business operations/model	Open communication with key government personnel and industry leaders	Request a sit down with key government personnel and industry leaders
9	Medium	Work operations cease as reliant on IT	Data backups and second server/IT system working in parallel	Activate parallel server and reconfigure IT system to operate off parallel system
10	Low	<ol style="list-style-type: none"> 1. Inability to export final product to customers 2. Unable to import key resources 	<ol style="list-style-type: none"> 1. Negotiate rates with FF's to transport tobacco to Mombasa Port 2. Negotiate rates with FF's to transport imported resources from Mombasa Port 	Inform freight forwarders and activate option 1 & 2
11	Medium	Unable to conduct basic operational requirements	Create a 3-service provider policy	Transfer workload to other available service providers
12	Low	Growers unable to cure tobacco	Source alternate curing fuel	Expand Biomass project to cater for large number of growers and activate

PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. Box 1900 · MOROGORO · TANZANIA
 TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

Investment Plan

Introduction

Market dynamics in Tanzania are changing rapidly with the entrance of new competitors in the tobacco industry and the expansion of other industries. This is placing Premium Active Tanzania in a challenging position as it is directly affecting our accessibility to large & good quality warehousing for green tobacco operations here in Morogoro, further increasing our dependency on our competitors for warehouse space.

PATL is to purchase 16 acres of land in Morogoro to build its own warehousing facility to reduce dependency on competitors and secure our position in the market for the future.

It is critical for PATL to invest in Morogoro to ease the challenges faced and secure our position.

This investment opportunity will:

- Drastically reduce PATL's dependency on competitors and warehousing landlords for space.
- Improve our efficiencies and give us greater control over our entire green operations.
- Allow PATL to adapt quicker to market changes.

This proposal will be achieved in two phases:

- **Phase 1:** Purchase of land identified in Morogoro (16 acres)
- **Phase 2:** Construction of warehouse facility (To begin construction of warehousing in September 2023)

Objectives

- Acquire 16 acres of land situated in Morogoro, Star City. **(Phase 1)**.
- Construct a warehouse facility for PATL (20,000m²) **(Phase 2)**.
- Control our own warehousing and reduce dependency on competitors and warehousing providers.
- Be in a stronger position to compete in the market.

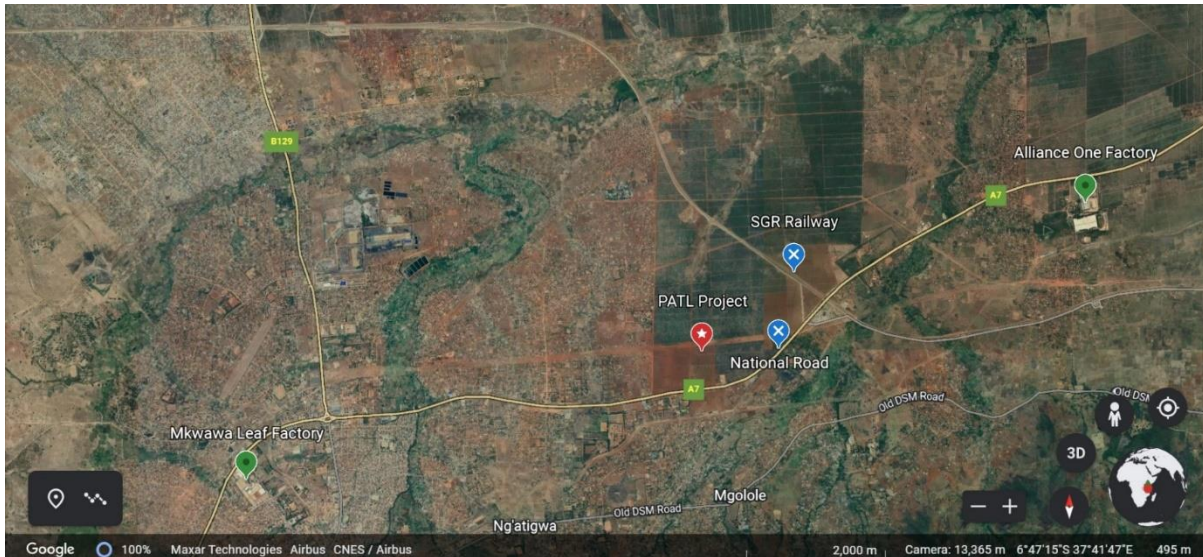
PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. BOX 1900 · MOROGORO · TANZANIA
TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

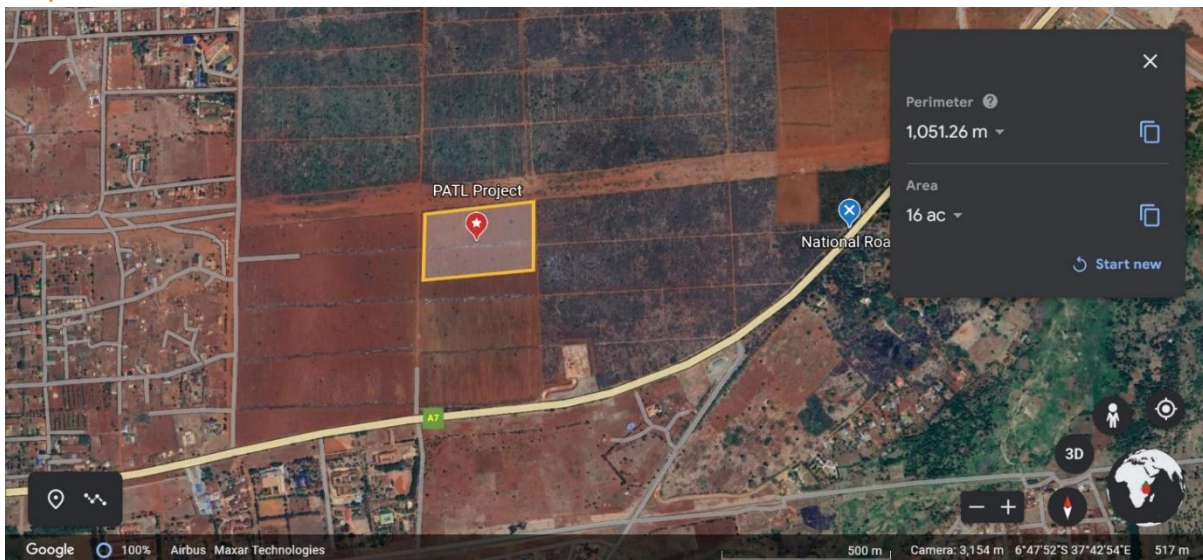
Phase 1

16 acres of prime land to be acquired at Star City, Tungi Estate, Morogoro at **\$410,000 USD (+- TZS 943,000,000).**

Map 1



Map 2



PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. Box 1900 · MOROGORO · TANZANIA
 TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

Photos



Strategic Advantages

- 400m from national road.
- Located 6.5km from Alliance One factory and 7.5km from Mkwawa Leaf factory.
- Located 10.8km from SGR railway terminal.
- Government planning on building an Inland Container Depot (ICD) in the same area.

PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. Box 1900 · MOROGORO · TANZANIA
TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM

Investment Financials (Phase 1 & 2)

This will take place in two phases:

- Phase 1: Purchase of land identified in Morogoro (16 acres)
- Phase 2: Construction of warehouse facility (Targeting to begin construction of warehousing in September 2023)

Property Development	
Investment Details	
Property (16 Acres)	\$410,000.00
Warehouse (20 000 sqm)	\$5,000,000.00
Infrastructure (Fencing, roads etc.)	\$340,000.00
Total Investment	\$5,750,000.00

Conclusion

It is vital to the future expansion of Premium Active Tanzania Limited that it is accepted and registered under the Tanzania Investment Centre (TIC) to realize its strategy to secure its position in the Tanzanian and global tobacco market and further expand its operations.

PREMIUM ACTIVE TANZANIA LIMITED

TUMBAKU HOUSE · PLOT NO.375 · BLOCK B KIHONDA · P. O. BOX 1900 · MOROGORO · TANZANIA
 TEL: +255 23 260-3604 · FAX: +255 23 260-3603 · MOB: +255 787 017 -769 · EMAIL: INFO@PREMIUMACTIVETZ.COM