

# JRO COLD STORAGE FACILITY (CSF) BUSINESS PLAN

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## 1. INTRODUCTION TO SWISSPORT TANZANIA PLC.

Swissport Tanzania Plc. (Swissport) a subsidiary of Swissport International Ltd, is a leading ground and cargo handling services provider in Tanzania. The Company operates at Julius Nyerere and Kilimanjaro International Airports with its head office located at the first floor of Swissport Freight Terminal at Julius Nyerere International Airport.

Swissport is incorporated under the laws of Tanzania with Certificate of Incorporation Number 9931, Tax Identification Number 100-100-827, VAT registration number 10-000023-A, the parent company is Swissport International Ltd, Company number CHE 108.494.528 with registration and domicile in Switzerland

Swissport Tanzania Plc., then known as Dar es Salaam Airport Handling Company (DAHACO) started its operations at Julius Nyerere International Airport on 1 October 1985 and extended its operations to Kilimanjaro International Airport (KIA) in October 1990.

Swissport International Ltd. acquired 51% of Swissport Tanzania (the then DAHACO) shares in year 2000 to become the majority shareholder of Swissport Tanzania. The remaining 49% of the Company shares are held by public through Dar es Salaam Stock Exchange (DSE). Following Government decision to sell its stake of the public.

The following are ten major shareholders of the Company:

No	Name	Nationality	%
1	Swissport International Ltd.	Swiss	51
2	SCB(T) RE: SSB: Change Global Frontier markets, LP Fund	Tanzanian	6
3	Umoja Unit Trust Scheme	Tanzanian	5
4	National Social Security Fund	Tanzanian	5
5	Public Service Social Security Fund	Tanzanian	4
6	Sayeed H. Kadri &/or Basharati Kadri &/or Mehboob Kadri &/or Khalid &/or Muzammil Kadri	Tanzanian	1
7	G.A.K Patel & Co. Limited	Tanzanian	1
8	Kalpesh Rajesh Mehta &/or Kavita Kalpesh Mehta	Tanzanian	1
9	Mohsin Gulamabbas Fazel	Tanzanian	1
10	Abdul Ayoub Abdulsamad	Tanzanian	1

With its broad portfolio of services, Swissport's business model is not only diverse, but also resilient to short-term volume changes by its airline clients. Airport ground services and air cargo handling complement each other perfectly.

Our aspirations are the same around the globe. Based on innovation, engagement, and reliability, we deliver high-quality, tailor-made solutions to meet the expectations of our clients. That is why the Swissport Formula is the way we work.

Swissport manages the freight flows for airlines, forwarders, and shippers at 116 warehouses in six continents. Our service includes cargo acceptance and documentation, build up and breakdown of pallets, container handling and loading and unloading of aircraft.

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Swissport invests in digital tools and modern equipment, among them gate and slot management systems and self-service cargo kiosks. We are Cargo Cinq and e-AWB compliant.

To offer its customers the same high level of end-to-end quality, Swissport is investing in cooling infrastructure and processes in its warehouses for perishables, lifesaving organs and pharma.

Swissport plays a key role in the supply chain of temperature-sensitive air freight. Currently, 14 of our warehouses have been certified for pharmaceutical logistics by IATA's CEIV Pharma, by the British MHRA or other recognized industry associations.

As of 2021, Pharma tonnage growth by 30.7% since 2018 (2018 handled 396,902tons Vs 518,751 tons handled in 2021). Due to this growth the largest pharmaceutical companies trusted Swissport to handle their temperature-controlled cargo. Swissport has 38,889m<sup>2</sup> temperature-controlled space available to its customer globally.

Swissport started operations at Kilimanjaro International Airport in 1990. Currently the Company is providing ground services, passenger services, manages cargo warehouse, and operates an Twiga lounge by Aspire the airport.

On 1 November 1997, Swissport Tanzania Plc, then known as Dar es Salaam Handling Company Ltd. (DAHACO), entered into a land lease agreement with The Directorate of Aerodromes, Ministry of Works, Transport and Communications, on behalf of the Government of the United Republic of Tanzania. The agreement was for the lease of 4,243 square meters of land, for the renovation and operation of the Cold Storage Facility (CSF) at KIA, for a period of 15 years from 1 January 1998 to 31 December 2013. The CSF was constructed and became operational in 1998 and was inaugurated on 24 April 1999.

The CSF inaugurated in 1999 is dilapidated and Swissport looking the opportunity to re-invest in the new Cold Storage Facility (CSF) under PPP arrangement.

## 2. PROJECT DESCRIPTION

### 2.1 PROJECT BRIEF

Swissport Cargo handling services at JRO are currently performed in two separate cargo facilities. General cargo is handled in the current general cargo warehouse while perishables are handled in the Cold Storage Facility (CSF).

The CSF was constructed by Swissport Tanzania Plc. in 1998 under the PPP terms to boost farming and export of horticultural products in Northern Tanzania. The facility was handed over to the Government in 2013.

On average Swissport handles about 1,550 tons of perishables per annum at KIA. The volumes have been constant for many years. The low volumes of perishables have led to under-utilization of the CSF, the current utilization rate is 11%.

Statistically, 80% of cargo volumes at JRO are export perishables, while 20% is import general cargo and few outbound mails or express parcels. The report of the special committee formulated by KADCO of 2020 indicated that about 1,657 tons of perishables are trucked from Tanzania and exported through Jomo Kenyatta International Airport (JKIA) due to poor infrastructure at KIA. Considering the low volumes of both general cargo and perishables handled at KIA, Swissport has developed a concept which is intended to provide a better infrastructure for perishables handling and improved warehouse utilization by constructing a state of art CSF through re-engineering of perishables handling processes.

### 2.2 SECTOR OVERVIEW

Review of international experience in comparable PPPs within the sector with an emphasis on lessons learnt and good practices International Practice and Experience

### 2.3 SCOPE AND OBJECTIVES OF THE PROJECT

#### 2.3.1 SCOPE

This project's scope is a standard renovation project of a full cold storage facility within the airport premises. The intent is to provide a completely automated operating chilled-water system fully commissioned and balanced with a complete maintenance program.

The facility will offer a standard, climate-controlled zone, storage chambers or compartments, loading and offloading bays, security controls, office space and staff welfare facilities.

The cold storage facility will be located adjacent to the airside and it's going to have the latest in automation and smart warehouse technology to maximize efficiency. This facility has the potential to streamline and link directly to the global cold chain, making KIA a perishable port of choice for air cargo transporters.

### **2.3.2 OBJECTIVES**

Swissport Tanzania Plc has set aside 1.7 billion (EUR 765k) to construct a modern, state-of-the-art cold storage facility at Kilimanjaro International Airport.

With its current facilities, KIA has had some problems keeping the perishable products at proper temperatures and provide space for the volumes.

The renovation at the cold storage facility is to make the storing process more efficient. The facility will include switching a more energy-efficient system and adding an extra engine room to house the refrigeration compressors, allowing for more storage space in the cold rooms.

Status of the current warehouse

- Currently there are two rooms in the existing facility, i.e., Room 1 (Flower room) and Room 2 (Vegetable room).
- Only flower room is working, the vegetable room is unserviceable, cooling equipment not working.
- Generally, the CSF is dilapidated which jeopardise safety of our staff.
- The existing CSF has the following handling capacity:
  - 20 positions of 10-foot aircraft pallets, ball matting and roller beds. Up to 80 tons of flowers can be accommodated at a time
  - Vegetable room with operating temperatures of -2°C - +8 °C. The room can accommodate up to 30 tons.
  - The CSF can accommodate up to 110 tons of perishables at a time.
- The underlying objective of the project is to solve the existing challenges and improving efficiency at the airport. The proposed warehouse is expected to add the volume of perishables handled and directly add to the country's economy by stimulating perishable export from KIA. The following are plans for the new CSF.
  - Convert the existing storage rooms by adding additional rooms to be able to accommodate and segregate perishable commodities in required temperature ranges based on exporters requirements and perishable handling standards.
  - Room-1 (Flower Room)- will be converted into two storage compartments
    - Flower compartment with storage capacity of 121 square meters (+2'c to +8'c)
    - MEAT compartment with storage capacity of 121 square meters (+2'c to +8'c)
    - All will have a separate access door through a common corridor (pathway) to ramp interface
  - Room-2 (Vegetable ROOM)- will be converted into three storage comparts and two small imports perishable storage as shown below.

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- Vegetable compartment- with storage capacity of 49 square meters (+2'c to +25'c adjustable temperatures)
- Fruits (+2'c to +25'c) with storage capacity of 45.6 square meters
- Miscellaneous storage (+2'c to +8'c) with storage capacity of 45.6 square meters
- Import perishables (+2'c to +25'c)
- Pharma Imports (+15'c)
- Acceptance /offloading will be done in a temperature-controlled environment (+15'c)
- One additional weighing scale installation in the vegetable compartment
- New truck interface and bollards at truck unloading area

### **2.3.3 SUITABILITY OF THE PROPOSED SITE AND GEOGRAPHIC LOCATION**

The renovation and operation of the proposed new cold room facility at Kilimanjaro International Airport tapping from Kilimanjaro, Arusha and Manyara perishable produce will improve the export from the region hence bringing positive effects in employment, and businesses creation with the country.

Transporting perishable goods has never been smooth due to challenges such as unsupportive airport infrastructure. Lack of cargo facilities for handling perishable products at Kilimanjaro International Airport has led to some exporters preferring using Jomo Kenyatta International Airport (JKIA) in Kenya to export perishable products.

Traditionally, about 80 percent of horticultural products produced in Tanzania, especially the Northern Regions of Arusha, Kilimanjaro, Manyara were being airlifted to international markets via JKIA.

According to the Tanzania Civil Aviation Authority (TCAA), 40 percent of fruits and vegetables harvested go bad each year before they are transported. As a result, the regulator sees a need to improve services at airports such as KIA to attract exporters of perishable goods.

A new study shows that lack of streamlined infrastructure, institutions, and policy frameworks are inhibiting Tanzania from exploiting its potential for producing and exporting high-value crops. This is despite geography, environment, political stability, and the growing demand for flowers, fruits, vegetables, coffee, fish, and meat, giving the country an added advantage of beefing up production and export.

The study by the Tanzania Civil Aviation Authority (TCAA) reveals that neighbouring countries are tapping in on Tanzania's failure to exploit its enormous potential by exporting its horticultural products through their airports and harbours.

Findings of the study show that most of the perishable products produced in Tanzania are exported through JKIA. In addition, the report identifies other attractive factors at JKIA: the availability of necessary export services such as cooling and preservation facilities and aircraft tailor-made for transporting perishable crops.

For the above reasons, Swissport is looking for an opportunity to invest in the state of art warehouse at KIA to be able to tap the leaking cargo to JKIA

### 2.3.4 PROJECT RATIONALE AND EXPECTED OUTCOMES (PROBLEM TO SOLUTION)

The volume of perishable products uplifted via KIA has been constant (6 – 13 tons/day) for many years despite the increase in the farming of horticultural products in the region. This is because most of the perishable produce cultivated in the northern part of Tanzania is exported via JKIA.

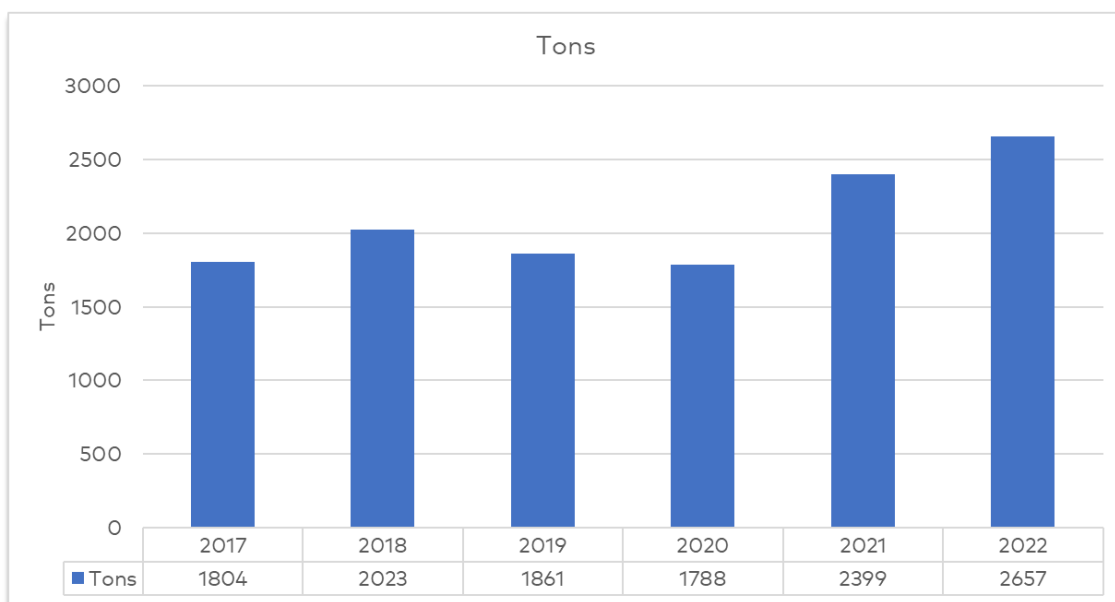
The volume of perishables uplifted at KIA is also affected by the limited space capacity offered by the airlines operating at KIA. No freighter is operating at KIA; hence all perishable volumes are uplifted using passenger aircraft, which have a limited space capacity for cargo. Other than KLM, ET and QR who operates wide body aircraft all other airlines are operating narrow body aircraft, which are not ideal for cargo.

Freighters are not operating at KIA due to inadequate inbound cargo and limited outbound cargo. This makes it uneconomical for freighter operations.

Delays and cancelled flights created special problems of their own. Flights scheduled on weekends could rarely be availed of, as most people do not work at that time, and gathering of produce as well as preparation of shipping documents were not possible.

Recently there have been an increase in meat export at the airport and prospects for fruits and fish export. However, due to dilapidated CFS, Swissport is forced to rent refrigerated containers to maintain the quality of meat.

**KIA Perishables Cargo Export and Import Statistics 2017 to 2022**



Because of technology advancements and logistic strategies, the cold storage of perishable items has become an important stage in the distribution between shippers, handlers, and transporters. The new CSF proposed by Swissport will ensure the increased availability and improved quality of high value perishable product for both export and import which would otherwise perish or deteriorate.

### **2.3.5 PROJECT BENEFICIARIES**

The improved facility will benefit the farmers and growers of perishable products, the exporters and transporters of the cold chain dependant produce, the contracting authority, partner company and the Government at large.

#### **Farmers and growers**

Tanzania is a surplus producer of several agriculture commodities. But the country's farmers do not get remunerative prices because of a lack of investment in export-driven facilities such as cold storage, warehouses, and processing units. The improved storage facility at KIA is expected to improve handling capacity of perishables. As a result, farmers' and growers' production is expected to increase. The export market for produces such as meat, fruits, cuttings, vegetables, and other cold chain dependant is already available, improved facilities will allow the export potential to be fully exploited.

#### **Exporters and transporters**

Cold storages are key requirements in the post-harvest storage and distribution function of perishable commodities and food products. It facilitates the delivery of perishable agricultural products like fruits, vegetables, meat, fish, poultry, milk, and milk-based products from production centres to consumption centres.

To meet consumers' needs in quality and safety, cold chain adds value to perishable products, maintain products' quality, and extends the shelf life of products. For this reason, exporters benefit from supported cold chain performance by the introduction of the cold storage facility to create more competitive advantages in the market.

#### **Contracting authority**

The contracting authority in this case KADCO shall benefit from concession fee imposed to the partner company for operating cargo handling operations at the airport pursuant to the laws. More, increased airline customers operating at the airport stimulated by the presence of the facility that supports the demand for freight uplift will as well contribute to the revenue of the contracting authority.

Positioning itself as an airport of choice for the cold chain dependent produces, the airport has a competitive advantage above other competing airports especially those in the neighbouring countries.

The constructed facility is an investment to the contracting authority and under the Build Own and Transfer (BOT arrangement, finally the ownership lies with the contracting authority with zero financial capital investment.

**Rent and the incremental concession payable to KADCO during BOT period.**

<b>Rent and the incremental concession payable to KADCO during BOT period</b>			
<b>Year</b>	<b>Rental Fee (50 USD per Square Meter)</b>	<b>Concession (12% of Revenue)</b>	<b>Total</b>
2023	76,800,000	44,240,894	121,040,894
2024	76,800,000	56,601,579	133,401,579
2025	76,800,000	67,044,570	143,844,570
2026	76,800,000	79,414,294	156,214,294
2027	76,800,000	89,976,395	166,776,395
2028	76,800,000	99,162,984	175,962,984
2029	76,800,000	108,266,146	185,066,146
2030	76,800,000	118,204,979	195,004,979
2031	76,800,000	129,056,196	205,856,196
2032	76,800,000	140,903,554	217,703,554
2033	76,800,000	153,838,501	230,638,501
2034	76,800,000	167,960,875	244,760,875
2035	76,800,000	183,379,683	260,179,683
<b>Total</b>	<b>998,400,000</b>	<b>1,438,050,651</b>	<b>2,436,450,651</b>

**Partner company**

Swissport sets up a cold storage facility as part of the investment on the cargo handling business. Due to low warehouse utilization ratio and lack of space from the airline the payback period of the investment is expected to be 10.3 years.

Swissport is committed in investing in the facility to improve customers' experience at KIA and support the government ambition to promote export within the country. Swissport invested in the similar project in 1998. The warehouse was transferred to KADCO in 2013 before the payback period.

**Government**

The most significant advantage to the Government is the taxes and duties collected in the entire chain of export of perishable products. Total taxes to be paid to the Government is detailed in **Appendix 2**

### **2.3.6 NEED ANALYSIS**

The existing diversity of agro-climatic zones implies that wide ranges of horticultural crops can be grown in Tanzania. Despite high production potential in many parts of the country, now horticulture is only relatively well developed in the northern regions (like Arusha, Kilimanjaro and Tanga) and the southern highlands (Mbeya and Iringa). The lack of proper infrastructure, access to markets and investment programmes form major bottlenecks to other regions with potential to develop a commercial and export-oriented horticulture sector.

The major vegetable crops include tomatoes (popular in all regions except in the western and southern zones), onions (largely produced in central and northern zones), kale (popular in the highlands) and cabbage (white, red, and Chinese), followed by potatoes, beans, peas, okra, brinjals, leeks, spinach, carrots, and cauliflower.

A wide range of fruits is cultivated. These include tropical fruits like citrus, mangoes, pineapples, avocado, jackfruit, bananas, and guavas, but also fruits suitable to more temperate climates (the highlands) such as apples, pears, blackberries, and strawberries.

Only a small percentage of the fruit production is exported to the EU markets. Most fruits are for domestic consumption (fresh or processed) and regional export markets within Southern and Eastern Africa.

#### **Strengths**

Arusha and Kilimanjaro regions have favourable geographical and climatic situations as well as good soil and water conditions which is a crucial strength to the horticulture sector ensuring a year-round growing season of flowers, cuttings, vegetables, and horticultural seeds.

This geographical concentration provides the option to build up an efficient export cluster of horticulture industry, infrastructure, related companies, and support services.

Swissport has vast of experience in handling perishable products. The Company has been operating the cold room facility at KIA since 1998 by consistently offering quality service at the airport. Moreover, being a subsidiary of Swissport International Limited, the global leader of ground and cargo handling, the Company is determined to construct the best CFS that will help resolve the ongoing challenges at the airport.

Swissport has a financial massless to invest in the facility using own generate

### **Weaknesses**

The following are the main weakness of the project

- The availability of space is a serious bottleneck to most exporters. Mainly the passenger flights coming at Kilimanjaro airport carry perishable exports.
- Low volume of perishable products. Currently Swissport is handling between 7 to 13 tons of perishable product per day. This translates to 11% utilization of the capacity of the facility. The production capacity of perishables is not good enough to warrant the airline to operate the freighters.
  - Lack of local suppliers of cold room equipment and competent companies to maintain the facility. This resulted to reliance of foreign suppliers and technical service providers. Consequently, maintenance costs are high. Annual maintenance contract cost US\$ 10,000 only for labour, spares are purchased separately.
  - Low payback period of the project.
  - Uneven government policies to support horticultural and meat production. Exporters have been complaining about the high production cost due to high taxes when compared to Kenya and Uganda.

### **2.3.7 OPTION ANALYSIS**

Desired outcome is for KIA to become an integral part of the export business for the perishable produce. This can be achieved through Public and private partnership between the Government and stakeholders with proven experience in skills, renovations of the CSF, technology, management, and operation of the facility.

Swissport will finance the renovation of the project form own fund. This will free KADCO from the need to invest in the warehouse from own revenue.

### **2.3.8 PROJECT ADMINISTRATION AND INSTITUTIONAL CAPABILITIES**

Swissport has identified an experienced consultant who assisted the Company with technical drawings of the project. The consultant is expected to administer all renovation activities of the project under close follow up by Swissport management.

Swissport have experience in supervising renovation and constructions of warehouses. In 2016 the Company commissioned the state-of-the-art import warehouse of 8,340 square meter at JNIA and recently completed prefabrication of the world class export cold room at JNIA with 720.7 square meter.

The Company is expected to construct the CSF at JRO using own generated cashflow.

## 3. PROJECT INNOVATION AND UNIQUENESS

### 3.1 PROJECT INNOVATION AND UNIQUENESS

Renovation of a Cold Storage Facility in Kilimanjaro International Airport includes five (5) cold rooms and or compartment with 3.2m high continuous panels. Each cold room/compartment is equipped with a unique blower system and cutting-edge technology in mobile racking. The project included the installation of a new fire sprinkler system.

A fresh design approach has given rise to a unique building which compliments the strategic and locational benefits of the building. The harmonious choice of structural elements combined with technology, technical aesthetics, colour, and material has resulted in a visually appealing industrial building fit for purpose. It is a building which enhances the experience of the user and adds value to the immediate context.

Notable elements of the project include:

- Increased storage capacity adding more storage space
- Division of storage spaces to get a good control of power with automatic switched installed.
- Compartments allows storage of different type of perishables at different temperature range.
- Dual loading zone improving receiving of goods and track management
- Safety control of staff entering the warehouse by creating a changing room closer to the warehouse and installing sterilized foot pool
- Caster decks improvement since most of the current decks making it hard for the PMC/ULD movement and being uneven level due to being in use for many years
- Improvement of lighting inside the warehouse
- Interface improvement giving proper temperature control of the facility and easy access to the handles and supervisors

Industrial buildings are characterised by standard 'archetypal features' such as large unbroken facades, blank walls, large spans of repetitive faces and materials which integrate various engineering structures and equipment.

### **3.2 ANTICIPATED BENEFITS**

The new design has been considered the modern requirements of cold room that will ensure the cold chain is maintained through the handling process. Some specific benefits of the design are as follows:

- Having different compartments will ensure meat, medicine, and horticultural products are separated as per ICAO requirement in handling perishables.
- Meeting customers' requirements.
- Offering local facility, which may encourage farmers to export via KIA instead of trucking to Kenya.
- Panels are connected in a puzzle form. Afterwards they can also be demounted for replacements.
- Panels are smooth, hygienic and are easily cleanable. As they are hygienic, they are commonly used in hospitals, in grocery storehouses and in medicament branches.
- Panels prevent the heat loss with its individual design and accessories.

Cooling groups are produced under ISO – 9001: 2000 quality assurance systems. Cooling equipment which are used by production are from the world's leading brands with advanced technology units. Mounting is made with devices which have compact CNC technology. The cooling groups are produced in accordance with the European Safety Standards and have CE labels.

### **3.3 PROJECT REVENUE AND PROFITABILITY**

TZS 11.98 billion additional revenue will be earned during the contract period. Revenue will be earned through THC charged to exporters. The report issued by KADCO special committee on improving general and perishable cargo transportation at KIA, indicated that 1,657 perishables are trucked to Nairobi, Kenya due to poor infrastructure at the station. If invested in the cold room, the lost volume is expected to be recovered in four years i.e., 2023 +30%, 2024 +50% 2025 +65%, 2026 +85%, 2027 +100%. Revenue will be earned through increment volume.

Rehabilitation and enhancement of the CSF will generate TZS 1.6 billion additional profit in 10 years.

### **3.4 PAYMENT MECHANISM**

Concession and rental charges will be paid to KADCO on monthly basis.

### **3.5 ASSET HANDOVER**

Assets handover will be as per terms agreed in the BOT contract.

### **3.6 MARKET APPETITE**

Customers, especially meat exporters, are pushing to refurbish the existing CSF or renovation of the new CSF. Due to poor infrastructure at KIA, customer have been choosing JKIA to export perishables.

### **3.7 PROPERTY RIGHTS AND PROPRIETARY DATA**

Property rights will remain with Swissport during the BOT period. After the expiration of the BOT period, Swissport shall transfer the ownership of the fixed building to KADCO while all fitted material handling and cooling equipment will remain the properties of Swissport. The proposal is intended to ensure scrap material handling and cooling equipment which require major rehabilitation are not transferred to KADCO. This equipment has an average useful life of between 10 – 15 years.

## 4. PRELIMINARY FINANCIAL ANALYSIS

### 4.1 FINANCIAL VIABILITY

Financial viability of the project is attached under **Appendix 1**.

### 4.2 SENSITIVITY TESTING

Sensitivity analysis of the project is centered on the worst-case scenario if the following happens to the base case.

- Prices decreased by 2% due to competition
- Volume decreases by 1% due to unfavourable weather condition
- Cost increase by 4% due to inflation

If the above happens then payback period for the project will increase to 11.4 years.

### 4.3 GOVERNMENT SUPPORT

For the project to be successful, government support in the following areas is required.

- Approval of the project to construct the CSF at KIA by Swissport
- Tax incentives on importation of cold room facilities and material handling equipment

### 4.4 AFFORDABILITY ASSESSMENT

Swissport will finance the project using own cashflow. The Company has enough cash flow to finance the project.

### 4.5 VALUE FOR MONEY ANALYSIS

Due to KIA's low warehouse utilization ratio, achieving the project's economy is difficult. Swissport will not benefit financially as the initial cost of the project will be recovered in the entire contract period. Therefore, the project's value for money is assessed on efficiency and effectiveness. Upon completion of the project the following will be achieved

- Improving operations safety
- Improving quality of services offered to customers.

## 5. PRELIMINARY LEGAL DUE DILIGENCE

### 5.1 LEGAL ENVIRONMENT

The Company is operating in a stable legal environment. Do not have any legal case that may hinder the execution of the project

### 5.2 COMPLIANCE WITH OTHER RELEVANT LAWS

The Company is fully compliant with the laws and regulations of the country and regulators (Dar es Salaam Stock Exchange (DSE), Tanzania Airports Authority (TAA), Tanzania Civil Aviation Authority (TCAA), and Capital Market Securities Authority (CMSA))

### 5.3 DUE DILIGENCE PROCESS

Due diligence was conducted based on the airport's operational experience, inquiry, and information received from government publications and other sectorial statistics.

### 5.4 LEGAL VIABILITY

The request to construct a new Cold Storage Facility at KIA within the legal framework of the United Republic of Tanzania does not contravene any law of the land.

## 6. INSTITUTIONAL ANALYSIS

### 6.1 PROJECT STAKEHOLDERS

Key stakeholders of the project are.

- The Government of the United Republic of Tanzania
- Kilimanjaro Airports Development Company
- Swissport Tanzania Plc.
- Consultant
- Contractor

### 6.2 ROLES AND RESPONSIBILITIES OF THE STAKEHOLDERS

#### *The Government of the United Republic of Tanzania*

Through the Ministry of works, the Government of the United Republic of Tanzania will be required to approve KADCO to execute the project as required by Public Procurement Act. In addition, Tanzania Revenue Authority will be required to exempt VAT on cold room equipment through the Tanzania Investment centre.

#### ***Kilimanjaro Airports Development Company Ltd (KADCO)***

- Approve the project to be executed by Swissport.
- Approve technical drawings of the project.
- Provide access to the site of contractions of the cold room.
- Approve the terms of reference under the BOT agreement.

#### ***Swissport Tanzania Plc.***

- Selection of the consultant and contractor of the project
- Submission of technical drawings to KADCO for approval
- Finance the project
- Supervision the execution of the project
- Provide all necessary reports to KADCO in respect of the progress of the project

#### ***Consultant***

- Provide drawings of the new Cold Storage Facility
- Accountable for the supervision of the project on behalf of Swissport
- Provide project progress report to Swissport
- Accountable to Swissport if the project is not executed as per agreed technical specifications.

#### ***Contractor***

- Execute the project under the laws and regulations of the country
- Accountable for obtaining all professional permits to execute the project.
- Follow all rules and regulations in executing the project at the airport as directed by KADCO

**JRO COLD STORAGE FACILITY  
BUSSINESS PLAN**

**Appendix 1: Financial Analysis  
Profit and loss**

All data in TZS	Opening	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
<b>Total revenues &amp; other operating income</b>		<b>368,674</b>	<b>471,680</b>	<b>558,705</b>	<b>661,786</b>	<b>749,803</b>	<b>826,358</b>	<b>902,218</b>	<b>985,041</b>	<b>1,075,468</b>	<b>1,174,196</b>	<b>1,281,988</b>	<b>1,399,674</b>	<b>1,528,164</b>	<b>11,983,755</b>
Price per tons		304	320	330	340	350	360	371	382	394	406	418	430	443	384
Number of tons #		1,213	1,473	1,695	1,949	2,144	2,294	2,431	2,577	2,732	2,896	3,069	3,254	3,449	31,174
Non unit based revenue		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total revenues		368,674	471,680	558,705	661,786	749,803	826,358	902,218	985,041	1,075,468	1,174,196	1,281,988	1,399,674	1,528,164	11,983,755
Other operating income		0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Direct Costs incl. Start-up</b>		<b>343,516</b>	<b>385,158</b>	<b>425,871</b>	<b>491,222</b>	<b>536,413</b>	<b>559,837</b>	<b>606,212</b>	<b>656,004</b>	<b>709,431</b>	<b>741,229</b>	<b>801,623</b>	<b>866,359</b>	<b>935,718</b>	<b>8,058,593</b>
<b>% Total Direct Costs / Revenues</b>		<b>93.2%</b>	<b>81.7%</b>	<b>76.2%</b>	<b>74.2%</b>	<b>71.5%</b>	<b>67.7%</b>	<b>67.2%</b>	<b>66.6%</b>	<b>66.0%</b>	<b>63.1%</b>	<b>62.5%</b>	<b>61.9%</b>	<b>61.2%</b>	<b>67.2%</b>
<b>FTEs</b>		<b>6</b>	<b>7</b>	<b>8</b>	<b>10</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>17</b>	
Total personnel costs		165,793	191,056	218,074	267,099	298,740	310,690	345,784	383,190	423,034	439,955	484,071	531,012	580,934	4,639,431
Total service costs		55,800	58,032	60,353	62,767	65,278	67,889	70,605	73,429	76,366	79,421	82,598	85,902	89,338	927,778
Total property related costs		55,853	52,769	49,695	46,631	43,578	40,535	37,503	34,484	31,476	28,481	25,499	22,531	19,577	488,611
Total material costs		3,638	4,597	5,287	6,080	6,688	7,156	7,585	8,041	8,523	9,034	9,576	10,151	10,760	97,117
Total equipment fuel, repair and maintenance cost		18,191	22,102	25,418	29,230	32,153	34,404	36,468	38,656	40,976	43,434	46,040	48,803	51,731	467,607
Concession Fees		44,241	56,602	67,045	79,414	89,976	99,163	108,266	118,205	129,056	140,904	153,839	167,961	183,380	1,438,051
<b>Gross Profit</b>		<b>25,158</b>	<b>86,522</b>	<b>132,833</b>	<b>170,564</b>	<b>213,390</b>	<b>266,521</b>	<b>296,006</b>	<b>329,037</b>	<b>366,037</b>	<b>432,967</b>	<b>480,365</b>	<b>533,315</b>	<b>592,446</b>	<b>3,925,162</b>
<b>% Gross Margin / Revenues</b>		<b>6.8%</b>	<b>18.3%</b>	<b>23.8%</b>	<b>25.8%</b>	<b>28.5%</b>	<b>32.3%</b>	<b>32.8%</b>	<b>33.4%</b>	<b>34.0%</b>	<b>36.9%</b>	<b>37.5%</b>	<b>38.1%</b>	<b>38.8%</b>	<b>32.8%</b>
<b>Overheads and Management Fees (Incremental for Group only)</b>		<b>7,465</b>	<b>7,764</b>	<b>8,074</b>	<b>8,397</b>	<b>8,733</b>	<b>9,082</b>	<b>9,446</b>	<b>9,823</b>	<b>10,216</b>	<b>10,625</b>	<b>11,050</b>	<b>11,492</b>	<b>11,952</b>	<b>124,120</b>
<b>Overhead FTEs</b>		<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	
Station Overheads		4,000	4,160	4,326	4,499	4,679	4,866	5,061	5,263	5,474	5,693	5,920	6,157	6,404	66,502
Country Overheads		3,465	3,604	3,748	3,898	4,054	4,216	4,385	4,560	4,743	4,932	5,130	5,335	5,548	57,618
<b>EBITDA</b>		<b>17,693</b>	<b>78,758</b>	<b>124,759</b>	<b>162,167</b>	<b>204,657</b>	<b>257,439</b>	<b>286,560</b>	<b>319,214</b>	<b>355,821</b>	<b>422,342</b>	<b>469,315</b>	<b>521,823</b>	<b>580,494</b>	<b>3,801,042</b>
<b>% EBITDA / Revenues</b>		<b>4.8%</b>	<b>16.7%</b>	<b>22.3%</b>	<b>24.5%</b>	<b>27.3%</b>	<b>31.2%</b>	<b>31.8%</b>	<b>32.4%</b>	<b>33.1%</b>	<b>36.0%</b>	<b>36.6%</b>	<b>37.3%</b>	<b>38.0%</b>	<b>31.7%</b>
<b>Depreciation</b>		<b>132,940</b>	<b>132,940</b>	<b>132,940</b>	<b>132,940</b>	<b>132,940</b>	<b>132,940</b>	<b>132,940</b>	<b>132,940</b>	<b>132,940</b>	<b>132,940</b>	<b>132,940</b>	<b>132,940</b>	<b>132,940</b>	<b>1,728,220</b>
Purchase		132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	1,728,220
<b>EBIT</b>		<b>(115,247)</b>	<b>(54,182)</b>	<b>(8,181)</b>	<b>29,227</b>	<b>71,717</b>	<b>124,499</b>	<b>153,620</b>	<b>186,274</b>	<b>222,881</b>	<b>289,402</b>	<b>336,375</b>	<b>388,883</b>	<b>447,554</b>	<b>2,072,822</b>
<b>% EBIT / Revenues</b>		<b>-31.3%</b>	<b>-11.5%</b>	<b>-1.5%</b>	<b>4.4%</b>	<b>9.6%</b>	<b>15.1%</b>	<b>17.0%</b>	<b>18.9%</b>	<b>20.7%</b>	<b>24.6%</b>	<b>26.2%</b>	<b>27.8%</b>	<b>29.3%</b>	<b>17.3%</b>
<b>Income Tax</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>8,768</b>	<b>21,515</b>	<b>37,350</b>	<b>46,086</b>	<b>55,882</b>	<b>66,864</b>	<b>86,821</b>	<b>100,912</b>	<b>116,665</b>	<b>134,266</b>	<b>675,130</b>
<b>%</b>		<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>	
<b>Net Profit</b>		<b>(115,247)</b>	<b>(54,182)</b>	<b>(8,181)</b>	<b>20,459</b>	<b>50,202</b>	<b>87,149</b>	<b>107,534</b>	<b>130,392</b>	<b>156,017</b>	<b>202,581</b>	<b>235,462</b>	<b>272,218</b>	<b>313,288</b>	<b>1,397,693</b>

**JRO COLD STORAGE FACILITY  
BUSSINESS PLAN**

**Capex**

Description (from "Commitments_all" tab)	Supplier	Comments	Purchase price per unit (TZS)	Quant to source	Total purchase value (TZS)	Custom per unit (TZS)	Not refundat taxes per unit (TZS)	Transportation per unit	Other incidental costs per unit	Total fair value (TZS)	Financing	Lease / Rent fee per unit p.a. (TZS)	Total Lease Rental fee p.a. (TZS)	Duratio of lease period	Total investment (TZS)	Total inv. Excl. fin. (TZS)
Construction of JRO cold room	N/A	N/A	1,994,100	1	1,994,100	-	-	-	-	1,994,100	Purchase	-	-	0	1,994,100	1,994,100

**Cash flow**

All data in TZS	Opening	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
<b>Investment Summary - Cash Flow</b>															
<b>EBIT</b>		(115,247)	(54,182)	(8,181)	29,227	71,717	124,499	153,620	186,274	222,881	289,402	336,375	388,883	447,554	2,072,822
+ Depreciation		132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	1,728,220
- Income Tax		-	-	-	(8,768)	(21,515)	(37,350)	(46,086)	(55,882)	(66,864)	(86,821)	(100,912)	(116,665)	(134,266)	-675,130
Working Capital															
Accounts receivable (DSO) in days	13	13,131	16,800	19,899	23,570	26,705	29,432	32,134	35,084	38,304	41,821	45,660	49,851	54,428	
Inventory (Inventory days)	30	14,607	15,954	17,079	18,421	19,535	20,478	21,405	22,423	23,539	24,762	26,100	27,563	29,160	
Accounts payable (DPO) in days	45	21,911	23,930	25,619	27,632	29,302	30,717	32,108	33,635	35,309	37,143	39,150	41,344	43,741	
Total change in working capital		5,827	2,996	2,537	3,000	2,578	2,255	2,238	2,441	2,662	2,905	3,170	3,460	3,778	39,848
<b>Operating Cash Flow</b>		11,866	75,763	122,223	150,398	180,564	217,834	238,236	260,891	286,294	332,617	365,232	401,698	442,450	3,086,065

**NPV and IRR**

<b>Total Investment excluding finance lease interest</b>	<b>1,994,100</b>
<b>Funded with cash (purchase &amp; transfer)</b>	<b>1,994,100</b>
<b>Funded with Finance Lease incl. interest</b>	<b>0</b>
<b>Funded with Operating Lease</b>	<b>0</b>
<b>Maximum lease duration (years)</b>	<b>0</b>
<b>Net Present Value at WACC</b>	<b>15.0%</b> <b>(871,891)</b>
<b>Nominal payback period in years</b>	<b>10.3</b>
<b>IRR incl. Residual value</b>	<b>7.7%</b>

**JRO COLD STORAGE FACILITY  
BUSSINESS PLAN**

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**Appendix 2: Taxes to be paid to the Government.**

Government Taxes														
Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
<i>NSSF</i>	1,316	1,520	1,691	2,013	2,185	2,206	2,379	2,553	2,728	2,752	2,929	3,107	3,286	30,664
<i>PAYE</i>	1,645	1,901	2,113	2,517	2,731	2,757	2,974	3,191	3,410	3,440	3,661	3,883	4,107	38,330
<i>WCF</i>	26	30	34	40	44	44	48	51	55	55	59	62	66	613
<i>SDL</i>	132	152	169	201	218	221	238	255	273	275	293	311	329	3,066
<i>VAT</i>	80,928	103,539	122,643	145,270	164,591	181,396	198,048	216,229	236,078	257,750	281,412	307,246	335,451	2,630,580
<i>Corporate Tax</i>	-	-	-	8,768	21,515	37,350	46,086	55,882	66,864	86,821	100,912	116,665	134,266	675,130
<b>Total</b>	<b>84,047</b>	<b>107,143</b>	<b>126,649</b>	<b>158,810</b>	<b>191,284</b>	<b>223,973</b>	<b>249,772</b>	<b>278,161</b>	<b>309,408</b>	<b>351,093</b>	<b>389,266</b>	<b>431,274</b>	<b>477,504</b>	<b>3,378,384</b>

**To KADCO**

Concession **TZS 1,438,050,651** and land lease rent – **TZS 998,400,000**

**Main assumptions for the financials:**

- **Revenues**
  - Revenue will mainly be earned from the forwarder's terminal handling Charged (THC) billed in USD.
  - Current volume will grow by 4% year on year
  - A total of 1,657 tons of perishables are being trucked to Nairobi, Kenya due to poor infrastructure at the station. If invested in the cold room, the lost volume is expected to be recovered in four years i.e., 2024 +30%, 2025 +50% 2026 +65%, 2027 +85%, 2028 +100%
  - Yield expected to grow by 3% year on year.
  
- **Personnel costs**
  - Number of staff Year 1: 12
  - Number of staff Year 2: Additional 1, totaling thirty for all the other years
  - No changes on overhead staff.
  - 4% year on year increase on personnel costs. In line with expected increase in inflation

- **Other costs**

- Concession agreements assumed at 10% throughout the BOT period.
- Inflation rate assumed at 4%
- Personnel cost will grow with volume and cost of leaving adjustment which is assumed at 4%
- Land rent assumed at USD 32,000 per annum.
- Direct costs are in line with the volume
- Others comprises mainly the IT cost, travel, professional fees, and insurance. Will increase in line with the inflation.

- **Cashflow**

All resources of the Company are directed in one pool of funds at the Company level. Therefore, the project cashflow will form part of the company cashflow. The Company has put aside enough fund to finance the project and its operations during the BOT period. The project is expected to generate positive operating cash flow in the second year of operation.

- **Balance sheet**

Swissport maintains one balance sheet for Kilimanjaro and Dar es salaam operations. This project is part of the Kilimanjaro operations; hence we did not prepare a separate balance sheet for it. The Company has a strong balance sheet to finance the project. On 31 December 2022, the Company had a net current asset of TZS 7,381 million and foresee maintaining a stable balance sheet throughout the BOT project.

- **Financing**

Swissport Tanzania PLC will finance the project from operating cashflows and as a backup plan may secure funding from local financial institution if needed to finance the project

- **Ownership of the Facility**

Swissport will renovate the CSF using own fund. The property rights will remain with Swissport during the BOT period of 13 years. After the expiration of the BOT period, Swissport shall transfer the ownership of the fixed building to KADCO.

**JRO COLD STORAGE FACILITY  
BUSSINESS PLAN**

**Profit and loss Sensitivity Analysis**

% Change vs base case	Total vs base case	All data in TZS	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Total
	-357,116	<b>Total revenues &amp; other operating income</b>	<b>357,688</b>	<b>457,624</b>	<b>542,055</b>	<b>642,065</b>	<b>727,459</b>	<b>801,733</b>	<b>875,332</b>	<b>955,687</b>	<b>1,043,419</b>	<b>1,139,205</b>	<b>1,243,784</b>	<b>1,357,964</b>	<b>1,482,625</b>	<b>11,626,640</b>
-2.0%		Price per tons	298	314	323	333	343	353	364	375	386	397	409	422	434	377
-1.0%	-312	Number of tons #	1,201	1,459	1,678	1,929	2,122	2,271	2,407	2,551	2,704	2,867	3,039	3,221	3,414	30,862
	-357,116	Total revenues	357,688	457,624	542,055	642,065	727,459	801,733	875,332	955,687	1,043,419	1,139,205	1,243,784	1,357,964	1,482,625	11,626,640
	<b>264,822</b>	<b>Total Direct Costs</b>	<b>355,487</b>	<b>398,300</b>	<b>440,224</b>	<b>507,694</b>	<b>554,271</b>	<b>578,264</b>	<b>626,130</b>	<b>677,516</b>	<b>732,646</b>	<b>765,242</b>	<b>827,534</b>	<b>894,295</b>	<b>965,812</b>	<b>8,323,415</b>
	-74.2%	% Total Direct Costs / Revenues	99.4%	87.0%	81.2%	79.1%	76.2%	72.1%	71.5%	70.9%	70.2%	67.2%	66.5%	65.9%	65.1%	71.6%
		FTEs	6	7	8	10	11	11	12	13	14	14	15	16	17	
4.0%	185,577	Total personnel costs	172,425	198,698	226,797	277,783	310,690	323,117	359,616	398,517	439,955	457,554	503,434	552,252	604,171	4,825,008
	-52.0%	% Total Personnel costs / Revenues	48.2%	43.4%	41.8%	43.3%	42.7%	40.3%	41.1%	41.7%	42.2%	40.2%	40.5%	40.7%	40.8%	41.5%
4.0%	37,111	Total service costs	58,032	60,353	62,767	65,278	67,889	70,605	73,429	76,366	79,421	82,598	85,902	89,338	92,911	964,889
4.0%	19,544	Total property related costs	58,087	54,880	51,683	48,496	45,321	42,156	39,004	35,863	32,735	29,620	26,519	23,432	20,360	508,155
4.0%	3,885	Total material costs	3,784	4,781	5,498	6,323	6,955	7,442	7,889	8,362	8,864	9,396	9,959	10,557	11,190	101,001
4.0%	18,704	Total equipment fuel, repair and maintenance cost	18,919	22,986	26,434	30,399	33,439	35,780	37,927	40,203	42,615	45,172	47,882	50,755	53,800	486,311
	0	Concession Fees	44,241	56,602	67,045	79,414	89,976	99,163	108,266	118,205	129,056	140,904	153,839	167,961	183,380	1,438,051
	<b>(621,938)</b>	<b>Gross Profit</b>	<b>2,201</b>	<b>59,324</b>	<b>101,831</b>	<b>134,370</b>	<b>173,188</b>	<b>223,469</b>	<b>249,202</b>	<b>278,171</b>	<b>310,773</b>	<b>373,963</b>	<b>416,250</b>	<b>463,669</b>	<b>516,813</b>	<b>3,303,224</b>
	174.2%	% Gross Margin / Revenues	0.6%	13.0%	18.8%	20.9%	23.8%	27.9%	28.5%	29.1%	29.8%	32.8%	33.5%	34.1%	34.9%	28.4%
	4,965	<b>Overheads and Management Fees (Incremental for)</b>	<b>7,764</b>	<b>8,074</b>	<b>8,397</b>	<b>8,733</b>	<b>9,082</b>	<b>9,446</b>	<b>9,823</b>	<b>10,216</b>	<b>10,625</b>	<b>11,050</b>	<b>11,492</b>	<b>11,952</b>	<b>12,430</b>	<b>129,084</b>
	-	Overhead FTEs	5	5	5	5	5	5	5	5	5	5	5	5	5	
4.0%	2,660	Station Overheads	4,160	4,326	4,499	4,679	4,866	5,061	5,263	5,474	5,693	5,920	6,157	6,404	6,660	69,162
4.0%	2,305	Country Overheads	3,604	3,748	3,898	4,054	4,216	4,385	4,560	4,743	4,932	5,130	5,335	5,548	5,770	59,923
	<b>(626,902)</b>	<b>EBITDA</b>	<b>(5,563)</b>	<b>51,250</b>	<b>93,434</b>	<b>125,637</b>	<b>164,106</b>	<b>214,023</b>	<b>239,378</b>	<b>267,955</b>	<b>300,148</b>	<b>362,913</b>	<b>404,758</b>	<b>451,717</b>	<b>504,383</b>	<b>3,174,140</b>
	175.5%	% EBITDA / Revenues	-1.6%	11.2%	17.2%	19.6%	22.6%	26.7%	27.3%	28.0%	28.8%	31.9%	32.5%		27.3%	
	-	Depreciation	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	1,728,220
	-	Purchase	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	132,940	1,728,220
	<b>(626,902)</b>	<b>EBIT</b>	<b>(138,503)</b>	<b>(81,690)</b>	<b>(39,506)</b>	<b>(7,303)</b>	<b>31,166</b>	<b>81,083</b>	<b>106,438</b>	<b>135,015</b>	<b>167,208</b>	<b>229,973</b>	<b>271,818</b>	<b>318,777</b>	<b>371,443</b>	<b>1,445,920</b>
	175.5%	% EBIT / Revenues	-38.7%	-17.9%	-7.3%	-1.1%	4.3%	10.1%	12.2%	14.1%	16.0%	20.2%	21.9%	23.5%	25.1%	12.4%
	<b>(161,253)</b>	<b>Income Tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,350</b>	<b>24,325</b>	<b>31,931</b>	<b>40,504</b>	<b>50,163</b>	<b>68,992</b>	<b>81,545</b>	<b>95,633</b>	<b>111,433</b>	<b>513,877</b>
		%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	
	<b>(465,650)</b>	<b>Net Profit</b>	<b>(138,503)</b>	<b>(81,690)</b>	<b>(39,506)</b>	<b>(7,303)</b>	<b>21,816</b>	<b>56,758</b>	<b>74,507</b>	<b>94,510</b>	<b>117,046</b>	<b>160,981</b>	<b>190,273</b>	<b>223,144</b>	<b>260,010</b>	<b>932,043</b>

**Assumption**

- Prices decrease by 2% due to competition
- Volume decreases by 1% due to unfavorable weather condition
- Cost increase by 4% due to inflation

