FUCHS LUBRICANTS TANZANIA Limited
2025 Budget Commentary

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1. Executive Summary on FUCHS2025 and Budget 2025

1.1 Executive Summary | FUCHS2025 Strategy

Long-term Development in mnTZS

			PY	FC 8+4	BUD				MTP
	2021	2022	2023	2024	2025	2026	2027	2028	2029
Volume [t]	884	1,046	1,068	1,188	1,358	1,466	1,525	1,586	1,649
Sales	**8,679.7**	**12,177.9**	**11,478.4**	**13,121.4**	**15,824.2**	**17,708.8**	**19,083.9**	**20,565.7**	**22,162.6**
Net Contribution	**3,230.5**	**4,705.8**	**4,148.2**	**4,540.3**	**5,250.3**	**5,875.6**	**6,331.8**	**6,823.4**	**7,353.2**
% Margin	37.2%	38.6%	36.1%	34.6%	33.2%	33.2%	33.2%	33.2%	33.2%
EBITAL	**1,385.6**	**2,305.1**	**1,484.7**	**1,689.2**	**2,264.9**	**2,770.7**	**3,108.4**	**3,476.8**	**3,878.4**
EBITAL [mnEUR]	0.5	0.9	0.6	0.6	0.0	0.9	1.0	1.1	1.3
EBITAL%	16.0%	18.9%	12.9%	12.9%	14.3%	15.6%	16.3%	16.9%	17.5%
Exchange rate (€ 1,00 =)	2,739.73	2,450.98	2,617.80	2,881.84	3,054.90	3,054.90	3,054.90	3,054.90	3,054.90
Inflation rate						0%	0%	0%	0%
EBITAL (MTP 2024 version)				**1,817.7**	**2,068.5**	**2,335.1**	**2,633.3**	**2,966.4**	

The project aims to manufacture, process, and package automotive and industrial lubricants for the Tanzanian and regional markets. During the initial phase, production will be undertaken through a licensed third-party lubricant blending facility to enable rapid market entry, minimize initial capital requirements, and ensure compliance with applicable quality and regulatory standards.

This phased approach is designed to facilitate brand establishment, market penetration, and demand validation. Upon achieving sustainable sales volumes and targeted market share, the project will explore the feasibility in the second phase, which involves the development and commissioning of a dedicated lubricant blending, processing, and packaging plant within Tanzania.

Our FUCHS 2025 strategy is a continuation of our previous year's efforts with a few additional key considerations. The previous areas we continue to focus on are: 1) becoming the foremost lubricant experts in the market, 2) positioning the brand as top tier, and 3) reducing our reliance on bank financing. The key considerations we factored in for 2025 are: 1) maintaining our existing cost structures where possible, and 2) optimizing some expenses to cut costs.

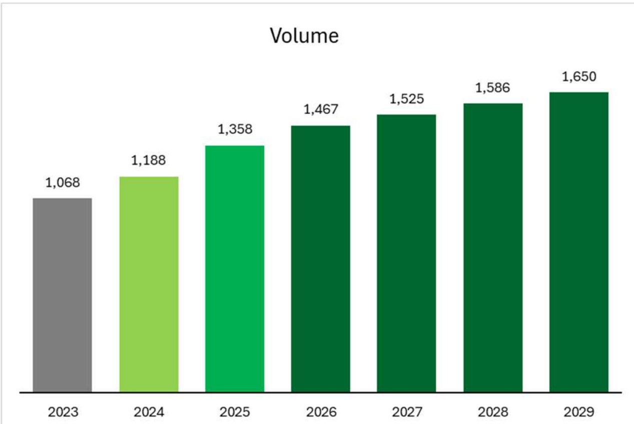
Since many initiatives of 2024 will carry forward into 2025, we foresee no additional manpower requirement. Our Mwanza branch manager is expected to hit the ground running. Due to permitting issues, he has yet been able to spend much time in the market in Mwanza (the mining region) where we aim to target open gearing and other specialty sales. We have also reorganized the sales team in line with the implementation of a new CRM system. The benefits of which will be seen over time as we optimize the customers purchasing cycles and overall executive performance through data acquisition and consequent action.

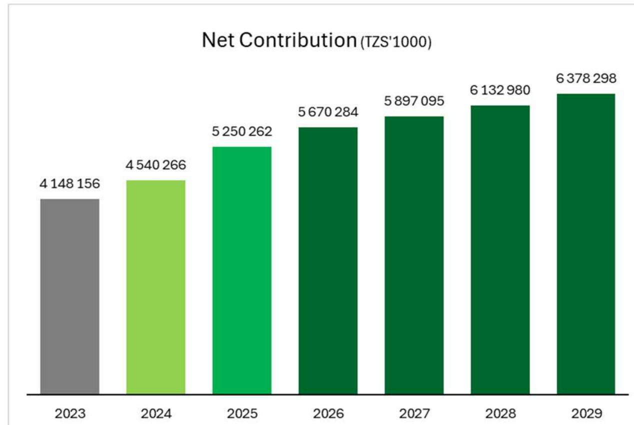
In terms of cost savings initiatives, following a comprehensive comparison of the associated costs we are converting our sales executives' fleet from rental vehicles to purchased vehicles.

With regards to margins and increased volumes we have budgeted to target higher volume customers with pricing structures more common in the local market, when comparing with major competitors. Additionally, we are expanding our retail product range to cater for local demand to tap previously unattainable customers.

Our local range of products continues to expand as we look to reduce our inventory days and increase our competitive advantage in the market due to reduced costs of goods when compared to importing.

These initiatives continue our commitment to our FUCHS2025 plan and meeting the group's expectations.





In terms of our volume expectations, we have planned for two strong years of growth. This is to cater for our adjusted pricing structure strategy where we gain higher volumes. We expect this to neutralize in year (2027) due to the overall size of the market. From 2027 onward we expect moderate growth. Our net contribution expectation going forward has been readjusted downward to cater for the adjusted prices. We aim to maintain this margin for the midterm plan.

1.2 Executive Summary | Budget 2025

Budget: Key Financial Performance Indicators in kTZS

	BUD 2025	FC 8+4 2024	BUD 2024	PY 2023	Variance of BUD 2025 to... FC 8+4 2024 abs	%		FC 8+4 2024 to.... PY 2023 abs	%	
Volume [t]	1,358	1,188	1,232	1,068	170	*14.3%*	↑	120	*11.2%*	↑
Sales	15,824,224	13,121,432	13,271,221	11,478,429	2,702,792	*20.6%*	↑	1,643,003	*14.3%*	↑
Sales Price per 100 kg	*1,165,259.50*	*1,104,497.64*	*1,077,209.50*	*1,074,759.27*	*60,761.86*	*5.5%*	↗	29,738	2.8%	↗
Net Contribution	***5,250,262***	***4,540,265***	***4,599,904***	***4,148,156***	***709,997***	*15.6%*	↑	***392,109***	***9.5%***	↗
Contrib. Margin per 100 kg	*386,617.23*	*382,177.19*	*373,368.83*	*388,404.12*	*4,440.04*	*1.2%*	↗	-6,227	-1.6%	↘
Contribution Margin in %	*33.2%*	*34.6%*	*34.7%*	*36.1%*						
Variable Cost	143,309	107,112	100,923	92,815	36,197	*33.8%*	↑	14,297	*15.4%*	↑
Fixed Cost	2,824,679	2,631,416	2,666,242	2,333,966	193,263	*7.3%*	↗	297,450	*12.7%*	↑
Total Costs	**2,967,988**	**2,738,528**	**2,767,165**	**2,426,781**	**229,460**	*8.4%*	↗	**311,747**	***12.8%***	↑
Other Operating Result	**-17,400**	**-112,587**	**-15,000**	**-236,641**	**95,187**	*84.5%*	↑	**124,054**	***-52.4%***	↓
EBITAL	**2,264,874**	**1,689,150**	**1,817,739**	**1,484,734**	**575,724**	*34.1%*	↑	**204,416**	***13.8%***	↑
EBITAL [kEUR]	741	586	683	567	155	*26.5%*	↑	19	*3.3%*	↗
EBITAL/Net Sales in %	14.3%	12.9%	13.7%	12.9%						
Conversion Rate					*81.1%*			*52.1%*		
Net Profit	1,429,793	912,905	1,101,281	767,563	516,888	*56.6%*	↑	145,342	*18.9%*	↑
FVA	1,747,767	1,249,555	1,312,033	1,162,990	498,211	*39.9%*	↑	86,566	*7.4%*	↗

We have budgeted for 2025 to be a strong year. Combining a tight control on expenses with an aggressive volume growth, we expect a significant increase in our EBITAL. We are aiming for a 14.3% increase in volume growth, 20.6% in revenue against a total cost increase of 8.4%.

Our expatriate hire is yet to fully entrench himself into the Mwanza (mining region) market due to delays in his permit processing. We foresee his permit being complete within Q4 2024, and therefore expect our volume performance and technical support to clients in the region to grow. We will run a regional activation campaign following his permit approval to support awareness in that region. Since we have yet to realize the return on that investment, we have decided to hold on any other hires for 2025. In 2024 we have invested time and effort into training the 2024 expanded sales executive team and have implemented a CRM which is currently under the implementation phase. We expect their increased sales cycle training, technical training and CRM integration to help them optimize their workflows to increase their customer interactions.

We are planning to use the independent dealer network program from FUCHS AFRICA to help promote our retail products, including the newly launched 4T motorcycle oil. Part of our marketing budget will be allocated to branding and setting up smaller workshops with the right tools to service our end users by using FUCHS products.

While we are controlling the expenses by keeping them relatively constant, the major increase year on year comes from a shift in payroll, due to hires later in the year 2024 being accounted for the full 12 months of 2025. A major increase comes in variable cost, which is due to two factors: 1) sales executives being on commission for 12 months vs the previous year where it was a partial allocation, and 2) the onboarding of a sales agent who is an ex-employee of the previous distributor with vast knowledge of the customer base.

Another expense saving initiative is the purchasing of light vehicles for the sales executives. By comparing total cost of ownership vs our current rental structure, we determined there to be significant savings by making this change (7.7% increase in EBITAL abs 2025 vs 2024).

Budget 2025 vs Forecast 2024:

We are constantly making improvements to our sales team through training, improved systems and optimizing pricing for new volumes. Combining this with additional local products, we expect these changes to support the growth we plan for.

Forecast 2024 vs Prior Year 2023:

Our volume and margin growth are reasonable. The additional costs of the expatriate, without being able to fully utilize that resource along with the depreciation of the Tanzanian shilling due to hard currency shortages have negatively impacted overall EUR performance.

2. General Economic Situation

General Economic Situation

	BUD 2025	FC 8+4 2024	ACT 2023
GDP Growth	6.00%	5.70%	5.30%
Inflation Rate	3.40%	3.30%	3.00%
GDP / capita	$1,282.11	$1,220.36	$1,254.23
Population Growth Rate	2.89%	2.94%	2.96%

Source: Statista, Macrotrends

The economic outlook for Tanzania in 2025 is generally optimistic. The government has been focusing on infrastructure development, particularly in transportation and energy, which should have a positive impact. Additionally, agriculture, tourism, and mining are expected to remain key sectors.

3. Lubricants Market | Competitors

TOTAL and Oryx remain the major market brands. Shell has pushed into the market through their local distributor, Prime Regional, who is also the agent for CEPSA. SINOPEC has also allocated a local distributor and is catering to most of the Chinese companies, who are major contractors for infrastructure projects. The GP Global factory has been sold to a company called Delta Lubricants. They manufacture their own in-house brand as well as toll blend for other local oil companies such as Camel Oil. Toyota has started supplying their own automotive products as well as taken on the agency for Caltex to target industrial clients. Other operational factories include MOGAS, Lake Lubes, Mineral Oil and General Petroleum. They are all competing at a lower pricing tier overall than our direct competitors. Their raw material costs are also significantly lower along with their quality.

Shell continues to undercut on price to buy market share. They have opened a retail shop in the key trading area, Kariakoo as well as a large office in Mwanza to target mining clients. TOTAL and Oryx are also competing with them in many cases. Total and Oryx have maintained their position as the main competition given that they have an edge over the timeline of getting the products given that they have a local factory. Where Oryx is typically focusing on price, TOTAL has increased its sales force and even shifted its Quality Control Manager to the B2B sales manager position.

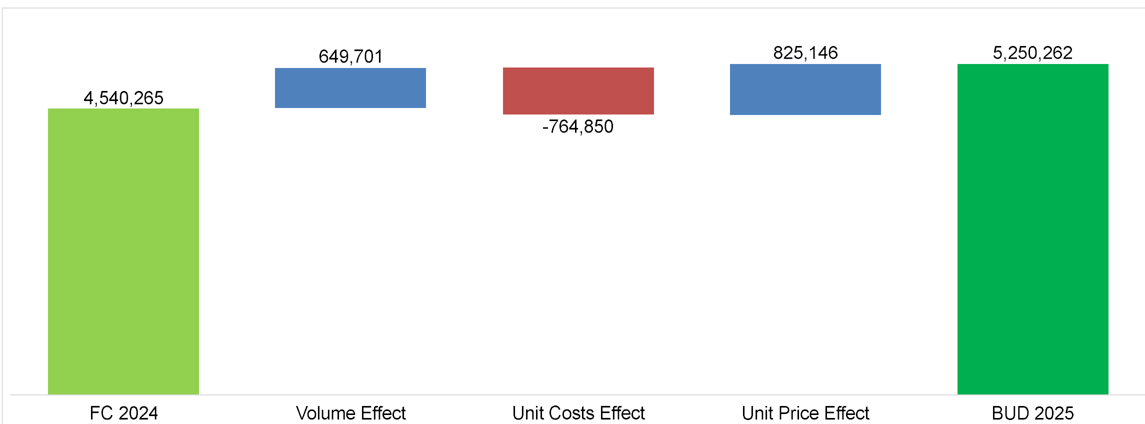
We have seen quite a few new companies from Middle East joining the race for the market share in Tanzania while offering very low prices. As is expected in this region, prices are often the most important factor for a large segment of the country's volume.

4. Sales & Financial Performance

4.1 Topline and Margin Development: Overall

Changes in Net Contribution BUD 2025 in comparison to FC 8+4 2024 and their reasons: **in kTZS**

TOTAL NC Effect:	709,997	+16%



VOLUME DRIVERS	+14.3%	170 tons
major customer losses:		
-34 t	Maweni Limestone Ltd	Mining
-37 t	Dangote Cement Limited	Mining
-35 t	Jac Rijk Africa Limited (closed)	Mining
-35 t	Gulf Aggregates (T) Ltd	Commercial
-7 t	Associated Supplies Limited	Wholesale
-148 t		
major new customers :		
30 t	Mamba Equip. Hiring Tz Ltd	Wholesale
20 t	Multinational Procurement (T) Ltd	Wholesale
40 t	Mtibwa Sugar Estates Limited	Commercial
18 t	Kagera Sugar	Commercial
20 t	Cello Industries	Commercial
50 t	Wholesale shops (4t)	Wholesale
20 t	Specialized Hauliers	Commercial
20 t	general increase	Mining
50 t	general increase	Wholesale
50 t	general increase	Commercial
318 t		

UNIT COST DRIVERS **+7.8%**

Cost inflation : 7.8%

Reasons for price increases / assumptions:
The reason for the cost increase is following the adjustment done to the exchange rate in comparison to last year.

Increases / decreases due to Mix (customer and/or product):
The reason for the cost increase is the following the shift in the market segments

UNIT PRICE DRIVERS **+5.5%**

Price inflation : 5.5%

Planned Price Increases:
We have not planned for any price increase rather we have aimed to maintain similar margins to last year

Increases / decreases due to Mix (customer and/or product):
The price increase is following a shift in volume for the market segments

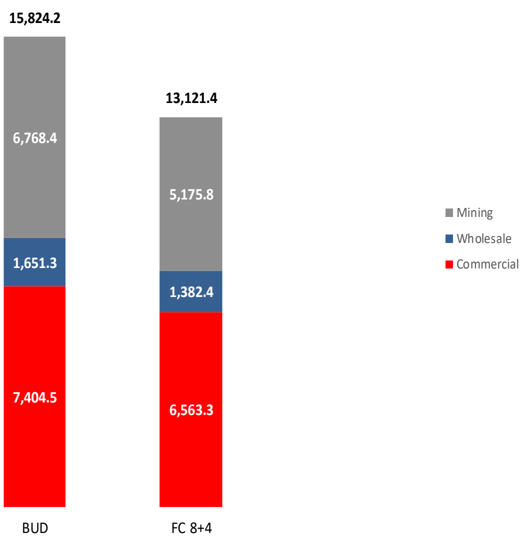
We have budgeted an increase of 14.3% in terms of volume. We expect this growth to come from a combination of our general segment growth, the introduction of 4T motorcycle oil, the impact of our expatriate in Mwanza and onboarding a few key clients. Our prices are based on the combination of maintaining the prevailing volume at our existing margins, and developing new key clients with a more competitive cost structure compared to TOTAL, SHELL, SINOPEC and in some cases ORYX.

4.2 Topline and Margin Development: Global Divisions and Segments

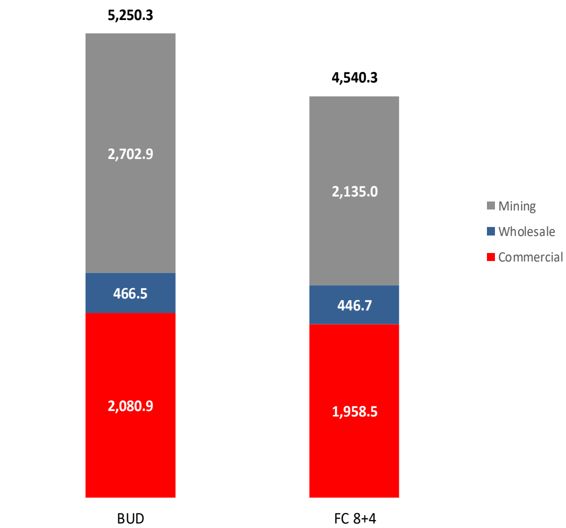
Not Applicable, as we have not yet completed our segmentation project to match the FUCHS standards. Expected to be completed for 2025.

4.3 Topline and Margin Development: Local Divisions and Segments

Development of Sales in [kTZS]



Development of Net Contribution in [kTZS]



We are projecting significant growth in mining and commercial segments, following the new approach for customer acquisition by providing a market aligned pricing structure to convert the volume. As our mining expectation includes more specialized products, we naturally see a higher net contribution development in this segment. A key factor in this is our expatriate based in Mwanza to help develop that volume. In terms of wholesale, we have added a new product and are realigning our pricing expectations for lower tier grades (CF, CH, SF) which will be supported by our rally sponsorship, the planned independent dealer network program as well as the ongoing activations.

4.4 Expenses

Expenses: Inflation vs Structural Effects

TZ10	2024	Inflation increase		Structural increase		2025
[kTZS]	FC 8+4	%	abs	%	abs	BUD
Freight	25,133		0	-49%	-12,240	12,893
Other variable costs	81,979	4%	3,279	55%	45,158	130,416
Variable Costs	107,112	3%	3,279	31%	32,918	143,309
Fixed Personnel Expenses	1,346,360	5%	67,318	11%	154,026	1,567,704
Purchased Services	102,594	4%	4,104	-62%	-63,523	43,175
Energy	84,878	4%	3,395	17%	14,267	102,540
T&E	90,393		0	-3%	-3,064	87,329
Advertising	150,000		0	0%	0	150,000
Other fixed costs	857,191	2%	12,858	0%	3,882	873,931
Fixed costs	2,631,416	3%	87,675	4%	105,588	2,824,679

The 50% reduction in freight costs is due to the optimized use of the 3.5-ton delivery truck, with related expenses now booked under rents and leases.

The significant change in other variable costs comes from onboarding an agent who is experienced with Fuchs products, expected to perform well. Additionally, staff commissions have been aligned with their current 3-month actual performance, with a slight adjustment for the upcountry consignment stock warehouses.

The increase in Fixed Personnel Expenses is driven by several factors, including the cost of internship expenses, which are offset by savings in purchased services, and adjustments related to shifts in the 2024 hiring plan, such as the delayed hiring of the Mwanza Branch Manager and other sales executives. Additionally, a 5% general salary increment has been factored in, along with an increase in commission payments linked to improved employee performance. The rise in expenses also reflects the recent purchase of PPE for staff, previously delayed due to minimal wear and tear.

The reduction for Purchased services is due to the internship expenses for new hires in 2024. With no additional staff forecasted for 2025, there are no internship costs anticipated.

The increase in energy consumption is due to less fuel costs being incurred in 2024 due to the delayed hiring of the 3.5-ton delivery vehicle, which was acquired in May instead of the planned January hire. This delay also aligns with the expenses for the Sales Expat vehicle and other sales staff who have yet to be hired.

The increase in depreciation reflects the planned capital expenditure for 2025, supporting the company's long-term investment strategy. A reduction is seen due to the reclassification of costs to ERP software under the 2025 budget. The shift in the 2024 hiring plan has led to lower expenses for the year, contributing to an increase in the 2025 budget. Additionally, savings in vehicle rentals for the office and warehouse are expected as the 2025 capex plan reduces reliance on external rentals. Legal fee provisions have also been underutilized, contributing to further savings. The rise in ERP software costs is driven by updated fees and an increase in users. The increase in insurance premiums is linked to the additional 2025 capex, while the biannual renewal of work permits for the MD and Trade Manager is also factored in.

5. Financing

5.1 Capital Expenditure

Capital Expenditure

TZ10 [kTZS]	2026ff MTP	2025 BUD	2024 FC 8+4 FY 2024	2024 FC 8+4 SEP-DEC	2024 ACT YTD AUG	2023 PY	Total 2018-2024	Project total incl. BUD 2025 + MTP 2026 ff
Total		**263,729**	**0**	**0**	**0**	**0**	**0**	**263,729**
Supply Chain		**0**	**0**	**0**	**0**	**0**	**0**	**0**
R&D		**0**	**0**	**0**	**0**	**0**	**0**	**0**
IT / SAP		**0**	**0**	**0**	**0**	**0**	**0**	**0**
Rest		**263729**	**0**	**0**	**0**	**0**	**0**	**263729**
Sales reps cars	0	200,593	0	0	0	0	0	**200,593**
Forklift	0	63,136	0	0	0	0	0	**63,136**

5.2 Working Capital

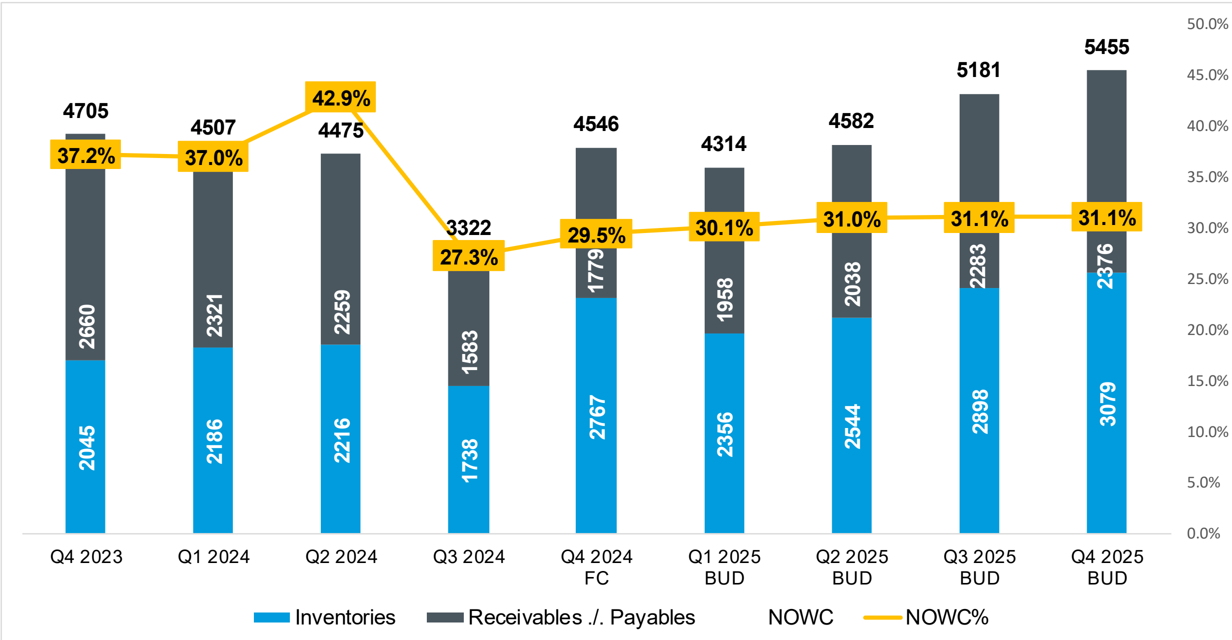
Development of NOWC

TZ10 [kTZS]	2025 BUD abs.	2025 BUD 31.12. days	2024 FC 8+4 abs.	2024 FC 8+4 31.12. days	2024 ACT 30.09. days	2024 ACT 30.06. days	2024 ACT 31.03. days	2023 ACT abs.	2023 ACT 31.12. days
Inventories	3,079,220	95	2,767,312	100	82	116	99	2,045,004	92
Trade receivables	4,320,307	90	3,805,324	90	83	114	99	3,026,422	87
Payables	1,944,770	60	2,026,560	73	56	53	45	366,173	16
NOWC	**5,454,757**	**125**	**4,546,076**	**117**	**109**	**177**	**153**	**4,705,253**	**163**
%NOWC		31.1%		29.5%	27.3%	42.9%	37.0%		37.2%
deviation to previous year	908,681		-159,177						

%NOWC = quarter end values in relation to quarterly sales

This is determined by our long lead times, our requirement to hold specialty (high value) stock for the mines in larger quantities as well as our contractual payment terms with our major supplier, Oryx, of 30 days. Operationally we do try to extend our days where possible, but we feel it prudent to be prepared to pay as per our credit terms. Trade receivables will increase in direct correlation to sales volumes. The NOWC% will remain relatively constant.

Quarterly Development of NOWC



5.3 Cashflow

	Budget 2025
I. Ordinary business activity	
Periodic result after taxes	1,429,793
(+) Depreciation/amortization	89,304
(+) Decrease and (-) increase in working capital	-545,508
(+) Decrease / (-) increase in inventories	-311,908
(+) Decrease / (-) increase in trade receivables	-517,983
(-) Decrease / (+) increase in trade payables	284,383
Cash flow from ordinary business activities	**973,589**
II. Investing activity	
(-) Capital expenditure	-263,729
Cash flow after investing activities (simplified Free Cash Flow)	**709,860**
Cash Conversion Ratio	**0.50**

6. Human Resources

Development of Headcount

	2025		2024				2023
		BUD	BUD		FC 8+4	ACT	PY
	DEC	var. to FC 8+4	DEC	DEC	var. to SEP	SEP	DEC
Total	**33**	**-2**	**23**	**35**	**8**	**27**	**2**
Total without temps / trainees	**33**	**-2**	**23**	**35**	**8**	**27**	**0**
Administration	8	-1	7	9	2	7	0
Appl. Engineering/ Product Management	0	0	0	0	0	0	0
CPM (Chemical Process Management)	0	0	0	0	0	0	0
Information Technology	0	0	0	0	0	0	0
Quality Management	0	0	0	0	0	0	0
R&D (Lab.)	0	0	0	0	0	0	0
Sales Field Service	14	1	8	13	3	10	0
Sales Inhouse	2	-1	1	3	1	2	0
Service Laboratory (Tech. Service)	0	0	0	0	0	0	0
Supply Chain Management	0	0	0	0	0	0	0
Others	8	-1	6	9	2	7	0
Managing Director	1	0	1	1	0	1	0
Trainees	**0**	**0**	**0**	**0**	**0**	**0**	**2**
Temporary/External/Leasing Staff	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Our focus has remained on developing the sales force and strengthening it. We are well equipped in our current budget to achieve the budgeted targets. We don't anticipate any growth until we have done so.

We have removed 2 sales executive positions until we have achieved the budget performance.

We continue to train our employees in 4 key areas: FUCHS product and application training through the online biweekly training program with FUCHS AFRICA, Sales skills and competency training for our sales executives by a local agency, regulatory annual training as required (fire safety and medical), and lastly human resources and employment law training for our human resources employee.

A key note is staff categorized as "Others" refers to our warehouse staff who are involved in the preparation and delivery of goods to customers.

7. "FUCHS Goes Digital", Digitalization & IT / ERP

Our entire operation is run through a cloud-based ERP called Palladium. The backend reporting that we can pull out of the system uses SAP formats so sending data to Head Office is possible. All purchase and expense records are also stored in the cloud.

In 2024, we successfully integrated a CRM module, Bigin by Zoho Corporation, to enhance our sales performance tracking. This initiative has met its objectives, enabling us to effectively manage customer inquiries. The CRM features comprehensive product listings, including prices and pack sizes, facilitating easy quotation and invoice requests for our sales team.

Additionally, Bigin serves as a repository for processed invoices and delivery notes, providing a reliable reference point for future transactions.

The CRM also empowers our sales team by enabling them to monitor their progress and improve their sales capabilities. It outlines actionable next steps, including follow-up visits and timelines, while incorporating a dynamic calendar to optimize task management. This strategic integration positions us to drive increased sales and improve overall efficiency.

8. Research and Development

Not applicable.

9. Supply Chain

Our supply chain remains unchanged for most of the products. We source our commodity products from our toll blending supplier, Oryx. Our specialty products predominantly come from FUCHS AFRICA. Other commodity product greases and coolants come from FUCHS OIL MIDDLE EAST due to their competitive pricing advantage. We have started the process of importing Ceplattyn via drop shipment through FUCHS AFRICA so that we can increase our competitive advantage in the market vs other companies who are using similar supply route strategies to offer better pricing.

Considering our volumes are still small, a single customer can impact monthly procurement and production. We analyze stock movement on a bi-weekly basis and plan products and procurement accordingly using live requirements and lead times.

We are currently in the final stages of finalizing a new batch of products at the local factory which includes 4T SL 20W-50, Compressor oils, Rock Drill, 10W-40 and CH-4 15W-40. This will improve the lead times to 2 weeks, which will improve the inventory days and delivery to customers.

10. Sustainability

We currently submit all sustainability information to our regional office for global reporting.

We are currently in the implementation phase of a Corporate Social Responsibility (CSR) project aimed at providing a water filtration system and reusable water bottles to a local school, ensuring access to clean water for students.

While this initiative has encountered delays due to the school’s affiliation with the local government, where political motives have affected project prioritization. We remain committed to seeing it through. We are actively working to navigate these challenges and are determined to complete the project by the end of the year. Our focus is on delivering this vital resource to enhance the health and well-being of the students.

11. Additional Information

Nothing to report.