

TPC Limited

Distillery Project Business Plan

TPC Distillery Update



➤ Market Analysis – import, production and demand

	Millions of Litres															
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Tanzania																
Production	18.3	18.3	19.3	19.3	20.2	20.2	20.2	20.2	24.2	24.9	25.7	26.4	27.2	28.1	28.9	
Imports	12.0	11.9	17.3	6.2	8.4	14.3	5.0	9.2	6.4	7.8	8.6	9.5	10.4	11.5	12.7	14.0
Exports	4.5	5.0	5.0	0.6	3.5	0.9	-	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Consumption	25.8	25.2	31.6	24.8	25.1	33.6	25.2	26.3	27.6	29.0	30.5	32.1	33.8	35.7	37.7	39.8
Net Import	7.5	6.9	12.3	5.6	4.9	13.4	5.0	6.1	3.3	4.7	5.5	6.4	7.3	8.4	9.6	10.9
TOTAL (Tanz, Ken, Ug)																
Production	65.6	76.7	71.4	91.3	94.2	89.5	89.5	91.1	99.7	102.3	105.6	108.0	110.3	112.8	115.3	117.8
Imports	52.7	44.5	43.1	20.7	20.6	31.6	23.7	32.8	28.8	31.4	35.7	41.8	48.3	55.5	63.4	72.0
Exports	22.1	22.5	9.4	4.5	4.5	23.7	4.9	10.1	8.3	6.2	6.2	6.2	6.2	6.2	6.2	6.2
Consumption	96.2	98.8	105.0	107.4	110.4	97.5	108.3	113.9	120.3	127.5	135.3	143.6	152.6	162.2	172.5	183.5

- Only two existing distillery in TZN(KBL, KSC). Kenya has 5 and Uganda 4
- Drop in 18/19 consumption on ban of plastic sachets. Increase in '23 production Est - KSC development (4MLitres)
- Import gap expected to between 3.3ML to 10.9ML for Tanzania, 29ML to 72ML for EAC. India banned exports of ENA from 2023
- Growing population and per capita income – 0.7-0.8l /capita (Safrica at 1.5-2.0l)
- LMC reports Tanzania as highest growth opportunity. Spirit Consumption grew at 5% from 2015-2020 (one of highest in Africa) and expect to grow at 8% going forward. Rising income, western influence, population growth key drivers
- Various local bottlers engaged. Strong demand confirmed and further growth expected. Quality of ENA paramount as some are importing simply because of lack of good quality ENA found locally
- Local Price for ENA now at \$1.15/Litre (up to \$1.30). Has been increasing recent years and averaged +/- \$1 over 10yrs

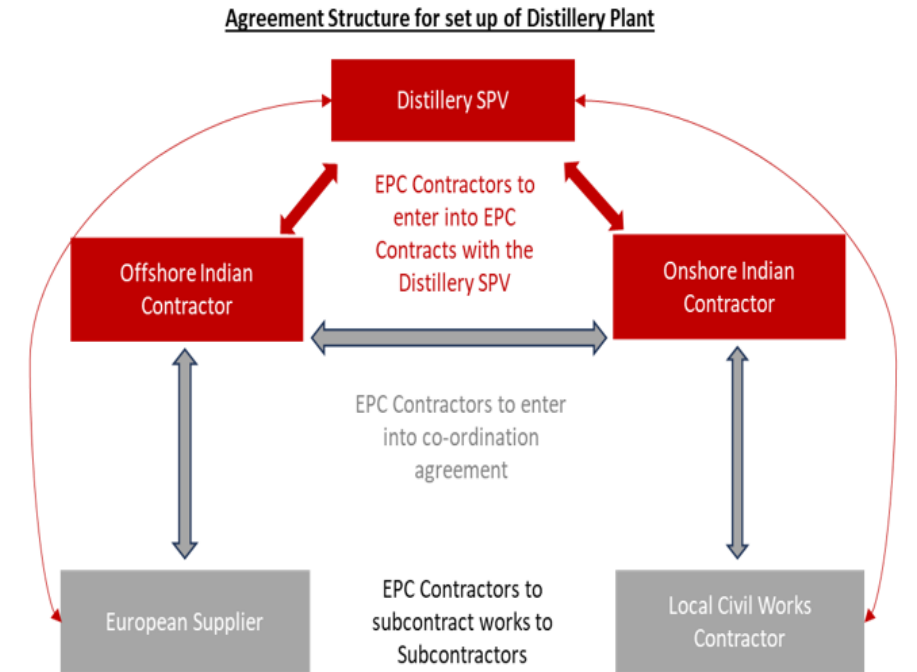
TPC Distillery Update

➤ Technical / Supplier Aspects

- Formal communications sent to Ulka/Interis, regret to Praj
- Technical Engineering and Lay-out plan completed (next slide)
- Requirements of Strategic Partner incorporated in scope
- Extensive engagements with lawyers and tax consultants on ideal purchasing and tax structure, yet retain quality guarantees from technology provider
- Ulka able to claim WHT deductions (\$1.3m)
- EIA approval obtained

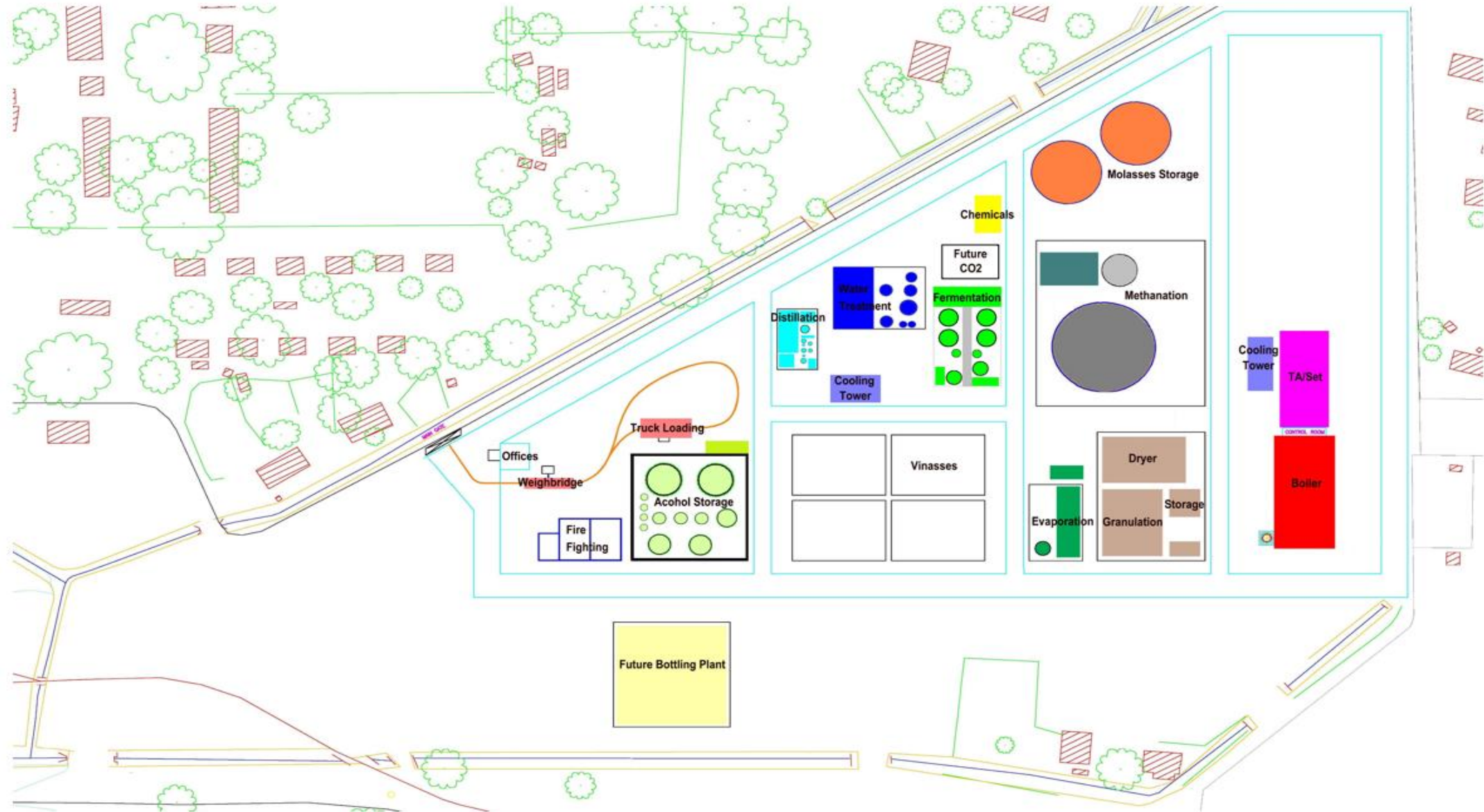
➤ Project Management

- EPC Contract to be managed by ULKA / INTERIS
- Supervision and Control from TPC:
 - Project Manager – Eric Tailly (Sugar Production Manager for last 9 years to be promoted to Distillery Manager)
 - Technical Consultant – Pascal Petiot (Factory Manager at TPC for 14 years until retirement in 2021)
 - Admin/Finance Manager – Gauthier Ozoux (MIWA procurement team member to be based at TPC for 2 years)



--> Sub-Contractors to provide direct collateral guarantee

TPC Distillery Lay-Out



TPC Distillery Update

- **Power Solution for Project and SPPA**
 - After repeated engagements, Tanesco finally agreed to renew TPC's SPPA for 20-year term. Renewal process commences December 2023
 - Addition of new SPPA for TPC Distillery is highly unlikely given Tanesco power expansion projects underway
 - Therefore, power generation of the project to be housed within TPC
 - This will also greatly simplify the valuation of bagasse/steam and biogas flows between the entities as there will be a simple market related charge for power consumption by the Distillery
 - Overall project therefore split into two entities
 - Distillery in new Subsidiary and
 - Powerplant in TPC.

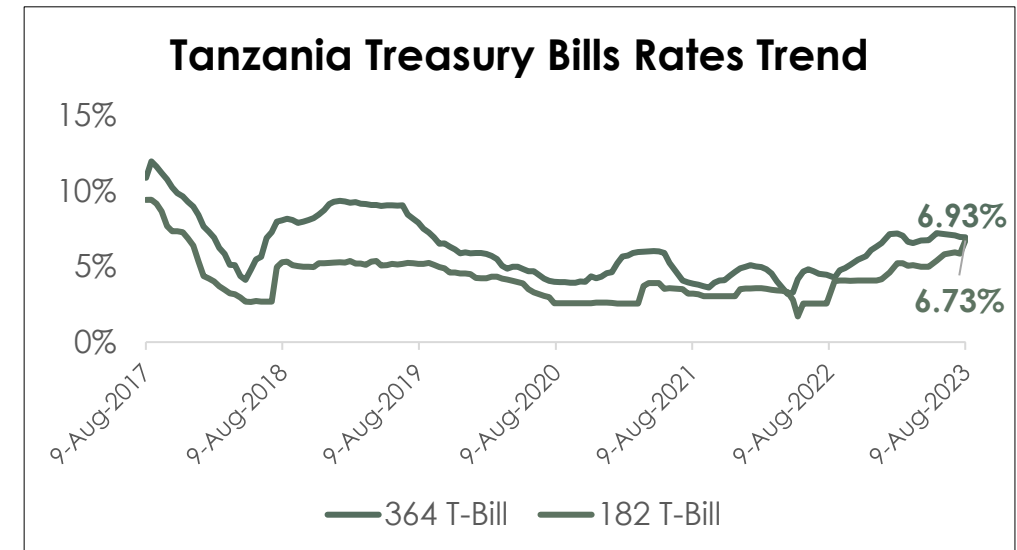
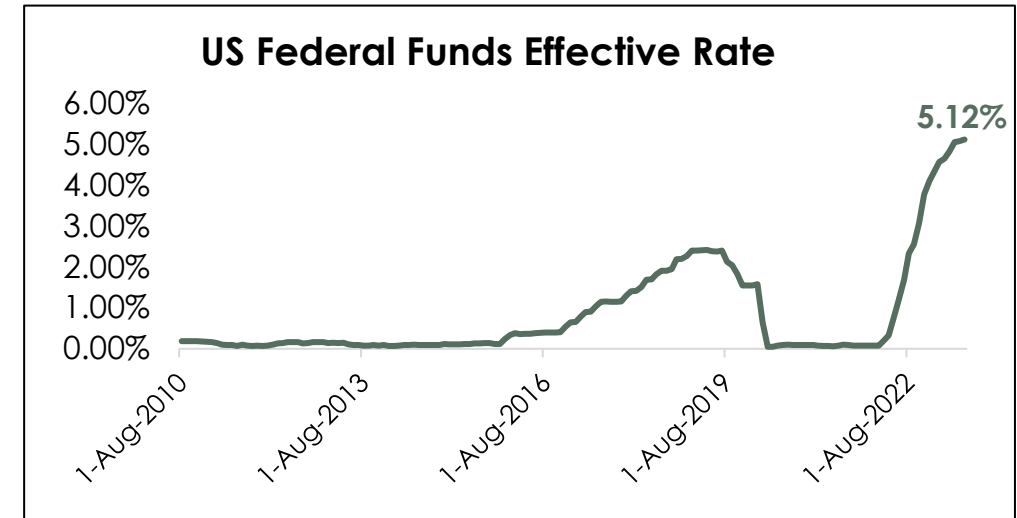


Extraction Condensing TA Set from Triveni

TPC Distillery Update

➤ Financing

- Key needs identified
 - Lowest possible rate, 100% debt financing initially
 - Availability of USD to pay suppliers (shortage on TZN market)
 - Minimizing forex risk on repayment
- ECA's not as easily available as first thought
 - Indian ECA's avoided by targeted financing houses
 - European ECA's require larger European supply component
 - Due diligence period of 8-12 months
- Interest rate environment substantially changed since January 2023 due to Fed action
 - Higher rates having negative impact on project cashflows
- Best proposal a combination of two Banks (indicative)
 - Absa Bank : USD commercial loan USD35.0million @9.25%
 - Exim Bank : TZS commercial loan USD15million @ 12.00%
- Bankable team refining proposals and further negotiate on improved rates and forex risk management
 - Updated financial models with \$9.0M equity injection



Main Financial Assumptions

➤ Main Financial Assumptions

- Volumes per annum: ENA 16.3M litres, Electricity to Tanesco 28.3 GWh
- ENA Prices at \$1 per litre (+15% for value added ENA),
- Electricity price at \$0.07 KWh for Tanesco and \$0.09 for TPC sales to Distillery
- Revenue included for fertilizer (dried vinasse) but not CO2
- Inflation of 2% per annum on all income (excluding electricity sold to Tanesco) and expenses
- 15K tons of molasses to be purchased at \$85
- Financing Assumptions: Absa and Exim proposals
- Strategic partner value contribution (indicative); 1million litres value added ENA Europe, Light rum to TPC-D bottling plan - @\$1.15

➤ TIC incentives - Decision made to abandon application for TIC benefits for following reasons

- Minimal additional benefits likely to be achieved
 - India has a DTA with Tanzania and therefore WHT exemption not required
 - Duties exemption on capital goods is already available under normal act
 - Import VAT deferment – seems likely under normal act but further investigation required
- Unlikely that WHT suffered on dividends from subsidiary to parent could be negotiated within their structures
- Unlikely to bundle project across two entities to reach the \$50million threshold for special negotiated benefits
- Regular TIC benefits on work permits for all investors to be applied for

Project Financial Projections - Distillery

USD' million	Year 1&2	Year 3	Year 10	Total 10 Years
Turnover	0.0	18.6	21.7	160.8
Direct Employment Cost	0.0	(0.7)	(0.5)	(4.6)
Running Costs	0.0	(7.0)	(8.1)	(60.3)
Maintenance Costs	0.0	(0.2)	(0.2)	(1.3)
Depreciation	0.0	(1.4)	(1.4)	(10.9)
Total Expenses	0.0	(9.2)	(10.1)	(77.1)
Net Finance Costs	0.0	(2.6)	0.0	(9.3)
Profit Before Tax	0.0	6.8	11.6	74.4
Total Tax Charge	0.0	(2.0)	(3.5)	(22.4)
Profit After Tax	0.0	4.7	8.1	51.9
EBITDA	0.0	10.7	13.0	94.5
Capex Outflows	(36.1)	0.0	0.0	(36.1)

Project Financial Projections - Cogen (Power)

USD' million	Year 1&2	Year 3	Year 10	Total 10 Years
Turnover	0.0	4.1	3.9	30.5
Direct Employment Cost	0.0	(0.4)	(0.4)	(2.8)
Running Costs	0.0	(0.1)	(0.2)	(1.2)
Maintenance Costs	0.0	(0.4)	(0.4)	(3.0)
Depreciation	0.0	(0.6)	(0.6)	(5.0)
Total Expenses	0.0	(1.5)	(1.6)	(12.0)
Net Finance Costs	0.0	(1.6)	0.0	(5.7)
Profit Before Tax	0.0	1.0	2.3	12.8
Total Tax Charge	0.0	(0.3)	(0.7)	(3.8)
Profit After Tax	0.0	0.7	1.6	9.0
EBITDA	0.0	3.2	3.0	23.6
Capex Outflows	(16.2)	0.0	0.0	(16.2)

Project Financial Projections - Distillery + Cogen (Power)

USD' million	Year 1&2	Year 3	Year 10	Total 10 Years
Turnover	0.0	22.6	25.6	191.3
Direct Employment Cost	0.0	(1.1)	(0.9)	(7.8)
Running Costs	0.0	(7.1)	(8.2)	(61.0)
Maintenance Costs	0.0	(0.5)	(0.6)	(4.3)
Depreciation	0.0	(2.0)	(2.0)	(15.9)
Total Expenses	0.0	(10.7)	(11.7)	(89.1)
Net Finance Costs	0.0	(4.2)	0.0	(15.0)
Profit Before Tax	0.0	7.8	14.0	87.2
Total Tax Charge	0.0	(2.3)	(4.2)	(26.2)
Profit After Tax	0.0	5.4	9.8	60.9
EBITDA	0.0	13.9	16.0	118.1
Capex Outflows	(52.4)	0.0	0.0	(52.4)

S



STRENGTHS

- Rapidly growing regional alcohol market with reducing availability in region
- Molasses and energy available for 10 million litres of ENA
- Strong brand reputation and relationships with authorities
- Well-established infrastructure with a robust management, skilled project team, systems, and a strong balance sheet
- Significant customer contacts already established
- European quality ENA guarantee from Interis
- Additional power security with Cogen

W



WEAKNESSES

- Other ENA producers are well active on the market
- Few distillery specialists in Tanzania
- Inability to spray vinasses
- Need to consider additional source of fuel with the Cogen option
- Methanation process is lengthy – need to plan the full process once it is restarted
- Inherent safety concerns of running a distillery

O



OPPORTUNITIES

- Rum production can be added using expertise of Interis/Equity Partner
- Synergies from support teams
- Equity partner: business risks and finance costs shared

T



THREATS

- Other significant competitors' entry may cause market saturation
- Price variation of molasses and SPP renewal
- Compulsory fuel ethanol scheme imposed by the Government
- Financing costs and covenants (incl. non-availability of foreign currencies for project costs)
- Delay with EIA report
- Equity partner: unknown impact of future relationship

Conclusion and Way Forward

- Board approval sought for management to be able to :
 - Execute, incl sign-off, on supply agreements with Ulka / Interis
 - Execute, incl sign-off, on loan and security agreements with selected institutions
 - At similar or improved terms than Absa/Exim
 - Complete shareholders agreement with Group Isautier and obtain shareholder sign off
 - Complete necessary documentation / processes for the creation of new legal entity
 - Put in place, empower and manage project team, with necessary financial controls and oversight, for execution of project