



Financial capital 2022

2022 was a challenging year for everyone and PhoenixBev was not an exception. The Russia-Ukraine conflict that started in February 2022 significantly exacerbated the challenges created by the Covid-19 pandemic. The Group is carefully monitoring the impact of both Covid-19 and the war in Ukraine on our current operations and we are cautiously evaluating potential future implications. Despite the difficult conditions, PhoenixBev successfully navigated these challenges and continues to create value for all its stakeholders.

Our operations in Mauritius were affected by the escalating inflation rate, partly fueled by the depreciation of the MUR against the dollar. Profitability came under pressure from several factors, including the ongoing supply chain issues resulting from the current geopolitical tensions and instability; rising fuel, energy and freight costs; the increased lead time of imports and the high cost of raw materials. Our efforts as a team to lessen these impacts were largely successful and the gross profit margin reduced only slightly from **23.9%** in 2021 to **22.5%** in 2022.

Most of our raw materials are imported and settled in dollars, while our revenue is primarily earned in MUR and Euros. We therefore had to devise new strategies and look for other opportunities to mitigate the impact of the unfavorable macroeconomic conditions. Wherever possible we sourced new suppliers or renegotiated payments terms with existing suppliers, enhanced efficiencies, and controlled internal costs to protect our profit margin. Given the lack of visibility on the duration of the current challenges, we chose to pass only part of the increased costs to our customers by trying to balance inflationary pressures between our suppliers and customers to smooth the impact on our margins.

The Company's profit in 2022 was also affected by two exceptional transactions. The first of these relate to the preliminary expenses for an aborted acquisition of a beverage company based in the United Kingdom. These expenses were largely offset at the Company level by the reversal of a group long-term receivables provision. However, the long-term provision reversal has no effect at Group level and the full impact of the preliminary acquisition costs can be seen in the decrease in Group profit.

Our operations in Réunion Island recovered well. Profit after tax for the year increased by **56.6%** from Euro **1.59** million (MUR 75.5 million) in 2021 to Euro **2.49** million (MUR 120.3 million). The improved performance is mainly attributed to higher sales volume and improved sales mix. Inflationary pressure in Réunion Island was also less severe than in Mauritius. However, at Group level, this improved performance was offset by a reduced contribution from our subsidiary, Phoenix Beverages Overseas Ltd, as a results of exchange rate fluctuations.



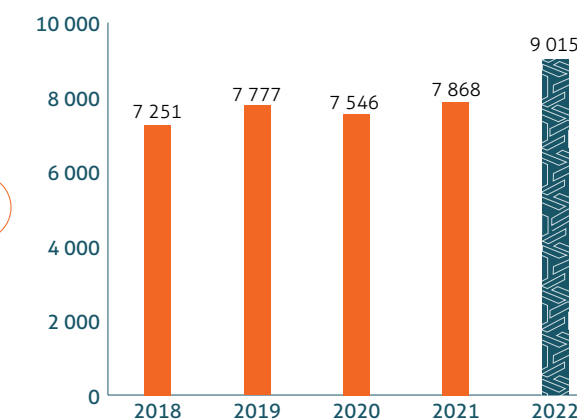
Sales volume and revenue

Sales volumes in Mauritius and in Réunion Island increased by **6.2%** and **2.5%** respectively. The progressive removal of Covid-19 restrictions and re-opening of hotels boosted the Mauritian economy and contributed to improved sales.

Turnover at Company level for the year increased by **14.8%** from MUR **6 535** million to MUR **7 502** million. In Réunion Island, turnover increased from EUR **28.3** million (MUR 1348 million) in 2021 to EUR **31.3** million (MUR 1516 million) in 2022.

During the year under review, **32%** of Group sales volumes and **18%** of turnover were derived from our foreign operations.

Revenue – MUR.M



Cost of sales and gross profit

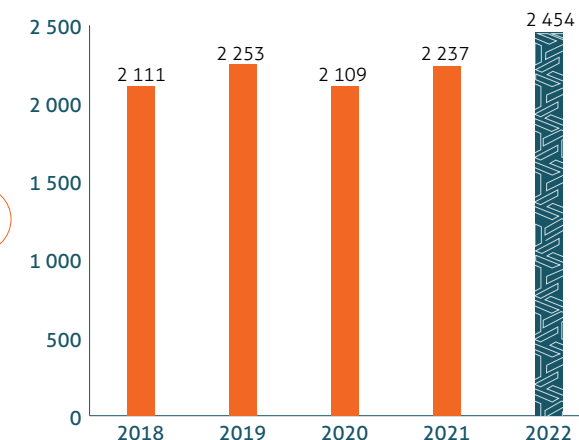
Manufacturing costs increased by **26.1%** and **23.4%** at Company and Group level respectively, mainly driven by increased volumes and prevailing macroeconomic conditions.

Excise and other specific taxes in Mauritius increased by **7.6%** reflecting increased volumes and the increase in excise tax on alcoholic products in June 2021 and June 2022.

Group gross profit increased by **9.7%** from MUR **2 237** million to MUR **2 454** million and by **8.0%** at Company level from MUR **1 560** million to MUR **1 685** million.

Group gross profit increased at a compounded annual growth rate of **3.8%** from 2018 to 2022.

Gross profit – MUR.M



Marketing, warehousing, selling, distribution and administrative expenses (MWSDA)

MWSDA expenses increased by **8.1%** and **7.5%** at Group and Company level respectively. The prevailing inflationary pressures and depreciation of the MUR against the dollar had a direct impact on the expenses at both Company and Group levels.