

# CAPITAL TRADE-OFFS

In creating value, we draw from, contribute and transform the capitals available to us, remaining mindful that these trade-offs align with our values and principles. Significant trade-offs during the year includes those discussed below:

- The marked increase in inflation during the year materially increased the cost of our raw material inputs and other production and operational expenses, and also affected consumers' disposable income. Wherever possible, we chose not to increase our prices to cushion the impact on consumers.
- Our employees were also impacted by the increase in inflation, particularly through rising food and fuel prices. We provided assistance to the employees most affected in the form of gift packages and food coupons.
- In response to the ongoing supply chain disruptions and the increasing price of inputs, we planned further ahead and increased our stock holdings of raw materials (natural capital) and packaging inputs (manufactured capital).
- A number of the projects we implemented during the year aim to reduce our use of natural capital and environmental impact. These include a new rainwater harvesting system at Nouvelle France, solar system at the Limonaderie and a pilot project to test electric vehicles in our fleet.
- We continue to invest in developing our human capital through training and development, this year rolling out behaviour-based values, introducing service excellence training and launching a sales academy to align, upskill and inspire our internal talents.
- We continue to drive the circular economy through PhoenixEarth, working with partners, government and various NGOs to participate in, sponsor and support programmes to collect plastic packaging for recycling and reuse, promote awareness in schools and communities, drive social media campaigns, provide additional bins to reduce litter and participate in the harbour clean-up programme.

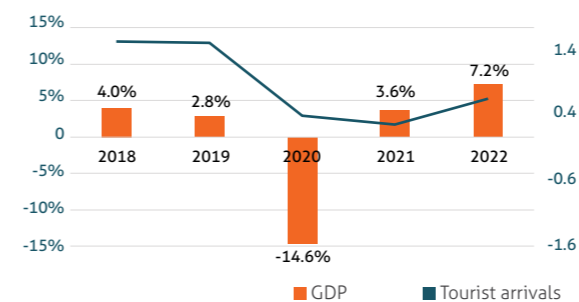


# OUR OPERATING CONTEXT

GDP growth in Mauritius recovered in 2021, growing 3.6% following the 14.6% contraction in 2020. Growth for 2022 is forecast at 7.2%, which would take the economy back to less than 1% higher than 2019.

This forecast growth for 2022 is heavily dependent on tourism, which before Covid-19, contributed roughly 8% to GDP annually. With Mauritius closing its borders from March 2020 to October 2021, the tourism industry contracted 77% in 2020 and a further 22% in 2021. The 2022 forecast GDP assumes growth in the tourism of more than 200%. While monthly tourist arrivals are trending upwards, they remain well below pre-pandemic levels.

GDP growth (%) and international tourist arrivals (m)



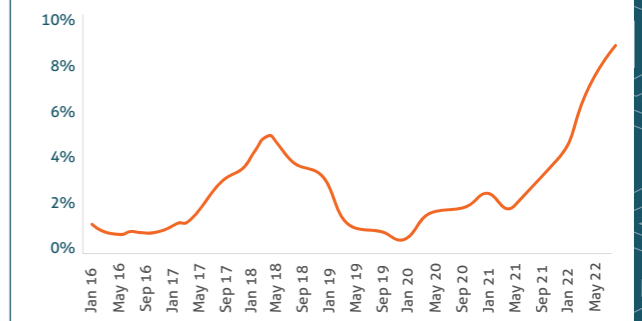
Source: Statistics Mauritius

Note: 2022 tourist arrivals are for the eight months to August 2022.

Many of PhoenixBev's customers are in the hotel/ restaurant/ café (Horeca) industry and were significantly affected by the closure of international tourism.

From the middle of 2021, headline inflation in Mauritius rose rapidly and significantly, affecting consumers' disposable income and impacting the price of raw materials and production costs

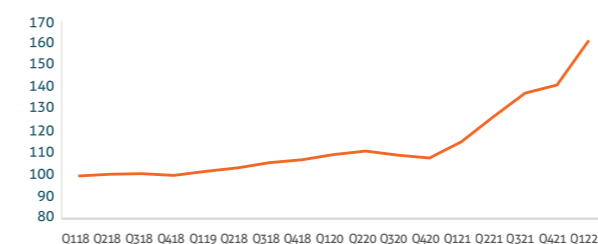
Headline inflation



Source: Statistics Mauritius

As an island nation, Mauritius is heavily reliant on imports, the price of which increased steadily from the start of 2021 as a result of global inflation and the devaluation of the Mauritian Rupee against the US Dollar and Euro. At the end of the first quarter of 2022, the import price index was 40% higher than Q1 2021. PhoenixBev experienced significant increases in the cost of our imported inputs.

Import Price Index (2018=100)



Source: Statistics Mauritius

The Mauritian Rupee has continued to depreciate against hard currencies since the start of the pandemic, exacerbated by the decrease in foreign currency brought into the country by tourists. At 30 June 2022, the Mauritian Rupee was 15% weaker against the US Dollar and the average rate for PhoenixBev's 2022 financial year was 7.8% weaker. This depreciation contributes to inflation in the cost of imports.

MUR vs USD chart



Source: Mauritius Commercial Bank