The CFO's REPORT

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The challenging landscape

The world is constantly changing. Various factors like political events, economic trends, technological advancements, environmental impacts and global health situations continue to significantly influence the lives of people daily and how businesses operate. 2022 has brought some relief following a few stressful years dominated by Covid-19. but the uncertainty lingers on to a large extent. The crisis in Ukraine added a few layers of complications, which the world was not fully prepared to face whilst still recovering from the effects of the pandemic.

Locally, the slow improvement in consumer sentiment, following the opening of the borders and the ensuing gradual pick-up in the Tourism sector, brought about a great sigh of relief to the country and to the business community. The local economy progressively started to recover in the beginning of the year, but the lack of visibility on the international arena, mainly pertaining to the collateral damage caused by persistent supply chain issues, the fluctuating price of petrol, the lack of foreign currency and the impact of inflation worldwide, continue to hamper the local economy from reaching its pre-pandemic c cruising speed.

2022, a year to recovery for the Group

At the level of CJ Group, the steady progress over the quarters of 2022 culminated into a highly satisfactory performance for the Group during the year under review. The top line grew by nearly 12% year on year, on the back of an overall increase in Revenue across all clusters, and particularly of a turnaround in the Tourism & Hospitality cluster. The Anantara hotel lived its first ever full year of operation, and delivered a decent performance for a new entrant in the local market.

Overall, 2022 was a year of hope and a confirmation of the resilient nature of the Group's businesses. The Group recorded an Operating Profit of MUR 842M, a growth of 80% compared to MUR 467M in 2021, supported by an exceptional income of MUR 100M at the level of Emtel. The Group's finance costs increased to MUR 467M from MUR 400M in 2021. This was mainly because of high investments and the effect of the increase in interest rates at the end of the year. The Group's NPAT closed at MUR 339M in 2022 compared to a loss of MUR 91M in 2021.

The Group OCI, on the other hand, also added MUR 135M as a surplus on the revaluation of Property, Plant & Equipment and MUR 63M as a positive movement on its Retirement Benefit Obligations in 2022. However, the Group lost around MUR 100M on the fair value of its overseas investments compared to a gain of MUR 398M recorded in 2021. These movements accumulated into a Total Comprehensive Income amounting to MUR 438M in 2022 compared to MUR 723M last year.

For the year under review, the Group was successfully steered towards a higher performance despite that challenging context, achieving a return on equity of 16.3% compared to -5% in 2021.

Capital efficiency and debt

The Group's operating activities generated substantial net cash flow of MUR 1,537M in 2022, up from MUR 666M in the previous year. This positive change was contributed by an increased EBITDA and efficient management of our working capital.

In 2022, the Group's asset base improved from MUR 14.6BN to MUR 16.1BN, representing an increase of 10%. The Group invested nearly MUR 1.7BN in 2022 compared to MUR 1.1BN in 2021. Total Equity increased from MUR 1.8BN to MUR 2.1BN. These investments were mainly targeted towards the Group's strategy to build scale in the Real Estate cluster, and further reinforcing the technical assets and capabilities of the TMIT cluster.

The Group's net bank debt increased by MUR 443M to reach MUR 8.9BN at the end of 2022. The persistent inflationary pressure and the ensuing increase in interest rates, as driven by the Central Bank's monetary policy, will continue to exert more pressure on the cost of debt financing in 2023. In response, the Holding company remains committed to a reduction in its financial risks and will implement key strategies to this end in 2023 and 2024.

OVERALL, 2022 WAS A YEAR OF HOPE AND A CONFIRMATION OF THE RESILIENT NATURE OF THE GROUP'S BUSINESSES. THE GROUP RECORDED AN OPERATING PROFIT OF MUR 842M, A GROWTH OF 80%

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Cluster financial review

All operating clusters contributed positively to the overall performance and grew over last year. The main contributor remains the Telecom, Media & IT cluster, bringing about 80% of the operating profit of the Group. Despite operating in a severely competitive and disruptive environment and the challenging state of MC Vision Ltd, the Media company, the TMIT cluster managed to deliver on its main strategies and record a growth of 22% year on year MC Vision has been hit by several shocks over the last couple of years, namely an increase in content costs, the depreciation of the Mauritian Rupee, the fall in consumer spending, changing viewing patterns and the inability to increase prices in the midst of a cost-of-living crisis. The evolving technological landscape, however, is presenting new opportunities to completely rethink this business and carry it into a more promising future.

CJ GROUP WILL CONTINUE PURSUING NUMEROUS DIGITALISATION PROJECTS ACROSS MANY BUSINESS UNITS, WHICH WILL GENERATE REMARKABLE RESULTS IN TERMS OF EFFICIENCIES AND FURTHER COST SAVINGS.

The Real Estate cluster benefitted from fair value gains on revaluation of investment properties, and experienced a remarkable operational performance compared to 2021. The cluster achieved an improvement in operating profit of over 45%, excluding fair value gain in investment properties. The cluster successfully implemented its 'Build' strategy to scale its operations at the end of 2022. The DEM-listed company, Compagnie Immobilière Ltée, recorded an increase in its asset base from MUR 360M to MUR 1.6B.

The Hospitality cluster, as I mentioned earlier, experienced its first full year of operations in 2022. The hotel achieved a decent occupancy level of 50% and managed to operate a profitable last quarter of 2022. Although the outlook in this industry looks promising, the lack of manpower remains a major challenge for the future, unless a solution and clear vision is proposed from the higher level. The travel company Silver Wings Travel Ltd also benefitted largely from the opening of the borders and the revenge travel phenomenon. Its inbound business segment also performed very well, bringing comfort with regard to the cluster's growth prospects.
The Commerce & Financial Services cluster also delivered a worthy performance at the level of the building materials company, Batimex. The company recorded double-digit growth in its Revenue and operating profit in 2022. ILA, the Group's Life Insurance company, managed to steer through the recent difficult Covid-19 years and has been investing in building up a stronger organisation to benefit from the recovery in the coming years.

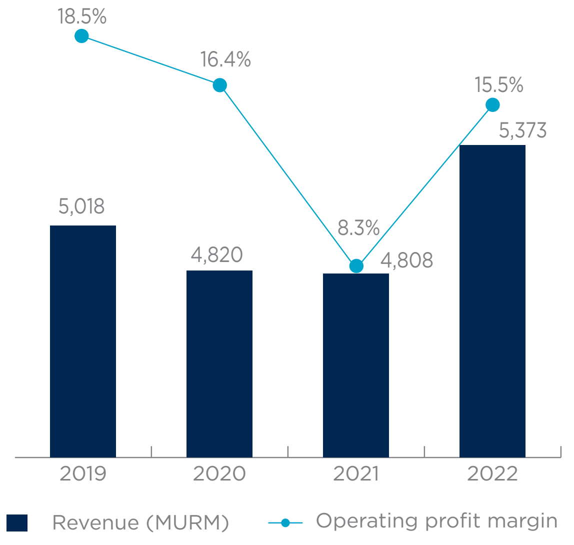
In the Energy cluster, TotalEnergies Marketing Mauritius Ltd (Total) performed exceptionally well during the year. The sales volume realised was aligned with pre-Covid levels and the company also benefitted from a better margin on existing stocks, which translated into profits amounting to MUR 358M (2021: MUR2 00M). Dividend of MUR 200M was paid for the year under review, compared to MUR179 M in 2021.

On the other hand, Ceejay Gas Ltd experienced a 9.7% growth in sales compared to 2021, but a decline in profitability, explained by an increase in raw material costs, also fuelled by adverse foreign exchange movements. A dividend of EUR 302,184 was paid in 2022, compared to EUR 576,388 in 2021.

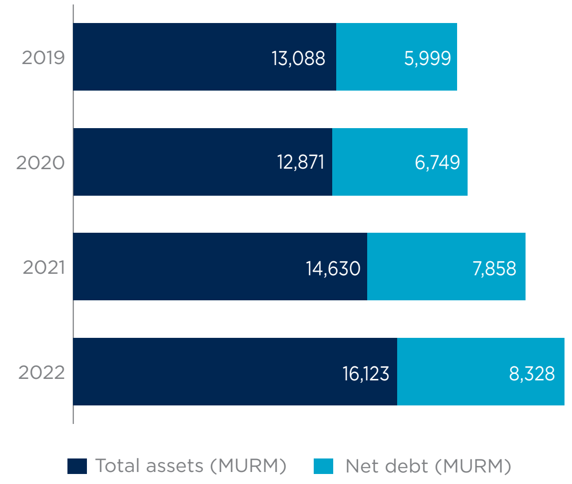
Positioned for growth

As we exit 2022, we still find ourselves facing a volatile and challenging environment despite a strong recovery in the Tourism locally. The persistent effects of increasing inflation are likely to exert pressure on our costs, and therefore, our profitability. However, we will continue to rely on CJ Group's strong fundamentals and financial discipline, which have served us well in challenging times. Notwithstanding the short-term disruptions, all businesses are expected to grow on the back of various drivers, including our strategic pillar of building organisational efficiency. The pursuit of numerous digitalisation projects across business units are expected to deliver remarkable results in terms of efficiencies and further cost savings. The centralised shared accounting services at CJ Corporate will also expand its coverage to support more businesses and to allow them to be more focused on the achievements of key operational strategic objectives. With a portfolio of profitable businesses, a robust strategy and agile teams, CJ is poised to leverage its core competencies and scale to enhance social and environmental value. Consistent engagement with our investors and other stakeholders will remain an area of focus as we head into a new year on strong financial footing and with very compelling prospects.

REVENUE AND OPERATING PROFIT MARGIN



TOTAL ASSETS AND NET DEBT



CAPEX (MURM)