

## **CHAIRMAN'S STATEMENT**

Dear Shareholder,

The year 2005 has been marked by the commissioning of the tuna loin processing plant, Thon des Mascareignes Limitée. This state of the art factory obtained its EUR1 certification for exporting tuna loins to Europe in September 2005. Since then, production levels have reached their cruising speed, processing 230 tons of fish per day and exports have matched production levels.

Complementary to the above, the capacity of Froid des Mascareignes Ltd has been increased from 4500 tons to 11500 tons and the quays have been lengthened from 142 metres to 369 metres.

The above two developments have required investments in excess of Rs1 billion. These developments are of strategic importance to our group and are poised to become a major component in the medium term in terms of foreign exchange receipts (Rs2 billion pa.), employment creation (1500) and net profit generation (Rs100 M p.a.).

In the field of Aviation, we have obtained an AOC (Air Operator's Certificate) and have begun regular services to Rodrigues on our Beechcraft 1900D since September 2005. Strategically our aim is to be the second national air carrier, operating regionally. Our second Beechcraft 1900D is due to operate in Madagascar during the second quarter of 2006. We are still waiting for our permits to fly to Réunion on a regular basis.

Our sectors of activities are now grouped under four pillars, namely Commerce, Engineering, Financial Services and Marine, Logistics & Aviation. The philosophy of having autonomous and focused business units remains intact but this regrouping has been done in order to achieve synergies, improve productivity and reduce costs.

As far as the financial results for 2005 are concerned, our Group profit before tax stood at Rs413M compared to Rs509M in 2004.

This drop is mainly due to the lower profit realised on disposal of related companies in 2005 compared to 2004. In 2005, a profit of Rs107M arose from the sale of investments in Seychelles and of 49% of Scomat to our partner in Reunion Island. Strategically the company will have 49% in Scime in Réunion (in 2007). Both Scomat and Scime are Caterpillar sub dealers (the dealership being owned 50/50 between the Company and Etablissements Macé of Réunion). Comparatively in 2004, a profit of Rs253M was realised on the sale of Iframac Ltd and Société du Port.

Profits attributable to shareholders were Rs317M for the year under review (2004 : Rs448M) and the earnings per share have decreased from Rs6.28 to Rs4.44.

The Board is well aware of the fact that our net finance costs have increased substantially and different options are being considered to reduce the Group's indebtedness.

2006 has started reasonably well and prospects look good.

Mr Adolphe Vallet has resigned from our Board after more than 33 years of service. As Mr Vallet has been a Board member since the creation of the company, I wish to place on record my appreciation for these years of long service and dedication. I welcome Mr Jean Ribet who replaces Mr Vallet.

I would like to thank my colleagues on the Board for their support and the CEO, Management and staff for their valuable contribution and loyalty to the Company.

For and on behalf of the Directors

Thierry Lagesse

20 April 2006