MANAGING DIRECTOR’S Message

This has been a very difficult year, with the record-low sugar prices putting severe pressure on the Group’s performance. This year in Mauritius sugar averaged MUR 8,800 per tonne down from MUR 11,000 in 2017 and MUR 15,571 in 2016 – substantially below our current break-even price. The 20% fall in sugar price contributed to a 42% drop in the Group’s gross profit to MUR 133.5 million, off the back of the Cane cluster’s operational loss of MUR 271.9 million. This loss was offset by generally positive financial performances elsewhere in the Group.

In my message to shareholders last year, I highlighted that our focus as a Company had been on appointing and structuring the right teams to deliver long-term value for the Group, and I identified the urgency that we face – both as a Company and more broadly as a country – in responding effectively to the prevailing low sugar price levels. While this urgency remains the order of the day, and in some respects, has become more acute, I am confident that Terra now has the right people and skill-sets to deliver on our long-term strategic ambitions. Each of our clusters is appropriately structured with strong teams in place, and each has developed a compelling three-year strategic plan that provides a clear vision for the Group, with strong alignment across the executive team and directors.

Looking ahead, we will be focusing on further developing our core competencies, driving improved operational efficiencies and identifying opportunities for new investments in areas where we will be able to capitalise on our expertise. We will also continue to divert our non-core assets and activities.

CANE: Responding to the challenging price environment

In many respects this past year has been a ‘perfect storm’ for the Mauritian sugar sector. The recent ending of European quotas and the substantial oversupply of sugar, combined with strong price volatility in certain markets, rising costs and falling volumes locally, have placed extreme pressure on local producers, all of whom have suffered heavy losses. While we anticipate that the tough global price environment will result in reduced global production and an improvement in prices, this will not be sufficient to financially sustain the local sugar sector, which faces some quite daunting structural challenges.

In addition to working actively towards protecting the competitiveness of our local cane operations, we are looking to further enhance the potential that rests in our world-class know-how and expertise by realising opportunities to expand outside Mauritius and be more directly involved in our operations in Côte d’Ivoire. After a year of disappointing performance, we recognise that the Côte d’Ivoire operations necessitate a significant upgrade in skills, followed by substantial investment, to secure their profitability in the future. We are working with our partners in Côte d’Ivoire to work out a modus operandi, that would effectively make use of our expertise.

POWER: A global leader in reliability and generation costs

Our Terragen plant is amongst the world’s “best in class” power plants, both in terms of reliability and cost of production. The operation had another good year, generating 410.6 GWh of electricity with 93.1% availability and an after-tax profit of MUR 199.1 million. We have been pursuing in our drive this year to increase our share of green energy, both by increasing the volume of cane trash and testing the viability of additional sources of biomass such as eucalyptus and we are hoping to secure more bagasse from the Medine sugar estate. It is pleasing to report that we made further progress this year with our carbon burnout plant, a joint-venture ‘circular economy’ initiative with Omnicane, that transforms Terragen’s ash into raw material to produce cement. We are committed to continuing to drive the uptake of green energy, and to remaining a key source of reliable and cost-effective energy for the benefit of the country. Ahead of the 20th anniversary of our Power Purchase Agreement with CEIL, in June 2020, discussions around the renewal of the contract should start in the near future.

BRANDS: A challenging year

This was a difficult year for the Brands cluster, which felt the impact of rising input costs, unexpected logistical challenges, changing consumer patterns, and the divestment of our Uganda activities. Revenue for the year was up at MUR 1,450.6 million, while profit after tax decreased to MUR 83.7 million. We believe that we will start in the near future.

ACknOwLEDGEMENTS

The Group’s generally strong performance in this very tough year is attributable to the hard work and commitment of our people across the Company. I wish to express my appreciation to my colleagues on the executive and the management teams in each of the clusters, as well as to Terra’s employees at all levels in the Group, who have contributed to the development and strong execution of our strategy in a very challenging operating environment. I would also like to thank my colleagues on the board for providing valuable advice and oversight.

Looking ahead, I am confident that we have the right skill and people ethos in place to create long-term value for our shareholders and other stakeholders.