OVERVIEW

THE VALUE
We created in 2017

CUSTOMERS

Cane

87,397
tonnes of specialty sugars in **10 varieties**

Power

95.6%
of plant availability on **CEB** network

RELIABLE PRODUCER
only **one** plant trip

Supply of 427GWh to the national grid

Property & Leisure

22.17 hectares
Development and realisation of non-strategic assets

100,000
visitors to
l'aventure du sucre

Rated 4.5 on Trip Advisor

Brands

ONE
NEW
retail shop opened

3,950
direct **B2B** customers reached
(in Mauritius)

9,454
B2C regular customers reached
(in Mauritius and excluding adhoc customers)

PROVIDERS OF FINANCIAL CAPITAL

MUR **101.5m**
paid to banks and other lenders

MUR **113.1m**
paid in dividends to outside shareholders of subsidiaries

MUR **0.38**
Earnings per share

MUR **193.4m**
paid in dividends to Terra shareholders

EMPLOYEES

157
JOBS PROVIDED

MUR 922.7m
paid in salaries, wages and other benefits

MUR 10.5m
invested on employee training and development

GOVERNMENT

MUR 16.3m
paid in taxes in Mauritius

MUR 617.8m
paid in customs and excise in Mauritius

SUPPLIERS

MUR 2,898.0m
Procurement spent

COMMUNITIES

MUR 8.6m
paid in **CSR** sponsorship

77
projects sponsored

OUR BUSINESS
at a Glance

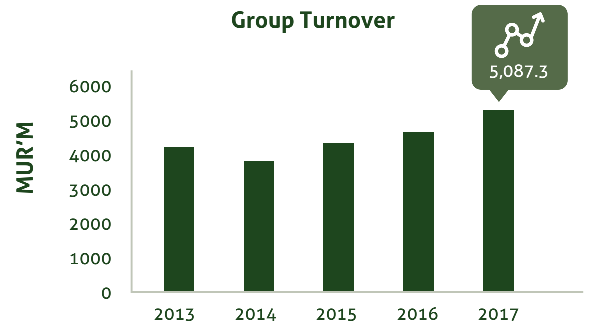
Our organisational structure

Terra's organisational structure reflects the outcome of a restructuring exercise completed in 2016 that resulted in the establishment of four autonomous clusters: Cane, Power, Brands, and Property and Leisure. The strength of these clusters hinges on their unique business know-how that sets them apart from competitors and provides the platform for their international development.

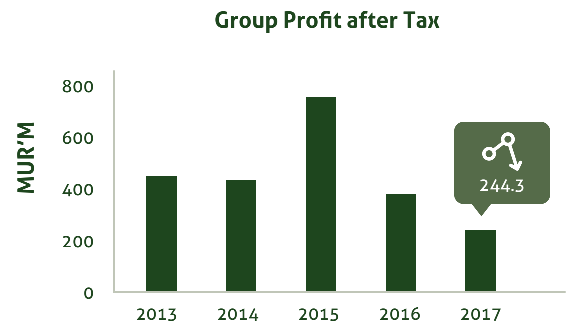
The clusters are autonomous in their decision-making processes, budgeting and reporting, as well as in the day-to-day running of its operations. Each cluster's leadership team is fully accountable for its cluster's respective performance, and is empowered to develop its own businesses and to realise any international growth opportunities in line with proposals and plans that are duly approved by the Board of directors. The clusters are supported by some centralised functions aimed at developing a shared performance-based, permanent improvement culture, and at driving operational excellence and efficiency across the Group.

TERRA MAURICIA LTD

Group Turnover



Group Profit after Tax

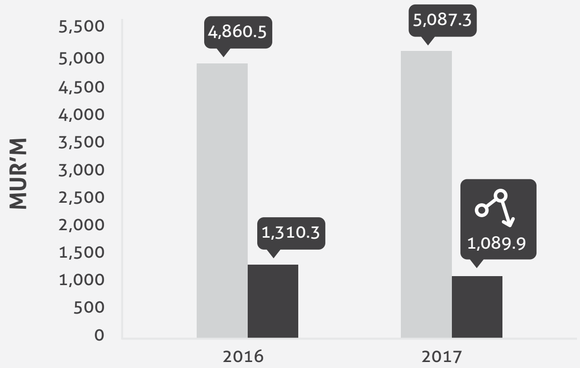


CANE

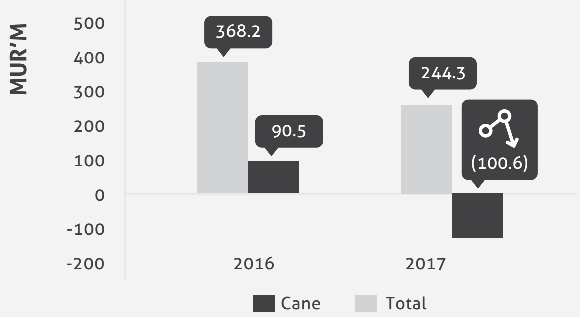
546

- Employee turnover rate = **4.76%**
- **5,510 Ha** of land under cane cultivation
- **867,643 tonne**s of sugar cane milled
- **87,397 tonnes** of sugar produced

Segmental Analysis Revenue



Segmental Analysis Profit after Tax

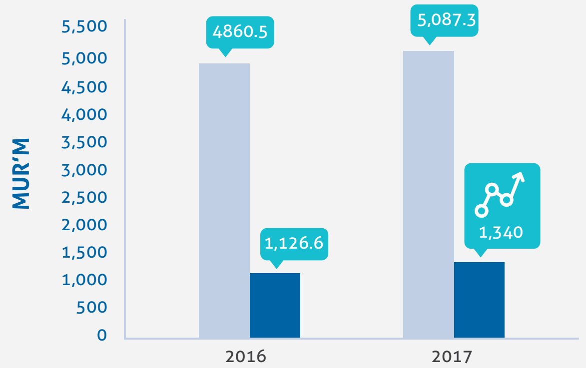


POWER

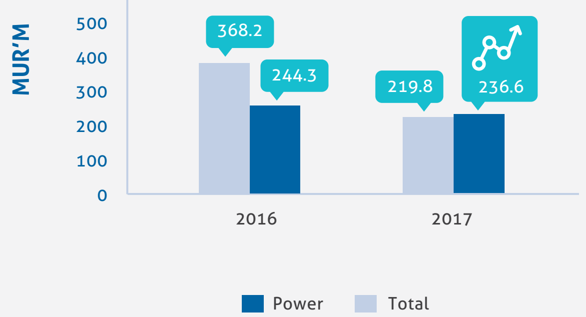
51

- Employee turnover rate = **0**
- **427.5 GWh** sold to CEB
- **95.6%** availability on CEB network
- **43%** renewable energy share

Segmental Analysis Revenue



Segmental Analysis Profit after Tax

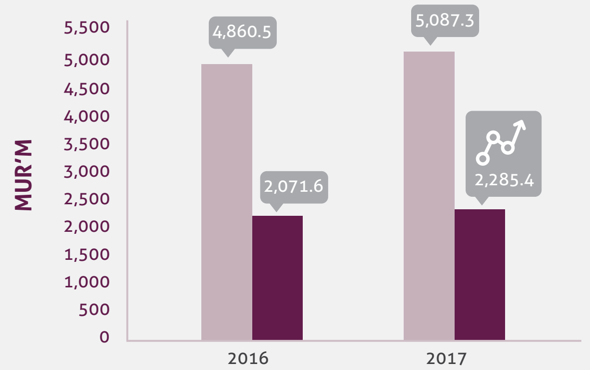


BRANDS

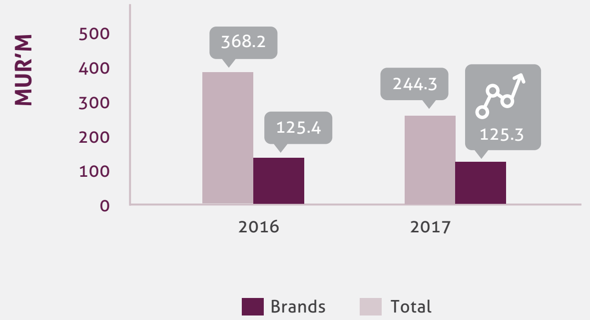
562

- Employee turnover rate = **24.4%**
- **24** own brands
- **46%** of sales from spirits and **20%** from wines
- **6 million** litres of alcohol produced

Segmental Analysis Revenue



Segmental Analysis Profit after Tax

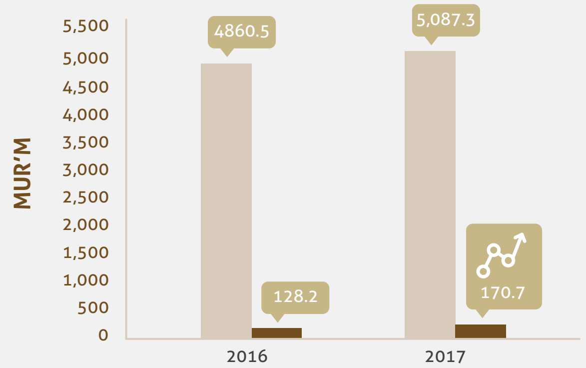


PROPERTY AND LEISURE

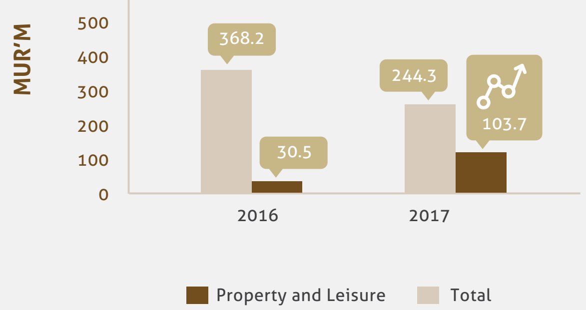
137

- Employee turnover rate = **11.8%**
- **454 Ha** of land available for development
- **65,657 m²** under rent
- **96.1%** occupancy rate

Segmental Analysis Revenue



Segmental Analysis Profit after Tax



OUR BUSINESS Model

Terra's business model hinges on its ability to derive competitive advantage and create stakeholder value across its four clusters, each of which seeks to optimise value from the Group's core assets and activities across different stages of the cane value chain.

A more detailed overview of each cluster's business model and operating context is provided in the Operational Review section of this report.

CANE (546)

Transforming sugar cane into raw sugar and specialty sugars to sell through the Mauritius Sugar Syndicate, with certain by-products used as inputs into the Power and Brands clusters.
(Page 18)

BRANDS (562)

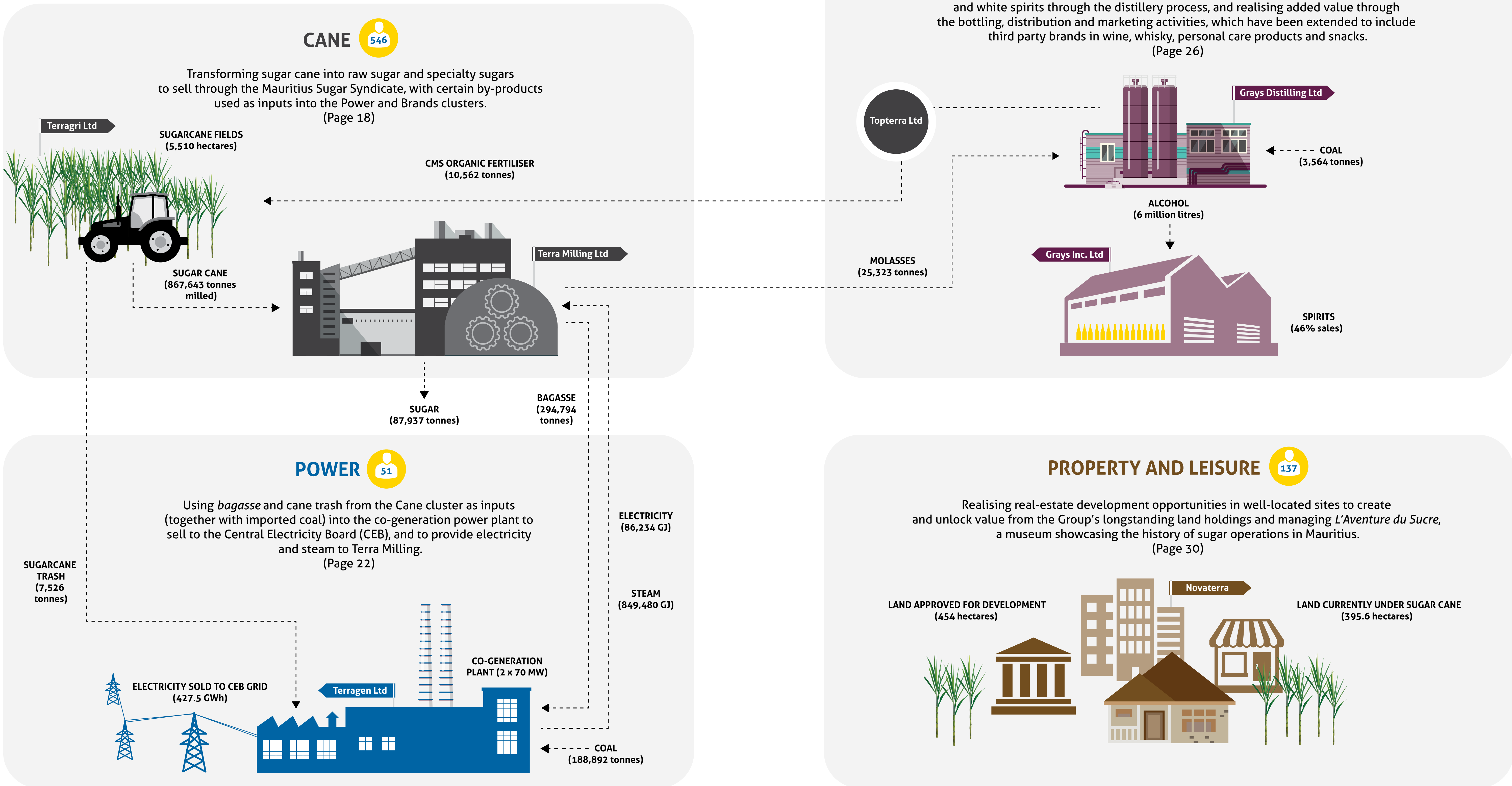
Transforming by-products of the sugar production process into value-added dark spirits and white spirits through the distillery process, and realising added value through the bottling, distribution and marketing activities, which have been extended to include third party brands in wine, whisky, personal care products and snacks.
(Page 26)

POWER (51)

Using *bagasse* and cane trash from the Cane cluster as inputs (together with imported coal) into the co-generation power plant to sell to the Central Electricity Board (CEB), and to provide electricity and steam to Terra Milling.
(Page 22)

PROPERTY AND LEISURE (137)

Realising real-estate development opportunities in well-located sites to create and unlock value from the Group's longstanding land holdings and managing *L'Aventure du Sucre*, a museum showcasing the history of sugar operations in Mauritius.
(Page 30)



CHAIRMAN'S Message

It gives me pleasure to present Terra's first annual Integrated Report. In line with corporate governance and accountability trends, both globally and nationally, we have taken the decision this year to produce an integrated report that seeks to apply the recommendations provided in the IIRC's International <IR> Framework. Our aim in this report is to articulate Terra's strategic framework for long-term value creation, and to provide the company's shareholders – and other interested stakeholders – with a concise review of the Group's performance and governance practices for the financial year.

This is the second full year in which Terra has been implementing its new strategy, under the leadership of Managing Director, Nicolas Maigrot, and his young dynamic management team. The strategy, which focuses on optimising value from the Group's core assets across the cane value chain, represents a significant departure from the previous focus on business diversification, and is already demonstrating its potential to deliver sustainable value creation within a challenging operating environment.

A challenging business context

Our business transformation has been undertaken in the context of increasing global volatility, characterised by rapid and profound changes in technology, growing nationalism and populism, and increasing evidence of greater protectionism. We are also seeing signs of headwinds in financial markets, with inflation levels diminishing purchasing power, and with concerns around a potential readjustment in financial markets impacting negatively on consumer, business and investor sentiment.

One of the most significant challenges we faced this year was the significant drop in the global sugar price, following

the termination in October 2017 of the EU's system of quotas and minimum pricing for sugar, bringing to an end its cap on sugar beet production that had been in place for almost 50 years. The resulting global supply surplus saw the average price of sugar falling to MUR 11,000 at financial year-end, below the breakeven price for local sugar producers. Given this context, there is an urgent need for all stakeholders across the sugar value chain – cane growers, refiners, other associated sectors and the Government – to work together to enable the Mauritian sugar industry to become as competitive as possible in order to face increased competition from other sugar producers globally.

Domestically, we have seen some favourable developments in the country, with the Government taking concrete measures aimed at boosting Mauritius' reputation as an international financial centre, and attracting further foreign direct investment. While the strengthening of the rupee has negatively impacted the country's competitiveness in certain sectors, and increased our trade deficit, I remain optimistic that we will see sustained levels of economic growth and a further strengthening of consumer demand. We have seen some valuable growth this year in areas such as construction, financial services, tourism and the ICT sector, with local economic activity likely to be further boosted in the coming years by significant public sector investment in the metro express light railway system and other infrastructural projects. The recent economic upturn in Europe will also have beneficial impacts on various sectors of the Mauritian economy, which remains dependent on EU demand for tourism, textiles and sugar.

Generally encouraging performance given the difficult price environment

The depressed global sugar price had a significant negative impact on the Group's overall performance this year, with Group profit after tax down 33.6% year-on-year, to MUR 244.3 million. In the context of this very challenging operating environment, it has been encouraging to see the Group's performance in areas that remain within its control. The performance and prospects across each of Terra's four clusters lend strong support to the Group's strategic focus on delivering value from its core assets.

A particular highlight has been the outstanding level of operational excellence achieved in the **Power** cluster, with Terragen once again being the most reliable and best-value partner for the Central Electricity Board (CEB), providing one of the cheapest sources of electricity for the country's national grid, and delivering strong revenue growth for the Group on the back of enhanced efficiencies. The company's strategic focus is to maintain the reputation it has progressively earned over the year as a reliable and cost-effective energy producer, continuing with its preventative maintenance and efficiency initiatives,

and engaging actively with the CEB to sustain their strong working relationship. In support of the Government's commitment to greener energy, Terragen will be looking to further increase its uptake of cane trash as a renewable energy input.

The **Brands** cluster delivered another year of solid performance, remaining a major actor in its sector and achieving significant progress in revising its brand portfolio and optimising its product mix, with the recently launched M.A.C. cosmetics business delivering particularly encouraging performance. In the context of growing competition, the Brands cluster will be further refining its brand offerings, driving additional efficiencies across the value chain, and reviewing its challenging Uganda business. With a record for innovation and maintaining strong distribution channels, the cluster is well placed to consolidate its position in the market.

Given the current challenging price environment, the **Cane** cluster has adopted a defensive strategy, focusing primarily on reducing costs and improving productivity across its operations, and optimising production of its premium specialty sugars. The strong efficiency drive has already delivered some encouraging productivity improvements this year in its milling, field and garage operations. Looking to the future, the cluster will continue to work closely with the Mauritius Sugar Syndicate, supporting its efforts to strengthen the branding and marketing of Mauritius' sugar, and engaging actively with small-scale planters in an effort to retain them in the sector. The Cane cluster will also be exploring opportunities for possible further international diversification, building on the success of its profitable operations in Côte d'Ivoire.

The progress made this year in the **Property and Leisure** cluster has been remarkable. It has completed the appointment of a diverse and talented team, laid down the organisational structure for the cluster, and made valuable initial inroads in its strategy of unlocking value from the Group's strategically located land holdings. Having secured the letter of intent for the proposed Beau Plan Smart City development, and formally handed over the new campus facilities for the African Leadership College, a key focus for the year ahead will be to give further momentum to the Smart City development, obtaining required certificates and permits, and commencing infrastructure and construction work.

Unfortunately most of the Group's key **associates** had another disappointing year, other than Sucrivoire, the Group's sugar partner in Côte d'Ivoire, and Swan General, the Mauritian insurance and financial solutions provider, both of whom delivered strong performances. While Terra remains committed to supporting its existing investments, it will aim at rationalising its investment portfolio.

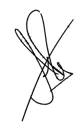
Ensuring effective governance through a diverse Board

Our primary role as the Board is to provide oversight and stewardship, ensuring that the Group's executive team is delivering on its fiduciary duties and doing the best it can with the resources entrusted to it, to ensure long-term value creation. Our job is not to be the driver of new strategic ideas, but rather to ask sharp questions on the strategy that the executive team develops, challenging it on its proposals, motivating it to ensure that all potential opportunities are properly explored, providing it with sufficient capital, manpower and technical resources to achieve these objectives, and holding it accountable to ensure efficient and effective execution of the strategy. In doing so, we are fortunate to have a group of directors on the Board who bring a great diversity of perspective and experience, across both the public and private sectors.
We are constantly seeking to improve our governance practices and to encourage greater transparency and accountability – and it is for this reason that we are embracing the global shift to integrated reporting. I encourage you, as one of Terra's stakeholders, to read this report and to give us your feedback, both on our disclosure and our performance.

Appreciation

In closing, and on behalf of the Board, I would like to convey our sincere appreciation to all of Terra's employees for their invaluable contribution to the Group's strong performance under difficult conditions. The Board and I would like also to convey our special thanks to Nicolas Maigrot and his management team for their work in defining the Group's new strategic vision for long-term growth, and for beginning to deliver effectively on this vision. I would like also to express my personal thanks to my colleagues on the Board for their wisdom and advice over the year.

Finally, I wish to extend my deep appreciation to Terra's business partners and to all of its various stakeholders, including particularly those within the Government of Mauritius, for their collaboration in assisting us to deliver on our shared goal of creating value for the benefit of our country. Since its initial establishment as a small sugar factory in 1838, Terra has delivered significant value for its many various stakeholders. I believe that the Group is very well placed to continue to deliver and share value into the future.



Alain Rey
Chairman of the Board
16 May 2018

MANAGING DIRECTOR'S Message

This has been a challenging year, with the Group's overall performance significantly impacted by worrying developments in the global sugar market. Gross profit for the Group was down by 12.9% to MUR 1,163.5 million, mainly as a result of the 25.4% fall in sugar price. Our local Cane operations suffered an operational loss of MUR 191.4 million, down from a profit of MUR 24.3 million in 2016. This loss was offset by continued strong performances in our other clusters: the Power cluster had a particularly good year, with very high availability and strong efficiency gains delivering good revenue growth; the Brands cluster maintained its position as one of the market leaders, simplifying its business model and optimising its product mix; while the Property and Leisure cluster completed the appointment of its full leadership team, and made valuable initial progress in the development of the Beau Plan Smart City complex.

Given the adverse operational context it has been encouraging to see the progress we have made in implementing our new strategy aimed at optimising value from our assets across the integrated cane value chain. By establishing four autonomous clusters we have driven a strong culture of accountability across the Group. Each cluster has full responsibility for managing its operations and budgeting, and is accountable for ensuring delivery on a clear strategic vision and three-year plan, with an associated set of key performance indicators. This year we finalised the appointment of all executive teams, with some high profile new talent coming into the Group. The talent across the Group provides a critical foundation to our ambition for each cluster to be the best in its respective sector.

Notwithstanding this positive progress in driving our new strategy, there have been certain disappointments over the year. We have not yet finalised the sale of some of our non-core assets that we have been looking to release as part of a clear focus on our core strategy; we remain optimistic, however, that we will be closing some key sales shortly. The recent venture by our Brands cluster in Uganda has not been successful; we have learnt some valuable lessons from this experience, which will be useful in formulating our future international growth plans in this sector. Finally, the profitability of some of our key associates remains a concern; I believe that this vindicates our recent decision to rationalise our portfolio, and to focus on securing value from our core assets and activities.

Responding to the fall in sugar prices

The Group's performance this year has been dominated by the termination, in October 2017, of EU quotas for European beet producers. The ensuing increase in sugar production has seen global sugar prices falling below the cost of production in almost all markets, with significant implications for the Group's business model and the Mauritian sugar sector as a whole, both in terms of growing and milling sugar. Responding to this changing price environment will require a major rethink of current practices in the local sugar industry at a national, sectoral and individual company level.

Nationally, the Mauritian sugar industry operates under a tight regulatory environment, built on a unique model of providing the same sugar price to all producers. While this regulatory context has helped to distribute value across the sugar value chain and the broader Mauritian economy, it is currently hindering the sector's ability to be globally competitive and is significantly undermining our ability to create further value. If the sector is to remain viable, we will need to see greater liberalisation of the regulatory framework, and a progressive move towards a more level playing field, as in other sectors in the country. We believe that the time is right for a full structural reform of the local sugar industry, further consolidating production sites, providing the right environment to retain and attract small-scale sugar planters, and enhancing efficiencies across the whole value chain that influence the price of sugar. Substantial and urgent reform is critical if we are to sustain the business model of planters and millers across the country for the benefit of the Mauritian economy as a whole.

At a sectoral level, the Mauritius Sugar Syndicate (MSS) has a critical role to play as the institution responsible for selling and marketing all locally produced sugar. We are collaborating closely with the MSS in its efforts to strengthen the marketing and branding of Mauritian sugar, with the aim of consolidating the sector's presence in existing markets and to penetrate new ones, including specifically niche markets for premium specialty sugars.

Finally, at a company level, we are working hard to reduce our costs of production by driving strong efficiency gains across all stages of our production chain, while at the same time strengthening our capacity to develop and utilise our expertise in other sugar growing markets.

Our long term strategy for value creation

The recent restructuring of the Group into four autonomous clusters, completed in 2016, reflects our strategic ambition of creating value through our core assets. This is a long-term strategy that will take time to deliver its full potential in terms of profit growth, as we invest over the short-term on the human resources and projects necessary for value creation down the road.

An important development this year was the finalisation of a clear strategic vision for each cluster.

- In the **Cane** cluster our strategic objective is to become, and be recognised as, a highly efficient and innovative sugar producer that exports its expertise internationally. In the current low-price environment, our most immediate priority is to focus on ensuring our resilience, by driving improved efficiencies and enhanced productivity across our workforce in our growing and milling activities. We will also be exploring additional opportunities for international sugar activities, including the existing one in Côte d'Ivoire, using our recognised technological and process skills to grow and mill sugar in carefully selected regions, with our existing operations in Mauritius serving as a training centre and base for developing global best practices.

- In the **Power** cluster, we will focus on maintaining our best-in-class availability and reliability, while further improving operational efficiencies. As part of our commitment to delivering green energy, we will be consolidating the uptake of cane trash as a renewable energy input, and driving our carbon burnout project aimed at transforming coal ash into raw material inputs for cement production. Reflecting our determination to remain the most reliable and cost-effective source of electricity in the country, and as an integral part of our long-term preventative maintenance strategy, we will be investing in revamping our turbine control system and making additional capital investments to maintain the integrity of our site.

- Our strategic objective in the **Brands** cluster is to consolidate our market leadership position in Mauritius, using the outcomes of the recent activity-based costing exercise to optimise our product mix and drive further efficiencies across our distribution channels and supply chain management. We have underestimated the complexity of running a "brand" activity in Uganda and we are taking the necessary steps to remedy the situation. Further investments will be made in Mauritius at the level of the distillery and in the rum ageing activity, while we will continue to be on the lookout to export our know-how.

- In the **Property and Leisure** cluster, our goal is to be recognised as a leading real estate developer in a structured and sustainable environment, seen as the business and residential location of choice in the north of Mauritius. We will be focusing on two principal projects – the Beau Plan Smart City and the Balaclava Golf Estate – as well as realising value over the shorter-term through the carefully considered sale of non-strategic agricultural land aimed at raising cash to finance infrastructure and further boosting the value of our remaining property portfolio.

As part of our drive to maintain a clear strategic focus on these four clusters, we will be rationalising our **investment portfolio**, focusing only on those areas where we have the ability to make a strategic impact.

Acknowledgements

I wish to thank my colleagues on the executive team and top management in each of the clusters for their continued commitment and strong performance in a challenging operating environment. I would also like to thank my colleagues on the Board for their valuable engagements regarding the development and implementation of our strategy. Finally, I would like to express my appreciation to Terra's employees across the Group for their dedication and hard work throughout the year.

Looking ahead, I am confident that we will continue to nurture a strong performance based permanent improvement culture, and drive an ethos of operational excellence, that will give the Group's business units a distinct competitive advantage and enable us to create long-term value for our shareholders and other stakeholders.

Nicolas Maigrot
Managing Director
16 May 2018

FINANCIAL Review

This has been a challenging year for the Group, with the significant decline in the global sugar price negatively impacting profits. The continuing strong revenue performance of the Brands and Power clusters, coupled with the positive initial signals from our recently established Property and Leisure cluster, give us confidence that our strategy of optimising value by developing our core assets will deliver longer-term growth in this challenging sugar-price driven environment.

Income Statement: Group profits impacted by lower sugar prices

Group revenue for the 2017 financial year was up MUR 226.8 million (4.7%) to MUR 5,087.3 million, driven mainly by Brands and Power clusters. Despite the increase in revenue, gross profit for the Group was down by MUR 171.8 million to MUR 1,163.5 million. This 12.9% drop was due mainly to the 29.3% fall in the sugar price, which was mitigated by accompanying measures from the Mauritius Sugar Syndicate and the Sugar Insurance Fund Board, but nevertheless caused our local sugar operations to record a loss of MUR 191.4 million, including a standing crop fair value loss of MUR 115.3 million.

Group EBIT stood at MUR 318.7 million, with profit realised on land sales of MUR 164.3 million, significantly up compared to MUR 52.1 million in 2016. The new Property and Leisure cluster is now in operation, and has begun to unfold its strategy through the implementation of real-estate development opportunities in well located sites, with a view to creating and unlocking value of our land holdings in the near future. Rental income for the year was MUR 78.0 million, up 39.3% on MUR 56.0 million in 2016.

The year-on-year increase in depreciation and amortisation of MUR 15.5 million is linked to the higher asset base of the Group's property, plant and equipment. Finance costs amounted to MUR 100.4 million. The 27.4% increase is mainly due to additional group borrowing of MUR 339.2 million raised to partly finance capital expenditure and investments in financial assets.

The contribution from our Associates dropped by MUR 10.1 million, mainly due to underperforming investments in new emerging sectors.

Group profit for the year stood at MUR 244.3 million, a 33% reduction on last year, after accounting for an impairment of MUR 58.2 million and a deferred tax credit of MUR 32.8 million following a drop in income tax rate of subsidiaries engaged in export of goods. Earnings per share (EPS) dropped to MUR 0.38, down by MUR 0.58 on last year.

Financial highlights

	2017 MUR' M	2016 MUR' M	Change %
Revenue	5,087.3	4,860.5	4.7
Profit before finance costs (EBIT)	318.7	459.8	(30.7)
Profit after tax	244.3	368.2	(33.7)
Earnings per share (EPS)*	0.38	0.96	(60.4)
Net asset value per share (NAV)*	58.30	58.50	(0.3)
Gearing**	0.15 : 1	0.12 : 1	-
Dividend per share *	0.85	0.85	0.0

* Values are shown in MUR **Debt / (Debt + Equity)

Balance Sheet: Strong balance sheet retained and dividends delivered

The Group invested an additional MUR 405.6 million in property, plant and equipment to maintain and improve plant operational efficiencies.

Listed investments are valued on the basis of the higher of the net asset value (NAV) or market price. Our investment portfolio grew by MUR 214.8 million (6.3 %). Investments in associates and financial assets were fairly valued using the mark-to-market for all quoted investments, NAV or discounted cash flow (DCF) valuation principles, as appropriate. Total assets reached MUR 18,756.7 million, compared to MUR 18,348.4million in 2016.

Owners' interest dropped by MUR 48.5 million to MUR 13,258.3 million, mainly due to losses recorded by our local sugar growing operations which are held at 100% by the Group, while in the other profitable subsidiaries our percentage holding varies between 51% and 80%, hence a lower contribution towards owners' interest.

Group current and non-current borrowings amounted to MUR 2,698.2 million, an increase of 14.4 % over the previous year. The increase in debt is mainly attributable to the funding of capital expenditures and financial investments. Net debt to equity is at 17.6% and remains low in terms of the group borrowing capacity.

Net asset value remains at par with 2016 at MUR 58.30 per share, despite the adverse economic conditions facing our local sugar operations. Market capitalisation of the Group was at MUR 6,347.3 million at 31 December 2017. In line with our aim to pay a dividend that is considered sustainable in the medium to long term, the Group paid a dividend of MUR 0.85 per share to its shareholders.

Cash Flow: A decrease in cash and cash equivalents and increase of investments in production equipment's and other investments

Cash from operating activities amounted to MUR 246.5 million, while net cash used in investing activities stood at MUR 440.5 million, an increase of MUR 92.9 million year-on-year. The investments were mainly in property, plant and equipment (MUR 467.6 million), including replantation costs of MUR 62.0 million. We spent MUR 56.9 million on land development.

Terra also applied funds towards equity investments in United Investments Limited (MUR 145.2 million), Inside Equity Fund (MUR 7.5 million), Inside Capital Partners Ltd (MUR 3.0 million) and Beau Plan Campus Ltd (MUR 43.7 million). We increased our stake in Provident Warehouse Limited at a cost of MUR 21.3 million. Cash inflows were derived from proceeds realised on the sale of land (MUR 258.5 million), sale of fixed assets of MUR 0.9 million, as well as from interest received (MUR 11.4 million) and dividends received (MUR 137.8 million).

The net cash received from financing activities amounted to MUR 113.1 million, and consisted mainly of additional funds raised from institutions (MUR 415.8 million) and redemption of capital (MUR 3.8 million). The Group paid dividends of MUR 306.5 million to Terra' shareholders and the minority shareholders of its subsidiary companies, at much the same level as last year.

After taking into consideration the above transactions, overall cash and cash equivalents decreased by MUR 80.9 million.

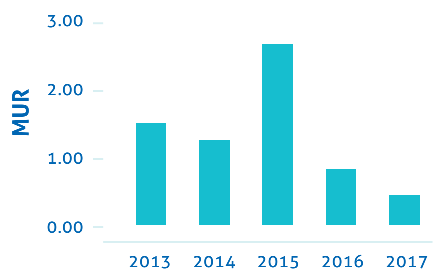
Looking ahead: Prospects for 2018

Terra is pursuing its strategy of improving efficiency of its core activities, and unlocking the value of its land holdings in the north of Mauritius. We will continue to focus our attention on improving EBITDA margin, increasing the overall Group return on equity (currently at 2 %), and generating more cash across our various operating activities.

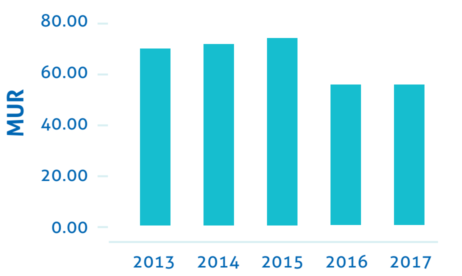
In closing, I thank the Board and my colleagues on the executive team for their inputs and guidance throughout the year, and look forward to a positive year ahead.

Henri Harel
Group Chief Finance Officer
16 May 2018

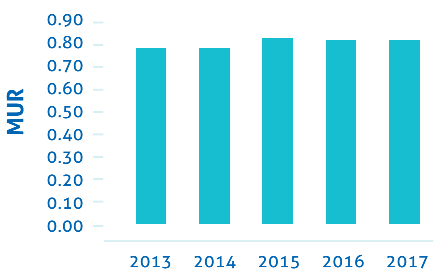
Earnings per share



Net assets per share



Dividend per share



Wealth distributed in 2017