FINANCIAL
Review

The Group's overall financial performance this year was negatively impacted by very low world sugar prices. This contributed to a substantial operating loss in our Cane cluster, which was mitigated by the positive performance of the Brands, Power, and Property and Leisure clusters and our Associates. We believe that the longer-term outlook for the global sugar market remains positive, and that the Group's strategy of optimising value from its assets across the cane value-chain is providing the right platform for long-term growth.

GROUP PROFITS CONTINUE TO BE IMPACTED BY LOWER SUGAR PRICES

Group revenue for the 2018 financial year remained flat at MUR 5,079.3 million, due mainly to the significant drop in sugar revenue as a result of the all-time low sugar price that prevailed in 2018. This revenue drop was partly offset by the revenue growth recorded by the Power, Brands and Property and Leisure clusters.

Gross profit for the Group was down MUR 136.3 million to MUR 1,027.2 million, while Group EBIT was down 42% to MUR 183.5 million. This decrease was directly attributable to the Cane cluster, which posted a total loss this year of MUR 318.9 million, as compared with a MUR 72.3 million loss in 2017. The Power cluster continued to deliver very strong operational performance, contributing MUR 199.1 million in profits, on the back of its excellent levels of efficiency and reliability. While Brands achieved steady revenue growth of 5.5%, profit after tax was down by MUR 17.5 million to MUR 83.7 million, reflecting the change in consumer patterns, increased pressure on margins and some non-recurring expenses. The Property and Leisure cluster grew its income base from land sales, consultancy fees, renting and leisure activities, with rental income up 4% to MUR 133.2 million and total profits of MUR 180.7 million. Having secured the certificate for the Beau Plan Smart City, the cluster is well placed to deliver substantial long-term value from the development of its proposed investment properties within the Smart City and neighbouring sites.

At Group level, the 1.8% year-on-year increase in depreciation and amortisation of MUR 6.9 million is marginal. Finance costs for the year stand at MUR 97.6 million, mainly attributable to a decrease in net debt of MUR 205.9 million. The share of profits from associates increased by MUR 161.6 million, primarily due to the solid performance of our investments in insurance and financial services.

Group profit for the year stood at MUR 233.5 million, a 4.8% reduction over last year, after accounting for taxation of MUR 56.3 million. This tax compares to MUR 15.2 million restated in 2017, which included a deferred tax credit of MUR 32.8 million attributable to a drop in the income tax rate of subsidiaries engaged in the export of goods. Earnings per share increased to MUR 0.53, up by 15 cents on the previous year, driven mainly by improved associates' results.

	2018 MUR' M	2017 MUR' M	Change %	
Revenue	**5,079.3**	5,087.3	(0.2)	▼
Profit before finance costs (EBIT)	**183.5**	318.7	(42.4)	▼
Profit after tax	**233.5**	245.4	(4.8)	▼
Earnings per share (EPS) *	**0.53**	0.38	39.5	▲
Net asset value per share (NAV) *	**60.54**	58.27	3.9	▲
Gearing **	**0.154 : 1**	0.159 : 1	-	▼
Dividend per share *	**0.85**	0.85	0.0	=

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

STRONG BALANCE SHEET MAINTAINED AND DIVIDENDS PAID

The Group invested an additional MUR 282.6 million in property, plant and equipment to maintain and improve plant operational efficiencies. Listed subsidiaries are valued on the higher of the net asset value (NAV) or market price.

The Group's investment portfolio grew by 9.8% to MUR 3,984.7 million. Investments in associates and financial assets were fairly valued using the mark-to-market for all quoted investments, NAV and discounted cash flow (DCF) valuation principles where appropriate. Total assets reached MUR 19,477.5 million, up on MUR 18,744.5 (restated) in 2017.

Owners' interest increased by MUR 516.1 million to MUR 13,774.6 million, mainly due to revaluation of land brought into the Smart City project and profits generated for the year.

Group net debt amounts to MUR 2,317.5 million, a decrease of 8.2% over 2017. Net debt to equity is at 15.6% and remains low in terms of the Group's borrowing capacity.

Net asset value increased by MUR 2.27 per share to MUR 60.54 per share. Market capitalisation of the Group was at MUR 5,005.0 million at 31 December 2018. In line with our current dividend policy, the Group paid a dividend of MUR 0.85 per share to its shareholders.

AN INCREASE IN CASH AND CASH EQUIVALENTS ATTRIBUTABLE TO MOVEMENTS IN WORKING CAPITAL

Cash from operating activities and working capital movements amounted to MUR 553.0 million, while net cash used in investing activities stood at MUR 25.9 million. The investments were mainly in property, plant and equipment (MUR 335.0 million), including replantation costs of MUR 52.4 million and MUR 60.1 million were spent on land development. Terra also applied funds towards equity investments in Inside Equity Fund (MUR 75.7 million), and Payment Express Ltd (MUR 10.0 million).

Cash inflows were mainly derived from proceeds realised on the sale of land (MUR 256.1 million) and of fixed assets (MUR 55.7 million), as well as proceeds on the sale of investments (MUR 8.6 million) and from loans recovered of MUR 40.5 million, interest received (MUR 11.6 million) and dividends received (MUR 89.2 million).

The net cash used in financing activities amounted to MUR 222.2 million; this consisted mainly of paying dividends of MUR 310.7 million to Terra and the minority shareholders of its subsidiary companies, at much the same level as last year. Additional funds raised from financial institutions amounted to MUR 88.5 million.

After taking into consideration the above transactions, overall cash and cash equivalents increased by MUR 304.9 million to MUR 356.5 million.

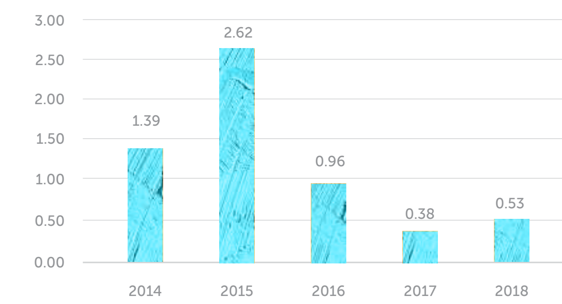
PROSPECTS FOR 2019

Terra remains focused on pursuing its strategy of investing in, and improving the efficiency of its core activities, and in adding value to its land holdings in the north of Mauritius. The Company's effort and attention remain dedicated to improving its EBITDA margin, increasing the overall Group return on equity (currently at 1.5%), and generating more free cash flow from its operations.

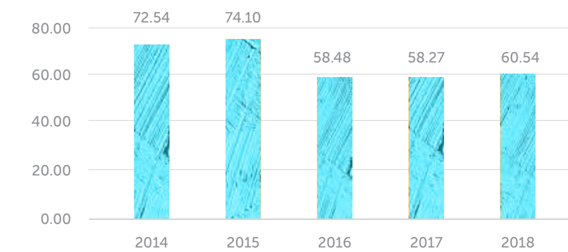
I wish to thank the Board and my colleagues on the executive and finance team for their dedication and guidance throughout the year, and I look forward to addressing the ongoing challenges to meet our objectives.

Henri Harel
Group Chief Finance Officer
09 May 2019

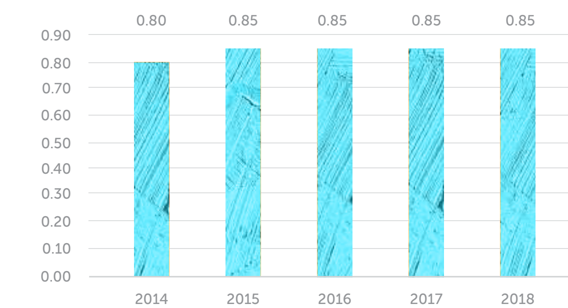
EARNINGS PER SHARE (MUR)



NET ASSETS PER SHARE (MUR)



DIVIDEND PER SHARE (MUR)



TOTAL WEALTH DISTRIBUTION (MUR million)