

# CHIEF EXECUTIVE OFFICER'S Q&A

## What were the main drivers of the financial performance of the Group in 2016?

We definitely had a challenging year on the operating results side, particularly from our sugar segment. This was mainly due to the fact that firstly, we had to adapt sugar delivery to new packaging processes, which had the effect of slowing down our production, and secondly, we faced a reduction in the refining service fee for local as well as imported sugar being refined. I have to add here that after discussion with the Mauritius Sugar Syndicate (MSS), we now have a new deal for sugar to be refined from our factory area and also for imported non-originating sugar. In addition, the refiners are now members of MSS marketing committee where we can give our input on the sales strategy for Mauritian sugar.

In respect of results from associates, we had a drop mainly due to the fact that last year, the Real Good Food Plc reported an exceptional profit from the sale of its sugar marketing division, Napier Brown.

On the other hand, the other segments performed as planned with however, an improved result from the hospitality segment, on the back of a higher occupation rate in our Holiday Inn Mon Trésor hotel. On the property side, we have successfully completed the Highland Rose project, which is one of the largest morcellement development ever undertaken in Mauritius. We have also accounted for land conversion rights which have been obtained from investments made for modernisation and social costs incurred in the sugar reform.

## The sugar segment being an important one in the Group, how do you plan to turn things around to bring it back to profitability?

If we look at the trend in sugar cane production in the past years we can see a gradual drop every year. We believe that the way forward is to be a more cost effective and efficient sugar producer by making use of our production tool to its maximum capacity and importing sugar for value addition. We are also embarking on the expansion of the refinery from 200,000 to 260,000 tonnes which will bring significant efficiency gains. In this respect we have commissioned De Smet Engineers and Contractors to implement this process change which will require additional investments of around Rs 160 million. We expect the new process to be fully operational from January 2018.

On another aspect, we are working closely with the MSS to tap into new niche sugar markets in the region. We have duty free access to the COMESA region and we are adapting ourselves to this market which, for example, has a high demand for bagged sugar which commands a market premium.

## The 'Mon Trésor' smart city was launched in June 2015. How do you assess progress made to date?

I mentioned last year that we obtained our letter of intent for this development. I am pleased that in that same year we reached another important milestone as we have been awarded the Smart City Certificate. We indeed became the first company to receive this certificate and this shows our commitment to the realisation of such an ambitious project. One must not forget that the whole concept of this development revolves around three key components 'live, work and play' and as such our first phase will ensure that we are in line with this.

We have three main clusters in the Smart City: The 'Business Gateway' for business and logistics activities, 'Residences' comprising of apartments, town houses and villas, and 'Lifestyle' which includes a shopping mall, shops, restaurants, and beach side developments. These different developments will have their own technical specificities and their own financing structure.

The first building within the Business Gateway, is already in construction and it will house Omnicane's headquarters. The foundation works for this building have been completed and we are expecting delivery in the second quarter of 2018. We have highly experienced international partners in this project namely MAREF and Eris Properties and we are considering the construction of a second building annexed to the Omnicane headquarters in the coming months. We have also earmarked the Freeport zone and we are now finalising the design to construct the necessary amenities. In the meantime, we are discussing with some potential partners.

(G4-1)



**“ We indeed became the first company to receive this Smart City certificate and this shows our commitment to the realisation of such an ambitious project. ”**

(G4-1)

In respect of the 'Residences' we have completed the design of the first phase of the residential area with a wide offering both in terms of housing types but also in terms of price. We are planning for the launching of these products mid-2017 and once we reach a comfortable level of reservations we will trigger the start of construction. We hope that this can happen by the end of this year at latest. Concerning 'Lifestyle' we are in discussion with a European partner, Wilhelm & Co Group with whom we have recently signed an MoU and together with them we are envisaging the construction of a modern shopping mall at the junction of the new Highway to Mon Trésor.

I cannot enumerate all the projects we have in the pipeline here but I can say that we are confident that in the next two years we will see a buoyant and very lively area next to the airport with a lot of construction works going ahead, all this done in a sustainable way in line with the BREAAAM Communities guidelines. For recall, after obtaining BREEAM Communities certification for the logistics zone by end of June 2017 we shall initiate the same accreditation process for the residential zone.

I would like to take this opportunity to congratulate the Property team for the fantastic work done within such a short span of time. Going forward, we will reinforce our team with more human capital to ensure that we live up to our promises.

**One of the most innovative and environment-friendly projects is undoubtedly the 'Carbon Burn Out' plant which was launched last year. Is this project completed and is it performing as planned?**

You are right. This project is unique in the world and has taken us some five years of continuous technical research and development before we started its construction in 2015. The project was indeed completed end of December 2016 and its commissioning started in January 2017. Unfortunately, we had a technical problem at that stage which delayed the start of operation for some two months. The plant was re-commissioned in March 2017 and will be ready for commercial operation by July 2017. It will transform coal ashes into energy and a valuable low carbon footprint cement additive.

We are very proud of this project which is a flagship of Omnicane's commitment to achieving a more sustainable way of operating based on the concept of 'zero waste' – a real case study. I would like to put on record the great support we had from our partners Albioma and Terra in the success of this project.

**“ Omnicane Limited successfully became a member of Bonsucro- a global network of sugarcane growers, processors and food companies that are committed to sustainability along the sugarcane value chain. ”**

**Talking about sustainability, It seems that sugarcane supply chain sustainability will itself become a critical requirement in the near future. Can you explain to us what Omnicane is planning to address that?**

Omnicane recognizes that judicious supply chain management will help the Company achieve higher operational efficiencies, reduce cost of production and foster greater proximity with its suppliers. Through our industrial cluster at La Baraque and with the restructuring of our activities, we have strategically aligned our end-to-end business processes to achieve market and economic value, as well as competitive advantage. Interestingly, our strategy to add value to by-products such as molasses, concentrated molasses solids and carbon dioxide has enabled us to expand our horizons concerning supply chain management. Our different stakeholders including our customers, are showing growing interest in understanding and tracking the environmental and social impacts of their supply chain. This is demonstrated by the numerous supplier guiding principles audits conducted on our different sugarcane operations during the year. In October 2016, in line with our proactive and pioneering approach on integrating sustainability and as one of the first steps to build a sustainable supply chain, Omnicane Limited successfully became a member of Bonsucro- a global network of sugarcane growers, processors and food companies that are committed to sustainability along the sugarcane value chain. We are targeting to have our sugar mill and our own cane growing activity certified to Bonsucro this year while the long term objective is to get other cane growers on board. We will definitely need the collaboration of the MSS and the Government to motivate the cane growers' community to align to the Bonsucro standards.

(G4-1)

**Omnicane is now a regional player. Can you give us an update of the KISCOL sugar project in Kenya?**

We had our first full year of operations in 2016-17 and we have milled 321,071 tonnes of sugarcane to produce 30,786 tonnes of sugar. This result is not far away from the planned crop and we are also satisfied with the sugar factory performance. However, we are facing a more serious challenge for the 2017-18 crop. In fact, there is presently a severe drought in Kenya, which is directly affecting the cane growth not only in the Kwale region where our sugar factory is located but throughout the country. We are monitoring the situation closely in order to mitigate the impact of the drought. Export of electricity from the power plant to the national grid is now planned to start in 2017 following completion of the relevant connection to the national grid.

**How is the hydro-power project in Rwanda progressing and when can we expect its completion?**

You will recall that we started to work on a hydro-electric project in Rwanda some years back and that in the meantime we decided to sign a joint-venture agreement with Mecamidi, which is involved in the production of small hydro plants, to develop a portfolio of projects. Unfortunately we had to terminate this JV and we are now concentrating all our efforts towards completing the Rwanda project around mid-2018. This project has itself been delayed, as we had to change the EPC contractor, the senior lender and undertake new negotiations with the authorities on the PPA. This has been much more challenging than expected but we are confident that with the support of the team we will reach our target in the coming months.

We created the Africa Desk at Omnicane some time back and I have to say that the achievements of our people there have been key to ensuring that we keep this project alive. I would like to put on record my appreciation of their work in sometimes, difficult conditions away from the country.

**How do you ensure the development of human capital at Omnicane?**

Participatory approach to developing strategic objectives and operational goals is a process through which Omnicane built and continues to maintain its organizational culture. Omnicane recognizes that quality of leadership and organisational learning are essential to adapt and innovate. As such, the Company has partnered with the RBL Group to develop a Results-Based Leadership Development programme for its senior and middle management employees to ensure proper identification of culture, competencies and leadership. Along the same line, we have also created an MQA-approved training hub at Holiday Inn Mon Trésor that can benefit our employees and other companies aiming at improving the competence of their human capital.

As I also mentioned earlier, Omnicane's new headquarters will be ready end of next year but we are already working on a space planning project where our people's connectivity and comfort will be key to ensuring that our personnel thrive in an environment conducive for work at an optimal level.

I take this opportunity here to talk on the new organigram following the retirement of our Chief Strategy Officer, Gerard Chateau de Balyon in March 2017. Gerard had joined us in 2008 and has since been key in the industrial transformation we went through. He has spearheaded all the major projects including the refinery and ethanol projects and he has ensured that these plants are now geared to perform at world-class level. His creative mind and drive will be missed but during the time that he spent at Omnicane he has ensured that there is transfer of knowhow to our team. Following an internal restructuring, we have now a new organization structure with Jérôme Jaen, previously CEO of the energy segment, who has been appointed Group Chief Operations Officer. I am sure that under his leadership and with the young and dynamic team around him, we will succeed in our objective of optimization and further value addition.

(G4-1)