Financial Review

Group turnover for 2021 increased by MUR 1,471.6 million, to MUR 6.2 billion, while Group profits for the year stood at MUR 316.7 million, an increase of MUR 527.1 million from the loss of MUR 210.4 million in 2020. All Group clusters posted improved results other than the Power cluster which, despite good operational performance in 2021, had to book a substantial impairment of MUR 535.9 million caused by unprecedented increases in coal prices. Overall Group results were negatively impacted by total non-recurring items of MUR 396.7 million, made up of total impairment of MUR 536.3 million, but mitigated by net favourable fair value movement on investments of MUR 99.8 million and profit on disposal of an associate for MUR 39.8 million.

Net Asset per share at 31 December 2021 was MUR 62.2, up from MUR 59.7 in 2020. The Group's balance sheet remains strong, with owners' interest at MUR 14.2 billion and Group gearing remaining at the reasonable level of 22.8%. The financial position allows us to pursue our investment strategy, and to remain resilient.

AUDIT OPINION

The "except for" qualification in the audit opinion relates to our investment in Sucrivoire S.A (Sucrivoire), an associate company in Côte d'Ivoire, in which Terra's shareholding is 25.5%.

Sucrivoire's financial statements for the period under review are audited by qualified auditors in Côte d'Ivoire. Our Group auditor, BDO, did not consider having received sufficient comfort from the auditors of Sucrivoire and accordingly deemed it appropriate to qualify our 2021 audit report.

Sucrivoire's share of net assets as at 31 December 2021 was MUR 713.2 million, representing 3.2% of Terra Mauricia's total assets, which are worth MUR 22.3 billion.

GROUP PROFITABILITY IMPACTED BY IMPAIRMENT ON POWER PLANT

Group profitability was impacted by impairment losses on Terragen and Sucrivoire's unfavourable variance on standing crop.

Gross profit for the Group increased by 29.9% to MUR 1.4 billion, while Group normalised EBIT increased by MUR 315.8 million to MUR 622.5 million. This increase is mainly attributable to improved profitability derived from most of the clusters.

Our local sugar operations recorded a profit of MUR 235.3 million, driven by continuous improvements in operational efficiency and cost of production, coupled with an increase in sugar price of MUR 2,703 per tonne for the 2021 crop, which reached MUR 16,765 per tonne. Our associate in Côte d'Ivoire had a subdued crop in 2021 and recorded an unfavourable variance on standing crop, which resulted in a loss of MUR 130.0 million (2020: profit of MUR 46.4 million). This contributed to the Cane cluster posting an overall profit of MUR 105.3 million, compared to MUR 40.3 million in 2020.

Despite good operational results, including an 18% increase in electricity generation year-on-year, the best record in Terragen's history, the Power cluster had to recognise an impairment of the plant and related equipment, for an amount of MUR 535.9 million. This impairment was a result of the unprecedented increases in coal prices and the uncertainties of the current economic environment leading to a reassessment of the carrying value of the plant at reporting date. The cluster therefore posted losses of MUR 384.4 million, compared to profits of MUR 35.8 million in 2020.

Brands increased its profitability from MUR 102.2 million to MUR 136.5 million, mainly attributable to Grays Inc.'s resumption of sales to the hospitality sector, which had been closed for most of the previous trading period, following the outburst of the Covid-19 pandemic.

The Property and Leisure cluster recorded improved revenues from property rentals, consultancy fees, and land sales, reflecting its strategy to invest in yielding assets and major infrastructure. The leisure division performed better, following the reopening of our borders at the beginning of Q4 last year, and the successful opening of the Mahogany Shopping Promenade that brought its share of contribution. The cluster managed to record an after-tax profit of MUR 92.3 million, compared to MUR 20.5 million in 2020.

At Group level, finance costs for the year stood at MUR 159.2 million, down from MUR 173.0 million, mainly because of lower losses in foreign exchange. The share of profits from associates increased by MUR 41.3 million to reach MUR 290.5 million.

Group profits for the year amounted to MUR 316.7 million, while profit attributable to equity holders of the Company amounted to MUR 462.3 million in 2021 due to more profits generated in entities where the Group holds a bigger stake, compared to losses of MUR 268.9 million in 2020. Consequently, earnings per share of MUR 2.03 were recorded compared to a loss per share of MUR 1.18 last year.

	2021 MUR' M	2020 MUR' M	CHANGE %	
Revenue	**6,223.8**	4,752.2	31.0%	▲
Profit / (loss) before finance costs (EBIT)	**164.1**	(93.8)	274.9%	▲
Adjusted for:				
Fair value gain / (loss) on non-current asset held for sale	**(77.0)**	314.0	(124.5%)	▲
Impairment loss on financial assets	**59.5**	64.2	7.3%	▼
Impairment loss on non-financial assets	**536.3**	22.3	2,304.9%	▲
Reversal of impairment loss on financial asset	**(60.4)**	-	100.0%	▲
Normalised EBIT	**622.5**	306.7	103.0%	▲
Profit / (loss) after tax	**316.7**	(210.4)	250.5%	▲
Earnings / (loss) per share (EPS)*	**2.03**	(1.18)	272.0%	▲
Net asset value per share (NAV)*	**62.2**	59.7	4.2%	▲
Gearing**	**0.228 : 1**	0.223 : 1		▲
Dividend per share*	**0.85**	0.57	49.1%	▲

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

STRONG BALANCE SHEET MAINTAINED, AND INCREASED DIVIDENDS PAID

The Group invested an additional MUR 250.3 million in property, plant, and equipment to maintain and improve plant operational efficiencies. Our investments in associates and financial assets are fair valued using the mark-to-market method for all quoted investments, and discounted cash flow (DCF) valuation principles where appropriate.

Our investment portfolio increased by MUR 671.7 million to MUR 4.3 billion, and our total assets reached MUR 22.3 billion, almost on par with last year.

Owners' interest increased by MUR 565.9 million to MUR 14.2 billion, mainly due to profits realised and higher reserves on investments.

Group net debt amounted to MUR 3.7 billion, an increase of 5.2 % over last year. Net debt to equity is at 24.0% and remains low in terms of the overall Group's borrowing capacity.

Net asset value increased by MUR 2.50 per share to MUR 62.2 per share. Market capitalisation of the Group was at MUR 7.0 billion as at 31 December 2021. The Company paid a dividend of MUR 85 cents per share to its shareholders.

SALIENT CASH FLOW MOVEMENTS

Cash from operating activities, including dividends received from associates and working capital movements, amounted to MUR 507.7 million, while net cash used in investing activities stood at MUR 462.9 million. The investments were mainly in property, plant, and equipment (MUR 250.3 million), purchase of investments properties (MUR 375.4 million), and intangible assets acquired (MUR 3.4 million).

Terra also applied funds towards equity investments in Inside Equity Fund (MUR 50.1 million), United Docks (MUR 28.8 million), Thermal Valorisation (MUR 19.5 million), Swan Life (MUR 10.9 million), Rehm Grinaker (MUR 18.7 million) and made a deposit on investments of MUR 82.9 million.

Cash inflows were mainly derived from proceeds realised on the sale of land (MUR 190.7 million) and fixed assets (MUR 15.9 million). Other cash inflows consisted of proceeds on sale of investment properties (MUR 63.7 million), proceeds on sale of investments (MUR 94.6 million), interest received and minor other proceeds of (MUR 12.2 million).

Financial Review (cont'd)

SALIENT CASH FLOW MOVEMENTS (CONT'D)

The net cash used in financing activities amounted to MUR 35.0 million; this consisted mainly of funds raised from financial institutions (MUR 184.7 million net of repayments), which were used to finance investment projects and acquire investments. Overall dividends to Terra and the minority shareholders of its subsidiary companies amounted to MUR 219.7 million, compared to MUR 206.5 million last year.

After taking into consideration the above transactions, overall cash and cash equivalents increased by MUR 9.8 million and stood at MUR 472.4 million.

OUTLOOK FOR 2022

The IMF is projecting a real GDP growth of 6.1% in 2022 for Mauritius. Following a sharp contraction due to the pandemic, the Mauritian economy is gradually recovering with many economic sectors reaching pre-pandemic levels. Economic recovery is expected to continue to be driven essentially by the tourism sector with tourist arrivals projected to reach around 800,000 in 2022 (60% of pre-pandemic levels). With the deterioration in global economic conditions, there is however some degree of uncertainty surrounding our growth outlook.

Annual inflation is expected to rise to 11.4% in 2022 as Mauritius continues to be impacted by surging commodity prices worldwide, supply chain disruptions and depreciation of the rupee.

Most clusters, including our main associates, are expected to post improved results for the financial year 2022. The demand for the property projects that we are launching at Beau Plan and on other sites remains encouraging. The Mahogany Shopping Promenade is performing satisfactorily, and the construction of a 10,000 square meters Office Park next to the Mahogany Shopping Promenade is progressing well and is scheduled to be completed in the first quarter of 2023. As announced in the National Budget speech in June 2021, the remuneration of *bagasse* has been implemented and contributes towards the sustainability of the sugar cane industry. Sugar operations in Côte d'Ivoire were hampered by a drought and disease in cane fields which caused a dropped in sugar production. The focus remains on increasing production and upgrading the sugar milling facilities over the next five years, as planned to cater for local demand. Terragen remains a reliable energy producer in Mauritius and is presently studying how best to address the recent hikes in coal prices and the uncertainties caused by the conflict between Russia and Ukraine, which has exacerbated the matter, causing the price of coal to reach record high levels. In the circumstances, Terragen had no other option but to declare Force Majeure under the Power Purchase Agreement with CEB and the parties are currently engaged in a mediation process to seek a workable solution.

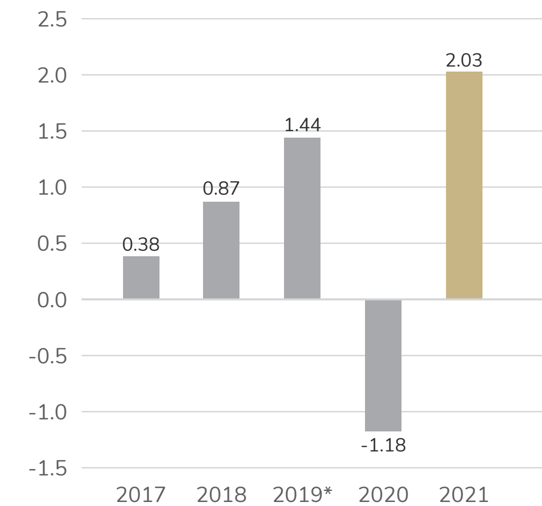
Terra will pursue its strategy of investing in, and improving the efficiency of, its core activities including built-up projects and the relating infrastructure of the zones under development. Our efforts and attention remain dedicated to improving our EBITDA margin and the overall Group return on equity, and to improve free cash flow generated from operations.

I wish to thank the Board and my colleagues on the Executive and Finance team for their valuable contribution during these difficult and changing times.

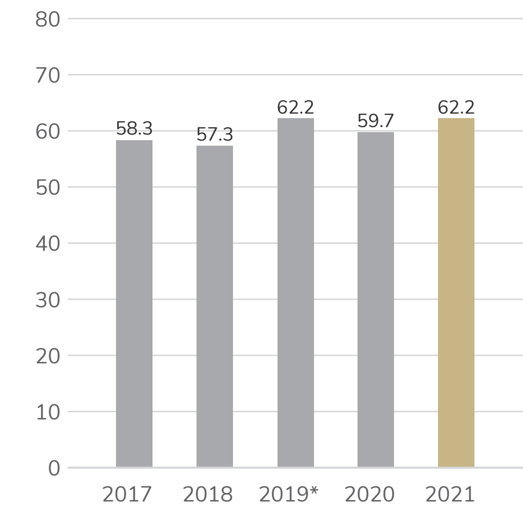
Henri Harel
Group Chief Finance Officer

07 September 2022

Earnings per Share (MUR)

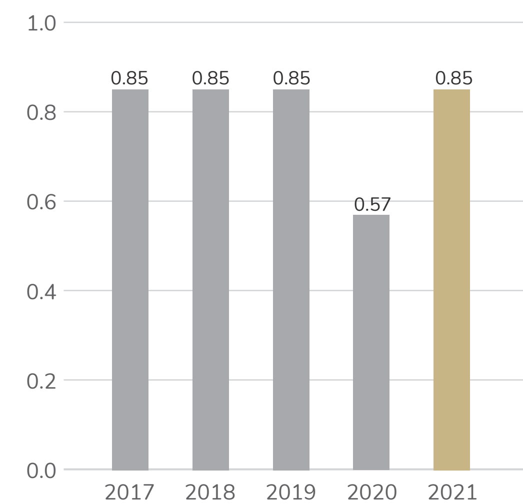


Net Assets per Share (MUR)



The 2019 figures have been restated

Dividend per Share (MUR)



Total Wealth Distribution (MUR'M)