Notice to the Market Paris, December 11, 2018

RESULTS FOR H1 2018/19

(APRIL – SEPTEMBER 2018)

(Audited figures)

H1 RESULTS IMPACTED
BY EUROPEAN PRICE OF SUGAR
AT HISTORIC LOW
FOLLOWING MARKET DEREGULATION

HIGHLY DIFFERENT SITUATIONS BY DIVISION

DIVERSIFICATION STANDS FOR 84% OF H1 ADJUSTED EBITDA

AMBITIONS 2022 PERFORMANCE PLAN CONFIRMED AT €200 MILLION

- **Revenues of €2,114 million,** down by 9% compared to H1 2017/18 (down by 6% at constant exchange rates)[1] due to the 30% plunge of European sugar prices, to their historic low; the commercial strategy aiming to favor H2 sales in Brazil this year in order to take advantage of higher expected domestic prices and the concentration of the majority of the impact of the decline in the 2018 Brazilian crop on second quarter sales**.**

- **Adjusted EBITDA**[2] at **€143 million** compared to €309 million in H1 2017/18 (-51% at constant exchange rates), reflecting different situations depending on the activity:

    - **Sugar Europe**: Due to collapsing prices, strong decrease in the division's adjusted EBITDA, by 78%, in line with the other major players in the sector in Europe**.**
    - **International Sugar:** Excluding the negative currency effect, adjusted EBITDA reflects the Group commercial strategy to favor sales in the second quarter, in order to take advantage of higher expected domestic prices (ethanol inventories at 30 September 2018 are thus 75% higher than those of last year) and the concentration on the 2nd quarter of most of the impact of the drop in volumes produced this year (impact of the drought on the entire Central / South region). The H1 2017/18 basis of comparison was also particularly high, due to the very good hedging done early in 2017, taking advantage of much higher sugar prices at the time.
    - **Starch and Sweeteners**: Increase in adjusted EBITDA (+11%) and progression of operational margin due to improved performance leading to higher sales.
    - **Overall, its diversification strategy is allowing the Group to better resist the cyclical downturns in Europe, since the Starch and Sweeteners and International Sugar divisions accounted for 84% of the Group's adjusted EBITDA in H1 2018/19, versus 67% the previous year.**

- **Negative net result of €96 million** (vs. €10 million loss in H1 2017/18).

- The Group's **net debt** was **€2,330 million** at September 30, 2018, relatively unchanged vs. September 30, 2017 (€2,294 million). Adjusted Group net debt of €1,911 million excluding readily marketable inventories (RMI). Strong financial security above 1 billion euros.

---

[1] *Changes are shown compared with H1 2017/18 revenues adjusted for the application of IFRS 15 (see note in appendices).*
[2] *See the definition of adjusted EBITDA in the appendices.*

Outlook

- For the **2018/19 financial year**, the historically weak European sugar prices will have a significant impact on Tereos' results - as for the other major players in the European Sugar Industry. This situation will not allow it to achieve a positive Group net result, even though the International Sugar and Starch and Sweeteners divisions should be more resilient.

- Faced with this challenging situation, which affects all European sugar producers, Tereos is targeting **€200 million** through its new performance plan, **Ambitions 2022**, aiming to support its long-term competitiveness (compared to the €140 million gains finally generated by the previous three-year plan).

- Additionally, the Group is pursuing its study of a possible opening of the capital of its industrial activities, at a two to three year horizon, in order to pursue its long-term strategy of diversification and internationalization, and strengthen its ability to deal with cyclical downturns in more volatile markets.

Alexis Duval, Chief Executive Officer of Tereos, said:

"In Europe, the historic collapse of sugar prices has plunged the entire European sugar industry into a phase that will test its resistance to cyclical downturns. In this phase of transition from a quota model to a liberalized model, the issue of restructuring of part of the sugar production capacity in Europe will emerge. In this context, Tereos benefits from the competitiveness of its positions and its diversification strategy.
The Group is also firmly committed to the new phase of transformation required to move to a new level of agricultural, industrial and commercial competitiveness, with the implementation of its new Ambitions 2022 program, which aims to generate €200 million in new competitiveness and efficiency gains. Additionally, the Group is maintaining its strategy of diversification and internationalization to strengthen its ability to manage cyclical downturns.
In this context, the Group is studying a possible opening-up of the capital of its industrial activities at a two to three year horizon and will share its thoughts with Tereos' cooperative owners."

HIGHLIGHTS

- On June 27, 2018, Tereos and VLI announced a strategic logistics agreement in Brazil, including a joint investment for the construction of two sugar warehouses in the state of São Paulo within the VLI rail network leading to the port of Santos, as well as the signing of a long-term agreement to transport 1 million tonnes of raw sugar per year.

- Under its *Ambitions 2022* performance plan, the European Campus, which will be staffed by 500 people near Roissy, will be operational by the end of 2018, just 15 months after the project was announced. This new European Campus is an important lever in the overall plan to increase synergies and boost collective efficiency.

1. MARKETS

- ✓ **World sugar:** the current glut on the world sugar market, caused by a sharp increase in production volumes in India and Thailand (due to particularly favorable weather conditions), has continued to dampen prices. The average NY11 price for the semester decreased by **22%** compared with H1 2017/18 (11.4 US$ç/lb vs. 14.6 US$cts/lb).

  After a low of 10.1 US$cts/lb in August 2018, world sugar prices nevertheless **rebounded sharply since September**, even reaching 14 US$cts/lb in October. They currently stand at around 12.5 US$cts/lb. This upswing reflects the downward revision of crop forecasts in India, Europe and Brazil, which could lead to a global market deficit in the 2018/19 season, contrary to the initial forecasts of a substantial new surplus[1].

- ✓ **European sugar:** With the deregulation of the European sugar market, the increase in sugar production in the European Union, in a context of very low world prices, has continued to have a major impact on sugar prices in the region. According to European Commission reports, the price of sugar was €347/tonne in September, a decrease of €143/tonne (roughly -30%) year-on-year.
  Prices for the next crop year, contracted in a very depressed environment, will mark a further decline despite the adverse weather conditions in Europe in recent months, which will lead to a reduction in the volumes of beet processed during this crop.
  As a result of the slumping prices, in recent weeks some market participants have announced restructuring or reductions in contracted beet volumes.
  Preliminary estimates for the next harvest currently suggest that the European balance could be in equilibrium[1] in 2019/20, thus reducing export pressure. If this assumption is confirmed, it will create a more favorable environment for European prices for the next crop year.

- ✓ **Brazilian Ethanol:** Strong demand and the competitiveness of ethanol over gasoline buoyed prices this semester, which rose 12% (anhydrous ethanol) year-on-year, despite a big shift in production mix towards ethanol.

- ✓ **European ethanol:** The positive trend in cereal-based ethanol plants, combined with expectations of a greater orientation of the sugar beet processing mix towards ethanol during the 2018/19 season (due to particularly low sugar prices) weighed on T2 prices in Rotterdam, which averaged €470/m^3 in the 1st semester, down by 15% compared with the same period of the previous year.
  However, the market outlook improved significantly after the announcement that two ethanol plants in the United Kingdom would be closed, leading to an increase in T2 prices, currently above €520/m^3 for the beginning of 2019.

- ✓ **Cereals:** MATIF wheat prices increased in the period, due to the impact of unfavorable weather conditions on the production outlook in Europe and the Black Sea, and expectations of lower inventory compared with the previous year (while remaining at historically high levels).
  Rising corn prices reflect the drought in Eastern Europe affecting yield forecasts, while acreage in Western Europe continue to decline due to lower earnings prospects.

---

[1] Source: LMC, November 2018

2. GROUP FINANCIAL RESULTS

Tereos Group M€	2017/18 H1 Published	2017/18 H1 Restated (*)	2018/19 H1 Actual	Var vs Restated* in M€	Var vs Restated* in %
Revenues	**2 434**	**2 331**	**2 114**	**-217**	**-9%**
Adjusted EBITDA	**309**	**309**	**143**	**-166**	**-54%**
Adjusted EBITDA margin	*12,7%*	*13,3%*	*6,7%*		
Net debt (excluding related parties)	**2 294**	**2 294**	**2 330**	**36**	
Net debt to adjusted EBITDA ratio	***3,5x***	***NC***	***5,4x***		
Volumes sold					
Sugar & Sweeteners (k.tco)	3 351	3 279	3 108	-170	-5%
Alcohol & Ethanol (k.m3)	617	617	694	76	12%
Starch & Protein (k.tco) (**)	497	424	444	20	5%
Energy (GWh)	705	705	726	21	3%

(*) Restated column shows 2017/18 figures as per IRFS15 norm (see note in appendices)

(**) excluding sweeteners

Revenues of €2,114 million, down by 9% versus H1 2017/18 (down by 6% at constant exchange rates)[1].
This change mainly reflects a strongly negative price effect linked to the collapse of European sugar prices by around 30%[2] over the year, in the wake of the fall in world sugar prices, as well as a negative volume effect in Brazil due especially to the Group commercial strategy to favor sales in the second half of the year and the concentration of the impact of the decline in this crop's production in Brazil in the second quarter.
Group sales, however, benefited from higher volumes sold in Europe, following the increase in production in the 2017 campaign, market share gains in the European market and higher volumes of starch and sweeteners sold due to higher operating performance.
Finally, revenues at current exchange rates were penalized by a negative exchange rate effect due to the decline of the Brazilian real against the euro.

Adjusted EBITDA[3] **of €143 million**, compared with €309 million in H1 2017/18 (-51% at constant exchange rates).
The drop in Group adjusted EBITDA reflects the sharp decline in the contribution of the Sugar Europe division, to -78%, in line with the other major players in the sector in Europe, due to the fall in sugar prices.
It is also due to the commercial strategy in Brazil to favor sales in the second half and to the concentration in the second quarter of most of the impact of the decline in volumes produced this crop in Brazil. In addition, the basis of comparison for H1 2017/18 was particularly high in Brazil, due to the very good hedging done early in 2017, taking advantage of much higher sugar prices at the time.
Group adjusted EBITDA also benefited from the increase in the Starch and Sweeteners division's adjusted EBITDA (+11%).

Negative net result of €96 million (vs. €10 million loss in H1 2017/2018).

The Group's **net debt** was **€2,330 million** at September 30, 2018, relatively unchanged vs. September 30, 2017 (€2,294 million). Adjusted Group net debt of **€1,911 million** excluding readily marketable inventories (which can be converted into cash at any time).

The **adjusted net debt to EBITDA ratio**[4] was 5.4x at September 30, 2018 compared to 3.5x at September 30, 2017, and 4.5x excluding readily marketable inventories (€419 million), mainly reflecting the decline in adjusted EBITDA.

[1] The changes are shown compared with H1 2017/18 revenues adjusted for the application of IFRS 15 (see note in appendices).
[2] Average ex-works price in the European Union, reported by the European Commission, of €490/t in September 2017 vs. €347/t in October 2018.
[3] See the definition of adjusted EBITDA in the appendices.
[4] Adjusted EBITDA - 12-month basis.

3. RESULTS BY DIVISION

SUGAR EUROPE

The marked drought recorded this year in our regions has impacted yields per hectare, which are expected below the five-year averages. This will lead to a drop in production volumes of more than 10%, compared to last year's high levels, to 21 million tonnes of sugar beet (at 16).

The Sugar Europe division posted **revenues** of €871 million in H1 2018/19, down slightly by 2% (3% at constant exchange rates)[1] compared with the previous year (€892 million), reflecting the historic decline in the selling prices of sugar compared with the same period last year, which was nonetheless partially offset by the increase in volumes sold following the rise in production during the 2017 crop.

Adjusted EBITDA reached €22 million in H1 2018/19 (€100 million in H1 2017/18). While it was sustained by growth in volumes of production sold, optimization of the mix and gains from previous performance plans, adjusted EBITDA was adversely affected by the decline in European and global sugar prices and ethanol prices in Europe, which were lower in H1 than in the previous year.

INTERNATIONAL SUGAR

In **Brazil**, the campaign was impacted by the drought in the Center / South, particularly pronounced in the Tereos region, resulting in a decrease in the volume of cane processed by Tereos in Brazil to 17.6 million tonnes in 2018, compared with the high level of 20.2 million tonnes processed in 2017. However, the Group again recorded an operational performance that position Tereos favorably among the major competitors of the industry in Brazil. The production mix favored ethanol this year, in order to benefit from more favorable margins than for export sugar. In the Reunion Island and Mozambique volumes of cane processed in the 2018 campaign will also be sharply lower due to adverse weather conditions (tropical storm *Fakir* in the Reunion Island in particular) and an end of campaign impacted by social movements in La Réunion.

The **revenues** of the Sugar International business amounted to €412 million in H1 2018/19 (€642 million in the previous financial year)[2], a drop of 25% at constant exchange rates (-36% at current exchange rates), due to the decline of the Brazilian real against the euro.
This 25% decrease reflects the fall in sugar prices in the first half (compared with last year) and the Group's commercial strategy aimed this year at favoring sales in Brazil in H2 to benefit from higher expected prices in the domestic market in the inter-campaign (ethanol stocks at 30 September 2018 are thus 75% higher than those of last year). It also focuses on the 2nd quarter the majority of the impact of the decline in production volumes of the campaign. Lastly, the H1 2017/18 basis of comparison was particularly high, due to the very favorable hedging done early in 2017, taking advantage of much higher sugar prices at the time.

Adjusted EBITDA amounted to €66 million in H1 2018/19, down by 51% at constant exchange rates compared to the previous year, and 58% at current exchange rates (€158 million in H1 2017/18). After a first quarter in line with last year, the contribution of the International Sugar Division in the second quarter is down reflecting i) the decline in world sugar prices, compared to last year, ii) the commercial strategy to favor this year's sales in Brazil in the second half of the year, (iii) the impact of lower volumes in the Brazilian crop which, combined with the drop in world sugar prices, led to the registration of a non-recurring foreign exchange loss related to the recognition of surplus cash flow hedge of our borrowings in US dollars, iv) a basis of comparison of the Q2 of the last year particularly strong, and this v) despite another good operational performance during this harvest in Brazil.

[1] The changes are shown compared with H1 2017/18 revenues adjusted for the application of IFRS 15 (see note in appendices).

STARCH AND SWEETENERS

Revenues from the Starch and Sweeteners business amounted to €713 million in H1 2018/19 (€691 million in H1 2017/18)[1], up 3% (+5% at constant exchange rates), benefiting from the increase in sales volumes thanks to improvements in operational performance, despite lower ethanol prices in Europe in the semester.

Adjusted EBITDA reached €54 million in H1 2018/19, up 11% compared to last year (€48 million in H1 2017/18). The growth in adjusted EBITDA is driven by increased volumes made possible by operational progress, the development of customer and product portfolios, stable margins in Europe despite lower ethanol prices and improved margins outside France.

4. CAPITAL EXPENDITURE

Investments in plant **maintenance** amounted to €112 million in H1 2018/19, 9% lower than last year (€123 million).

Capex (growth and efficiency) were down by 16% over the period, to €89 million from €106 million last year.

5. NET FINANCIAL DEBT

Net financial debt (excluding related parties) at September 30, 2018 amounted to €2,330 million, compared to €2,294 million at September 30, 2017. Excluding readily marketable inventories (which can be converted into cash at any time) amounting to €419 million at September 30, 2018, the Group's adjusted net debt amounted to €1,911 million.

At the end of September 2018, the Group's **financial security** amounted to €1,010 million, consisting of €398 million in cash and cash equivalents and €612 million in undrawn committed credit lines (>1 year). The Group has no significant refinancing maturities over the next 12 months, excluding current refinancing.

Net financial debt can be summarized as follows:

Tereos Group (M€) *September 30th, 2018*	Current	Non Current	Total	Cash & Equivalents	Total
Net debt (excl. related parties)	**536**	**2 192**	**2 728**	**-398**	**2 330**

New financing: The Group has continued its strategy of optimizing and diversifying its financing, with approximately €550 million in new financing/refinancing throughout the Group since the beginning of the 2018/19 financial year.

6. CREDIT RATINGS

On October 11, 2018, in a context of sharply depressed world and European sugar prices, Fitch maintained the Tereos Group's credit rating at BB and the outlook at Stable.

In its press release, Fitch believes that Tereos is well positioned to return to normalized operating margins by March 2021, given its ability to reduce costs, adapt its product portfolio, and benefit from its geographical and product diversification. Fitch also believes that the Group maintains a good level of financial flexibility, through strict financial discipline in terms of distributions to its cooperative partners and of mergers and acquisitions, and appropriate management of its liquidity and exchange rates.

Fitch lowered the rating of Tereos bonds to BB-, reflecting their positioning in relation to operational debt in the subsidiaries.

	Group rating	**Bond rating** *(2020 and 2023 maturities)*
S&P	**BB/Negative outlook**	**BB**
Fitch	**BB/Stable outlook**	**BB-**

7. OUTLOOK

For the current sugar crop (2018/19) a slight shortfall in supply in relation to world demand[1] is now expected, following the large surplus recorded in the previous season. These factors are likely to support in 2019 the rebound in world prices observed since the end of the summer.

In Europe, however, given the unprecedented fall in sugar prices, a transformation phase is needed to move on to a new level of agricultural, industrial and commercial competitiveness. This will doubtless require the restructuring of part of the sugar production capacity in Europe.

For the 2018/19 financial year, the low European sugar prices will not allow the Group to achieve positive net income, although the International Sugar and Starch and Sweeteners divisions should be more resilient.

In this context, the Group announces the target of its new Ambitions 2022 program, to maintain strong competitiveness over the long term, at €200 million.

The Group is also continuing its study of a possible opening of the capital of its industrial activities within a two- to three-year horizon, to pursue its long-term diversification and internationalization strategy, and strengthen its ability to manage cycle lows in more volatile markets.

[1] *LMC report, November 2018*

Investor Relations Contact

Tel: +33 (0)1 55 37 36 84
debt-investor-relations@tereos.com

About Tereos

The long-term vision of Tereos is the processing of agricultural raw materials and the development of quality food products. Tereos is a leader in the sugar, alcohol and starch markets. The Group's commitments to society and the environment contribute to the company's performance in the long term while strengthening its contribution as a responsible player. The cooperative group Tereos is a union of 12,000 farmers and has recognized know-how in the processing of beet, sugarcane and cereals. Through 49 industrial sites, a presence in 17 countries and the commitment of its 25,000 employees, Tereos supports its customers close to their markets with a broad and complementary range of products. In 2017/18, the Group achieved a €5 bn turnover.

APPENDICES

SUMMARY PROFIT & LOSS STATEMENT

P&L Tereos Group M€	2017/18 H1 Restated (*)	2018/19 H1 Actual	var vs Restated (*) in M€	in %
Revenues	**2 331**	**2 114**	***-217***	***-9%***
Adj. EBITDA	**309**	**143**	***-166***	***-54%***
Adj. EBITDA Margin	*13,3%*	*6,7%*	*0,0%*	*0%*
EBIT (after price complements)	**61**	**-41**	***-102***	***-167%***
EBIT Margin	*2,6%*	*-1,9%*	*0,0%*	*0,0%*
Financial Result	-73	-81	*-8*	*12%*
Corporate income tax	-10	6	*16*	*-153%*
Share of profit of associates	12	20	*8*	*73%*
Net Results	**-10**	**-96**	*-86*	

(*) The changes are shown compared with H1 2017/18 revenues adjusted for the application of IFRS 15 (see note below).

NOTES RELATING TO APPLICATION OF IFRS 15 AND IFRS 9

As of April 1, 2018, the Group is applying the new IFRS 15 and IFRS 9.

IFRS 15 *(relating to the* ***recognition of revenues****): The Group has opted for retrospective application of the standard; the 2017/18 figures have therefore been adjusted for the impact of this application.*

IFRS 9 *(relating to the* ***measurement and classification of financial assets and liabilities****): The Group has opted for prospective application of this standard. Given the non-material nature of the impacts on the financial statements, the Group has decided not to present pro forma information in its financial communication.*

REVENUES BY ACTIVITY

Revenues M€	2017/18 H1 Published	2017/18 H1 Restated (*)	2018/19 H1 Actual	*Var vs Restated* *in M€*	 *in %*
Sugar Europe	892	892	871	*-21*	*-2%*
Sugar International	653	642	412	*-231*	*-36%*
Starch & Sweeteners	784	691	713	*22*	*3%*
Other (incl. Elim)	105	105	118	*13*	*13%*
Tereos Group	**2 434**	**2 331**	**2 114**	***-217***	***-9%***

(*) Pro forma column shows 2017/18 revenues with a retrospective application of IFRS 15 (see note in Appendix).

ADJUSTED EBITDA BY ACTIVITY

Adjusted EBITDA M€	2017/18 H1 Published	2017/18 H1 Restated (*)	2018/19 H1 Actual	*Var vs Restated* *in M€*	 *in %*
Sugar Europe	100	100	22	*-78*	*-78%*
Sugar International	158	158	66	*-92*	*-58%*
Starch & Sweeteners	48	48	54	*5*	*11%*
Other (incl. Elim)	3	3	1	*-2*	*-70%*
Tereos Group	**309**	**309**	**143**	***-166***	***-54%***

(*) Pro forma column shows 2017/18 revenues with a retrospective application of IFRS 15 (see note in Appendix).

Adjusted EBITDA *corresponds to net income before income tax, the share of income from equity affiliates, net financial income, depreciation and amortization, the impairment of goodwill, the gains resulting from acquisitions on favorable terms, and price supplements. It is also restated for changes in the fair value of financial instruments, inventories, and sale and purchase commitments, except for the portion of these items that relates to trading activities, fluctuations in the fair value of biological assets, the seasonal effect, and non-recurring items. The seasonal effect corresponds to the temporary difference in the recognition of depreciation charges and price supplements in the Group's financial statements according to IFRS and the Group's management accounts. Adjusted EBITDA before price supplements is not a financial indicator defined as a measure of financial performance by IFRS, and may not be comparable to similar indicators referred to under the same name by other companies. Adjusted EBITDA is provided for additional information purposes, and cannot be considered as a substitute for operating income or operating cash flow.*

Cash Flow

Free Cash Flow - M€ Tereos Group	2017/18 H1	2018/19 H1
Adj. EBITDA	**309**	**143**
Seasonality adjustment	37	31
Cash Flow Hedge	30	45
Non recurring	0	-2
Net financial charges	-54	-56
Income tax paid	-21	-10
Cash Flow	**301**	**150**
Change in working capital	64	100
Cash Flow from operating activities	**365**	**251**
Maintenance & Renewal	-123	-112
Capex	-106	-89
Financial investments	-31	-0
Disposal of fixed and financial assets	0	2
Dividends received	17	24
Cash Flow from (used in) investing activities	**-243**	**-175**
Cash Flow after investing activities	**122**	**75**
Dividends paid & price complement	-75	-23
Capital increases/other capital movements *	-4	-1
Cash Flow from (used in) transactions relating to equity	**-79**	**-24**
Free Cash-Flow	**43**	**51**

(*) integrate "proceeds from issuance (buy back of) bonds reedemables in shares and hybrid perpetual bonds"