Notice to the market Paris, August 23rd, 2018

2018/19 1ST QUARTER RESULTS
APRIL – JUNE 2018
(Non-audited figures)

RESULTS BACKED UP BY DIVERSIFICATION
IN A CONTEXT OF A SIGNIFICANT SUGAR PRICE DROP
ON WORLD AND EUROPEAN MARKETS

- 1st quarter 2018/19 results are to be considered in the context of the end of the European sugar quota regime in October 2017 which led to a collapse of sugar prices in Europe, reaching their lowest level ever, in the wake of a strong decrease of world sugar prices (-22% over a year).
- Given this harsh situation for all European producers, Tereos benefits from its diversification strategy which has been pursued for 25 years and which now brings a certain resilience to the Group's results.
- Fairly resilient 1st quarter revenues, down only 1.4% (at constant exchange rate) due to the 12% increase of sugar volumes sold and despite a sharp decline in sugar prices in Europe and at a global level
- 1st quarter EBITDA supported by contributions from the Sugar International and Starch and Sweeteners divisions in line with last year, while the contribution of the Sugar Europe division is impacted by particularly low sugar prices.
- Continuation of the "Ambitions 2022" performance plan to generate new gains in competitiveness and efficiency, and help sustain long-term results.

KEY FIGURES & HIGHLIGHTS

✓ **Revenues** of €1,059 million, down 5.2% versus Q1 2017/18 (down 1.4% at constant exchange rates)[1]**,** clearly reflecting the decrease in sugar prices on the European and world markets.

✓ **Sugar and ethanol volumes** sold increased markedly compared with the same period of the previous year (+12% and +14% respectively), as a result of European sugar factories working at full capacity in the first campaign following market deregulation, the Group's commercial performance in Europe and the good start of the 2018 campaign in Brazil.

✓ **Adjusted EBITDA[2]** of €84 million, compared with €118 million in Q1 2017/18 (-24% at constant exchange rates) supported by contributions from the Sugar International and the Starch and Sweeteners divisions in line with last year, while the contribution of the Sugar Europe division is impacted by particularly low sugar prices (-25% on the European market over 1 year).

✓ After the previous multi-year performance plan (2014-2018) which generated €140 million gain versus €100 million initially planned, the Group is pursuing the implementation of its Ambitions 2022 program.

[1] *The changes are shown compared with Q1 2017/18 revenues adjusted for the application of IFRS 15 (see note in appendices).*
[2] *See the definition of adjusted EBITDA in the appendices.*

- ✓ In this context, the Group is setting up its Campus Europe, which will bring together 500 employees near Roissy-Charles de Gaulle airport, and its Campus Brazil, in the State of Sao Paulo.

- ✓ On June 27th, 2018, Tereos and VLI announced a joint investment to build two sugar warehouses in the state of São Paulo on VLI's rail network which connects to the port of Santos, and the signing of a long-term agreement to transport 1 million tonnes of raw sugar per year.

Olivier Casanova, Chief Financial Officer of Tereos, declared: *"In a very harsh context of liberalization of the European market and a collapse of sugar prices in Europe and worldwide, affecting all producers, Tereos benefits from its diversification strategy and its solid foundations. The 1st quarter 2018/19 results are thus supported by the Sugar International and Starch and Sweeteners divisions; the contribution of the Sugar Europe division reflects the current price situation on the European market. The study of an opening of capital is completely in line with the prospect of continuing the Group's diversification strategy, validated by its results. In addition, the entire group is pursuing its efforts under the Ambitions 2022 performance plan, which aims to generate further gains in competitiveness and efficiency and help sustain long-term results."*

1. MARKETS

- ✓ **Sugar International:** the current surplus situation on the global sugar market, caused by a sharp increase in volumes produced in India and Thailand (due to particularly favorable weather), continued to have a negative influence on prices. The average NY11 price over the quarter was down 22% vs. Q1 2017/18 (11.9 vs. 15.2 US$cts/lb). This trend continued with a current world sugar price around 10-11 US$cts/lb.

- ✓ **Sugar Europe:** with the liberalization of the European sugar market, the increase in sugar production in the European Union, in a context of very low world prices, kept pushing down sugar prices significantly in the region. According to the European Commission, sugar price was €368/tonne in May, a €130/tonne decrease over 1 year. In the past weeks, consequently, several market players have announced restructuring or production reduction.

- ✓ **Ethanol Brazil:** the strong demand and competitiveness of ethanol over gasoline buoyed prices, which rose by 12% year-on-year, despite a shift of production from sugar towards ethanol.

- ✓ **Ethanol Europe:** the good performance of cereal-based ethanol distilleries, combined with expectations of a greater orientation of the sugar beet processing mix towards ethanol during the 2018/19 campaign (due to particularly low sugar prices) weighed on T2 prices in Rotterdam, which stood at €449/m^3 on average in the quarter, down 20% compared with the same period of the previous year.

- ✓ **Cereals:** MATIF wheat prices increased slightly 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. The higher corn prices reflect dry weather in Eastern Europe affecting yield forecasts despite unchanged cultivation areas, while cultivation areas in Western Europe continued to decrease due to an outlook of lower profits.

Tereos

2. GROUP FINANCIAL RESULTS

Tereos Group M€	2017/18 Published Q1	2017/18 Restated (*) Q1	2018/19 Q1	*var vs restated* *M€*	 *%*
Revenues	**1 155**	**1 116**	**1 059**	**-58**	**-5,2%**
Adjusted EBITDA (1)	**118**	**118**	**84**	**-34**	**-29%**
Adjusted EBITDA margin	*10,2%*	*10,6%*	*7,9%*		
Net debt (excluding related parties)	**2 405**	**2 405**	**2 446**	**42**	
Net debt to adjusted EBITDA ratio	***4,0x***	***NC***	***4,4x***		
Volumes sold					
Sugar & Sweeteners (k.tco)	1 444	1 397	1 567	170	12%
Alcohol & Ethanol (k.m^3)	309	309	352	43	14%
Starch & Protein (k.tco) (**)	252	205	193	-12	-6%
Energy (GWh)	308	308	345	37	12%

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

(**) excluding sweeteners

Consolidated revenues came in at €1,059 million, down 5.2% versus Q1 2017/18 (down 1.4% at constant exchange rates)[1]. Despite the decline in world and European sugar prices and ethanol prices in Europe, Group turnover was supported by strong growth in sugar/sweetener and ethanol volumes.

Adjusted EBITDA[2] was €84 million for the quarter, compared with €118 million in Q1 2017/18 (-24% at constant exchange rates). Reflecting lower world and European sugar prices, adjusted EBITDA benefited from higher volumes sold, profits from hedging positions, the resilience of the starch products division and gains from performance plans. The Sugar International and Starch and Sweeteners divisions delivered results in line with the previous year's Q1, despite the drop in world sugar prices, while the contribution of the Sugar Europe division reflects the situation of sugar prices collapsing in Europe.

Net debt[3] on June 30th 2018 was almost unchanged at €2,446 million (vs €2,405 million on June 30th 2017). Net debt amounted to €2,044 million excluding readily marketable inventories (which can be converted into cash at any time).

Adjusted net debt-to-EBITDA[4] ratio of 4.4x on June 30th 2018, compared with 4.0x on June 30th, 2017 and 3.7x excluding readily marketable inventories.

[1] The changes are shown compared with Q1 2017/18 revenues adjusted for the application of IFRS 15 (see note in appendices).
[2] See the definition of adjusted EBITDA in the appendices.
[3] Excluding related parties.
[4] 12-month basis adjusted EBITDA.

3. RESULTS BY DIVISION

SUGAR EUROPE

Revenues of the Sugar Europe business came in at €446 million in Q1 2018/19, a slight decrease of 2% (down 2% at constant exchange rates)[1], compared with the previous year (€454 million). Despite sharp decreases in the selling prices of sugar and ethanol compared with the same period a year earlier, the division's revenues were driven by growth in the volumes of own sugar and ethanol production sold, following the production increase during the 2017 campaign, taking advantage of the liberalization on the European market.

Adjusted EBITDA amounted to €20 million in Q1 2018/19 (€52 million in Q1 2017/18). While it was sustained by growth in volumes of own production sold, mix optimization and gains from performance plans, adjusted EBITDA was adversely affected by the decline in European and world sugar prices and ethanol prices in Europe.

SUGAR INTERNATIONAL

In **Brazil**, the campaign began in early April; low rainfall levels and improved operational performance meant that the pace was much more rapid than in the previous year.
In **Reunion Island**, the campaign began in mid-July under satisfactory conditions.
In **Mozambique**, the campaign began at the end of June.

Sugar International revenues came in at €199 million in Q1 2018/19 (€267 million in the previous year)[1], impacted by the depreciation of the Brazilian Real against the Euro (down 14% at constant exchange rates, compared with 26% at current exchange rates). In a context of volumes that were almost unchanged on the previous year, revenues were affected by the 22% fall in world sugar prices (NY11) and European sugar prices but benefited from hedging positions taken in advance and higher ethanol prices in Brazil.

Adjusted EBITDA was up slightly by 5% compared with previous year (€42 million), reaching €44 million in Q1 2018/19. Adjusted EBITDA was affected by the Brazilian Real decline compared with the same period a year earlier. In fact, at constant exchange rates, the increase would have been +22%. Despite the impact of the decline in world sugar prices, the division's results were boosted by the dry weather, the rising ethanol prices in Brazil, the gains on hedging positions and the progress achieved in operational terms.

STARCH AND SWEETENERS

Revenues from Starch and sweeteners came in at €361 million in Q1 2018/19 (€369 million in the previous year)[1], reflecting an increase in volumes of starch products sold in a context of relative price stability, counterbalanced by decreasing ethanol prices in Europe.

Adjusted EBITDA was €28 million at June 30, 2018, a slight 2% decrease (down 2% at constant exchange rates), compared with the previous year (€28 million). In a context of falling ethanol prices in Europe, the division's results were driven by increased volumes sold, made possible by the operational progress within all of the Group's geographical areas, development of the customer and products portfolio and lower European raw materials costs.

[1] *The changes are shown compared with Q1 2017/18 revenues adjusted for the application of IFRS 15 (see note in appendices).*

4. INVESTMENTS

Maintenance and i**nvestments** in growth and efficiency projects stood during the period at €96 million, compared with €111 million a year earlier.

5. NET FINANCIAL DEBT

The Group's **net financial debt** (excluding related parties) amounted to €2,446 million at the end of June 2018 compared to €2,405 million at the end of June 2017. Excluding readily marketable inventories (which can be converted into cash at any time), the Group's adjusted net debt totaled €2,044 million.

Cash and cash equivalents amounted to €315 million at the end of June 2018. Adding undrawn committed credit facilities (> 1 year) amounting to €401 million to the cash position[1], the Group's level of **financial security** amounted to €716 million at the end of June 2018.

Net financial debt can be summarized as follows:

Tereos Group (M€) *June 30th, 2018*	Current	Non Current	Total	Cash & Equivalents	Total
Net debt (excl. related parties)	**432**	**2 329**	**2 762**	**-315**	**2 446**

6. CREDIT RATINGS

On August 23rd, 2018, in an environment of highly depressed world and European sugar price, S&P reaffirmed the BB credit rating of Tereos, and of its bonds, but revised the Outlook, from Stable to Negative.

S&P continues to view Tereos' business profile as "satisfactory", acknowledging in particular (i) its global and regional market leadership position in most of its businesses, (ii) the quality and performance of its operations in both France and Brazil, located in the most productive agricultural regions, and (iii) the relevance of its diversification and internationalization strategy, thus enabling the Group to fully or partially offset the effects of cyclical market conditions potentially impacting some of the Group's historical activities.

Nevertheless, S&P also took into account in its analysis the current difficult market conditions on the European sugar market and the very low sugar prices on a global level, leading to a revision in outlook of Tereos' credit rating.

	Group rating	Bond rating *(2020 and 2023 maturities)*
S&P	**BB/Outlook negative**	**BB**
Fitch	**BB/Outlook stable**	**BB**

[1] *Total amount of the available undrawn credit lines (< and > 1 y): €528 million*

7. OUTLOOK

In Europe, despite a significant increase in volumes in the first half of the financial year, weak European and world sugar prices will continue to weigh on the results of the Sugar Europe division while the Sugar International division is expected to continue to show greater resilience, due to new performance gains in Brazil and Brazilian ethanol prices.

In Europe, beets have not so far suffered from May and June heat and drought, but their development depends on the amount of rain in the coming weeks. A harvest in the five-year average is currently expected.

In Brazil, the operational progress being achieved, the anticipated hedges and the domestic market price situation should partly offset the fall in world sugar prices and the expected decline in cane volumes, caused by the drought that hit the Center/South region.

In Reunion Island, the campaign started under good conditions, although lower volumes than last year are expected due to hurricane Fakir that hit the island in April 2018.

The ongoing improvements of the industrial process of the Starch and Sweeteners division should result in a further increase in volumes, in a more favorable environment for starch products than in recent years.

The Group continues to implement its new Ambitions 2022 program, which aims to generate new gains in competitiveness and efficiency and contribute to sustain the Group's long-term results. In this context, the Group continues to implement its plan to reorganize the European support functions and set up business services centers in France and Brazil.

From a global point of view, the sugar consumption growth should continue over the coming years, with an expected increase of around 33 million tonnes (+17%) between 2018/19 and 2028/29[1].

[1] F.O. Licht, 8th August, 2018

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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

REVENUES BY ACTIVITY

Revenues M€	2017/18 Q1 Published	2017/18 Q1 Rest. (*)	2018/19 Q1	var vs restated	
Sugar Europe	454	454	446	*-8*	*-2%*
Sugar International	267	267	199	*-68*	*-26%*
Starch & Sweeteners	407	369	361	*-8*	*-2%*
Others (incl. Elim)	26	26	53	*27*	*105%*
Tereos Group	**1 155**	**1 116**	**1 059**	***-58***	***-5,2%***

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

ADJUSTED EBITDA BY ACTIVITY

Adj EBITDA M€	2017/18 Q1 Published	2018/19 Q1	var M€	var %
Sugar Europe	52	20	*-32*	*-61%*
Sugar International	42	44	*2*	*5%*
Starch & Sweeteners	28	28	*0*	*-2%*
Others (incl. Elim)	-5	-9	*-4*	*na*
Tereos Group	**118**	**84**	***-34***	***-29%***

*The **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 favourable terms, and price complements. 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 related 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 complements in the Group's financial statements according to IFRS and the Group's management accounts. Adjusted EBITDA before price complements 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.*

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.*