Tereos

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H1 RESULTS 2019/2020
(APRIL - SEPTEMBER 2019)

HIGHLIGHTS

- As expected, results for the first half of 2019/2020 are impacted by the low level of global and European sugar prices that defined the 2018/19 financial year. The second quarter marked a turning point, with EBITDA increasing compared to last year and compared with the first quarter.

- The fundamentals of the sugar market continue to improve: globally, the October 2019 - September 2020 sugar campaign is expected to have a significant deficit which should support the price outlook from the second half.

- In Europe, in a context expected to be slightly in deficit for the 2019 campaign, the contractualization of volumes for the October 2019 / September 2020 campaign was achieved in a context where spot prices have sharply risen, exceeding 400 €/tonne over the last past months. The impact of those new contracts is expected from the 3rd quarter of the financial year.

- On 29 July, the Group closed the transaction relating to the evolution of its partnership with ETEA, which resulted in a €215 million reduction in the Group's debt. The Group has also strengthened its alcohol/ethanol production network in Europe with the integration of the Nesle distillery into its operations.

- The Group continues to implement its Ambitions 2022 performance programme which aimed at generating €200 million of performance gains by 2022.

KEY FIGURES

✓ **Revenue** of €1,106 million in Q2 19/20, up 5% compared to Q2 18/19 (€2,108 million in H1 19/20 vs. €2,114 million in H1 18/19). The beginning increase in world sugar prices and volumes sold by the Starch and Sweeteners Division and trading entities is partly offset by lower volumes of sugar and ethanol sold by the production entities and lower prices for sugar and sweeteners in Europe.

✓ **Adjusted EBITDA**[1] at €78 million[2] in Q2 19/20 vs €59 million in Q2 18/19, up 31% (€111 million vs €143 million in H1 18/19): as expected, the second quarter marks a turning point with a stabilisation of Sugar Europe EBITDA and the recovery of the International Sugar division in a context of slight price rebound and the operational progress achieved in the Starch and Sweeteners division. These effects are still limited on H1 overall given i) the effect of low sugar prices in Europe on this period which affects both Sugar Europe and Starch and Sweeteners Europe activities, ii) the latest effects of the non-recurring decrease in beet volumes (drought 2018) and iii) a high wheat price environment in the first half for Starch and Sweeteners Europe.

✓ The **Group's net debt** stood at €2,733 million at 30 September 2019 (€2,601 million excluding IFRS16). The Group maintains solid financial liquidity, at €1,019 million at the end of September.

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[1] *See the definition of adjusted EBITDA in the appendix.*
[2] *2019/20 adjusted EBITDA figures include the impact of the application of IFRS16 (see note in appendix)*

OUTLOOK

Sugar Europe: most of volumes contractualized for the 2019/20 campaign has been done in a context of a market in deficit since January 2019, which has seen spot prices reaching levels close to 450 €/tonne delivered to customers. The impact of new contracts is expected from the 3rd quarter of the financial year. The European sugar market is expected to have a slight deficit for the campaign that opened in September in a context of yields slightly below historical averages and an estimated 5% reduction in surface areas in Europe. The campaign is currently underway and Tereos has an average harvest duration in France above 120 days in line with the previous campaign.

Sugar and ethanol production in Brazil: the yields of the sugar campaign show a sharp increase compared to the previous one, which was also marked by severe drought. The volume of sugar cane crushed in our operations in Brazil is expected to be close to 19mt versus 17.6mt last year. The ethanol market continues at a dynamic pace, driven by high consumption and low stocks due to the late start of Brazil's growing campaign.
World sugar prices are expected to rise. After a slight rebound in the summer, the projected deficit in world sugar production for the October 2019 to September 2020 campaign should drive prices up, after a period of inventory depletion.

After a year 2018/19 characterised by an increase in volumes produced, the **Starch and Sweeteners division** will continue to benefit from this trend related to the deployment of a new industrial organization implemented through our Ambitions 2022 program. Furthermore, starting from August, the results of this division benefited from the integration of the assets of Sedalcol France, following the closing of the evolution of the partnership with ETEA, and from the capital gain realised in the second quarter.

In this context, Tereos will continue to rely on its diversification strategy and on the performance gains of the Ambitions 2022 program, which aims to generate over €200 million of operational profits. Based on this target and on current market prices, Tereos confirms that its normative EBITDA at the end of this plan (2022) should be between €600 and 700 million.

In addition, the Group is pursuing the discussions announced last year regarding a possible opening of the capital of its industrial activities over a two or three-year horizon.

Commenting on these results, Alexis Duval, Chairman of Tereos' Executive Board, said:

"Tereos continues its transformation and the implementation of its strategic plan. As expected, the first half of the year continued to be impacted by the low cycle and drought conditions that marked the 18/19 campaign, particularly in Europe. Tereos had chosen to anticipate the exit from the quota system by investing in the competitiveness and flexibility of its industrial base in Europe. The Group continues to deploy its ambitious operational excellence programme Ambitions 2022 and to take advantage of its development in high-growth markets and its portfolio of complementary products.
While the second quarter marks a turning point and the fundamentals of the sugar market are improving, Tereos is in a position to benefit both from the ongoing restructuring in the EU sugar industry and the recovery in our markets from the end of this financial year. In the long term, the global demand for innovative plant-based products and solutions continues and Tereos is strategically positioned to meet this demand."

1. MARKETS

International Sugar: market fundamentals are on a positive trend due to a deficit on the sugar market for the 2019 campaign, particularly due to cane production in Brazil, which is largely directed towards ethanol production, more profitable than sugar. On average at US$cts11.9/lb over the last half year and up 5.1% compared to last year, NY11 prices were nevertheless impacted during this first part of the year by well-stocked markets in the southern hemisphere due to an abundant end of campaign, particularly in Thailand, large initial stocks and speculative positions.

Sugar Europe: as a result of the historically low prices recorded last year, some market players have announced restructurings or production cuts in recent months. The surface forecasts for this campaign are down by 6% in Europe. In a context where the European market is expected to be in slight deficit (based on lower than expected average yields due to dry summer weather conditions) and the world market in deficit for the 2019/20 campaign, European spot prices have been above 400 €/ton since the beginning of the year.

Ethanol Brazil: hydrous ethanol prices remained stable at BRL 1.70/L during the first half of 2019/20, up 10% compared to the first quarter of 2018/19. This trend was driven by strong demand for ethanol and ethanol pump prices that were more competitive than gasoline, despite the historically very high use of available sucrose for ethanol.

Ethanol Europe: European ethanol fuel prices (Q2) reached an average of €602/m^3 over the first half of the year, up 28% compared to the same period last year. The European ethanol market remains in strong deficit, mainly due to increased demand for E10 and E85 fuels and lower beet-based ethanol production, in a context of lower yields than historical averages.

Cereals: The wheat harvested in Europe was very good (+11% compared to the previous year), putting pressure on prices in the second half of the semester. MATIF wheat prices decreased by 14% in the last quarter compared to last year.
World corn prices have been very volatile over the past six months due to planting uncertainties in the United States. In the second quarter, MATIF corn prices decreased by 6% vs Q2 LY, on average 3% below the 2018/19 average.

2. GROUP FINANCIAL RESULTS

Key figures M€	18/19 Q2 Published	18/19 Q2	var		18/19 H1 Published	19/20 H1	var	
Revenues	**1 056**	**1 106**	**50**	**5%**	**2 114**	**2 108**	**-6**	**0%**
Adjusted EBITDA	**59**	**78**	**19**	**31%**	**143**	**111**	**-32**	**-22%**
Adjusted EBITDA margin	*5.6%*	*7.0%*			*6.7%*	*5.3%*		
EBIT	**-30**	**120**	**150**		**-41**	**45**	**86**	
Net results	**-53**	**78**	**131**		**-96**	**-21**	**75**	

Net debt M€	March 31 2019	Sept 30 2019
Net debt	**2 500**	**2 733**
Net debt excluding IFRS16		**2 601**
Net debt to adj EBITDA ratio	*9.1 x*	***10.5 x***
Net debt ratio excluding RMI*	*7.7 x*	***8,9 x***

(*) Readily Marketable Inventories

Tereos Group Volumes sold	18/19 Q2	18/19 Q2	var		18/19 H1	19/20 H1	var	
Sugar & Sweeteners (k.tco)	1 554	1 652	98	6%	3 130	3 162	32	1%
Alcohol & Ethanol (k.m3)	342	349	7	2%	694	667	-27	-4%
Starch & Protein (k.tco)	317	323	6	2%	591	607	16	3%
Energy (GWh)	381	444	63	17%	726	765	39	5%

The **consolidated revenue** stood at €1,106 million in Q2 19/20, up 5% compared to Q2 18/19 (€2,108 million in H1 19/20 vs. €2,114 million in H1 18/19). The beginning increase in world sugar prices and volumes sold by the Starch and Sweeteners Division and trading entities is offset by lower volumes of sugar and ethanol sold by the production entities and lower prices for sugar and sweeteners in Europe.

Adjusted EBITDA[1] stood at €78 million in Q2 19/20 vs €59 million in Q2 18/19, up 31% (€111million vs €143 million in H1 18/19): the second quarter marks a turning point with a stabilisation of Sugar Europe EBITDA supported by the drop in production costs, the recovery of the International Sugar division that began in a contest of slight price rebound and the operational progress achieved in the Starch and Sweeteners division. These effects are still limited by the impact of the fall in volumes and low sugar prices in Europe in 2018 and the pressure on margins for sweeteners in Europe in a context of high wheat prices in the first half of the year.

Net debt[2] stood at €2,733 million at 30 September 2019 and at €2,601 million excluding IFRS16 (€2,500 million at 31 March 2019). Net debt amounted to €2,320 million excluding readily marketable inventories (€414 million, which can be converted into cash at any time).

The **net debt to adjusted EBITDA ratio**[3] was 10,5x at 30 September 2019 and 8,9x excluding readily marketable inventories.

[1] *See the definition of adjusted EBITDA in the appendix.*
[2] *Net debt excluding related parties. 18/19 net debt was published excluding IFRS16 effects.*
[3] *Including the impact of IFRS 16; the ratio at 30 September 2019 is calculated on the basis of an adjusted EBITDA last 12 months proforma of €259 million.*

3. RESULTS BY DIVISION

SUGAR EUROPE

The 2018 campaign, which is coming to an end, was marked by a sharp decrease in marketed volumes due to the drought and a sharp drop in European sugar prices. These trends therefore affect the first half of the 2019/20 financial year (April-September 2019), which saw the price of European sugar reach its lowest point.

Revenues from the Sugar Europe business amounted to €381 million in Q2 19/20 vs. €425 million in Q2 18/19, down by 10% (€747 million in H1 19/20, down by 14% compared to €871 million in H1 18/19). This trend mainly reflects the decrease in sales volumes, while the price of European sugar was at a low point reached in the summer of 2018.

Adjusted EBITDA was €1 million in Q2 19/20, stable compared to Q2 18/19 (€-4 million in H1 19/20 compared to €22 million in H1 18/19). The positive impact of lower production costs and higher ethanol prices offset lower sales volumes. While first quarter prices were down from a more favourable reference in Q1 18/19, Q2 19/20 prices were stable compared to Q1 19/20.

SUGAR INTERNATIONAL

In **Brazil**, the harvest started in mid-April, about ten days later than last year which had started early due to low rainfalls. For this campaign, the yields are much better than last year, expected to be close to historical averages.
In La **Réunion**, the harvest started in mid-July in satisfactory conditions, with volumes expected to be higher than the previous year but below historical average due to the low rainfall in the summer in the southern hemisphere.
In **Mozambique**, the harvest began at the end of July.

International Sugar **revenues** amounted to €235 million in Q2 19/20 compared to €213 million in Q2 18/19, up 10% (€398 million in H1 19/20, i.e. -4% at constant exchange rates vs. €412 million in H1 18/19). Supported by slightly higher world sugar prices in BRL and higher ethanol prices compared to the same period last year, the division's sales are nevertheless impacted by the decline in marketed volumes due to a later start of the campaign.

Adjusted EBITDA reached €47 million in Q2 19/20 vs. €22 million in Q2 18/19 (€76 million in H1 19/20 vs. €66 million). The combined positive impact of the application of IFRS 16 and the price increase was limited by the decrease in sales volumes. In the first half of the year, the comparison was also affected by the lower profit on hedging positions in Q1 19/20 compared to last year.

STARCH AND SWEETENERS

The revenue of the Starch and Sweeteners activity stood at €390 million in Q2 19/20, up 11% vs €353 million in Q2 18/19 (€765 million in H1 19/20, up 7% vs €713 million in Q2 18/19). Revenue benefits from a favourable product mix and higher ethanol prices in Europe, as well as operational progress, particularly in the Group's other regions, which saw their volumes increase.

Adjusted EBITDA was €19 million in Q2 19/20, vs. €26 million in Q2 18/19 (€32 million in H1 19/20, down by 41% compared to the previous year: €54 million), impacted in particular in Europe by wheat price maturities that were still high until August and the pressure on prices of sweeteners following the fall in sugar prices during the 2018 campaign, thus affecting H1. The temporary effect of wheat prices was partly offset by the operational progress achieved in all the Group's geographical regions. The division's adjusted EBITDA increased by 56% compared to the first quarter, thanks to increasing volumes processed in favour of the first effects of Ambitions 2022 programme as well as the beginning of the decline of wheat prices.

4. NET FINANCIAL DEBT

Net financial debt at 30 September 2019 amounted to €2,733 million and €2,601 million excluding the impact of IFRS16, compared to €2,500 million at 31 March 2019. Excluding readily marketable inventories (which can be converted into cash at any time), the Group's adjusted net debt amounted to €2,320 million.

At the end of September 2019, the Group's financial security amounted to €1,019 million, consisting of €399 million in cash and cash equivalents and €620 million in long term undrawn confirmed credit lines.

Net financial debt can be summarized as follows:

Net financial debt *Sept 30, 2019 (M€)*	Current	Non Current	Total	Cash & Equivalents	Total
Net debt excl. IFRS16	923	2 077	**3 000**	-399	**2 601**
IFRS 16 impact	23	109	**133**	0	**133**
Net debt	**946**	**2 186**	**3 132**	**-399**	**2 733**

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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 more than 12,000 farmers and has recognized know-how in the processing of beet, sugarcane, cereals, and potatoes. Through 47 industrial sites, a presence in 18 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 2018-19, the Group achieved a €4.4 bn revenue.

APPENDIX

The half-year financial statements have been subject to a limited review by the Group's Statutory Auditors

P&L M€	18/19 H1	19/20 H1	var	
Revenues	**2 114**	**2 108**	***-6***	***0%***
Adj. EBITDA	**143**	**111**	***-32***	***-22%***
Adj. EBITDA Margin	*6.7%*	*5.3%*		
Seasonality adjustment	31	21	*-10*	
Depreciations / amortization	-203	-232	*-30*	
Other	-12	145	*157*	
EBIT	**-41**	**45**	***86***	
EBIT Margin	*-1.9%*	*2.1%*		
Financial Result	-81	-86	*-5*	
Corporate income tax	6	14	*8*	
Share of profit of associates	20	6	*-14*	
Net Results	**-96**	**-21**	***75***	

Net debt variation M€	18/19 H1	19/20 H1
Net debt (opening position)	**-2 350**	**-2 500**
Adj. EBITDA	**143**	**111**
Other operational flows	73	-25
Net financial charges	-56	-79
Income tax paid	-10	6
Cash Flow	**149**	**13**
Change working capital	101	-47
Cash Flow from operating activities	**251**	**-34**
Maintenance & Renewal	-112	-141
Other CAPEX	-89	-72
Financial investments	-0	-61
Disposals	2	268
Dividends received	24	11
Cash Flow from (used in) investing activities	**-175**	**3**
Cash Flow after investing activities	**75**	**-30**
Dividends paid & price complement	-23	-85
Capital increases/other capital movements	-1	-3
Cash Flow from (used in) transactions relating to equity	**-24**	**-88**
Free Cash-Flow	**51**	**-118**
Other (incl. FOREX impact)	-31	18
Net debt excluding IFRS16	**-2 330**	**-2 601**
Impact IFRS16		-133
Net debt (closing position)	**-2 330**	**-2 733**

Revenues by division M€	18/19 Q2	18/19 Q2	var		18/19 H1	19/20 H1	var	
Sugar Europe	425	381	-44	-10%	871	747	-124	-14%
Sugar International	213	235	*22*	*10%*	412	398	*-14*	*-3%*
Starch & Sweeteners	353	390	*38*	*11%*	713	765	*51*	*7%*
Other (incl. Elim)	65	100	*34*	*53%*	118	199	*81*	*69%*
Tereos Group	**1 056**	**1 106**	**50**	***5%***	**2 114**	**2 108**	**-6**	***0%***

Adjusted EBITDA by division M€	18/19 Q2 Published	18/19 Q2	var		18/19 H1 Published	19/20 H1	var	
Sugar Europe	2	1	-1	na	22	-4	-26	na
Sugar International	22	47	*25*	*113%*	66	76	*10*	*16%*
Starch & Sweeteners	26	19	*-6*	*-24%*	54	32	*-22*	*-41%*
Other (incl. Elim)	10	10	*1*	*6%*	1	7	*6*	*na*
Tereos Group	**59**	**78**	**19**	***31%***	**143**	**111**	**-32**	***-22%***

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.*

NOTES RELATING TO APPLICATION OF IFRS16 NORM

As from April 1st, 2019, the Group is applying the new IFRS16 norm relating to leases.

The Group applied the standard on April 1 st, 2019 and opted for the "simplified retrospective" approach.