

2019/20 SUGAR BEET CAMPAIGN REPORT: TEREOS' INITIATIVES YIELD THEIR FIRST RESULTS

Tereos 2019/2020 sugar campaign –the third since the deregulation of the European sugar industry in October 2017– has just finished, ending on a positive note: at the agricultural level, with sugar beet yields and volumes on target; at the industrial level, with a record-breaking performance of Tereos sugar plants; and, at the commercial level, thanks to flexible assets that make it possible for Tereos to take advantage of current favourable conditions on the ethanol market.

Bolstered by its “Ambitions 2022” performance plan and reassured by its positive operating results and the recovery of sugar prices in Europe, Tereos is displaying positive dynamics that confirm the relevance of its long-term strategy. The Group keeps transforming and working for a sustainable future for the French sugar beet industry in a deregulated environment, and for the future of its operations in the French territory.

Highlights from the 2019/2020 sugar beet campaign:

- **Over 99.5% of the sugar beet volume commitments falling due during the 2019/20 campaign were renewed by Tereos cooperative partners**, for an additional five-year period. This renewed commitment from farmers confirms the strength of **Tereos long-term cooperative supply model**, even in an environment disrupted by a sharp decline in European sugar prices over the past two years. Tereos contracting levels remain generally stable since the 20% increase achieved before the abolition of the quota system in 2017.
- **Agricultural yields this year are within the five-year average, at 88 t/ha in France, one of the best agronomic performance in Europe.** However, these results hide strong regional differences as well as the impact of heavy rainfall that impacted both the harvest of the sugar beets and their supply to the plants at the end of the season (over 100 rainy days during this year’s harvest season). For 2019/20, close to **18 million tons of sugar beets have been transformed by Tereos in France** (over 21 million tons in Europe for Tereos).
- **The first successful organic sugar beet harvest in France** was completed at the Attin sugar factory this year, demonstrating the potential of this new certified sector in France.
- Actions taken by Tereos Sugar France to improve safety as part of its “Ambitions 2022” plan are yielding positive results this year, with accident rates continuing to decrease since 2017.
- At the industrial level, Tereos French sugar plants set a new operational record during this campaign, with close to 135,000 tons of sugar beet transformed in its 9 French sugar plants each day. This performance is the result of the investments made and of the performance plans deployed in recent years, and also of a very good level of reliability, during the 125 days of the campaign.
- Tereos benefitted over the past months from the flexibility of its production assets, allowing it to take advantage of the favourable ethanol market. Tereos keeps working on its industrial transformation, with the launch of a “*factory 4.0*” program. The Connantre site (51) will be the pilot factory for Europe. Furthermore, Tereos is progressing on its energy transition, with notable results and a 4.5% reduction of its factories’ energy consumption, and keeps experimenting new innovative solutions, such as the LogiSmart tool for real-time optimisation of sugar beet transportation to factories.

Agricultural yields are among the best in Europe, within the five-year average, during the 2019/20 campaign.

Yields for the 2019/20 sugar beet campaign were on target, with an average of 88 tons to 16 per hectare, despite the growth cycle being marked by summer drought. However, there were still some major regional variations recorded this year:

- North basin: 91.5 t/ha (Lillers, Attin, Boiry, and Escaudœuvres)
- Picard basin: 86.3 t/ha (Origny, Bucy, and Chevrières)
- Champagne: 82.1 t/ha (Connantre)
- Sud De Paris (South Paris): 85.5 t/ha (Artenay)

With over 100 days of rain during this harvest season, this year's heavy rainfall provided favourable conditions for the sugar beets to grow in fall and boosted the yield rate significantly, especially in Picardy. However, it also made harvesting extremely difficult and generated high levels of soil tare. *"All of the Cooperative associates, agricultural teams, service providers, and farming contractors showed throughout this harvest that they were deeply committed and adaptable, ensuring that the sugar beet harvesting and transportation operations could take place despite the weather conditions,"* said Jean-Charles Lefebvre, Chairman of the Supervisory Board at Tereos.

On the logistics side, the LogiSmart project that was being tested this year will be used again and expanded during the next harvest season. This tool is part of an ongoing initiative to improve the management of the 18 million tons of sugar beet transported by truck from the 26,000 collection points to the various harvest sites and plants.

Tereos also launched its first industrial production of organic sugar beet sugar in France this year. The Attin plant (62) was the first sugar factory in France to attain organic certification by Ecocert. Organic growers and those transitioning to organic farming committed an area of around 200 hectares for this first organic sugar beet harvest. To carry out this project, Tereos teams joined forces with growers to help them adopt new techniques specifically adapted to organic farming. Based on these initial results, Tereos reaffirms its intention to continue developing organic production for the next harvest season.

Record production rates

All teams continued their efforts to improve safety – one of the Group's priorities for a long time. A significant improvement in safety figures has been observed, thanks to the new efforts made by Tereos' partners, with a significant and continuous decrease in the number of accidents since 2017. In preparation for the forthcoming off-season works, particular effort has been made with Tereos subcontractors, whose safety figures remain below the standards of the group. The "Contractors' Safety Day", organized for January 15 at our Europe Campus in Moussy, thus brought together more than 180 representatives from external companies.

The nine Tereos sugar factories in France processed nearly 18 million tons of sugar beet in 125 days (over 21 million tons in Europe). Over 99.5% of Tereos' cooperative associates continued their cooperative commitment in 2019/20. At the industrial level, Tereos Sugar France's sugar factories set a new operational record with this year's production rate averaging nearly 135,000 tons of sugar beets a day.

Says Olivier Leducq, Director of Tereos Sugar Europe: *“This performance is the result of the investments made and of the performance plan deployed in recent years, as well as the investments in our sugar factories and the collective effort of all the teams.”*

The reliability rate of plants, a key indicator during the campaign, which had been the subject of particular attention, improved further with a decrease of over 1.2 points in the failure rate of equipment, compared to the last campaigns. This year shows that Tereos continues to demonstrate its very strong operational performance and highly reliable industrial facilities. The same trend can be seen in Eastern Europe with the Romanian site also achieving a record daily production rate (3,500 tons/day).

Ongoing commitment to the energy transition

This year Tereos continued efforts to consume energy more efficiently with a reduction in energy usage of 4.5% compared to the previous harvest season. The Group’s energy transition is still ongoing with the first fully gas-powered harvest at the Chevrières sugar factory (60) as well as works underway at the Lillers plant (62) to prepare for the forthcoming installation of two new natural gas furnaces that were manufactured in France in the Haut-Rhin. These are a €20 million investment that will enable the sugar factory to reduce its dust emissions by 90% and CO2 emissions by 40%. This year the Attin plant (62) underwent a major transformation with the commissioning of its innovative limewater production unit. All the Czech plants completed their ISO 50001 Energy Management certification this year.

The CDP (formerly *Carbon Disclosure Project*) has formally recognized all these initiatives, including more broadly the roadmap adopted by Tereos to support its energy transition and efforts to combat climate change. As a result, the organization awarded Tereos an A- rating in 2019 for its operations at Tereos Sugar France, placing it among the leading 18% of companies deemed the most committed and productive in terms of their response to climate change.

Heading for the industry of the future

The “Ambitions 2022” performance plan is still being implemented, including stepping up the rollout of new management methods at all sites. The goal is to reinforce the contribution of operational teams to performance improvement *via* a higher level of operational management, whilst better integrating business expertise in a context of deployment of digital technologies. The Lillers plant was the first to roll out these processes in all areas of its operations this year (sugar factory, distillery, and packaging).

The Group also launched a “Plant of the future” plan during this harvest season, drawing on the success of the pilot project carried out at the Cruz Alta plant in Brazil during the 2018/19 campaign, and selected Connantre (51) to be the pilot factory in Europe for the “plant 4.0” program. This plan includes digitalizing and modelling key processes as well as using big data, with the aim of achieving a 5% boost in productivity.

Renewed confidence in the future of the sector

As the 2019/20 harvest season comes to an end, the market outlook appears more positive with an increase in sugar prices in Europe, a turnaround in global prices, and positive market developments for ethanol.

In this context, Tereos is in a good position to take advantage of the recovery of its markets and to continue deploying its transformation plan for the future.

“The good results achieved during the 2019/20 campaign are encouraging and confirm the relevance of Tereos' long-term strategy. We continue to implement our transformation plan for the future of the sugar industry in France, now in a liberalized environment” explains Alexis Duval, Chief Executive Officer of Tereos.

This was the core message that the company shared at the six Open Days held at Tereos plants in France this year; these will be organized again during the next harvest season. Tereos champions a vision for the future of the sector and supports a long-term strategy in the interests of its cooperative associates, its employees, and the territories where the cooperative operates.

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 26,000 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.

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