

Tereos announces strong results growth for the first half of the year (APRIL - SEPTEMBER 2020)

Half-year EBITDA up 114% to €237 million
Net debt decrease of €253 million vs September 2019

Alexis Duval, Chairman of the Management Board of Tereos, declared: « *The very positive momentum of Tereos results since 2019 in a European environment which is now deregulated and marked by the Covid-19 pandemic, is the fruit of the success of its anticipation strategy. Tereos' last twelve months EBITDA reached €546 million as of September 30, 2020, compared to €481 million as of June 30, 2020 and €420 million as of March 31, 2020. Net debt is reduced by €253 million compared to the end of September last year. In recent weeks, Tereos has also finalized a refinancing cycle aiming at extending existing maturities and diversifying its financing sources. With a total of €800 million refinanced, Tereos has increased its financial security. The Group is continuing to deploy its strategy and its transformation plan, in order to benefit in the long term from its strengths in terms of competitiveness, sustainability and expertise in nutritional reformulation.* »

Commenting on these results, Jean-Charles Lefebvre, Chairman of Tereos Supervisory Board, declared: « *The results published by Tereos demonstrate the quality of its strategy and the work accomplished by its management team to transform Tereos in depth into an agile and more resilient Group while favorably positioning its historic beet business on a newly deregulated market after 50 years of quotas. For the current campaign, the agronomic problems caused by beet yellows virus will result in a very substantial drop in beet yields in France. In the face of this unprecedented viral epidemic on the beet culture, we wish to thank the French government officials as well as our legislators and experts for the measures voted to support the French beet growers. All together we remain very much engaged to develop viable alternative agronomic solutions within the three coming years.* »

HIGHLIGHTS

- ✓ **Resilient revenues, at €2,050 million** (-3% at current exchange rates and +1% at constant exchange rates), demonstrating the flexibility of Tereos and its ability to adapt to the significant disruptions caused by the sanitary crisis. Tereos' response to the sharp increase in demand for pharmaceutical alcohol and consumer sugars in Europe, the effect of a very good sugarcane campaign in Brazil and the continued recovery in prices in Europe compensated the activity slowdown in markets affected by the sanitary crisis, in particular starch products and ingredients exposed to the beverage and out-of-home food service sectors.

- ✓ **Strong growth of adjusted EBITDA¹ at €237 million** (up 141% at constant exchange rates and 114% at current exchange rates). This result is driven by the growth momentum of its **Sugar Europe and Renewables Division (€98 million vs -€4 million in H1 19/20)**, which was well positioned to fully leverage the recovery in sugar and the dynamism of the alcohol market and by its **Sugar and Renewables International Division (€98 million vs €76 million in H1 19/20)**, thanks to a record operational performance and despite an unfavorable translation effect due to the depreciation of the Brazilian real against the Euro.

¹ See the definition of adjusted EBITDA in the appendix.

- ✓ **Strong growth momentum of the Group's EBITDA at work since the second quarter of 2019**, with the Group's last twelve months EBITDA reaching **€546 million (+ 30% vs 31 mars 2020)** as of September 30, 2020, compared to €481 million as of June 30, 2020 and €420 million as of March 31, 2020. These results reflect the benefits of the strategic initiatives that Tereos has taken and the good progress of its Ambitions 2022 performance plan (€25 million EBITDA gains generated over the half-year, reaching €100 million since the beginning of the plan with an overall target of €200 million in 2022).
- ✓ **Group's net debt**, amounted to €2,480 million as of September 30, 2020 (€2,127 million excluding readily marketable inventories), **a reduction by €253 million** compared to the end of September 2019.
- ✓ In the current volatile macroeconomic context, **Tereos has increased its financial security**. As of September 30, 2020, it stood at €1,015 million pro forma of the financing operations announced on October 16. Since March 31, €800 million of new medium- and long-term financing have been put in place in order to proactively manage the Group's financial profile to anticipate its future maturities and diversify its sources of financing.
- ✓ On the basis of the available scientific studies and taking into account the absence of flowering of the beet before its harvest, the French National Assembly and Senate voted on October 30 and November 4, 2020 **a derogation allowing French growers to use neonicotinoids** to protect beet seeds for a period of 3 years. This provision, already applied in many countries in Europe, aims at allowing the needed time to conduct research and develop new methods of combating beet yellows virus.

TEREOS Group M€	19/20	20/21	var	var constant forex	19/20	20/21	var	var constant forex
	Q2	Q2			H1	H1		
Revenues	1 106	1 083	-2%	3%	2 108	2 050	-3%	1%
Adj. EBITDA	78	143	84%	107%	111	237	114%	141%
Adj. EBITDA margin	7,0%	13,2%			5,3%	11,6%		
Operating income	120	55			45	66		
Net Result	78	16			-21	-6		

Net debt M€	Sept 30, 2019	Sept 30, 2020
	Net debt	2 733
Net debt excluding IFRS16	2 601	2 367
Net debt to EBITDA ratio	10,5 x	4,5 x
Net debt to EBITDA ratio excluding RMI ¹	8,9 x	3,9 x

(1) Readily Marketable Inventories of 353 m€ as end of Sept 2020 and 44 m€ as end of Sept 2019

OUTLOOK

Sugar and ethanol Europe

The fundamentals of the **European sugar market** remain healthy in terms of supply/demand balance. The uncertainties caused by COVID-19 led to a period of high volatility on the financial markets at the start of the year (foreign exchange, oil, sugar) and a short-term disruption in agri-food supply flows (decline in transport and fuel consumption, suspension of the food service industry, sharp rise in demand for table sugar and alcohols for pharmaceutical use).

After a relatively moderate slowdown in volumes sold during the lockdown period, sales gradually returned to expected levels. For the current year, the decline in consumption in Europe, linked to the COVID-19 crisis, was estimated in October at 3% for 2020. This expected decrease in consumption did not change the structural balance of the European market, which was expected to be in deficit due to a reduction of the beet surfaces in Europe (-3%). The stability of European fundamentals explains the trend in B2B sales prices in Europe, and annual fixed-price contracts were made in a context of spot prices sustainably around €400 per ton, consolidating the recovery of prices that began during the previous harvest.

The **European ethanol market** was impacted by lower fuel consumption during the lockdown period. Consumption then quickly returned to normal from June onward and, against a backdrop of limited supply and strong demand for pharmaceutical alcohol, the recovery in consumption drove the market toward record price levels until the end of October.

It is still early to know whether the new traffic limitation or partial containment measures announced at the end of October in several European countries will have a complementary effect on the demand for sugar and ethanol in Europe for the year 2020. Nevertheless, the disappointing level of beet yield observed in recent weeks in several regions in Europe, more particularly in France, due to beet yellows virus should weigh on the level of production and absorb a potential slowdown in demand. In the medium to long term, the prospects for the bioethanol solution are promising. Thus, in France, the SP95-E10 now reached 48.5% of the gasoline market share in September, while gasoline consumption is on the rise. The consumption of Superethanol-E85 increased by 21% over 12 months at the end of September compared to the previous 12 months.

In terms of agriculture, the beet cultivated surfaces by Tereos cooperative members are up 3.5%. Nevertheless, the combined impacts of strong attacks of beet yellows virus and drought have caused an exceptional situation for beet cultivation in certain regions. In this context, Tereos took the decision to adjust its industrial start-up calendar at the start of the campaign in order to allow cooperative members to have a longer growing season. However, the effects of beet yellows virus on the growth of the plant this fall resulted in larger yield reductions than estimated by the agronomic models before the harvest in many land plots. The average loss of yield for Tereos cooperative members is estimated today at -23% compared to the average for the last 5 years (compared to -12% estimated at the start of the harvest). This loss remains marked by strong regional disparities.

The effect of this drop in yields will be partially offset, in particular by built up carry-over stocks from the previous season in H1. The expected net effect of this drop in yields, after taking into account deferrals in volumes and cost optimization actions for this campaign, is estimated for the Group at around €40 million of EBITDA on the campaign, of which c.€20 million in the current fiscal year. For the three upcoming campaigns, French sugar beet growers should benefit from the authorization to reintroduce neonicotinoids in France for the cultivation of sugar beet which was voted by the National Assembly and the Senate respectively on October 30 and November 4. The sector is actively engaged, alongside seed companies and the National Research Institute for Agriculture, Food and Environment (INRAE) in the development of alternative solutions within this timeline.

Sugar and ethanol Brazil

In the second half, Tereos will continue to benefit from the strong growth in sugarcane volumes processed this crop. The campaign ended with a total volume of crushed cane of 20.9 million tons against 19 million tons in 2019 with a campaign carried out in excellent conditions and very good operational performance, despite the context of the sanitary crisis. From a price point of view, Tereos had hedged more than 85% of its 2020/21 export sales on the futures markets of the world market before the COVID-19 crisis and was therefore not impacted by the temporary decrease observed in world prices over the first period of confinement. Regarding ethanol, Tereos should benefit from the recovery in sales prices which have returned to their levels of last year thanks to the recovery in consumption and a limited supply of ethanol, most of the Brazilian producers having switched for maximum sugar production in a context of world sugar prices around 14 USD cts/lb and a depreciated Brazilian real.

Tereos, given its storage capacities, traditionally sells most of the ethanol it produces during the Brazilian peak season which spans the third and fourth quarters of our fiscal year.

Starch & sweeteners

The first quarter was marked by a slowdown in demand in certain sectors, notably starch, beverages and the out-of-home food service industry, as a result of the sanitary crisis. Since the lifting of lockdown measures, European activity has partly recovered but is suffering from irregular demand, with many sectors and companies taking "stop-and-go" approaches in a sanitary context that remains very uncertain. This irregularity creates volatility within an industry where high utilization capacity and regularity impact the player's margins.

In this environment, two restructuring projects in France and the United Kingdom have been announced by competing groups in recent months. They will structurally reduce the market's production capacities. In this volatile context due to Covid-19, our activities will continue to benefit from the initiatives taken as part of the strategic transformation carried out and the *Ambitions 2022* performance plan, which should mitigate the effects of this short-term pressure linked to the pandemic crisis.

Outlook for the Group

Operating in essential and resilient markets such as agri-food, health and animal nutrition, the Group is committed to continue to leverage the flexibility of its industrial facilities to meet the short-term health challenges and, in the long term, challenges related to food solutions for tomorrow.

Tereos will continue to rely on the strengths and power to adapt coming from its strategic vision and on the performance gains delivered by its *Ambitions 2022* program, which aims to generate over €200 million in operational gains. Based on this objective, and on sugar prices being in line with pre-COVID market prices, Tereos estimates that its normalized EBITDA¹ upon completion of this plan (2022) should be between €600 and €700 million.

About Tereos

With a long-term vision of valuing agricultural raw materials and developing quality products for the food, health and renewable energy sectors, 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 Cooperative members and has recognized know-how in the processing of beet, sugarcane, cereals, and potatoes. Through 48 industrial sites, a presence in 18 countries and the commitment of its 22 300 employees, Tereos supports its customers close to their markets with a broad and complementary range of products. In 2019-20, the Group achieved a €4.5 bn turnover.

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¹ Based on (a) sugar prices in line with pre-COVID-19 market prices (namely, European sugar prices at approximately €400 per ton and a NY11 index price between U.S.\$0.13 and U.S.\$0.14 per pound), (b) foreign exchange rates in line with average 2019/20 rates, (c) crop yields in line with historical averages and (d) no changes in regulatory or tax matters