

## Half-year results 2023/24

### Tereos posts another record performance

- Tereos' performance in the first half of the 2023/24 financial year proves the value of the Group's efforts since 2021 to return to a trend of long-term growth. The results include:
  - revenues of €3,636 million (+22%), driven by the price increases in the sugar and starch/sweeteners segments,
  - growth of 47% in EBITDA (€592 million), due to the effective implementation of the sales and marketing strategies rolled out,
  - recurring EBIT of €459 million, compared with €266 million in the first half of 2022/23,
  - reduced structural debt (excluding working capital), which came to €1,147 million at the end of September 2023, down €64 million compared with March 2023.
- Tereos has pursued its ambitions of transformation, giving itself the tools it needs to ramp up its transition to more sustainable and responsible practices.
- This excellent performance for the first half of 2023/24 has reaffirmed the cooperative group's remuneration targets for both beet and alfalfa.
- Although the market has continued to fluctuate significantly, particularly in terms of the economy (rising raw material prices, Ukrainian sugar imports to the European Union, interest rate hikes) and the weather (unfavourable in the autumn of 2023), Tereos now has a solid agricultural, company and commercial structure in place to handle these fluctuations.

*"Our transformation plan, implemented by all of our cooperative members and employees, has proven itself as relevant as ever, demonstrated by the excellent operational and financial results achieved in the first half of 2023/24. While we should remain vigilant in the current market environment, this performance means that we can move ahead with confidence",* said **G rard Clay, Chairman of the Board of Directors of Tereos.**

*"We aim to make Tereos a cooperative group that performs well on its markets while being responsible and sustainable. Tereos' Management Committee and employees have made every effort to roll out its strategy for the long-term and to successfully achieve our company transformation and energy transition in the interest of our cooperative members. Our sound financial performance shows that we are on the right track",* said **Olivier Leducq, Managing Director of Tereos.**

## A trend of excellence that has enabled Tereos to pursue the 2023/24 financial year with confidence.

Buoyed by its excellent financial, commercial and company dynamic, Tereos recorded very good results for the first six months of the 2023/24 financial year. Supported by its strong financial position, the cooperative group approached the financial year from a place of confidence, while remaining vigilant with regard to economic, operational and meteorological changes (the impact of adverse weather in the autumn of 2023 on the campaign was contained by swiftly implemented measures to protect the plots of cooperative members and ensure that production activities continued).

In the first half of the 2023/24 financial year, consolidated **revenues** totalled €3,636 million, up by 22% at current exchange rates and by 23% at constant exchange rates from €2,975 million compared to the first half of 2022/23.

Consolidated **adjusted EBITDA**<sup>1</sup> stood at €592 million in the first half of 2023/24, up 47% at both current exchange rates and constant exchange rates from €403 million in the first half of 2022/23. Over the past twelve months, adjusted EBITDA amounted to €1,170 million.

Consolidated **recurring EBIT**<sup>2</sup> amounted to €459 million in the first half of 2023/24, from €266 million in the first half of 2022/23.

Results were driven by higher selling prices (sugar, alcohol, ethanol, sweeteners and electricity) coupled with effective cost management protecting the Group's margins despite the pressure on raw material and energy costs.

The Group also continued to reduce the amount of its structural debt—debt excluding working capital— which decreased from €1,437 million at the end of September 2022 to €1,210 million at the end of March 2023 and to €1,147 million at the end of September 2023. Net debt at September 30, 2023 stood at €2,424 million, compared to €2,700 million at March 31, 2023, representing a reduction of €276 million due to a decrease in working capital. The Group's debt leverage at the end of September 2023 stood at 2.1x, an improvement on the 2.5x recorded at the end of September 2022.

This performance has also reaffirmed Tereos' remuneration targets for its cooperative members for the 2023/24 financial year. The cooperative group has thus been able to propose a new, **higher and more attractive agricultural remuneration** for beet, increasing from **€43.10/t to €47.90/t**. This trend has enabled Tereos to propose a higher remuneration for alfalfa of €144/tonne of DM (dry matter), compared with €102/tonne of DM for the 2022 campaign.

*More information on Tereos' financial performance in the appendix.*

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<sup>1</sup> See the definition of adjusted EBITDA in the Appendix.

<sup>2</sup> EBIT excluding non-recurring items (-€1 million in 2022/23 and -€23 million in 2023/24).

**The Group's operating performance enables it to pursue its goals of transitioning towards increasingly sustainable and responsible agricultural and industrial practices.**

Tereos continues to push ahead with its priority goals to move towards a more responsible and sustainable model, as announced during the presentation of its results for the 2022/23 financial year. To this end, the cooperative group has drawn up an ambitious investment plan for rollout over the next eight years. The plan includes improvements in the efficiency and performance of its sites, particularly the French sugar factories, and an acceleration of the decarbonisation schedule for the European sugar and starch manufacturing plants. Tereos recently invested €10 million in new sugar factory carbonation sludge filters and heat recovery units for furnaces at Boiry-Sainte-Rictrude, cutting the plant's energy consumption by 8%.

The cooperative group is currently drawing up its climate change action plan, aiming to achieve net zero greenhouse gas emissions throughout its entire value chain by 2050 at the latest.

At the same time, and pursuing the rollout of its CSR roadmap, Tereos has reached a new milestone by incorporating, alongside leading cereals group VIVESCIA, the **TRANSITIONS programme**.

This programme is a unique cooperative approach being implemented on an unprecedented scale, designed to promote agricultural regeneration. The aim is to remove the economic and technical barriers to low-carbon farming practices that are friendly to soil and biodiversity. The programme involves both the rollout of agricultural techniques for beet and alfalfa produced by its cooperative members, and the processing of cereals that have been grown in accordance with the principles of this more resilient, sustainable agriculture that can adapt to climate change. Through its participation, Tereos aims to propose a TRANSITIONS product range to its customers, while ensuring that growers adhering to the programme are fairly remunerated for their efforts.

**By 2030**, Tereos has also undertaken to ensure that **90% of its agricultural raw materials are certified sustainable** and to **reduce its water consumption by 20%** compared with 2017.

### About Tereos

The cooperative group Tereos is a union of more than 11,200 cooperative members and has recognised know-how in the processing of beet, sugarcane, cereals and potatoes. Through 43 industrial plants, a presence in 15 countries and the commitment of its 15,800 employees, Tereos supports its customers close to their markets with a broad and complementary range of products. In 2022/23, Tereos generated revenues of €6.6 billion.

### Contacts

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## APPENDIX

### 1. GROUP RESULTS

Key figures € m	22/23	22/23	23/24	% chg. (at current exch. rates)	% chg. (at constant exch. rates)	22/23	22/23	23/24	% chg. (at current exch. rates)	% chg. (at constant exch. rates)
	Q2	Q2	Q2			H1	H1	H1		
	Reported	(Restated)				Reported	(Restated)			
Revenues	1,599	1,599	<b>1,949</b>	22%	22%	2,975	2,975	<b>3,636</b>	22%	23%
Adjusted EBITDA <sup>(1)</sup>	238	208	<b>346</b>	66%	67%	464	403	<b>592</b>	47%	47%
Adjusted EBITDA margin <sup>1</sup>	14.9%	13.0%	<b>17.8%</b>			15.6%	13.5%	<b>16.3%</b>		
Recurring EBIT <sup>2</sup>	141	141	<b>278</b>	97%	98%	266	266	<b>459</b>	72%	73%
EBIT margin <sup>2</sup>	8.8%	8.8%	<b>14.2%</b>			9.0%	9.0%	<b>12.6%</b>		
Net result	64	64	<b>159</b>	147%	148%	133	133	<b>239</b>	80%	80%

In the first half of the 23/24 financial year, consolidated **revenues** totalled €3,636 million, up by 22% at current exchange rates and by 23% at constant exchange rates from €2,975 million compared to H1 22/23.

Consolidated **adjusted EBITDA** stood at €592 million in H1 23/24, up 47% at current exchange rates and up 47% at constant exchange rates from €403 million in H1 22/23. Over the past twelve months, adjusted EBITDA amounted to €1,170 million.

**Consolidated recurring EBIT** amounted to €459 million in H1 23/24 versus €266 million in H1 22/23.

Results were driven by higher selling prices (sugar, alcohol, ethanol, sweeteners and electricity) coupled with effective cost management protecting the Group's margins despite the pressure on raw material and energy costs.

### 2. RESULTS BY DIVISION

#### SUGAR AND RENEWABLES EUROPE

**Revenues** for the Sugar and Renewables Europe division amounted to €1,298 million in H1 23/24, up 22% at current exchange rates from €1,062 million in H1 22/23.

The division's **adjusted EBITDA** reached €164 million in H1 23/24, up 5% at current exchange rates from €156 million in H1 22/23.

The division's **recurring EBIT** was €127 million in H1 23/24, versus €113 million in H1 22/23.

The division's results were driven by the strong performance of our commercial and hedging strategies. For the 2023/24 campaign, the annual B2B sugar contracting campaign was concluded at an average price above €860 per tonne in Europe.

## **SUGAR AND RENEWABLES INTERNATIONAL**

At the time of writing, the sugarcane campaign in Brazil is ongoing, with signs pointing to a sharp increase in yields and volume of sugarcane processed at over 20 million tonnes, compared to 17.3 million tonnes in 22/23.

Higher yields and the strong operating performance in H1 23/24 led to an increase in sugar and ethanol volumes sold compared to H1 22/23 levels.

Sugar and Renewables International **revenues** amounted to €775 million in H1 23/24, up 33% at current exchange rates and up 35% at constant exchange rates from €583 million in H1 22/23.

The division's **adjusted EBITDA** reached €179 million in H1 23/24, up 124% at current exchange rates and 128% at constant exchange rates from €80 million in H1 22/23.

The division's **recurring EBIT** was €122 million in H1 23/24, versus €28 million in H1 22/23.

The division's half-year results were driven by the increase in sugar selling prices, a good hedging strategy, effective cost management and, to a lesser extent, the growth in sales volumes.

## **STARCH, SWEETENERS AND RENEWABLES**

**Revenues** from the Starch, Sweeteners and Renewables division amounted to €1,302 million in H1 23/24, up 9% at current exchange rates from €1,198 million in H1 22/23.

The division's **adjusted EBITDA** reached €226 million in H1 23/24, up 54% at current exchange rates from €147 million in H1 22/23.

The division's **recurring EBIT** amounted to €191 million in H1 23/24, versus €105 million in H1 22/23.

The improvement in the division's results continues to reflect the increase in selling prices compared to the previous year. Such increase results from a well-executed commercial strategy, which has been put in place in 2021, and the optimization of the production mix of starches, sweeteners, alcohol and ethanol, amid favourable market conditions. As a result, the division was able to protect its margins despite the higher production costs compared to the previous year (wheat, corn, gas). However, during the division's recent sales negotiations, we have seen a downward trend in market prices. This suggests a possible change in trend compared to the strong and exceptional progression of results seen in recent quarters.

### 3. NET DEBT

Net debt at September 30, 2023, stood at €2,424 million compared to €2,700 million at March 31, 2023, representing a reduction of €276 million. Excluding Readily Marketable Inventories (€523 million that can be converted into cash at any time), the Group's adjusted net debt stood at €1,902 million.

The decrease in net debt compared to March 31, 2023, is due to a positive operating cash flow, which largely covers CAPEX, combined with a decrease in working capital (excluding margin calls) and the positive impact of margin calls during the period. The decrease in working capital is related to the typical seasonal effects of the inventory selling period of the Sugar and Renewables Europe division, following its campaign. The positive cash flow after CAPEX and working capital variation allowed debt to be reduced, taking into account the payment made for the purchase of shares held by Tereos Agro-Industrie's minority shareholders (totalling €163.7 million, of which €116.6 million was paid at the end of September). It is worth noting that structural debt has continued to decrease, thanks to the strong half-year results.

The Group's debt leverage improved and stood at 2.1x at the end of September 2023.

The Group has continued to reduce its structural debt (debt excluding working capital).

The Group's financial security amounted to €978 million at September 30, 2023. It consisted of €408 million in cash and cash equivalents and €570 million in undrawn confirmed long-term credit lines.

Net debt at September 30, 2023, breaks down as follows:

Net debt € m	March 31, 2023 (Reported)	March 31, 2023 (Restated)	Sept. 30, 2023	Current (Restated)	Non-current (Restated)	Cash and cash equivalents
Net debt	2,700	2,700	2,424	366	2,467	-408
Net debt/EBITDA ratio	2.4x	2.8x	2.1x			
Net debt/EBITDA ratio excl. RMI*	1.8x	2.0x	1.6x			

\*Readily Marketable Inventories: €754 million as of March 31, 2023 and €523 million as of September 30, 2023

Net debt € m	Sept. 30, 2022 (Reported)	March 31, 2023 (Reported)	Sept. 30, 2022 (Restated)	March 31, 2023 (Restated)	Sept. 30, 2023
Net debt	2,240	2,700	2,240	2,700	2,424
Working capital (WC)	732	1,420	803	1,490	1,278
Structural debt (excluding working capital)	1,508	1,280	1,437	1,210	1,147

#### 4. POINTS OF NOTE AND POST-CLOSING EVENTS

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##### **RESTATEMENT OF INTER-CAMPAIGN EXPENSES**

As of the first quarter of 23/24, the Group has changed its accounting methodology for inter-campaign maintenance expenses to align it with that adopted by its peers in the sector in Europe: such expenses, previously recognized as CAPEX and amortized during the subsequent production period, are now accounted for as inventory and cost of goods sold (COGS). This accounting change (with no cash effect) leads to a decrease in D&A coupled with the variation in costs (non-D&A), and consequently a reduction in reported EBITDA. It also leads to an increase in working capital and a decrease in CAPEX. Operating income (EBIT) and net income are not affected.

##### **PERSPECTIVES ON THE 23/24 CHANGE IN WORKING CAPITAL**

Spot gas prices dropped in 2023 compared to the high levels of 2022, but the Group's effective energy cost also depends on hedging. When prices show an upward trend, hedging tends to be on average below the spot price and the reverse is true when prices show a downward trend. For this reason, the magnitude of the change in the effective energy cost (and in general of the hedged inputs) within the cost structure may be smaller than that observed for spot prices. In addition, the price of agricultural raw materials has a significant impact within the Group's cost structure and on the unitary value of its inventories. If these prices remain high, this component will not be a factor in the reduction of working capital. For example, the high global sugar price (NY11) automatically leads to a higher sugarcane price in Brazil (Consecana index). Our working capital is also still affected by the widespread inflation that has now lasted for several quarters in all our geographies.

As a result, working capital could be at a similar level at the end of March 2024 compared to the end of March 2023.

##### **CHANGES TO THE GROUP'S SENIOR MANAGEMENT**

Following its meeting on 19 September 2023, the Board of Directors appointed Olivier Leducq Managing Director of the cooperative Tereos.

He joined Tereos in 2015. After managing Sugar and Renewables activities for France and then Europe, he was appointed Group Head of Sales in 2022.

Driven by solid growth and improving results, Tereos now needs to confirm its recovery and further reduce its debt in the face of rising interest rates, while developing its decarbonisation project, based on the SBTi FLAG commitment, and identifying future avenues for growth.

The Board feel that appointing Olivier Leducq, with his experience in the cooperative's various business lines, fits in perfectly with this clear and decisive goal.

"Olivier's experience and comprehensive knowledge of the challenges we face, together with his know-how and soft skills, are key for successfully transforming our vision into reality. He can rely on the commitment of the Board and the trust of the staff at Tereos. We are all encouraged by the recovery achieved thus far", affirms the Chairman of the Board, Gérard Clay.

The Board of Directors also renewed the mandate of Gwenael Elies, as Assistant General Manager and Member of the Board of Directors responsible for finance and information systems within the Tereos Group.

##### **INDUSTRIAL INCIDENTS**

In the context of its operations, Tereos suffered two major industrial incidents at the Bucy-le-Long (02) and Nesle (80) plants on October 9 and November 9, 2023, respectively. The incidents were quickly contained as a result of the efforts of the response teams on the plants and the help of the firefighters. No injuries to Tereos' teams were reported and the Group reiterates that safety remains its top priority. The Group is currently making every effort to get the damaged

facilities back in operation as soon as possible. All industrial, commercial and logistics teams are doing their utmost to find solutions and honour our commercial commitments to customers and partners.

#### **SALE OF THE B2C BUSINESS IN THE UNITED KINGDOM**

On November 2, 2023, Tereos announced that it had entered into an agreement to sell the business-to-consumer (B2C) activities of its Tereos UK and Ireland (TUKI) production plant in Normanton, West Yorkshire to T&L Sugars Limited (TLS).

The transaction only concerns B2C activities; Tereos will keep the industrial B2B activities which will continue as TUKI.

The Tereos UK plant packages and distributes white granulated, baking and speciality sugars to retailers and wholesalers in the United Kingdom under the "Whitworths Sugar" brand and private label brands.

Finalization of the transaction will take place upon completion of the UK Competition and Markets Authority approval process.

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**Warning regarding forward-looking statements:** *This document includes "forward-looking statements" about Tereos Group (the "Group"), including in relation to its financial position, results, strategy and outlook. These forward-looking statements are based on the current estimates and expectations of Group management and are subject to risk factors and uncertainties such as the company's ability to implement its strategy, the pace of growth on the relevant market, the competitive landscape, industrial risks and all risks relating to the management of the Group's growth. Although the Group believes that these forward-looking statements are based on reasonable assumptions at the date of publication of this document, the actual results referred to in this release may deviate significantly from the forward-looking statements due to a number of risks, uncertainties and other factors, the majority of which are difficult to predict and generally beyond the Group's control. The Group makes no commitment to update the forward-looking information and statements, which only represent the situation at the date of publication. Investors are cautioned not to place undue reliance on such information.*



**A. GROUP'S RESULTS IN DETAIL**

Volumes sold	22/23 Q2	23/24 Q2	% chg.	22/23 H1	23/24 H1	% chg.
Sugar and Sweeteners (k. tco)	1,621	<b>1,676</b>	3%	2,877	<b>2,953</b>	3%
Alcohol and Ethanol (k. m3.)	359	<b>381</b>	6%	657	<b>735</b>	12%
Starch and Protein (k. tco)	276	<b>298</b>	8%	586	<b>549</b>	-6%
Energy (GWh)	452	<b>456</b>	1%	773	<b>757</b>	-2%

Income statement € m	22/23 H1 (Published)	22/23 H1 (Restated)	23/24 H1	% chg. (at current exch. rates)	% chg. (at constant exch. rates)
<b>Revenues</b>	2,975	2,975	<b>3,636</b>	22%	23%
<b>Adjusted EBITDA</b>	464	403	<b>592</b>	47%	47%
<i>EBITDA margin</i>	15.6%	13.5%	16.3%		
Seasonality adjustment	29	33	26		
Depreciation, amortization, impairment	-227	-170	-164		
Other	1	1	5		
<b>Recurring EBIT</b>	266	266	<b>459</b>	72%	73%
<i>Recurring EBIT margin</i>	9.0%	9.0%	12.6%		
Non-recurring items	-1	-1	-23		
Financial result	-96	-96	-118		
Corporate income tax	-38	-38	-80		
Share of profit of associates	1	1	1		
<b>Net result</b>	133	133	<b>239</b>	80%	80%

**Adjusted EBITDA** corresponds to net income (loss) before income tax, the share of income from equity affiliates, net financial income, depreciation, amortization and impairment, goodwill impairment, bargain purchase gains 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, changes 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 and amortization charges, and earn-out payments between the Group's financial statements under IFRS and the Group's management accounts. Adjusted EBITDA is not a financial indicator defined as a measure of financial performance under IFRS and may not be comparable to similar indicators referred to using the same term 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.

Change in net debt € m	22/23 H1 (Reported)	22/23 H1 (Restated)	23/24 H1 (Restated)
<b>Net Debt (opening position) excl. IFRS 16</b>	<b>-2,236</b>	<b>-2,236</b>	<b>-2,566</b>
<b>Adjusted EBITDA</b>	<b>464</b>	<b>403</b>	<b>592</b>
Other operating cash flows	7	11	-50
Net financial charges	-79	-79	-87
Income tax paid	-18	-18	-2
<b>Cash flows</b>	<b>374</b>	<b>317</b>	<b>453</b>
Maintenance & renewals	-135	-78	-117
Other CAPEX	-37	-37	-59
<b>Cash flow after CAPEX</b>	<b>202</b>	<b>202</b>	<b>278</b>
Change in working capital	-14	-14	222
<b>Cash Flow from operating activities</b>	<b>188</b>	<b>188</b>	<b>499</b>
Financial investments	-18	-18	-118
Disposals of assets	1	1	3
Dividends received	10	10	8
<b>Cash flow from investing activities</b>	<b>-7</b>	<b>-7</b>	<b>-107</b>
<b>Cash flow after investing activities</b>	<b>182</b>	<b>182</b>	<b>392</b>
Dividends paid & earn-out payment	-7	-7	-8
Capital increases/other capital movements	-12	-12	-18
<b>Cash flow from capital transactions</b>	<b>-19</b>	<b>-19</b>	<b>-27</b>
<b>Free cash flow</b>	<b>162</b>	<b>162</b>	<b>366</b>
Other (incl. forex effects)	-27	-27	-63
<b>Net debt excluding IFRS 16 impact</b>	<b>-2,101</b>	<b>-2,101</b>	<b>-2,263</b>
IFRS 16 impact	-140	-140	-162
<b>Net debt – closing position</b>	<b>-2,240</b>	<b>-2,240</b>	<b>-2,424</b>

Revenues by division	22/23	23/24	% chg. (at	% chg. (at	22/23	23/24	% chg. (at	% chg. (at
	Q2	Q2	current	constant	H1	H1	current	constant
			exch.	exch.			exch.	exch.
			rates)	rates)			rates)	rates)
Sugar Europe	545	<b>651</b>	19%	19%	1,062	<b>1,298</b>	22%	22%
Sugar International	385	<b>508</b>	32%	33%	583	<b>775</b>	33%	35%
Starch & Sweeteners	621	<b>640</b>	3%	4%	1,198	<b>1,302</b>	9%	9%
Others (incl. elim.)	48	<b>150</b>	214%	210%	132	<b>261</b>	98%	95%
<b>Tereos Group</b>	<b>1,599</b>	<b>1,949</b>	<b>22%</b>	<b>22%</b>	<b>2,975</b>	<b>3,636</b>	<b>22%</b>	<b>23%</b>

Adjusted EBITDA by division	22/23	23/24	% chg. (at	% chg. (at	22/23	23/24	% chg. (at	% chg. (at
	Q2	Q2	current	constant	H1	H1	current	constant
			exch.	exch.			exch.	exch.
			rates)	rates)			rates)	rates)
Sugar Europe	73	<b>73</b>	0%	-1%	156	<b>164</b>	5%	4%
Sugar International	57	<b>145</b>	157%	161%	80	<b>179</b>	124%	128%
Starch & Sweeteners	69	<b>107</b>	55%	55%	147	<b>226</b>	54%	54%
Others (incl. elim.)	10	<b>21</b>	113%	113%	20	<b>23</b>	16%	16%
<b>Tereos Group</b>	<b>208</b>	<b>346</b>	<b>66%</b>	<b>67%</b>	<b>403</b>	<b>592</b>	<b>47%</b>	<b>47%</b>

Recurring EBIT by division	22/23	23/24	% chg. (at	% chg. (at	22/23	23/24	% chg. (at	% chg. (at
	Q2	Q2	current	constant	H1	H1	current	constant
			exch.	exch.			exch.	exch.
			rates)	rates)			rates)	rates)
Sugar Europe	51	<b>55</b>	7%	6%	113	<b>127</b>	12%	11%
Sugar International	31	<b>116</b>	277%	282%	28	<b>122</b>	337%	344%
Starch & Sweeteners	49	<b>87</b>	78%	78%	105	<b>191</b>	81%	81%
Others (incl. elim.)	10	<b>19</b>	94%	94%	20	<b>20</b>	-2%	-2%
<b>Tereos Group</b>	<b>141</b>	<b>278</b>	<b>97%</b>	<b>98%</b>	<b>266</b>	<b>459</b>	<b>72%</b>	<b>73%</b>

## **B. MARKET TRENDS**

### **WORLD SUGAR MARKET**

NY11 prices rose in the first half of 2023/24 and peaked on September 19, 2023, with a spot price of 27.62 USDcts/lb, with the price of longer contracts up to 4 USDcts/lb lower.

This increase is linked to a dip in global supply with reduced production in India, Thailand and Mexico due to the intensity of the El Niño climate phenomenon. This is associated with rising temperatures and increased drought in certain parts of the world, particularly in the northern hemisphere.

The deterioration of the crops from the main producing countries has exacerbated the global deficit seen for the past four years. The Indian government, one of the main exporting countries, has reduced its export plan, shrinking supply amid high demand from the importing countries with low stocks and thus pushing up the market price. The outlook points to an increase in prices with a view to automatically curbing global demand.

### **SUGAR EUROPE**

The European observatory prices have stabilized at around €810/tonne since April. These high prices reflect the large deficit of the 22/23 campaign caused by a sharp dip in production following the drought in the summer of 2022.

The outlook for the 23/24 campaign explains the persistence of these high prices. Sugar production is expected to be slightly lower than the five-year average.

This means another year of deficit despite declining consumption. This deficit is offset only by the high import levels in 22/23, which allowed stocks to build back up before the start of the new campaign, particularly the large volumes imported from Ukraine.

### **ETHANOL BRAZIL**

ESALQ ethanol prices averaged R\$2.42/litre in H1 2022/23, down 19.4% from last year. This decrease can be explained by the increased availability of ethanol on the domestic market and a fall in the price of petrol. Ethanol prices then dropped sharply to arrive at R\$2.15/litre.

### **ETHANOL EUROPE**

European T2 ethanol spot prices averaged €774/m<sup>3</sup> in H1 2023/24, down 19.4% from the previous year, due to high import levels from Brazil and the United States, the volumes of which increased considerably, especially from June 2023. These imports, combined with the large volumes produced by European plants, have resulted in high stock levels.

In April, prices peaked at €959/m<sup>3</sup>, but the high level of availability produced on the market led prices to drop as low as €700/m<sup>3</sup>.

In the medium-term, imports into Europe are set to continue given the structural deficit on the domestic market and sustained demand.

## **CEREALS**

MATIF wheat prices averaged €206/tonne, down 34.4% compared to H1 of the previous year, while corn prices averaged €190/tonne, down 34% over the same period. A lack of bullish elements in the fundamentals (supply/demand ratio) allowed MATIF wheat prices to continue the downward trend they have followed since the end of 2022. However, Russia's blockage of the Black Sea Grain Initiative led to a price shock. This renewed tension led prices to rise for a few weeks in July and August and prices subsequently resumed their gradual decline with greater caution.

The market fundamentals reveal a balanced supply/demand ratio, marked by high production levels in Russia and Ukraine, which proved beyond market expectations.

A comfortable fundamental scenario is expected for corn, with significant surplus in the United States, where a new production record is expected despite a summer marked by periods of heat stress, and in Brazil, where export volumes have reached record highs since the beginning of the 2023/2024 campaign.

## **GAS EUROPE**

Prices on the European gas market continued their decline in the second quarter of 2023, compounded by the record levels of stocks seen at the end of winter 22/23. Market fundamentals remained solid as industrial demand failed to rebound, the sobriety of residential demand persisted and the need for gas for electricity generation declined.

This allowed the "TTF month-ahead" reference price for European gas to trade at €36/MWh on average between Q2 and Q3 2023, with a low of €22/MWh, a level which had not been seen since May 2021.

Despite a downward trend, the gas market remained volatile and reactive to any news that may affect the supply/demand ratio, briefly pushing the price above €60/MWh due to the LNG strike announcements in Australia and the delay in gas pipeline maintenance in Norway.

The current balance of the fundamentals should serve to stabilize or push down prices, but the limited flexibility of European gas supply and/or a sharp rebound in terms of demand could push prices up again.