Tereos

Notice to the Market Paris, February 20, 2019

RESULTS FOR Q3 2018/19
(APRIL–DECEMBER 2018)
(Unaudited figures)

RESULTS IMPACTED
BY HISTORICALLY LOW
EUROPEAN SUGAR PRICES
FOLLOWING MARKET LIBERALIZATION

DIVERSIFICATION REPRESENTS 90% OF EBITDA OVER THE FIRST 9 MONTHS

EARLY REFINANCING OF 2020 BONDS
DEMONSTRATING CONFIDENCE OF BANKING PARTNERS

- **Revenues** of **€3,217 million,** down 8.0% versus the end of Q3 2017/18 (down 5.2% at constant exchange rates)[1] reflecting a 30% fall in average European sugar prices due to the ending of European quotas and in the wake of an average 18% fall in world sugar prices over the period.
- **Adjusted EBITDA**[2] of **€195 million** versus €452 million at the end of Q3 2017/18 (-54% at constant exchange rates), which reflects different situations depending on the activity:
  - **Sugar Europe:** Due to falling prices, a sharp decline in adjusted EBITDA for the division, of -80%, in line with other major players in the sector in Europe.
  - **Sugar International:** Although the 9-month total is down 55% compared to last year, the division's results improved in the last quarter compared to the previous quarter thanks to the recovery of global sugar prices and the improved market conditions for Brazilian ethanol.
  - **Starch and Sweeteners:** Relatively stable results over the period compared to the previous year (-5%).
  - **Overall, the Group's diversification strategy enables it to better withstand cycle lows in Europe, as the Starch and Sweeteners and Sugar International divisions accounted for nearly 90% of the Group's adjusted EBITDA over the first nine months of 2018/19, versus 68% the previous year.**
- Group **net debt** of **€2,690M** as of December 31, 2018, up €116 million or 4.5% compared to December 31, 2017 (€2,574 million). Group adjusted net debt of €2,121 million, excluding readily marketable inventories.

HIGHLIGHTS

- On February 18, 2019 Tereos announced its intention to repay one year in advance half of its March 2020 bond, or €250 million in principal. This repayment is fully financed by BNP Paribas, Natixis and Rabobank, demonstrating the confidence of the Group's major relationship banks.

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[1] *The changes are provided in relation to 2017/18 revenues restated for the application of IFRS 15 (see note in the appendix).*
[2] *See definition of adjusted EBITDA in the appendix.*

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OUTLOOK

- For **the 2018/19 financial year**, the historical weakness of European sugar prices will have a significant impact on Tereos' results, as for the other major players in the European sugar industry. This situation will not allow it to achieve a positive group net result.

- Faced with this difficult situation for all European sugar producers, Tereos is aiming for **€200 million** gains via its new performance plan, ***Ambitions 2022***, which aims to support its long-term competitiveness (compared to the €140 million generated by the previous three-year plan).

- The Group is pursuing its study of a possible opening of capital of its industrial activities over a period of two or three years in order to pursue its long-term strategy of diversification and internationalization, and to strengthen its capacity to manage the cyclical lows in the sugar activity, in more volatile markets.

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1. MARKETS

- **World sugar:** After a 22% drop in prices in the first semester compared to the previous year, the average price of NY11 was down over the April–December period by 18% versus last year (average 11.9US$cts/lb). However, it recovered in average in the last quarter by 28% from the low point reached in August 2018. The global harvest of 2018/19 is expected to have a slight surplus, after a historical surplus in 2017/18. By contrast, forecasts for the 2019/20 harvest point to a large deficit.

- **European sugar:** The liberalization of the European sugar market, the increase in sugar beet acreage in the European Union since 2017, and the context of very low global prices have continued to significantly impact sugar prices in the area. According to European Commission reports, the price of sugar was €320/tonne in November 2018, decline of 35% vs. September 2017. The prices for the 2018/19 harvest, which were contracted in a very depressed environment, marked a further decline despite the adverse weather conditions this summer in Europe that led to a decrease in beet volumes processed during this harvest.
  As a result of this fall in prices, some market players have in recent weeks announced a restructuring of their production capacity and/or reductions in contracted sugar beet volumes.
  Preliminary estimates for the next harvest are currently suggesting a balanced European market in 2019/20, reducing export pressure, which should create a more favorable environment for European prices for the coming year.

- **Brazilian ethanol:** The reference price for Brazilian ethanol continued to rise strongly until the end of October, before falling in the wake of the decline in world oil prices. Despite this decline, prices increased vs Q2 (+13% in average) and Q3 2017/18 (+5%).

- **European ethanol:** The smooth functioning of cereal-based distilleries, combined with expectations of a beet processing mix favoring ethanol production during the 2018/19 harvest (a consequence of particularly low sugar prices), held down Rotterdam T2 prices, which fell by an average 15% in H1 versus the same period last year. The market outlook, however, improved significantly in Q3 following the announcement of the closure of two distilleries in the United Kingdom, resulting in higher T2 prices. Prices averaged €531/m^3 in Q3, up 13% on the same period last year.

- **Cereals:** MATIF wheat prices rose over the period due to the impact of adverse weather conditions on production outlooks in Europe and the Black Sea and a lower expected stock level compared to the previous year (although it remains at historically high levels).
  Higher corn prices reflect the drought in Eastern Europe affecting yield expectations, while areas in Western Europe continue to decline due to lower profitability prospects. As the fundamentals were largely unchanged in Q3, prices seem to be evolving in a narrow €10/tonne range.

2. GROUP FINANCIAL RESULTS

Tereos Group M€	17/18 Q3 Published	17/18 Q3 Restated (*)	18/19 Q3 Actual
Revenues	**3 664**	**3 499**	**3 217**
Adjusted EBITDA	**452**	**452**	**195**
Adjusted EBITDA margin	*12,3%*	*12,9%*	*6,1%*
Net debt (excluding related parties)	**2 574**	**2 574**	**2 690**
Net debt to adjusted EBITDA ratio	***4,1x***	***4,1x***	***8,0x***
Volumes sold			
Sugar & Sweeteners (k.tco)	5 029	4 884	4 681
Alcohol & Ethanol (k.m3)	1 012	1 012	1 109
Starch & Protein (k.tco)	781	648	673
Energy (GWh)	962	962	917

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

Revenues of **€3,217 million**, down 8.0% compared to the end of Q3 2017/18 (down 5.2% at constant exchange rates).[1]
This trend mainly reflects a strongly negative price effect linked to the collapse in European sugar prices of around 35%[2] between September 2017 and November 2018, in the wake of the fall in global sugar prices. In total, the volume effect is slightly positive, reflecting volume increases in the Sugar Europe and Starch and Sweeteners divisions, while sales volumes in the Sugar International division were down mainly due to lower harvested cane volumes and the Group's commercial strategy aimed at delaying ethanol sales in Brazil until the second half of the year.
Finally, revenues at current rates are penalized by a negative exchange rate effect related to the decline of the Brazilian real against the euro.

Adjusted EBITDA[3] of **€195 million** versus €452 million at the end of Q3 2017/18 (-54% at constant exchange rates).
The decline in the Group's adjusted EBITDA reflects the sharp drop in the contribution of the Sugar Europe division, to -80%, in line with the other major players in the sector in Europe, due to the fall in sugar prices.
It also reflects the commercial strategy in Brazil (where Q3 results are up on Q2), which is aimed at delaying ethanol sales until the end of the year. In addition, the comparison basis in H1 2017/18 in Brazil was particularly high, due to the very good hedging achieved in early 2017, taking advantage of much higher sugar prices at the time. On the other hand, the Starch and Sweeteners division's contribution was relatively stable over the period compared to the previous year (-5%) due to the performance gains made, which offset the pressure on the margins of sweeteners and the rise in energy costs.

Group **net debt** at **€2,690 million** as of December 31, 2018, up €116 million, or 4.5%, compared to December 31, 2017 (€2,574 million). Group adjusted net debt of **€2,121 million**, excluding readily marketable inventories (RMI) amounting to €569 million (which can be converted into cash at any time).

The **ratio of net debt to adjusted EBITDA**[4] was **8.0x** as of December 31, 2018 (compared to 4.1x as of December 31, 2017), and **6.3x excluding readily marketable inventories**, mainly reflecting the decrease in adjusted EBITDA.

[1] The changes are provided in relation to 2017/18 revenues restated in application of IFRS 15 (see note in the appendix).
[2] Average ex-works price in the European Union, reported by the European Commission, of €490/t in September 2017 vs. €320/t in November 2018.
[3] See definition of adjusted EBITDA in the appendix.
[4] Twelve-month adjusted EBITDA.

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3. RESULTS BY DIVISION

SUGAR EUROPE

This year's severe drought in our regions has impacted yields per hectare; volumes harvested were down 13% compared to last year's highs. In France, where yields remained 5% below the five-year average, the nine sugar factories processed nearly 18 million tonnes of beet over an average of 124 days, ranging from 110 to 130 days depending on the region. Nevertheless, the autumn climate has greatly improved beet sugar content, partially offsetting the decline in beet volumes. Activity in the Czech Republic followed the same trend as in France, while in Romania, the increase in contracted areas saw an increase in volumes harvested.

The Escaudoeuvres Logistics Center confirmed its excellent industrial performance for its second year of operation, exporting 200,000 tonnes of sugar in the 2018 calendar year.

Revenues from the Sugar Europe business amounted to €1,307 million at the end of Q3 2018/19, down 7% (at current and constant exchange rates)[1] compared to the previous year (€1,405 million[1]), reflecting the historical decline in sugar sales prices compared to the same period last year, which was, however, partially offset by the growth in volumes sold, resulting from the increase in the contractualization of beet volume for the 2017 harvest.

Adjusted EBITDA was €29 million at the end of Q3 2018/19 (€148 million at the end of Q3 2017/18). Although supported by the increase in volumes sold, by the optimization of the mix and the benefit of previous performance plans, adjusted EBITDA was penalized by the historical decline in European and global sugar prices, and ethanol prices in Europe that were lower during the first six months of the financial year than in the H1 2017/18.

SUGAR INTERNATIONAL

In **Brazil**, the harvest was impacted by the drought in the Center/South, which was particularly severe in Tereos' region, resulting in a decrease in the volume of cane processed by Tereos in Brazil to 17.6 million tonnes in 2018, compared to the high of 20.2 million tonnes processed in 2017. However, the Group once again recorded operational performances that place Tereos favorably among the major industry competitors in Brazil. The production mix favored ethanol this year, in order to benefit from more favorable margins than for export sugar. In the Reunion Island and Mozambique, the volumes of cane processed for the 2018 harvest were also down sharply due to adverse weather conditions (Tropical Storm *Fakir* in La Reunion in particular) and the end of the harvest impacted by social unrest in La Reunion.

Revenues from the Sugar International business amounted to €644 million at the end of Q3 2018/19 (€935 million in the previous year[1]), a decrease of 31% at current exchange rates and 22% at constant exchange rates due to the decline of the Brazilian real against the euro.
This decrease reflects lower sugar prices over the period compared to last year and lower volumes sold due to lower production and deferred sales of ethanol in the second half of the year in order to benefit from better price conditions on the domestic market during the intercrop period (ethanol stocks as of December 31, 2018, are 21% higher than as of December 31, 2017). Lastly, the 2017/18 basis of comparison was particularly high because of the very effective hedging done early in 2017, taking advantage of the much higher sugar prices at the time.

Adjusted EBITDA reached €105 million at the end of Q3 2018/19, down 55% at current exchange rates compared to the previous year, and 49% at constant exchange rates (€233 million at the end of Q3 2017/18). The rebound of NY11 in Q3 2018/19 and the deferral of ethanol sales from H1 to H2 enabled the increase in the result in Q3 2018/19 compared to Q2 2018/19 (+80% in Reais in Brazil). Despite ethanol prices on the Brazilian market being up compared to last year, the division's result was penalized by: (i) the fall in sugar volumes sold following production declines; (ii) the fall in the market price of global sugar compared to last year; (iii) the impact of lower volumes in the Brazilian crop which, combined with the drop in world sugar prices, led to the registration of a non-recurring foreign exchange loss in H1

[1] *The 2017/18 revenue base (amounts and changes) is restated in application of IFRS 15 (see note in the appendix).*

related to the recognition of surplus cash flow hedge of our borrowings in US dollars; this despite iv) another good operational performance during this harvest in Brazil.

STARCH AND SWEETENERS

Revenues from the Starch and Sweeteners business amounted to €1,067 million at the end of Q3 2018/19 (€1,034 million at the end of Q3 2017/181), up 3%[1] (+4% at a current exchange rate[1]), benefitting mainly from the increase in volumes sold thanks to progress in operating performance, although they slowed in Q3 due to the maintenance shutdown of the Lillebonne and Nesle factories.

Adjusted EBITDA reached €70 million at the end of Q3 2018/19, generally close to that of the previous year (€74 million at the end of Q3 2017/18). Despite the increase in volumes thanks to the operational progress made, as well as customer and product portfolio development, the division's result is impacted by the drop in ethanol prices recorded principally during H1, the pressure on sweetener margins, and rising energy prices.

4. INVESTMENTS

Investments over the period dedicated to factory **maintenance** and cane replanting amounted to €153 million at the end of Q3 2018/19, down by €15 million (€168 million last year).

Capex (growth and efficiency) decreased by €21 million over the period to €140 million (€161 million last year).

5. NET FINANCIAL DEBT

Net financial debt (excluding related parties) as of December 31, 2018, was €2,690 million, compared to €2,574 million on December 31, 2017. Excluding readily marketable inventories (which can be converted into cash at any time) as of December 31, 2018, the Group's adjusted net debt amounted to €2,121 million.

At the end of December 2018, the Group **continued to have a good level of financial security**, consisting of €414 million in cash and cash equivalents, and significant confirmed lines of credit not drawn (€417 million in with > 1-year maturity and some €140 million with < 1-year maturity).

Net financial debt may be summarized as follows:

Tereos Group (M€) *December 31st, 2018*	Current	Non Current	Total	Cash & Equivalents	Total
Net debt (excl. related parties)	**451**	**2 652**	**3 103**	**-414**	**2 690**

2020 BONDS

On February 18, 2019 Tereos announced its intention to proceed in March 2019, one year ahead of the due maturity, to the early partial repayment of the bonds issued by the Group with a maturity of March 2020 (ISIN FR0011439900), for a principal amount of €250 million, at par, upon the exercise of the contractual residual maturity call option.

This repayment is fully financed by BNP Paribas, Natixis and Rabobank, demonstrating the confidence of the Group's major relationship banks. The new loan, with a maturity of 3.5 years (September 2022), will contribute to the optimization of the Group's financing structure through both a maturity extension and an optimization of its financing costs.

6. CREDIT RATINGS

On December 21, 2018, Standard and Poor's reduced Tereos' rating from BB/Negative Outlook to BB-/Negative Outlook.

	Group Ratings	Bond Ratings *(2020 and 2023 maturities)*
S&P	**BB- / Negative Outlook**	**BB-**
Fitch	**BB / Stable Outlook**	**BB-**

7. OUTLOOK

The 2018/19 world sugar production year is expected to show only a modest surplus after a historic surplus in 2017/18. By contrast, forecasts for the 2019/20 harvest point to a large deficit. In 2019, these factors are likely to support the rebound in world prices seen since the end of the summer of 2018.

In Europe, however, given the historic fall in sugar prices, a transformation phase is needed, as confirmed by recent announcements of restructuring of production capacities.

For the 2018/19 financial year, the low European sugar prices will not allow the Group to reach a positive net result.

In this context, the Group announced a target of €200 million of gains from its new *Ambitions 2022* program, to maintain strong long-term competitiveness.

The Group is also continuing its study of a possible opening of capital of its industrial activities, to pursue its long-term diversification and internationalization strategy, and strengthen its ability to manage cycle lows in more volatile markets.

Investor Relations Contact

Tel.: +33 (0)1 55 37 36 84
Email: Tereos-investor-relations@tereos.com

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.

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APPENDICES

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.*

REVENUES BY ACTIVITY

Revenues - M€ Tereos Group	17/18 Q3 Published	17/18 Q3 Restated (*)	18/19 Q3 Actual	*var vs Restated**	
Sugar Europe	1 405	1 405	1 307	*-98*	*-7%*
Sugar International	961	935	644	*-292*	*-31%*
Starch & Sweeteners	1 173	1 034	1 067	*34*	*3%*
Other (incl. Elim)	124	124	199	*75*	*60%*
Tereos Group	**3 664**	**3 499**	**3 217**	***-282***	***-8%***

(*) 2017/18 revenue is restated in accordance with IFRS 15 (see note in Appendix).

ADJUSTED EBITDA BY ACTIVITY

Adjusted EBITDA - M€ Tereos Group	17/18 Q3 Published	17/18 Q3 Restated (*)	18/19 Q3 Actual	*var vs Restated**	
Sugar Europe	148	148	29	*-119*	*-80%*
Sugar International	233	233	105	*-129*	*-55%*
Starch & Sweeteners	74	74	70	*-4*	*-5%*
Other (incl. Elim)	-3	-3	-10	*-6*	*201%*
Tereos Group	**452**	**452**	**195**	***-257***	***-57%***

(*) 2017/18 revenue is restated in accordance with IFRS 15

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.