Tereos

Release

Paris, August 2, 2023

First quarter 2023/24
Improving results across all divisions

(April 2023 – June 2023)

- Revenues for the first three months of the financial year amounted to €1,687 million, up 23% compared to Q1 22/23, driven by higher prices across all segments.

- Starting with this quarterly report, the Group is changing 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.

- EBITDA (calculated using the new methodology) was €246 million, up 26% compared to Q1 22/23 (restated to reflect the new methodology) thanks to the continuation of the commercial and hedging strategy that enables the Group to protect its margins.

- EBITDA over a rolling 12-month period confirms the upwards trend, reaching €1,032 million in the period to June 30, 2023, up from €981 million at March 31, 2023 (calculated using the new methodology).

- Recurring EBIT of €182 million, compared to €125 million in the same period of FY 22/23.

- As anticipated in the Group's previous results announcements, the sharp rise in raw materials and energy prices automatically led to an increase in working capital and thus in the level of net debt as of the third quarter of 2022/23. For this reason, net debt, totalling €2,752 million, was up by €381 million compared to June 30, 2022. Compared to the level at the beginning of the financial year (March 31, 2023), net debt increased slightly, by €51 million, mainly due to the effects of foreign exchange rates and debt recognized in accordance with IFRS 16, which more than offset positive operating cash flow (after changes in working capital and CAPEX). Debt leverage decreased slightly to 2.7x, compared to 2.8x at the end of March 2023.

- Structural debt – i.e. debt excluding working capital – amounted to €1,237 million at the end of June 2023, an improvement of €260 million on the previous year and almost stable from the end of March, 2023 (these figures reflect the new accounting methodology, which affects the recognition of working capital).

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1. GROUP RESULTS

Key figures € m	22/23 Q1 (Reported)	22/23 Q1 (Restated)	23/24 Q1 (Restated)	% chg. (at current exch. rates)	% chg. (at constant exch. rates)
Revenues	1,376	1,376	**1,687**	23%	23%
Adjusted EBITDA[1]	226	195	**246**	26%	27%
Adjusted EBITDA margin[1]	*16.4%*	*14.1%*	*14.6%*		
Recurring EBIT[2]	125	125	**182**	45%	44%
EBIT margin[2]	9.1%	9.1%	10.8%		

Consolidated **revenues** rose to €1,687 million in the first three months of FY 23/24, up 23% at current and constant exchange rates from €1,376 million in Q1 22/23.

Consolidated **adjusted EBITDA[1]** amounted to €246 million in Q1 23/24, up 26% at current exchange rates and up 27% at constant exchange rates compared to €195 million in Q1 22/23. On a 12-month rolling basis to June 30, 2023, adjusted EBITDA amounted to €1,032 million.

Consolidated **recurring EBIT[2]** amounted to €182 million in Q1 23/24 compared to €125 million in the same period of FY 22/23.

The results were driven by the rise in prices of sugar, starch and starch-derived products and sweeteners and by the successful implementation of the hedging and cost management strategy, which continues to enable the Group to protect its margins in an environment of high inflation.

2. RESULTS BY DIVISION

SUGAR AND RENEWABLES EUROPE

Revenues for the Sugar and Renewables Europe division amounted to €647 million in Q1 23/24, up 25% at current exchange rates from €517 million in Q1 22/23.

The division's **adjusted EBITDA** reached €91 million in Q1 23/24, up 10% at current exchange rates from €83 million in the same period of FY 22/23.

The division's **recurring EBIT** amounted to €72 million in Q1 23/24, compared to €62 million in the same period of FY 22/23.

The division's results were mainly driven by higher sugar prices achieved through a targeted commercial strategy, as well as the successful implementation of the hedging strategy.

[1] Please see the definition of adjusted EBITDA in the appendix.
[2] EBIT excluding non-recurring items (€0 million in FY 22/23 and -€16 million in FY 23/24).

SUGAR AND RENEWABLES INTERNATIONAL

Sugar and Renewables International division **revenues** increased to €267 million in Q1 23/24, up 35% at current exchange rates and 38% at constant exchange rates, versus €198 million in Q1 22/23.

The division's **adjusted EBITDA** reached €34 million in Q1 23/24, up 45% at current exchange rates and 48% at constant exchange rates from €23 million in the same period of FY 22/23.

The division's **recurring EBIT** amounted to €6 million in Q1 23/24, compared to -€3 million in the same period of FY 22/23.

The division's results were mainly driven by higher world sugar prices and production volumes. The price of ethanol, meanwhile, showed a decline compared to last year due to the level of world oil prices and the temporary effects of local tax policy on fuels.

STARCH, SWEETENERS AND RENEWABLES

Revenues from the Starch, Sweeteners and Renewables division amounted to €662 million in Q1 23/24, up 15% at current exchange rates from €577 million in Q1 22/23.

The division's **adjusted EBITDA** reached €119 million in Q1 23/24, up 52% at current exchange rates from €78 million in Q1 22/23.

The division's **recurring EBIT** amounted to €104 million in Q1 23/24, compared to €56 million in Q1 22/23.

The growth in the division's results continues to reflect the successful implementation of the commercial strategy, which has led to a rise in sales prices, offsetting the rise in production costs, combined with good management of the production mix to optimize margins.

3. NET DEBT

Net debt at June 30, 2023 stood at €2,752 million compared to €2,700 million on March 31, 2023, an increase of €51 million. Excluding Readily Marketable Inventories (€649 million that can be converted into cash at any time), the Group's adjusted net debt reached €2,103 million.

The slight increase in debt compared to March 31, 2023 is due to the effects of foreign exchange rates and debt recognized in accordance with IFRS 16, which more than offset positive operating cash flow (after changes in working capital and CAPEX). The change in the working capital during the quarter was limited, in contrast with the nine-month and full-year results for 2022/23.

The Group's debt leverage at the end of June 2023 was stable at 2.7x.

The Group is maintaining the trend of reducing structural debt (debt excluding working capital).

The Group's financial security amounted to €703 million at June 30, 2023. It consisted of €383 million in cash and cash equivalents and €320 million in undrawn confirmed long-term credit lines.

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

Net debt € m	March 31, 2023 (Reported)	March 31, 2023 (Restated)	June 30, 2023	Current	Non-current	Cash and cash equivalents
			(Restated)			
Net debt	2,700	2,700	2,752	491	2,644	-383
Net debt/EBITDA ratio	2.4x	2.8x	2.7x			
Net debt/EBITDA ratio excl. RMI*	1.8x	2.0x	2.0x			

**Readily Marketable Inventories: €754 million as of March 31, 2023 and €649 million as of June 30, 2023*

Net debt € m	June 30, 2022	March 31, 2023	June 30, 2022	March 31, 2023	June 30, 2023
	(Reported)		(Restated)		
Net debt	2,371	2,700	2,371	2,700	**2,752**
Working capital (WC)	787	1,420	874	1,490	**1,515**
Structural debt (excluding working capital)	1,584	1,280	1,497	1,210	**1,237**

4. IMPORTANT NOTES AND POST-CLOSING EVENTS

NOTE RELATING TO RESTATEMENT OF INTER-CAMPAIGN EXPENSES

Starting with this quarterly report, the Group is changing 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.

RATING UPGRADE OF BONDS ISSUED BY TEREOS GROUP

On July 21, 2023, the Fitch rating agency decided to upgrade the rating of Tereos Group bonds issued by Tereos Finance Group I. The rating has been raised from BB- to BB.

Regarding the factors that led to this decision, Fitch mentions that its rating reflects a reduction in the share of prior-ranking debt at operating companies, a trend started in FY 20/21, which the agency expects to be sustained. Fitch also mentions the low share of secured debt.

Fitch believes that the Group's strategy in terms of financing structure should lead to further reductions in the share of prior-ranking debt relative to bonds issued. This strategy aims to rationalize the debt structure and optimize financial results, in particular by reducing debt at its operating entities.

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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 cooperative group Tereos is a union of more than 11,200 Cooperative members and has recognized know-how in the processing of beet, sugarcane, cereals and potatoes. Through 43 industrial sites, 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. 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. In 2022/23, the Group posted revenues of €6.6 billion.

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.*

APPENDIX

A. RESULTS BY DIVISION

Revenues by division € m	22/23 Q1 (Reported)	22/23 Q1 (Restated)	23/24 Q1 (Restated)	% chg. (at current exch. rates)	% chg. (at constant exch. rates)
Sugar Europe	517	517	647	25%	25%
Sugar International	198	198	267	35%	38%
Starch & Sweeteners	577	577	662	15%	15%
Others (incl. elim.)	84	84	111	31%	30%
Tereos Group	1,376	1,376	1,687	23%	23%

Adjusted EBITDA by division € m	22/23 Q1 (Reported)	22/23 Q1 (Restated)	23/24 Q1 (Restated)	% chg. (at current exch. rates)	% chg. (at constant exch. rates)
Sugar Europe	94	83	91	10%	9%
Sugar International	44	23	34	45%	48%
Starch & Sweeteners	78	78	119	52%	52%
Others (incl. elim.)	10	10	2	-77%	-77%
Tereos Group	226	195	246	26%	27%

Recurring EBIT by division € m	22/23 Q1 (Reported)	22/23 Q1 (Restated)	23/24 Q1 (Restated)	% chg. (at current exch. rates)	% chg. (at constant exch. rates)
Sugar Europe	62	62	72	16%	15%
Sugar International	-3	-3	6	na	na
Starch & Sweeteners	56	56	104	84%	83%
Others (incl. elim.)	10	10	1	-93%	-93%
Tereos Group	125	125	182	45%	44%

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 by IFRS standards 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 a substitute for operating income or operating cash flow.*

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B. MARKET TRENDS

WORLD SUGAR MARKET

During the first quarter of 2023/24, the NY11 sugar price was marked by exceptional volatility, reaching historic levels not seen for more than a decade, with a notable peak of 27.41 cts/lb in April. This strong increase was mainly due to tensions over market fundamentals, pitting disappointing Indian and Thai production and concerns about Brazil's export capacity against resilient global consumption.

Significant intervention by commercial players and hedge funds played a key role in these uptrends, providing increased liquidity and contributing to the volatility required to reach such historic levels.

At the end of the quarter, reassuring news related to Brazilian production and export brought some relief to the world market, allowing prices to fall back and stabilize at around 24 cts/lb at the end of June 2023. However, the ongoing uncertainties regarding Indian and Thai production, as well as the risks associated with El Niño, are maintaining constant pressure on the world sugar market.

SUGAR EUROPE

Low production in the European Union in 2022/23 and high world market prices led spot prices to reach record levels in Q1 of the Tereos Group 2023/24 financial year. According to the European Commission's reports, contracts entered into for the 2022/23 campaign increased the ex-works sugar price to €814/metric tonne in May 2023 from €362/metric tonne on the previous year. This high price notably reflects an increase in production costs in the context of the war in Ukraine, and the need for processors to encourage growers to sow beets despite the volatility of yields in recent years.

ETHANOL BRAZIL

ESALQ ethanol prices averaged BRL 2.68/litre (EXW Mill Net) in the period from April to June 2023, down 3.4% compared to the previous year. The lower prices compared to the previous year reflect a lower share of hydrous ethanol in Brazil's energy mix, despite biofuel's improved competitiveness, and difficulties early in the harvest that limited supply, particularly in April.

Q1 23/24 was marked by expectations concerning the total overhaul of federal fuel taxes (ethanol and petrol) after a period of exemption in force since the last government. In addition, the change in Petrobras' fuel price policy was also announced during the period. The policy now seeks to promote the company's competitiveness, rather than simply supporting oil price arbitrage on the international market. However, the methodology of this new policy has not yet been clearly defined, which is creating new uncertainties and adding unpredictability to the sector.

In addition, an increase in the São Paulo State tax on hydrous ethanol has been announced, the effects of which will be felt from Q3 2023, reducing the competitiveness of hydrous ethanol.

ETHANOL EUROPE

With an average price of €800/m^3, Q1 23/24 marks a significant correction compared to the price of €1,196/m^3 recorded in the same period of the previous year. Between these two periods, two factors contributed to the build-up of inventories in Europe. Firstly, the high prices of the previous year enabled import parities from Brazil and the United States to be opened up for several months. Although these parities were expected and necessary, the quantity of the volumes contracted and imported came as a surprise. Secondly, the revival of grain-based producers' margins in the final quarter of the previous financial year also enabled them to maximize their production capacity.

CEREALS

Wheat: MATIF wheat prices averaged €238/metric tonne in Q1 23/24, down 40% from their level in the previous year. The Ukraine Grain Agreement, renewed in March and then in May for two months, reduced the risk premium related to the conflict. Over the past year, this agreement has guaranteed the safe passage of cargo ships, ensuring the continuous supply of the world market from the Black Sea. At the same time, promising harvests in the northern hemisphere, in addition to already high inventories in Europe and Russia, offered the prospect of good product availability.

Corn: Corn prices averaged €233/metric tonne in Q1 23/24, down 31% from their level in Q1 22/23. The materialization of Ukrainian exports and the good harvests expected in the United States and Brazil allowed prices to ease over the last quarter.

Prices have been very volatile since the non-renewal of the Grain Agreement, and the upside outlook will depend on geopolitical tensions in Ukraine and weather conditions in Europe and the United States. While good availability is expected for corn, the wheat market, at equilibrium, could become more tense if crop estimates were revised downwards, particularly in Australia.

GAS EUROPE

The downtrend observed since the end of 2022 persisted in Q1 23/24. In early June, it reached its lowest level of the last 24 months at €23/MWh for the TTF (Title Transfer Facility) European benchmark. Europe ended the winter of 2022/23 with a record storage level (56%) and with good prospects for filling up in summer, supported by: 1/ significant imports via pipelines from neighbouring regions (excluding Russia), and 2/ strong LNG supplies in Europe in the absence of increased competition from Asia.

The decline in demand continued from April to June 2023, with residential demand becoming less sensitive to temperature variations and industrial demand showing no signs of recovery. Indeed, despite a sharp correction in gas prices since the beginning of the year, industrial demand is stagnant and still down by 25% compared to the same periods of previous years (2016 to 2021). The demand for gas for electricity production is also declining with the significant increase in renewables and the recommissioning of part of the French nuclear fleet.

Despite growing confidence in the EU's ability to meet its 90% storage targets by next winter, the market remains very nervous and premiums are high for next year (strong market uncertainties). Unexpected supply or demand dynamics are likely to disrupt the current price environment, as Europe is still suffering a loss of volume compared to previous years, with LNG only partially compensating for the loss of Russian gas flows.