NOT FOR GENERAL CIRCULATION
IN THE UNITED STATES

# Tereos Europe
# €500,000,000 6⅜% Senior Notes due 2014

**The Issuer**

- Tereos Europe is a finance subsidiary of Tereos, that currently has no independent operations. Following this offering, Tereos Europe's only significant assets will be the €500,000,000 note proceeds loan to Tereos.

**The Guarantor**

- Tereos is an agro-industrial cooperative that is the leading French sugar producer, the second-largest sugar producer in the European Union and a producer of glucose, ethanol and alcohol.

**Interest**

- Interest on the notes will accrue at the rate of 6⅜% per annum and will be payable semi-annually in arrears on April 15 and October 15, commencing on October 15, 2007. We will make each interest payment to the holders of record on the immediately preceding April 1 and October 1.

**Maturity**

- The notes will mature on April 15, 2014.

**Ranking**

- The notes will:
  - be senior obligations of the issuer;
  - will be secured by a first-priority pledge over the note proceeds loan; and
  - will be unconditionally guaranteed by Tereos on a senior basis.
- The guarantee will:
  - be a general senior obligation of Tereos;
  - will be *pari passu* in right of payment with all existing and future senior indebtedness of Tereos;
  - will be senior in right of payment to any subordinated indebtedness of Tereos; and
  - will be secured by a second-priority pledge over the shares of certain subsidiaries of Tereos.
- As of September 30, 2006, after giving pro forma effect to the issuance of the notes in this offering and the application of the proceeds therefrom as described under "Use of Proceeds," and "Capitalization" we, including our subsidiaries, would have had €352.4 million of secured indebtedness under our senior credit facility, we, excluding our subsidiaries, would have had an additional €147.0 million of other indebtedness and our subsidiaries (other than the issuer) would have had an additional €502.2 million of other indebtedness, trade payables and other liabilities outstanding.

**Redemption and Repurchase**

- We may redeem some or all of the notes prior to the maturity date at a price equal to 100% of the principal amount thereof plus the "make whole" premium described in this offering memorandum, plus accrued and unpaid interest.
- Prior to April 15, 2010, we may redeem up to 35% of the notes from the proceeds of certain equity offerings.
- We may redeem all of the notes at a price equal to their principal amount plus accrued and unpaid interest, upon the occurrence of certain changes in applicable tax law.
- We must offer to repurchase the notes at a purchase price of 101% of the principal amount plus accrued and unpaid interest upon the occurrence of certain change of control events described in this offering memorandum.
- We must offer to repurchase the notes at a purchase price of 100% of the principal amount plus accrued and unpaid interest using the proceeds of certain asset sales.
- Other than in the circumstances set out above, we may not redeem the notes prior to maturity.

**Notice to Investors**

- **You should carefully consider the risk factors beginning on page 12 before investing in the notes.**
- **The notes and the guarantee have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") or the securities laws of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. In the United States, the offering is being made only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the initial purchasers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder. Outside the United States, the offering is being made in reliance on Regulation S under the Securities Act. See "Notice to Investors" and "Transfer Restrictions" for additional information about eligible offerees and transfer restrictions.**

**Settlement**

- On the closing date of the offering, global notes representing the notes will be deposited and registered in the name of a nominee of a common depositary for Euroclear Bank S.A/N.V. ("Euroclear") and/or Clearstream Banking, *société anonyme* ("Clearstream").
- The notes are expected to be delivered to the initial purchasers in book entry form through Euroclear and Clearstream on or about April 12, 2007. See "Plan of Distribution."

**Listing**

- We have applied to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market.

**Offering Price of the Notes: 100.0% plus accrued interest, if any**

*Sole Book-Running Lead Manager*

**CALYON**

*Co-Managers*

**Groupe Crédit Mutuel-CIC** **Rabobank International** **NATIXIS**

Dated April 4, 2007

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## FORWARD LOOKING STATEMENTS

Various statements contained in this offering memorandum constitute "forward looking statements" as that term is defined under the U.S. Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this offering memorandum, including, without limitation, statements regarding our future financial position, strategy, anticipated investments, costs and results (including growth prospects in particular countries), plans, projects to enhance efficiency, impact of governmental regulations or actions, litigation outcomes and timetables, future capital expenditures, liquidity requirements, the successful integration of acquisitions and joint ventures into our group, and objectives of management for future operations, may be deemed to be forward looking statements. When used in this offering memorandum, the words "believe," "anticipate," "should," "intend," "plan," "will," "expect," "estimates," "positioned," "strategy" and similar expressions identify these forward looking statements. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted, whether expressed or implied, by these forward looking statements. These factors include those set forth in the section of this offering memorandum captioned "Risk Factors" beginning on page 12, which include, among others:

- risks associated with the reform of the sugar regime in the European Union, the reduction of quotas for sugar production and decreased sugar prices;
- risks associated with the WTO's decision limiting exports of sugar by the European Union;
- fluctuations in the world market prices for sugar or ethanol;
- significant competition in the markets in which we operate;
- risks associated with agricultural growing conditions;
- the possibility of sugar substitutes reducing demand for our products;
- changes in consumer and dietary preferences;
- increases in energy costs;
- costs associated with compliance with environmental laws and regulations, which could require us to modify our production facilities and procedures;
- risks associated with industrial investments to maintain and expand our capacity;
- fluctuations in currency exchange rates;
- risks related to contamination or other product risks;
- certain risks related to mergers and acquisitions;
- risks associated with our international operations, including local business risks;
- risks related to the influence of the Brazilian government over the Brazilian economy;
- risks related to government support for biofuels;
- risks related to reduction or cancellation of EU import duties on ethanol;
- risks related to over capacity, due to the expansion of ethanol production;
- risks related to the volatility and strong correlation with the price of gasoline of ethanol prices in Brazil;
- the possibility that alternative fuel concepts, products and production methods may harm us;
- competitive disadvantage due to failure to obtain government licenses to produce ethanol in France;
- the ability to retain our key personnel;
- the possibility of disruptions in our workforce, including the use of seasonal workers;
- risks concerning changes related to our use of manual labor to cut sugar in Brazil;
- risks associated with a loss of Tereos' legal status as a French agricultural cooperative union (*union de coopératives agricoles*);
- changes in accounting principles; and
- differences between French GAAP, IFRS and U.S. GAAP.

The risks included here are not exhaustive. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward looking statements. Given these risks and uncertainties, investors should not place any undue reliance on forward looking statements as a prediction of actual results.

We assume no obligation to update the forward looking statements contained in this offering memorandum to reflect actual results, changes in assumptions or changes in factors affecting these statements.

## INDUSTRY AND MARKET DATA

Information relating to markets, market size, market share, market position, growth rates, average prices and other industry data pertaining to our business contained in this offering memorandum consists of estimates based on data reports compiled by professional organizations and analysts, on data from other external sources, on our knowledge of our sales and markets and on our own calculations based on such information. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market related analyses and estimates, thus requiring us to rely on internally developed estimates. While we have compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, neither we nor the initial purchasers have independently verified the data. We cannot assure you of the accuracy and completeness of, and take no responsibility for, such data other than for its accurate reproduction. Similarly, while we believe our internal estimates to be reasonable, they have not been verified by any independent sources, and we cannot assure you as to their accuracy.

## PRESENTATION OF FINANCIAL INFORMATION

We have prepared the financial statements contained in this offering memorandum in accordance with generally accepted accounting principles in France, or French GAAP. French GAAP differs in significant respects from International Financial Reporting Standards, or IFRS. For a discussion of certain material differences between French GAAP and IFRS, see "Summary of certain differences between French GAAP and International Financial Reporting Standards" elsewhere in this offering memorandum.

The terms "we," "our" or "us" refer to Tereos and all of its consolidated subsidiaries, unless the context suggests otherwise. The term "you" generally refers to a prospective purchaser of our notes.

References to "euros," "Euros" or "€" are to the lawful currency of the European Monetary Union, references to "U.S. dollars," "dollars", "U.S.$" or "$" are to the lawful currency of the United States and references to "real," "reais" or "R$" are to the lawful currency of Brazil.

References to a "financial year" are to the financial year ended on September 30 of the year indicated.

References to a "marketing year" are to the year running from October 1 to September 30 of the years indicated with respect to sugar from sugar beets and from May 1 to April 30 of the years indicated with respect to sugar from sugar cane.

Unless otherwise indicated, this offering memorandum describes the structure of Tereos and its subsidiaries as of the time of the closing of the offering of notes as contemplated by this offering memorandum.

## WHERE YOU CAN FIND MORE INFORMATION

Each purchaser of notes from the initial purchasers will be furnished with a copy of this offering memorandum and, to the extent provided to the initial purchasers by us, any related amendment or supplement to this offering memorandum. So long as the notes are outstanding and are "restricted securities" within the meaning of Rule 144 under the Securities Act, the issuer and the guarantor have agreed in the indenture governing the notes that they will, upon request, furnish to any holder or beneficial owner of the notes the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with resales of the notes. Any such request should be directed to Tereos at Tour Lilleurope, 11, Parvis de Rotterdam, 59777 Lille, France, Attention: Finance Department. Telephone: +33 (0) 3 28 38 79 65/79 59.

Additionally, so long as the notes are listed on the Luxembourg Stock Exchange, copies of these filings and other information relating to the issuance of the notes will be available in the specified offices of the paying agent and transfer agent in Luxembourg at the address listed on the inside of the back cover of this offering memorandum.

You should rely only upon the information provided in this offering memorandum. We have not authorized anyone to provide you with different information. You should not assume that the information in this offering memorandum is accurate as of any date other than that on the front cover of this offering memorandum.

## NOTICE TO INVESTORS

This offering memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the notes may not be offered or sold, directly or indirectly, and this offering memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws that apply to you in any place in which you buy, offer or sell any notes or possess this offering memorandum. You must also obtain any consents or approvals that you need in order to purchase any notes. We and the initial purchasers are not responsible for your compliance with these legal requirements. See also "Plan of Distribution."

You should base your decision to invest in the notes solely on information contained in this offering memorandum. Neither we nor the initial purchasers have authorized anyone to provide you with different information. In addition, neither we nor the initial purchasers nor any of our or their respective representatives are providing you with any legal, business, tax or other advice in this offering memorandum. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the notes.

By accepting delivery of this offering memorandum, you agree to the foregoing restrictions and agree not to use any information herein for any purpose other than considering an investment in the notes.

We accept responsibility for the information contained in this offering memorandum. We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this offering memorandum with regard to us, our subsidiaries and our affiliates and the notes is true and accurate in all material respects, that the opinions and intentions expressed in this offering memorandum are honestly held and that we are not aware of any other facts the omission of which would make this offering memorandum or any statement contained herein misleading in any material respect.

The information set out in relation to sections of this offering memorandum describing clearing and settlement arrangements, including the section entitled "Book Entry, Delivery and Form," is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream.

We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of Euroclear and Clearstream or their respective participants under the rules and procedures governing their operations, nor will we or our agents have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to these book-entry interests. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures.

This offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us.

The initial purchasers, the trustee and any other agents acting with respect to the notes accept no responsibility for and make no representation or warranty, express or implied, as to the accuracy or completeness of the information set out in this offering memorandum and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation by the initial purchasers, the trustee, or any other agents acting with respect to the notes as to the past or the future.

By purchasing the notes, you will be deemed to have acknowledged that you have reviewed this offering memorandum and have had an opportunity to request, and have received, all additional information that you need from us. No person is authorized in connection with any offering made by this offering memorandum to give any information or to make any representation not contained in this offering memorandum and, if given or made, any other information or representation must not be relied upon as having been authorized by us or the initial purchasers.

The information contained in this offering memorandum is as of the date hereof. Neither the delivery of this offering memorandum at any time after the date of publication nor any subsequent commitment to purchase the notes shall, under any circumstances, create an implication that there has been no change in the information set out in this offering memorandum or in our business since the date of this offering memorandum.

The notes and the guarantee have not been and will not be registered under the Securities Act or the securities laws of any state of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

In the United States, the offering of the notes is being made only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act). Prospective purchasers that are qualified institutional buyers are hereby notified that the initial purchasers of the notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Outside the United States, the offering of the notes is being made in reliance on Regulation S under the Securities Act.

Neither the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission nor any non-U.S. securities authority has approved or disapproved of these securities or determined that this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

The notes are subject to restrictions on transferability and resale, which are described under the caption "Transfer Restrictions." By possessing this offering memorandum or purchasing any note, you will be deemed to have represented and agreed to all of the provisions contained in that section of this offering memorandum. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

We reserve the right to withdraw this offering of the notes at any time. We and the initial purchasers may reject any offer to purchase the notes in whole or in part and to allot to any prospective purchaser less than the full amount of the notes sought by it. The initial purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the notes.

We cannot guarantee that our application to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market will be approved as of the settlement date for the notes or at any time then after, and settlement of the notes is not conditioned on obtaining this listing.

## STABILIZATION

IN CONNECTION WITH THE ISSUE OF THE NOTES, CALYON (THE "*STABILIZING MANAGER*") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

**NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

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**THE NOTES MAY NOT BE OFFERED TO THE PUBLIC WITHIN ANY JURISDICTION. BY ACCEPTING DELIVERY OF THIS OFFERING MEMORANDUM, YOU AGREE NOT TO OFFER, SELL, RESELL, TRANSFER OR DELIVER, DIRECTLY OR INDIRECTLY ANY NOTES TO THE PUBLIC.**

This offering memorandum has been prepared on the basis that all offers of the notes will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the European Economic Area (the "EEA"), from the requirement to produce a prospectus for offers of the notes. Accordingly any person making or intending to make any offer within the EEA of the notes should only do so in circumstances in which no obligation arises for the Issuer or any of the initial purchasers to produce a prospectus for such offer. Neither the issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of the notes through any financial intermediary, other than offers made by the initial purchasers which constitute the final placement of the notes contemplated in this offering memorandum.

For the purpose of this restriction the expression "offer to the public" shall be construed in accordance with the legal principles and provisions of each relevant jurisdiction and in relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "Relevant Member State"). "Offer to the public" means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State except that the private placement of the notes with professional market parties is permitted. The expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

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***France.*** The notes have not been and will not be offered or sold to the public in France ("*appel public à l'épargne*"), and no offering or marketing materials relating to the notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in the Republic of France.

The notes may only be offered or sold in France to qualified investors ("*investisseurs qualifiés*"), to a limited group of investors ("*cercle restreint d'investisseurs*"), and/or to providers of investment services relating to portfolio management for the account of third parties, as defined in and in accordance with articles L.411-1, L.411-2, D.411-1 and D.411-2 of the French *Code monétaire et financier*.

Prospective investors are informed that:

(i) this offering memorandum has not been submitted for clearance to the French financial market authority (*Autorité des Marchés Financiers*);

(ii) in compliance with articles L.411-1, L.411-2 and D.411-1 through D.411-4 of the French *Code monétaire et financier*, any investors subscribing for the notes should be acting for their own account; and

(iii) the direct and indirect distribution or sale to the public of the notes acquired by them may only be made in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 of the French *Code monétaire et financier*.

***Germany.*** The notes will not be offered, sold or publicly promoted or advertised in the Federal Republic of Germany other than in compliance with the German Securities Prospectus Act (*Gesetz über die Erstellung, Billigung und Veröffentlichung des Prospekts, der beim öffentlichen Angebot von Wertpapieren oder bei der Zulassung von Wertpapieren zum Handel an einem organisierten Markt zu veröffenlichen ist — Wertpapierprospektgesetz*) as of 22 June 2005, effective as of 1 July 2005 as amended, or any other laws and regulations applicable in the Federal Republic of Germany governing the issue, offering and sale of securities. This offering memorandum has not been approved under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) or the Directive 2003/71/EC and no selling prospectus (*Verkaufsprospekt*) within the meaning of the German Securities Selling Prospectus Act has been or will be registered within the Financial Supervisory Authority of the Federal Republic of Germany or otherwise published in Germany.

***Italy.*** Each initial purchaser has acknowledged that the offer of the notes has not been registered with the Commissione Nazionale per le Società e la Borsa ("CONSOB") (the Italian Securities and Exchange Commission) pursuant to Italian securities legislation and, accordingly, notes may not be offered, sold or delivered, nor may copies of this document or of any other document relating to the notes be distributed in the Republic of Italy in a solicitation to the public at large (*sollecitazione all'investimento*) within the meaning of Article 1, paragraph 1, letter (t) of Legislative Decree No. 58 of 24 February 1998 as amended (the "Financial Services Act"), unless an exemption applies. Accordingly, in the Republic of Italy, the notes:

(a) shall only be offered or sold to professional investors (*operatori qualifficati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July 1998, as amended and effected in compliance with the terms and procedures provided therein ("Regulation No. 11522"); or

(b) shall only be offered or sold in circumstances which are exempted from the rules on solicitations of investments pursuant to Article 100 of the Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Moreover, and subject to the foregoing, each initial purchaser has acknowledged that any offer, sale or delivery of the notes or distribution of copies of this document or any other document relating to the notes in the Republic of Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "Banking Act"), Regulation No. 11522 and any other applicable laws and regulations;

(ii) in compliance with Article 100-bis of the Financial Services Act (if applicable); and

Any investor purchasing the notes in the offering is solely responsible for ensuring that any offer or resale of the notes it purchased in the offering occurs in compliance with applicable Italian laws and regulations.

(iii) in compliance with any other applicable laws and regulations including any relevant notification requirements or limitations which may be imposed by CONSOB or the Bank of Italy.

Insofar as the requirements above are based on laws which are superseded at any time pursuant to the implementation of the EU Directive No. 2003/71 (the "Prospectus Directive"), such requirements shall be replaced by the applicable requirements under the Prospectus Directive or the relevant implementing provisions.

***Spain.*** The proposed offer of notes has not been registered with the Comisión Nacional del Mercado de Valores (the "CNMV") and therefore the notes may not be offered in Spain by any means, except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 30 bis of the

Securities Market Act "Ley 24/1988, de 28 de julio de Mercado de Valores") as amended, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 ("Real Decreto 1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción del folleto exigible a tales efectos").

***United Kingdom.*** This offering memorandum is being distributed only to and is directed only at (i) persons who are outside the United Kingdom, or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (e) of the Order (all such persons being referred to as "relevant persons" and each a "relevant person"). Accordingly, by accepting delivery of this offering memorandum, the recipient warrants and acknowledges that it is such a relevant person. The notes are available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquires such notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

## EXCHANGE RATES

The following tables set forth, for the periods indicated, the period end, period average, high and low noon buying rate in the City of New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York expressed as U.S. dollars per €1.00. The noon buying rate of the euro on April 3, 2007 was $1.34 per €1.00.

| | | U.S. Dollars per €1.00 | | |
|---|---|---|---|---|
| **Year Ended September 30,** | **Period End** | **Average(1)** | **High** | **Low** |
| 2002 | 0.99 | 0.92 | 1.02 | 0.86 |
| 2003 | 1.17 | 1.09 | 1.19 | 0.97 |
| 2004 | 1.24 | 1.22 | 1.29 | 1.14 |
| 2005 | 1.21 | 1.27 | 1.36 | 1.19 |
| 2006 | 1.27 | 1.24 | 1.30 | 1.17 |

| | | U.S. Dollars per €1.00 | | |
|---|---|---|---|---|
| **Month** | **Period End** | **Average** | **High** | **Low** |
| October 2006 | 1.28 | 1.26 | 1.28 | 1.25 |
| November 2006 | 1.33 | 1.29 | 1.33 | 1.27 |
| December 2006 | 1.32 | 1.32 | 1.33 | 1.31 |
| January 2007 | 1.30 | 1.30 | 1.33 | 1.29 |
| February 2007 | 1.32 | 1.31 | 1.32 | 1.29 |
| March 2007 | 1.34 | 1.32 | 1.34 | 1.31 |
| April 2007 (through April 3) | 1.34 | 1.34 | 1.34 | 1.34 |

*Note:*

(1) The average rate is the average of the noon buying rates on the last day of each month during the relevant period.

The following tables set forth, for the periods indicated, the period end, period average, high and low noon rates from the Bank of Canada expressed as Brazilian *reais* per €1.00. The noon buying rate of the *real* on April 3, 2007 was R$2.72 per €1.00.

| | | Brazilian *reais* per €1.00 | | |
|---|---|---|---|---|
| **Year Ended September 30,** | **Period End** | **Average(1)** | **High** | **Low** |
| 2002 | 3.75 | 2.56 | 3.75 | 2.00 |
| 2003 | 3.41 | 3.52 | 3.96 | 3.18 |
| 2004 | 3.56 | 3.61 | 3.86 | 3.27 |
| 2005 | 2.67 | 3.23 | 3.69 | 2.67 |
| 2006 | 2.75 | 2.71 | 3.01 | 2.51 |

| **Month** | **Period End** | **Average** | **High** | **Low** |
|---|---|---|---|---|
| October 2006 | 2.73 | 2.71 | 2.76 | 2.67 |
| November 2006 | 2.88 | 2.78 | 2.88 | 2.72 |
| December 2006 | 2.82 | 2.84 | 2.89 | 2.81 |
| January 2007 | 2.76 | 2.78 | 2.84 | 2.76 |
| February 2007 | 2.81 | 2.74 | 2.81 | 2.71 |
| March 2007 | 2.75 | 2.77 | 2.80 | 2.74 |
| April 2007 (through April 3) | 2.72 | 2.73 | 2.74 | 2.72 |

*Note:*

(1) The average rate is the average of the noon buying rates on the last day of each month during the relevant period.

The rates above are provided solely for convenience and we make no representation that the above rates would not differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. We make no representation that U.S. dollar amounts or Brazilian *real* amounts were, could have been or could be converted into euro at any particular rate, if at all.

## SUMMARY

*This summary highlights information about us that is contained elsewhere in this offering memorandum. This summary may not contain all the information that is important to you. You should read the entire offering memorandum carefully before making an investment decision, including the section entitled "Risk Factors" and the financial statements and related notes. Various statements in this offering memorandum are forward looking statements. Please refer to the section of this offering memorandum entitled "Forward Looking Statements."*

*The terms "we," "our" or "us" refer to Tereos and all of its consolidated subsidiaries, unless the context suggests otherwise.*

### Our Company

We are an agro-industrial cooperative group that processes sugar beets, sugar cane and cereals into sugars and alcohols, in France and abroad. With revenues of €2,102.9 million and adjusted EBITDA of €286.0 million for financial year 2006, we are the second-largest European sugar producer by volume and the largest French sugar producer. We estimate our market share for industrial sugar at approximately 10% in the EU-25 and 23% in France, based on quotas notified to producers. We estimate our market share for table-top sugar at approximately 30% in France based on sales volume. We currently receive 39.6% of the sugar quota notified to France by the European Union and 10.8% of total European quotas. For financial year 2006, we produced 3 million tons of sugar, 2.5 million hectoliters of alcohol and 2.8 million hectoliters of ethanol.

We divide our products into four principal categories: solid and liquid sugars, alcohol and ethanol, glucose and other sugar-derived sweeteners, and certain sugar by-products:

- We produce solid and liquid sugar in mainland France, the Czech Republic, Réunion Island, Brazil, Mozambique and Romania. In France, we market a full range of household solid sugars (both traditional and specialty table-top products) under the brand names *Béghin-Say*, *C'est la Vie*, *La Perruche*, *Blonvilliers*, *L'Antillaise*, *Gelsuc*, *Ligne*, *Actisucre* and *Sucrerie de Bourbon* and also sell a complete range of industrial sugars. We market sugars produced in the Czech Republic under the brand names *TTD* and *Elan do Zivota*, and we market sugars produced in Brazil under the *Guarani* brand. In financial year 2006, our solid and liquid sugar sales represented 76.9% of revenues;

- We produce alcohol and ethanol in mainland France, the Czech Republic and Brazil. We market our superfine alcohol and neutral extracts made from sugar beet and wheat to the cosmetics and spirit industries. We sell ethanol as a fuel additive to leading gasoline refiners in France, the Czech Republic and Brazil. In financial year 2006, our alcohol and ethanol sales represented 12.3% of revenues;

- We produce glucose and sugar-derivatives at the Syral glucose refinery in France and in the Czech Republic. We market these products for industrial uses to clients such as confectionary manufacturers (including Haribo) or ice-cream manufacturers (including the Unilever Group). In financial year 2006, our glucose and sugar-derivative sales represented 3.1% of revenues; and

- We sell sugar by-products such as animal feed, fertilizer and fermentation by-products to the agricultural sector principally in mainland France, The Netherlands, Belgium, Italy and Spain. In financial year 2006, our sugar by-products sales represented 2.3% of revenues.

Additionally, as a service to our cooperative members, we sell sugar beet seeds at preferential prices to such members. In financial year 2006, sales of sugar beet seeds to our cooperative members represented 1.8% of revenues and sales of non-core products represented 3.6% of revenues.

Our operations and sales are geographically diversified, and in financial year 2006, the geographic break-down of our revenues by sales zone was as follows: 44.6% from France (including Réunion Island), 31.8% from Europe (excluding France), 8.2% from Brazil and 15.4% from the rest of the world.

## Competitive Strengths

We believe that we have the following key strengths:

***Strong relationship with our suppliers***

We believe our ownership structure aligns our interests with those of the approximately 14,000 beet and cereal growers who are both our suppliers and our ultimate owners (our members). Both we and our members benefit from long term visibility and stability through our 25-year supply agreements and through a mutually beneficial profit sharing scheme (with our payment of price complements based on profits in our French operations and dividends based on profits in our activities abroad). Our members also evidence their continuing support through equity or quasi equity injections in new projects, such as those for ethanol production or potential acquisitions.

***Wide product and geographic diversification***

To complement our solid and liquid sugars, we have developed a full range of functional sweetening ingredients which have diverse applications, such as fructo-oligo-saccharides (extracted from sugar), maltodextrins and polyols (produced from glucoses), in order to meet our customers' range of needs. We combine sugar, liquid sugar, inverted sugar and glucose syrups with the above-mentioned functional ingredients to create ready-to-use sweetening formulations. In addition, we cater to the cosmetics and spirit industries through our superfine alcohol and neutral extracts from sugar beet and wheat. We produce ethanol in France, the Czech Republic and Brazil, and our dehydrated ethanol can be used in oil refineries for the production of ETBE (Ethyl Tertio Butyl Ether) and as a direct additive in fuels.

Our revenue sources are also geographically diverse. We produce our products in France, Brazil, the Czech Republic, Romania, Réunion Island and Mozambique, and we sell them throughout the EU, as well as in Brazil and on the world market. We have been present in most of these locations for more than a decade and in many of them we own strong, locally known brand names.

***High quality, cost-efficient production and favorable growing conditions***

Our members are located in northern France, a region whose climate and soil are particularly well-adapted to the cultivation of sugar beets. We believe the French sugar industry possesses a comparative advantage of 50% over the rest of Europe, with 13 tons of sugar purchased per hectare, compared to 8.7 tons elsewhere in the EU-25, and a 90% advantage in terms of production, with average daily production per plant of 14,200 tons, compared to 7,350 tons elsewhere. Our members achieved an average yield in 2005 of 84.3 tons of beets per hectare, two tons above the French average of 82.3 tons and 30 tons higher than the EU average of 54.3 tons. We have also pursued industrial efficiencies through, for example, the optimization of beet collection (through the placement of sugar beet cleaning machines in the fields), the automated receipt of beets, reductions in energy expenditure, control of fixed expenses and transportation innovations. We have also expanded into countries that exhibit similar agricultural competitiveness. Brazil, Réunion Island and Mozambique all enjoy excellent conditions for growing sugar cane.

***Strong position to benefit from industry consolidation in Europe***

Due to our position as the second-largest sugar producer in Europe, our location in Europe's prime growing region, our expansion of sugar production outside of the EU and our diversification into products other than sugar, we believe that we are better able than some of our competitors to manage and benefit from the consequences of the new EU sugar regime applicable from July 1, 2006 (see "The New EU Sugar Regime"). We believe that the new EU sugar regime will progressively result in less efficient sugar producers in the EU (such as in Italy, Ireland and Greece) ceasing production due to lower guaranteed prices. These reforms will also likely put pressure on smaller sugar producers or those who depend entirely on sugar production in the EU. As smaller players exit the industry, their quotas may become available to surviving producers who wish to increase production.

***Recognized brand names***

We enjoy strong retail brand recognition in the table-top sugar market. Our *Béghin-Say* brand is the leader in the French domestic retail market, recognized by approximately 80% of consumers, compared to 56% of consumers for our closest competitor's leading brand. Our *Guarani* brand is one of the best known sugar brands in the large Brazilian market, our *TTD* brand is well established in the Czech Republic, as is our *Sucrerie de Bourbon* brand on Réunion Island.

***Strong, experienced management team***

We have a highly skilled management team with extensive experience in the sugar industry. For example, among other experienced professionals, our chairman and chief executive officer, Mr. Philippe Duval, has been active in the sugar industry for over 38 years and has overseen our development and expansion, including our evolution as the first French ethanol producer in 1993. Our chief financial officer, Mr. Renaud Wattinne, has been involved in the financial operations of sugar producers for over 30 years. In addition, in connection with our involvement in the ethanol industry, Mr. Duval and Mr. Georges Alard have become active in several commissions relating to ethanol production.

## Our Strategy

To address the likely effects of the new EU sugar regime on our industry, we are currently implementing the following strategies.

***Increase sales within the EU***

We expect that the implementation of the new EU sugar regime will progressively cause less efficient sugar producers in the EU, such as those in Italy, Ireland and Greece, to cease production. In response to the departure of these producers, we hope to increase our sales in those markets by capitalizing on our broad European sales network, which has commercial representatives in Germany, Italy, Spain and the United Kingdom. We also hope to expand sales through this network as and when EU tariff barriers decline, facilitating imports from lower-cost countries. In addition, we believe that we are well-positioned to increase EU sales by selling to the local operations of our current clients that are active in multiple countries (such as Coca-Cola).

***Expand production outside the EU***

As of 2009, the European sugar market will be opened without restrictions to imports from LDC and ACP countries, which could result in a shift in market share to producers in such countries and ultimately result in lower prices. We have acquired a 50% interest in the Marromeu sugar factory in Mozambique (one of the most competitive LDCs), which will be increased to 75% before the end of the 2011 financial year. In addition, a WTO Sugar Panel ruling currently prohibits exports of sugar from the EU to the world market, and in order to sell outside the EU, we rely on our investments outside the EU, such as in Brazil, the world's largest sugar producer. Through our Guarani subsidiary, we have recently launched the construction of a fourth factory in Brazil and expect to approximately double sugar cane processing capacity in Brazil by 2012.

***Invest in bio-fuels***

The market requirements for renewable energy in France as well as Europe are growing. We are a leading producer of ethanol in France and Brazil (where hybrid automobiles are widespread) and aim to be one of the leading European producers. We have constructed a 3 million hectoliter distillery at Origny Sainte-Benoîte in France, which began operations in October 2006. We have also begun construction of a new wheat ethanol plant at Lillebonne in France with an estimated capacity of 3 million hectoliters that is expected to be operational in spring 2007 and of additional facilities in the Czech Republic.

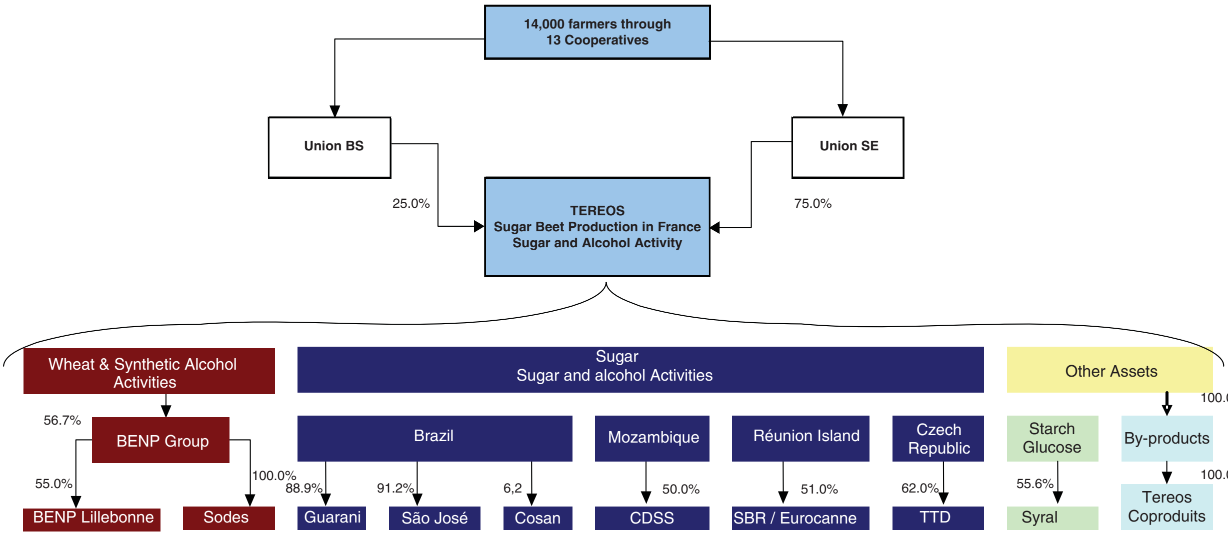
We also intend to capitalize on our strength in cereals transformation (both into ethanol and starch-based glucose) in order to seize opportunities in the development of second generation bio-fuels and "green chemistry" (chemistry using molecules from renewable resources, mainly starch and ethanol).

### *Pursue strategic acquisitions*

Subject to market conditions and the availability of suitable investment opportunities, we intend to pursue strategic acquisitions in our current business lines. In particular, we may make acquisitions in Brazil (particularly in ethanol) and LDC countries, and we continue to explore opportunities in Europe. For this purpose, we have a €200 million acquisition facility under our senior credit facility (see "Description of Other Indebtedness—Senior credit facility"). We drew €50 million from this acquisition facility in November 2006 to finance two acquisitions in Brazil, consisting of an additional interest in São José, which owns and operates a sugar plant, as well as the purchase of Tanabi. We may also consider the purchase of additional European production quotas, should these quotas become available. Under these circumstances, we expect that one-half of the purchase would be financed by each of us and our cooperative members. For this purpose, we currently would expect to draw funds under our €449.4 million term loan facility (see "Description of Other Indebtedness—Senior credit facility" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments").

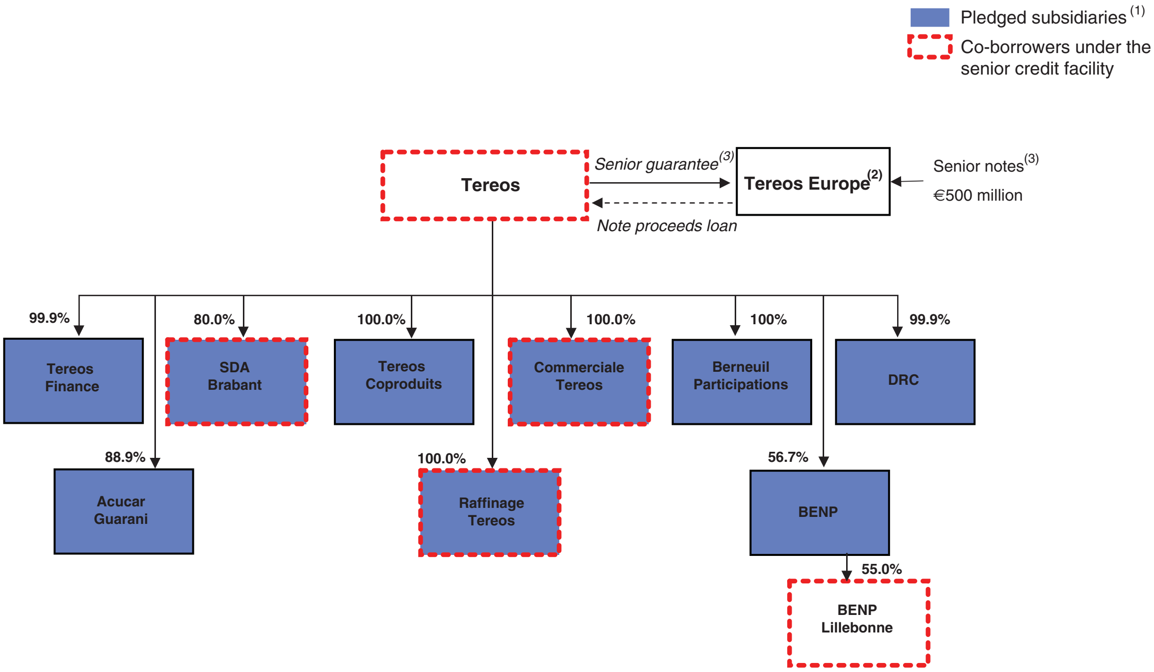
## Business Structure

The following diagram summarizes our business structure.



## Offering Structure

The following diagram summarizes our financing structure and debt obligations after giving effect to the offering of notes. We have listed below only our subsidiaries whose shares are subject to share pledges under the senior credit facility and the notes and our subsidiaries that are co-borrowers under the senior credit facility. For a description of the senior credit facility, see "Description of Other Indebtedness—Senior credit facility."




*Notes:*

(1) The senior credit facility is secured by a first-priority pledge over the shares of the pledged subsidiaries (as well as by stocks and receivables). The guarantee will be secured by a second-ranking pledge over the shares of the pledged subsidiaries.

(2) Tereos Europe, a *société anonyme* organized under the laws of France, is a finance subsidiary of Tereos. Tereos Europe currently has no operating assets.

(3) The notes will be senior unsecured obligations of Tereos Europe, ranking equally in right of payment with all other future senior unsecured indebtedness of Tereos Europe. The guarantee will rank *pari passu* in right of payment with all of Tereos' existing and future senior unsecured debt obligations and be senior in right of payment to any of Tereos' future subordinated indebtedness, including €105.7 million of subordinated indebtedness outstanding at September 30, 2006 including accrued interest. This indebtedness is subordinated to our senior credit facility and, after repayment in full of the senior credit facility, will be subordinated to the notes, See "Description of Other Indebtedness—Subordination Agreement". The guarantee will be effectively subordinated to Tereos' secured indebtedness to the extent of such security and the debt and liabilities of Tereos' subsidiaries.

## The Issuer

The issuer is a *société anonyme* organized under the laws of France on March 15, 2007. The issuer is a wholly owned finance subsidiary of Tereos that currently has no operating activities, and following the offering the only significant asset of the issuer will be the note proceeds loan to Tereos. The issued share capital of the issuer is €225,000, divided into 2,250 fully paid up shares with a nominal value of €100 each. The registered office of the issuer is 11, rue Pasteur, 02390 Origny-Sainte-Benoîte, France.

## The Guarantor

The guarantor is a *union de coopératives agricoles à capital variable* organized under the laws of France on June 10, 1996. The registered office of the guarantor is 11, rue Pasteur, 02390 Origny-Sainte-Benoîte, France. Its principal executive offices are located at Tour Lilleurope, 11, Parvis de Rotterdam, 59777 Lille, France and its main telephone number is +33 (0) 3 28 38 79 30.

## THE OFFERING

*The following summary of the offering contains basic information about the notes. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the notes, including certain definitions of terms used in this summary, please refer to the section of this offering memorandum entitled "Description of Notes."*

| | |
|---|---|
| **Issuer** | Tereos Europe. |
| **Notes Offered** | €500,000,000 aggregate principal amount of senior notes due 2014. We may issue additional notes in the future, subject to compliance with the covenants in the indenture governing the notes. |
| **Maturity Date** | The notes will mature on April 15, 2014. |
| **Interest Rate** | 6⅜% per annum, payable in arrears. |
| **Interest Payment Dates** | The notes will accrue interest from their date of issuance. Interest on the notes will be payable semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2007. We will make each interest payment to the holders of record on the immediately preceding April 1 and October 1. |
| **Denominations** | Each note will have a minimum denomination of €50,000 or integral multiples of €1,000 in excess thereof. Notes in denominations of less than €50,000 will not be available. |
| **Ranking** | The notes will:<br>• be senior obligations of the issuer;<br>• will be secured by a first-priority pledge over the note proceeds loan; and<br>• will be unconditionally guaranteed by Tereos on a senior basis.<br>The notes will be effectively subordinated to Tereos' secured indebtedness, including Tereos' indebtedness under its senior credit facility, and indebtedness, liabilities and commitments (including borrowings under its revolving credit facilities, trade payables and lease obligations) of Tereos' subsidiaries (other than the issuer).<br>The issuer is a finance subsidiary that does not currently conduct any revenue-generating operations of its own. Its only significant assets following the offering will be the note proceeds loan to Tereos. The issuer will depend on payments from Tereos under the notes proceeds loan to make payments on the notes.<br>As of September 30, 2006, after giving pro forma effect to the issuance of the notes in this offering, and the application of the proceeds therefrom as described under "Use of Proceeds" and "Capitalization," we, including our subsidiaries, would have had €352.4 million of secured indebtedness under our senior credit facility, we, excluding our subsidiaries, would have had an additional €147.0 million of other indebtedness, and our subsidiaries (other than the issuer) would have had an additional €502.2 million of other indebtedness, trade payables and other liabilities outstanding. |

**Security** ................................ The notes will be secured by a first-priority pledge over the note proceeds loan.

**Guarantee** ............................. The guarantee will:

- be a general senior obligation of Tereos;
- will be *pari passu* in right of payment with all existing and future senior indebtedness of Tereos;
- will be senior in right of payment to any subordinated indebtedness of Tereos; and
- will be secured by a second-priority pledge over the shares of certain subsidiaries of Tereos.

In addition, the guarantee will be effectively subordinated to all obligations of the subsidiaries of Tereos other than the issuer.

The guarantee will be secured by a second-priority pledge over the shares of several of Tereos' subsidiaries: Berneuil Participations, SDA Brabant SAS, Tereos Coproduits, Commerciale Tereos, Tereos Finance, Raffinage Tereos, BENP and Distillerie de la Région de Châlons and certain of the shares of Guarani.

The guarantee will be effectively subordinated to any secured indebtedness and other secured obligations of the guarantor to the extent of the value of the assets securing such indebtedness or obligations.

**Optional Redemption** ................. At any time prior to the maturity date, we may redeem all or part of the notes by paying the applicable "make whole" premium as described under "Description of Notes—Optional Redemption."

In addition, on or prior April 15, 2010, we may redeem up to 35% of the aggregate principal amount of the notes with the proceeds of certain equity offerings at a redemption price equal to 106.375% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, provided that at least 65% of the original aggregate principal amount of the notes remains outstanding after the redemption and the redemption occurs within 45 days of such equity offering.

**Additional Amounts; Tax Redemption** ......................... All payments in respect of the notes will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, we will pay additional amounts so that the net amount you receive is no less than the amount that you would have received in the absence of such withholding or deduction.

If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the notes, we may redeem the notes in whole, but not in part, at any time, at a redemption price equal to the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to, but not including, the date of redemption.

| | |
|---|---|
| **Change of Control** | If we experience a change of control, you generally will have the right to require us to purchase the notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any. See "Description of Notes—Repurchase at the Option of Holders—Change of Control." |
| **Certain Covenants** | We will issue the notes under an indenture among us, BNY Corporate Trustee Services Limited as trustee, The Bank of New York as principal paying agent, registrar and transfer agent, The Bank of New York (Luxembourg) S.A., as Luxembourg paying agent and transfer agent, and Calyon as security agent.<br><br>The indenture will, among other things, limit our ability to:<br>• incur or guarantee additional indebtedness;<br>• pay dividends or make other distributions;<br>• repurchase or redeem our shares;<br>• make investments or other restricted payments;<br>• create liens;<br>• engage in sale and leaseback transactions;<br>• enter into certain transactions with affiliates;<br>• utilize proceeds from asset sales;<br>• enter into agreements that restrict our restricted subsidiaries' ability to pay dividends; and<br>• consolidate, merge or sell all or substantially all of our assets.<br><br>All of these limitations will be subject to a number of important qualifications and exceptions. See "Description of Notes—Certain Covenants." |
| **Transfer Restrictions** | The notes have not been registered under the Securities Act or any other applicable securities laws and are subject to restrictions on transferability and resale. See "Transfer Restrictions." |
| **No Prior Market** | The notes will be new securities for which there is currently no market. Although the initial purchasers have informed us that they intend to make a market in the notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the notes will develop or be maintained. |
| **Listing** | We have applied to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. |
| **Trustee** | BNY Corporate Trustee Services Limited. |
| **Principal Paying Agent, Registrar and Transfer Agent** | The Bank of New York. |
| **Security Agent** | CALYON. |

| | |
|---|---|
| **Luxembourg Listing Agent, Paying Agent and Transfer Agent** | The Bank of New York (Luxembourg) S.A. |
| **Use of Proceeds** | The issuer intends to use the gross proceeds from the sale of the notes to make an intercompany loan of €500.0 million to the guarantor. The guarantor will pay the underwriting fees and expenses of the offering, which are expected to total approximately €11.1 million. The guarantor intends to use the proceeds of the intercompany loan to (i) repay in full the guarantor's €300.0 million bridge financing facility (see "Description of Other Indebtedness—Senior credit facility"), and (ii) to repay revolving debt, including in connection with capital expenditures, to repay acquisition debt incurred to finance certain acquisitions in Brazil, or some combination thereof. Revolving debt that we repay can be redrawn in the future for further capital expenditures or other purposes.<br><br>Affiliates of the initial purchasers are lenders under our bridge financing facility, which forms part of our existing senior credit facility. They will therefore receive a portion of the proceeds of this offering in repayment of amounts outstanding under our bridge financing facility. |
| **Governing Law** | The indenture, the notes and the guarantee will be governed by the laws of the State of New York. The security documents will be governed by French law, except for the second-priority pledges over shares of Guarani which will be governed by Brazilian law. See "Description of Notes—Security". |
| **Risk Factors** | An investment in the notes involves a high degree of risk. You should carefully consider the information set forth under "Risk Factors" beginning on page 12 and all of the information in this offering memorandum before deciding to invest in the notes. |

## SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information presented below for the financial years ended September 30, 2004, 2005 and 2006 was derived from our consolidated audited financial statements included elsewhere in this offering memorandum. Our consolidated financial statements have been prepared in accordance with French GAAP.

| | Year ended September 30, | | |
|---|---|---|---|
| | **2004** | **2005** | **2006** |
| | (in millions of euro) | | |
| **Income Statement Data:** | | | |
| **Revenues** | **1,719.8** | **1,602.4** | **2,102.9** |
| Other operating revenues | 30.5 | 102.2 | (27.0) |
| Reversal of depreciation, amortization and provisions | 12.7 | 8.8 | 5.3 |
| | 1,763.1 | 1,713.4 | 2,081.1 |
| Operating expenses | | | |
| Purchases and changes in inventory | 883.2 | 886.3 | 1,086.8 |
| Other external charges | 358.7 | 373.5 | 462.7 |
| Taxes and other levies | 89.5 | 107.9 | 64.7 |
| Employee-related expenses | 153.6 | 153.8 | 197.2 |
| Depreciation and amortization allowances and provisions | 127.1 | 95.8 | 89.5 |
| Other operating expenses | 2.6 | 1.8 | 15.6 |
| | 1,614.8 | 1,619.0 | 1,916.5 |
| **Operating income** | **148.2** | **94.4** | **164.7** |
| **Net financial expense** | **53.0** | **49.3** | **63.1** |
| **Profit before tax and exceptional items** | **95.3** | **45.1** | **101.5** |
| Net non-recurring (expense) income | (4.8) | 3.9 | (3.4) |
| Income tax | (31.9) | (21.6) | (23.1) |
| Net income from fully-consolidated companies | 58.6 | 27.4 | 75.0 |
| Share in income of companies accounted for by the equity method | 4.3 | 6.2 | 4.1 |
| Amortization of goodwill | (21.7) | (24.5) | (26.5) |
| **Net consolidated profit** | **41.2** | **9.2** | **52.6** |
| **Minority interests** | **12.4** | **4.9** | **12.3** |
| **Group share in net profit** | **28.7** | **4.3** | **40.3** |

| | As of September 30, | | |
|---|---|---|---|
| | **2004** | **2005** | **2006** |
| | (in millions of euro) | | |
| **Balance Sheet Data:** | | | |
| Property, plant and equipment | 452.8 | 435.0 | 829.1 |
| Cash, cash equivalents and investment securities | 143.1 | 47.5 | 101.3 |
| Total assets | 2,013.5 | 2,029.0 | 2,771.7 |
| Consolidated shareholders' equity | 585.5 | 618.1 | 1,004.7 |
| Financial debt | 955.3 | 889.1 | 991.3 |
| Total liabilities | 1,428.0 | 1,410.9 | 1,766.9 |

| | As of and for the year ended September 30, | | |
|---|---|---|---|
| | 2004 | 2005 | 2006 |
| | (in millions of euro, except ratios) | | |
| **Other Financial Data:** | | | |
| EBITDA(1) | 262.6 | 181.4 | 248.9 |
| Price complements paid | 20.2 | 39.7 | 37.1 |
| Adjusted EBITDA(2) | 282.8 | 221.0 | 286.0 |
| Dividends paid to the shareholders of Tereos | 3.0 | 4.9 | 6.3 |
| Working capital(3) | 260.3 | 299.4 | 219.2 |
| Capital expenditures | 99.4 | 77.1 | 191.4 |
| Net debt(4) | 812.2 | 841.6 | 890.0 |
| Pro forma net debt(5) | — | — | 901.1 |
| Pro forma net debt to Adjusted EBITDA ratio | — | — | 3.2x |
| Pro forma net debt to Adjusted EBITDA ratio (excluding subordinated debt)(6) | — | — | 2.8x |
| Adjusted EBITDA to gross pro forma interest expense ratio(7) | — | — | 3.8x |

*Notes:*

(1) EBITDA is defined as operating income, before depreciation and amortization. You should not consider EBITDA as an alternative to operating profit or net income (as determined in accordance with French GAAP), as an indicator of our operating performance, or as an alternative to cash flows from operating activities, investing activities or financing activities (as determined by French GAAP), or as a measure of liquidity. We use EBITDA as a supplemental measure of operating performance, particularly because it is also an internationally recognized measure that is regularly used by securities analysts, rating agencies, investors and other parties to evaluate a company's operating performance. We also believe that EBITDA is a useful indicator of our ability to service our indebtedness. EBITDA is not a measure of performance under French GAAP and not all companies calculate EBITDA or similarly titled financial measures in the same manner. As such, EBITDA as disclosed by other companies may not be comparable with our use of EBITDA. In future financial years, EBITDA will also include payments that we are required to make to the restructuring fund under the new EU sugar regime.

(2) Adjusted EBITDA is calculated as EBITDA plus the amount of price complements paid to our cooperative members. The price complement is included in our financial statements as part of "purchases and changes in inventory."

(3) Working capital is calculated as the sum of inventory and work-in-progress and trade receivables, less trade payables.

(4) Net debt represents financial debt less cash and cash equivalents and investment securities at end of period.

(5) Pro forma net debt reflects the net debt as of September 30, 2006 as adjusted for the issuance of the notes and use of proceeds therefrom.

(6) The ratio is calculated less debt subordinated in right of payment to the senior credit facility and, after payment in full to the senior credit facility, to the notes issued in this offering.

(7) To calculate pro forma gross interest expense, we have assumed the average revolving credit facility balance, drawn over the year in order to eliminate the seasonality effects of our business on our debt levels. Revolving credit facility drawings usually peak in March each year. For financial year 2006, we have used the average of €229.5 million drawn under our revolving credit facility and applied the relevant spread under the senior credit facility to calculate gross pro forma interest expense.

## RISK FACTORS

*An investment in the notes involves a high degree of risk. You should carefully consider the risks described below before deciding to invest in the notes. In assessing these risks, you should also refer to the other information in this offering memorandum, including the financial statements and related notes. These risks and uncertainties are not the only ones we face. Additional risks and uncertainties that are not currently known to us or that we currently consider immaterial could also impair our business, financial condition, results of operations and our ability to make payments on the notes. Various statements in this offering memorandum, including the following risk factors, constitute forward looking statements.*

### Risks Related to Our Business

***We face risks related to the reform of the European Union sugar regime, which came into force on July 1, 2006, due to lower production quotas, decreased reference prices and an increase in sugar imports into the European Union.***

The reform of the Common Market Organization for Sugar of the European Union, as applicable from July 1, 2006, is expected to have material adverse effects on our business, financial position and results of operations. Within the European Union, the market for sugar and direct substitute products for liquid sugar (isoglucose and inulin syrup) has long been governed by the Common Market Regulations in the Sugar Sector (referred to herein as the "sugar market regulations"). The sugar market regulations provided for guaranteed minimum prices for sugar and sugar beets, production quotas for sugar, sugar purchases through state intervention, higher duties on sugar and raw sugar imports and export refunds for the export of sugar from the European Union.

On June 22, 2005, the European Commission published its final proposal paper on the reform of the EU sugar regime and, on November 24, 2005, the European Union agriculture ministers reached a political agreement on a wide-ranging reform of the Common Market Organization for sugar, based on the European Commission's proposal (see "The New EU Sugar Regime"). The new regime (referred to herein as the "new EU sugar regime"), as in force since July 1, 2006, provides for a gradual reduction in the minimum price for sugar beets of approximately 45% over a period of four marketing years. In addition, beginning with the 2006/2007 marketing year, the EU is replacing the previously applicable intervention price at which the EU would purchase sugar with a reference price that the EU will use to target supply and which will decrease by 36% over four years. If the market price falls below the reference price, the European Commission will provide aid to producers to encourage them to place sugar in storage. The gradual reduction in the minimum price for sugar will significantly reduce the revenues in our European sugar production activity.

The price reduction is coupled with a restructuring fund lasting four years. The restructuring fund has three main objectives: first, to provide incentives to encourage the least competitive producers to leave the industry; second, to provide funds to cope with the social and environmental impacts of factory closure; and, third, to provide funding for the most affected regions in order to develop new activities. If, by the end of the 2009/2010 marketing year, an insufficient number of sugar producers are eliminated from the market and their production quotas transferred to the restructuring fund, the European Commission could order general reductions in production quotas, which would harm competitive sugar and sugar beet producers, including us, by reducing the amount of sugar beets that will be purchased at favorable prices. Under the new EU sugar regime, the quota system has been extended and reference prices have been determined until the 2014/2015 sugar marketing year, which may be followed by a reconsideration of the quota policy. In addition, the EU may always take action before that time to reduce quotas if it chooses. For example, in February 2007, the European Commission announced one-off cuts of 13.5% for the 2007/2008 marketing year, with a decision on additional quota cuts to be made in October 2007. This cut is subject to adjustment by country that may result in our own reductions exceeding the average. It is also possible that the EU may make further quota cuts in coming years and that such cuts may affect us disproportionately. Currently planned and possible future reductions in our quotas will have a material adverse effect on our business, financial condition and results of operations.

Under the new EU sugar regime, developing countries will continue to enjoy preferential access to the EU market at attractive prices. As a result, it is expected that the European Union will transform from a net exporter into a net importer of sugar. Although we have expanded our production to locations such as Réunion Island and Mozambique with the potential to benefit from market access to the EU, we cannot assure you that revenues from this production will offset decreased revenues from our European sugar production.

We have taken measures to address the challenges of the new EU sugar regime, including acquiring sugar businesses outside of Europe and investing in the production of bio-fuels. However, we cannot predict the effects that the new EU sugar regime will have on our business, nor can we assure you that the measures we have implemented or will implement in the future will improve our business, financial condition or results of operations or offset the negative impact on us of the new EU sugar regime.

***We are subject to risks that the final results of the ongoing negotiations within the World Trade Organization ("WTO") as well as future decisions of the WTO in trade disputes could result in further modifications to the current European Union sugar regime or future regulations of the sugar market.***

In the context of the ongoing Doha-Round (the Doha-Round refers to a number of measures that the Commerce and Economics ministers of the Member States of the WTO examined in 2001 and which continues under discussion), WTO Member States are negotiating the concrete measures to be taken towards a further liberalization of trade in agricultural goods. If the European Commission makes further concessions, in particular on external protection, in connection with these discussions or the WTO determines the European Union sugar market regime, in its current or future form, to be incompatible with the WTO Accords, additional modifications beyond that of the recent reforms or future sugar market regulations could become required. Such additional modifications could result in a further reduction of the price for sugar, lower duties or higher quotas for the duty free import of sugar or raw sugar, general reductions in production quotas, higher restructuring duties or other debits for sugar producers in the European Union. Doha-Round negotiations could also lead to lower internal support (such as elimination of production or export refunds or external protection for cereal-based sweeteners, which would negatively affect European producers of starches, glucose syrups and derivative products and decrease the profitability of our glucose activity). Any of these potential changes, if implemented, could have a material adverse affect on our business, financial condition and results of operations.

***Fluctuations in world market prices for sugar or ethanol may adversely affect our business, financial condition and results of operations and competitiveness.***

Our sales of sugar and related products (such as ethanol) do not usually take place at world market prices except in Brazil. The price of sugar and related products in Brazil is generally at world prices and, as a result, a decrease in the world market price for sugar or ethanol could have an adverse effect on our results of operations in Brazil.

In addition, the new EU sugar regime is expected to increase imports to the EU from ACP countries (as defined below), which could cause prices in the EU to move down toward the world market price. If this happens, or if future liberalization of the EU sugar market leads the EU sugar price to approach the world market price, fluctuations in the world market price for sugar could have a strong impact on our sales within the EU and could have a materially adversely affect our business, financial condition and results of operations and our competitiveness.

***We sell commodity products in highly competitive markets, which could limit our ability to maintain or increase our market share and maintain profitability.***

We sell sugar, as well as glucose and ethanol, in highly competitive markets. As sugar, glucose and ethanol are each commodity products, competition for sales volume is based primarily upon customer service, price and reliability. As a result, we may be unable to protect our market position by product differentiation and may be unable to pass on cost increases to our customers.

For example, we compete with other beet sugar refiners and cane sugar processors, some of whom may be able to offer lower prices because they have lower costs or because they have greater financial, technological or other resources than we do. Also, differences in proximity to various geographic markets result in differences in freight and shipping costs, which could increase our costs compared to competitors that are located closer to their customers. In addition, our competitors may be able to respond more quickly to new or emerging technologies or customer requirements than we can. Although our international presence and significant investments in the production of ethanol lead us to believe that we can compete successfully with other major European sugar producers, increased competition and price pressure could have a material adverse effect on our results of operations or cash flows.

***Agricultural growing conditions may materially impact our production quantities.***

Sugar beets, sugar cane and cereals, as with most other crops, are affected by growing conditions, such as weather, soil quality, disease and parasites. If we were to experience growing conditions different from our expectations, we may not be able to produce the quantity and quality of sugar beets, sugar cane and cereals necessary for processing and, as a result, the quantity of our sugar, glucose and ethanol may be negatively affected. A significant reduction in the quantity or quality of sugar beets, sugar cane or cereals harvested resulting from adverse growing conditions could also result in increased per unit processing costs and decreased production, with adverse financial consequences to us.

***The use of sugar substitutes may increase, and as a result the demand for sugar may decrease.***

Sugar faces competition from cereal-based sweeteners, such as high fructose syrups, glucose syrups and derivative sweetening ingredients, including maltodextrins and polyols, as well as non-nutritive, high-intensity sweeteners such as aspartame or sucralose. Differences in functional properties and prices have tended to define the use of these various sweeteners. For example, glucose syrups are generally limited to applications where a liquid sweetener can be used. Non-nutritive sweeteners presently do not provide the bulk and other physical properties of sugar. Although the various sweeteners are not interchangeable in all applications, the substitution of other sweeteners for sugar has occurred in certain products, such as soft drinks. We cannot predict the availability, development or potential use of these and other alternative sweeteners, but if their use decreases demand for sugar, our financial position and results of operations may be adversely affected.

***Changes in consumer and dietary preferences in developed countries, including in our principal markets, may evolve towards a reduced consumption of sugar and sweeteners, from which we derive the majority of our revenues.***

In many developed countries, as populations become more health conscious, consumer and dietary preferences may evolve, resulting in a decline in the overall consumption of foodstuffs containing sugar and sweeteners. Because of concerns about weight gain or dental hygiene, consumers may choose to avoid products that contain sugar or may opt for products containing lower calorie non-sugar sweeteners. In addition, initiatives are ongoing at the World Health Organization and within the EU at various levels to enact legislation to combat obesity, especially among children. Any such legislation could limit advertising of products containing sugar or otherwise seek to reduce demand for such products. Any significant decline in demand for sugar and sweeteners that is not offset by increased sales in new markets or increased market shares could adversely affect our financial position and results of operations.

***Increases in energy costs could adversely affect our profitability.***

We use large quantities of energy in our sugar operations, principally for the processes involved in extracting sugar from sugar beets, sugar cane and grains. In Europe, our factories use natural gas, coal and fuel oil as their primary sources of energy and have some ability to alternate between these energy sources in response to price changes. We negotiate yearly bulk energy contracts for all of our European factories with the lowest-priced suppliers and seek to organize our energy purchases in order to reduce overall costs. Currently, our factories use approximately 41.0% natural gas, 35.7% coal and 23.3% fuel oil. Our production facilities in Brazil, Réunion Island and Mozambique, in contrast, produce their own energy by burning the *bagasse* from sugar cane. As we are a significant purchaser of energy in our European operations, future high energy prices and unforeseen adverse changes in the energy markets may materially adversely affect our production costs and decrease our profitability.

In addition, we are sensitive to fluctuations in the costs of diesel oil. We transport sugar beets and cane from the fields to our factories using trucks powered by diesel oil. In Brazil, the movement of sugar for export from inland factories to the coast requires transportation over long distances by truck. As a result, an increase in the price of diesel oil would increase our operating costs and decrease our operating profits if we were not able to increase the price of our products commensurately.

***Environmental laws and regulations impose costs on us that are difficult to predict and could require us to modify our production facilities and processes.***

Our operations are subject to numerous European, national and local environmental laws and regulations, particularly with regard to site creation, operation and closure, emissions, hazardous waste disposal, water and ground protection and odor and noise control. We have incurred significant costs in the past to comply with such laws and regulations upon their adoption and plan to continue investing considerable sums in the future for environmental compliance. We test our facilities for compliance and we believe that we are in substantial compliance with applicable environmental laws and regulations.

Environmental laws and regulations and French civil liability (tort) rules could expose us to liabilities, including in connection with assets that we no longer own and activities that have been discontinued. In some circumstances, we could be required to pay fines or damages under these laws and regulations or undertake remedial action even if we exercise due care in conducting our operations. Regulatory authorities may also require us to conduct investigations and undertake remedial activities, curtail operations or close facilities temporarily or permanently in connection with applicable laws and regulations, including to prevent imminent risks. In the event of an accident or other incident, we could also become subject to claims for personal injury, property damage or damage to the environment (including natural resources).

In both the developed and the developing world, environmental legislation has tended to become broader and stricter over time. If environmental laws and regulations in the countries in which we are active are gradually strengthened in the future, the extent and timing of investments required to maintain compliance may differ from our internal planning and may limit the availability of funding for other investments. In addition, if the costs of compliance with environmental laws and regulations continue to increase and it is not possible for us to integrate these additional costs into the price of our products, any such changes could reduce our profitability.

For example, in Brazil, the growing authority and demands of the Brazilian environmental agencies due to the strong activity in the ethanol and sugar business, especially in the region of São Paulo, may increase the level of investment required for obtaining or renewing an environmental licence and may result in a more time consuming process.

Moreover, the gradual prohibition on burning cane leaves (which facilitates manual cutting of cane) has led us to gradually implement mechanized harvesting. Although our plans for the implementation of mechanized harvesting are underway, an acceleration in the prohibition timetable would require us to increase our planned investment in harvesting equipment, which, in turn, would limit our ability to fund other investments. In addition, the state of São Paulo has imposed an obligation on growers to dedicate a certain percentage of land used for sugar cane cultivation for native or recreated forest space. The cost of setting aside this land is difficult to predict, and could increase costs for us or our sugar cane suppliers.

In addition, carbon dioxide emissions are becoming increasingly regulated. Since 2005, the EU has established carbon dioxide quotas for European industry in order to limit greenhouse gas emissions and comply with the Kyoto Protocol signed on December 11, 1997. Our factories have been allocated the carbon emission quotas they currently need to operate, but these allocations will be modified in the future, as could our carbon emission needs. In Brazil, implementation rules of the Kyoto Protocol provide that carbon emission credits are accumulated on an annual basis and may be transferred to other production facilities or carried over to subsequent years. Our Brazilian operations currently have the carbon credits they require, but this is subject to change in the future. Consequently, we cannot assure you that we will not need to purchase carbon dioxide quotas in the market, both in the EU and in Brazil, in the future if our allocation declines or our needs increase. Quota purchases could adversely affect our financial condition and results of operations.

We may also incur substantial costs for liabilities arising from past releases of, or exposure to, hazardous substances. In addition, we may discover currently unknown environmental problems or conditions. We cannot assure you that the continued compliance with environmental laws, the discovery of currently unknown environmental problems or conditions, changes in environmental laws and regulations or other unanticipated events will not give rise to claims that may adversely affect our financial condition and results of operations.

***Our activities require significant industrial investments to maintain and expand capacity, which are difficult to predict.***

We produce sugar, glucose, alcohol and ethanol, and other products from sugar beets, cane and grains. The transformation of these raw materials into finished products requires involved industrial processes, technology and machinery. As our profitability is in part dependent on our ability to maintain and expand our production capacity, we must regularly invest in the upkeep and improvement of these industrial processes, technology and machinery. In particular, we have invested and will continue to invest significantly in our new ethanol plants at Origny and Lillebonne in France, and in Brazil. We may not be able to foresee exceptional events requiring extensive capital expenditures, such as machine breakdowns at our facilities or the development of significantly improved technology. Therefore, the amount of our required industrial investments may be difficult to predict. We may be required to make unexpected expenditures which could adversely affect our financial condition and results of operations.

***Fluctuations in currency exchange rates may adversely affect our financial condition and results of operations.***

In the countries outside of the eurozone where we operate (principally Brazil), we seek to balance our local currency revenues and expenses. However, it is impossible to balance currency exposure precisely and, as a result, we may be adversely affected by currency fluctuations in the countries in which we operate. In addition, the world sugar price is denominated in U.S. dollars, so sales at world market prices leave us exposed to fluctuations between the U.S. dollar and the currency of the country of production (usually the Brazilian *real*). Although we seek to hedge this risk with forward contracts, we may not be successful in covering ourselves fully and are subject to counterparty risks in our derivatives contracts. Furthermore, upon consolidation of the financial condition and results of operations of our subsidiaries, the exchange rate between a subsidiary's accounting currency (in particular, the *real*, in which we record results from our Brazilian operations) and the euro may have a material impact on the euro amount recorded in our consolidated financial condition and results of operations.

***Contamination or other product risks could harm our reputation, lead to legal action against us or result in the shutdown of our production facilities.***

Our operations are subject to hazards and liability risks, such as potential contamination, through tampering or production error, of ingredients or products. Contamination of any of our products could result in the need for a product recall, which could significantly damage our reputation for product quality. Any such contamination could also result in legal action against us from third parties, including consumers, which may adversely affect our financial position or results of operations, as well as our reputation. We believe that our reputation for product quality is one of our principal competitive advantages and, as a result, any such damage to our reputation for quality could have a material adverse effect on us. Although we endeavor to control the risks related to product quality and security through the implementation of and strict adherence to our quality standards, we cannot guarantee that such risks will not materialize.

In addition, many of our products must comply with strict national and international hygiene regulations and customer requirements. Our production facilities are subject to regular inspection by authorities for compliance with hygiene regulations applicable to the manufacturing of foodstuffs and the traceability or labeling of genetically modified organisms. We believe that all of our production facilities are in full compliance with the European and other regulations applicable to the manufacturing of foodstuffs and the traceability or labeling of genetically modified organisms. Despite the precautions we undertake, should any non-compliance with such regulations be discovered during an inspection, authorities may temporarily shut down the facility concerned and fine us for violations. Any production lost due to a shut down or the threat of a shutdown could adversely affect our results of operations and profitability.

***We are subject to certain risks due to our mergers and acquisitions.***

An aspect of our current business strategy is to pursue strategic acquisitions. These acquisitions may be in Europe, Brazil, Southern Africa or elsewhere, though we expect that they will expand capacity in our current business lines. In previous years, we have acquired various entities and assets within the sugar industry in France and abroad. See "Business—History and Organization." and "Management Discussion and Analysis of Financial Condition and Results of Operations—Factors that Affect our Results of Operations—Acquisitions, Dispositions and Partnerships". We regularly explore and pursue opportunities with respect to possible acquisitions of businesses or assets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments." Future transactions of this type could result in the incurrence of debt and contingent liabilities and an increase in amortization expenses related to goodwill and other intangible assets, which could have a material adverse effect upon us.

Mergers and acquisitions, whether completed or in the future, present various financial and management-related risks, including:

- integration of the acquired businesses in a cost-effective manner, including the integration of management information and financial control systems, marketing, customer service and product offerings;
- implementation of our intended business strategy for the combined entity;
- diversion of our management's attention away from other business concerns;
- outstanding or unforeseen legal, regulatory, contractual, labor or other issues arising from the acquisitions;
- liabilities of acquired companies, including any undisclosed or potential liabilities;
- additional capital expenditure requirements;
- retention of customers;
- harm to our reputation or sales and business relationships resulting from, or in connection with, any head count reductions or other cost-saving measures;
- integration of different company and management cultures;
- operating in new geographic markets;
- the need for more extensive management coordination; and
- retention, hiring and training of key personnel.

Should any of the above risks associated with current or future mergers and acquisitions materialize, it could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to risks related to our international operations that could harm our business and results of operations.***

With operations in several countries outside of France, our business and results of operations are subject to various risks inherent in international operations. These risks include:

- difficulties in attracting and retaining qualified management and employees;

- general adverse economic conditions;
- compliance with a variety of regulatory requirements;
- subjection to multiple taxation regimes, including regulations relating to transfer pricing and withholding tax on remittance and other payments by or to subsidiaries or joint ventures;
- longer accounts receivables payment cycles;
- difficulties of collecting receivables;
- difficulties of enforcing agreements;
- fluctuations in currency exchange rates;
- variance in pricing restrictions;
- political instability;
- natural disasters;
- uncertain or changing climate conditions;
- foreign exchange controls and restrictions on repatriation of funds; and
- import restrictions.

We are exposed to these risks in all of our foreign operations to some degree, and our exposure could be particularly material to our financial condition and results of operations where the political and legal environment is less stable and where we generate significant revenue or have large local investments, such as in Brazil and Mozambique.

Our successful expansion abroad depends, in part, upon our ability to succeed in differing economic, social and political conditions. We may not be able to develop and implement policies and strategies that are effective in each location where we do business, which could negatively affect our business and financial condition.

***The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian economic and political conditions could have a direct impact on our business.***

Our Brazilian operations represent an important and growing portion of our business. The Brazilian economy has been characterized by frequent, and occasionally drastic, intervention by the Brazilian government, which has often changed monetary, credit and other policies to influence Brazil's economy. The Brazilian government's actions to control inflation and affect other policies have often involved wage and price controls and fluctuation of the Central Bank's base interest rates. Actions taken by the Brazilian government concerning the economy may have important effects on companies operating in Brazil. For example, in the past, the Brazilian government maintained domestic price controls, and we cannot assure investors that price controls will not be re-imposed in the future. Our financial condition and results of operations may also be adversely affected by the following factors and the Brazilian government's actions in response to them:

- devaluations and other exchange rate movements;
- inflation;
- economic and social instability;
- energy shortages;
- interest rates;
- exchange controls and restrictions on remittances abroad;
- liquidity of the domestic capital and lending markets;
- tax policy; and
- other political diplomatic, social and economic policies or developments in or affecting Brazil.

For example, Brazil has historically experienced high rates of inflation. Inflation, as well as government efforts to combat inflation, had significant negative effects on the Brazilian economy, particularly prior to 1995. The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, restricting thereby the availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions also may contribute materially to economic uncertainty in Brazil, which may adversely affect the overall performance of the Brazilian economy, which in turn could adversely affect our operations.

***Our sales of ethanol depend on government support for biofuels.***

In accordance with our strategy to diversify our business beyond sugar production, we have taken steps to expand our activities in the ethanol sector, including building a new unit in Lillebonne, France that is expected to process 830,000 tons of wheat annually in order to produce three million hectoliters of ethanol and the upgrade of our facility in Origny, France completed in October 2006, which increased annual production capacity from 355,000 hectoliters to three million hectoliters of ethanol. Our profitability in this sector will vary with the market price of ethanol, which is extremely difficult to predict and (outside of Brazil, where ethanol prices fluctuate based largely on market forces) depends to a significant degree on government regulations.

Without government support, biofuels (including ethanol) produced in the European Union are not competitive with fossil fuels. Growth in the biofuel market is therefore dependent on the existence of a regulatory framework at the European Union level and corresponding provisions at the national level.

The regulatory framework for the biofuels market is currently undergoing significant changes, the result of which cannot be predicted with certainty. Currently, government support for biofuels in the European Union and its Member States is primarily implemented by means of tax benefits and biofuel blending obligations for diesel and gasoline. In France, ethanol fuel produced in quantities authorized by the government is currently partially exempt from the excise tax on petroleum products. This exemption is dependent on the finance law passed by the French legislature each year, and may not continue to be renewed in the future.

French law also provides incentives for fuel producers to blend ethanol with fossil fuels. The French government has set targets for 2007, 2008 and 2009 of 3.5%, 5.75% and 7.0%, respectively for the percentage of ethanol to be blended into motor fuels. Producers who respect these percentages will be exempted from paying the tax on polluting activities (*taxe générale des activités polluantes*). An amendment or the complete cancellation of European or national measures promoting biofuels (for example cancellation of the exemption from the excise tax or the polluting activities tax) could lead to a drop in demand for ethanol, thereby adversely affecting our business, financial condition and results of operations.

***We could suffer from increased non-European competition if European Union import duties on ethanol are reduced or canceled.***

Imports of ethanol from into the European Union are subject to a European Union import duty. The duty for denatured ethanol is currently 10.2 cents per liter and the duty for un-denatured ethanol is 19.2 cents per liter. Currently, only denatured ethanol falls under the definition of a biofuel in France and is therefore exempt from taxation. New regulations and pressures to liberalize European agricultural policy could lead to a significant reduction or cancellation of import duties in the medium or long term. If European Union import rules were changed and the import duties on ethanol were reduced or completely eliminated, or if denatured ethanol were also approved as a biofuel in the future, ethanol producers benefiting from lower local production costs, especially those in Brazil and the United States (the largest producers), could offer ethanol at a lower price on the European market. Any such change would place downward pressure on the price of ethanol in Europe and while our Brazilian operations might benefit, these imports could have significant adverse effects on our business, financial condition and results of operations in Europe.

***The expansion of ethanol production could lead to overcapacity.***

Government support measures for biofuels and the increase in the crude oil price are currently resulting in a significant expansion of production capacity for biofuels, including ethanol. We are investing in production at our new Origny and Lillebonne plants and plan to make further significant investments, resulting in expected production capacity of 6 million hectoliters of ethanol per year in spring 2007. Our competitors are also expanding ethanol production capacity. This significant expansion of ethanol production facilities could lead to future overcapacity in the ethanol market and in the market for co-products. If such overcapacity were to occur, we (as well as other ethanol producers) would be forced to reduce our prices or the quantities sold. A reduction in prices or quantities sold would have an adverse effect on our revenues. An expansion of capacity could also increase the demand for the raw materials needed for ethanol production, thereby increasing our costs and reducing our earnings.

***In Brazil, the price of ethanol is volatile and strongly correlated with the price of gasoline.***

The market price for ethanol is volatile and has been subject to significant fluctuations. In Brazil, where ethanol is less subject to government regulation than in the EU, and flex-fuel cars are popular, the price of ethanol has exhibited a clear correlation with the price of gasoline, which, in turn, is primarily influenced by changes in the price of crude oil. As is the case with the price of crude oil, the price of gasoline has been subject to significant fluctuations in the past. Moreover, Brazil's gasoline distribution is controlled by Petrobrás, a government-controlled entity, and the price and the distribution of gasoline may be used, therefore, as a political instrument, Recently, both crude oil and gasoline have experienced a significant increase in price. If future price decreases on international crude oil markets, changes in exchange rates cause the price of gasoline to fall to a level below the historically very high level it is at today or Petrobrás influences a decrease in gasoline prices, this could lead to a corresponding decrease in the price of ethanol. In addition, technological advances, regulatory provisions, changes in consumption habits or the amendment of existing legislation in order to allow or provide incentives for greater substitution of gasoline by diesel could also lead to a decrease in the demand for gasoline, and a consequent decrease in the demand for ethanol in Brazil. A fall in the price of ethanol due to one or more of the factors described above could have an adverse effect on our profit margins and, consequently, our business, financial condition and results of operations.

***We may be harmed by competition from alternative fuel concepts, products and production methods.***

Ethanol competes in the biofuel market with other, established fuels as well as fuel concepts that are still in the development phase. In addition to biodiesel, other examples of these competitors are BTL (biomass to liquid), methanol and butanol. There can be no assurance that alternative fuel concepts might not become more successful than ethanol in the biofuels market over the medium or long term, due, for example, to lower production costs, greater environmental benefits or other more favorable product characteristics. Furthermore, our success depends on early identification of new developments relating to products and production methods, and continuous expansion and preservation of our existing expertise in order to ensure that our product range keeps pace with technological change. Competitors may attain an advantage by, for example, developing or using new products and production methods and/or by introducing new products to the market sooner than us, or by securing exclusive rights to new technologies, thereby having a significant negative effect on our competitive position. If we were unable to identify new developments relating to alternative fuel concepts, products and production methods at a sufficiently early stage, and to make appropriate adjustments to our fuel concepts, products and production methods, this could substantially affect our business, financial condition and results of operations.

***We would suffer a competitive disadvantage due to failure to obtain government licenses to produce ethanol in France.***

In certain EU Member States including France, the tax benefits for ethanol production are only granted to those in possession of government licenses. These licenses are generally awarded in a tender process in which all ethanol producers resident in the country may take part. We currently possess licenses to produce 3.4 million hectoliters of ethanol per year from 2009 to 2011, both as an additive to other fuels and in the form of ethyl tertiary butyl ether ("ETBE"), as compared to our expected production capacity of 6 million hectoliters per year. If our licenses expire or are not extended, if we do not obtain additional licenses for our planned production increases or if producers to whom we sell ethanol as an additive lose or do not obtain sufficient licenses it might not be possible for the ethanol we produce to be sold in the French market, in which case it would have to be exported to other EU Member States. The resulting increase in transport and logistical costs incurred. Other EU Member States might also make tax benefits contingent on possession of government licenses, thereby making access to these markets more difficult for us. These developments could also have adverse effects on our business, financial condition and results of operations.

***Our success depends on the continued service of certain key personnel.***

Our success depends in significant part upon the continued service of our directors and senior management, as well as senior management at each of our material subsidiaries, including our Chairman and CEO, Philippe Duval, our CFO, Renaud Wattinne, our Agricultural Director, Yves Belegaud, our Manufacturing Director, Denis Brot, and our Sales Director, Jean-Pierre Durris. Our future growth and success also depends on our ability to attract, train, retain and motivate skilled managerial, sales, administration, operating and technical personnel. The loss of one or more of our key management or operating personnel, or the failure to attract and retain additional key personnel, could have a material adverse impact on our business.

***Significant disruption in our workforce could adversely affect us.***

As of December 31, 2006, we employed 6,498 people full time, 2,462 of whom were located in France. If we were to make any changes to the terms of employment for any of our employees and such employees were to react adversely to these changes, we could experience labor disputes and work stoppages at one or more of our sites. Many of our operations are located in France, where there is a history of labor disputes and work stoppages. In particular, at the beginning of each growing season, we negotiate the pay scales of employees in our sugar factories, which often involves the threat of work stoppages. When work stoppages have been used in the past as part of these negotiations, they have been of short duration and have not had a material impact on our sugar production. However, we cannot assure you that a future labor disturbance or work stoppage at any of our facilities would not have an adverse effect on that facility's operations and, potentially, on our business.

***Changes related to our use of manual labor to cut sugar in Brazil could negatively affect our operations.***

The manual cutting of sugar cane involves the hiring of a significant number of seasonal workers, whose working and housing conditions are subject to increasing scrutiny from governmental and non-governmental entities. Although we believe that our employment conditions in Brazil (in terms of housing, compensation and health care) are well above the industry average, regulatory changes could require us to increase expenditures beyond our current expectations. Alternatively, the transition to mechanized cane cutting in response to environmental concerns may lead to significant job losses among manual cane cutters and social unrest. Either the increased employment expenditures or social unrest could materially and adversely affect our business, financial condition or results of operations.

***A change in the legal status of Tereos as a French agricultural cooperative union would materially adversely affect its tax position.***

Tereos is established as a French agricultural cooperative union (*union coopératives agricole*s) under the French Rural Code of 1947. As a result of this status, Tereos is exempt from corporate income taxation on profits derived from our sale of products manufactured in France from sugar beets purchased from our cooperative members. In addition, Tereos is assessed for *taxe professionnelle* (French trading tax) on the basis of only 50% of its revenues, as opposed to 100% for other corporate forms. French legislators from time to time discuss amending or abolishing the status of agricultural cooperative unions, although there are no such proposals currently before the French legislature. If the applicable provisions of the French Rural Code were to be amended or abolished or if the French tax authorities were to legally recategorize Tereos as a company, Tereos could be subject to significant additional tax liability, which could materially adversely affect our financial position and results of operations.

***Changes in accounting principles may affect our reported earnings and operating income.***

We currently report our financial condition and results of operations in French GAAP, although we may in the future begin reporting in IFRS. We review our compliance with all new and existing accounting rules and pronouncements on an ongoing basis, and are currently studying the impact that IFRS will have on our financial statements. Depending on the outcome of this ongoing review, the evolution of our business model and the potential issuance of further accounting pronouncements, implementation guidelines and interpretations, we may be required to modify our accounting policies and business practices, which could have a material adverse effect on our results of operations or reported historical and future financial reporting. In addition, the implementation of new or modified internal controls in connection with a transition to IFRS would reveal material weaknesses in our existing controls.

***This offering memorandum contains financial statements prepared under French GAAP and a discussion of our results of operations under French GAAP, which differ significantly from IFRS and US GAAP.***

This offering memorandum contains financial statements and other financial information prepared and presented in accordance with French GAAP, and the discussion and analysis of our financial condition and results of operations is based on our consolidated French GAAP financial statements. French GAAP, IFRS and U.S. GAAP differ materially from one another. This offering memorandum does not include any reconciliation to IFRS or U.S. GAAP of the financial statements and other financial information prepared and presented in accordance with French GAAP. A narrative description of the differences between French GAAP and IFRS is provided in "Summary of Certain Differences Between French GAAP and International Financial Reporting Standards" but this offering memorandum does not contain a narrative description of differences between French GAAP and U.S. GAAP or between IFRS and U.S. GAAP. It is possible that a reconciliation or other qualitative or quantitative analysis would identify material differences between our financial statements and other financial information if they had been prepared in IFRS or U.S. GAAP. You should consult your own accounting advisors for an understanding of the differences between French GAAP, IFRS and U.S. GAAP and how those differences might affect the financial statements and other financial information in this offering memorandum.

## Risks Related to our Capital Structure

***Our significant leverage and debt service obligations could adversely affect our business, financial condition, operating results or our ability to make payments on the notes.***

We have a significant amount of indebtedness. As of September 30, 2006, after giving pro forma effect to the issuance of the notes in this offering and the application of the proceeds therefrom as described under "Use of Proceeds" and "Capitalization," we, including our subsidiaries, would have had €352.4 million of secured indebtedness under our senior credit facility, we, excluding our subsidiaries, would have had an additional €147.0 million of other indebtedness and our subsidiaries (other than the issuer) would have had an additional €502.2 million of other indebtedness, trade payables and other liabilities outstanding.

Our debt service obligations could have important consequences for you, including the following:

- increasing our vulnerability to general adverse economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and investments and other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate;
- placing us at a competitive disadvantage compared to our competitors that are less leveraged;
- the debt service requirements of our other indebtedness could make it more difficult for us to make payments on the notes; and
- limiting, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds on favorable terms or at all.

***Our debt agreements contain restrictive covenants that may limit our ability to respond to changes in market conditions or pursue business opportunities.***

The indenture pursuant to which the notes will be issued, the agreements in respect of our senior credit facilities and our other financing arrangements contain restrictive covenants limiting our ability and the ability of certain of our subsidiaries to:

- incur or guarantee additional indebtedness or issue preferred shares;
- incur off-balance sheet commitments;
- pay dividends or make other distributions;
- purchase equity interests or redeem subordinated indebtedness before its stated maturity;
- enter into a joint venture;
- create or permit to exist certain liens or other encumbrances of their assets;
- create or incur restrictions on the ability to pay dividends or make other payments to us;
- enter into certain types of transactions with our affiliates;
- limit dividends or other payments by restricted subsidiaries;
- issue or sell capital stock of subsidiaries;
- change substantially the nature of our business;
- engage in new sale and leaseback transactions;
- change our corporate objective or the nature of our activities; and
- sell assets or merge or consolidate with another company.

Complying with the restrictions contained in some of these covenants requires us to maintain specified financial ratios and satisfy specified financial tests. Events beyond our control may affect our ability to comply with those provisions and we may not be able to meet those ratios and tests. The breach of any of these covenants would result in a default under our senior credit agreement and the lenders could elect to declare all amounts borrowed under our senior credit facilities, together with accrued interest and other ancillary amounts, to be due and payable and could proceed against the collateral securing that indebtedness. If any of our indebtedness were to be accelerated, our assets may not be sufficient to repay in full that indebtedness and the notes.

***To service our indebtedness, we and our subsidiaries will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.***

Our ability to make payments on our indebtedness, including the notes, and to fund planned capital expenditures will partly depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations, as we implement our strategy to deal with the new EU sugar regime, including our expansion of ethanol production activities and expansion in markets outside France. If we are unable to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot assure you that any refinancing or debt restructuring would be possible, that any assets could be sold or, if sold, the timing of the sales and the amount of proceeds realized from those sales, or that additional financing could be obtained on acceptable terms or at all. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources”.

***The issuer is a finance subsidiary that has no revenue-generating operations of its own and will depend on cash received under the note proceeds loan in order to make payments on the notes.***

The issuer is a finance subsidiary and conducts no revenue-generating operations. Its only material asset is its right to receive payments under the note proceeds loan. The ability of the issuer to make payments on the notes is therefore dependent on the payments received pursuant to the note proceeds loan. If payments under the note proceeds loan agreement are not made by Tereos, for whatever reason, the issuer does not expect to have any other sources of funds available to it that would permit it to make payments on the notes. In such circumstances, holders of the notes would have to rely upon claims for payment under the guarantee granted by Tereos.

***Our ability to make payments under the note proceeds loan and the guarantee is dependent on our future operating performance.***

The ability of Tereos to make payments under the proceeds loan and, in turn, the ability of the issuer to make payments on the notes, and the guarantee granted by Tereos in respect of the notes, are ultimately dependent on the operating results and cash flows of Tereos and its subsidiaries (other than the issuer). We cannot assure you that we will generate sufficient cash or that our subsidiaries will generate sufficient distributable reserves to dividend that cash to Tereos for application to payments on the note proceeds loan or payments required to be made pursuant to the guarantee. These payments will depend on our future operating performance, which is subject to prevailing economic conditions, industry cycles and financial, business and other factors, many of which are beyond our control. Furthermore, the ability of those subsidiaries to distribute earnings to Tereos by way of dividends, distributions, interest, returns on investments and other payments is subject to various restrictions arising under applicable corporate law (which, for instance, generally limits the amount that may be paid as a dividend out of the retained profit of the relevant entity). There can be no assurance that our business will continue to generate cash flows from operations to service the note proceeds loan or to make payments under the guarantee.

***Tereos, the issuer and Tereos' other subsidiaries may still be able to incur substantially more indebtedness.***

Subject to the restrictions contained in the indenture governing the notes and in other agreements governing our outstanding indebtedness, Tereos and its subsidiaries may be able to incur substantial additional indebtedness (including secured indebtedness) in the future, some of which could be structurally senior to the notes or the guarantee, including secured indebtedness. As of September 30, 2006, Tereos had availability of €100.4 million of the term loan portion under its senior credit facility and Tereos and its subsidiaries had borrowing capacity of up to €467.6 million under its revolving credit facilities and €200.0 million under its acquisition facility. All of those borrowings would be secured, and as a result, would be effectively senior to the notes. The incurrence of additional indebtedness would increase the leverage-related risks described in this offering memorandum which could affect our ability to meet our payment obligations under the notes.

***Our variable rate indebtedness subjects us to interest rate risks, which could cause our debt service obligations to increase significantly.***

Certain of our borrowings, primarily borrowings under our senior credit facilities, are at variable rates of interest and expose us to interest rate risk. At September 30, 2006, over 90% of our financial debt was at variable interest rates. We traditionally hedge some, but not all, of our floating interest rate exposure under these facilities. If interest rates increase, our debt service obligations on the variable rate indebtedness that is not hedged would increase even though the amount borrowed remained the same, and our net income and cash available for servicing our indebtedness, including the notes, would decrease and would therefore reduce the funds available to finance our operations and future business opportunities.

### Risks Related to the Notes

***Your right to receive payment under the guarantee granted by Tereos, and the issuer's right to receive payments under the note proceeds loan from Tereos, will be structurally subordinated to claims of creditors of all of Tereos' subsidiaries other than the issuer.***

Neither the notes nor the guarantee granted by Tereos are guaranteed by any of Tereos' other subsidiaries and the note proceeds loan is only an obligation of Tereos. Accordingly, claims of holders of the notes in respect of the guarantee and the note proceeds loan will be structurally subordinated to the claims of creditors of Tereos' subsidiaries, including trade creditors. As of September 30, 2006, on a pro forma basis assuming the closing of the offering, Tereos' other subsidiaries would have had €502.2 million of other third-party indebtedness, trade payables and other liabilities outstanding. All obligations of such subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to us.

***Your right to receive payment under the guarantee, and the issuer's right to receive payments under the note proceeds loan, will be effectively subordinated to Tereos' secured and its subsidiaries' indebtedness and, as a result, in the event of a foreclosure on those assets, we may not be able to satisfy your claims after satisfying the claims of secured lenders.***

Our senior credit facilities are secured by certain of our receivables, first-ranking pledges over shares of certain of Tereos' subsidiaries and certain sugar stocks of Tereos and Raffinage Tereos, a subsidiary of Tereos. The notes will be secured by a first-priority pledge over the note proceeds loan and the guarantee will be secured by a second-priority pledge over shares of certain of Tereos' subsidiaries. The note proceeds loan will be a general, unsecured obligation of Tereos ranking *pari passu* in right of payment with all senior indebtedness of Tereos. As of September 30, 2006, on a pro forma basis after giving effect to the offering and the application of the proceeds therefrom, Tereos and its subsidiaries would have had €352.4 million of secured indebtedness under its senior credit facility, Tereos, excluding its subsidiaries, would have had an additional €147.0 million of other indebtedness, and Tereos' subsidiaries (other than the issuer) would have had an additional €502.2 million of other indebtedness, trade payables and other liabilities outstanding. In the event of bankruptcy, liquidation or reorganization, the guarantee and the note proceeds loan will be effectively subordinated to such higher-priority secured indebtedness of Tereos and its subsidiaries, to the extent of the assets securing any such indebtedness. In the event of a bankruptcy, liquidation or reorganization, any assets of Tereos that remain after payment to its higher-ranking secured creditors, including those granted to the lenders under our senior credit facility, may not be sufficient to pay the applicable amounts due pursuant to the guarantee or under the note proceeds loan. Additionally, after any such foreclosure, it is likely that we would not continue operating our business, in which case we could not generate any additional funds to satisfy your claims under the notes and the notes proceeds loan.

***Your security over the shares of certain of Tereos' subsidiaries ranks behind the security over those shares benefiting the lenders under the senior credit facility and your rights to enforce your security over the shares are limited.***

The obligations of Tereos under or with respect to the senior credit facility are secured in particular by a first priority security interest granted by Tereos in the share capital of the following subsidiaries of Tereos: Berneuil Participations, SDA Brabant, Tereos Coproduits, Commerciale Tereos, Tereos Finance, Raffinage Tereos, BENP, Distillerie de la Région de Chalons and certain of the shares of Guarani (the "pledged shares") effected by way of French law pledge of securities account (*nantissement de compte d'instruments financiers*), except for the security interests in the Guarani shares, which are effected by way of a Brazilian share pledge. On or about the date of the issuance of the notes, Tereos will enter into one or more share pledge agreements, pursuant to which all of the pledged shares will be pledged to the registered holders of the notes on a second-priority basis. The proceeds of any sale of the pledged shares on enforcement will be applied, first, to repay all debt of Tereos under or with respect to the senior credit facility and, thereafter, to repay Tereos' obligations under the guarantee. Consequently, you may not be able to recover on the pledged shares because the lenders under the senior credit facility will have a prior claim on all proceeds realized from any enforcement of the share pledges.

In addition, in accordance with the terms of the second-priority pledges over the pledged shares, the holders of the notes are not permitted to enforce their second-priority security over the pledged shares unless and until the lenders under the senior credit facility enforce their rights in respect of the security over the relevant pledged shares or to take steps which may interfere with the enforcement of such rights.

***French and Brazilian law may adversely affect the validity and enforceability of the second-priority share pledges.***

The second-priority share pledges over shares of certain of Tereos' French subsidiaries benefiting the holders of the notes are, like the first-priority share pledges in favor of the lenders under the senior credit facility, governed by French law and take the form of a pledge over the securities account (*nantissement de compte d'instruments financiers*) in which the relevant shares are registered. Although there is no express prohibition under French law or any authoritative case law on granting a second-priority pledge of a securities account, some academics have questioned whether a second-priority pledge is legally effective, to the extent that a pledge of a securities account is deemed, under French law, to remove the securities account from the possession of the grantor, thereby preventing such grantor from granting another, second- or further priority pledge thereon.

In order to create the second-priority share pledges over the shares of the pledged subsidiaries, the person who, further to the creation of the first-priority shares pledge, is deemed as a matter of French law to have possession of the relevant securities accounts on behalf of the first-priority share secured creditors, will be required to accept to hold such securities account for the benefit of the holders of the notes as beneficiaries of the second-priority pledges. This acceptance should satisfy the general French civil law requirement of possession of the pledged asset by or on behalf of the secured creditor (*entiercement*). It is also required that the first-priority beneficiaries of the pledge agree to such creation of a subsequent priority pledge (which consent has been obtained in the present case). Although there is no case law on the matter, a number of legal academics and practitioners are of the opinion that the creation of second-priority pledges of securities through such a form of *entiercement* is valid. We cannot assure you, however, that a court would concur with such beliefs and positions.

With respect to the second-priority share pledges over shares of one of Tereos' Brazilian subsidiaries, while there is no express prohibition under Brazilian law on granting a second-priority pledge of a security, some legal academics have questioned whether a second-priority pledge is legally permissible. Although there is no case law on the matter, a number of other legal academics and practitioners are conversely of the opinion that the creation of second-priority pledges of securities is valid. However, we cannot assure you which beliefs and positions a court would concur with and which decision a court would issue in a specific case.

***You may be required to pay a "soulte" in the event you decide to enforce the share pledges by judicial attribution of the shares rather than by a sale of the shares in a public auction.***

Under the terms of the share pledges, they may be enforced at the option of the secured creditor either by a sale of the pledged shares in a public auction (the proceeds of the sale being paid to the secured creditors) or by the judicial attribution of the shares to the secured creditor (*attribution judiciaire*, referred to below as foreclosure), following which the secured creditors become the legal owner of the pledged shares. In the foreclosure proceedings provided for by law referred to in the first-ranking and second-ranking share pledges, a court-appointed expert values the collateral (in this case, the shares) and, if the value of the collateral exceeds the amount of secured debt, the secured creditors may be required to pay the obligor a cash amount (*soulte*) equal to the difference between the value of the shares foreclosed and the amount of the secured debt which was legally discharged thereby. This is required regardless of the actual amount of proceeds ultimately received by the secured creditors from a subsequent sale of the collateral.

Consequently, in the event the lenders under the senior credit facility or the holders of the notes decide to, and are entitled to, enforce the share pledges through foreclosure proceedings and if the value of the shares which are foreclosed upon exceeds the amount of the secured debt, the lenders under the senior credit facility and the holders of the notes which are the beneficiaries of the foreclosure (as applicable) may be required to pay Tereos a *soulte* equal to the value by which those shares exceed the amount of secured debt deemed to be discharged by the foreclosure proceedings.

If the value of the shares is less than the amount of the secured debt, the creditors' claims with respect to the relevant share pledges will nevertheless be released up to the values of the shares, and the relevant creditor will no longer be a secured creditor under such share pledges for the remaining unpaid debt.

Should the noteholders decline to request the foreclosure of the shares, a realization of the pledged shares could be undertaken by public auction in accordance with French law (it being noted that, at the time the first-ranking share pledges were entered into, the now permissible private auction process had not been introduced under French law and was therefore not organized for by the first-ranking share pledges). As the French public auction procedures are not designed for a sale of companies the size of those whose shares are pledged, however, it is possible that the sale price received in any such auction might not reflect the value of the company as a going concern.

***If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the notes.***

Any default under the agreements governing our indebtedness, including a default under our senior credit facilities that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the notes and substantially decrease the market value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest and other ancillary amounts on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including our senior credit facility), we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest and other ancillary amounts, the lenders under our senior credit facility could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders under our senior credit facility to avoid being in default. If we breach our covenants under our senior credit facility and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our senior credit facility, the lenders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation.

***Although we will be required to offer to repurchase the notes upon a change of control, we may not have sufficient financial resources to purchase all notes that are tendered.***

Upon the occurrence of specific kinds of change of control events, including the sale, lease or transfer of "all or substantially" all of the assets of the guarantor and its subsidiaries taken as a whole, the issuer will be required to offer to repurchase all outstanding notes at 101% of their principal amount, plus accrued and unpaid interest. However, the issuer may not have sufficient financial resources to purchase all of the notes that are tendered upon a change of control offer. Any such failure to repurchase the notes could constitute a default under the indenture governing the notes.

***You may not be able to recover in civil proceedings for U.S. securities law violations.***

The issuer and the guarantor are organized outside the United States. Their directors and executive officers are non-residents of the United States. You may be unable to effect service of process within the United States on these directors and executive officers. In addition, as all of Tereos and its subsidiaries' assets and those of its directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in the U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States.

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with France. There is, therefore, doubt as to the enforceability in France of civil liabilities based upon U.S. securities laws in an action to enforce a U.S. judgment in France. In addition, the enforcement in France of any judgment obtained in a New York court based on civil liabilities, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that a French court would have the requisite power or authority to grant remedies sought in an original action brought in France on the basis of U.S. securities laws violations. For further information see "Legal Matters—Enforceability of Civil Liabilities."

***There are restrictions on your ability to transfer or resell the notes, which may have an adverse effect on the value of the notes.***

The notes are being offered and sold pursuant to exemptions from registration under U.S. and applicable state securities laws. The notes have not been and will not be registered under the Securities Act or any U.S. state securities laws and we have not undertaken to effect any exchange offer for the notes in the future. The notes and the indenture will contain provisions that will restrict the notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the U.S. Securities Act. You may transfer or resell the notes in the United States only in a transaction registered under or exempt from the registration requirements of U.S. and applicable state securities laws. Therefore, you may be required to bear the risk of your investment for an indefinite period of time. Furthermore, we have not registered the notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the notes within the United States and other countries comply with applicable securities laws. See "Notice to Investors."

***Your ability to transfer the notes may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the notes.***

The notes are new issues of securities for which there is no established public market, although we have applied to admit the notes for trading on the Euro MTF market. The initial purchasers have advised us that they intend to make a market in the notes as permitted by applicable laws and regulations; however, the initial purchasers is not obligated to make a market in the notes, and they may discontinue their market making activities at any time without notice. Therefore, we cannot assure you that an active market for the notes will develop or, if developed, that it will continue. Historically, the market for non-investment grade debt has been subject to substantial volatility in the prices of securities similar to the notes. The market, if any, for the notes may experience similar volatility. In addition, subsequent to their initial issuances the notes may trade at discounts from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our financial and operating performance and other factors.

***Your rights as a noteholder will be limited so long as the notes are issued in book entry interests.***

Owners of the book entry interests will not be considered owners or holders of the notes unless and until definitive notes are issued in exchange for book entry interests. Instead, the common depositary for Euroclear and Clearstream will be the sole holder of the notes.

Payments of principal, interest and other amounts owing on or in respect of the notes in global form will be made to the principal paying agent, which will make payments to Euroclear and Clearstream. Thereafter, such payments will be credited to Euroclear and Clearstream participants' accounts that hold book entry interests in the notes in global form and credited by such participants to indirect participants. After payment to Euroclear and Clearstream none of us, the trustee or any paying agent will have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts to Euroclear and Clearstream, or to owners of book entry interests.

Owners of book entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the notes, including enforcement of security for the notes. Instead, if you own a book entry interest, you will be reliant on the common depositary (as registered holder of the notes) to act on your instructions and/or will be permitted to act directly only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions or to take any other action on a timely basis.

***French insolvency laws may not be as favorable to you as the insolvency laws of the United States or other countries.***

We are organized in France and, consequently, any insolvency proceeding involving us should proceed under the laws of France to the extent the center of our main interests is deemed to be in France. In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors.

In addition to insolvency laws discussed below, as our creditors you could also be subject to article 1244-1 of the French Civil Code (*Code civil*).

Pursuant to article 1244-1 of the French Civil Code, French courts may, in any civil proceeding involving the debtor, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the legal rate) and that payments made shall first be allocated to repayment of principal. A court order made under article 1244-1 will suspend any pending enforcement measures, and any contractual interest or penalty for late payment will not accrue or be due during the period ordered by court.

The following French insolvency proceedings may be initiated against a company in France:

(a) safeguard proceedings (*procédure de sauvegarde*), if it is facing difficulties which it cannot overcome that may lead it to being in cessation of payments (i.e. being unable to pay its debts as they fall due out of its available assets); or

(b) judicial reorganization (*redressement judiciaire*) or judicial liquidation (*liquidation judiciaire*) proceedings if it cannot pay its due debts out of its available assets.

The proceedings may be initiated against the company before the relevant court:

- in the event of (a) above, upon petition by the company only; and
- in the event of (b) above, on the court's own initiative or upon petition by the company, any creditor or the public prosecutor.

While the company may file for safeguard proceedings, it is required to petition for the opening of judicial reorganization or judicial liquidation proceedings within 45 days of becoming unable to pay its due debt out of its available assets. If it does not, and has not filed for or is not in conciliation proceedings, directors and, as the case may be, de facto managers, are subject to civil liability.

In safeguard proceedings the administrator's mission is limited to the debtor's assistance to prepare a reorganization plan of the company. In judicial reorganization proceedings the administrator's mission is usually to assist in the management and to make proposals for the reorganization of the company, which proposals may include the sale of all or part of the company's business to a third party. At any time during this observation period, the court can order the liquidation of the company.

The date when the debtor becomes unable to pay its due debts is deemed to be the date of the court decision commencing the judicial reorganization or judicial liquidation proceedings. However, in the decision commencing judicial reorganization or liquidation proceedings or in a subsequent decision, a court may decide that the date when the debtor became unable to pay its debts be deemed to be an earlier date of up to 18 months prior to the court decision commencing the proceedings. The date when the debtor became unable to pay its debt is important because it marks the beginning of the "suspect period". Certain transactions entered into by the debtor during the suspect period are, by law, void or voidable.

Void transactions include transactions or payments entered into during the suspect period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no, or nominal, consideration, contracts under which the reciprocal obligations of the debtor significantly exceed those of the other party, payments of debts not due at the time of payment, payments made in a manner which is not commonly used in the ordinary course of business, security granted for debts previously incurred, provisional measures, unless the right of attachment or seizure predates the date of suspension of payments and share options granted or sold during the suspect period.

Voidable transactions include, if they are made after the debtor was in cessation of payments and the party dealing with the debtor knew that the debtor was in cessation of payments at the time, (i) transactions entered into, (ii) payments made when due or (iii) final attachment measures taken or certain prohibitions within the context of proceedings (*oppositions*). Transactions relating to the transfer of assets for no consideration are also voidable when realized during the six-month period prior to the beginning of the suspect period.

As a general rule, creditors domiciled in France whose debts arose prior to the commencement of insolvency proceedings must file a claim with the creditors' representative within two months of the publication of the court decision in the *Bulletin Officiel des annonces civiles et commerciales*; this period is extended to four months for creditors domiciled outside France. Creditors who have not submitted their claims during the relevant period are, except with respect to very limited exceptions, barred from receiving distributions made in connection with the insolvency proceedings. Employees are not subject to such limitations and are preferential creditors under French law.

From the date of the court decision commencing the insolvency proceedings, the debtor is prohibited from paying debts outstanding prior to this date, subject to specified exceptions which essentially cover the set-off of related debts and payments, authorized by the bankruptcy judge, made to recover assets for which recovery is justified by the continued operation of the business. During this period, creditors may not pursue any individual legal action against the debtor with respect to any claim arising prior to the court decision commencing the insolvency proceedings if the objective of such legal action is:

- to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due);
- to terminate or cancel a contract for non-payment of amounts owed by the creditor; or
- to enforce the creditor's rights against any assets of the debtor.

Contractual provisions such as those contained in the indenture that would accelerate the payment of the debtor's obligations upon the occurrence of certain insolvency events are not enforceable under French law. The administrator may also terminate or, provided that the debtor fully performs its post-petition contractual obligations, continue executory contracts.

If the court adopts a judicial reorganization or adopts a safeguard proceeding, it can set a time period during which the assets that it deems to be essential to the continued business of the debtor may not be sold without its consent and can impose a rescheduling of the payment of debts owed by the debtor up to 10 years with interest.

French insolvency law assigns priority to the payment of certain preferential creditors, including employees, the bankruptcy court, officials appointed by the bankruptcy court as required by the regulations relating to insolvency proceedings, post-petition creditors, certain secured creditors essentially in the event of liquidation and the French Treasury.

In safeguard and judicial reorganization proceedings, two creditors' committees are usually appointed, one for the banks and one for suppliers. Creditors' committees vote on a majority of two thirds in amount of claims and on a majority in number of creditors.

***In Brazil, there are factors limiting enforcement of rights, realization of the collateral securing the notes and enforcement of judgements with respect to the collateral.***

The notes will be secured by a second-priority pledge (*penhor*) on certain of the shares of a Brazilian subsidiary that are held by Tereos. The second-priority pledge is subject to the first-priority pledge (*penhor*) for the benefit of the lenders under the senior credit facility. The ability of the holders of the notes to foreclose on the shares of the Brazilian subsidiary will be subject in certain instances to perfection and priority issues and to practical problems associated with realization of the agreement governing the share pledge. There can be no assurance that an exercise of remedies, including foreclosing on the shares of the Brazilian subsidiary securing the notes, would allow the holders of the notes to effectively foreclose on the share pledge agreement or that if such foreclosure is successful, it will provide sufficient funds to repay all amounts due on the notes.

In the event that the holders of the notes foreclose on the shares of the Brazilian subsidiary securing the notes and to the extent that the proceeds from the related sale are insufficient to repay Tereos' obligations under the notes in full, such obligations would constitute Tereos' unsecured obligations. Under Brazilian law, such unsecured obligations are subordinated to certain statutory preferences. In the event of the Brazilian subsidiary's bankruptcy, insolvency or liquidation, such statutory preferences, such as claims for salaries, wages, social security contributions, taxes, court fees and expenses, would have preference over any other unsecured claims, including the claims by any holders of the notes that constitute Tereos' unsecured obligations.

## USE OF PROCEEDS

The issuer intends to use the gross proceeds from the sale of the notes to make an intercompany loan of €500.0 million to the guarantor. The guarantor will pay the underwriting fees and expenses of the offering, which are expected to total approximately €11.1 million. The guarantor intends to use the proceeds of the intercompany loan to (i) repay in full the guarantor's €300.0 million bridge financing facility (see "Description of Other Indebtedness—Senior credit facility"), and (ii) to repay revolving debt, including in connection with capital expenditures, to repay acquisition debt incurred to finance certain acquisitions in Brazil, or some combination of thereof. Revolving debt that we repay can be redrawn in the future for further capital expenditures or other purposes.

Affiliates of the initial purchasers are lenders under our bridge financing facility, which forms part of our existing senior credit facility. They will therefore receive a portion of the proceeds of this offering in repayment of amounts outstanding under our bridge financing facility.

## CAPITALIZATION

The following table, together with footnotes thereto, shows our consolidated cash and cash equivalents, financial debt (including current portion) and capitalization as of September 30, 2006:

- based on our audited consolidated financial information; and
- as adjusted to give effect to the issuance of the notes and the assumed use of proceeds as described in the footnotes below.

The information set out below should be read in conjunction with "Use of Proceeds", "Description of Other Indebtedness" and the audited consolidated financial statements and the accompanying notes included elsewhere in this offering memorandum. Other than as described below or elsewhere herein, there has been no material change in our consolidated capitalization since September 30, 2006.

| | As of September 30, 2006 | |
|---|---|---|
| | Actual | As Adjusted |
| | (in millions of euro) | |
| Cash, cash equivalents and investment securities(1) | 101.3 | 270.2 |
| **Financial debt (including current indebtedness)(2):** | | |
| Local credit lines and debt | 171.9 | 171.9 |
| Senior credit facility(3) | 672.4 | 352.4 |
| Notes offered hereby | - | 500.0 |
| Debenture loans and others | 41.2 | 41.2 |
| Subordinated debt(4) | 105.7 | 105.7 |
| Total financial debt (including current indebtedness) | 991.3 | 1,171.3 |
| **Total shareholders' equity(5)** | **1,004.7** | **1,004.7** |
| **Total capitalization** | **1,996.0** | **2,176.0** |

*Notes:*

(1) Includes remaining proceeds of €168.9 million after paying the revolving credit facility balance at September 30, 2006 of €20.0 million, underwriting fees and expenses of the offering (€11.1 million) and the bridge loan facility (€300.0 million). We intend to use the remaining proceeds appearing as cash as of September 30, 2006 (as adjusted) (i) to reduce borrowings under our outstanding revolving credit facility, which was drawn in an amount of €20.0 million as of September 30, 2006 and in an amount of €340.0 million as of February 28, 2007, and (ii) to repay permanently all or a portion of the €50.0 million drawn under our €200.0 million acquisition facility in November 2006 to finance our acquisitions in Brazil of Tanabi and an additional interest in São José.

(2) As adjusted amounts do not reflect (i) borrowings of €50.0 million under our €200.0 million acquisition facility as described in note (1), (ii) our full consolidation of Syral, our glucose and other sugar-derived sweeteners subsidiary, beginning in January 2007, when we increased our shareholding from 50% to 55% and (iii) seasonal and other borrowings after September 30, 2006 for our French and Czech sugar operations. See "Business—Our Strategy—Pursue strategic acquisitions," "Managements Discussion and Analysis of Financial Condition and Results of Operations—Factors that Affect our Results of Operations—Acquisitions, Dispositions and Partnerships" and "—Liquidity and Capital Resources".

(3) The total amount drawn under the senior credit facility was €669.0 million as of September 30, 2006 (€672.4 million including accrued interest) including €20.0 million of revolving debt.

(4) Includes accrued interest. Represents the indebtedness that is subordinated in full in right of payment to the senior credit facility and, after payment in full of the senior credit facility, to the notes issued in this offering.

(5) For simplification purposes, the effect of the fees and expenses of the offering and related transactions has not been included in the calculation of shareholders' equity.

## SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information presented below for the financial years ended September 30, 2004, 2005 and 2006 was derived from our consolidated audited financial statements included elsewhere in this offering memorandum. Our consolidated financial statements have been prepared in accordance with French GAAP.

| | Year ended September 30, | | |
|---|---|---|---|
| | **2004** | **2005** | **2006** |
| | (in millions of euro) | | |
| **Income Statement Data:** | | | |
| **Revenues** | **1,719.8** | **1,602.4** | **2,102.9** |
| Other operating revenues | 30.5 | 102.2 | (27.0) |
| Reversal of depreciation, amortization and provisions | 12.7 | 8.8 | 5.3 |
| | 1,763.1 | 1,713.4 | 2,081.1 |
| Operating expenses | | | |
| Purchases and changes in inventory | 883.2 | 886.3 | 1,086.8 |
| Other external charges | 358.7 | 373.5 | 462.7 |
| Taxes and other levies | 89.5 | 107.9 | 64.7 |
| Employee-related expenses | 153.6 | 153.8 | 197.2 |
| Depreciation and amortization allowances and provisions | 127.1 | 95.8 | 89.5 |
| Other operating expenses | 2.6 | 1.8 | 15.6 |
| | 1,614.8 | 1,619.0 | 1,916.5 |
| **Operating income** | **148.2** | **94.4** | **164.7** |
| **Net financial expense** | **53.0** | **49.3** | **63.1** |
| **Profit before tax and exceptional items** | **95.3** | **45.1** | **101.5** |
| Net non-recurring (expense) income | (4.8) | 3.9 | (3.4) |
| Income tax | (31.9) | (21.6) | (23.1) |
| Net income from fully-consolidated companies | 58.6 | 27.4 | 75.0 |
| Share in income of companies accounted for by the equity method | 4.3 | 6.2 | 4.1 |
| Amortization of goodwill | (21.7) | (24.5) | (26.5) |
| **Net consolidated profit** | **41.2** | **9.2** | **52.6** |
| **Minority interests** | **12.4** | **4.9** | **12.3** |
| **Group share in net profit** | **28.7** | **4.3** | **40.3** |

| | As of September 30, | | |
|---|---|---|---|
| | **2004** | **2005** | **2006** |
| | (in millions of euro) | | |
| **Balance Sheet Data** | | | |
| Intangible assets | 331.3 | 314.8 | 462.4 |
| Goodwill | 394.0 | 423.1 | 505.6 |
| Property, plant and equipment | 452.8 | 435.0 | 829.1 |
| Financial assets | 58.0 | 105.9 | 112.7 |
| Cash, cash equivalents and investment securities | 143.1 | 47.5 | 101.3 |
| Other assets | 634.3 | 702.7 | 760.6 |
| Total assets | 2,013.5 | 2,029.0 | 2,771.7 |
| Consolidated shareholders' equity | 585.5 | 618.1 | 1,004.7 |
| Financial debt | 955.3 | 889.1 | 991.3 |
| Liabilities other than financial debt | 472.7 | 521.8 | 775.7 |
| Total liabilities and shareholders equity | 2,013.5 | 2,029.0 | 2,771.7 |

| | Year ended September 30, | | |
|---|---|---|---|
| | 2004 | 2005 | 2006 |
| | (in millions of euro, except ratios) | | |
| **Other Financial Data:** | | | |
| EBITDA(1) | 262.6 | 181.4 | 248.9 |
| Price complements paid | 20.2 | 39.7 | 37.1 |
| Adjusted EBITDA(2) | 282.8 | 221.0 | 286.0 |
| Dividends paid to the shareholders of Tereos | 3.0 | 4.9 | 6.3 |
| Working capital(3) | 260.3 | 299.4 | 219.2 |
| Capital expenditures | 99.4 | 77.1 | 191.4 |
| Net debt(4) | 812.2 | 841.6 | 890.0 |

*Notes:*

(1) EBITDA is defined as operating income, before depreciation and amortization. You should not consider EBITDA as an alternative to operating profit or net income (as determined in accordance with French GAAP), as an indicator of our operating performance, or as an alternative to cash flows from operating activities, investing activities or financing activities (as determined by French GAAP), or as a measure of liquidity. We use EBITDA as a supplemental measure of operating performance, particularly because it is also an internationally recognized measure that is regularly used by securities analysts, rating agencies, investors and other parties to evaluate a company's operating performance. We also believe that EBITDA is a useful indicator of our ability to service our indebtedness. EBITDA is not a measure of performance under French GAAP and not all companies calculate EBITDA or similarly titled financial measures in the same manner. As such, EBITDA as disclosed by other companies may not be comparable with our use of EBITDA. In future financial years, EBITDA will also include payments that we are required to make to the restructuring fund under the new EU sugar regime.

(2) Adjusted EBITDA is calculated as EBITDA plus the amount of price complements paid to our cooperative members. The price complement is included in our financial statements as part of "purchases and changes in inventory."

(3) Working capital is calculated as the sum of inventory and work-in-progress and trade receivables, less trade payables.

(4) Net debt represents financial debt less cash and cash equivalents and investment securities at end of period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of our financial condition and results of operations should be read in conjunction with our combined consolidated financial statements, the related notes and other financial information included elsewhere in this offering memorandum. Our financial statements have been prepared in accordance with French GAAP. This discussion also includes forward-looking statements based on assumptions about our future business. Our actual results could differ materially from those contained in these forward-looking statements.*

*French GAAP differs in certain significant respects from IFRS. For a description of certain differences between French GAAP and IFRS as they relate to us, see "Summary of Certain Differences between French GAAP and International Financial Reporting Standards."*

*Please note that all percentages may be calculated on non-rounded figures and therefore may vary from percentages calculated on rounded figures.*

### Introduction

We are an agro-industrial cooperative group that processes sugar beets, sugar cane and cereals into sugars and alcohols, in France and abroad. With sales of €2,102.9 million and adjusted EBITDA of €286.0 million for the financial year 2006, we are the second-largest European sugar producer by volume and the largest French sugar producer based on quota for sugar production allocated by the European Union. We estimate our market share for industrial sugar at approximately 10% in the EU-25 and 23% in France, each based on quotas notified to producers. We estimate our market share for table top sugar at approximately 30% in France based on sales volume. We currently receive 39.6% of the sugar quota notified to France by the European Union and 10.8% of total European quotas. For the financial year 2006, we produced 3 million tons of sugar, 2.5 million hectoliters of alcohol and 2.8 million hectoliters of ethanol.

The tables below present our revenues divided:

- by the geographical location of production;
- by the geographical location where we sell our products; and
- by product line.

We have provided revenues broken down into these three methods for your information. However, we track our operating expenses only by the first method: geographical location of production. As a result, we use breakdown by geographical location of manufacture for our products when discussing our results of operations below. Our revenues by geographic location of production, in amount and as a percentage of total sales for the years ended September 30, 2004, 2005 and 2006, are set forth in the table below:

| | Year ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2004 | | 2005 | | 2006 | |
| **Revenues** | (in millions of euro, except percentages) | | | | | |
| France | 1,434.1 | 83.4% | 1,294.2 | 80.8% | 1,653.1 | 78.6% |
| Czech Republic | 105.0 | 6.1% | 110.1 | 6.9% | 129.1 | 6.1% |
| Réunion Island | 54.9 | 3.2% | 56.3 | 3.5% | 50.4 | 2.4% |
| Brazil | 125.8 | 7.3% | 141.8 | 8.9% | 260.0 | 12.4% |
| Rest of the world | 0 | 0.0% | 0 | 0.0% | 10.3 | 0.5% |
| Total | 1,719.8 | 100.0% | 1,602.4 | 100.0% | 2,102.9 | 100.0% |

Our revenues, adjusted EBITDA and adjusted EBITDA margin (adjusted EBITDA divided by revenues) by geographic location of production for the year ended September 30, 2006, are set forth in the table below:

| | Year ended September 30, 2006 | | |
|---|---|---|---|
| | (in millions of euro, except percentages) | | |
| | Revenues | Adjusted EBITDA[(1)] | Adjusted EBITDA Margin |
| France | 1,653.1 | 173.2 | 10.5% |
| Czech Republic | 129.1 | 25.4 | 19.7% |
| Réunion Island | 50.4 | 7.2 | 14.3% |
| Brazil | 260.0 | 80.8 | 31.1% |
| Rest of the world | 10.3 | (0.6) | - |
| Total | 2,102.9 | 286.0 | 13.6% |

*Note:*

(1) EBITDA is defined as operating income, before depreciation and amortization. Adjusted EBITDA is calculated as EBITDA plus the amount of price complements paid to our cooperative members. You should not consider adjusted EBITDA as an alternative to operating profit or net income (as determined in accordance with French GAAP), as an indicator of our operating performance, or as an alternative to cash flows from operating activities, investing activities or financing activities (as determined by French GAAP), or as a measure of liquidity. We use adjusted EBITDA as a supplemental measure of operating performance, particularly because it is also an internationally recognized measure that is regularly used by securities analysts, rating agencies, investors and other parties to evaluate a company's operating performance. We also believe that adjusted EBITDA is a useful indicator of our ability to service our indebtedness. Adjusted EBITDA is not a measure of performance under French GAAP and not all companies calculate adjusted EBITDA or similarly titled financial measures in the same manner. As such, adjusted EBITDA as disclosed by other companies may not be comparable with our use of adjusted EBITDA. In future financial years, adjusted EBITDA will also include payments that we are required to make to the restructuring fund under the new EU sugar regime.

The periods under review were marked in particular by the growth of our revenues in Brazil, as we increased production capacity and benefited from increases in world sugar prices.

Our revenues by geographic location of sale, in amount and as a percentage of total sales, for the years ended September 30, 2004, 2005 and 2006 are set forth in the table below:

| | Year ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2004 | | 2005 | | 2006 | |
| **Revenues** | (in millions of euro, except percentages) | | | | | |
| France | 960.4 | 55.9% | 716.3 | 44.7% | 887.9 | 42.2% |
| Czech Republic | 82.6 | 4.8% | 79.5 | 5.0% | 89.1 | 4.2% |
| Other European Union | 483.8 | 28.1% | 469.5 | 29.3% | 579.9 | 27.6% |
| Réunion Island | 19.9 | 1.2% | 57.7 | 3.6% | 50.3 | 2.4% |
| Brazil | 82.8 | 4.8% | 114.2 | 7.1% | 172.2 | 8.2% |
| Rest of the world | 90.3 | 5.2% | 165.2 | 10.3% | 323.5 | 15.4% |
| Total | 1,719.8 | 100.0% | 1,602.4 | 100.0% | 2,102.9 | 100.0% |

This table reflects the fact that a significant portion of our production in France is sold in other countries of the European Union. Our strategy includes increasing French exports to other EU countries as sugar production in less efficient EU producers declines under the new EU sugar regime. In addition, a growing proportion of our production in Brazil is sold in Brazil and in the rest of the world.

Our revenues by business segment, in amount and as a percentage of total sales, for the years ended September 30, 2004, 2005 and 2006 are set forth in the table below:

| | Year ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2004 | | 2005 | | 2006 | |
| **Revenues** | (in millions of euro, except percentages) | | | | | |
| Sugar from beet | 1,088.6 | 63.2% | 920.8 | 57.5% | 1,223.8 | 58.2% |
| Sugar from cane | 145.5 | 8.5% | 245.1 | 15.3% | 393.6 | 18.7% |
| Alcohol | 90.7 | 5.3% | 148.5 | 9.3% | 167.8 | 8.0% |
| Bio-ethanol | 20.3 | 1.2% | 27.5 | 1.7% | 89.4 | 4.3% |
| Cereals | 118.3 | 6.9% | 0.7 | 0.0% | 0.2 | 0.0% |
| Glucose | 62.0 | 3.6% | 65.6 | 4.1% | 65.8 | 3.1% |
| Seed and other supplies | 62.0 | 3.6% | 49.9 | 3.1% | 38.0 | 1.8% |
| By-products | 47.6 | 2.8% | 46.5 | 2.9% | 48.2 | 2.3% |
| Non-core products | 84.8 | 4.9% | 97.8 | 6.1% | 76.1 | 3.6% |
| Total | 1,719.8 | 100.0% | 1,602.4 | 100.0% | 2,102.9 | 100.0% |

**Factors that Affect our Results of Operations**

You should consider the following factors when analyzing our financial condition and results of operations.

***Regulation of the sugar market in the European Union***

For over 30 years until June 30, 2006, the sugar industry in Europe was subject to the sugar market regulations, as described elsewhere in this offering memorandum under the heading "The New EU Sugar Regime—The prior sugar regime." However, on July 1, 2006, regulation of the European sugar market changed significantly with the entry into force of the new EU sugar regime, which is described elsewhere in this offering memorandum under the heading "The New EU Sugar Regime—Key elements of the new EU sugar regime." We were subject to the sugar market regulations during the periods under review, except for the last three months of our financial year ended September 30, 2006, when we were subject to the new EU sugar regime (although the impact of the change on our results during those three months was minimal because most of our sales during that period concerned sugar produced before June 30). European regulation of the sugar market affected our results of operations by setting minimum prices for sugar beet grown and sugar sold in the European Union, establishing maximum volumes of sugar production, regulating sugar imports and requiring payment of certain levies.

The European sugar regime prior to July 1, 2006 fixed a minimum price for the purchase of sugar beets, and set an intervention price at which the EU would purchase sugar from producers (which acted as a price floor). The new EU sugar regime has maintained a minimum sugar beet price, which is scheduled to decrease by 40% from the 2005/2006 to the 2009/2010 marketing years. The new EU sugar regime has also replaced the intervention price for sugar with a reference price, which the European Commission uses to set target supply levels and which is scheduled to decrease by 36% over the period from 2006 to 2010. We expect that decreasing EU sugar prices under the new EU sugar regime will have a significantly negative impact on our results of operation in the future.

The prior sugar regime also set quotas of sugar eligible for purchase at a guaranteed intervention price. The EU notified each Member State an A quota (initially determined in accordance with domestic consumption) and the B quota (an additional amount to fulfill export demand), and these quotas were then assigned to individual producers. Member States were allowed to produce more than the quota, but the non-quota production ("C sugar") could only be sold outside the EU without subsidy. However, the prior sugar market regime also allowed the Commission to take "declassification" measures, which temporarily lowered the A and B sugar production quotas in a given year. Although the European Commission implemented declassification of 1.7% during the 2003/2004 marketing year and no declassification during the 2004/2005 marketing years, it implemented a declassification of 14% for the 2005/2006 marketing year. As a result our acquisition of an additional 305,000 tons of sugar quota through our combination with SDHF in January 2006 and our purchase of 32,000 tons of quota from Manolis in March 2006, were partly offset by our loss of 187,200 tons of quota through declassification. The declassification measures negatively affected our results of operations during the periods under review.

The table below shows our quota in the EU during the current marketing year and the periods under review.

| In thousands of tons | Marketing year | | | |
|---|---|---|---|---|
| | **2003/2004** | **2004/2005** | **2005/2006** | **2006/2007** |
| Tereos A and B quotas | 1,033.0 | 1,033.0 | 1,338.0 | 1,338.0 |
| Tereos additional quotas | - | - | - | 113.6 |
| Tereos declassified quota in percentage | 1.74% | 0.0% | 14.0% | 15.3% |
| Tereos declassified quota | (18.0) | - | (187.1) | (205.1) |
| Tereos revised A and B quotas | 1,015.0 | 1,033.0 | 1,150.9 | 1,246.6 |
| TTD | 168 | 168 | 200 | 200 |
| Total Tereos and TTD | 1,183.0 | 1,201.0 | 1,350.9 | 1,446.6 |

The new EU sugar regime combines quotas A and B and reduces the combined quota by 13.6% in the first year. The allocation of this reduction among EU Member States, however, is adjusted in a way that could have a disproportionate impact on larger producers, such as France. Furthermore, the EU may decide to reduce quotas further in the future and has implemented an additional reduction of up to 13.5% for the 2007/2008 marketing year, with the exact reduction amount to be determined in October 2007. We expect that currently planned and possible future reductions in quota will have a significant negative impact on our results of operations in the future.

Pursuant to the prior sugar regime, sugar beet farmers and sugar producers paid production levies on A and B quota sugar calculated as a percentage of the applicable intervention price. In the 2003/2004 marketing year, the EU imposed a production levy of 2% on A sugar (equivalent to €12.64 per ton) and of 29.05% on B sugar (equivalent to €183.57 per ton). In the 2004/2005 marketing year, the EU imposed a production levy of 2% on A sugar (equivalent to €12.64 per ton) and of 39.5% on B sugar (equivalent to €249.60 per ton). In addition, a supplemental levy of 15.9% was also imposed. In the 2005/2006 marketing year, the EU imposed a production levy of 2% on A sugar (equivalent to €12.64 per ton) and of 5.81% on B sugar (equivalent to €36.71 per ton). Due to the differences in production levies imposed during these years, we paid €25.0 million in production levies in the financial year ended September 30, 2004, €36.2 million in the financial year ended September 30, 2005 and €10.5 million in the financial year ended September 30, 2006.

In 2004 and 2005, the European Commission presented various plans to reform the sugar market regulations before adopting the new EU sugar regime. As it became apparent that weaker market participants and less-efficient sugar producing countries within the European Union would be harmed by the eventual reforms and might be forced to exit the market, major players in the sugar sector took steps to increase their market shares and acquire additional quotas from existing producers. The limitation of sugar exports outside the EU following the WTO Sugar Panel decision described below increased pressure for producers to find markets for this sugar within the EU. We established several subsidiaries for expansion of revenues in European markets in which we had not been previously active, including Tereos Deutschland, Tereos Iberia and Tereos United Kingdom. Revenues from these markets amounted to €142.1 million in the financial year ended September 30, 2005 and €202.5 million in the financial year ended September 30, 2006. Competition for market share led to a decline in European sugar prices excluding transportation costs from 2004 onwards, from an average of €671 per ton during the 2004 financial year, to €638 per ton in during the 2005 financial year and to €593 per ton during the 2006 financial year. This decline in prices had a negative impact on our results of operations during the periods under review and further declines may continue to have a negative impact in the future.

***WTO Sugar Panel decision against the EU***

On April 28, 2005, the Appellate Body of the WTO definitively ruled on several actions that had been brought by Australia, Brazil and Thailand against the EU in respect of its sugar policy. As part of its ruling, the Appellate Body determined that the export by the EU of approximately 2.5 million tons of non-quota C sugar annually was in violation of its WTO obligations. As a result, sugar exports outside the EU by the producers were limited effective July 1, 2006, to 1.4 million tons annually from 5 to 6 million tons previously. In financial years 2004, 2005 and 2006, our exports of sugar outside of the EU amounted to 488,000 tons, 516,000 tons and 839,000 tons, respectively. Under the new EU sugar regime, the 1.4 million tons of European quota sugar allowed to be exported is allocated pursuant to a tender system managed by the European Commission. Tenders are made by EU sugar producers on the basis of the amount of export subsidy sought from the European Commission. Upon selection of the winning tender, the European Commission issues an export certificate to the sugar manufacturer. This restriction on the export of non-quota C sugar will negatively impact our results of operation beginning with the current financial year, although we have sought to offset the loss of export opportunities with increased production of ethanol as discussed below.

***Payment of a price complement to our cooperative members***

In addition to purchasing sugar beets from cooperative member beet growers at the guaranteed minimum price set by the European Commission, we also pay them (and our cooperative member cereal growers) a price complement based on the amount of beet they provide. See "Ownership Structure—Legal structure of cooperative unions in France—Payments to members." For the periods under review, we have treated the price complement as payment for the purchase of raw materials and recognized it in our financial statements in the line item "Purchases and changes in inventory", above operating income. However, we calculated our adjusted EBITDA during these periods by adding back the price complement. Our annual payments of price complements have in the past been equal to approximately one-third of our unconsolidated gross self-financing margin for French sugar producing entities, which we define as operating income plus amortization provisions less interest expense and income tax expense. This amount has traditionally been negotiated with representatives of our cooperative members. We have traditionally paid price complements to our cooperative growers in March of each year, but we have, beginning with the 2006 financial year, shifted this payment to September of each year. The aggregate price complements that we booked in the financial years ended September 30, 2004, 2005 and 2006 amounted to €20.2 million, €39.7 million and €37.1 million, respectively. The significant increase between price complements booked for financial year 2004 and for financial year 2005 is due to the fact that, as of September 30, 2004, Béghin-Say (then Tereos SA) was not an agricultural cooperative. Former Béghin-Say beet growers did not become eligible to receive price complements until financial year 2005.

We expect to significantly reduce our payments of price complement in financial years 2008 and 2009 due to the anticipated negative impact of the new EU sugar regime on our results of operations in our French sugar operations. If our EU sugar activities enjoy improved results in later periods, however, we would seek to increase price complement payments, though we would not expect them to increase above the previous basis of calculation. Unlike dividends, which are paid in proportion to share capital, price complements will continue to be paid based on the amount of crop that a grower delivers. In addition, price complements, unlike dividends, may be paid even if we have an annual net loss.

***Fluctuations in the world sugar price***

The revenues of our sugar production activities outside of the European Union, including those of our subsidiaries in Brazil and Mozambique, are affected by the international price of raw sugar, which is set in U.S. dollars. See "Industry Overview—Sugar Price." In Brazil, where the domestic and export prices fluctuate with the world sugar price, our revenues are particularly sensitive to such fluctuations. Brazilian domestic prices are further affected by fluctuations in the U.S. dollar to Brazilian *real* exchange rate. During the financial years ended September 30, 2004, 2005 and 2006, we sold 80%, 71% and 71%, respectively, of our Brazilian sugar production in the domestic market.

World raw sugar prices increased from U.S.$ 0.0983 per pound at the end of September 2004 to U.S.$ 0.1221 per pound at the end of September 2005. Domestic Brazilian raw sugar prices rose similarly, increasing from R$27.95 per 50 kilogram bag at the end of September 2004 to R$32.64 per 50 kilogram bag at the end of September 2005. Due to the 22.10% devaluation of the U.S. dollar against the *real* during this period, the domestic Brazilian price of raw sugar in U.S. dollar terms increased by approximately 53.67% (compared to 19.8% in *reais*).

World raw sugar prices increased from U.S.$ 0.1221 per pound at the end of September 2005 to U.S.$ 0.1231 per pound at the end of September 2006 (reaching its highest price in January 2006 at approximately U.S. $0.1900). Domestic Brazilian raw sugar prices rose similarly, increasing from R$32.64 per 50 kilogram bag at the end of September 2005 to R$37.80 per 50 kilogram bag at the end of September 2006. Due to the 2.0% appreciation of the *real* against the U.S. dollar during this period, the domestic Brazilian price of raw sugar in U.S. dollar terms increased by approximately 18.5% (compared to 15.8% in *reais*).

***Cost structure within the sugar sector***

Because the purchase price for sugar beets and the sale price for the sugar that we produce in Europe is set by the new EU sugar regime (and its predecessor before July 1, 2006), manufacturing and transportation costs are especially important for our results of operations and profitability in Europe. Sugar beet is transported by truck in large quantities as part of our production process. The production sites, structure and operations of our sugar factories are intended to reduce the average distance between the sugar beet farmers and the sugar factories. The production of sugar from sugar beet is also significantly energy-intensive. Increases in our transportation costs or the market price of our energy sources or an increase in the taxes or other duties levied on these energy sources could result in increased production costs.

***Acquisitions, Dispositions and Partnerships***

We have expanded our annual sugar production from 2.4 million tons in each of the financial years 2004 and 2005 to 2.9 million tons in the financial year ended September 30, 2006, an increase of 20.8% over the periods under review, primarily through acquisitions of other French sugar cooperatives and partnerships with sugar producing entities abroad. These steps are part of our strategy to respond to the application of the new EU sugar regime by diversifying geographically and across product lines.

These acquisitions and partnerships have tended to increase our revenues, gross profit and operating income. However, these transactions also resulted in increased expenses and capital expenditures related to upgrading of facilities and expansion of production capacity. These transactions therefore affect the comparability of results for the periods under review.

Our principal acquisitions and partnerships during the periods under review include the following:

- In November 2004, through our subsidiary BENP (Bio-Ethanol Nord Picardie), we acquired SODES, one of leading European producers of synthesis alcohol, for an aggregate purchase price of €10.0 million. In 2006, we constructed a new ethanol production facility on the former SODES site at Lillebonne. We have discontinued synthesis alcohol production and plan to begin production of agricultural alcohol in Lillebonne in spring 2007. See “Business—Production and Operations—Alcohol and ethanol—Ethanol operations” and “Business—Production and Operations—Alcohol and ethanol—The Lillebonne Wheat Project.”
- In April 2005, we exchanged our 47.5% participation in Franco-Brasiliera Açucar e Alcool S.A. (“FBA”) for an 8.85% interest in Cosan, the leading Brazilian sugar cane processing company.
- In January 2006 (with accounting effect from October 1, 2005), we entered into a business combination with SDHF, a cooperative producer of approximately 300,000 tons of in-quota sugar and 450,000 hectoliters of alcohol and ethanol annually. Following the transaction with SDHF, our portion of the French sugar production quota increased by 30%. In the combination, SDHF shareholders received an 18.5% interest in our shareholder USE.
- In May 2006, we exchanged 12.9% of our 100% interest in Guarani for 59.5% of the São José sugar mill in Brazil. In September 2006, Guarani acquired an additional 13.8% of São José. Following a share capital increase by São José in January 2007, we now hold 91.2% interest. São José currently crushes approximately 2.0 million tons of sugar cane and produces approximately 220,000 tons of sugar.
- In February 2006, we entered into an agreement with a Mauritian sugar consortium, to take a 50% share in Sena Holding Limited, which owns an 87% stake in a sugar factory in Marromeu,

Mozambique at a purchase price of $20.0 million. The Marromeu sugar plant currently produces 80,000 tons of sugar annually and has an initial 50-year concession, renewable once, over 100,000 hectares of agricultural land, of which 75,000 remain undeveloped.

We have also sold certain non-strategic assets, and our principal disposition during the periods under review was that of Loiret Haentjens Espagne ("Loiret Espagne"), a fully consolidated Spanish subsidiary. Loiret Espagne had revenues of €43.2 million in financial year 2004 and was sold for a purchase price of €710,000.

After the periods under review, in January 2007, we increased our shareholding in Syral, our glucose and other sugar-derived sweeteners subsidiary, from 50% to 55%. As a result, we now fully consolidate Syral rather than proportionally consolidating this entity as we did during the periods under review. We estimate that if we had fully consolidated Syral in financial year 2006, our revenues and adjusted EBITDA would have increased by €92.4 million and €9.9 million, and our net debt at September 30, 2006 would have increased by €30.7 million.

***Investment in our ethanol activities***

We have expanded our ethanol operations in Brazil and are in the process of expanding our ethanol operations in the EU through the construction of new production facilities. In response to the new EU sugar regime, we believe that unexported sugar and cereals can be usefully redirected to the production of ethanol. See "Business—Production and Operations—Alcohol and ethanol—Ethanol operations." In France, in the financial year ended September 30, 2006, we replaced our previous 400,000-hectoliter unit in Origny Sainte-Benoîte with a new 3 million hectoliter capacity distillery, which when completed will represent a total investment of €190 million, and began construction of a new estimated 3 million hectoliter capacity distillery on the former SODES site at Lillebonne, which when completed will represent a total investment of €175 million. The Origny facility began operations in October 2006 and the Lillebonne site is planned to begin operations in spring 2007. During the periods under review, our ethanol activities in the EU represented a limited portion of our revenues, although we expect their contribution to increase significantly in the coming financial years. Our revenues from these operations may be affected by domestic and international prices of ethanol and crude oil, competition, governmental policies and regulations and market demand for ethanol as an alternative or additive to gasoline. In France, domestic ethanol prices fluctuate with the EU market price.

In Brazil, the price for ethanol is set in accordance with market prices. Prices of ethanol for export from Brazil are set in accordance with international market prices. Despite the increased supply of ethanol at the beginning of the 2006/2007 harvesting season, Brazilian ethanol prices during the financial year ended September 30, 2006 remained at historically high levels, due primarily to the high level of oil prices. The Brazilian market price of ethanol reached R$845.30 per thousand liters of anhydrous ethanol and R$752.64 per thousand liters of hydrous ethanol in September 2006, lower than the September 2005 prices of R$916.92 per thousand liters of anhydrous ethanol and R$804.62 per thousand liters of hydrous ethanol, but remaining significantly higher than in previous years. Our Brazilian subsidiary Guarani produced approximately 680,000 hectoliters, approximately 840,000 hectoliters and approximately 1,100,000 hectoliters of ethanol and alcohol during our 2004, 2005 and 2006 financial years, respectively, and is investing in increased production facilities to meet expected high demand. Guarani is building a new ethanol facility in Tanabi, which is planned to enter into service in August 2007 and is constructing the new Cardoso factory in Pedranópolis, which is scheduled to enter operation in April 2009. We expect the construction of the Tanabi plant to cost approximately €72 million and estimate that it will have capacity to process 1.8 million tons of sugar cane to produce 1.5 million hectoliters of alcohol and ethanol per year. We expect the construction of the Cardoso plant to cost approximately €103 million and estimate that it will have capacity of to process 2.0 million tons of sugar cane to produce 850,000 hectoliters of alcohol and ethanol and 141, 000 tons of sugar for the 2010/2011 marketing year.

## French GAAP Income Statement Items

Below is a summary description of the key elements of the line items of our income statement.

**Revenues** (excluding own work capitalized) include revenues of sugar produced from sugar beet and sugar cane, alcohol, ethanol, glucose and other sugar-derived sweeteners, and sugar by-products.

**Other operating revenues** mainly comprises changes in stock of finished products and work-in progress, capitalization of investments in tangible assets and allocations of carbon dioxide quotas to us by EU governments. Finished products and work-in progress are valued at cost of production at the balance sheet date. Carbon dioxide quotas were allocated to us at no charge, but we account for their receipt as other operating revenues and their use as other operating expenses.

**Reversal of depreciation, amortization and provisions** primarily concern writebacks of provisions for doubtful accounts and stocks of sugar above quota production. During these periods, reversal of depreciation, amortization and provisions did not materially impact the results of our operations.

**Purchases and changes in inventory** includes purchases of raw materials such as sugar beets, sugar cane and cereals, including the price complement paid to cooperative members for the periods under review, and energy for the operation of production facilities.

**Other external charges** includes administrative and marketing expenses (including professional fees), rent, transportation, maintenance and other external costs. In future financial years, we will book the restructuring duties payable under the new EU sugar regime as other external charges. See "The New EU Sugar Regime—Key elements of the new EU sugar regime—European funds for restructuring."

**Taxes and other levies** includes duties and taxes other than corporate income tax, such as the French business tax (*taxe professionnelle*) (limited to a proportion of value added), production levies under the new EU sugar regime, payroll taxes and all property taxes. Due to our status as a French *union de coopérative*s *agricoles*, we are assessed the French business tax on the basis of only 50% of our revenues, as opposed to 100% for other corporate business forms.

**Employee-related charges** includes wages for executives, employees and laborers, social charges and profit-sharing.

**Depreciation and amortization allowances and provisions** includes depreciation and amortization of fixed and other intangible assets, as well as other various operating provisions such as for stocks, doubtful accounts and litigation.

**Other operating expenses** include the write-off of bad debts and the use of carbon dioxide quotas.

**Operating income** is the difference between the sum of revenues, other operating revenues and reversal of depreciation, amortization and provisions less purchases and changes in inventory, other external charges, taxes and other levies, employee-related charges, depreciation and amortization allowances and provisions and other operating expenses.

**Net financial expense** includes net interest charges under our senior credit facility, the cost of foreign exchange and interest rate hedging and net financial depreciation of unconsolidated financial investments.

**Net non-recurring income** includes income/costs from restructuring programs, capital gains/losses on disposal of assets, finance costs and other non-recurring income/expense.

**Income tax** includes the corporate income tax paid for our operations in the various countries in which we operate. This tax primarily falls on our businesses outside of France as, due to our status as an agricultural cooperative, we do not pay income tax on profits derived from our sale of products manufactured in France from sugar beets purchased from our cooperative members.

**Share in the income of companies accounted for by the equity method** represents investments in companies over which we exercise a significant influence and in which we hold, directly or indirectly, more than a 20% interest.

**Amortization of goodwill** mainly concerns the goodwill on the acquisitions of each of Béghin-Say in France, São José and Guarani in Brazil, TTD in the Czech Republic and Marromeu in Mozambique, each of which is being amortized over 20 years.

**Net consolidated profit** represents the sum of net income from fully-consolidated companies and the share in the income of companies accounted for by the equity method, less amortization of goodwill.

**Minority interests** represents the share of net consolidated net profit that is allocable to holders of minority stakes in our consolidated subsidiaries that are not wholly-owned.

## Critical Accounting Policies and Estimates

Many of our significant accounting policies or changes in accounting policies are summarized in the notes to our consolidated audited financial statements for the years ended September 30, 2004, 2005 and 2006 included herein. We prepare our consolidated financial statements in accordance with French GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

We consider the following policies and estimates to be the most critical in understanding the assumptions and judgments that are involved in preparing our financial statements and the uncertainties that could impact our financial results, financial condition and cash flows.

### *Depreciation and Amortization Charges*

*Intangible assets*

We amortize intangible assets on a straight-line basis over the following periods:

| | |
|---|---|
| • Goodwill and other intangible assets | 20 years |
| • Patents, licenses | variable useful life, not exceeding 20 years |
| • Start-up costs | 5 years |
| • Software | variable useful life, not exceeding 5 years |

We value our brands based on the advice of specialized consultants. As our brands are legally protected, we do not amortize them. However, in the event of a significant, prolonged deterioration in their value, they may be impaired.

We recognize goodwill and other intangibles generated through our various business combinations, whose components cannot be valued separately, in accordance with French GAAP.

We recognize a provision for impairment for intangible assets when there is a prolonged decline in their current value in relation to their carrying amount.

Following the acquisition of the Béghin-Say Group in 2003 by Union SDA, and for the purpose of standardizing amortization methods throughout our businesses, intangible assets and goodwill, which were previously amortized over 10 years by Union SDA, have been amortized over 20 years beginning with the financial year ended September 30, 2004.

*Tangible assets*

We recognize property, plant and equipment on the balance sheet at cost. Depreciation is calculated on a straight-line basis over the asset's useful life which is estimated based on the different production processes (sugar cane, sugar beet and ethanol).

Asset useful lives are as follows:

| | |
|---|---|
| • Industrial buildings | 20 - 40 years |
| • Technical installations, equipment and industrial tools (France, Czech Republic) | 15 - 40 years |
| • Technical installations, equipment and industrial tools (Brazil, Mozambique) | 10 - 15 years |
| • Fixtures and improvements to buildings | 10 - 20 years |
| • Office equipment | 5 years |
| • Transportation equipment | 5 years |

During the financial year ended September 30, 2006, a change in method following the application of new mandatory accounting rules for assets, which results in a longer useful life for tangible assets, reduced the amount of depreciation charged on assets previously in service by €25.0 million.

When we lease an asset under a finance lease, under terms and conditions similar to an acquisition, the fair market value of the asset at the inception of the lease is recognized in fixed assets and depreciated as described previously. The corresponding expense is recognized in liabilities.

We expense servicing and repair costs in the financial period in which they are incurred, unless they help to enhance the asset's productivity or to prolong its useful life.

*Goodwill*

Goodwill arises as the difference between the cost of an acquisition and our share, as acquiring entity, of the fair value of identifiable assets and liabilities acquired. We amortize goodwill over a maximum period of 20 years. If we believe that there is evidence of a prolonged decline in the carrying value of those assets and liabilities, we record an impairment charge in our accounts.

*Taxation*

We adjust the amount of tax actually due at the balance sheet date for deferred taxes, calculated using the balance sheet liability method for all timing differences existing between the tax base and carrying value of assets and liabilities, as well as for any pre-consolidation entries. Deferred tax assets, including tax loss carryforwards, calculated by the tax entity, are recognized when it is likely that we will be able to offset them against future taxable profit.

We book a provision for taxes on dividends to be distributed during the then present financial year.

No provision is set aside for the distributable reserves of subsidiaries as these are deemed to be held on a permanent basis. We do not discount deferred taxes to present value.

## Results of Operations

### *Comparison of the financial years ended September 30, 2005 and September 30, 2006*

*Revenues*

Our revenues increased by 31.2%, from €1,602.4 million for the financial year ended September 30, 2005 to €2,102.9 million for the financial year ended September 30, 2006, primarily due to our combination with SDHF in France, which we consolidated beginning in October 1, 2005, and strong production growth in Brazil.

*France*

In France, we had revenues of €1,294.3 million for the financial year ended September 30, 2005 and €1,653.0 million for the financial year ended September 30, 2006, representing 80.8% and 78.6% of revenues, respectively. This increase was primarily due to our combination with SDHF (with accounting effect from October 2005), which we estimate accounted for €300 million in revenues. Revenues also increased in financial year 2006, as this was the last year we could sell non-quota sugar, which increased our volume of sugar sold by 283,000 tons as we liquidated our stocks. In addition, we estimate alcohol revenues increased by €66 million in financial year 2006 as a result of both higher production volumes at our facilities and increased market prices for alcohol due to the reduction of supply related to the ongoing conversion of alcohol production capacity into ethanol production. Our disposition of AAD, our cereal bar subsidiary, decreased revenues by €23.6 million.

*Czech Republic*

In the Czech Republic, we had revenues of €110.1 million for the financial year ended September 30, 2005 and €129.1 million for the financial year ended September 30, 2006, representing 6.9% and 6.1% of revenues, respectively. This increase in revenues was primarily due to a modest increase in sugar prices and volumes and the consolidation of an acquired company (Chrudim) for the first time in financial year 2006.

*Réunion Island*

On Réunion Island, we had revenues of €56.3 million for the financial year ended September 30, 2005 and €50.4 million for the financial year ended September 30, 2006, representing 3.5% and 2.4% of revenues, respectively, due to a reduction in production volumes.

*Brazil*

In Brazil, we had revenues of €141.8 million for the financial year ended September 30, 2005 and €260.0 million for the financial year ended September 30, 2006, representing 8.8% and 12.4% of revenues, respectively. This increase was primarily due to an increase of €101.4 million in revenues by our Guarani subsidiary, which showed a 14% increase in volume and a 29% price increase and as a direct consequence of the rising world sugar price, which itself increased as a result of an increase in oil prices. Increases in oil prices boosted demand for sugar cane for the production of ethanol. Certain changes in the scope of consolidation for our activities in Brazil also resulted in an increase of €18.6 million in financial year 2006, with the consolidation of our São José operations for €33.5 million being partly offset by €14.9 million from the disposition of our participation in FBA in April 2005.

*Rest of the world*

In the rest of the world, we had no revenues for the financial year ended September 30, 2005 and €10.3 million in revenues for the financial year ended September 30, 2006, representing 0.5% of revenues.

*Other operating revenues*

Our other operating revenues decreased from revenues of €102.2 million for the financial year ended September 30, 2005 to an expense of €27.0 million for the financial year ended September 30, 2006. In financial year 2005, we voluntarily stocked approximately 100,000 tons of quota sugar in anticipation of a significant expected declassification of quotas in financial year 2006. The decrease in other operating revenues is primarily due to the resulting change in our inventory of finished products in Tereos France, valued at its cost of production, which produced an income of €40.6 million in financial year 2005 when the sugar was stocked and an expense of €68.6 million in financial year 2006 when this and other previously stocked inventory was sold in financial year 2006. This amount was partially offset by approximately €15 million in carbon dioxide quotas received from the European Union in financial year 2006.

*Purchases and changes in inventory*

Purchases and changes in inventory increased by 22.6%, from €886.3 million for the financial year ended September 30, 2005 to €1,086.8 million for the financial year ended September 30, 2006. This increase was primarily related to our increased sugar revenues in France and Brazil.

*France*

In France, purchases and changes in inventory amounted to €719.1 million for the financial year ended September 30, 2005 and €860.3 million for the financial year ended September 30, 2006, representing 81.1% and 79.2% of total purchases and changes in inventory, respectively. This increase is primarily due to our consolidation for the first time of the activities of SDHF in financial year 2006, which added approximately €146 million, and higher alcohol production volumes, for which more raw materials were required.

*Czech Republic*

In the Czech Republic, total purchases and changes in inventory amounted to €78.1 million for the financial year ended September 30, 2005 and €80.3 million for the financial year ended September 30, 2006, representing 8.8% and 7.4% of total purchases and changes in inventory, respectively. This slight increase is primarily related to increased production of quota sugar and the acquisition of Chrudim, as described above.

*Réunion Island*

On Réunion Island, total purchases and changes in inventory amounted to €28.0 million for the financial year ended September 30, 2005 and €24.5 million for the financial year ended September 30, 2006, representing 3.2% and 2.3% of total purchases and changes in inventory, respectively. This decrease resulted from lower production volumes.

*Brazil*

In Brazil, purchases and changes in inventory amounted to €61.0 million for the financial year ended September 30, 2005 and €117.1 million for the financial year ended September 30, 2006, representing 6.9% and 10.8% of total purchases and changes in inventory, respectively. This significant increase was primarily due to our acquisition of the activities of São José which accounted for €25.3 million, and the further development of Guarani's production capacity, which, together with increased cost for sugar cane, accounted for €35.7 million. The increase between the periods under review was also affected by the inclusion for financial year 2005 of an estimated €15 million in employee-related expenses in the cost of raw materials, rather than in the line item "Employee-related expenses", as was the case in financial year 2006.

*Rest of the world*

In the rest of the world, there were no purchases and changes in inventory for the financial year ended September 30, 2005 and purchases and changes in inventory of €4.7 million for the financial year ended September 30, 2006, representing 0.4% of the total.

*Other external charges*

Other external charges increased by 23.9%, from €373.5 million for the financial year ended September 30, 2005 to €462.7 million for the financial year ended September 30, 2006. This increase was primarily related to our production activities in France and, in particular, our combination with SDHF.

*France*

In France, other external charges amounted to €290.3 million for the financial year ended September 30, 2005 and €367.5 million for the financial year ended September 30, 2006, representing 77.7% and 79.4% of total other external charges, respectively. This increase was primarily due to our combination with SDHF, which added an estimated €70 million in financial year 2006.

*Czech Republic*

In the Czech Republic, other external charges amounted to €22.2 million for the financial year ended September 30, 2005 and €23.1 million for the financial year ended September 30, 2006, representing 5.9% and 5.0% of total other external charges, respectively.

*Réunion Island*

On Réunion Island, other external charges amounted to €15.9 million for the financial year ended September 30, 2005 and €14.6 million for the financial year ended September 30, 2006, representing 4.3% and 3.2% of total other external charges, respectively.

*Brazil*

In Brazil, other external charges amounted to €45.1 million for the financial year ended September 30, 2005 and €53.2 million for the financial year ended September 30, 2006, representing 12.1% and 11.5% of total other external charges, respectively. Our other external charges increased by €7.6 million due to our acquisition of the activities of São José, and by €6.5 million from the activities of our Guarani subsidiary, partially offset by a decrease of €5.9 million due to the disposition of our participation in FBA in April 2005.

*Rest of the world*

In the rest of the world, there were no other external charges for the financial year ended September 30, 2005 and other external charges of €4.3 million for the financial year ended September 30, 2006, representing 0.9% of the total.

*Taxes and other levies*

Taxes and other levies decreased by 40.0%, from €107.9 million for the financial year ended September 30, 2005 to €64.7 million for the financial year ended September 30, 2006. This decrease was due to a €58.4 million decrease in EU production levies from financial year 2005 to financial year 2006. This reduction was partly offset by an estimated €7 million in production levies due on the activities of SDHF for financial year 2006.

*Employee-related expenses*

Employee-related expenses increased by 28.2%, from €153.8 million for the financial year ended September 30, 2005 to €197.2 million for the financial year ended September 30, 2006. In particular, €24.6 million of this increase was due to the growth of our Guarani workforce. However, this increase was also affected by an estimated €15 million in employee-related expenses that were recorded for the financial year 2005 as part of the cost of raw materials and therefore were included in that period as part of the line item purchases and charges in inventory. Employee-related expenses in Brazil amounted to an estimated €26 million for financial year 2005 as compared to €36.1 million for financial year 2006. An estimated €20 million further increase resulted from our combination with SDHF and the addition of its workforce.

*Depreciation and amortization allowances and provisions*

Depreciation and amortization allowances and provisions decreased by 6.6%, from €95.8 million for the financial year ended September 30, 2005 to €89.5 million for the financial year ended September 30, 2006 approximately. This decrease was due to a €25.0 million reduction resulting from our first-time application of a mandatory French GAAP rule that lengthened our depreciation of certain assets, partly offset by an increase of €6.0 million for tangible assets and €9.0 million for intangible assets received in connection with our combination with SDHF, an increase of €4.8 million for our operations in Brazil and of €2.0 million in the rest of the world.

*Other operating expenses*

Our other operating expenses increased from €1.8 million for the financial year ended September 30, 2005 to €15.6 million for the financial year ended September 30, 2006. This increase reflects our use of an estimated €15 million in carbon dioxide quotas.

*Operating income*

Our operating income increased by 74.5%, from €94.4 million for the financial year ended September 30, 2005 to €164.7 million for the financial year ended September 30, 2006. For the reasons set out above, this increase was primarily related to our production activities in France and in Brazil.

*France*

In France, our operating income amounted to €47.8 million for the financial year ended September 30, 2005 and €76.8 million for the financial year ended September 30, 2006, representing 50.6% and 46.6% of our total operating income, respectively. A significant portion of this increase resulted from our combination with SDHF.

*Czech Republic*

In the Czech Republic, our operating income amounted to €20.6 million for the financial year ended September 30, 2005 and €22.9 million for the financial year ended September 30, 2006, representing 21.8% and 13.9% of our operating income, respectively.

*Réunion Island*

On Réunion Island, our operating income amounted to €2.8 million for the financial year ended September 30, 2005 and €2.4 million for the financial year ended September 30, 2006, representing 3.0% and 1.5% of our total operating income, respectively.

*Brazil*

In Brazil, our operating income amounted to €23.2 million for the financial year ended September 30, 2005 and €65.0 million for the financial year ended September 30, 2006, representing 24.6% and 39.5% of our total operating income, respectively. Our Guarani subsidiary contributed €37.4 million to the increase in operating income of which an estimated €8 million related to higher production volumes, an estimated €19 million resulted from the increased world sugar price, an estimated €6 million was derived from alcohol activities and an estimated €4 million related to various other activities. An additional €4.9 million in additional operating income resulted from the activities of our São José subsidiary.

*Rest of the world*

In the rest of the world, we had no operating income for the financial year ended September 30, 2005 and an operating loss of €2.5 million for the financial year ended September 30, 2006.

*Net financial expense*

Our net financial expense increased by 28.0%, from €49.3 million for the financial year ended September 30, 2005 to €63.1 million for the financial year ended September 30, 2006. This increase was primarily due to the increase of our net financial debt from €841.5 million at September 30, 2005 to €890.0 million at September 30, 2006 and an increase in average interest rates from 4.29% in financial year 2005 to 4.35% in financial year 2006. This increase is also due to a €7.2 million write-down of the shares of our SDHF subsidiaries.

*Net non-recurring income*

Our net non-recurring income decreased from an income of €3.9 million for the financial year ended September 30, 2005 to a loss of €3.4 million for the financial year ended September 30, 2006. This decrease was primarily due to the €24.3 million cost of a restructuring program following our combination with SDHF and €20.0 million in transaction fees in financial year 2006 compared to a cost of €9.2 million in financial year 2005. We amortized the transaction fees for the execution of our previous senior credit facility during financial year 2004 for €9.2 million in each of financial years 2005 and 2006 and we recognized the transaction fees for the execution of our current senior credit facility in full for €10.8 million in financial year 2006. These items were partly offset by a €25.8 million increase in capital gains on the disposal of assets from €13.3 million in financial year 2005 to €39.1 million in financial year 2006.

*Income tax*

Our income tax paid increased by 6.9%, from €21.6 million for the financial year ended September 30, 2005 to €23.1 million for the financial year ended September 30, 2006. This increase was primarily due to increased revenues in Brazil, which resulted in greater tax liability, although the tax impact was limited by Guarani's choice of tax basis in financial year 2006. Due to our status as an agricultural cooperative, we do not pay income tax on profits derived from the sale of sugar produced in France from sugar beets purchased from our cooperative members.

*Share in income of companies accounted for by the equity method*

Our share in the income of companies accounted for by the equity method decreased by 33.9%, from €6.2 million for the financial year ended September 30, 2005 to €4.1 million for the financial year ended September 30, 2006.

*Amortization of goodwill*

Amortization of goodwill increased by 8.2%, from €24.5 million for the financial year ended September 30, 2005 to €26.5 million for the financial year ended September 30, 2006. This increase was primarily due to changes in the scope of consolidation from acquisitions in the Czech Republic, Mozambique and Brazil and to a much lesser extent France. These acquisitions increased goodwill by €108.6 million.

*Net consolidated profit*

Our net consolidated profit increased from €9.2 million for the financial year ended September 30, 2005 to €52.6 million for the financial year ended September 30, 2006 for the reasons set out above.

***Comparison of the financial years ended September 30, 2004 and September 30, 2005***

*Revenues*

Our revenues decreased by 6.8%, from €1,719.8 million for the financial year ended September 30, 2004 to €1,602.4 million for the financial year ended September 30, 2005. This decrease was primarily due to changes in our scope of consolidation.

*France*

In France, we had revenues of €1,434.1 million for the financial year ended September 30, 2004 and €1,294.3 million for the financial year ended September 30, 2005, representing 83.4% and 80.8% of revenues, respectively. This decrease was primarily due to our deconsolidation from October 1, 2004 of Hubau with an impact of €88.9 million upon its sale to our shareholders and our deconsolidation from October 1, 2004 of Loiret Espagne with an impact of €43.2 million upon its sale. Approximately €60 million of the decrease is due to the decrease in quota sugar for financial year 2005. These decreases were only partly offset by an estimated increased revenues of €10 million in non-quota sugar and the acquisition of SODES in November 2004, which added estimated revenues of €61 million in the financial year 2005.

*Czech Republic*

In the Czech Republic, we had revenues of €105.0 million for the financial year ended September 30, 2004 and €110.1 million for the financial year ended September 30, 2005, representing 6.1% and 6.9% of revenues, respectively.

*Réunion Island*

On Réunion Island, we had revenues of €54.9 million for the financial year ended September 30, 2004 and €56.3 million for the financial year ended September 30, 2005, representing 3.2% and 3.5% of revenues, respectively.

*Brazil*

In Brazil, we had revenues of €125.8 million for the financial year ended September 30, 2004 and €141.8 million for the financial year ended September 30, 2005, representing 7.3% and 8.9% of revenues, respectively. This increase was primarily due to an increase in world sugar prices (NY 11) from U.S. $0.1226 in September 2004 to U.S. $0.1231 in September 2005, as well as an increase in production volumes due to greater production capacity at our Guarani facilities. This increase was partly offset by the disposal of our participation in FBA in April 2005, resulting in this entity being consolidated for only seven months of financial year 2005, compared to 12 months as in financial year 2004 and decreased revenues of €26.4 million in financial year 2005.

*Rest of the world*

In the rest of the world, we had no revenues for the financial years ended September 30, 2004 or 2005.

*Other operating revenues*

Our other operating revenues increased by €71.7 million, from €30.5 million for the financial year ended September 30, 2004 to €102.2 million for the financial year ended September 30, 2005. This increase was primarily due to an increase in finished product inventories in France of an estimated €52 million, related to the voluntary accumulation of quota sugar stocks during financial year 2005.

*Purchases and changes in inventory*

Purchases and changes in inventory increased by 0.4%, from €883.2 million for the financial year ended September 30, 2004 to €886.3 million for the financial year ended September 30, 2005.

*France*

In France, purchases and changes in inventory amounted to €767.8 million for the financial year ended September 30, 2004 and €719.1 million for the financial year ended September 30, 2005, representing 86.9% and 81.1% of total purchases and changes in inventory, respectively. This decrease was consistent with the evolution of our revenues over the period. Price complement, however, increased from €20.2 million in financial year 2004 to €39.7 million in financial year 2005 because the growers of the former Beghin-Say were included in our cooperative structure for the first time and we booked price complement amounts in respect of their beets delivered.

*Czech Republic*

In the Czech Republic, purchases and changes in inventory amounted to €54.6 million for the financial year ended September 30, 2004 and €78.1 million for the financial year ended September 30, 2005, representing 6.2% and 8.8% of total purchases and changes in inventory, respectively. This increase was primarily due to the entry of the Czech Republic into the European Union on May 1, 2004, after which our businesses in this country were required for the first time to pay to growers the minimum sugar beet price under the EU sugar regulation.

*Réunion Island*

On Réunion Island, purchases and changes in inventory amounted to €30.7 million for the financial year ended September 30, 2004 and €28.0 million for the financial year ended September 30, 2005, representing 3.5% and 3.2% of total purchases and changes in inventory, respectively.

*Brazil*

In Brazil, purchases and changes in inventory amounted to €30.1 million for the financial year ended September 30, 2004 and €61.0 million for the financial year ended September 30, 2005, representing 3.4% and 6.9% of total purchases and changes in inventory, respectively. This increase was primarily due to both the increase in the cost of sugar cane, as well as increased volume of sugar cane purchases required to increase production of sugar and ethanol.

*Other external charges*

Other external charges increased by 4.1%, from €358.7 million for the financial year ended September 30, 2004 to €373.5 million for the financial year ended September 30, 2005.

*France*

In France, other external charges amounted to €282.8 million for the financial year ended September 30, 2004 and €290.3 million for the financial year ended September 30, 2005, representing 78.8% and 77.7% of total other external charges, respectively.

*Czech Republic*

In the Czech Republic, other external charges amounted to €13.8 million for the financial year ended September 30, 2004 and €22.2 million for the financial year ended September 30, 2005, representing 3.8% and 5.9% of total other external charges, respectively.

*Réunion Island*

On Réunion Island, other external charges amounted to €14.6 million for the financial year ended September 30, 2004 and €15.9 million for the financial year ended September 30, 2005, representing 4.1% and 4.2% of total other external charges, respectively.

*Brazil*

In Brazil, other external charges amounted to €47.6 million for the financial year ended September 30, 2004 and €45.1 million for the financial year ended September 30, 2005, representing 13.3% and 12.1% of total other external charges, respectively.

*Taxes and other levies*

Taxes and other levies increased by 20.6%, from €89.5 million for the financial year ended September 30, 2004 to €107.9 million for the financial year ended September 30, 2005. This increase was primarily due to the increase of production levies payable under the EU sugar regulations from €51.9 million in financial year 2004 to €79.1 million in financial year 2005 and an increase in French business tax (*taxe professionnelle*) from €12.1 million in financial year 2004 to €15.3 million in financial year 2005 due to a non-recurrent reduction of the business tax in financial year 2004 that we had received upon our acquisition of Béghin-Say. In Brazil, taxes and other levies decreased from €13.5 million in financial year 2004 to €0.9 million in financial year 2005. This apparent decrease is related to the manner in which the tax payable as a percentage of revenues from our activities in Brazil was booked. In financial year 2004, these taxes were recorded in the line item taxes and other levies. In financial year 2005, these taxes were not included in this line item, but rather subtracted from revenues.

*Employee-related expenses*

Employee-related expenses increased by 0.1%, from €153.6 million for the financial year ended September 30, 2004 to €153.8 million for the financial year ended September 30, 2005. The decrease in employee-related expenses resulting from our disposition of FBA in financial year 2005 was offset by an increase in employee-related charges resulting from our acquisition of SODES.

*Depreciation and amortization allowances and provisions*

Depreciation and amortization allowances and provisions decreased by 24.6%, from €127.1 million for the financial year ended September 30, 2004 to €95.8 million for the financial year ended September 30, 2005. This decrease was primarily due to a €28.8 million reduction in depreciation and amortization allowances and provisions for France, €10.9 million of which related to the depreciation of certain fixed assets that reached life-end in financial year 2004, €3.1 million of which related to the amortization of doubtful receivables and €14.8 million of which related to the amortization of certain costs incurred in connection with our acquisition of Béghin-Say.

*Other operating expenses*

Our other operating expenses decreased by 30.8%, from €2.6 million for the financial year ended September 30, 2004 to €1.8 million for the financial year ended September 30, 2005.

*Operating income*

Our operating income decreased by 36.3%, from €148.2 million for the financial year ended September 30, 2004 to €94.4 million for the financial year ended September 30, 2005. This decrease is primarily attributable to lower earnings from our production activities in France and changes in our scope of consolidation, representing an estimated decrease of €12 million.

*France*

In France, our operating income amounted to €109.3 million for the year ended September 30, 2004 and €47.8 million for the year ended September 30, 2005, representing 73.8% and 50.6% of our operating income, respectively.

*Czech Republic*

In the Czech Republic, our operating income amounted to €20.2 million for the year ended September 30, 2004 and €20.6 million for the year ended September 30, 2005, representing 13.6% and 21.8% of our operating income, respectively.

*Réunion Island*

On Réunion Island, our operating income amounted to €5.3 million for the year ended September 30, 2004 and €2.8 million for the year ended September 30, 2005, representing 3.6% and 3.0% of our operating income, respectively.

*Brazil*

In Brazil, our operating income amounted to €13.5 million for the year ended September 30, 2004 and €23.2 million for the year ended September 30, 2005, representing 9.1% and 24.6% of our operating income, respectively.

*Net financial expense*

Our net financial expense decreased by 7.0%, from €53.0 million for the financial year ended September 30, 2004 to €49.3 million for the financial year ended September 30, 2005. This decrease was primarily due to a decrease in our average interest rate from 4.31% in financial year 2004 to 4.29% in financial year 2005, despite a slight increase in net debt from €812.2 million at September 30, 2004 to €841.5 million at September 30, 2005.

*Net non-recurring income*

Our net non-recurring income was a €4.8 million loss for the financial year ended September 30, 2004 and a €3.9 million gain for the financial year ended September 30, 2005. This gain was primarily due to a €12.5 million increase in capital gains on disposal of assets and €4.0 million increase in other non-recurring income, partly offset by €9.2 million in transaction fees related to the execution of our previous senior credit facility.

*Income tax*

Our income tax paid decreased by 32.3%, from €31.9 million for the financial year ended September 30, 2004 to €21.6 million for the financial year ended September 30, 2005. This decrease was primarily due to the absorption of Béghin-Say, into an agricultural cooperative during financial year 2005 for a reduction of an estimated €22 million in tax, which was partly offset by our transfer to a subsidiary of Tereos Raffinerie (previously at the cooperative level), which resulted in an additional €5.9 million in income tax.

*Share in the income of companies accounted for by the equity method*

Our share in the income of companies accounted for by the equity method increased by 44.2%, from €4.3 million for the financial year ended September 30, 2004 to €6.2 million for the financial year ended September 30, 2005.

*Amortization of goodwill*

Amortization of goodwill increased by 12.9%, from €21.7 million for the financial year ended September 30, 2004 to €24.5 million for the financial year ended September 30, 2005. This increase was primarily due to the increase of our ownership of Béghin-Say from 50% at the end of financial year 2004 to 100% in financial year 2005, resulting in an increase in goodwill.

*Net consolidated profit.*

Our net consolidated profit decreased by 77.7%, from €41.2 million for the financial year ended September 30, 2004 to €9.2 million for the financial year ended September 30, 2005 for the reasons set out above.

## Liquidity and Capital Resources

Our principal sources of funds during the periods under review have been:

- cash generated from our operating activities;
- borrowings under our senior credit facility;
- borrowings under subsidiaries' credit facilities; and
- equity contributions from our cooperative members.

Our ability to service our capital needs, to service our obligations under our indebtedness and to fund our ongoing operations will depend upon our ability to generate cash. Our principal uses of cash are to fund capital expenditures, working capital and debt service obligations and for acquisitions of sugar production quotas, other assets or businesses. We have used equity contributions from our cooperative members in recent years to finance construction of our new wheat ethanol plant in Lillebonne and purchases of sugar quotas. As we continue to grow both organically and through strategic acquisitions, we constantly evaluate opportunities to add assets or businesses in key markets.

We believe that our cash on hand, together with cash from operations and, if required, borrowing under our senior credit facility or equity contributions from our cooperative members, will be sufficient for our cash requirements for the foreseeable future.

Our sugar beet operations in Europe are subject seasonal fluctuations. Sugar beet is sown between the end of March and mid-April, and sugar is produced during the campaign between September and December. In France, we pay the minimum price for sugar beets to our cooperative growers in December, January and March of each year. We have traditionally paid price complements to our cooperative growers in March of each year, but we have, beginning with the 2006 financial year, shifted this payment to September of each year. Certain of our growers do not currently receive price complements. See "Ownership Structure—Legal structure of cooperative unions in France—Payments to members." Finally, we make dividend payments to Union SE and Union BS (who then distribute them to member cooperatives) in March of each year. Our revenues, by contrast, are generally stable throughout the year. For our sugar production from sugar cane, the season runs from April to December. Our payments to sugar cane growers are regularly distributed throughout the year. As with production from sugar beet, our revenues from sugar cane activities are generally stable throughout the year. Due to the seasonality of our European sugar production expenses, our liquidity needs are therefore greatest in March of each year, at which point net debt tends to decrease through late October or early November, which corresponds to the beginning of payments for purchases related to the new sugar campaign.

### *Consolidated Cash Flow Statement*

The following table summarizes our cash flow statement for the financial years ended September 30, 2004, 2005 and 2006:

| | Year ended September 30, | | |
|---|---|---|---|
| | **2004** | **2005** | **2006** |
| Cash flows generated from operating activities | 176.7 | 78.6 | 182.5 |
| Cash flows used in investing activities | (92.6) | (257.7) | (169.7) |
| Cash flows generated from (used in) financing activities | (108.7) | 93.0 | 65.7 |
| Net (decrease) increase in cash flows | (25.5) | (78.8) | 77.6 |
| Cash and cash equivalents, beginning of year | 100.6 | 75.1 | (3.6) |
| Cash and cash equivalents, end of year | 75.1 | (3.6) | 74.0 |

We reported cash flows generated from operating activities of €176.7 million, €78.6 million and €182.5 million for the financial years ended September 30, 2004, 2005 and 2006, respectively. The increase in these cash flows between financial year 2005 and financial year 2006 was principally due to an increase of €70.3 million in operating income and variation in stocks of €110.3 million. The decrease between financial year 2004 and financial year 2005 was principally due to a decrease of €53.9 million in operating income and a variation in stocks of €71.2 million reflecting an increase in stocks during financial year 2005 in advance of an expected quota declassification in financial year 2006.

Cash flows used in investing activities amounted to €92.6 million, €257.7 million and €169.7 million for the financial years ended September 30, 2004, 2005 and 2006, respectively. The decrease between financial year 2005 and financial year 2006 was principally due to the variation between €209.8 million in purchases of previously non-consolidated subsidiaries in financial year 2005, of which €165.5 million related to our acquisition from Union BS (via Origny Naples) of the 50% of Béghin-Say which we did not at the time own, and €6.6 million in sales of non-consolidated subsidiaries in financial year 2006. This decrease was partly offset by an increase of €117.7 million in purchases of tangible assets, in particular for new distilleries at Origny and Lillebonne in France, and in the Czech Republic. Between financial year 2004 and financial year 2005, cash flows used in investing activities increased, primarily due to the purchases of non-consolidated subsidiaries in financial year 2005, the majority of which was related to the Béghin-Say acquisition described above. Purchases of tangible assets in financial year 2004 and financial year 2005 consisted primarily of expenditures for the maintenance and, to a lesser extent, expansion of factories and distilleries.

Cash flows used in financing activities amounted to €108.7 million in the financial year ended September 30, 2004 compared to cash flows from financing activities of €93.0 million and €65.7 million for the financial years ended September 30, 2005 and 2006, respectively. The decrease in cash flows from financing activities between financial year 2005 and financial year 2006 was principally due to a decrease of €44.8 million in capital contributions from our cooperative members. Capital contribution in financial year 2005 consisted of a €165.5 million capital increase used for the Béghin-Say acquisition described in the preceding paragraph, but was partly offset by a €31.0 million reduction in equity when we transferred our cereal trading activities to our USDA Collecte affiliate. Increases in equity in financial year 2006 consisted of a €44.1 million increase upon our combination with SDHF, a €34.4 million increase used to acquire sugar quotas and to partially fund constructions of the Lillebonne distillery. Increases in issues of borrowings of €107.0 million were largely offset by increases in repayments of borrowings of €88.3 million, as we used our senior credit facility to repay outstanding amounts. The change between financial year 2004 and financial year 2005 was principally due to the increases in equity discussed previously in financial year 2005, and issues of borrowings of €142.0 million partly offset by a €72.6 million increase in repayments of borrowings.

**Capital Expenditures**

Our investments in property, plant and equipment in the years ended September 30, 2004, 2005 and 2006 were €99.4 million, €77.1 million and €191.4 million, respectively. The most significant capital expenditures in financial years 2004 and 2005 were related to the maintenance of our production facilities in France and upgrading of our facilities in Brazil. The most significant capital expenditures in financial year 2006 were the construction of a three million hectoliter distillery at Origny and technical improvements in other facilities at an estimated cost of €104 million, the estimated expenditure of €27 million in the Czech Republic of which an estimated €23 million was to build the Agro-ethanol plant at Dobrovice and estimated expenditures of €33 million to expand sugar and ethanol capacity in Brazil.

During financial year 2007, we have committed ourselves to capital expenditures of €175 million to complete our BENP Lillebonne ethanol plant, which is expected to begin operations in Spring 2007, €126 million for our Origny ethanol plant, €80 million for the expansion of production capacity at our Guarani facilities, €21 million for the second stage in the construction of Agro-ethanol plant at Dobrovice in the Czech Republic and €17 million for our Syral operations, of which €12.5 million for the construction of a new drying tower. In addition to these commitments, we drew €50.0 million from our €200.0 million acquisition facility under our senior credit facility in November 2006 to finance two acquisitions in Brazil, consisting of an additional interest in São José, which owns and operates a sugar plant, as will as the purchase of Tanabi.

### Contractual Commitments

The following table sets out the maturity schedule of our contractual commitments as of September 30, 2006:

| | *Year ended September 30, 2006* | | | |
|---|---|---|---|---|
| | *Short term* | *Medium term* | *Long term* | *Total* |
| | **€ million** | | | |
| Overdraft | 27.3 | - | - | 27.3 |
| Revolving credit facility | - | 20.0 | - | 20.0 |
| Bridge | - | 300.0 | - | 300.0 |
| Term loan | - | - | 349.0 | 349.0 |
| Indexed loan | - | - | 93.7 | 93.7 |
| Subordinated loan | - | - | 10.0 | 10.0 |
| Debentures loans | 15.4 | 12.6 | 0.5 | 28.5 |
| Other debts | 29.1 | 17.0 | 14.1 | 60.2 |
| **Total France** | **71.8** | **349.6** | **467.3** | **888.7** |
| Brazil | 45.6 | 2.5 | 0.0 | 48.2 |
| Czech Republic | 27.2 | - | - | 27.2 |
| Others countries | 3.6 | - | 23.6 | 27.2 |
| **Total** | **148.3** | **352.1** | **490.9** | **991.3** |

### Financial Commitments

At September 30, 2006, we had commitments from endorsements, sureties and guarantees given to third parties of €47.0 million. These consisted principally of deposits paid to ONIGC (the European sugar market intervention and regularization fund), FIRS (*the French branch of the ONIGC*) and customs deposits required for exports and imports of brown sugar by Tereos and Raffinage Tereos. In addition, at September 30, 2006, we had commitments for endorsements, sureties and counter-guarantees given to related companies of €35.9 million, related to keepwell letters (*lettres d'intention*) issued on behalf of our subsidiaries. At September 30, 2006, we had received endorsements and sureties from third parties of €29.9 million, the majority of which were carbon dioxide emission quotas allocated to us for 2005 and 2006 by the French government.

### Hedging Activities

We are exposed to market risks, in particular for our activities in Brazil, and use derivative instruments within defined parameters to hedge against risks from operating activities and financing requirements. We do not use derivative instruments for speculative purposes. Our hedging policy is set centrally, and we primarily hedge against the following risks:

- risks of fluctuations in interest rates on our floating rate debt, especially our senior credit facility,
- risks of fluctuations in the world market price for sugar, and
- risks of fluctuations in exchange rates between currencies of our sugar production costs and the U.S. dollar, the currency in which sugar is traded on the world market.

We do not hedge against weather or climatic developments. We do not mark our hedges to market. Details of our hedging arrangements are found in note 22 to our consolidated financial statements included elsewhere in this offering memorandum.

We hedge our forward export sales of sugar outside the European Union on the London International Financial Futures Exchange. At September 30, 2006, our forward purchases of sugar represented 10,000 tons for €3.7 million, and our forward sales of sugar represented 15,000 tons for €5.3 million. These amounts are significantly lower than our forward purchases and sales of sugar in previous years because the WTO panel's prohibition on exports from the EU means we no longer conduct (and thus do not need to hedge) such exports.

At September 30, 2006, over 90% of our financial debt was at variable interest rates. Under our senior credit facility, we are required to enter into interest rate hedging contracts covering at least 50% of amounts drawn under the facility (with the exception of our revolving credit facility) until April 26, 2009, and 30% of such amount drawn thereafter. We manage interest rate risk on a currency by currency basis using instruments adapted to each market. We use forward hedging strategies (interest rate swaps or forward sale agreements) or options that usually combine a number of hedging instruments, such as caps or floors. For each currency, we fix objectives for hedging volume, term and breakdown between forward contracts and options based on the relative importance of each currency and expected interest rate movements.

We sell a portion of our sugar produced in Brazil on the world market. Our productions costs in Brazil are incurred in Brazilian *reais* and our sales on the world market are based on the price of sugar, which is denominated in U.S. dollars. Our policy is to protect ourselves from decreases in the U.S. dollar relative to the Brazilian *real*. We cover this foreign exchange risk with forward contracts, depending on the risk probability, future visibility of exchange rate movements and the relationship of the forward rate to the spot exchange rate. Before the WTO Sugar Panel decision prohibiting exports from the European Union, we also hedged our exposure between the U.S. dollar and the euro. We cover the foreign exchange risk arising from our financing arrangements either through income generated in those currencies or through foreign currency swaps.

The average maturity of our interest rate hedging contracts is 2.5 years. Gains and losses in our hedging contracts are recognized together with the income or expense related to the item being hedged. The unexpired portion of accrued interest on interest rate hedging transactions is calculated and booked at each balance sheet date in order to offset the additional gain or loss related to the underlying item and recorded in expenses for the period.

## Recent Developments

### *Potential Acquisition*

We are currently in negotiations to acquire assets for the production of starches, sweeteners and alcohol. If consummated, this acquisition would be material to our business. We believe the assets represent a grind capacity of 2,330,000 tons of cereals and approximately 1.5 million hectoliters of ethanol. We expect to finance this acquisition primarily through additional borrowings, including under the acquisition facility of our senior credit agreement and, to a lesser extent, through capital contributions from certain of our members. The negotiations are ongoing and there can be no assurance that the acquisition will occur.

### *Guarani Offering*

Our Brazilian subsidiary Guarani is currently contemplating an initial public offering of approximately 25-30% of its share capital, which would dilute our current 88.9% interest but to a level at which we would still maintain majority control. We expect the offering, if it occurs, to take place the second half of 2007 and expect the proceeds to be used principally for capital expenditures by Guarani as well as to repay €50 million in intragroup debt currently owed to Tereos.

The preceding descriptions contains “forward-looking statements” regarding our intent, belief or current expectations of the acquisition, the offering, their potential consummation and our businesses.

## Sugar Industry Overview

Sugar is one of the world's most important staple consumer products and one of the world's most widely traded commodities. It is produced and consumed universally and comes in various forms and textures. Table sugar comes mainly from two plant sources, sugar cane and sugar beet. In 2006, sugar cane accounted for approximately 70% of worldwide production, and sugar beet accounted for approximately 30%. In addition to being used in a wide variety of consumer products, sugar also has important agricultural and industrial uses.

## Sugar Production

Sugar is produced in 114 countries and is among the most traded commodities in the world. Exports account for more than one-quarter of global production, although there is some market distortion due to high levels of market regulation. Supply is highly concentrated, with the 10 largest producers accounting for 73.7% of world production in 2005/2006. During 2005/2006, world sugar production was estimated at 151.6 million tons, corresponding to an increase of 7.3% from 2004/2005.

After Brazil, the 25 Member States of the European Union (the "EU-25") constitute the second-largest sugar producer in the world, with an annual production of approximately 21 million tons of sugar in 2005/2006. EU-25 sugar production exceeded domestic consumption needs of approximately 17.8 million tons in the 2005/2006 marketing year. Within the EU-25, France is the leading sugar producer, mainly due to France's soil and climate conditions, which provide for excellent beet growing conditions. In 2005/2006, France accounted for 21.5% of the European market sugar production, ahead of Germany (20.8%), Poland (10.5%) and the UK (7.0%). In 2006, French farmers enjoyed the highest European productivity and beet yields, 12.5 tons of sugar per hectare on average, which allowed them to have a comparative advantage of approximately 50% over the remainder of Europe. France is also the eighth largest sugar producer worldwide.

Since the 1960s, world sugar production has more than doubled. The bulk of the growth in production came from developing countries, particularly Brazil and India. Over the previous 10 years, production has soared in Brazil (an increase of 83.6%) and in India (an increase of 78.9%). A number of factors have contributed to rising production in developing countries, including the greater efficiency of using sugar cane rather than sugar beet as a raw material, cheaper labor costs than in developed countries and good climate conditions. In addition, Brazil has been able to employ its sugar production for the development of ethanol, which is a rising alternative source of energy. Meanwhile, production levels of sugar in Europe, and in France in particular, have remained stable due to governmental regulations such as intervention, the quota system and import tariffs that have ensured stability of both supply and prices. See "The New EU Sugar Regime". Demand for sugar worldwide is expected to increase with expected increases in sugar consumption in developing countries due to population growth and higher standards of living.

## Sugar crops

Sugar beet is a temperate climate root crop. It is rotational, in that farmers plant sugar beet one year, and cereals the following year, thus improving soil conditions. The typical sugar content for mature beets is 16% by weight, but varies according to the variety, harvest year and crop location. The beet production period lasts between 80 and 90 days on average. Sugar beet has substantially more sucrose content than mature sugar cane, but the yield of beet per hectare is lower.

Sugar cane is a genus of tropical bamboo that requires strong sunlight and abundant water for satisfactory growth. The cane itself resembles bamboo cane and contains the plant's sucrose. In an appropriate climate, the cane will grow to maturity in 12 months, provided the roots are undisturbed. Sugar cane planted in October, November or December will be cut during the following sugar production period (12-month cane); sugar cane planted between January and April will be cut the following year (18-month cane replanted each five to seven years).The typical sugar content for mature sugar cane is approximately 11% to 14% by weight, but the figure depends on the variety and changes according to season and location. The yield of sugar cane from a field varies considerably, but represents on average 80-100 tons per hectare.

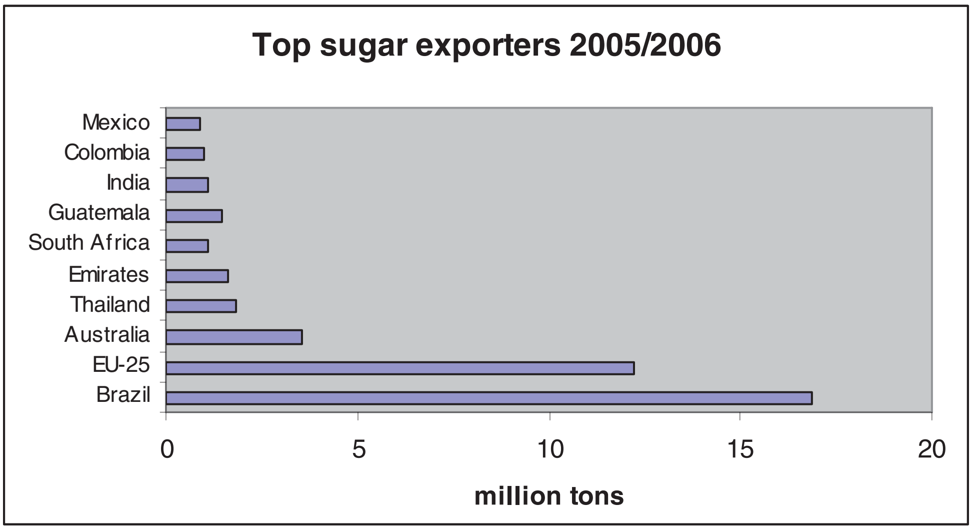
## Sugar trade

### *Exports of sugar*

Sugar has become a highly commoditized traded product that is both imported and exported extensively worldwide and is the subject of various restrictions, subsidies and agreements.

Brazil is the world's leading sugar exporter with approximately 31.5% of world exports in 2005/2006 (16.9 million tons), followed by the EU-25 with approximately 22.7% of world exports (12.2 million tons), in the same period. The EU-25 is also the largest exporter of white sugar in the world. In Brazil, the share of exports compared to domestic production is extremely high (above 50% since 2000). Australia, Thailand and France are the next three largest exporters of sugar, each exporting between two and four million tons annually. The EU-25, Brazil, Australia and Thailand account for up to 45% of world exports. The chart below lists the top sugar exporting countries for 2005/2006:

As a result of the WTO Sugar Panel ruling, the EU has agreed to limit exports outside of its borders to 1.4 million tons per year as from June 1, 2006. Since this time, EU-25 exports have largely been to other EU-25 countries.




Source: F.O. Licht

On average during the period 2000/2001 to 2004/2005, exports from the EU-25 were 8.4 million tons and imports were 6.2 million tons. As discussed in "The New EU Sugar Regime," regulatory issues, and in particular the decision by the WTO Sugar Panel, have in the past and will in the future have a significant impact on EU sugar exports.

### *Imports of sugar*

The Russian Federation is by far the largest world importer of sugar, with 3.4 million tons (6.6% of global imports) in marketing year 2005/2006. Russia is followed by the United States, at approximately 3.1 million tons in marketing year 2005/2006.

By region, Asia is the largest importer of sugar at approximately 22.6 million tons (43.5% of global imports), followed by the EU-25 with approximately 8 million tons (15.3% of global imports). In the same period, Indonesia, South Korean and Japan together purchased approximately 4.5 million tons of world imports (8.7%).

## Sugar price

The New York Board of Trade Sugar #11 quotation, or NY 11, is used as the primary reference for unregulated world sugar prices. Another price reference is the London No. 5 White Sugar Futures Contract, or Lon 5, which is traded on the LIFFE. However, most sugar-producing countries, including the member countries of the EU and the United States, have protected their own sugar production from foreign competition by establishing government policies and regulations that affect sugar production. These policies and regulations include quotas, import and export restrictions, subsidies, tariffs and duties. As a result of these policies, domestic sugar prices vary greatly by country. For example, sugar prices in Brazil are set by reference to the prevailing unregulated international and domestic market prices by product, while both the EU and the U.S. have created policies of steep import duties and subsidized internal prices in order to protect their sugar producers. Prices of raw sugar in the EU and the U.S. are, in general, approximately two to four times greater than the price of raw sugar quoted on the NY 11, while prices for raw sugar in Brazil are equal or similar to the NY 11 sugar price.

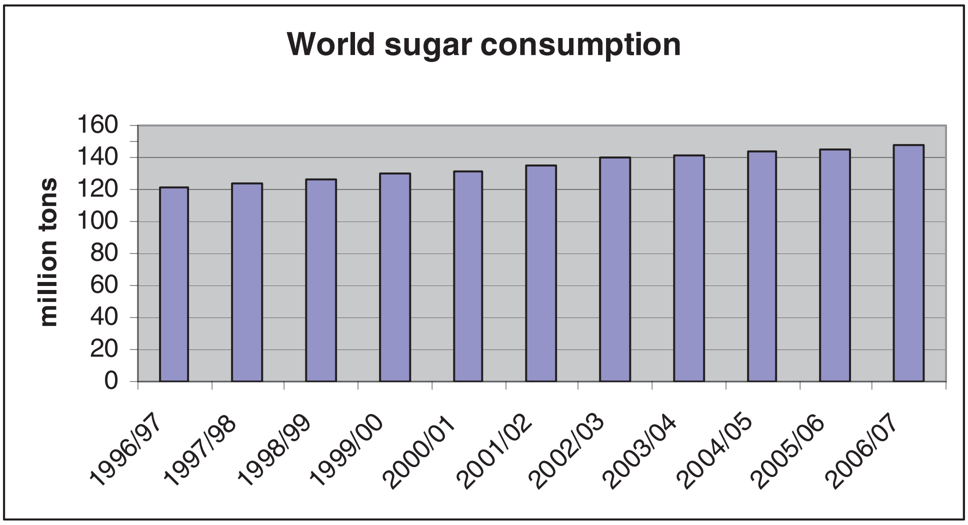
Sugar prices tend to follow a cyclical pattern because producers tend to respond slowly to changes in world prices. Sugar cane, the main source of global sugar production, generally follows a two or seven year plant cycle. Moreover, many sugar producers operate in regulated markets, insulated from world sugar price fluctuations, and therefore do not tend to dramatically modify production in the face of changing international prices. Brazil plays a key role in the establishment of the world's sugar prices. As the leading global sugar producer, it was responsible for 31.5% of global exports in the 2005/2006 marketing year and its share is expected to increase to 38.4% in the 2006/2007 marketing year.

Fluctuations in the production and consumption patterns of key regions also affect world sugar prices. Brazil is a major exporter of sugar into the world market, whereas Asian countries import most of their production. Brazil accounted for 20.6% of world production in 2005/2006, although it only consumed 7.4% in 2005/2006. In contrast, Asia accounted for 31% of the world's production in 2005/2006, but consumed 42.5% in 2005/2006. Therefore, any change in the Brazilian sugar crop estimates or the purchasing power of the Asian market generally affects the world market price. In recent months, rising oil prices have increased demand for ethanol, creating demand for sugar, the raw material used to produce ethanol in Brazil. Appreciation of the *real* versus the U.S. dollar has also contributed to the increase in sugar prices in the international markets.

From October 2003 until March 15, 2007, the NY 11 raw sugar futures prices increased by approximately 61.9% and the Lon 5 futures price of refined sugar increased by 79.4% over the same period. As of March 15, 2007, the NY 11 raw sugar futures price was U.S.$0.114 per pound and the London 5 futures price of refined sugar U.S.$334.00 per ton.

**Sugar consumption**

As the chart below illustrates, the consumption of sugar has increased steadily over the past 10 years, reaching 145.4 million tons during 2005/2006. This is primarily due to the increase in world population coupled with general improvements in the standard of living worldwide.




Source: F.O. Licht

Global sugar consumption in 2006/2007 is forecasted to increase by 2% to 148.3 million tons. The expected growth in consumption is primarily due to increased consumption in the developing countries of Asia and Latin America. Sugar consumption in China is forecast to increase by 0.6% to reach 11.8 million tons in financial year 2006/2007, driven by increased demand from the processing food sector, combined with declining production of artificial sweeteners. Several other factors are expected to increase consumption in developing countries, including migration from rural to urban areas, rising incomes and purchasing power, population growth and higher consumption of processed food.

Sugar consumption in developing countries is estimated to reach 102.4 million tons in 2006. Among developed countries (such as the EU and the U.S.), where demand had been relatively stable, consumption is forecast to remain relatively unchanged with 18.0 million tons forecast in the EU-25 in 2006/2007.

**Effects of shifting consumer preferences**

Sugar faces competition from substitutes such as high-fructose syrups, glucose syrups and artificial high-intensity sweeteners. As consumer preferences shift between sugar and sugar substitute products, sugar consumption levels can be affected. Sales of sugar substitute products grew significantly between 1990 and 2000, although sales growth has varied by product.

After experiencing increases in the 1990s, worldwide sales of high-fructose syrups by volume are currently flat. In Europe, production of high-fructose syrups is regulated by quotas, thus preventing production increases and preventing isoglucose from becoming a significant competitor to sugar.

Other glucose syrups (with lower fructose content) have experienced growth of close to 2% per year during the last five years. EU-25 sales volumes amounted to 2.9 million dry tons, compared to 11.5 million tons of sugar sold to European industry in 2005/2006. We expect the European expansion of glucose syrups to be limited in the coming years due to the new EU sugar regime, which should narrow the gap between sugar and glucose prices.

Artificial high-intensity sweeteners such as aspartame, sucralose and saccharine have not experienced significant volume evolutions in Europe although they continue to gain market share against sugar on a worldwide basis. For example, sales of aspartame and sucralose have grown steadily in the U.S., reaching 14,000 tons per year since 2002 (representing the sweetening power of approximately 3 million tons of sugar). Saccharine is used extensively in China, although the Chinese government has taken measures to promote sugar over this artificial sweetener.

Consumer preferences will continue to affect sales of sugar and sugar substitutes. While certain sugar substitute products are significantly less expensive to produce than sugar, their functional properties and uses differ from those of sugar, so they are mostly used as complements of, or in combination with, sugar or other substitutes.

**Regulation of the sugar industry**

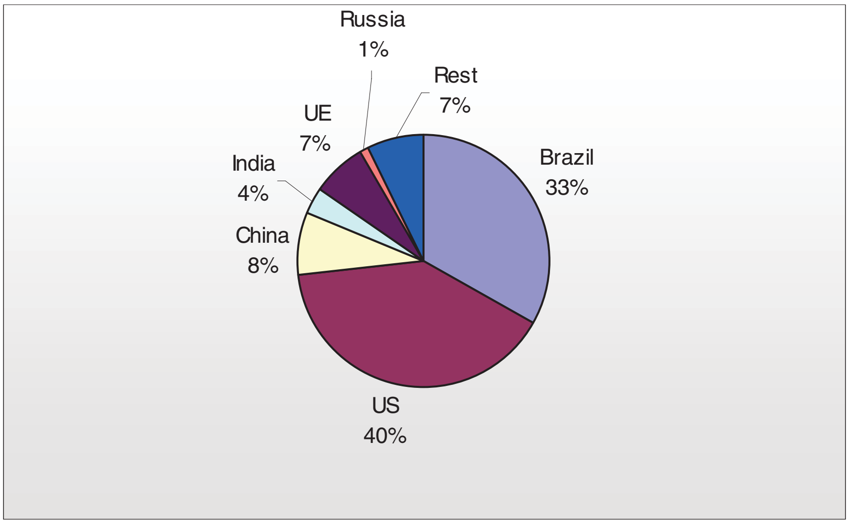
The sugar industry is subject to heavy and changing regulation within the EU. See “The New EU Sugar Regime.” In Brazil, the sugar industry is virtually unregulated, except for rules regarding sugar cane burning and certain other environmental regulations.

**Ethanol Industry**

Ethanol is a biodegradable fuel that is cleaner than gasoline, and its manufacturing and burning are not believed to increase the greenhouse effect. According to the U.S. Environmental Protection Agency, ethanol’s high oxygen content reduces carbon monoxide emission levels by 25-30% as compared to the carbon monoxide levels emitted from the burning of gasoline. Ethanol blends also reduce emissions of hydrocarbons, a major contributor to the depletion of the ozone layer. As an octane enhancer, ethanol can also cut emissions of cancer-causing benzene and butadiene by more than 50%.

Currently, the U.S. and Brazil are the principal producers and consumers of ethanol. As illustrated in the chart below, based on an estimated world production of 497,863 million hectoliters in 2006, the U.S. accounted for approximately 40% of world ethanol production, Brazil was the second-largest manufacturer with approximately 33% of the total and the EU represented approximately 7% of the total.

**2006 World Ethanol Production – All Grades by Region**




Source: F.O. Licht – Cedus – CGB

Ethanol production is expected to increase in the future. Environmental concerns and initiatives are raising awareness of the need to reduce world consumption of fossil-based fuels and adopt cleaner fuels, such as ethanol. One example is the Kyoto Protocol, an agreement on global warming reached in 1997 by the United Nations Conference on Climate Change in Kyoto, Japan, that became effective on February 16, 2005. Under the Kyoto Protocol, certain major industrial nations have pledged to reduce their emissions of carbon dioxide and five other greenhouse gases between 2008 and 2012. As of November 2006, a total of 168 countries had ratified the agreement. Global initiatives like the Kyoto Protocol are expected to increase the demand for ethanol over the next five years.

The EU has set a target for bio-fuels, bio-diesel and ethanol to account for 5.75% by energy value of total fuel consumption by 2010. The achievement of the 5.75% target would require boosting ethanol capacity by 170% and bio-diesel capacity by 150%. It is estimated that a net addition of 9,158,000 tons of fuel ethanol beyond capacity existing in 2005 would be needed to achieve the 5.75% target, which represents 40 plants with a capacity of 200 million liters. Only four plants with such capacity were constructed in Europe in 2006. In early 2007, the European Commission proposed a new target policy for bio-fuels to the European Council. This policy would account for 10% by energy value of total fuel consumption by 2020.

The new EU sugar regime presents a diversification opportunity for sugar producers to reduce sugar production and instead transform it into ethanol. The EU has set up a diversification fund of €109 per ton of sugar for the transformation of sugar capacity into ethanol capacity. The fund would be managed by national governments. In France, allocations under the fund will be determined by the French Ministry of Economy, Finance and Industry.

There are seven primary processes for the manufacture of ethanol: oil seed stratification, wood acid hydrolysis, straw acid hydrolysis, from wheat, wet and dry milling with corn, from sugar cane and from sugar beet. In 2006, the most widely used raw material in the United States was corn; in Brazil and India it was sugar cane, and in the EU it was wheat.

Although the ethanol industry is highly regulated and protected in several countries, we expect regulation in both the EU and internationally will result in increased opportunities for us due to the greater use of ethanol as an additive to gasoline and its additional support for environmental benefits.

## THE NEW EU SUGAR REGIME

The common market organization in the sugar sector was introduced during the 1967/1968 marketing year with the aim of ensuring fair incomes and self-sufficiency among EU producers. Prior to July 1, 2006, it had not fundamentally changed despite reforms in other areas of the EU's common agricultural policy (the "CAP") which have increased competitiveness in the agricultural sector by reducing support prices, compensating farmers with direct income payments and breaking the link between subsidies and production.

Effective July 1, 2006, a new sugar regime came into force in the EU. The new EU regime is evolving toward deregulation and greater specialization in European production, based on smaller surpluses and a revised system of EU support. As a result, the sugar regime is no longer distinct from other commodity support regimes within the CAP, except for some limited carryovers from the prior sugar regime. The following discussion presents an overview of the prior sugar regime, the reasons for the reform of the sugar regime and the key elements of the new EU sugar regime.

### The prior sugar regime

The prior sugar regime was based on four key elements: (i) production quotas to limit over-production; (ii) the existence of price supports (consisting of a minimum price at which sugar manufacturers were required to purchase sugar beet from growers and a guaranteed intervention price to support the sugar market) for quota sugar production; (iii) tariffs and quotas on imports from non-EU countries; and (iv) subsidies to export surplus production out of the EU.

#### *Production quotas*

Two types of quotas existed under the prior sugar regime: the A quota (initially determined in accordance with domestic consumption) and the B quota (an additional amount to fulfill export demand). Production quotas were determined in order to distribute the production of sugar among the EU Member States and to maintain overall production within certain limits. These quotas represented the maximum quantity of sugar eligible for purchase at a guaranteed intervention price by EU agencies. For the 2004/2005 marketing year, the total quota for the EU-15 was 14.5 million tons (the A-quota representing 82% and the B-quota representing 18%). For the 2005/2006 marketing year, the total quota for the EU-25 was 17.4 million tons (the A quota representing 82% and the B-quota representing 18%). Member States were allowed to produce more than the quota, but the non-quota production ("C sugar") could only be sold outside the EU without subsidy.

The prior sugar market regulation also provided for declassification as a means of annually adjusting A and B quotas for each Member State to ensure compliance with the WTO Treaty by temporarily lowering the production quotas. If the estimates for a given marketing year indicated a surplus quantity of sugar for export that exceeded the permitted levels of subsidized exports, the A and B quotas for the relevant marketing year would be reduced by this difference. The difference was distributed among the individual Member States according to an adjustment coefficient stipulated by the sugar market regulation. Although the European Commission implemented a declassification of only 7% during the 2003/2004 marketing year and no declassification during the 2004/2005 marketing year, a declassification of 14% was imposed for the 2005/2006 marketing year.

#### *Price supports*

The minimum price for sugar beet was set as the lowest price at which sugar manufacturers were permitted to buy beet from growers for the production of quota sugar. It was set at €46.72 per ton for sugar beets used to produce A-quota sugar and €32.42 per ton for sugar beets used to produce B-quota sugar. Intervention prices were used as the price at which intervention agencies within the EU were obliged to purchase eligible quota sugar offered to them by EU manufacturers and operated as a guaranteed minimum price for sugar. Intervention prices were set at €631.9 per ton for white sugar and €523.7 per ton for raw sugar in 2005/6. The minimum prices for sugar beet and the intervention prices remained unchanged from the 1993/94 marketing year to the 2005/2006 marketing year.

*Tariffs and quotas on imports*

The EU had, and continues to have, several international trade agreements with countries outside of the EU and other regional markets, allowing preferential access (i.e. at low or zero tariffs for quantities subject to quotas) to the relatively high-priced EU sugar market. These are longstanding and enshrined in multi-lateral trade agreements.

In particular, in 1975, the European Community signed a sugar protocol (the "Sugar Protocol") with certain African, Caribbean and Pacific ("ACP") countries, which now includes 20 countries. The Sugar Protocol attached to the 1975 Lomé Agreement between the ACP countries and the EC set out a commitment by the EC to purchase certain quantities of sugar at guaranteed prices and a commitment by the ACP signatory countries to supply the required quantities. Under the agreement, duty free import quotas are allocated for 1.3 million tons of sugar per year. An identical agreement to the Sugar Protocol was concluded at the same time with India (involving 10,000 tons per year). The terms of the initial Sugar Protocol of 1975 were unchanged when it was renewed as the Cotonou Treaty in June 2000.

*Subsidies to export surplus production*

Although the prior sugar regime provided for a minimum price for sugar beets and an intervention price for sugar production covered by the A and B quotas, these measures did not ensure that all quantities of A and B sugar could be sold within the European Union. Therefore, the previous sugar regime also provided for the payment of "export refunds" to sugar producers who exported unsold A and B sugar out of the EU, such that any differences between the EU intervention price and the world sugar price would be neutralized. The export refunds were financed by the sugar beet farmers and the sugar producers at a ratio of 60% to 40%, respectively, through the payment of production levies on A and B sugar as a percentage of the applicable intervention price. If the aggregate production levies in a given marketing year were insufficient, the European Commission implemented a supplemental levy. In the 2003/2004 marketing year, the EU imposed a production levy of 2% on A sugar (equivalent to €12.64 per ton) and of 29.05% on B sugar (equivalent to €183.57 per ton). In the 2004/2005 marketing year, the EU imposed a production levy of 2% on A sugar (equivalent to €12.64 per ton) and of 39.5% on B sugar (equivalent to €249.60 per ton). In addition, a supplemental levy of 15.9% was also imposed. In the 2005/2006 marketing year, the EU imposed a production levy of 2% on A sugar (equivalent to €12.64 per ton) and of 5.81% on B sugar (equivalent to €36.71 per ton).

**Reasons for the reform of the sugar regime**

The prior sugar regime resulted in EU price levels that were approximately three times the world market prices and were consistently criticized within and outside the EU. As a result, Australia, Brazil and Thailand challenged certain aspects of the EU's sugar policy before the WTO Appellate Body (the "WTO Sugar Panel"). On April 28, 2005, the Sugar Panel found that "C sugar" exports benefited from export subsidies by being cross-subsidized with revenues from production under A and B quotas. The WTO Sugar Panel also ruled that the EU exceeded its export subsidy commitments due to its subsidized export of sugar equivalent to imports from the ACP countries and India. The ruling resulted in the reduction of all EU sugar exports, with or without refunds, to 1.4 million tons per year from the previous 5-6 million tons, unless international prices exceed European cost prices.

Partly in response to the Sugar Panel's ruling, but also because of the more general reform of the CAP, the European Commission began the reform of the sugar regime. The reform is intended to realign sugar production with market realities while ensuring a long-term sustainable future for sugar production in the EU, enhancing the competitiveness and market-orientation of the sector and strengthening the EU's position in the current round of world trade talks.

Under the new EU sugar regime, the 1.4 million tons of European quota sugar allowed to be exported is allocated pursuant to a tender system managed by the European Commission. Tenders are made by EU sugar producers on the basis of the amount of export subsidy sought from the European Commission. Upon selection of the winning tender, the European Commission issues an export certificates to the sugar manufacturer. Beginning with the 2008/2009 marketing year, the EU will no longer pay export subsidies to its producers. Thereafter, sugar manufacturers will be required to export sugar at the world market price.

**Key elements of the new EU sugar regime**

The new EU sugar regime came into force on July 1, 2006. It has seven key elements: (i) significant price reduction of the sugar production under quota; (ii) partial compensation for farmers; (iii) quota reductions; (iv) funds for restructuring that are paid to producers exiting sugar production; (v) promotion of more balanced markets; (vi) enlargement of alternative outlets for non-quota sugar; and (vii) budget neutrality.

*Significant price reduction*

To increase competitiveness and market-orientation, the reform introduced a gradual 36% reduction of white sugar prices at the consumer level over four marketing years (to be completed in 2009/10) with no decreases in prices for the first two marketing years.

The reform also provides for the replacement of the guaranteed intervention price paid to sugar producers with a reference price and a 36% reduction in this reference price for raw sugar over four marketing years, beginning in 2006/7. The reduction will be 5% over 2006/7 and 2007/8, 14% in the 2008/9 marketing year and 36% in 2009/10.

Finally, the reform introduced a 44% reduction over the next four marketing years for the minimum beet price, to be scheduled as follows: a reduction of 25% for 2006/7, 32% for 2007/8, 37% for year 2008/9 and 40% for 2009/10.

The following table sets out the reference prices applicable under the new EU sugar regime from the 2005/6 marketing year.

| € per ton | 2005/2006 | 2006/2007 | 2007/2008 | 2008/2009 | 2009/2010 | 2010/2011 |
|---|---|---|---|---|---|---|
| Reference Price (consumer level) | 631.9 | 631.9 | 631.9 | 541.5 | 404.4 | 404.4 |
| Reference Price at the producer level (without the restructuring levy) | 631.9 | 505.5 | 458.1 | 428.2 | 404.4 | 404.4 |
| Reference price (raw sugar, protocol on the ACP sugar) | 523.7 | 496.8 | 496.8 | 448.8 | 335.2 | 335.2 |
| Concurrent reduction of the reference price at the consumer level | - | 0.0% | 0.0% | 14.3% | 36.0% | 36.0% |
| Concurrent reduction of the reference price at the producer level | - | 20.0% | 27.5% | 32.2% | 36.0% | 36.0% |
| Concurrent reduction of the raw sugar price | - | 5.1% | 5.1% | 14.3% | 36.0% | 36.0% |
| Minimum price of sugar beet | 47.7 | 32.9 | 29.8 | 27.8 | 26.4 | 26.4 |
| Concurrent reduction of the minimum price | - | 31.0% | 37.5% | 41.7% | 44.6% | 44.6% |

*Source: European Commission*

Entities unable to compete within the new framework will be given compensation to give up their quotas. See "The New EU Sugar Regime—Key elements of the new EU sugar regime—European funds for restructuring."

*Partial compensation for farmers*

In order to minimize the impact of the reform's price reductions, the new EU sugar regime provides for direct payments to sugar beet growers (covering 64% of the revenue loss from the price reductions). Direct payments to farmers are decoupled from production levels and have been integrated into the EU's Single Payment Scheme, whereby payment is conditioned on compliance with environmental, health and welfare standards rather than production.

In EU Member States that relinquish at least 50% their quota, a further compensation payment will be granted to sugar beet producers for a maximum of five years (but not later than for the marketing year 2013/14) plus limited national aid.

*Quota reductions*

The first marketing year the reform has been effective is proving to be very difficult for European producers because of oversupply of the market, given the limited export possibilities and the fact that the payments of the restructuring fund have not yet been received by market participants. Although the EU may export limited amounts of sugar under its international agreements, it must comply with the WTO Sugar Panel ruling and take budgetary constraints into account.

In order to address this concern, Member States have agreed that in the first year of the new EU sugar regime, sugar production under quota will be reduced by 2.5 million tons (13.6%) in order to limit new stocks of sugar. On February 22, 2007, the European Sugar Management Committee voted on a European Commission proposal agreeing to a compulsory 2 million ton (approximately 13.5%) production quota cut for the 2007/2008 marketing year. See "The New EU Sugar Regime—Key elements of the new EU Sugar Regime—Production, Consumption, Export and Import—Recent reform developments."

Under the reform, the total EU quota is divided among Member States according to a balanced weighting of the reduction coefficients traditionally used in the sugar sector for the allocation of quotas under the previous sugar regime and the linear reduction laid down in the new common market organization regulation. The coefficients reduce production more for those countries which previously had higher B quotas and therefore produced more sugar for export. Sugar quotas relinquished in the first year by a Member State will be counted for reduction calculations in connection with the division of the EU quota in subsequent years.

Quota arrangements under the prior sugar regime have been simplified by merging A and B quotas into one quota. The EU grants Member States previously producing C quota sugar the right to receive up to 1.1 million tons of quota in exchange for a one-time levy of €730 per ton. This quota is attributed among the Member States, with France receiving 352,000 tons, of which we have obtained 114,000 tons, the amount corresponding to Tereos' share of EU sugar production.

Furthermore, isoglucose quotas under the CAP have been increased, effective for the 2006/7 marketing year, by 300,000 tons for existing production entities phased in over three marketing years with an increase of 100,000 tons each year. Industrial sugar, industrial isoglucose and industrial inulin syrup and other products used in the chemical and pharmaceutical industries, the production of alcohol, rum, live yeast and the production of bio-ethanol will be excluded from CAP production quotas.

*European funds for restructuring*

A restructuring fund offers an incentive for less efficient producers to exit sugar production during a transitional period ending with the 2009/10 marketing year. Restructuring funds may be used in three ways:

- Producers will receive restructuring funds if they relinquish quotas, close factories and fully dismantle them. The aid level drops over the transitional period so as to encourage early exit of inefficient producers. Partial dismantling of factories will be awarded reduced support. The aid will amount to €730 per ton in the 2006/2007 and 2007/2008 marketing years, decreasing to €625 in the 2008/2009 marketing year three and €520 in the 2009/2010 marketing year.
- Growers may receive income compensation for price cuts at the rate of 60% for the 2006/2007 and 200/7/2008 marketing years. The compensation will be decoupled from production levels and included as a single annual payment to the grower under the Single Payment Scheme of the CAP.
- Regions affected by the restructuring of the sugar industry may receive aid for diversification of agricultural production. An additional diversification fund is provided for Member States where sugar quota is reduced by a set minimum amount, the size of the fund increasing as more quota is relinquished.

The restructuring fund is financed by a levy on holders of quota (including us), and payable during the 2006/2007, 2007/2008 and 2008/2009 marketing years for all sugar, isoglucose and inulin syrup quotas. The rates are €126.40 per ton in the 2006/07 marketing year, €173.80 per ton in the 2007/08 marketing year and €113.30 per ton in the 2008/09 marketing year.

Sugar beet also qualifies for the EU Single Payment Scheme under the CAP when grown as a non-food crop on set-aside land and is now also eligible for the energy crop aid of €45/hectare. The aid for energy crops, such as crops used to make ethanol, is an incentive for farmers to produce crops for energy purposes rather than for food.

*Market balance*

The reform requires the EU to implement the following tools in attempt to achieve market balance in each year:

- *Carry forward mechanism.* In order to offset variability of crop yields, sugar factories may carry forward to the following marketing year sugar produced in excess of quota in the preceding marketing year.
- *Withdrawal mechanism.* In order to preserve the structural balance of the market at a price close to the reference price, the European Commission may order the withdrawal of a percentage common to all Members States of quota sugar until the beginning of the following marketing year. Each entity provided with a quota shall store a corresponding quota of sugar at its own expense.
- *Private storage scheme.* When the EU market price falls below the reference price and is likely to remain at that level, the European Commission may discretionally grant aid to sugar producers who voluntarily place a portion of its supply in storage.

*Enlarging alternative outlets for non-quota sugar*

The European Commission will also provide new incentives for the industrial uses of sugar. For example, bio-fuel, chemical and pharmaceutical industries will have access to non-quota sugar at reasonable prices.

Processing of bio-fuel from sugar beet will be also be promoted. Sugar beet is now eligible for energy crop aid of €45/hectare (provided under the 2003 CAP reform) as well as for set-aside payments.

*Budget neutrality*

The reform is expected to be budget neutral to the EU, as the costs of new measures, notably the compensation of the sugar beet farmers, will be offset mainly by savings resulting from a substantial reduction in export subsidies.

***Production, Consumption, Export and Import***

The European Commission has forecasted that, under the reform, EU production is expected to fall by 5 to 6 million tons by the 2009/2010 marketing year. This reduction would result in production being at a sustainable level and at a sustainable price. The European Commission has also stated that EU exports are expected to decrease significantly, which would allow the EU to respect its WTO commitments.

The European Commission has also detailed the following plans: under the principle of specialization, sugar will continue to be produced where it is most efficient, with farmers compensated for the income loss caused by price reduction; direct payments to farmers will be incorporated in the "Single Farm Payment Scheme" and linked to the fulfillment of strict environmental and land management criteria; in the less competitive areas, there will be compensation for the closure of sugar factories, their conversion to other uses and the retraining of workers. Finally, the European Commission has stated that additional aid will be provided for those countries that reduce their output by more than half, or even phase out sugar production entirely.

*Recent reform developments*

Due to insufficient relinquishment of quotas under the new EU sugar regime, there are currently concerns that a potential major surplus situation may exist during the 2007/2008 marketing year, which would severely affect the whole sector and put the ongoing reform process at risk. On February 22, 2007 the European Sugar Management Committee voted on a European Commission proposal agreeing to a compulsory 2 million ton (approximately 13.5%) production quota cut for the 2007/08 marketing year. As this decision falls within the

Commission's competence, this approval effectively implements the production cut. This production quota cut is subject to certain exceptions. Member States where prior quota reduction has been more than 50% will not be subject to withdrawal and can therefore produce their full quota. In those Member States where the relinquishment of quota is less than 50%, the withdrawal figure will be reduced proportionally to their reduction of quota. As a result, if the production quota has been reduced by 25%, for example, the withdrawal figure for such a Member State will be fixed at 6.75%, i.e. 50% of the general withdrawal figure of 13.5%. Those Member States where no reduction of quota has been undertaken will have to reduce their production by 13.5% in order to avoid withdrawal. In October 2007, the final figure for withdrawal will be fixed. If such a figure is higher than 13.5%, all sugar producers will have to reduce by the same additional percentage without regard to the renunciation of quota. This additional reduction is not linked to the quantity of quota Member States have already relinquished but is a temporary reduction for a one-year.

*Import of sugar from ACP countries*

The new EU sugar regime has also modified the conditions under which sugar may be imported from ACP countries. Since July 1, 2006, the guaranteed price fixed pursuant to the renewed Sugar Protocol is now set each year at the reference price under the new EU sugar regime. The difference between the guaranteed price and the world price, or the price on their own markets, should encourage some of the Sugar Protocol countries to export as much of their production as possible to the EU, even if that means supplying their own consumption needs by purchasing white sugar on the world market.

# BUSINESS

## Overview

We are an agro-industrial cooperative group that processes sugar beets, sugar cane and cereals into sugars and alcohols, in France and abroad. With sales of €2,102.9 million and Adjusted EBITDA of €286.0 million for financial year 2006, we are the second-largest European sugar producer by volume and the largest French sugar producer. We estimate our market share for industrial sugar at approximately 10% in the EU-25 and 23% in France, based on quotas notified to producers. We estimate our market share for table-top sugar at approximately 30% in France based on sales volume. We currently receive 39.6% of the sugar quota notified to France by the European Union and 10.8% of total European quotas. For financial year 2006, we produced 3 million tons of sugar, 2.5 million hectoliters of alcohol and 2.8 million hectoliters of ethanol.

We divide our products into four principal categories: solid and liquid sugars, alcohol and ethanol, glucose and other sugar-derived sweeteners, and certain sugar by-products:

- We produce solid and liquid sugar in mainland France, the Czech Republic, Réunion Island, Brazil, Mozambique and Romania. In France, we market a full range of household solid sugars (both traditional and specialty table-top products) under the brand names *Béghin-Say*, *C'est la Vie*, *La Perruche*, *Blonvilliers*, *L'Antillaise*, *Gelsuc*, *Ligne*, *Actisucre* and *Sucreries de Bourbon* and also sell a complete range of industrial sugars. We market sugars produced in the Czech Republic under the brand names *TTD* and *Elan do Zivota*, and we market sugars produced in Brazil under the *Guarani* brand. In financial year 2006, our solid and liquid sugar sales represented 76.9% of revenues;
- We produce alcohol and ethanol in mainland France, the Czech Republic and Brazil. We market our superfine alcohol and neutral extracts made from sugar beet and wheat to the cosmetics and spirit industries. We sell ethanol as a fuel additive to leading gasoline refiners in France and Brazil. In financial year 2006, our alcohol and ethanol sales represented 12.3% of revenues;
- We produce glucose and sugar-derivatives at the Syral glucose refinery in France and in the Czech Republic. We market these products for industrial uses to clients such as confectionary manufacturers (including Haribo) or ice-cream manufacturers (including the Unilever Group). In financial year 2006, our glucose and sugar-derivative sales represented 3.1% of revenues; and
- We sell sugar by-products such as animal feed, fertilizer and fermentation by-products to the agricultural sector principally in mainland France, The Netherlands, Belgium, Italy and Spain. In financial year 2006, our sugar by-products sales represented 2.3% of revenues.

Additionally, as a service to our cooperative members, we sell sugar beet seeds at preferential prices to such members. In financial year 2006, sales of sugar beet seeds to our cooperative members represented 1.8% of total revenues and sales of non-core products represented 3.6% of revenues.

Our operations and sales are geographically diversified, and in financial year 2006, the geographic break-down of our revenues by sales zone was as follows: 44.6% from France (including Réunion Island), 31.8% from Europe (excluding France), 8.2% from Brazil and 15.4% from the rest of the world.

The changes to the European Union sugar regime will be an important factor in the development of our business (see "The New EU Sugar Regime"). The new EU sugar regime will decrease guaranteed prices for sugar produced in the EU and provide for increased imports to the EU from certain countries. We believe that, as a result of the new regime and possible future reforms, sugar imports to the EU will continue to expand and the EU market price will move downwards toward the world market price. We anticipate that, as this occurs, less developed countries, or LDCs, will increase their market share and decrease price levels in Europe, due to their significantly lower productions costs compared to producers in EU countries. In particular, LDC producers enjoy lower energy costs from surplus sugar cane fiber (*bagasse*) and significantly lower labor costs.

In response to these changes, we have sought to expand our production of sugar in lower-cost locations outside the EU, increase our sales within the EU and diversify our revenue sources to product categories other than sugar. We have implemented this strategy by entering in the sugar and ethanol industries in Brazil and investing in sugar production facilities in Mozambique and Réunion Island. We have also allocated significant resources to the development of our glucose and alcohol and ethanol production activities in Europe. We are also pursuing and remain open to ongoing strategic acquisitions. See "Business—Our Strategy" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent developments."

### Competitive Strengths

We believe that we have the following key strengths:

***Strong relationship with our suppliers***

We believe our ownership structure aligns our interests with those of the 14,000 beet and cereal growers who are both our suppliers and our ultimate owners (our members). Both we and our members benefit from long term visibility and stability through our 25-year supply agreements and through a mutually beneficial profit sharing scheme (with our payment of price complements based on profits in our French operations and dividends based on profits in our activities abroad). Our members also evidence their continuing support through equity or quasi equity injections in new projects, such as those for ethanol production or potential acquisitions.

***Wide product and geographic diversification***

To complement our solid and liquid sugars, we have developed a full range of functional sweetening ingredients which have diverse applications, such as fructo-oligo-saccharides (extracted from sugar), maltodextrins and polyols (produced from glucoses), in order to meet our customers' range of needs. We combine sugar, liquid sugar, inverted sugar and glucose syrups with the above-mentioned functional ingredients to create ready-to-use sweetening formulations. In addition, we cater to the cosmetics and spirit industries through our superfine alcohol and neutral extracts from sugar beet and wheat. We produce ethanol in France, the Czech Republic and Brazil and our dehydrated ethanol can be used in oil refineries for the production of ETBE (Ethyl Tertio Butyl Ether) and as a direct additive in fuels.

Our revenue sources are also geographically diverse. We produce our products in France, Brazil, the Czech Republic, Romania, Réunion Island, and Mozambique, and we sell them throughout the EU, as well as in Brazil and on the world market. We have been present in most of these locations for more than a decade and in many of them we own strong, locally known brand names.

***High quality, cost-efficient production and favorable growing conditions***

Our members are located in northern France, a region whose climate and soil are particularly well-adapted to the cultivation of sugar beets. We believe the French sugar industry possesses a comparative advantage of 50% over the rest of Europe, with 13 tons of sugar purchased per hectare, compared to 8.7 tons elsewhere in the EU-25, and a 90% advantage in terms of production, with average daily production per plant of 14,200 tons, compared to 7,350 tons elsewhere. Our members achieved an average yield in 2005 of 84.3 tons of beets per hectare, two tons above the French average of 82.3 tons and 30 tons higher than the EU average of 54.3 tons. We have also pursued industrial efficiencies through, for example, the optimization of beet collection (through the placement of sugar beet cleaning machines in the fields), the automated receipt of beets, reductions in energy expenditure, control of fixed expenses and transportation innovations. We have also expanded into countries that exhibit similar agricultural competitiveness. Brazil, Réunion Island and Mozambique all enjoy excellent conditions for growing sugar cane.

***Strong position to benefit from industry consolidation in Europe***

Due to our position as the second-largest sugar producer in Europe, our location in Europe's prime growing region, our expansion of sugar production outside of the EU and our diversification into products other than sugar, we believe that we are better able than some of our competitors to manage and benefit from the consequences of the new EU sugar regime applicable from July 1, 2006 (see "The New EU Sugar Regime"). We believe that the new EU sugar regime will progressively result in less efficient sugar producers in the EU (such as in Italy, Ireland and Greece) ceasing production due to lower guaranteed prices. These reforms will also likely put pressure on smaller sugar producers or those who depend entirely on sugar production in the EU. As smaller players exit the industry, their quotas may become available to surviving producers who wish to increase production.

#### *Recognized brand names*

We enjoy strong retail brand recognition in the table-top sugar market. Our *Béghin-Say* brand is the leader in the French domestic retail market, recognized by approximately 80% of consumers, compared to 56% of consumers for our closest competitor's brand. Our *Guarani* brand is one of the best known sugar brands in the large Brazilian market, our *TTD* brand is well established in the Czech Republic, as is our *Sucrerie de Bourbon* brand on Réunion Island.

#### *Strong, experienced management team*

We have a highly skilled management team with extensive experience in the sugar industry. For example, among other experienced professionals, our chairman and chief executive officer, Mr. Philippe Duval, has been active in the sugar industry for over 38 years and has overseen our development and expansion, including our evolution as the first French ethanol producer in 1993. Our chief financial officer, Mr. Renaud Wattinne, has been involved in the financial operations of sugar producers for over 30 years. In addition, in connection with our involvement in the ethanol industry, Mr. Duval and Mr. Georges Alard have become active in several commissions relating to ethanol production.

### Our Strategy

To address the likely effects of the new EU sugar regime on our industry, we are currently implementing the following strategies.

#### *Increase sales within the EU*

We expect that the implementation of the new EU sugar regime will progressively cause less efficient sugar producers in the EU, such as those in Italy, Ireland and Greece, to cease production. In response to the departure of these producers, we hope to increase our sales in those markets by capitalizing on our broad European sales network, which has commercial representatives in Germany, Italy, Spain and the United Kingdom. We also hope to expand sales through this network as and when EU tariff barriers decline, facilitating imports from lower-cost countries. In addition, we believe that we are well-positioned to increase EU sales by selling to the local operations of our current clients that are active in multiple countries (such as Coca-Cola).

#### *Expand production outside the EU*

As of 2009, the European sugar market will be opened without restrictions to imports from LDC and ACP countries, which could result in a shift in market share to producers in such countries and ultimately result in lower prices. We have acquired a 50% interest in the Marromeu sugar factory in Mozambique (one of the most competitive LDCs), which will be increased to 75% before the end of the 2011 financial year. In addition, a WTO Sugar Panel ruling currently prohibits exports of sugar from the EU to the world market, and in order to sell outside the EU, we rely on our investments outside the EU, such as in Brazil, the world's largest sugar producer. Through our Guarani subsidiary, we have recently launched the construction of a fourth factory in Brazil and expect to approximately double sugar cane processing capacity in Brazil by 2012.

#### *Invest in bio-fuels*

The market requirements for renewable energy in France as well as Europe are growing. We are a leading producer of ethanol in France and Brazil (where hybrid automobiles are widespread) and aim to be one of the leading European producers. We have constructed a 3 million hectoliter distillery at Origny Sainte-Benoîte in France, which began operations in October 2006. We have also begun construction of a new wheat ethanol plant at Lillebonne France with an estimated capacity of 3 million hectoliters that is expected to be operational in spring 2007 and of additional facilities in the Czech Republic.

We also intend to capitalize on our strength in cereals transformation (both into ethanol and starch-based glucose) in order to seize opportunities in the development of second generation bio-fuels and "green chemistry" (chemistry using molecules from renewable resources, mainly starch and ethanol).

***Pursue strategic acquisitions***

Subject to market conditions and the availability of suitable investment opportunities, we intend to pursue strategic acquisitions in our current business lines. In particular, we may make acquisitions in Brazil (particularly in ethanol) and LDC countries, and we continue to explore opportunities in Europe. For this purpose, we have a €200 million acquisition facility under our senior credit facility (see "Description of Other Indebtedness—Senior credit facility"). We drew €50 million from this acquisition facility in November 2006 to finance two acquisitions in Brazil, consisting of an additional interest in São José, which owns and operates a sugar plant, as well as the purchase of Tanabi. We may also consider the purchase of additional European production quotas, should these quotas become available. Under these circumstances, we expect that one-half of the purchase would be financed by each of us and our cooperative members. For this purpose, we currently would expect to draw funds under our €449.4 million term loan facility. See "Description of Other Indebtedness—Senior credit facility" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent developments."

**History and Organization**

Our company is the product of historical consolidation and rationalization within the sugar industry in France. We believe that this consolidation has had several benefits for our business. For example, Union SDA, the third-largest producer in the French market, merged with a public company, Béghin-Say, in 2004 to create a single cooperative union called Tereos. Upon the merger, Union SDA was able to combine its production capacity and quotas with the production capacity and quotas of Béghin-Say, thereby benefiting from both economies of scale and Béghin-Say's portfolio of recognized brand names. The combined entities were also able to employ a combined marketing infrastructure, with broader reach than each possessed independently. The subsequent combinations with the USE and SDHF cooperatives further expanded Tereos' sugar production capacity and, in particular, its ethanol and alcohol production activities.

Our current organizational structure is the result of the merger of:

- the cooperative Union SDA and the private company Béghin-Say (renamed Tereos and Béghin-Say Tereos SA as of January 19, 2004) into a single cooperative union called "Tereos" on October 1, 2004;
- the establishment of two new cooperative structures (Union BS and Union BE) over time to integrate the various operations of the former Union SDA and Béghin-Say; and
- the combination of Tereos with the French sugar producer SDHF on January 30, 2006.

***Merger of Union SDA and Béghin-Say***

*The combination of the operations of Union SDA and Béghin-Say into one single union cooperative was the final step of the acquisition process and the establishment of Tereos.*

Union SDA was established as a cooperative group in 1932 as "Sucrerie – Distillerie d'Origny." Its primary activity was the transformation of beet, cane and cereal into sugar and alcohol. Union SDA was also historically active in ethanol production.

*Béghin-Say*

Béghin-Say was founded in 1973 from the merger of the Béghin and Say companies (the former founded in 1821 in the north of France, the latter in 1812 in Nantes).

On December 13, 2002, Origny-Naples, a company controlled by Union SDA and Union BS (described below), acquired a 53.8% interest in Béghin-Say. In January 2003, Origny-Naples increased its stake to 95.70% of the share capital and 96.34% of the voting rights of Béghin-Say.

### *Establishment of the Union BS and USE cooperatives*

We are directly held by Union BS and USE, two cooperative structures established separately over time to integrate our various operations. See "Ownership Structure."

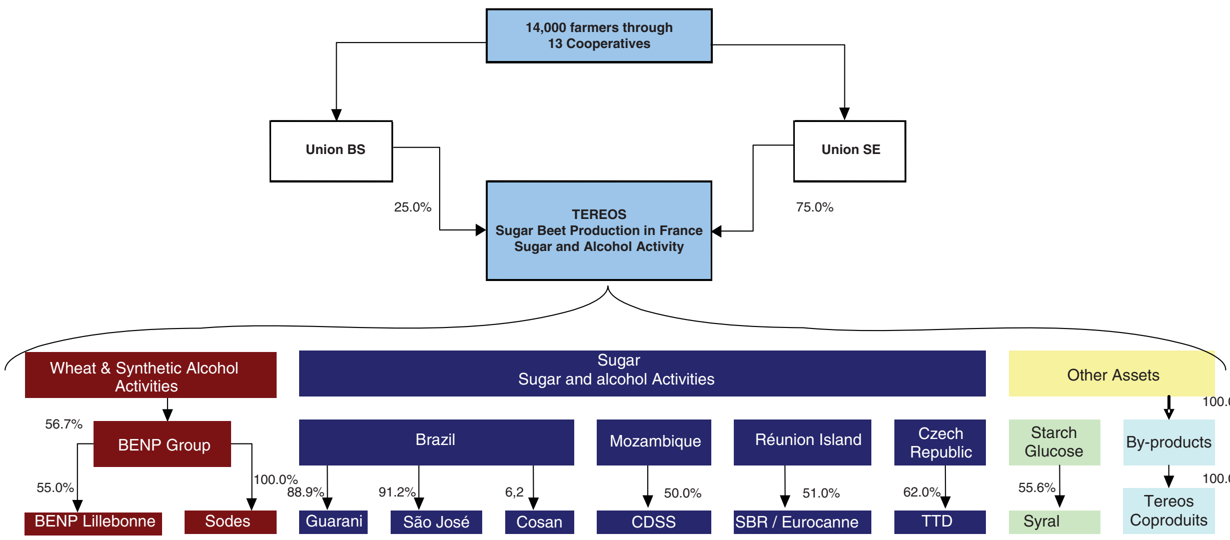
Union BS (*Union des Planteurs de Bettraves à Sucre*), comprising of seven member cooperatives (with 7,535 beet planters), was established in July 2002 and created for the purpose of integrating the acquired operations of Béghin-Say into a cooperative structure, prior to the combination with Union SDA to form the *union cooperative* Tereos.

Union Sucre Ethanol (*USE*) was established in May 2004 in order to integrate our wheat ethanol production activities into Union SDA, along with certain cooperatives located in the Picardie region. Union SDA Collecte retains a controlling interest of 71.70% in USE.

### *Combination with SDHF*

On January 30, 2006 (with accounting effect from October 1, 2005), Tereos combined with SDHF, a cooperative producer of approximately 300,000 tons of in-quota sugar and 450,000 hectoliters of alcohol and ethanol. Following the combination with SDHF, Tereos' portion of the French production quota increased by 30%. This increase in scale allowed Tereos to reduce its marketing costs while increasing its market presence. SDHF holds an additional 18.15% interest in USE.

The following chart shows the current simplified organization of the Tereos group:




## Operations

### *Products*

We divide our business into the following principal product categories:

- solid and liquid sugars (76.9% of our revenues in 2006);
- alcohol and ethanol (12.3% of our revenues in 2006);
- glucose and other sugar-derived sweeteners (3.1% of our revenues in 2006); and
- certain sugar by-products (2.3% of our revenues in 2006).

*Solid and liquid sugars*

We are the second-largest producer of solid sugar in Europe by production volume and the largest in France. In 2006, solid and liquid sugars accounted for €1,617.4 million in revenues (76.9% of revenues). We produce traditional solid sugar in lumps, in granular form and as higher value-added, finely sifted and ground (*Extrafin*) form. We also produce liquid sugars, including inverted sugars and syrups. In addition, we produce fructo-oligosaccharides through our Béghin-Meiji subsidiary. During the 2005/6 marketing year, we produced a total of 3 million tons of solid sugars, of which approximately 46% was attributable to our operations in mainland France and 30% to our Brazilian operations, with smaller percentages for the Czech Republic, Mozambique, Réunion Island and Romania.

We produce solid and liquid sugars for household use and for industrial purposes. Household sugars, also known as table-top sugars, include standard white sugar, brown sugar and specialty products for human consumption. We also offer specific products, such as wrapped sugar lumps to the catering industry. Sugars produced for industrial purposes are used in the production of other foodstuffs, such as soft-drinks and candies and have applications as in other sectors, such as by the pharmaceutical industry.

We have several strong solid and liquid sugar brands. The *Béghin-Say* brand is the leader in the French domestic retail market with an approximately one-third market share for solid sugars, including table-top sugar. *Béghin-Say* benefits from a high level of recognition in France (approximately 80% as compared to 56% for Saint Louis Sucre, the second-largest sugar company in France) and offers a full product range, from traditional sugar in lumps or in granular form, to specialties such as *La Perruche*, *Blonvilliers*, *Gelsuc*, and including nutritional sugars such as *Ligne de Béghin-Say*. We market higher value-added products (*Extrafin*) to consumers and the industrial market under the *Surfine* brand. We market our sugars in the Czech Republic under the brand names *TTD* and *Elan do Zivota*, in Brazil under the *Guarani* brand and on Réunion Island under the *Sucrerie de Bourbon* brand.

We have also developed new applications for other market segments. In the pharmaceutical industry, we sell products under the *Microcristal 120* and *Compressuc* brands.

We market our fructo-oligosaccharides under the *Actilight* brand if for human consumption and the *Profeed* brand if for animal consumption.

*Alcohol and ethanol*

In 2006, alcohol and ethanol accounted for €257.2 million in revenues (12.2% of revenues). Our total production of alcohol was 2.5 million hectoliters in financial year 2006. We produce crude alcohol known as "raw alcohol," which is later transformed into ethanol, and high purity alcohol known as "pure" alcohol, which is intended for human consumption (spirits, vinegars, pharmaceuticals, perfumes, cosmetics and chemicals). Impurities are removed in the form of an alcohol reserved for household use. We produce agricultural and synthesis alcohol in our Origny, Lilliers, Bucy, Morains, Artenay and Lillebonne units in France, as well as at the Chrudim distillery in the Czech Republic.

Our total production of ethanol was 2.8 million hectoliters in financial year 2006. Ethanol, used directly or in the form of ETBE, is often used as an additive to gasoline. Ethanol has environmental benefits in terms of motor vehicle emissions and also contributes to the reduction of greenhouse gases by replacing more polluting fossil fuels. Furthermore, ethanol may be an economical substitute for fossil fuels if prices for the latter remain at high levels, as has been the case in recent months. We produce ethanol from wheat in our BENP unit located at Origny and our unit located at Provins, and we produce ethanol from sugar beet in our Morains, Artenay, Lillers and Origny distilleries in France and the Dobrovice distillery in the Czech Republic. We also produce ethanol through it Brazilian subsidiary, Guarani.

We are currently increasing our capacity for alcohol and ethanol production through the construction of new facilities. We estimate that our production of alcohol and ethanol will increase to 8.6 million hectoliters during the 2006/2007 marketing year and to approximately 15 million hectoliters per year by the 2011/2012 marketing year. When our Lillebonne plant is complete, we expect to become the fifth-largest producer of ethanol worldwide and the only operator to produce ethanol from sugar beets, sugar cane and cereals.

*Glucose and other sugar-derived sweeteners*

In 2006, glucose and other sugar-derived sweeteners accounted for €65.8 million in revenues (3.1% of revenues). Through our subsidiaries Syral in Marckolsheim (Alsace, France), France, we produce a complete range of corn or wheat-starch based sweeteners, including glucose, maltodextines, dextroses and polyols. Syral produced 320,000 tons of such sweeteners during the 2006 marketing year, making it the fourth-largest European producer of starch sweeteners.

The glucose and other sugar-derived sweeteners we produce have primarily industrial uses, commonly as an additive used by the food and beverage industries. The products have diverse functional properties in order to meet our customers' needs, including the desire to offer consumers healthy or light products to address concerns about obesity.

We market certain of the glucose and other sugar-derived sweeteners produced by our subsidiary Syral under recognized brand names, whereas other products are marketed generically. Syral sells its maltodextrine products under the *Quicksolve* brand and its maltitol syrups under the *Maltilite* brand. The Syral name is used as a generic brand for the company's other various products.

*Sugar by-products*

In 2006, sugar by-products accounted for €48.2 million in revenues (2.3% of revenues). We sell the by-products that result from producing sugar from beet or cane for three types of uses: animal feed, fertilizer and fermentation by-products. The animal feed we produce is sold for the nourishment of milk and beef cows, as well as other animals, particularly into the Northern European market. The natural fertilizers we produce, *Fertial* and potassium sulfates and skimmings, are attractive to the organic farming industry and are high in either nitrogen, if derived from glucose production, potassium, if derived from alcohol production, or calcium, if derived from sugar production. The molasses produced by our facilities as a fermentation by-product is used primarily in our distilleries for the production of traditional alcohols or bio-fuels or is sold to fermentation industries (such as yeast or amino acids makers).

## Suppliers and Raw Materials

We employ three principal raw materials in our operations: sugar crops (beets and cane), cereals and energy.

### *Sugar crops*

*Supply of sugar beet*

For our supply of sugar beets, we conclude 25-year supply agreements with our beet grower cooperatives. The amount and price of sugar beet that each member has the right to sell to us varies each year. After the European Union determines the sugar quota to be allocated to France for a particular year, the French government divides this quota among sugar producers, including us. We then determine the amount of sugar beet to be supplied by each of our cooperative members, which in turn assign an amount to their growers. If the supply of sugar exceeds demand in a given year, the EU may "declassify" quota amounts, thereby decreasing each producer's quota by a given percentage in the following year. We purchase sugar beets from our growers at the quota price set by the EU. Any sugar produced beyond the quota dictated by the EU, known as non-quota sugar, may not be sold in the European market and exports of such sugar have been limited by the WTO (see "The New EU Sugar Regime").

If our French sugar activities are profitable in a given marketing year, we distribute an additional price complement to our cooperatives based on, among other factors, the amount and quality of sugar beet they have supplied. These price complements will be temporarily discontinued from financial year 2008. A portion of revenues we receive from our overseas operations are distributed to our cooperative members as a dividend in proportion to their ownership interest in Tereos. We purchase sugar beets beyond the quota from our growers for the production of alcohol and ethanol. The price we pay for these beets is based on our expected profit. If we earn a profit from the sale of the alcohol or ethanol, we pay a corresponding price complement to the beet suppliers.

*Supply of sugar cane*

The source of sugar cane processed by our overseas subsidiaries varies. In Brazil, our subsidiary Guarani satisfies approximately two-thirds of its needs with sugar cane purchased from independent growers, the cost of which fluctuates with the world market price. Guarani cultivates the remaining approximately one-third of the sugar cane it processes on land which it owns. In Mozambique, our subsidiaries grow all sugar cane they process on land which they own. On Réunion Island, our subsidiaries purchase all of the sugar cane they process from independent growers. The price of this sugar cane has been set for the next nine marketing years in accordance with the EU sugar regime.

*Cereals*

We principally use cereals, particularly wheat and corn, in glucose and ethanol production. Our supply arrangements with wheat and corn grower cooperatives are similar to those described above for the supply of sugar beet. They differ however in that the price we pay for wheat used for ethanol production is based on expected profit, rather than on quotas. If we are profitable in a marketing year, we distribute an additional price complement to our cooperatives based on the amount of wheat they have supplied. Wheat and corn used for glucose production are paid dependent on market price only and no additional price complement is paid.

*Energy*

We use large quantities of energy in our sugar operations, principally for the processes involved in extracting sugar beets, sugar cane and grains. In Europe, our factories use natural gas, coal and fuel oil as their primary sources of energy and have some ability to alternate between these energy sources in response to price changes. We negotiate yearly bulk energy contracts for all of our European factories with the lowest-priced suppliers and seek to organize our energy purchases in order to reduce overall costs. Currently, our European factories use approximately 41% natural gas, 35.7% coal and 23.3% fuel oil.

Our operations in Brazil, Réunion Island and Mozambique are distinguished by their use of biomass for fuel. We use bagasse, a residual fiber of sugar cane, to produce biomass energy which powers our facilities, with the remainder sold to electricity distributors.

## Production and operations

### *Solid and liquid sugar*

*Sugar production process*

We produce sugar from both sugar beets and sugar cane. Sugar beet is harvested in the autumn and early winter and is transported to the factory in large trucks. The production of sugar from sugar beets can be broken down into the following steps: sampling, cleaning, slicing, diffusion, purification, evaporation, crystallization and final production. A typical sugar beet production cycle is described as follows:

- *Sampling.* A sample of the sugar beet is taken from the load and tested to measure the sugar content and to determine the amount of waste material present in the load. These analyses, combined with the weight of the vehicle entering and leaving the factory, enable us to calculate the quantity of sugar that can be extracted and the resulting payment due to the relevant beet farmer.
- *Cleaning*. The sugar beet is moved around in large quantities of water to wash it while passing through machinery that catches stones and pebbles. Weeds and other waste are also removed before the beet enters the factory, where it is cut into thin slices called “cossettes”.
- *Slicing.* The cossettes are sliced with a “V” cross section to ensure the largest possible surface area and maximize sugar extraction.
- *Diffusion.* Diffusion takes place in a large metal vessel, where the cossettes are mixed with hot water at approximately 70°C until the sugar passes from the plant cells into the surrounding water through diffusion.

The liquid resulting from the diffusion process is dark in color and is called raw juice. The vegetable material left behind is mechanically pressed to extract as much remaining sugar and water as possible and then dried and sold as animal feed.

- *Purification.* The juice is mixed with lime milk and carbon dioxide gas is added. The carbon dioxide and the lime milk re-combine to produce calcium carbonate which precipitates out, taking most of the impurities from the juice with it. The non-sugar particles attach themselves to the calcium carbonate and settle to the bottom of the purification tanks.
- *Evaporation.* The pale yellow juice which remains is called thin juice. It passes to the evaporation stage of the process, where water is boiled off in a series of evaporator vessels to increase the solid content of the juice from 16% in thin juice to 70% in the resulting thick juice. The concentrated thick juice passes through filters, after which it is ready for the final stage of the process. It can be stored and brought back into the factory during the spring or summer to produce crystal sugar.
- *Crystallization.* Vacuum pans boil the juice at lower temperatures under vacuum, and when the juice reaches a predetermined concentration, it is "seeded" with tiny sugar crystals that provide the nucleus for larger crystals to form and grow. When the crystals reach the desired size, the process is terminated and the resulting mixture of crystal sugar and syrup is spun in centrifuges to separate the sugar from the "mother liquor." The sugar crystals are washed and, after drying and cooling, are conveyed to storage silos.
- *Final Product.* The final product is white and ready for use, whether in the home or by an industrial user such as a soft drink manufacturer.

Unlike sugar beets, sugar cane is harvested during six or eight months per year. Sugar cane must be crushed to extract its juice. A typical production cycle for sugar cane involves the following steps: first, the crushing process must break up the hard nodes of the cane and flatten the stems; then, the juice is collected, filtered and sometimes treated and then boiled to remove excess water, resulting in a thick juice; finally, the extraction of sugar from this thick juice occurs, which process resembles the extraction process from sugar beets. The dried cane residue ("bagasse") is often used as fuel for this process.

*Sugar production operations*

We operate 11 sugar plants in mainland France, with daily production capacity of approximately 157,500 tons. (See "Business—Properties" below.) In 2006, we processed 12.4 million tons of sugar beets in mainland France and produced 1.7 million tons of sugar. For financial year 2006, we generated revenues and adjusted EBITDA of €1,432.3 million and €161.7 million, respectively, for our sugar production in mainland France.

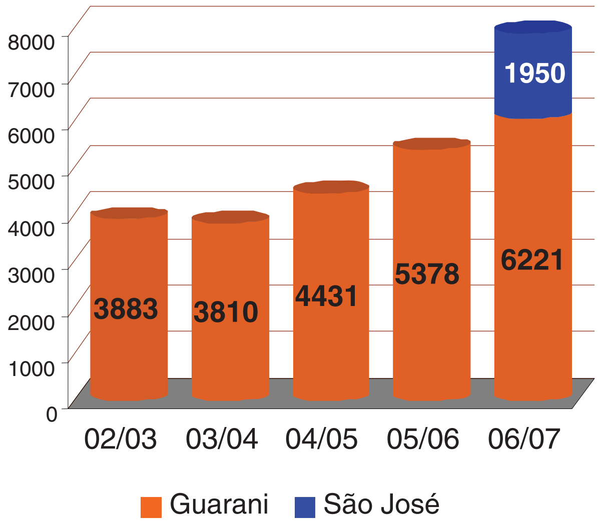
In addition to France, we have sugar production operations in the following countries: Brazil, the Czech Republic, Romania, Réunion Island and Mozambique.

*Brazil*

We have been present in Brazil since 2000, when Union SDA established the FBA joint venture with the Cosan Group. The following year, Béghin-Say acquired Guarani. We currently own 88.9% of Guarani and, following the initial public offering of the Cosan Group, own 6.2% of Cosan. We have continued to invest in the production capacity of our plants in Brazil, including through the acquisition of 91.2% of Companhia Energética São José ("São José") in 2006 and the acquisition of the Tanabi sugar plant in December 2006.

The following table shows the evolution of our cane processing capacity in Brazil, in thousands of tons.

*Change in sugar cane tonnage processed by Guarani and São José (Kt)*




*Guarani.* During the 2005/6 marketing year, the two plants owned by Guarani (Cruz Alta and Severinia) processed 5.3 million tons of cane, an increase of 20% over 2004/2005. Production of sugar amounted to 555,000 tons and ethanol amounted to 1.1 million hectoliters. For financial year 2006, Guarani sales and EBITDA amounted to €226.6 million and €74.3 million.

Pursuant to our five-year, €471 million investment plan for Brazil, we have set an objective of 1,291,000 tons of sugar production for the 2010/2011 marketing year, resulting in total of 16.2 million tons of sugar cane crushed per year.

As part of this plan, Guarani is building the new Cardoso factory in Pedranópolis, which is scheduled to enter operation in April 2009 and begin sugar production in 2010. We estimate that this facility produce 140,000 tons of sugar during the 2010/2011 marketing year.

*São José.* We acquired 59.5% of the São José sugar mill in May 2006 in exchange for a 12.9% minority stake in Guarani. In September 2006, Guarani acquired an additional approximately 13.8% of São José. Following a share capital increase by São José in January 2007, we now hold an 91.2% interest. São José currently crushes approximately 2 million tons of sugar cane and produces approximately 220,000 tons of sugar. For financial year 2006, São José sales and EBITDA were €33.5 million and €6.7 million, respectively.

*Cosan.* With 27.9 million tons of sugar cane processed in the 2005/2006 marketing year, Cosan is the leading Brazilian sugar cane processing company. In April 2005, we exchanged our 47.5% participation in FBA for an 8.85% participation in Cosan. Cosan's initial public offering ("IPO") was conducted in November 2005 at a price of 48 Brazilian *reais* per share. As of September 30, 2006, our stake in Cosan had a value of €148.9 million, approximately three times the value of our initial investment. As a result of the IPO, our participation was diluted to 6.2%.

*Czech Republic*

Through Union SDA, we have been present in the Czech Republic since 1992. TTD, the leading Czech sugar company and our 62% subsidiary, provides us with a production base and a sales organization for supplying customers in central Europe (Slovakia, Hungary and Poland).

Since its 1997 takeover of two Czech sugar mills, Prazska Cukerny and Ceské Cukrovary, TTD has controlled 18 sugar mills with an average daily capacity of 1,000 tons of sugar beets. In April 2006, TTD also acquired the Vrdy sugar plant, as well as its right to 32,000 tons of EU sugar quota. The newly upgraded Dobrovice facility is the largest sugar mill in Eastern Europe, with a capacity of 12,000 tons of sugar beets per day, soon to increase to 13,000 tons. For financial year 2006, TTD generated sales and EBITDA of €121.3 million and €25.0 million, respectively.

*Romania*

With 25,000 tons of annual sugar production from sugar beet, our operations are among the largest in the extremely competitive Romanian sugar market. For financial year 2006, our subsidiaries in Romania generated sales and EBITDA of €7.9 million and -€0.2 million, respectively. On January 1, 2007, the European Union sugar regime became applicable to the Romanian market.

*Réunion Island*

Réunion Island is given exceptional status under the new EU sugar regime and will not be affected by the new EU sugar regime reforms. The status is justified by the great difficulty in cultivating crops other than sugar cane on the island, given its uneven soil and frequent cyclones. In 2006, we processed 1.8 million tons of sugar cane on Réunion Island. Our Bois Rouge sugar mill processed 944,000 tons of cane, while the Gol facility, in which we hold a 36.4% interest, processed 946,000 tons. Total sugar production on Réunion Island stood at approximately 202,000 tons (approximately 108,200 tons at Gol and 63,556 tons at Bois Rouge). For financial year 2006, our operations in Réunion Island generated sales and EBITDA of €50.4 million and €7.2 million, respectively.

*Mozambique*

Due to our knowledge of and connections in Réunion Island, we were able to reach an agreement with a sugar company in Mauritius, the leading ACP sugar-producing country, to take a 50% share in a Mozambique sugar factory in Marromeu. We have the option to acquire a further 25% share in 2011 at a price based on the plant's EBITDA. The choice of Mozambique was dictated by the partnership with the Mauritians, its proximity to Réunion Island, the common language with Brazil (Portuguese) and the fact that it is considered one of the most promising LDCs.

The Marromeu sugar plant, CDSS, one of four in the country, currently produces 70,000 tons of sugar annually and has an initial 50-year concession, renewable once, over 100,000 hectares of agricultural land, of which 75,000 hectares remain undeveloped.

CDSS currently yields 55 tons of cane per hectare, and the current sugar yield in Mozambique is 106 kg per ton of cane. For financial year 2006, sales were €2.5 million, generating an EBITDA of -€0.3 million.

***Alcohol and ethanol***

As described below, the production of alcohol and ethanol is a complementary process.

*Alcohol production*

We produce agricultural "raw alcohol" from both wheat and sugar beets.

To produce alcohol from wheat, the wheat is first finely ground up, the starch in the whole flour is then hydrolyzed into fermentable sugar by specific enzymes. The resulting sugar is converted into alcohol through the addition of yeast. The wine produced is finally distilled to produce raw wheat alcohol with an alcohol concentration of 92%.

For the production of alcohol from sugar beet, yeast in added to sugar substrates resulting in a process of fermentation. The sugar substrates used in this process are beet juice diffused during a beet production year, or a by-product of sugar crystallization (low purity syrups) between production years. The process is completed by the distillation of the fermented wine into raw alcohol.

Whether produced from wheat or sugar beets, the raw alcohol is then purified through multiple distillation, in three additional steps: (i) purification by hydro-selection; (ii) concentration/rectification and (iii) methanol removal.

We also produce high purity alcohol known as "pure" alcohol, which is intended for human consumption (spirits, vinegars, pharmaceuticals, perfumes, cosmetics and chemicals). Impurities are removed in the form of an alcohol reserved for household use. Each batch of alcohol produced in this manner undergoes a thorough chemical and organoleptic inspection process, which ensures proper quality levels to meet customer requirements.

*Alcohol operations*

In mainland France, crude "raw alcohol" is produced at our distilleries in Artenay, Bucy, Lillers, Morains and Origny. We produce "pure" alcohol in our Artenay, Lillers, Morains and Origny rectification facilities. In 2005, we also produced 1.4 million hectoliters of synthetic alcohol in our Société d'Ethanol de Synthèse (SODES) plant in Lillebonne. However, this facility will be dismantled in the 2007/2008 financial year and replaced by our new wheat ethanol plant described below. We no longer intend to produce synthetic alcohol.

In the Czech Republic, we produced 600 hectoliters of agricultural alcohol per day at our Chrudim facility.

On Réunion Island, our Savanna distillery produced approximately 300,000 liters of rum in 2006.

*Ethanol production*

After the production of raw alcohol as described above (see "Business—Productions and operations—Alcohol and ethanol—Alcohol production"), the water in the alcohol is completely removed by molecular sieve dehydration. The resulting dehydrated alcohol is then transported by rail and ship to the ETBE (Ethyl Tertio Butyl Ether) production units owned by Total (refineries) and Lyondell respectively, and by truck to the direct incorporation depots located in Strasbourg and Rouen. Our BENP Lillebonne plant is located on the Seine River between Rouen and Le Havre.

*Ethanol operations*

We currently produce ethanol from wheat in our BENP unit located at Origny and our BCE unit located in Provins, and we produce ethanol from sugar beet in our Morains, Artenay, Lillers and Origny distilleries.

In response to the prohibition by the WTO Sugar Panel of EU sugar exports to the world market in most circumstances and the elimination of refunds for cereal exports to non-EU countries by 2013, we believe that unexported sugar and cereals can be usefully redirected to the production of ethanol. One million tons of sugar can produce 6.2 million hectoliters of ethanol and the six million tons of cereal that pass through the port of Rouen each year for export can produce 22 million hectoliters of ethanol.

In order to capitalize on this opportunity, we plan to further increase our ethanol production and activities.

We demonstrated an early commitment to wheat ethanol in 1993 by founding our 55% subsidiary BENP and establishing a pilot unit at Origny. This unit allowed us to make use of fallow land by dedicating it to non-food production. Since then, we have built the first large-scale ethanol production plant in France, in Origny, and are constructing a second plant in Lillebonne. We expect both plants to benefit from a patented method developed by BENP to produce alcohol and ethanol more efficiently from cereals. In connection with the opening of the new wheat ethanol plant in Lillebonne, BENP is expected to transfer this patent to its 55% subsidiary, BENP Lillebonne, for a purchase price of €10.0 million, paid in equal annual installments over 10 years. The purchase price was determined based on BENP's expected energy savings as a result of the use of the patented method. We believe that this method provides us with technological advantages over our competitors in the alcohol and ethanol production market. The primary innovations of the method are: (i) an extremely short fermentation period permitting the use of smaller fermentation tanks, which limits required plant investment and

(ii) the ability to keep our yeast populations in particularly favorable development conditions without bacterial infiltration. The benefits of this patented procedure include the simplification of investment analysis, an improvement in the reliability of the production process and a reduction in personnel needs.

We also intend to capitalize on our strength in cereals transformation (both into ethanol and starch-based glucose) in order to seize opportunities in the development of second generation bio-fuels and "green chemistry" (chemistry using molecules from renewable resources, mainly starch and ethanol).

*The beet plant in Origny*

A new distillery with a 3 million hectoliter capacity in Origny Sainte-Benoîte began operations in October 2006. The distillery represented a total investment of €190.0 million in financial years 2006 and 2007 and replaced our previous 400,000-hectoliter unit. In May 2005 and February and September 2006, we received 20,000 tons, 45,000 tons and 50,000 tons, respectively, of accreditations for ethanol production from sugar beets. These new accreditations, along with our desire to provide an additional outlet for our members' products have been the primary factors in determining the scale of the project, which we believe will permit our ethanol activities to be of appropriate size.

The new site will work not only with beet juice from Origny during the production year but also, between production years, will work with low purity syrups from the neighboring sugar mills in Boiry, Origny, Escaudoeuvres, Chevrières and Vic. Energy consumption is expected to be 28% less than current Tereos units.

*The Lillebonne wheat project*

In November 2004, we acquired SODES, a major European manufacturer of synthesis alcohol. Its production facility in Lillebonne in Normandy near Rouen, a leading refining region and major French grain port, will be significantly dismantled in 2007 and is being replaced by our new wheat to ethanol plant. This site is expected to process 830,000 tons of wheat in order to produce three million hectoliters of ethanol and 270,000 tons of distillers' dried grains. Construction on the facility began in February 2006 and operations are planned to begin in spring 2007. The construction represents a total investment of €175 million. In May 2005, February 2006 and September 2006, BENP Lillebonne received respectively 80,000 tons, 65,000 tons and 7,500 tons of accreditations for wheat alcohol production. In addition, BENP will transfer its approximately 7,300 tons of accreditations to BENP Lillebonne.

In addition to our Origny and Lillebonne operations, our distilleries in Artenay, Bucy Lillers and Morains will continue its operations, and we have increased capacity at Lillers to 800,000 hectoliters per year.

*Ethanol activities in Brazil*

Our ethanol activities in Brazil have recently benefited from the increase in oil prices and the success of both flex-fuel cars and cars that use a type of gasoline containing 20 to 25% ethanol. Flex-fuel cars made up approximately 80% of all automobiles sold in Brazil in the first quarter of 2006, with 2.5 million new flex-fuel cars having been sold since their introduction in Brazil in March 2003. The further increase in production of flex-fuel cars is expected to continue to increase the demand for ethanol in Brazil.

Approximately 50% of Brazil's sugar cane sales was used to produce ethanol in 2005, and Brazil's ethanol exports came to 25.4 million hectoliters, accounting for 8% of sugar cane sales in 2005.

Guarani produced approximately 1,400 million hectoliters of ethanol and alcohol during the 2006/2007 marketing year, invested in the implantation of a distillery in the Cruz Alta factory and in increased production facilities to meet expected high demand. We estimate that Guarani will process 1.7 million hectoliters of ethanol during the 2009/2010 marketing year at its new Cardoso factory in Pedranópolis (see "Business—Production and Operations—Sugar production operations—Brazil" above), before decreasing, when parallel sugar production begins at the facility, to 1.2 million of hectoliters of ethanol during the 2010/2011 marketing year. Guarani is also establishing a new ethanol facility in Tanabi, which is planned to enter into service in April 2007.

Pursuant to our investment plan for Brazil, we have an objective of 4.8 million hectoliters in ethanol production for the 2010/2011 marketing year.

*Ethanol activities in the Czech Republic*

In the Czech Republic, a new distillery in Dobrovice began operations in October 2006 with production capacity of 1,800 hectoliters per day. We plan to modify the distillery in 2007 to increase output and permit it to operate year-round, with a total capacity of 730,000 hectoliters per year.

***Glucose and other sugar-derived sweeteners production and activities***

Our glucose and other sugar-derived sweeteners are produced in three main stages: corn-starch and wheat-starch production, the glucose production cycle and derivative sweetening ingredients.

*Corn-starch and wheat-starch production*

After analysis of its content corn is soaked in water in order to soften the grains and help separate their constituents. The corn is then ground up to separate the germ from the grain fibers. The proteins within the corn are then spun off in a centrifuge. The starch milk is finally purified through "back washing" in water.

Wheat grain is ground up in a conventional mill to separate out bran. The resulting wheat flour is then converted into a paste and wheat gluten is spun out of the paste in a centrifuge. Finally, the starch milk is purified through "back washing" in water.

*Glucose production cycle*

Whether derived from corn-starch or wheat-starch, starch milk is heated until liquefied and then put through an initial enzymatic hydrolysis. In the second stage, called saccharification, the hydrolysis is continued by splicing the molecular chain into pieces of varying length. The resulting products, measured according to their degree of hydrolysis, include starch hydrolysates, high-dextrose syrups, high-maltose syrups, low-fructose syrups, liquid maltodextrins and standard glucose syrups.

*Derivative sweetening ingredients*

The syrups obtained through the processes described above can be further dried in an atomization tower in order to obtain anhydrous dextrose, dehydrated glucose syrups and dry maltodextrins. They can also be hydrogenated in reactors, in order to obtain different type of polyols, including Sorbitol, Maltitol and Mannitol syrups, which can be dried into powders.

Our glucose and other sugar-derived sweeteners production activities are conducted by our subsidiary Syral at its Marckolsheim facility. Syral produced 320,000 tons of such sweeteners during the 2006 financial year.

***Sugar by-products***

We sell the by-products that result from producing sugar from beet or cane for three principal types of uses: animal feed, fertilizer and fermentation by-products.

*Animal feed*

Our animal feed products are derived from dehydrated pulps and pressed pulps, the principal by-products of beet sugar production and dry distiller grains with solubles, the principal by-product of wheat ethanol production and feed gluten, which are the fiber-rich by-product of the wheat and corn-starch mill in Marckolsheim.

*Fertilizer*

Our fertilizer products include *vinasse*, a by-product of sugar beet alcohol production, potassium sulfate, which is separated from the decrystallized sugar residues through a decrystallization process, and skimmings from the sugar-making process.

*Fermentation by-products*

Molasses is used primarily in our distilleries for the production of traditional alcohols or bio-fuels or is sold to fermentation industries (such as yeast or amino acids makers).

## Marketing and Sales, Distribution

### *Marketing and Sales*

We maintain an experienced and diversified sales force to market and sell our products in France and abroad. In France, our sales force is organized by product group. For table-top sugar products, we employ a 30-person staff for sales to major retailers. As we sell our industrial sugar products Europe-wide, we have structured our sales force for these products to best manage relationships with key customers at the European level. This structure consists of a core team of 12 persons located in France supported by sales subsidiaries in principal markets such as Spain, Italy, Germany and the UK, as well as by exclusive distributors into certain smaller markets. We have also established an export department for sales overseas through commodity traders. We have noticed an increase in sales of approximately 4% between financial year 2005 and 2006 within the crystallized sugars segment. During that time period, we employed a successful marketing policy of turning sugar into a product that is not merely a commodity through more specialized products and focused branding. For ethanol, we maintain a specialized sales force at our BENP Lillebonne facility. For the sale of our alcohol products, we have established specialized sales forces within our SDA Brabant subsidiary. Our subsidiary Syral carries out independent marketing activities for the glucose and other sugar-derived products it manufacturers. Finally, we market our sugar by-products through our Tereos Co-produits subsidiary. For our foreign operations and European sales outside of France, we establish independent marketing subsidiaries on the local level. We have a broad European sales network, with commercial representatives in Germany, Italy, Spain and the United Kingdom. In Brazil, Guarani has established local marketing teams for the sales of its products.

### *Distribution and Transportation*

Industrial sugars are delivered from most of the sugar plants or packaging sites when special packaging is required. This sugar can be sold in bulk by tanker, in bags, in one-ton bags or in liquid form. We have anticipated changes in industry expectations, and have adapted our products to improve flow, filterability, grain size and color, in order to meet the technical requirements of our customers.

Specialty and nutritional sugars are sold throughout France, with higher levels of concentration in the north, and are delivered from our four packaging sites in Thumeries and Origny in the north and Nantes and Artenay in the West. Outside of France, we sell our products to local users, as well as to the local operations of our international customers.

The means of transporting for our products to clients varies according to the product range. We generally deliver our solid and liquid sugar products by truck, although certain clients pick-up the products directly at our facilities. Our alcohol and ethanol products are transported by truck or rail. Ethanol produced at our Origny and Lillebonne facilities is shipped by barge. Our glucose and other sugar-derived products and sugar by-products are delivered by truck. We do not own our own delivery vehicles and rely on reputable suppliers of transportation services.

## Customers

### *Solid and liquid sugars*

We generally enter into one to three-year supply contracts with our clients, pursuant to which sugar is sold at prevailing market prices plus a pre-determined margin. We experience high renewal rates of these supply contracts and enjoy long-standing relationships with the majority of our clients. The make-up of our clientele differs by product category.

In the solid and liquid sugars segment, our main clients can be divided into followings categories: retailers, industrial food companies and commodity traders. We enjoy long-standing relationships with most of our clients in each of these categories.

*Retailers*

In the table-top sugars segment in France, our main clients are retail chains and wholesalers for the food service industry. In the food retail segment, we count all of the major retailing chains among our customers, and benefit from having the most recognized sugar brand in France. Our clients include Carrefour, Auchan Leclerc, Intermarché, Casino, Cora and Aldi France. We sell about 11% of our quota to retail purchasers. Products sold in this segment include sugar lumps, caster sugar, crystal sugar and extra-fine sugar.

We also offer the institutional catering industry (company cafeterias, schools, hospitals, etc.) and the commercial catering industry (hotels, restaurants, airline companies) specific products such as wrapped sugar lumps and packets of sugar, in compliance with hygiene regulations applicable to collective catering.

In the Czech Republic, approximately one-third of the sales of our TTD subsidiary are to major retail chains, including Metro, Plus Discount, Ahold, Globus and Kaufland in 2006. In 2006, 65% of TTD's sales were made locally in the Czech Republic and this trend is expected to continue during 2007.

In Brazil, our primary retail clients are retail chains. In particular, our clients include Casas Guanabara, Assai, and Savegnago. In the 2006/2007 marketing year in Brazil, 17% of our production was sold to retail chains.

*Industrial food companies*

In the industrial sales sector in the EU, out of a total 1.1 million tons we sold in financial year 2006, we delivered 700,000 tons within the EU outside of France. A large portion of these sales were in Spain where we have a sales subsidiary and also in Northern Europe, more specifically in Germany, Italy, the Benelux countries, the United Kingdom and Ireland. The volume sold in the European market made us the European company with the highest level of inter-community tonnage exchange.

We have traditionally been the French leader in sales to sugar-using industries such as the manufacturers of soft-drinks, sweets and chocolate, biscuits and dairy products, which represent over two-thirds of total sugar consumption. We supply all of the major brands in these various fields of activity.

The industrial sugar market is growing due to an increase in the consumption of sweetened products and also the development of other applications where sugar is used. In addition, increasingly strict packaging requirements are becoming ever more demanding in terms of quality, food safety, product diversity, service and logistics.

Industrial sugars include crystallized sugar, from sugar beets or cane, and liquid sugars, both sold to the food processing industry and the pharmaceutical industry, and fructo-oligosaccharides, which are intended for human and animal consumption.

The most significant portion of our sales are to industrial entities in France, the Czech Republic and elsewhere in Europe, including Coca-Cola, Danone, Nestlé, Cadbury, Masterfood, Pepsi Cola, Barry Callebaut, Mattoni and Carla.

In Brazil, 37% of our production was allocated to industrial sales for the 2006/2007 marketing year. Our industrial clients include Ambev, Nova América and Danone.

*Commodity traders*

We export mainly through international trading groups into the Mediterranean countries, the Middle East and Africa for sales outside the EU. Internationally, total exchanges of white sugar between the major import/export zones total approximately 15 million tons per year. Europe's share of exports is approximately five million tons with Béghin-Say (pre-Tereos), accounting for over 800,000 tons, as the largest exporter of quota sugar and non-quota sugar. We are recognized for our commercial flexibility and our ability to tailor logistical means to demand. However, we expect the new EU sugar regime and the WTO Sugar Panel decision to significantly reduce our exports from Europe.

In connection with our operations in Brazil, we export primarily throughout Africa and the Middle East. In particular, in the 2006/2007 marketing year, 47% of the production in Brazil has been allocated for export, primarily for eventual industrial sales. Our principal trading company clients include: Bauche in France, Zuckerhandelsunion, Alternative, August Topfer and SCO in Germany, Hottlet in Belgium, and E.D.&F. MAN, Cargill, Glencore, Sucden and Olam in Brazil.

### *Alcohol and ethanol*

We sell alcohol produced in France to Brentag, Arkema, Prochen, Alcoholes Montplet and other clients. We estimate our market share at 33% in France and 12.6% in Europe (inclusive of France).

In Brazil, our customers for alcohol production include Shell Brasil, Petrobrás and Ale Combustivel.

We sell ethanol to the ETBE production units in refineries owned by Total and Lyondell or to distributors of fuel who use it in their direct incorporation units in Strasbourg and Rouen. We hold a 48% market share in France and an 8% market share in Europe.

### *Glucose and other sugar-derived sweeteners*

We sell our glucose and other sugar-derived sweeteners to large agri-food groups, such as Unilever, Nestlé, Danone, Masterfood, Haribo, for industrial uses only.

### *Sugar by-products*

We sell a part of our sugar by-products as animal feed to our cooperative growers for use on their farms and export a portion to farmers in Belgium, The Netherlands and Northern Europe.

We estimate that we hold approximately 0.62% of the French animal feed market in France and a 1.8% market share worldwide. We are particularly present in the dehydrated pulp sector, where we held an approximately 19% market share in France for 2005/2006. Our subsidiary holds an approximately 1.7% market share in France for by-products manufactured from cereals.

## Joint Ventures

Historically, we had only been involved in the production of sugar from sugar beet only. In recent years, we have entered into several joint ventures on Réunion Island and in Mozambique to increase our production of sugar from sugar cane, which represents up to 75% of the world sugar market. These joint ventures have also allowed us to supply raw materials to our refinery in Nantes, France. On Réunion Island, we hold interests in three entities: Eurocanne, Sucrerie de Bois Rouge and Distillerie de Savanna. We hold 51% of both Eurocanne, a sugar trading company, and the Sucrerie de Bois Rouge operating company, with the remaining 49% being held by Quartier Français. We hold 44% of the Distillerie de Savanna, a rum distillery, with the remaining interest being held by Quartier Français and Adrien Bellier at 46% and 10%, respectively.

In Mozambique, we have entered into a joint venture with a consortium of Mauritian sugar companies and own owning a 50% interest in the Marromeu sugar factory. We have an option to increase our interest to 75% before the end of 2011 at a price to be based on the factory's EBITDA. We have particularly benefited from the know-how of our Mauritian partners, who have significant prior experience operating in southern Africa.

In 1989, we also entered into a 50%-50% joint venture named Béghin-Meiji with the Meiji group in Japan for the production of frutco-oligosaccharides. This entity is headquartered at Syral's Marckolsheim facility and its production activities occur at several of our sites in mainland France.

## Competition

### *Solid and Liquid Sugars*

Because sugar is a highly regulated, capital intensive industry in which long-term planning is essential, the world sugar market is mainly characterized by domestic players and there are strong barriers to entry. As it is a local industry with micro-regulated markets, an analysis of world competition is not meaningful; each micro-market has its own competitors. For instance in Japan, which is the most regulated market in the world, four sugar producers control 75% of the national market. Similarly in Australia, three producers share the national market without importing.

Within the EU, competition in the retail sugar market is largely national, while the industrial sugar sector experiences more Europe-wide competition. In Brazil, about half of our sugar is sold locally and the rest is exported and sold on the world market.

The table below presents the current market shares for the leading EU-25 sugar processors. These processors are located within the beet belt with the exception of Danisco (Scandinavia) and Ebro Puleva (Spain), both of which we believe may choose to cease sugar production in part or in full as a result of the new EU sugar regime. We believe the EU may see the existing industry leaders further expand their market share, with market leader Südzucker becoming even more dominant.

| Percentage of EU sugar quota held | |
|---|---|
| Südzucker | 24.8% |
| Tereos | 10.8% |
| Nordzucker | 9.9% |
| British Sugar | 8.5% |
| Danisco | 6.3% |
| Pfeiffer and Langen | 6.8% |
| Ebro Puleva | 4.5% |
| Cosun | 3.3% |
| Eridania Sadam Spa + Molise | 2.1% |
| Italia Zuccheri (ex COPRO.B) | 1.7% |

*Source: Concilium*

*Our key competitors in Europe*

Südzucker, based in Germany, is the largest white sugar processor in Europe and in the world, controlling over a fifth of Europe's entire quota. It has doubled its sugar production since 1992 and now owns companies in Austria, Belgium, the Czech Republic, France, Germany, Spain, Hungary, Moldova, The Netherlands, Poland, Romania and Slovakia.

Danisco, based in Denmark, controls major sugar processors in Germany, Sweden, Lithuania and Finland and has significant market presence in many Baltic States. It has a monopoly on sugar processing in Denmark, Sweden and Finland.

British Sugar, based in the UK, has a monopoly on sugar beet processing and controls the allocation of the entire quota to British farmers. It is a subsidiary of Associated British Foods plc.

Within France, our main competitors are Saint Louis Sucre (Südzucker Group), which holds a 23.7% market share, followed by Cristal Union, which holds a 17.4% market share with brands such as Daddy and several other smaller co-operatives.

*Our key competitors in Brazil*

The sugar market in Brazil is quite competitive. Our Guarani subsidiary is the second largest sugar producer in the Center-south Region, the second largest brand in Rio de Janeiro and one of the largest sugar producers of industrial sugar in Brazil. Our key competitors in Brazil are Cosan Group, São Martinho, Vale do Rosário, Carlos Lyra and Dreyfus.

***Alcohol and ethanol***

In Europe, our principal competitors for alcohol production are France Alcools, Royal Nedalco, Ryssen, Sasol, Ineos and Amyllum (Tate & Lyle) In Europe, the ethanol market is still in its early stages, and competition is limited. The principal participants are Abengoa, Ethanol Union, and Tate & Lyle. In Brazil, the market is much more developed, and the other sugar producers are our largest competitors. During the 2004/2005 marketing year, we ranked first among the EU-25 with a market share of 12.6% for the production of agricultural alcohol.

***Glucose and other sugar-derived sweeteners***

In Europe, the glucose and other sugar-derived sweeteners market is quite competitive, but also highly consolidated. Our principal competitors are Cargill, Tate & Lyle and Roquette.

### *Sugar by-products*

Our principal sugar-by-products competitors are the GLON Group, Purina Nestlé, Evialis, Unicopa and Désialis, in particular with regard to animal feed product. We are the second-largest producer of pulps in the French market, with a market share of 19% in 2003/2004 (the last period for which figures are available). We are also present in the cereal by-product sector, a growing market in Europe.

## Research and Development

We hold six patents for sugar products and processes, of which four are currently in use at our production sites. We also hold four patents for alcohol and ethanol products and processes (three for production from wheat and one for production from sugar beet) that have been or will be implemented at our facilities.

We are committed to investing in product and manufacturing innovation. Our past principal innovations have been in improving the productivity of the sugar extraction process and in developing and perfecting new specialties that extend the range of consumer products and meet the requirements of the food industry, the pharmaceutical industry and the chemical and fermentation industries. In addition, our Syral subsidiary conducts extensive research into glucose products and their applications.

We believe that our research and development department has the necessary means and skills for developing technical process and products, with top level expertise in the field of sugar refining technology. Long-standing cooperative arrangements with public research institutes, including at the University of Lille and the University of Limoges, as well in various hospitals, enable our researchers to acquire and to expand the level of their knowledge and skills in using scientific tools. Our research department for sugar employs seven people and had a budget of €900,000 in financial year 2006. For alcohol and ethanol products, we intend to significantly increase our research and development budget, in particular at our BENP Lillebonne, where a budget equal to 5% of value added by manufacture is planned. For our glucose and other sugar-derived sweeteners products, we employ a research and development staff of seven people with an overall annual budget of €500,000.

## Environmental Regulation and Considerations

The protection of the environment has for a number of years been a priority in our industrial policy. Major investments have been made at our French production sites in order to make them more environmentally sensitive.

We have begun to provide advice and technical support to farmers for agronomic practices that can protect crops in the longer term. We offer incentives in order to reduce the amount of soil ("tare") that is removed when the sugar beet is harvested to reduce the environmental harm from the transport and subsequent elimination of soil tare.

Purification of the water contained in sugar beet, is carried out by way of natural oxygenation, using decantation and ventilation systems. Due to its final quality, it can be re-used in the process or recycled through irrigation.

Since sugar production is a capital intensive industry, we pay particular attention to rationalizing energy consumption. Energy consumption expressed in tons of finished product has been halved in 20 years, due to technological advances and investments that have enabled us to achieve overall higher yields while reducing consumption of fossil fuels and atmospheric emissions. For example, our new sugar beet and wheat distilleries were designed with energy efficiency in mind, which also has the effect of reducing the output of carbon dioxide.

### *SEVESO Classified Production Sites*

Certain of our production facilities, including those where we produce alcohol and ethanol, are subject to classification as "SEVESO installations" under European Union and French regulations. SEVESO classified installations are a class of environmentally classified installations (*"installations classées pour la protection de l'environnement"*). As SEVESO installations may present increased environmental risks, the operators of such industrial facilities are subject to increased obligations and liabilities as compared to other types of classified installations.

The operator of a SEVESO classified installation is required to comply with specific rules applicable to such installations in addition to the general rules concerning industrial installations categorized as "classified" in France ("*installations classées pour la protection de l'environnement*") and not as SEVESO sites, and relating to environmental permits (public inquiry, impact study and authorization from a representative of the French State). These specific rules principally relate to the risks of explosion and other dangers arising from the activities carried out at these installations. The operator of a SEVESO classified installation must comply with the following primary requirements:

- risks study (*etude de dangers*), updated every five years;
- remoteness easement (*servitude d'éloignement*), public utility easement (*servitude d'utilité publique*);
- internal plan of operation (*plan d'opération interne*);
- environmental inspection planning, several times per year; and
- financial guarantees to ensure a site's security and the cleanup operations in the event the operations are discontinued, including when the operator is in bankruptcy or is wound-up and liquidated.

We believe that all of our facilities which are classified as SEVESO installations are in compliance with applicable regulations.

**Employees**

At December 31, 2006, we employed approximately 10,000 permanent or seasonal staff in France, Brazil, Africa and Réunion Island and our permanent staff numbered 2,462 in mainland France and 4,036 abroad. The location and distribution of our permanent employees is set out in the table below. Our employee numbers in France increased by 3.3% between financial year 2005 and 2006, while our employee numbers outside of mainland France more than doubled due to our expansion into Mozambique and Romania. We believe that our relationship with our employees is generally good, and we generally have low employee turnover.

| | | Permanent employees as of December 31, 2005 | 2006 | Change |
|---|---|---|---|---|
| **Mainland France** | Total Sugar-Alcohol Industry | 1,574 | 1,777 | 12.9% |
| | Administration, finance and sales | 280 | 296 | 5.7% |
| | Total Cereals, France (1) | 529 | 389 | (26.5)%(1) |
| | **TOTAL France** | **2,383** | **2,462** | **3.3%** |
| **Abroad and in French overseas departments** | Réunion Island operations | 150 | 150 | 0.0% |
| | Mozambique operations | - | 1,950 | - |
| | Czech operations | 338 | 350 | 3.6% |
| | Brazilian operations | 1,234 | 1,271 | 3.0% |
| | Romanian operations | - | 301 | - |
| | Tereos (Deutschland, Iberia, UK) | 10 | 14 | 40% |
| | **TOTAL, abroad and French overseas departments (2)** | **1,732** | **4,036** | **133.0%** |
| **Overall Total** | | **4,115** | **6,498** | **57.9%** |

(1) The reduction in staff reflects the disposal of AAD, a non-material cereal bar producer, in March 2006.
(2) These figures do not include agricultural seasonal workers.

As of December 31, 2006, some of our employees were members of labor unions and subject to collective bargaining agreements with us. However, unionization rates differ, with less than a majority of our employees being unionized in France and varied participation abroad. We believe that our relationship with these labor unions is generally good. We have from time to time in the past experienced work stoppages, but such stoppages have not had a material impact on our business or operations. Most recently, at the time of the business combination with Béghin-Say, administrative staff at Béghin-Say went on strike for a period of two days.

## Properties

Our principal administrative offices are located in Lille, France. We own all of our production facilities, which are listed in the following table. Research and development activities are conducted within our manufacturing facilities. We also own a number of properties in France and abroad, including silos and residential dwellings for workers, that are not of material value.

A list of our current material production facilities is as follows:

### Main industrial facilities

*In France*

| **Sugar plants** | **Capacity** | **Distilleries** | **Capacity** |
|---|---|---|---|
| Abbeville | 9,000 tons/day | Artenay | 400,000 hl/year |
| Artenay | 13,000 tons/day | BCE (Provins) | 150,000 hl/year |
| Attin | 6,500 tons/day | BENP (Origny) | 250,000 hl/year |
| Boiry | 19,500 tons/day | Bucy | 400,000 hl/year |
| Bucy | 15,000 tons/day | Lillebonne (Sodes) | 1,400,000 hl/year |
| Chevrières | 12,500 tons/day | Lillers | 800 000 hl/year |
| Connantre | 22,000 tons/day | Morains | 400 000 hl/year |
| Escaudoeuvres | 15,000 tons/day | Origny | 400 000 hl/year |
| Lillers | 14,000 tons/day | **Glucose** | **Capacity** |
| Origny | 20,000 tons/day | Syral | 320,000 tons/year |
| Vic | 11,000 tons/day | | |

*Outside of France*

| **Czech Republic - TTD** | | **Brazil - Guarani** | |
|---|---|---|---|
| **Sugar plants** | **Capacity** | **Sugar Plants - Distilleries[1]** | **Capacity** |
| Dobrovice | 12,000 tons/day | Cruz Alta | 4 Mtons cane/year |
| Ceskè Mezirici | 5,000 tons/day | Severinia | 2 Mtons cane/year |
| **Distillery** | **Capacity** | São José | 2.2 Mtons cane/year |
| Chrudim | 600hl/day | | |
| Dobrovice Agro-ethanol | 2,000 hl/day | | |

| **Romania** | | **Mozambique** | |
|---|---|---|---|
| **Sugar plant** | **Capacity** | **Sugar Plant** | **Capacity** |
| Ludus | 3,200 tons/day | Marromeu | 5,000 tons/day |

| **Reunion Island** | |
|---|---|
| **Sugar Plant** | **Capacity** |
| Bois Rouge | 8,000 tons/day |

*Note:*

(1) As Guarani facilities are characterized by combined sugar/ethanol operations, figures are provided for both sugar plant and distillery production on a combined basis and are calculated according to tons of sugar cane processed per year.

## Legal Proceedings

From time to time we are involved in legal proceedings arising in the normal course of our business. We do not expect that any of these proceedings, either individually or in the aggregate, will result in a material adverse effect on our consolidated financial condition or results of operations.

### *TTD*

TTD, our subsidiary in the Czech Republic, is involved as a claimant in a court action against the bankruptcy administrator of Vychodoceska cukerni a.s. ("V.c. a.s.") in the Regional Court in Hradec Kralove. TTD is claiming back real property (land and buildings belonging to one of its two production plants located in Ceské Mezirici) which was included by the bankruptcy administrator into the bankruptcy estate of V.c. a.s. Although we believe that the market value of the property is of an immaterial amount, the České Mezirici plant represents approximately 27% of the total sugar production/quota of TTD.

TTD is currently in negotiations with the bankruptcy administrator and believes that it will reach a settlement of the dispute. However, if TTD's claim is unsuccessful or if it unable to reach a settlement with the bankruptcy administrator for the release of the property, the property could be sold in a public auction and the proceeds of this sale distributed to the creditors of V.c. a.s. Although TTD could purchase the property at such a public auction, there is no guarantee that it will be able to do so or as to the price that it would have to pay.

***Guarani***

Guarani is currently involved in litigation with the Brazilian tax authorities dating from February 1994 regarding payment of the Tax on Industrialized Products ("IPI") calculated at the rate of 18% during the period between February 1994 and November 1997. In December 1991, a Brazilian federal law granted the executive the power to set the rate of the IPI up to 18%. The law exempted from IPI the sugar produced in certain regions and also authorized a reduction of up to 50% on sugar produced in the states of Rio de Janeiro and Espírito Santo.

Guarani believes that this law violated the principles of the tax equality and freedom in competition, that the effects of the law should have expired in 1992, together with sugar price controls, and that the law violated a basic tax principle related to the nature of sugar as an essential product. In 1998, the Brazilian federal tax authorities stated that IPI on sugar was not due and authorized producers to request the restitution of amounts paid.

The total amount currently in dispute is R$127.6 million. Guarani believes that it has complied with the law as set out in the finding from the federal tax authorities. Due to this statement, Guarani has not made a provision for the amounts in dispute. Further, Guarani believes that under the share purchase agreement by which Tereos acquired its shares of Guarani, liability arising from these lawsuits remains with the sellers pursuant to certain guarantees.

**Insurance**

We and our subsidiaries are covered by a group insurance policy protecting against the destruction of, or damages to, our operating facilities and any ensuing business interruptions, in addition to damages to certain other assets. We and our subsidiaries subscribe to factory, product liability and environmental liability insurance policies, as well as insurance policies for the transport of merchandise. We have taken out directors' and officers' insurance for all members of our supervisory board and the executive bodies of all subsidiary companies. We believe that our insurance cover is reasonable and in line with industry standards.

# MANAGEMENT

## Overview

Tereos' governing bodies are its executive board (*directoire*) and supervisory board (*conseil de surveillance*). The powers of these bodies are governed by the French *Code rural*, Tereos' articles of association and the rules of procedure of the executive board and the supervisory board. The French *Code rural* requires Tereos to have a two-tier management and control system consisting of an executive board and supervisory board. The two boards work independently of one another, and no person may serve as a member of both boards at the same time.

In accordance with the French *Code rural* and Tereos' articles of association, the executive board is responsible for our ongoing management. The executive board possesses significant authority, which it exercises within the scope of our corporate purposes. Certain of its activities require the preliminary approval of the supervisory board. The executive board presents reports, inventory, and financial statements for approval by, and convenes the general meeting of, the cooperative members.

The supervisory board has two primary duties, a permanent control function in relation to the executive board and the approval of certain acts by it. The supervisory board is also responsible for the appointment and revocation of the executive board and any issues related to membership, withdrawal, exclusion of members, transfers and reimbursement of membership interests.

## Executive board

The executive board consists of three to five members, under 65 years old, appointed for a four-year term, who must be chosen from outside of the co-operative membership. The members of the executive board can be re-elected. The members of the executive board are appointed by the supervisory board, but may not be included in its membership. One cannot be a member of the executive board of more than two agricultural cooperative companies or associations having their registered office in France. Any appointment of a member of the executive board to the executive board of another co-operative company or association requires the prior approval of the supervisory board.

Any member of the executive board can be terminated by a decision of the supervisory board. If the termination is made without cause, the terminated member of the executive board can claim damages.

The executive board is convened by its chairman or any of its members, as often as the cooperative's interest requires. The decisions of the executive board require the presence, in person, with no representation by proxy allowed, of at least half of its members. The decisions submitted to the executive board are approved by a simple majority of the attending members.

The executive board is vested with all powers to act on behalf of Tereos in compliance with its purpose and subject to the powers reserved to general meetings of the shareholders and those allotted to the supervisory board.

The following decisions cannot be taken or implemented by the executive board without the prior approval of the supervisory board:

- any pledge, guarantee or surety entered into on behalf of Tereos in excess of €160,000;
- any loan facility entered into on behalf of Tereos in excess of €160,000;
- any long-term agreement involving Tereos in commercial, industrial and financial alliances;
- any investment in excess of €160,000;
- any acquisition or disposal of any participation in excess of €160,000; or
- the decision to change the registered office address.

At least once each quarter, the executive board issues a report to be delivered to the supervisory board.

Within three months of the close of each financial year, the executive board must deliver to the supervisory board the inventory and the annual financial statements for verification and approval. The table below lists the names of the members of the executive board as of the date of this offering memorandum and includes their ages and principle areas of responsibility. The term of all members expires on April 19, 2008.

| Name | Age | Area of responsibility/activity |
|---|---|---|
| Philippe Duval | 63 | Chairman and Chief Executive Officer |
| Jean-Pierre Durris | 59 | General Director, Sales Director |
| Renaud Wattinne | 59 | General Director, Chief Financial Officer |
| Yves Belegaud | 46 | Agricultural Director |
| Denis Brot | 61 | Manufacturing Director |

The following is a brief description of the present and past business experience of each of the members of our executive board:

Philippe Duval, Chairman and CEO

A graduate of *HEC*, the French business school, Mr. Duval has been active in the sugar industry for his entire career. He succeeded his father, himself CEO of one of the cooperative members of what is today Tereos (formerly Union SDA). Since 1984, he has directed the establishment and development of the Union SDA cooperative, and overseen Tereos' growth inside and outside France.

Jean-Pierre Durris, General Director, Sales Director

Mr. Durris graduated as an engineer and has occupied various positions at several factories of the Union SDA cooperative. He was General Director of the Distillerie de la Brie, Director of the sugar factories at Bray-sur-Seine and General Director of the Artenay cooperative. He has been a member of the executive board since 1996 and Sales Director of Tereos since 2003.

Renaud Wattinne, General Director, Chief Financial Officer

Mr. Wattinne began his career with Béghin-Say in 1974, occupying various financial positions until he was appointed Chief Financial Officer of Béghin-Say in 1992 and General Director and Chief Financial Officer in December 2002.

Yves Belegaud, Agricultural Director

Mr. Belegaud began his career as an engineer in different branches of Peugeot and Renault. He joined the Restructuring and Human Resources Department of the Union SDA cooperative in 1994. Since 1999, he has managed the agricultural department, with particular responsibility for the group's beet supply. He was appointed member of the executive board of Tereos in July 2004.

Denis Brot, Manufacturing Director

Mr. Brot is a graduate of the *Ecole Centrale de Paris*. He occupied various positions in several French sugar factories as an engineer and then as Technical Director of a sugar company. He joined the Union SDA cooperative in 1997 as Industrial Director and has been a member of the Tereos executive board since January 2005.

**Supervisory board**

The supervisory board consists of at least two members, under 65 years of age, chosen from among the cooperative members by the general shareholders' meeting and appointed for a term of four years. The members of the supervisory board can be re-elected. A physical person cannot be a member of more than eight supervisory boards of co-operative companies or associations having their registered office in France. No member of the supervisory board can be a member of the executive board at the same time. Each member of the supervisory board must hold at least one share of Tereos.

The supervisory board is convened by its chairman or its vice-chairman as often as Tereos' interest requires and at least once every quarter to hear the report of the executive board. The chairman of the supervisory board is required to convene the board within the 15 days following a justified request of a member of the executive board or at least one-third of the members of the supervisory board requesting the board to be convened. If the request remains unsatisfied, the interested members can convene the board themselves by providing the agenda of the meeting.

Except for the exclusion of a co-operative partner, the decisions submitted to the supervisory board require the presence of at least half of its members and the approval of the majority of the attending or represented members. The chairman is entitled to a deciding vote. The exclusion of a co-operative partner requires the presence of at least two-thirds of the members of the supervisory board and the approval of a two-thirds majority vote.

In addition to its specified powers, the supervisory board may, at any time, carry out such verifications and controls as it considers appropriate and may examine any document it considers to be useful to fulfill its mission.

Once each quarter, it receives the report of the executive board. At the close of each financial year, it verifies and approves the inventory and the annual financial statements delivered to it by the executive board. These documents, as well as the report of the executive board and the report issued by the supervisory board, are made available by the supervisory board to the statutory auditors, at least a month before the general meeting is convened. The report of the supervisory board comments on the report issued by the executive board and on the annual financial statements.

The supervisory board can give to one or various of its members special mandates in order to fulfill one or more specific tasks. The supervisory board can decide to create committees, whose composition and authority it determines and whose activities are conducted under its responsibility. However, the supervisory board cannot delegate to a committee its own powers nor it can limit or reduce the powers of the executive board. There are currently no committees of the supervisory board.

The supervisory board has two members, Mr. Thierry Lecomte and Mr. Denis Lecart, who represent, respectively, Union SE and Union BS, the two cooperatives that directly own Tereos. Messrs Lecomte and Lecart have named 17 other representatives (*mandataires*), who attend supervisory board meetings. The table below lists the names of the members of the supervisory board and the other representatives as of the date of this offering memorandum and companies in which the members held seats on an administrative, management or supervisory body or were partners during the last five years.

| Name | Other positions |
| --- | --- |
| Thierry Lecomte | President of the SDA cooperative<br>Chairman of the supervisory board of Tereos |
| Denis Lecart | President of the Marne et Aube cooperative<br>Vice Chairman of the supervisory board of Tereos |
| Gérard Clay | President of the SDHF cooperative |
| Pierre-Louis Philipon | President of the CSM cooperative |
| Yves Chenu | President of the Artenay cooperative |
| Dominique Ferry | President of the SCPB cooperative |
| Marc Turpin | President of the Boiry cooperative |
| Xavier Laude | President of the Escaudœuvres cooperative |
| Jean Cintrat | Vice President of the SDA cooperative |

| Name | Other positions |
|---|---|
| Gilles Bollé | President of the Chevrières cooperative |
| Jean-Pierre Graux | President of the SBA cooperative |
| Jacques Rousseau | President of the Région de Meaux cooperative |
| Didier Réquillart | Vice President of the SDHF cooperative |
| Dominique Trépant | Director of the SDA cooperative |
| Philippe Descamps | President of the Abbeville cooperative |
| François Leroux | Director of the SDA cooperative |
| Jean-Charles Lefebvre | Director of the SDA cooperative |
| Gérard Grondel | President of the Pont-d'Ardres cooperative |
| Guillaume Perdereau | Director of the Artenay cooperative |

The following is a brief description of the present and past business experience of Messrs. Lecomte and Lecart:

Thierry Lecomte, Chairman of the supervisory board

Mr. Lecomte is Chairman of the supervisory board of Tereos (formerly Union SDA). A sugar beet and cereal grower in Pont-à-Bucy (Aisne), he is also on the Board of the CGB and of the Sugar Beet Union in Aisne.

Denis Lecart, Vice Chairman of the supervisory board

Mr. Lecart is Vice Chairman of the supervisory board of Tereos (formerly Union SDA). He was previously the chairman of the supervisory board of Tereos SA (Béghin-Say) from 2003 until its merger with Tereos in October 2004. A sugar beet grower, he is chairman of the Beets Sales Cooperative of Marne and Aube and the Union BS. He is a director of the CGB, a director and bureau member of the Sugar Beet Union of the Northeast and a director of a local branch fund of the *Crédit Agricole du Nord-Est.*

### Compensation of Directors and Officers

Members of the supervisory board do not receive attendance fees but are reimbursed for expenses. Directors do not receive severance arrangements or stock options.

An aggregate of €2,634,849 was paid to the members of our executive board and five members of our senior management for fiscal year 2006. Senior managers do not receive severance arrangements or stock options.

### Defined Benefit Retirement Plan Information

For our French employees, we make payments to the French governmental retirement plan for each employee. We also pay a premium to our employees when they retire, which amount is determined pursuant to the collective bargaining agreement applicable to them. This premium is accounted as a provision for a contingent liability. The amount of the provision is reassessed every year, based on the profile of our employees, and is audited by our statutory auditors.

### Tereos Europe

The directors of the issuer are Tereos (permanently represented by Yves Belegaud), Commerciale Tereos (permanently represented by Jean-Pierre Durris) and Renaud Wattinne.

## OWNERSHIP STRUCTURE

### Overview

Tereos is a union of agricultural cooperatives (*union de cooperatives agricoles*), which is a legal structure similar to that adopted by a majority of the leading European players in the sugar sector (with the exception of British Sugar). In France, cooperatives are key components of the agricultural system, as overall approximately 80% of French farms, and 60% of French sugar beet farms, currently maintain membership in an agricultural cooperative. Although the majority of agricultural cooperatives are small in size or dedicated to the sole purpose of equipment sharing, the agricultural cooperative sector in France represented a total turnover of approximately €77 billion, approximately 150,000 permanent employees and approximately 16,800 companies in 2004. Tereos is the largest French cooperative union in the sugar market.

### Legal structure of cooperative unions in France

The cooperative sector is supervised by French national authorities (the Ministries of Agriculture and Finance) and local bodies, and supported by financial institutions such as Crédit Agricole or CIC/Crédit Mutuel.

#### *Establishment of a cooperative union and accession to membership*

Cooperative unions are created by the relevant French ministry upon request by the legal or physical persons who seek to combine their activities under this legal structure. In the agricultural sector, the Ministry of Agriculture verifies that the objectives of the proposed cooperative union are strictly limited to the common use by farmers of all means designed to simplify or develop their economic activity and improve the results of such activity (i.e., providing products and services required for their farming business to their members and gathering, stocking, transforming, conditioning and selling products made by their members).

Pursuant to the French *Code rural*, the members of a cooperative union must be either cooperative partners (*associés coopérateurs*)—as in the case of Tereos—or, if the articles of association permit it, non-cooperative partners. Cooperative partners undertake to use the services provided by the cooperative during a certain period, while non-cooperative partners may participate in the activity of the cooperative, but not in the share capital.

During the existence of a cooperative union, entities may be admitted as new partners. A request to join the cooperative union must be approved by a majority of the current partners or as otherwise determined by the cooperative's articles of association.

A legal person must contribute a portion or all of its assets and liabilities to the cooperative union in order to accede to membership in a cooperative. The equity value of this contribution determines the amount of share capital attributed to each partner. In addition to the equity contribution from the partners of the cooperative union, certain cooperative unions may benefit from subsidies, advances and loans from state entities.

#### *Voting rights*

The traditional articles of association of cooperative unions provide for the principle of one vote per cooperative member in general meetings. However, in order to take into account differing contributions to the union, a "weighted voting" system may be implemented. This system is based on the grant of additional votes to cooperative partners in accordance with the volume of their activities within the union. However, a partner may not hold more than 5% of the voting rights actually exercised at the general meeting.

#### *Termination of membership*

A cooperative partner may request termination of its membership at any time. The supervisory board of the cooperative union may approve or deny this request. If the request is denied, the partner may require that a general meeting of the partners be convened to reconsider its request. If the partner's request for termination is approved by the board or the general meeting of the partners, the activities of the member are immediately removed from the cooperative union and the amount of its equity contribution deducted from its share capital.

The cooperative union generally repays the amount of such equity contribution to the former member in cash or other liquid assets. Fixed assets initially contributed by the former partner are retained by the cooperative union.

***Benefits accorded to the cooperative union structure***

Pursuant to French law, the cooperative union structure benefits in certain respects from favorable treatment as compared to other corporate forms. In particular, a cooperative is exempt from paying corporate income tax, except for transactions carried out with third parties. Moreover, a cooperative is assessed the *taxe professionnelle* (French trading tax) on the basis of only 50% of its revenues, as opposed to 100% for other corporate forms.

***Payments to partners***

Agricultural cooperative members are paid a fixed price for crops provided at the time of harvest. Thereafter, dependent on the profit recognized by the cooperative union and other factors, the members may receive an additional payment or "price complement" (*complément de prix*) for each marketing year in proportion to the amount of crops provided at harvest. If the cooperative carries on subsidiary businesses outside of the primary activity of the cooperative, earnings from these activities may be distributed to members in the form of dividends, in proportion to the amount of share capital held. Members themselves pay taxes on this income.

**Tereos Group structure**

Tereos is composed of two agricultural cooperative unions, Union BS and Union Sucre Ethanol. Within these entities, 14,000 farmers have combined their efforts and are grouped into the following 13 cooperatives:

- SDA (Sucreries et Distilleries de l'Aisne);
- Société Coopérative de la Sucrerie-Distillerie d'Artenay;
- SCPB (Société Coopérative Betteravière des Planteurs de Berneuil);
- SBA (Société Betteravière de l'Aisne);
- CSM (Coopérative du Soissonnais et du Marlois);
- Société Coopérative Agricole de Vente de Betteraves de la Marne et de l'Aube;
- Société Coopérative Agricole Betteravière de Boiry Sainte Rictrude;
- Société Coopérative Agricole Betteravière de Chevrières;
- Société Coopérative Agricole Betteravière d'Escaudoeuvres;
- Société Coopérative Agricole Betteravière de la Région de Meaux;
- Société Coopérative SDHF;
- Société Coopérative Betteravière d'Abbeville; and
- Société Coopérative Betteravière de Pont d'Ardres.

In addition to its partners, Tereos operates various subsidiaries which conduct marketing and sales activities in France and in particular abroad. See "Business—Marketing and Sales, Distribution—Marketing and Sales."

***Accession to membership***

Partners accede to membership in Union BS or Union SE (and thereby, indirectly, Tereos) for an initial period of 25 years. After the expiration of this initial period, partners may renew their membership for five-year terms.

***Voting rights***

Within Tereos, cooperative members receive additional votes for the purposes of weighted voting at the general meeting based on two criteria: their volume of the "collection and sale of sugar beets" activity and the volume of their “collection and sale of grains” activity. The application of the volume levels set forth in Tereos’ articles of association necessarily result in 60% of votes being allocated to Union SE and 40% being allocated to Union BS for the purposes of the general meeting.

***Termination of membership***

If a partner seeks to terminate its membership in Union BS or Union SE, it must notify either union of this intention, and Union BS or Union SE then must notify Tereos. The supervisory board of Tereos may approve or deny this request. If Tereos or its general meeting of members approves the request to terminate membership as described above, Tereos must pay the amount of share capital represented by the departing partner’s activities in the cooperative union within 10 years. In practice, Tereos usually returns the share capital amounts promptly.

***Payments to members***

Pursuant to agreements that we entered into in 2004 with growers who formerly sold their sugar beets to Béghin-Say, the cooperative partners of Union BS are not eligible to receive a price complement for a period of five years or until the 2008 marketing year. As we are required by the French Ministry of Agriculture to treat all of our growers equally, we pay the price complement that the former Béghin-Say growers would normally receive into a blocked account and recognize these payments as debt in our financial statements. The CSM cooperative growers received only 70% of benefits until the 2005/2006 marketing year. Price complements and interest on shares paid by the Union SE cooperatives (SDA, Artenay, SCPB, SBA and CSM) amounted to €5.33 per ton of sugar beets under contract (A, B, NC1) on average in the 2005/2006 marketing year.

Our annual payments of price complements have in the past been equal to approximately one-third of our gross self-financing margin for French sugar producing entities, which we define as operating income after adjustment for non-cash items. The price complement is set annually by our supervisory board, upon a proposal by our executive board and dependent on our earnings, and paid to our growers in three installments during each year. We are not obligated to pay a price complement for any given year.

During the course of financial year 2006, Tereos booked €37.1 million in price complements to Union SE and Union BS, compared to €39.7 million in financial year 2005 and €20.2 in financial year 2004. Overall, the financial benefits paid for financial year 2006 to the Union SE cooperative growers were €5.40 per ton under contract and €311.00 per hectare compared to €6.44 per ton under contract and €409 per hectare in financial year 2005 and €6.59 per ton and €415 per hectare in financial year 2004.

We also pay a price adjustment to our cereal growers, which is based on the market price of ethanol in France.

Tereos receives dividends based on the results of its subsidiaries in France and abroad. Tereos itself pays theses sums as dividends to Union BS and Union SE in proportion to their interest in Tereos. Union BS and Union SE distribute these dividends proportionally to their individual members. In accordance with an agreement between its members, dividends paid from financial year 2008 will not exceed the average of those paid for the financial years 2006 and 2007.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We engage in related party transactions with our cooperative members in the ordinary course of our business. We purchase sugar beets and cereals from members as raw materials for our business and also sell them sugar beet seeds at preferential rates. Other than as otherwise disclosed elsewhere in this offering memorandum, we have not engaged in material transactions with affiliates during financial year 2006 and did not have such transactions outstanding as of September 30, 2006.

## DESCRIPTION OF OTHER INDEBTEDNESS

### General

The following is a brief description of the main terms of the current and anticipated material financing arrangements of the Tereos group. As of September 30, 2006, after giving pro forma effect to the issuance of the notes in this offering, and the application of the proceeds therefrom as described under "Use of Proceeds", we, including our subsidiaries, would have had €352.4 million of secured indebtedness under our senior credit facility, we excluding our subsidiaries, would have had €147.0 million of other indebtedness and our subsidiaries (other than the issuer) would have had €502.2 million of other indebtedness, trade payables and other liabilities outstanding.

### Senior Credit Facility

On April 26, 2006, Tereos entered into a €1.5 billion senior credit facility, the proceeds of which were used to refinance its €1.1 billion senior credit facility entered into on September 27, 2004, repay bonds issued on December 3, 2002 and for general corporate purposes.

The senior credit facility is divided into:

- a €449.4 million term loan facility amortizing from April 30, 2009 until the final maturity on April 26, 2013;
- a €487.6 million revolving credit facility maturing on April 26, 2011,
- a €363.0 million bridge facility, divided into:
  - a tranche A in an amount of €300.0 million non-amortizing loan made available to Tereos for refinancing a portion of existing debt; and
  - a €63.0 million term loan made available to BENP Lillebonne

  both maturing on April 26, 2008, and
- a €200.0 million acquisition facility maturing on April 26, 2011.

The Tereos subsidiaries Commerciale Tereos S.A.S., SDA Brabant S.A.S., BENP Lillebonne and Raffinage Tereos are borrowers under the senior credit facility. Tereos is also a borrower, as well as the guarantor of each of its subsidiaries' obligations under the senior credit facility.

The revolving credit facility may be drawn by Tereos in the full amount, by Commerciale Tereos S.A.S. in an amount not to exceed €90.0 million, by SDA Brabant S.A.S. in an amount not to exceed €20.0 million and by Raffinage Tereos in an amount not to exceed €30.0 million. No advance may be paid to Tereos in connection with the revolving credit facility, prior to Commerciale Tereos S.A.S., SDA Brabant S.A.S. and Raffinage Tereos, with the exception of the drawdown used to refinance revolving credit existing prior to the April 26, 2006 senior credit facility. These maximum amounts under the revolving facility by each borrower are currently drawn in full.

Proceeds of the offering described in this offering memorandum will be on-lent in full by the issuer to Tereos through an intercompany loan in the amount of €500.0 million. Tereos will use proceeds of this intercompany loan (a) to prepay the amounts outstanding under the tranche A of the bridge facility described above, together with any accrued and unpaid interest, breakage costs and reasonable fees and expenses in connection with such repayment, and (b) to the repay revolving debt incurred to finance capital expenses, including at our Origny distillery. Revolving debt that we repay can be redrawn in the future for capital expenditures or other purposes.

Interest is payable on the facilities of the senior credit facility at the end of each interest period (which may be (i) one or two weeks or one, two, three or six months or (ii) such other period as may be agreed between Tereos and the facility agent with the prior consent of all the lenders) at the rate of EURIBOR, plus a margin and certain mandatory costs. The margin is currently 1.0% for the term loan facility, 1.25% for the acquisition facility and 0.90% for the revolving credit, and is subject to adjustment based on the ratio of consolidated net debt to adjusted EBITDA, as set out in the facility agreement.

Interest on all overdue amounts is equal to EONIA plus the applicable margin increased by 1.0% per annum and certain mandatory costs.

We are required to pay a commitment fee to the lenders calculated on the unutilized part of the revolving credit facility at a rate varying from 0.23% to 0.58% depending on the facility and the ratio of average consolidated net debt to adjusted EBITDA, as set out in the facility agreement. The commitment fee is payable quarterly in arrears. In addition, we are required to pay agency fees to the facility agent and to the security agent.

We may prepay the facilities, in whole or part, without penalty (subject to minimum amounts and 10 business days' written notice) provided that we pay accrued interest and breakage costs, if any. We may cancel without premium or penalty any undrawn part of the facilities in whole or part (subject to minimum amounts and 15 business days' written notice).

The senior credit facility agreement contains certain negative undertakings that, subject to materiality and other customary and agreed exceptions, limit Tereos' ability (and the ability of its significant subsidiaries) to, among other things:

- create or permit to exist any liens or other encumbrances on their assets;
- sell, transfer or otherwise dispose of their assets;
- incurrence of off-balance sheet commitments;
- make acquisitions or investments;
- merge with other companies;
- enter into a joint venture;
- change its corporate object or the nature of its activities; and
- make distributions in excess of 38.5% of adjusted EBITDA of French sugar companies as defined in the senior credit facility agreement.

The senior credit facility agreement also requires Tereos (and its significant subsidiaries) to observe certain affirmative undertakings subject to materality and other customary and agreed exceptions. These undertakings include, but are not limited to:

- relevant authorizations;
- provision of financial, accounting and other information;
- maintenance of insurance and intellectual property rights;
- notifications of events of default, potential events of default, mandatory prepayment events or material adverse changes;
- intra-group operations on arm's length terms;
- operations with third parties in the ordinary course of business;
- compliance with pension schemes for employees;
- compliance with the relevant laws and regulations; and
- maintenance of hedging agreements.

In addition, the senior credit facility agreement contains the following covenants:

- Tereos' interest cover ratio (the ratio of adjusted EBITDA to net financial costs) must be equal to or above 3.50x as of September 30, 2006 and 2007, 3.75x as of September 30, 2008, 4.00x as of September 30, 2009 and 2010 and 4.50x as of September 30, 2011 and 2012.
- Tereos' aggregate debt ratio (the ratio of consolidated net debt to adjusted EBITDA) must be equal to or less than 4.50x as of September 30, 2006, 4.00x as of September 30, 2007 and 2008, 3.50x as of September 30, 2009, 3.00x as of September 30, 2010 and 2.50x as of September 30, 2011 and 2012.

- The debt of Tereos' subsidiaries (as a ratio of net debt of Tereos' subsidiaries divided by Tereos' consolidated net debt) must remain equal to or less than 27.50% from September 30, 2006 through September 30, 2012.

The above ratios are for the senior credit facility only and do not govern the rights of noteholders under the notes.

Mandatory prepayment of all amounts outstanding under the facilities of the senior credit facility is required at the request of the lenders upon any sugar beet supplier ceasing to be a member of any of our cooperatives if such supplier's contribution to the annual revenue of the significant operating companies of our group exceeds 5% as shown in the latest annual or semi-annual accounts delivered to the facility agent. Mandatory prepayment is also required upon the issuance by the borrowers of securities and upon the issuance of certain securities by us or our principal subsidiaries.

The senior credit facility agreement also contains customary events of default, including (among others) the failure to pay amounts due under the facility, breaches of other obligations, a cross-default in relation to other borrowings of Tereos or its significant subsidiaries totaling more than €10.0 million, any representation being incorrect or misleading in any material respect, certain insolvency events and certain material adverse changes.

The senior credit facility is secured by a first-priority pledge over the shares of several of Tereos' subsidiaries: Berneuil Participations, SDA Brabant SAS, Tereos Coproduits, Commerciale Tereos, Tereos Finance, Raffinage Tereos, BENP and Distillerie de la Région de Châlons and certain of the shares of Guarani, as well as a pledge over certain of our sugar stocks and assignments by way of security (*cession Dailly*) of certain trade receivables.

**€93.7 Million Indexed Loan**

On April 26, 2006, Tereos entered into a €93.7 million indexed loan (*prêt participatif*) agreement with Caisse Régionale de Crédit Agricole Mutuel du Nord-Est, the proceeds of which were used to refinance its €68 million subordinated bonds issued in October 2004 and a €25.2 million acquisition loan dating from January 2006.

Pursuant to an intercreditor agreement, the rights of the lender under this loan maturing on April 26, 2014 are subordinated to the rights of the lenders under (i) the senior credit facility described above and (ii) the €10.0 million subordinated loan described below.

Interest is payable on the loan at the end of each six month interest period of at six months at the rate of EURIBOR plus a margin of 1.65% per annum. In addition, we must pay annually an additional interest amount varying between 0% and 1%, depending on the amount of the deferred purchase price (*compléments de prix*) paid to the members of our cooperatives.

Subject to the intercreditor agreement, we may prepay the subordinated loan in whole or part, (subject to minimum amounts and 10 business days' written notice) provided that we pay accrued interest, breakage costs (if any) and a penalty equal to two months' interest on the prepaid amount.

The indexed loan agreement contains certain customary covenants and restrictions on Tereos' ability (and the ability of its significant subsidiaries) to engage in certain activities, including, among others, limitations on assets disposals, incurrence of liens, acquisitions, capital expenditure, incurrence of off-balance sheet commitments, change of business and mergers.

Mandatory prepayment of all amounts outstanding under the loan agreement is required at the request of the lenders upon an early prepayment in full of the senior credit facility described above.

The loan agreement also contains customary events of default, including (among others) the failure to pay amounts due under the facility, breaches of other obligations, a cross-default in relation to borrowings of Tereos or its significant subsidiaries totaling more than €10.0 million, any representation being incorrect or misleading in any material respect, certain insolvency events and certain material adverse changes.

**€10 Million Subordinated Loan**

On April 26, 2006, Tereos entered into a €10 million loan agreement with Caisse Régionale de Crédit Agricole Mutuel du Nord-Est, the proceeds of which were used to refinance its €10 million subordinated bonds issued in December 2002.

Pursuant to an intercreditor agreement, the rights of the lender under this loan maturing on April 26, 2014 are subordinated to the rights of the lenders under the senior credit facility described above.

Interest, calculated at a fixed rate of 3% per annum, is payable on the subordinated loan on the last day of each six month interest period of.

Subject to the intercreditor agreement, Tereos may prepay the subordinated loan, in whole or part, (subject to minimum amounts and 10 business days' written notice) provided that it pays accrued interest, breakage costs (if any) and a penalty equal to two months of interest calculated on the prepaid amount.

The loan agreement contains certain customary covenants and restrictions on Tereos' ability (and the ability of its significant subsidiaries) to engage in certain activities, including, among others, limitations on assets disposals, incurrence of liens, acquisitions, capital expenditure, incurrence of off-balance sheet commitments, change of business and mergers.

Mandatory prepayment of all amounts outstanding under the loan agreement is required at the request of the lenders upon an early prepayment in full of the senior credit facility described above or upon an early prepayment in full of the indexed loan (*prêt participatif*) described above.

The loan agreement also contains customary events of default, including (among others) the failure to pay amounts due under the facility, breaches of other obligations, a cross-default applying to Tereos and its significant subsidiaries in relation to other borrowings aggregating in excess of €10.0 million, any representation being incorrect or misleading in any material respect, certain insolvency events and certain material adverse changes.

**Euro Medium Term Notes**

The Eridania Béghin-Say group ("EBS") established a U.S.$500.0 million Euro medium term note, or EMTN, program governed by English law in 1998.

Following the division of EBS and spin off its components of EBS on June 30, 2001, the financial obligations of EBS under its EMTN program as well as obligations pursuant to an interest rate swap agreement related to the program were assumed by Tereos.

As of the date of this offering memorandum, the following amounts remain payable under the EBS EMTN program:

| Amount initially issued | Amount remaining due | Maturity date | Series | Interest payable |
|---|---|---|---|---|
| 10 million Italian lire | €0.8 million | August 11, 2008 | 24 | Zero coupon |
| 20 million Italian lire | €2.7 million | October 21, 2008 | 27 | Zero coupon |
| €8 million | €8 million | May 22, 2007 | 33 | 6-month Euribor + 0.70 bp |

The Series 24 and 33 notes are held by a single investor. The Series 27 notes are held by two investors. We have entered into payment guarantee with the holders of the Series 24 and 27 notes.

Under the interest rate swap agreement entered into in connection with Series 33 of the EBS EMTN program, our counterparty pays a variable interest rate of 6-month Euribor up to a maximum of 5.19% (including a margin of 0.70%) on a semi-annual basis and we pay a variable interest rate of 6-month Euribor plus a margin of 0.28% on a semi-annual basis.

### French Agency Loans

The French governmental agencies "*Agence de l'Eau*" and "*Agences de Bassin*" provide grants or loans to companies that carry out investments to limit pollution in their operations (treatment stations, pre-treatment sites) or to conserve natural resources. Tereos had outstanding €3.9 million in such loans at preferential interest rates on February 28, 2007.

### Employee Mutual Fund Bonds

Tereos has issued and sold a total of €17,500,000 principal amount of bonds to its employees' mutual fund (*Fonds Commun de Placement*). This mutual fund can only receive amounts attributed to the employees of Tereos in connection with its profit sharing. These bonds have a maturity of five years and were issued on the following schedule: €4.5 million in 2002, €4.0 million in 2003, €3.7 million in 2004, €0.5 million in 2005, €2.1 million in 2006 and €2.7 million in 2007. As at February 28, 2007, €14.3 million remains outstanding.

### Rabobank Loan

This €10 million loan between an affiliate of Coöperatieve Centrale Raiffeisen–Boerenleenbank B.A. and Tereos bears interest at Euribor plus a variable margin which fluctuates according to a leverage ratio of between sixty and thirty basis points. This loan is not guaranteed, but is secured by a cash pledge equal to 5% of the amount borrowed and matures in December 2013.

### Credit Facilities at the Subsidiary Level

#### *TTD*

TTD has in place several lines of credit, including the following.

- Short and mid-term loans of 861.5 million Czech koruny (€30.4 million) as of February 28, 2007, with certain loans charging interest at a floating rate of Pribor plus a margin of 0.5%-0.65% and others charging interest at a fixed-rate of 3.3%-3.8%. These loans are due between November 28, 2007 and November 21, 2011 and are guaranteed by keepwell letters delivered by TTD's shareholders.
- Revolving credit lines of a total of 608.1 million Czech koruny (€21.5 million), with interest payable at Pribor plus 0.25% or 0.40%, due in 2007 and 2008. As of February 28, 2007, TTD had drawn 1298.1 million Czech koruny (€45.9 million) under these revolving credit lines. These loans are guaranteed by keepwell letters or by the pledge of inventories or accounts receivable.

#### *Guarani*

Açucar Guarani has several outstanding loans with Brazilian banks. As of February 28, 2007, these loans totalled R$20.98 million (€7.6 million) and matured between July 2007 and November 2011. The majority of these loans are secured by pledges of equipment and/or promissory notes.

Açucar Guarani also has several short-term credit facilities in the form of export credits. These contracts totaled R$32.8 million (€11.9 million) as of February 28, 2007, are not guaranteed and mature in less than one year. The latest maturity date as of September 30, 2006 was on August 30, 2007.

Each of these credit lines bears interest on a fixed rate.

### Subordination Agreement

In connection with the issuance of the notes, the issuer will enter into a subordination agreement, the purpose of which is to cause the claims of the noteholders against Tereos to rank ahead of claims of Caisse Régionale du Crédit Agricole du Nord Est under the €93.7 million indexed loan granted to Tereos (as described above in this section "Description of Other Indebtedness"), the claims of Caisse Régionale du Crédit Agricole du Nord Est under the €10.0 million subordinated loan granted to Tereos (as described above in this section "Description of Other Indebtedness") and the claims of Union des Planteurs de Betteraves à Sucre for price complements due to the members of Union des Planteurs de Betteraves à Sucre that are retained by Tereos (together, the "subordinated creditors").

The provisions of the subordination agreement in connection with the notes and the rights granted to the noteholders thereunder substantially mirror those under an existing subordination agreement dated April 26, 2006 in connection with the senior credit facility, which deals with the subordination relationship between the senior lenders under the senior credit facility and the subordinated creditors and gives priority to the claims of the senior lenders against Tereos.

The primary purpose of the new subordination agreement is to subordinate the rights of the subordinated creditors against Tereos to the rights of the noteholders against Tereos, and not to rank the rights of the noteholders as against those of the senior lenders. Nonetheless, in instances where a subordinated creditor receives amounts in breach of both of the subordination agreements and has turnover obligations, the subordination agreement in favor of the noteholders recognizes that those obligations are owed first to the senior lenders under the senior credit facility (as required by the senior credit facility subordination agreement), since changing this would have required the unanimous consent of those senior lenders, which has not been obtained.

*Priority of debts*

The subordination agreement provides that all claims of the subordinated creditors against Tereos rank junior in right and priority of payment to the notes. As a result of this priority, any amount due to any subordinated creditors shall be made to the noteholders after the full repayment of all the obligations owed first to the senior lenders under the senior credit facility. By way of exception, the subordinated creditors are entitled to receive payment of interest under the indexed loan and the subordinated loan, subject to certain conditions which include the absence of any event of default or potential event of default under the notes.

*Undue Payments - Turnover*

The subordination agreement provides that the turnover obligation owed by the subordinated creditors with respect to amounts received from Tereos while amounts are owed to the noteholders shall be owed first to the senior lenders under the senior credit facility until full repayment of those amounts, and during that period the noteholders likewise have a turnover obligation towards the senior lenders under the senior credit facility.

*Subordination on insolvency and similar events*

Any amount derived from a conciliation, safeguard, bankruptcy or insolvency proceeding, set-off or combination of accounts and which is received by any of the subordinated creditors, will be paid back to the security agent acting on behalf of the noteholders.

*Amendments*

Tereos and the subordinated creditors may not amend the terms and conditions of the indexed loan, subordinated loan or price complements without the prior consent of the security agent acting on behalf of the noteholders if such amendments modify any payment date to an earlier date, increase any amount payable in cash by Tereos, or render any of Tereos' undertakings more restrictive, costly or prejudicial to any of the noteholders' interests.

## DESCRIPTION OF NOTES

You can find the definitions of certain terms used in this description under the subheading “Certain Definitions.” In this description, “the Issuer” refers only to Tereos Europe S.A. and the “Company” refers to Tereos, a *union de coopératives agricoles á capital variable*, organized under the laws of France, and not to any of its Subsidiaries.

The Issuer will issue the notes under an indenture among itself, the Company as Guarantor and BNY Corporate Trustee Services Limited, as trustee, among others, to be entered into on or about April 12, 2007 in a private transaction that is not subject to the registration requirements of the Securities Act. See “Notice to Investors” and “Transfer Restrictions.”

The following description is a summary of the material provisions of the indenture, the notes and the Security Documents. It does not restate those documents in their entirety. We urge you to read these documents because they, and not this description, define your rights as holders of the notes. Certain defined terms used in this description but not defined below under “—Certain Definitions” have the meanings assigned to them in the indenture.

The registered holder of a note will be treated as the owner of it for all purposes. Only registered holders will have rights under the indenture.

### Brief Description of the Notes and the Guarantee

#### *The Notes*

The notes:

- will be senior obligations of the Issuer;
- will be secured by a first-priority Lien over the Proceeds Loan as described under “Security”; and
- will be unconditionally guaranteed by the Company on a senior basis.

#### *The Guarantee*

The notes will initially be guaranteed the Company. The Company’s guarantee of the notes:

- will be a general senior obligation of the Company;
- will be *pari passu* in right of payment with all existing and future senior Indebtedness of the Company;
- will be senior in right of payment to any subordinated Indebtedness of the Company; and
- will be secured by second-priority Liens as described under “Security.”

However, the notes will be effectively subordinated to all secured borrowings and other obligations by the Company arising under the various facilities under our Credit Agreement. Such facilities are secured by first-priority share pledges over several of the Company’s Subsidiaries: Berneuil Participations, SDA Brabant SAS, Tereos Coproduits, Commerciale Tereos, Tereos Finance, Raffinage Tereos, BENP and Distillerie de la Région de Châlons and certain of the outstanding shares of Guarani. In addition, the receiveables and the sugar stocks of the Company secure the facilities under the Credit Agreement. Furthermore, the Company has provided a guarantee of drawings by certain of its Subsidiaries of the revolving credit facilities under the Credit Agreement and this guarantee is in turn secured by the same security that the Company has granted for its direct obligations under the Credit Agreement. As a result of these arrangements, a significant portion of the assets of the Company are pledged directly or indirectly to support obligations under the Credit Agreement. Assets of the Company may be available to satisfy claims of the lenders of facilities under the Credit Agreement or other secured creditors before they are available to satisfy other creditors of the Company, including holders of the notes. See “Risk Factors—Your right to receive payment under the guarantee, and the issuer’s right to receive payments under the note proceeds loan, will be effectively subordinated to Tereos’ secured indebtedness and, as a result, in the event of a foreclosure on those assets, we may not be able to satisfy your claims after satisfying the claims of secured lenders.”

The Issuer is a finance subsidiary that currently has no independent operations, and all of our operations are conducted through the Company and Subsidiaries other than the Issuer. Upon completion of this offering, the Issuer's only asset will be the Proceeds Loan. Claims of creditors, whether or not secured, of the Company's Subsidiaries (other than the Issuer), including trade creditors and creditors holding indebtedness or guarantees issued by such entities, including lenders under the Credit Agreement, generally will have priority with respect to the assets and earnings of such entities over the claims of the Issuer's creditors, including the holders of the notes. As of the date of the indenture, none of the Company's Subsidiaries will be required to guarantee the notes. Except to the extent that a Subsidiary is required in the future pursuant to the indenture to guarantee the notes, in the event of a liquidation, winding up, administration, reorganization or any other insolvency of any of these Subsidiaries, they will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company or their other equity holders. Accordingly, although the notes will be senior obligations of the Issuer, the notes will be effectively subordinated to creditors (including trade creditors) of the Company's Subsidiaries (other than the Issuer). On a *pro forma* basis, after giving effect to the issuance of the notes and the application of the proceeds thereof, as of September 30, 2006, the Company would have had €352.4 million of secured indebtedness under the Credit Agreement, the Company (on an unconsolidated basis) would have had an additional €147.0 million of other indebtedness, and the Company's Subsidiaries (other than the Issuer) would have had €502.2 million of other indebtedness, trade payables and other liabilities outstanding. See "Risk Factors—Your right to receive payment under the guarantee granted by Tereos, and the issuer's right to receive payments under the note proceeds loan from Tereos, will be structurally subordinated to claims of creditors of all of Tereos' subsidiaries other than the issuer."

The Issuer's ability to service the notes is dependent upon the cash flows of the Company and also the cash flows of the Company's Subsidiaries and the ability of such Subsidiaries to distribute those cash flows to the Company by way of dividends, distributions, interest, returns on investments (including repayment of loans) or other payments, and the Company's ability to make payments due on the Proceeds Loan.

As of the date of the indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of the Company's Subsidiaries as "Unrestricted Subsidiaries." Our Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the indenture.

**Principal, Maturity and Interest**

The Issuer will issue €500.0 million in aggregate principal amount of notes in this offering. The Issuer may issue additional notes under the indenture from time to time after this offering. Any issuance of additional notes is subject to all of the covenants in the indenture, including the covenant described below under the caption "—Certain Covenants—Issuance of Additional Notes." The notes and any additional notes subsequently issued under the indenture will be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Issuer will issue notes in denominations of €50,000 and integral multiples of €1,000 above €50,000. The notes will mature on April 15, 2014.

Interest on the notes will accrue at the rate of 6⅜% per annum and will be payable semi-annually in arrears on April 15, and October 15, commencing on October 15, 2007. Interest on overdue principal and interest and Additional Amounts, if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the notes. The Issuer will make each interest payment to the holders of record on the immediately preceding April 1 and October 1.

Interest on the notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

### Methods of Receiving Payments on the Notes

Principal, interest, premium and Additional Amounts (as defined below), if any, on the Global Notes (as defined below) will be payable in euros at the specified office or agency of one or more paying agents; *provided* that all such payments with respect to notes represented by one or more Global Notes registered in the name of or held by a nominee of Clearstream and/or Euroclear will be made by wire transfer of immediately available funds to the account specified by the holder or holders thereof.

Principal, interest, premium and Additional Amounts, if any, on the Definitive Registered Notes (as defined below) will be payable at the specified office or agency of one or more paying agents in the City of London and, for so long as the notes are listed on the Luxembourg Stock Exchange and its rules so require, in Luxembourg, in each case maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes.

### Paying Agent and Registrar for the Notes

The Issuer will maintain a paying agent for the notes (each, a "*Paying Agent*") in (i) London (the "*Principal Paying Agent*") and (ii) for so long as the notes are listed on the Luxembourg Stock Exchange and its rules so require, in Luxembourg (the "*Luxembourg Paying Agent*"). The initial Paying Agents will be The Bank of New York in London and The Bank of New York (Luxembourg) S.A. in Luxembourg.

In addition, the Issuer will undertake to maintain a Paying Agent in a European Union Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the European Council of Economics and Finance Ministers meeting of November 26–27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

The Issuer will also maintain one or more registrars (each, a "*Registrar*"), and a transfer agent in each of London and, for so long as the notes are listed on the Luxembourg Stock Exchange and its rules so require, Luxembourg. The initial Registrar will be The Bank of New York. The initial transfer agent will be The Bank of New York. The Registrar and each transfer agent will maintain a register reflecting ownership of Definitive Registered Notes, if any, outstanding from time to time and will make payments on and facilitate transfers of Definitive Registered Notes, if any, on behalf of the Issuer.

Upon notice to the trustee, the Issuer may change or add any Paying Agent, Registrar or transfer agent; *provided*, *however*, that in no event may the Issuer appoint a Principal Paying Agent in any European Union Member State where the Principal Paying Agent would be obliged to withhold or deduct tax in connection with any payment made by it in relation to the notes unless the Principal Paying Agent would be so obliged if it were located in all other European Union Member States. For so long as the notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or transfer agent in a newspaper having a general circulation in Luxembourg in accordance with the provisions set forth under "—Notices."

### Transfer and Exchange

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "*144A Global Notes*"). Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "*Reg S Global Notes*"). The 144A Global Notes and the Reg S Global Notes are collectively referred to herein as the "*Global Notes*."

The notes in global form will be deposited with a common depositary for Euroclear and Clearstream Banking or its nominee. The Global Notes may be transferred only to Euroclear and/or Clearstream Banking or a nominee of them, to a successor of Euroclear and/or Clearstream Banking and/or to a nominee of such successor.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear and Clearstream Banking or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "Book-Entry; Delivery and Form—Transfers." In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream Banking will be effected by Euroclear or Clearstream Banking pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream Banking and their respective participants.

Book-Entry Interests in a 144A Global Note (the "*144A Book-Entry Interests*") may be transferred to a person who takes delivery in the form of Book-Entry Interests in a Reg S Global Note ("*Reg S Book-Entry Interests*") only upon delivery by the transferor of a written certification (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act or otherwise in accordance with the applicable restrictions set out in the indenture and any applicable securities laws of any state of the United States or any other jurisdiction. Subject to the foregoing, Reg S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "*qualified institutional buyer*" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions set out in the indenture and any applicable securities laws of any state of the United States or any other jurisdiction.

Any Book-Entry Interest that is transferred will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it is transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If notes in definitive registered form ("*Definitive Registered Notes*") are issued, they will be issued only in minimum denominations of €50,000 principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream Banking, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest, if any, will, except as set forth in the indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "Notice to Investors."

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only in accordance with the indenture and, if required, only after the transferor first delivers to the transfer agent a written certification (in the form provided in the indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such notes.

Subject to the restrictions on transfer referred to above, notes issued as Definitive Registered Notes, if any, may be transferred or exchanged, in whole or in part, in minimum denominations of €50,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream Banking, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Registered Notes:

- for a period of 15 calendar days prior to any date fixed for the redemption of the notes;
- for a period of 15 calendar days immediately prior to the date fixed for selection of notes to be redeemed in part;

- for a period of 15 calendar days prior to the record date with respect to any interest payment date; or
- which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

**The Guarantee by the Company and Future Guarantees**

The Issuer's obligations under the indenture and the notes will be guaranteed by the Company on a senior basis, ranking *pari passu* with all existing and future senior obligations of the Company. The indenture will provide that under certain circumstances certain entities other than the Company will be required to guarantee the notes. See "—Certain Covenants—Limitation on Issuances of Guarantees of Indebtedness."

The Company may not, directly or indirectly, sell, assign, transfer, convey or otherwise dispose of all or substantially all of its assets to, or consolidate, merge, amalgamate or otherwise combine with or into (whether or not the Company is the surviving Person) any Person unless it complies with the covenant described under "—Certain Covenants—Merger, Consolidation or Sale of Assets of the Company."

A Guarantor (other than the Company) may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than the Issuer or another Guarantor, unless:

(1) immediately after giving effect to that transaction, no Default or Event of Default exists or would occur as a result thereof; and

(2) either:

    (a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger (if other than a Guarantor) assumes all the obligations of that Guarantor under the indenture, its Note Guarantee and the relevant Security Documents pursuant to a supplemental indenture satisfactory to the trustee; or

    (b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the indenture.

**Release of Guarantors**

The Note Guarantee of a Guarantor will be released:

(1) upon the full and final payment and performance of all Obligations of the Issuer under the indenture and the notes; or

(2) upon legal defeasance or satisfaction and discharge of the indenture as provided below under the captions "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge."

In addition, the Note Guarantee of a Guarantor (other than the Company) will be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Company, a Restricted Subsidiary of the Company or an Affiliate of the Company, if the sale or other disposition does not violate the covenant set forth under the heading "—Repurchase at the Option of Holders—Asset Sales";

(2) in connection with any sale or other disposition of all of the Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, following which such Guarantor is no longer a Restricted Subsidiary, if the sale or other disposition does not violate the covenant set forth under the heading "—Repurchase at the Option of Holders—Asset Sales"; or

(3) if the Company designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the indenture.

See "—Repurchase at the Option of Holders—Asset Sales."

**Proceeds Loan**

The Issuer will use the proceeds of the notes to fund the Proceeds Loan to the Company in the original principal amount of €500.0 million. The Issuer will use the proceeds of any additional notes to fund additional Proceeds Loans to the Company.

The Proceeds Loan will be payable on demand or upon the occurrence of certain insolvency events in relation to the Company. However, the loan may not be repaid or prepaid, except to facilitate or otherwise accommodate or reflect a redemption, defeasance or repurchase of outstanding notes by the Issuer. Where any redemption premium is payable by the Issuer in respect of notes to be redeemed or repurchased or will be payable in respect of notes to be defeased, a repayment premium of an equivalent amount will be payable by the Company in respect of the Proceeds Loan in order to facilitate such redemption, defeasance or repurchase.

Interest on the Proceeds Loan will accrue at a rate necessary to fund interest on the notes (including default interest and Additional Amounts, if applicable), increased by a margin of 5 basis points. Interest will be payable semi-annually in arrears one Business Day prior to the date on which payment of a corresponding amount is due on the notes. Interest on the Proceeds Loan is payable in cash.

**Security**

The notes will be secured by a first-priority Lien over any Proceeds Loan.

The Note Guarantee by the Company will be secured by a second-priority Lien over all of the outstanding shares of Berneuil Participations, SDA Brabant SAS, Tereos Coproduits, Commerciale Tereos, Tereos Finance, Raffinage Tereos, BENP and Distillerie de la Région de Châlons and certain of the outstanding shares of Guarani.

The property and assets that are subject to the grants of security interests from time to time are referred to as the "*Collateral*." The Collateral will also secure any additional notes and related Company Guarantee incurred in accordance with the indenture. The agreements to be entered into between, among others, the Security Agent and the Company pursuant to which security interests in the Collateral are granted to secure the notes and the Note Guarantee from time to time are referred to as the "*Security Documents*."

Any other additional security interests that may in the future be pledged to secure obligations under the notes and the indenture would also constitute Collateral.

*Share Pledge Agreements*

On the date of the indenture, the Company (or, in the case of certain of the Guarani shares, a Restricted Subsidiary) will enter into share pledge agreements creating security interests in respect of the shares constituting Collateral described in the second paragraph under this heading that will rank junior to the security interest in favor of the holders of Indebtedness under the Credit Agreement. The pledge agreements will provide that the holder of Indebtedness under the Credit Agreement will be entitled to control virtually all decisions relating to the exercise of remedies under the share pledge agreements. As a result, the holders of the notes will not be able to force a sale of such Collateral, interfere with the enforcement by the holders of Indebtedness under the Credit Agreement or otherwise exercise many of the remedies available to force a sale of such Collateral or otherwise exercise many of the remedies available to a secured creditor without the concurrence of the holders of Indebtedness under the Credit Agreement. Further, under the share pledge agreements, the proceeds of any sale of the pledged shares on enforcement will be applied, first, to repay Indebtedness under the Credit Agreement. See "Risk Factors—your security over the shares of certain of Tereos' subsidiaries rank behind the security over those shares benefiting the lenders under the senior credit facility and your rights to enforce your security over the shares are limited."

*Proceeds Loan Pledge Agreement*

The obligations of the Issuer under the notes and the indenture will be secured by a first-priority Lien over the Proceeds Loan owed by the Company to the Issuer which will be evidenced by the Proceeds Loan Pledge Agreement. Upon the issuance of any additional notes, the Proceeds Loan Pledge Agreement entered into on the date of the indenture will also secure any additional notes and the Proceeds Loan Pledge Agreement entered into on the date of the issuance of the additional notes will secure such additional notes as well as any previously issued notes. See "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock."

*Security Agent*

The trustee has, and by accepting a note, each holder will be deemed to have, irrevocably appointed Calyon as security agent (the "*Security Agent*"), to act as its agent and security trustee under the Security Documents. The trustee has, and by accepting a note, each holder will be deemed to have, irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each document expressed to be executed by the Security Agent on its behalf.

The security interests created by the Security Documents (the "*Security Interests*") will be released upon (a) so long as there is no Default outstanding under the indenture, a sale or disposition of Capital Stock of any Subsidiary of the Company that has been pledged to secure the notes or the Note Guarantee, upon the provision of an officers' certificate to the effect that such sale or disposition is in compliance with the indenture, including but not limited to the provisions described under "Repurchase at the Option of Holders—Asset Sales," (b) the full and final payment and performance of all Obligations of the Issuer and the Company under the indenture, the notes and any Note Guarantee, (c) the defeasance or discharge of the notes in accordance with the indenture or (d) so long as such release complies with the covenant under the caption "—Impairment of Security Interest."

*Subordination Agreement*

In connection with the issuance of the notes, the issuer will enter into a subordination agreement (the "Subordination Agreement"), the purpose of which is to cause the claims of the noteholders against Tereos to rank ahead of claims of Caisse Régionale du Crédit Agricole du Nord Est under the €93.7 million indexed loan granted to Tereos (as described above in "Description of Other Indebtedness"), the claims of Caisse Régionale du Crédit Agricole du Nord Est under the €10.0 million subordinated loan granted to Tereos (as described above in "Description of Other Indebtedness") and the claims of Union des Planteurs de Betteraves à Sucre for price complements due to the members of Union des Planteurs de Betteraves à Sucre that are retained by Tereos (together, the "subordinated creditors"). See "Description of Other Indebtedness—Subordination Agreement."

**Optional Redemption**

At any time prior to April 15, 2010, the Issuer may redeem up to 35% of the aggregate principal amount of notes issued under the indenture at a redemption price of 106.375% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date, with the net cash proceeds of an issuance of Equity Interests (other than Disqualified Stock) of the Company; *provided* that:

(1) at least 65% of the aggregate principal amount of notes originally issued under the indenture (excluding notes held by the Issuer, the Company and its Subsidiaries and their respective Affiliates) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 45 days of the date of the closing of such sale of such issuance of Equity Interests.

At any time prior to the maturity date, the Issuer may also redeem all or a part of the notes, upon not less than 30 nor more than 60 days' prior notice mailed by first-class mail to each holder's registered address, at a redemption price equal to 100% of the principal amount of notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (the "*Redemption*

*Date*"), subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the two preceding paragraphs and as set out below under "Redemption for Changes in Withholding Taxes", the notes will not be redeemable at the Issuer's option prior to the maturity date.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the notes or portions thereof called for redemption on the applicable redemption date.

**Selection and Notice**

If less than all of the notes are to be redeemed at any time, the trustee will select notes for redemption by a method that complies with the requirements, as certified to the trustee by the Issuer, of the principal securities exchange, if any, on which the notes are listed at such time or, if the notes are not listed on a securities exchange, *pro rata*, by lot or by such other method as the trustee in its sole discretion shall deem fair and appropriate; *provided* that no such partial redemption shall reduce the portion of the principal amount of a note not redeemed to less than €50,000.

The trustee will not be liable for selections made by it in accordance with this paragraph.

No notes of €50,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the notes or a satisfaction and discharge of the indenture. Notices of redemption may not be conditional.

If any note is to be redeemed in part only, the notice of redemption that relates to that note will state the portion of the principal amount of that note that is to be redeemed. A new note in principal amount equal to the unredeemed portion of the original note will be issued in the name of the holder of notes upon cancellation of the original note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on notes or portions of notes called for redemption.

**Redemption for Changes in Withholding Taxes**

The Issuer may redeem the notes, in whole but not in part, at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders (which notice must be given in accordance with the procedures described in "—Selection and Notice"), at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "*Tax Redemption Date*") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the notes, the Issuer has or would be required to pay Additional Amounts, and the Issuer cannot avoid any such payment obligation taking reasonable measures available, as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the relevant Tax Jurisdiction (as defined below) affecting taxation which change or amendment has not been publicly announced as formally proposed before and which becomes effective on or after the date of the indenture (or, if the relevant Tax Jurisdiction has changed since the date of the indenture, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under the indenture); or

(2) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally proposed before and becomes effective on or after the date of the indenture (or, if the relevant Tax Jurisdiction has changed since the date of the indenture, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under the indenture).

The Issuer will not give any such notice of redemption (i) earlier than 90 days prior to the earliest date on which the Issuer would be obligated to make such payment or withholding if a payment in respect of the notes were then due and (ii) unless at the time such notice is given, such obligation to pay Additional Amounts remains in effect. Notwithstanding the foregoing, the Issuer may not redeem the notes under this provision if the relevant Tax Jurisdiction changes under the indenture and the Issuer is obligated to pay any Additional Amounts as a result of a change in, or an amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder), or any change in or amendment to, any official position regarding the application, administration or interpretation of such laws, treaties, regulations or rules, of the then current Tax Jurisdiction which, at the time such Tax Jurisdiction became the applicable Tax Jurisdiction under the indenture, was publicly announced as formally proposed. Prior to the publication or, where relevant, mailing of any notice of redemption of the notes pursuant to the foregoing, the Issuer will deliver to the trustee (x) an opinion of counsel, the choice of such counsel to be subject to the prior written approval of the trustee (such approval not to be unreasonably withheld) to the effect that there has been such change or amendment which would require the Issuer to pay such Additional Amounts and (y) an officers' certificate stating that the Issuer cannot avoid any obligation to pay Additional Amounts by taking reasonable measures available to it. The trustee will accept such officers' certificate as sufficient evidence of the satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the European Council of Economics and Finance Ministers Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such Directive will not be a change or amendment for such purposes.

**Additional Amounts**

All payments made by the Issuer under or with respect to the notes (whether or not in the form of Definitive Registered Notes) or by any Guarantor with respect to any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge, including penalties, interest and other liabilities related thereto (collectively, "*Taxes*") unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of any jurisdiction in which the Issuer or any Guarantor (including any successor entity), is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction by or through which payment is made (each, a "*Tax Jurisdiction*"), will at any time be required to be made from any payments made by the Issuer under or with respect to the notes or any of the Guarantors with respect to any Note Guarantee, including payments of principal, redemption price, purchase price, interest or premium, or Taxes are imposed directly on any holder or beneficial owner of the notes with respect to such payments, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received and retained in respect of such payments by each holder and beneficial owner (including Additional Amounts) after such withholding, deduction or imposition will equal the respective amounts which would have been received and retained in respect of such payments in the absence of such withholding, deduction or imposition; *provided, however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes which would not have been imposed but for the holder or the beneficial owner of the notes being a citizen or resident or national of, or incorporated in or carrying on a business in, the relevant Tax Jurisdiction in which such Taxes are imposed;

(2) any Taxes that are imposed or withheld as a result of the failure of the holder or beneficial owner of the notes to comply with any written request, made to that holder or beneficial owner in writing at least 90 days before any such withholding or deduction would be payable, by the Issuer or any of the Guarantors to provide timely and accurate information concerning the nationality, residence or identity of such holder or beneficial owner or to make any valid and timely declaration or similar claim or satisfy any certification information or other reporting requirement, which is required or imposed by a statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction as a precondition to exemption from all or part of such Taxes;

(3) any note presented for payment (where notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the note been presented on the last day of such 30 day period);

(4) any estate, inheritance, gift, sale, transfer, personal property or similar tax or assessment;

(5) any Taxes withheld, deducted or imposed on a payment to an individual and which are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the European Council of Economics and Finance Ministers Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such Directive;

(6) any note presented for payment by or on behalf of a holder of notes who would have been able to avoid such withholding or deduction by presenting the relevant note to another Paying Agent in any European Union Member State; or

(7) any combination of items (1) through (6) above.

In addition to the foregoing, the Issuer or the Guarantor(s) will also pay and indemnify the holder for any present or future stamp, issue, registration, transfer, court or documentary taxes, or any other excise or property taxes, charges or similar levies or taxes which are levied by the United States, the Republic of France or any jurisdiction in which a paying agent is located on the execution, delivery, registration or enforcement of any of the notes, the indenture, a Note Guarantee or any other document or instrument referred to therein.

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the notes, or any Note Guarantee, the Issuer or the relevant Guarantor, as the case may be, will deliver to the trustee on a date which is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the trustee promptly thereafter) an officers' certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The officers' certificate must also set forth any other information reasonably necessary to enable the Paying Agents to pay Additional Amounts to holders on the relevant payment date. The Issuer or the relevant Guarantor will provide the trustee with documentation reasonably satisfactory to the trustee evidencing the payment of Additional Amounts. The trustee shall, without further enquiry, be entitled to rely absolutely on each such officers' certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the holders, within 60 days after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or the relevant Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments by such entity. Such entity shall attach to each certified copy or other evidence, as applicable, a certificate stating (x) that the amount of Tax evidenced by the certified copy was paid in connection with payments under or with respect to the notes then outstanding upon which such Taxes were due and (y) the amount of such withholding tax paid per €1,000 of principal amount of the notes.

Whenever in the indenture or in this "Description of Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the notes or of principal, interest or of any other amount payable under, or with respect to, any of the notes, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

**Mandatory Redemption**

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the notes.

## Repurchase at the Option of Holders

### *Change of Control*

If a Change of Control occurs, the Issuer shall offer to repurchase any and all of the holder's notes pursuant to a Change of Control Offer on the terms set forth in the indenture. In the Change of Control Offer, the Issuer will offer a Change of Control Payment in cash equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest and Additional Amounts, if any, on the notes repurchased to the date of purchase, subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Issuer will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control (including the circumstances and relevant facts relating to such Change of Control) and offering to repurchase notes on the date (the *"Change of Control Payment Date"*) specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the indenture and described in such notice. If the Change of Control has been publicly announced but has not occurred at the time the notice of the Change of Control Offer is mailed to holders, the Change of Control Offer may be conditional on the consummation of such Change of Control occurring prior to or concurrent with the repurchase. The Issuer will comply with the requirements of any relevant securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the indenture by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and

(3) deliver or cause to be delivered to the trustee the notes properly accepted together with an officers' certificate stating the aggregate principal amount of notes or portions of notes being purchased by the Issuer.

The Paying Agent will promptly pay (by wire transfer of immediately available funds, by mail or otherwise) to each holder of notes properly tendered the Change of Control Payment for such notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new note equal in principal amount to any unpurchased portion of the notes surrendered, if any, provided that such new notes will be in minimum denominations of €50,000 and in integral multiples of €1,000 in excess thereof. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the indenture are applicable. Except as described above with respect to a Change of Control, the indenture does not contain provisions that permit the holders of the notes to require that the Issuer repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer made by the Issuer and purchases all notes properly tendered and not withdrawn under the Change of Control Offer, or notice of redemption has been given pursuant to the covenant described under the caption "—Optional Redemption," unless and until there is a default in payment of the applicable redemption price.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its

Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require the Issuer to repurchase its notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Subsidiaries taken as a whole to another Person or group may be uncertain.

If and for so long as the notes are listed on the Luxembourg Stock Exchange and admitted for trading on the Euro MTF, and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notices relating to the Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be the *d'Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (www.bourse.lu.)

The provisions of the indenture relating to the Issuer's obligation to make an offer to repurchase the notes as a result of a Change of Control may be waived or modified with the written consent of the holders of a majority in aggregate principal amount of the then outstanding notes.

There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. Even if sufficient funds were otherwise available, the terms of the Credit Facilities will (and other Indebtedness may) prohibit the prepayment of the notes. Consequently, if we are unable to prepay the Credit Facilities and any such Indebtedness containing similar restrictions or obtain requisite consents of the lenders of the Credit Facilities, or such other Indebtedness, the Issuer may not be able to fulfill its repurchase obligations to holders of the notes that exercise their repurchase rights following a Change of Control, thereby resulting in a default under the indenture. A default under the indenture may result in a cross-default under the Credit Facilities.

***Asset Sales***

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash and Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

  (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Company or such Restricted Subsidiary from further liability;

  (b) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are within 90 days converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

  (c) any Capital Stock or assets of the kind referred to in clauses (2) or (4) of the next paragraph of this covenant;

  (d) any Permitted Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Sale having an aggregate Fair Market Value at the time received, taken together with all other Permitted Non-Cash Consideration received pursuant to this clause (d) that is at that time outstanding, not to exceed the greater of (i) €50 million and (y) 2.0% of Total Assets at the time of the receipt of such Permitted Non-Cash Consideration;

  (e) any consideration consisting of Equity Interests received in connection with the sale or exchange of an Equity Interest in an entity that is not a Restricted Subsidiary in exchange for an Equity Interest in an entity engaged in a Permitted Business which is not a Restricted Subsidiary; and

(f) any consideration consisting of Equity Interests in an entity engaged in a Permitted Business received in connection with the sale or exchange of an Equity Interest in a Restricted Subsidiary so long as after giving effect to such transaction, the entity in which the Equity Interest has been sold or exchanged remains a Restricted Subsidiary.

Within 12 months after the receipt of any Net Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds:

(1) to repay Indebtedness and other Obligations under the Credit Agreement, any other senior Indebtedness of the Company or any Indebtedness of a Restricted Subsidiary and, if the Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;

(2) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of the Company;

(3) to make a capital expenditure;

(4) to acquire other assets that are not classified as current assets under GAAP and that are used or useful in a Permitted Business; or

(5) in any combination of any of the applications permitted by the foregoing clauses (1) through (4).

Pending the final application of any Net Proceeds, the Company may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "*Excess Proceeds*." When the aggregate amount of Excess Proceeds exceeds €20.0 million (or its equivalent in another currency), within 30 days thereof, the Issuer will make an offer (an *"Asset Sale Offer"*) to all holders of notes and all holders of other Indebtedness that is *pari passu* with the notes containing provisions similar to those set forth in the indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer in respect of the notes will be equal to and, in the case of *pari passu* Indebtedness the offer price will be no more than 100% of the principal amount of the notes or *pari passu* Indebtedness plus accrued and unpaid interest, and in the case of the notes, Additional Amounts, if any, to the date of purchase in accordance with the procedures set out in the indenture or the agreements governing the *pari passu* Indebtedness, as applicable, and in the case of the notes, in minimum denominations of €50,000 and in integral multiples of €1,000 in excess thereof. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the indenture. If the aggregate principal amount of notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the trustee will select the notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Asset Sale Offer, insofar as it relates to the notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Sale Offer Period*"). No later than five Business Days after the termination of the Asset Sale Offer period (the "*Asset Sale Purchase Date*") the Issuer will purchase the principal amount of notes and to the extent the Company elects, *pari passu* Indebtedness required to be purchased by it pursuant to this covenant, or if less than the Asset Sale Offer Amount has been so validly tendered, all notes and *pari passu* Indebtedness validly tendered in response to the Asset Sale Offer.

The Issuer will comply with the requirements of any relevant securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the indenture by virtue of such compliance.

### Certain Covenants

#### *Restricted Payments*

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company's or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than (i) dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company, (ii) dividends or distributions payable to the Company or a Restricted Subsidiary of the Company or (iii) payments of price complement permitted by clause (5) below);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any direct or indirect parent of the Company (other than in exchange for Equity Interests of the Company (other than Disqualified Stock));

(3) make any principal payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, prior to the scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the notes or to any Note Guarantee (excluding (i) any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries and (ii) the purchase, redemption, acquisition or retirement of such contractually subordinated obligations acquired in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case within one year of the date of the obligation);

(4) make any Restricted Investment; or

(5) make any payment of price complement to cooperative members in respect of agricultural products supplied by such members in any fiscal year in excess of the Price Complement Threshold for such fiscal year.

(all such payments and other actions set forth in these clauses (1) through (5) above being collectively referred to as "*Restricted Payments*"),

unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(2) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable Testing Period, have been permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock;" and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries since the date of the indenture (excluding Restricted Payments permitted by clauses (2), (3), (4), (6) and (7) of the next succeeding paragraph), is less than the sum, without duplication, of:

    (a) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the first six-month period commencing April 1, 2007 to the end of the Company's most recently ended six -month period or, upon commencement of the publication of quarterly accounts pursuant to clause (4) of the first paragraph of the covenant "Reports", the Company's most recently ended fiscal quarter, for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(b) 100% of the aggregate net cash proceeds received by the Company since the date of the indenture as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Company (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Company); *plus*

(c) to the extent that any Restricted Investment that was made after the date of the indenture is sold for cash or otherwise liquidated or repaid for cash, the lesser of (i) the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any) and (ii) the initial amount of such Restricted Investment; *plus*

(d) to the extent that any Unrestricted Subsidiary of the Company designated as such after the date of the indenture is redesignated as a Restricted Subsidiary after the date of the indenture, the lesser of (i) the Fair Market Value of the Company's Investment in such Subsidiary as of the date of such redesignation or (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the date of the indenture; *plus*

(e) 50% of any dividends received by the Company or a Restricted Subsidiary of the Company after the date of the indenture from an Unrestricted Subsidiary of the Company, to the extent that such dividends were not otherwise included in the Consolidated Net Income of the Company for such period.

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption within 90 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the indenture;

(2) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (3)(b) of the preceding paragraph;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any other Guarantor that is contractually subordinated to the notes or to any Note Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(4) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of the Company to the holders of its Equity Interests on a *pro rata* basis;

(5) so long as no Default has occurred and is continuing or would be caused thereby, the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company, or distribution to enable such repurchase, redemption or other acquisition or retirement for value of any Equity Interests of any parent of the Company, held by any current or former officer, director, employee or member of the Company or any of its Restricted Subsidiaries; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed €500,000 in any twelve-month period;

(6) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(7) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any Preferred Stock of a Restricted Subsidiary issued on or after the date of the indenture in accordance with the Fixed Charge Coverage Ratio test described below under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock";

(8) so long as no Default has occurred and is continuing or would be caused thereby, other Restricted Payments in an aggregate amount not to exceed €10.0 million per fiscal year from the date of the indenture; and

(9) other Restricted Payments not to exceed $10.0 million.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this covenant will be determined by the Board of Directors of the Company whose resolution with respect thereto will be delivered to the trustee. The Board of Directors' determination must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of international standing if the Fair Market Value exceeds €25.0 million.

***Issuance of Additional Notes***

The Issuer will not issue any Additional Notes unless:

(1) all Obligations with respect to the issuance of any additional notes shall be secured and guaranteed under the indenture, the Note Guarantee, and the Security Documents to the same extent and on the same basis as the notes outstanding on the date the additional notes are issued;

(2) the Company and the Issuer shall have entered into a Proceeds Loan Agreement in respect of the Proceeds Loan from the Issuer to the Company in connection with the issuance of the additional notes and a Proceeds Loan Pledge Agreement shall be entered into in respect of such Proceeds Loan Agreement; provided that such Proceeds Loan Pledge Agreement entered into on the date of the issuance of the additional notes must also have been assigned in favor of the holders of the previously issued notes on substantially the same terms as any previous Proceeds Loan Pledge Agreement entered into by the Issuer and such Lien shall rank *pari passu* with any pledge or other Lien on such Proceeds Loan securing the notes;

(3) the Company and the Issuer shall have delivered to the trustee an officers' certificate, in form and substance reasonably satisfactory to the trustee, confirming that the issuance of the additional notes complies with the indenture, including, without limitation, the covenant described under the caption "—Impairment of Security Interests;" and

(4) the Company could have incurred at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock."

***Incurrence of Indebtedness and Issuance of Preferred Stock***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and the Restricted Subsidiaries will not issue any Preferred Stock; *provided, however*, that the Issuer may issue additional notes, the Company may issue Disqualified Stock and the Company and the Restricted Subsidiaries may incur Indebtedness (including Acquired Debt) and the Restricted Subsidiaries may issue Preferred Stock, in each case, if: the Fixed Charge Coverage Ratio for the Company's most recently ended Testing Period for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such Preferred Stock is issued, as the case may be, would have been at least 2.50 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the Preferred Stock had been issued, as the case may be, at the beginning of such Testing Period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

(1) the incurrence by the Company and its Restricted Subsidiaries of additional Indebtedness and letters of credit under the Credit Agreement in an aggregate principal amount at any one time outstanding under this

clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company and its Restricted Subsidiaries thereunder) not to exceed €1,200.0 million *less* the aggregate amount of all Net Proceeds of Asset Sales applied by the Company or any of its Restricted Subsidiaries since the date of the indenture to repay any term or revolving credit Indebtedness under the Credit Agreement pursuant to the covenant described above under the caption"—Repurchase at the Option of Holders—Asset Sales");

(2) the incurrence by the Company and its Restricted Subsidiaries of the Existing Indebtedness;

(3) the incurrence by the Issuer and the Company of Indebtedness represented by the notes, the Note Guarantee and the Proceeds Loan to be issued on the date of the indenture and the Note Guarantee;

(4) Indebtedness, including Capital Lease Obligations and purchase money Indebtedness, incurred by the Company or any of its Restricted Subsidiaries to finance all or any part of the acquisition of property (real or personal) or equipment or capital expenditures (whether through the direct purchase of assets or the indirect purchase of assets, such as through the purchase of the Capital Stock of any Person owning such assets), and Indebtedness incurred by the Company or its Restricted Subsidiaries to refinance such Indebtedness, in an aggregate outstanding principal amount which, when added together with the amount of Indebtedness Incurred pursuant to this clause (4) and then outstanding, does not exceed the greater of (x) €30.0 million or (y) 1.0% of Total Assets as of the date of such incurrence;

(5) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the indenture to be incurred under the first paragraph of this covenant or clauses (2), (3), (4) or (5) of this paragraph;

(6) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; *provided, however*, that:

   (a) if the Company or any Guarantor is the obligor on such Indebtedness and the payee is not the Company or a Guarantor, such Indebtedness (excluding any Proceeds Loan) must be expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the notes and any Note Guarantee; and

   (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary of the Company and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary of the Company, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any of the Company's Restricted Subsidiaries to the Company or to any of its Restricted Subsidiaries of shares of preferred stock; *provided, however*, that:

   (a) any subsequent issuance or transfer of Equity Interests that results in any such Preferred Stock being held by a Person other than the Company or a Restricted Subsidiary of the Company; and

   (b) any sale or other transfer of any such Preferred Stock to a Person that is not either the Company or a Restricted Subsidiary of the Company,

   will be deemed, in each case, to constitute an issuance of such Preferred Stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence by the Company or any of its Restricted Subsidiaries of Hedging Obligations in the ordinary course of business and not for speculative purposes;

(9) the Guarantee by the Company or a Restricted Subsidiary of the Company of Indebtedness that was permitted to be incurred by the Person making the Guarantee pursuant to another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the notes, then the Guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(10) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, performance and surety bonds in the ordinary course of business;

(11) Indebtedness constituting reimbursement obligations with respect to letters of credit, bankers' acceptances or similar instruments or obligations issued in the ordinary course of business (but not including any such instrument or obligations covered in clause (1) above); *provided* that upon the drawing or other funding of such letters of credit or other instruments or obligations, such drawings or fundings are reimbursed within five days;

(12) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days;

(13) Indebtedness incurred by Restricted Subsidiaries (other than the Issuer) under local working capital facilities in maximum principal amount of €25.0 million (or its equivalent) at any time; and

(14) the incurrence by the Company or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding incurred pursuant to this clause (14), not to exceed €25.0 million.

The Issuer and any Guarantor will not incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or the Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the notes and the Note Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or the Guarantor solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

For purposes of determining compliance with this "Incurrence of Indebtedness and Issuance of Preferred Stock" covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (2) through (14) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company will be permitted to classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant; *provided* that any Indebtedness up to €1,200 million under the Credit Agreement (as reduced by the application of Net Proceeds of Asset Sales as provided in clause (1) above) will be deemed to be incurred pursuant to clause (1) and may not be reclassified. The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this covenant; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in Fixed Charges of the Company as accrued. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

For purposes of determining compliance with any euro-denominated restriction on the incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness incurred under a revolving credit facility; provided that (1) if such Indebtedness is incurred to refinance other Indebtedness denominated in a currency other than euros, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Permitted Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (2) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the date of the indenture will be calculated based on the relevant currency exchange rate in effect on the date of the indenture; and (3) if and for so long as any such Indebtedness is subject to an agreement intended to protect against fluctuations in currency exchange rates with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated other than in euros, will be the amount of the principal payment required to be made under such currency agreement and, otherwise, the Euro Equivalent of such amount plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such currency agreement.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

  (a) the Fair Market Value of such assets at the date of determination; and

  (b) the amount of the Indebtedness of the other Person.

***Limitation on Issuances of Guarantees of Indebtedness***

The Company will not permit any of its Restricted Subsidiaries, directly or indirectly, to guarantee any other Indebtedness of the Issuer or the Company (other than Indebtedness owing to the Issuer or a Guarantor or Indebtedness of the Company incurred pursuant to the first paragraph of the covenant entitled "Incurrence of Indebtedness and Issuance of Preferred Stock" or clauses (1), (4) or (14) of the definition of Permitted Debt) unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the Guarantee of the payment of the notes by such Restricted Subsidiary, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness.

The form of the Note Guarantee to be entered into by such Restricted Subsidiary will be attached as an exhibit to the indenture.

Notwithstanding the foregoing, the Company shall not be obligated to cause such Restricted Subsidiary to guarantee the notes to the extent that such Guarantee would reasonably be expected to give rise to or result in:

(1) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Issuer or such Restricted Subsidiary;

(2) any liability for the officers, directors or shareholders of such Restricted Subsidiary; or

(3) any cost, expense, liability or obligation (including with respect to any taxes, duties, levies, assessments or other governmental charges) other than reasonable out of pocket expenses and other than reasonable governmental expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) undertaken in connection with, such Guarantee,

which in any such case cannot be avoided through measures reasonably available to the Company or the Restricted Subsidiary.

***Liens***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien (except Permitted Liens) of any kind on any asset now owned or hereafter acquired securing Indebtedness of the Company (the *"Initial Lien"*), unless all payments due under the indenture, the notes and any Note Guarantee are secured on an equal and ratable basis with (or prior to) the obligations so secured until such time as such obligations are no longer secured by a Lien. Any Lien created for the benefit of the holders of notes pursuant to the preceding sentence shall be automatically and unconditionally released and discharged (1) upon the release and discharge of the Initial Lien or (2) as set forth under the caption "—Security".

The Company and the Issuer will not permit any Lien to be incurred or permitted to be incurred on the Capital Stock of, or any asset of, the Issuer except for (i) any Lien that only secures the notes or a Note Guarantee and (ii) in the event of a merger of the Issuer with and into the Company, Liens that could otherwise be incurred by the Company under the indenture.

***Limitation on Sale and Leaseback Transactions***

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any sale and leaseback transaction; *provided* that the Company or any Restricted Subsidiary may enter into a sale and leaseback transaction if:

(1) the Company or that Restricted Subsidiary, as applicable, could have (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction under the Fixed Charge Coverage Ratio test in the first paragraph of the covenant described above under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "—Liens;"

(2) the gross cash proceeds of that sale and leaseback transaction are at least equal to the Fair Market Value, as determined in good faith by the Board of Directors of the Company and set forth in an officers' certificate delivered to the trustee, of the property that is the subject of that sale and leaseback transaction; and

(3) the transfer of assets in that sale and leaseback transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, the covenant described above under the caption "—Repurchase at the Option of Holders—Asset Sales."

***Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to the Company or any of its Restricted Subsidiaries;

(2) make loans or advances to the Company or any of its Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness, Capital Lease Obligations and Credit Facilities as in effect on the date of the indenture;

(2) the indenture, a Note Guarantee, the notes and the Security Documents;

(3) applicable law, rule, regulation, order, governmental license, permit or concession;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the indenture to be incurred;

(5) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(6) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(7) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;

(8) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(9) Liens permitted to be incurred under the provisions of the covenant described above under the caption "—Liens" that limit the right of the debtor to dispose of the assets subject to such Liens;

(10) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements, minority share arrangements and other similar agreements entered into with the approval of the Company's Board of Directors, which limitation is applicable only to the assets that are the subject of such agreements;

(11) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(12) any agreement or instrument relating to Indebtedness permitted to be incurred after the date of the indenture under the covenant entitled "—Incurrence of Indebtedness and Issuance of Preferred Stock"; *provided*, *however*, that such encumbrance or restriction is not materially more disadvantageous to the holders of the notes than is customary in comparable financings (as determined in good faith by the Company's Board of Directors) and either (x) the Company's Board of Directors determines that such encumbrance or restriction will not materially affect the Company's ability to make principal or interest payments on the notes as and when they come due or (y) such encumbrance or restriction applies only if a default occurs in respect of a payment or financial covenant relating to such Indebtedness.

***Merger, Consolidation or Sale of Assets of the Issuer***

The Issuer will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer is the surviving entity) other than the Company or Tereos Finance; or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer, in one or more related transactions, to another Person other than the Company or Tereos Finance, and

(1) the following requirements are satisfied:

   (a) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Issuer under the notes, including the Note Guarantee, the indenture and the Security Documents pursuant to such agreements reasonably satisfactory to the trustee;

   (b) immediately after such transaction, no Default or Event of Default exists and the Security Documents and the Liens created on the Collateral (other than, to the extent the surviving entity is the Company, the assignment of any Proceeds Loan provided that such Proceeds Loan is cancelled or otherwise could have been incurred by the Company at the time of such transaction pursuant to "—Incurrence of Indebtedness and Issuance of Preferred Stock") shall remain in full force and effect, or subject to the satisfaction of the trustee, shall have been transferred to such surviving entity and shall have been perfected and be in full force and effect or otherwise released in accordance with the terms of the indenture; and

   (c) the Person formed by or surviving any such consolidation or merger will have delivered to the trustee, in form and substance satisfactory to the trustee, an officers' certificate and an opinion of independent counsel, each stating that such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental agreement is required in connection with such transaction, such supplemental agreement, comply with the requirements of the indenture and that all conditions precedent in the indenture relating to such transaction have been satisfied.

***Merger, Consolidation or Sale of Assets of the Company***

The Company will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Company is the surviving entity); or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) the Company is the surviving entity; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a corporation organized or existing under the laws of any European Union Member State, Switzerland, Norway, Canada or the United States, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Company under the notes, including the Note Guarantee, the indenture and the Security Documents pursuant to such agreements reasonably satisfactory to the trustee;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance or other disposition has been made would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable Testing Period, be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock"; and

(5) the Company or Person formed by or surviving any such consolidation or merger will have delivered to the trustee, in form and substance satisfactory to the trustee, an officers' certificate (attaching the computations to demonstrate compliance with clause (4) above) and an opinion of independent counsel, each stating that such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental agreement is required in connection with such transaction, such supplemental agreement, comply with the requirements of the indenture and that all conditions precedent in the indenture relating to such transaction have been satisfied.

This "Merger, Consolidation or Sale of Assets of the Company" covenant will not apply to:

(1) a consolidation, merger or other business combination of the Company with an Affiliate solely for the purpose of reorganizing or incorporating the Company in another jurisdiction permitted in clause (1) of the paragraph above or for the purpose of incorporating the Company in a jurisdiction permitted in clause (1) of the paragraph above in connection with an initial public offering of the Company or a holding company thereof; or

(2) any consolidation or merger, or any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among the Company and its Restricted Subsidiaries (other than the Issuer).

***Transactions with Affiliates***

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend, in any material respect, any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each, an "*Affiliate Transaction*"), unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person; and

(2) the Company delivers to the trustee:

  (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €10.0 million, an officers' certificate certifying that such Affiliate Transaction complies with this covenant;

  (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €20.0 million, a resolution of the Board of Directors of the Company set forth in an officers' certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Company; and

  (c) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €30.0 million, an opinion as to the fairness to the Company or such Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, employee benefit plan, officer or director indemnification agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business and payments pursuant thereto;

(2) transactions between or among the Company and/or its Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable directors' fees;

(5) any issuance of Equity Interests (other than Disqualified Stock) of the Company to Affiliates of the Company;

(6) any transaction between or among the Company and/or its Restricted Subsidiaries and any joint venture (a) pursuant to the terms of the respective joint venture agreement, (b) in the ordinary course of business or (c) which are fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors of the Company or the senior management of the Company or the Restricted Subsidiary, as applicable, or are on terms no less favorable (taking into account the costs and benefits of associated with such transactions) than those that could reasonably have been obtained at such time from an unaffiliated Person;

(7) transactions between cooperative members and the Company or a Restricted Subsidiary in respect of purchases of agricultural products in the ordinary course of business on terms reflecting current market and regulatory conditions that are no less favorable to the Company than those available to the Company from third-party cooperatives; and

(8) Restricted Payments that do not violate the provisions of the indenture described above under the caption "—Restricted Payments."

***Business Activities***

The Company will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Company and its Restricted Subsidiaries taken as a whole.

### *Issuer Activities*

Except in the event that the Issuer is merged with and into the Company in accordance with the indenture, the Issuer will not engage in any activity, except any activity:

(1) relating to the offering, sale, issuance and servicing the notes (including any additional notes issued after the date of the indenture), the incurrence of Indebtedness represented by the notes (including any additional notes, if any), lending or advancing the proceeds thereof to the Company and any other activities in connection therewith;

(2) undertaken with the purpose of fulfilling any other obligations under the notes, the indenture and any Security Document;

(3) the incurrence of Indebtedness that is in accordance with the indenture and other actions related thereto, including servicing and repaying such Indebtedness;

(4) cash management activities for the Company and its Restricted Subsidiaries, including investment of funds;

(5) hedging transactions in connection with the foregoing; or

(6) directly related to the establishment and/or maintenance of the Issuer's corporate existence.

The indenture will also provide that the Issuer shall not:

(1) issue any Capital Stock other than to the Company;

(2) take any action which would cause it to no longer satisfy the requirements of an available exemption from the provisions of the U.S. Investment Company Act of 1940, as amended;

(3) incur any Lien other than pursuant to the Security Documents; and

(4) sell, lease, transfer or dispose of any interest in any asset other than pursuant to the Security Documents and except as expressly permitted under the indenture (including under clauses (3), (4) and (5) above).

Except as permitted under "—Merger, Consolidation or Sale of Assets of the Issuer," the Issuer will remain a Wholly-Owned Subsidiary of the Company.

### *Designation of Restricted and Unrestricted Subsidiaries*

The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default; *provided* that in no event will the business currently operated by the French Sugar Companies be transferred to or held by an Unrestricted Subsidiary. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary designated as Unrestricted will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption "—Restricted Payments" or under one or more clauses of the definition of Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of the Company may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the trustee by filing with the trustee a certified copy of a resolution of the Board of Directors giving effect to such designation and an officers' certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "—Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock," the Company will be in default of such covenant. The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Company; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock," calculated on a pro forma basis as if such designation had occurred at the beginning of the Testing Period; and (2) no Default or Event of Default would be in existence following such designation.

***Impairment of Security Interest***

The Company will not, and will not permit any Restricted Subsidiary to, take, or knowingly or negligently omit to take, any action, which action or omission might reasonably be expected to, or would have the result of, materially impairing the security interest with respect to the Collateral for the benefit of the trustee and the holders, and the Company will not and will not permit any Restricted Subsidiary to grant to any Person other than the Security Agent, for the benefit of the trustee and the holders described in the Security Documents, any interest whatsoever in the Collateral, except as permitted in the Security Documents; except that the Company or any Restricted Subsidiaries may Incur Liens and the Security Interests may be discharged and released in accordance with the indenture and the Security Documents; *provided*, *however*, that, except with respect to any discharge or release of the Collateral in accordance with the indenture, the Security Documents, or in connection with the Incurrence of Liens for the benefit of the trustee and holders of notes, no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, unless contemporaneously with any such amendment, extension, renewal, restatement, supplement, modification or replacement, the Company delivers to the trustee either (a) a solvency opinion, in form reasonably satisfactory to the trustee from an investment banking firm, accounting firm or appraisal firm, in either case, of international standing confirming the solvency of the Company and its Subsidiaries after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement or (b) an opinion of counsel, in form and substance reasonably satisfactory to the trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under the relevant Security Document as such Liens relate to the then-existing notes as so amended, extended, renewed, restated, supplemented or otherwise modified or replaced, are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening or preference period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement. Notwithstanding the foregoing, without the necessity of a vote or other action by holders of notes (x) in the event that the shares subject to a security interest on a first-ranking basis in favor of the lenders under the Credit Agreement are released, the second-ranking security interest with respect to such Collateral for the benefit of the Security Agent and the holders of the notes shall be released to the same extent so long as the Company and the Restricted Subsidiaries comply with the covenant under the caption "—Additional Security"; and (y) if the terms of the security documents governing the first-ranking pledge of shares in favor of the lenders under the Credit Agreement are modified or amended pursuant to the Credit Agreement, then, if so requested of the Security Agent by the Company, the terms of the applicable Security Documents shall be amended or modified to the same extent.

***Additional Security***

If the Company or any Restricted Subsidiary pledges any shares on a first-ranking basis in favor of the lenders under the Credit Agreement, then such shares of such entity held by the Company or a Restricted Subsidiary shall be pledged on a second-ranking basis, to the extent lawful, in favor of the holders of notes contemporaneously with such first-ranking pledge and the terms of which shall not be materially less favorable to the holders of the notes as terms contained in the second-ranking share pledges in effect on the date of the indenture.

***Listing of the Notes***

The Issuer will use its reasonable best efforts to list and maintain the listing of the notes on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market.

***Payments for Consent***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the indenture or the notes unless such consideration is offered to be paid and is paid to all holders of the notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

***Reports***

So long as any notes are outstanding, the Company will furnish to the trustee and make available to the holders of notes and potential investors:

(1) within 120 days after the end of each fiscal year of the Company, commencing with the fiscal year ending September 30, 2007: (a) audited consolidated statements of income and statements of cash flow of the Company (or any predecessor company of the Company) as of and for the most recent three fiscal years and balance sheets as of the two most recent fiscal years, including appropriate footnotes to such financial statements, for and as of the end of such fiscal year, and the report of the independent auditors on such financial statements; (b) *pro forma* income statement and balance sheet information, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year (provided that such *pro forma* financial information will be provided only to the extent available without unreasonable effort or expense); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operation, financial condition, liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (c) a description of the business, management and shareholders of the Company and all material affiliate transactions; (d) material recent developments and material risk factors; and (e) a presentation of EBITDA for the French Sugar Companies on a consolidated basis;

(2) within 90 days following the end of the first six months in each fiscal year of the Company, beginning with the six months ending March 31, 2007, information including: (a) an unaudited condensed consolidated balance sheet as of the end of such period and unaudited condensed statements of income and cash flow for the most recent six month year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal six month period (provided that such *pro forma* financial information will be provided only to the extent available without unreasonable effort or expense); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operation, financial condition, liquidity and capital resources; (d) material recent developments; (e) a presentation of EBITDA; and (f) a presentation of EBITDA for the French Sugar Companies on a consolidated basis;

(3) within 45 days following the end of the first and third fiscal quarters in each fiscal year of the Company, beginning with the quarter ending June 30, 2007, information including: (a) sales volumes by segment and geographic region; (b) consolidated net debt; (c) amounts drawn and undrawn and available under committed facilities; (d) capital expenditures; (e) interest expense; (f) a presentation of EBITDA for Tereos on a consolidated basis; and (g) revenues, net debt and EBITDA for each of Tereos, Berneuil Participations, Guarani, Tereos Coproduits, Tereos Iberia, Tereos UK, Tereos Deutschland, BENP, Sodes, Distillerie de la Région de Châlons, TTD, SHL, Tereos Finance, CDSS, and any other Subsidiary accounting for more than 5% of the EBITDA of Tereos on a consolidated basis; and (h) a presentation of EBITDA for the French Sugar Companies on a consolidated basis;

(4) Notwithstanding clause (3) above, if the Company either at its election (which shall be irrevocable) provides any full quarterly accounts, or is required to provide full quarterly accounts pursuant to any stock exchange, regulatory, legal, accounting or other requirement, the Company will no longer be required to provide the information required in (3) above and upon the publication of such full quarterly information for the first and third quarters in each fiscal year, the Company shall provide at that time and thereafter (a) an unaudited condensed consolidated balance sheet as of the end of such period and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods (*provided however*, no such comparable balance sheet, statements of income and cash flow of the prior year shall be required for the first four quarters for which such quarterly information is provided), together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter (provided that such *pro forma* financial information will be provided only to the extent available without unreasonable effort or expense); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operation, financial condition, liquidity and capital resources; (d) material recent developments; (e) a presentation of EBITDA; and (f) a presentation of EBITDA for the French Sugar Companies on a consolidated basis, in each case within 75 days following the end of the first and third fiscal quarters in each fiscal year of the Company; and

(5) promptly after the occurrence of a material acquisition, disposition, restructuring, senior management changes, change in auditors, the entering into of an agreement that will result in a Change of Control or any other material event, in each case, a report containing a description of such event.

For purposes of the "Reports" covenant above, EBITDA information shall be calculated and presented in a manner substantially consistent with the presentation of EBITDA and related price complement contained in this offering memorandum.

If the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries, then the quarterly, semi-annual and annual financial information required by the preceding paragraphs will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in Management's Discussion and Analysis of Financial Condition and Results of Operations, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

The Company will also make available copies of all reports required by clauses (1) through (5) above on (i) the Company's website, (ii) to the newswire or other service of Bloomberg L.P. or, if Bloomberg L.P. does not then operate any such service, any similar agency and (iii) so long as the notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, at the offices of the Paying Agent in Luxembourg.

In addition, for so long as any notes remain outstanding and during any period during which the Issuer and the Company are not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer and the Company have agreed that they will, furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Furthermore, within ten Business Days subsequent to the date of the publication of the reports described in clauses (1), (2), (3) and (4) (as applicable) above, the Company shall hold a conference call in the English language for current and prospective holders of the notes in which at least one member of the senior management of the Company shall participate. Notice of such conference calls shall be deemed a report required by clause (4) above and will state the date, time and dial-in number and shall be published at least one Business Day in advance of such conference call.

All reports made pursuant to this covenant shall be made in, or translated to, the English language.

***Suspension of Certain Covenants when Notes Rated Investment Grade***

If on any date following the date of the indenture, (1) the notes are rated (a) Baa3 or better by Moody's and (b) BBB- or better by S&P (or, if either Moody's or S&P ceases to rate the notes for reasons outside of the control of the Issuer or the Company, the equivalent investment grade credit rating from Fitch or, in the absence of such, any other "nationally recognized statistical rating organization" within the meaning of rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Company as a replacement agency so that the notes are so rated by at least two such credit rating agencies); and (2) no Default or Event of Default shall have occurred and be continuing, then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this offering memorandum will be suspended:

(1) "—Repurchase at the Option of the Holders—Asset Sales;"

(2) "—Restricted Payments;"

(3) "—Incurrence of Indebtedness and Issuance of Preferred Stock;"

(4) clauses (1)(a) and (3) of the covenant described under the caption "—Limitation on Sale and Leaseback Transactions;"

(5) clause (4) of the first paragraph of the covenant described under the caption "—Merger, Consolidation or Sale of Assets of the Company;"

(6) "—Transactions with Affiliates;" and

(7) "Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries."

During any period that the foregoing covenants have been suspended, the Company's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described under the caption "—Designation of Restricted and Unrestricted Subsidiaries" or the definition of "Unrestricted Subsidiary."

Notwithstanding the foregoing, if the rating assigned by any such rating agency should subsequently decline to below Baa3 or BBB-, as applicable, the foregoing covenants will be reinstated as of and from the date of such rating decline. Calculations under the reinstated "Restricted Payments" covenant will be made as if the "Restricted Payments" covenant had been in effect since the date of the indenture except that no default will be deemed to have occurred by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the notes will ever achieve an investment grade rating or that any such rating will be maintained.

**Events of Default and Remedies**

Each of the following is an "*Event of Default*":

(1) default for 30 days in the payment when due of interest on, or Additional Amounts, if any, with respect to, the notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the notes;

(3) failure by the Company or any of its Restricted Subsidiaries to comply with the provisions described under the captions "—Repurchase at the Option of Holders—Change of Control," "—Repurchase at the Option of Holders—Asset Sales," "—Certain Covenants—Merger, Consolidation or Sale of Assets of the Issuer" or "—Certain Covenants—Merger, Consolidation or Sale of Assets of the Company;"

(4) failure by the Company or any of its Restricted Subsidiaries for 60 days after notice to the Company by the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding voting as a single class to comply with any of the other agreements in the indenture or the Security Documents;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted

Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the date of the indenture, if that default:

(a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or

(b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates €20.0 million or more;

(6) failure by the Company or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of €20.0 million, which judgments are not paid, discharged or stayed for a period of 60 days;

(7) the security interests under the Security Documents shall, at any time, other in accordance with their terms, cease to be in full force and effect for any reason other than the satisfaction in full of all Obligations under the indenture and discharge of the indenture or a security interest created thereunder or under the Security Documents shall be declared invalid or unenforceable or the Company or the Issuer shall assert, in any pleading in any court of competent jurisdiction that any such security interest is invalid or unenforceable;

(8) except as permitted by the indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee; and

(9) certain events of bankruptcy or insolvency described in the indenture with respect to the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company, any Restricted Subsidiary of the Company that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary, all outstanding notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding notes may declare all the notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding notes may direct the trustee in its exercise of any trust or power. The trustee may withhold from holders of the notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or premium or Additional Amounts, if any.

Subject to the provisions of the indenture relating to the duties of the trustee, in case an Event of Default occurs and is continuing, the trustee will be under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any holders of notes unless such holders have offered to the trustee indemnity or security satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts, if any, when due, no holder of a note may pursue any remedy with respect to the indenture or the notes unless:

(1) such holder has previously given the trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding notes have requested the trustee to pursue the remedy;

(3) such holders have offered the trustee security or indemnity satisfactory to it against any loss, liability or expense;

(4) the trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding notes have not given the trustee a direction inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the then outstanding notes by notice to the trustee may, on behalf of the holders of all of the notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the indenture except a continuing Default or Event of Default in the payment of interest or premium or Additional Amounts, if any, on, or the principal of, the notes.

The Issuer and the Company are required to deliver to the trustee annually a statement regarding compliance with the indenture. Upon becoming aware of any Default or Event of Default, the Issuer or the Company, as applicable, is required to deliver to the trustee a statement specifying such Default or Event of Default and the action it is taking or proposing to take in respect of that Default or Event of Default. Upon the Trustee having actual knowledge of an Event of Default described in (1) and (2) in the first paragraph above, it shall take reasonable efforts to notify the agent under the Credit Agreement of such Event of Default occurring.

**No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator or shareholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or any Guarantor under the notes, the indenture, a Note Guarantee or the Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws.

**Legal Defeasance and Covenant Defeasance**

The Issuer may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an officers' certificate, elect to have all of its obligations discharged with respect to the outstanding notes and all obligations of a Guarantor with respect to its Note Guarantee ("*Legal Defeasance*") except for:

(1) the rights of holders of outstanding notes to receive payments in respect of the principal of, or interest or premium and Additional Amounts, if any, on, such notes when such payments are due from the trust referred to below;

(2) the Issuer's obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the trustee, and the Issuer's and a Guarantor's obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "—Events of Default and Remedies" will no longer constitute an Event of Default with respect to the notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the trustee, in trust, for the benefit of the holders of the notes, cash in euro, non-callable Government Securities, or a combination of cash in euro and non-callable Government

Securities, in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, and interest and premium and Additional Amounts, if any, on, the outstanding notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer must deliver to the trustee an opinion of U.S. counsel reasonably acceptable to the trustee confirming that (a) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the date of the indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred; and (b) an opinion of counsel reasonably acceptable to the trustee in the jurisdiction of incorporation of the Issuer to the effect that the holders will not recognize income, gain or loss for the income tax purposes of such jurisdiction as a result of such deposit and defeasance and will be subject to income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer must deliver to the trustee an opinion of U.S. counsel reasonably acceptable to the trustee confirming that the holders of the outstanding notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; and (b) an opinion of counsel reasonably acceptable to the trustee in the jurisdiction of incorporation of the Issuer to the effect that the holders will not recognize income, gain or loss for income tax purposes of such jurisdiction as a result of such deposit and defeasance and will be subject to income tax in such jurisdiction on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer or a Guarantor is a party or by which the Issuer or a Guarantor is bound;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(6) the Issuer must deliver to the trustee an officers' certificate stating that the deposit was not made by the Company with the intent of preferring the holders of notes over the other creditors of the Issuer or the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer, the Company or others; and

(7) the Issuer must deliver to the trustee an officers' certificate and an opinion of counsel (reasonably acceptable to the trustee), each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

**Amendment, Supplement and Waiver**

Except as provided in the next two succeeding paragraphs, the indenture, the notes, a Note Guarantee, the Subordination Agreement or any of the Security Documents may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes), and any existing Default or Event of Default or compliance with any provision of the indenture, the notes, a Note Guarantee or any of the Security Documents may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes).

Without the consent of consent of holders holding at least 90% of the then outstanding principal amount of notes affected thereby, an amendment, supplement or waiver may not (with respect to any notes held by a non-consenting holder):

(1) reduce the principal amount of notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any note or alter the provisions with respect to the redemption of the notes (other than provisions relating to the covenants described above under the caption "—Repurchase at the Option of Holders");

(3) reduce the rate of or change the time for payment of interest, including default interest, on any note;

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium, or Additional Amounts, if any, on, the notes (except a rescission of acceleration of the notes by the holders of at least a majority in aggregate principal amount of the then outstanding notes and a waiver of the payment default that resulted from such acceleration);

(5) make any note payable in money other than that stated in the notes;

(6) make any change in the provisions of the indenture relating to waivers of past Defaults or the rights of holders of notes to receive payments of principal of, or interest or premium or Additional Amounts, if any, on, the notes;

(7) waive a redemption payment with respect to any note (other than a payment required by one of the covenants described above under the caption "—Repurchase at the Option of Holders");

(8) release any Guarantor from any of its obligations under its Note Guarantee or the indenture, except in accordance with the terms of the indenture;

(9) make any change in the preceding amendment and waiver provisions; or

(10) release the security interest granted in favor of the holders of the notes in the Security Documents other than pursuant to the terms of the Security Documents or as otherwise permitted by the indenture or release any other security interests that may have been granted in favor of the holders of the notes other than pursuant to the terms of the Security Documents or as otherwise pursuant to the indenture.

Notwithstanding the preceding, without the consent of any holder of notes, the Issuer and the trustee may amend or supplement the indenture, the notes and a Note Guarantee:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated notes in addition to or in place of certificated notes;

(3) to provide for the assumption of the Issuer's or a Guarantor's obligations to holders of notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the holders of notes or that does not adversely affect the legal rights under the indenture of any such holder;

(5) to conform the text of the indenture, the Note Guarantee, the Security Documents or the notes to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended to be a verbatim recitation of a provision of the indenture, the Note Guarantee, the Security Documents or the notes;

(6) to provide for the issuance of additional notes in accordance with the limitations set forth in the indenture as of the date of the indenture; or

(7) to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the notes.

In formulating its opinion on such matters, the trustee shall be entitled to rely on such evidence as it deems appropriate, including an opinion of counsel and an officers' certificate.

**Acts by Holders**

In determining whether the holders of the required principal amount of the notes have concurred in any direction, waiver or consent, the notes owned by the Issuer, any Guarantor or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company will be disregarded and deemed not to be outstanding.

**Satisfaction and Discharge**

The indenture will be discharged and will cease to be of further effect as to all notes issued thereunder, when:

(1) either:

(a) all notes that have been authenticated, except lost, stolen or destroyed notes that have been replaced or paid and notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the trustee for cancellation; or

(b) all notes that have not been delivered to the trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the trustee as trust funds in trust solely for the benefit of the holders, cash in euro, non-callable Government Securities, or a combination of cash in euro and non-callable Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the notes not delivered to the trustee for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound;

(3) the Issuer or any Guarantor has paid or caused to be paid all sums payable by it under the indenture; and

(4) the Issuer has delivered irrevocable instructions to the trustee under the indenture to apply the deposited money toward the payment of the notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an officers' certificate and an opinion of counsel reasonably satisfactory to the trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

**Judgment Currency**

Any payment on account of an amount that is payable in euros (the "*Required Currency*") which is made to or for the account of any holder or the trustee in lawful currency of any other jurisdiction (the "*Judgment Currency*"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or a Guarantor, shall constitute a discharge of the Issuer's or the Guarantor's obligation under the indenture, the notes or Note Guarantee, as the case may be, only to the extent of the amount of the Required Currency which such holder or the trustee, as the case maybe, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such holder or the trustee, as the case may be, the Issuer shall indemnify and hold harmless the holder or the trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the indenture, the notes, or a Note Guarantee, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

**Prescription**

Claims against the Issuer and the Guarantor for the payment of principal, interest and Additional Amounts, if any, on the notes will be prescribed five years after the applicable due date for the payment thereof.

**Notices**

All notices to the holders (while any notes are represented by one or more Global Notes) shall be delivered to Euroclear and Clearstream, as applicable, for communication to entitled account holders or, alternatively, will be valid if published in a leading English language daily newspaper published in the City of London or such other English language daily newspaper with general circulation in Europe as the trustee may approve. It is expected that any such publication will normally be made in the *Financial Times*. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the trustee may approve. In the case of Definitive Registered Notes, notices will be mailed to holders by first-class mail at their respective addresses as they appear on the records of the Registrar.

Notices given by publication will be deemed given on the first date on which publication is made. Notices delivered to Euroclear and Clearstream will be deemed given on the date when delivered. Notices given by first class mail, postage paid, will be deemed given five calendar days after mailing whether or not the addressee receives it.

So long as any notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF market and to the extent required by the Luxembourg Stock Exchange, the Issuer will publish notices on the website of the Luxembourg Stock Exchange at www.bourse.lu or in a newspaper of general circulation in Luxembourg.

**Concerning the Trustee**

If the trustee becomes a creditor of the Issuer or a Guarantor, the indenture will limit the right of the trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days, or resign.

The holders of a majority in aggregate principal amount of the then outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee, subject to certain exceptions. The indenture will provide that in case an Event of Default occurs and is continuing, the trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of notes, unless such holder has offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

The indenture will set out the terms under which the trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the trustee may be removed at any time by the holders of a majority in principal amount of the then outstanding notes, or may resign at any time by giving written notice to the Issuer or the Company, (2) that if the trustee at any time (i) fails to meet certain minimum limits regarding the aggregate of its capital and surplus or (ii) becomes incapable of acting as trustee or becomes insolvent or bankrupt, then the Issuer or the Company may remove the trustee and (3) that if the trustee acquires a conflict of interest that is not eliminated, the trustee must resign. Additionally, any holder who has been a bona fide holder for at least six months may petition any court for removal of the trustee and appointment of a successor trustee in the event that a trustee fails to meet certain criteria (including minimum limits regarding the aggregate of its capital and surplus).

### Consent to Jurisdiction and Service of Process

The Issuer and any Guarantor will each irrevocably submit to the jurisdiction of any New York state or U.S. federal court located in The Borough of Manhattan, City of New York, State of New York in relation to any legal action or proceeding (i) arising out of, related to or in connection with the indenture, the notes, the Note Guarantee and any related documents and (ii) arising under any U.S. federal or U.S. state securities laws. The Issuer and any Guarantor will appoint CT Corporation System, 111 Eighth Avenue, 13th Floor, New York, New York, 10011, USA, as its agent for service of process in any such action or proceeding.

### Additional Information

Anyone who receives this offering memorandum may obtain a copy of the indenture without charge by writing to Tereos, 11, Parvis de Rotterdam, Tour Lilleurope 59777 Lille, France, Attention: Finance Department.

So long as any notes are admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market and to the extent required by the Luxembourg Stock Exchange, copies of the Issuer's annual audited consolidated and unconsolidated financial statements, the Company's unaudited consolidated interim six month financial statements (to the extent published), and the applicable quarterly information, the indenture (including the form of notes), the articles of incorporation of the Issuer, the offering memorandum and any documents furnished to the trustee under the covenant described under the heading "—Certain Covenants—Reports" may be obtained, free of charge, during normal business hours at the offices of the Paying Agent in Luxembourg.

### Governing law

The indenture, the notes and the Note Guarantee will be governed by and construed in accordance with the laws of the State of New York. The Security Documents will be governed and construed in accordance with French or Brazilian law, as applicable.

### Certain Definitions

Set forth below are certain defined terms used in the indenture. Reference is made to the indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*Accounting Principles*" means accounting standards which, as at the date of the indenture, are in accordance with GAAP.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"*Applicable Premium*" means, with respect to any note on any redemption date, the excess, if any, of: (a) the present value at such redemption date of (i) the redemption price of the note at the maturity date plus (ii) all required interest payments due on the note through the maturity date, (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over (b) the principal amount of the note.

"*Asset Sale*" means:

(1) the sale, lease (other than operating leases entered into in the ordinary course of business), conveyance or other disposition of any assets or rights; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the indenture described above under the caption "—Repurchase at the Option of Holders—Change of Control" and/or the provisions described above under the caption "—Certain Covenants—Merger, Consolidation or Sale of Assets of the Issuer" or "—Certain Covenants—Merger, Consolidation or Sale of Assets of the Company" and not by the provisions of the Asset Sale covenant; and

(2) the issuance or sale of Equity Interests in any of the Company's Restricted Subsidiaries.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than €10.0 million;

(2) a transfer of assets (including Equity Interests) or rights between or among the Company and its Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary of the Company to the Company or to a Restricted Subsidiary of the Company;

(4) the sale or lease of products, services, accounts receivable or equipment in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business;

(5) an Asset Swap effected in compliance with the covenant set forth under the heading "—Repurchase at the Option of Holders—Asset Sales";

(6) the sale or other disposition of cash or Cash Equivalents; and

(7) a Restricted Payment that does not violate the covenant described above under the caption "—Certain Covenants—Restricted Payments" or a Permitted Investment.

"*Asset Swap*" means the concurrent purchase and sale or exchange of Related Business Assets or a combination of Related Business Assets and cash or Cash Equivalents between the Company or any of its Restricted Subsidiaries and another Person; *provided* that any cash received must be applied in accordance with the covenant set forth under the heading "—Repurchase at the Option of Holders—Asset Sales".

"*Attributable Debt*" in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; *provided, however*, that if such sale and leaseback transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capital Lease Obligation."

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

*"Board of Directors"* means:

(1) with respect to a corporation, joint stock company or cooperative, the board of directors of the corporation, the control body responsible for the day-to-day operations of the company or cooperative, or any committee thereof duly authorized to act on behalf of such board or body;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Bund Rate*" means, with respect to any relevant date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(a) "*Comparable German Bund Issue*" means the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to maturity, and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the notes and of a maturity most nearly equal to maturity, *provided, however*, that, if the period from such redemption date to maturity is less than one year, a fixed maturity of one year shall be used;

(b) "*Comparable German Bund Price*" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(c) "*Reference German Bund Dealer*" means any dealer of German *Bundesanleihe* securities appointed by the Issuer in good faith; and

(d) "*Reference German Bund Dealer Quotations*" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, German time on the third Business Day preceding the relevant date.

"*Business Day*" means any day on which commercial banking institutions are open for business and carrying out transactions in euro in France and in the country in which the Principal Paying Agent has its specified office or in which notes may be presented for payment in accordance with the terms of the agency agreement and is a day on which the Trans-European Automated Real Time Gross Settlement Express Transfer System ("*TARGET*") is operating.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

*"Capital Stock"* means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

*"Cash Equivalents"* means:

(1) securities issued or directly and fully guaranteed or insured by (i) the United States of America or any state thereof, or any agency or instrumentality of the United States government (*provided* that the full faith and credit of the United States is pledged in support of those securities), (ii) any European Member State (*provided* that the full faith and credit of that European Member State is pledged in support of those securities) or (iii) the Federative Republic of Brazil (*provided* that the full faith and credit of the Federative Republic of Brazil is pledged in support of those securities) and in each case is denominated in U.S. dollars or euros, as applicable, and having, in each case, maturities of not more than six months from the date of acquisition;

(2) demand deposits, certificates of deposit and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case, with any bank or trust company which is organized under the laws of the Federative Republic of Brazil, a European Union Member State, the United States of America or any other state thereof; *provided that* such bank or trust company has capital, surplus and undivided profits aggregating in excess of €500.0 million (or the foreign currency equivalent thereof) and whose long-term debt is rated "A-3" or higher by Moody's or "A-" or higher by S&P or the equivalent rating category of another internationally recognized rating agency;

(3) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within six months after the date of acquisition;

(5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition; and

(6) investments made for non-speculative cash management purposes in the ordinary course of business not exceeding €10.0 million at any one time outstanding.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d) of the Exchange Act) other than a Principal or a Related Party of a Principal;

(2) the adoption of a plan relating to the liquidation or dissolution of the Company;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any "person" (as defined above), other than the Principals and their Related Parties becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares;

(4) after an initial public offering of the Company or any direct or indirect parent of the Company, the first day on which a majority of the members of the *Conseil de Surveillance* or the Board of Directors if the Company at such time has no such *Conseil de Surveillance* of the Company are not Continuing Directors; or

(5) the first day on which the Issuer ceases to be a Wholly-Owned Subsidiary of the Company.

“*Change of Control Offer*” has the meaning assigned to that term in the indenture governing the notes.

*“Consolidated Cash Flow”* means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus*, without duplication:

(1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; *plus*

(2) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*

(3) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; *plus*

(4) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; *plus*

(5) price complement up to the Price Complement Threshold to the extent deducted in computing such Consolidated Net Income; *plus*

(6) any minority interest expense consisting of income attributable to minority equity interests of third parties in any non-Wholly-Owned Subsidiaries in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of Capital Stock held by such third parties; *plus*

(7) any extraordinary expense, charge or loss or exceptional items, including restructuring charges related to employee terminations, closings of facilities and relocations of plant, property and equipment to the extent deducted in the computation of Consolidated Net Income; *minus*

(8) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with GAAP.

*“Consolidated Net Income”* means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; *provided* that:

(1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting under the definition of “GAAP” will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specific Person or a Restricted Subsidiary of the Person (unless such Person is consolidated on a proportional basis with the specified Person or a Restricted Subsidiary of the Person);

(2) the Net Income of any Restricted Subsidiary will be excluded to the extent that such Restricted Subsidiary is subject to consensual restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company (other than (A) restrictions that have been waived or otherwise released, (B) restrictions pursuant to the indenture, and (C) restrictions that are in effect on the date of the indenture with respect to a Restricted Subsidiary (including pursuant to the Credit Agreement) and other restrictions with respect to such Restricted Subsidiary that taken as a whole are not materially less favorable to the holders than such restrictions in effect on the date of the indenture);

(3) the cumulative effect of a change in accounting principles will be excluded; and

(4) impairment charges against goodwill and other intangible assets will be excluded.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors of the Company who:

(1) was a member of such Board of Directors on the date of the indenture; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

"*Credit Agreement*" means that certain Credit Agreement, dated April 26, 2006, by and among the Company, Commerciale Tereos SAS, SDA Brabant SAS, BENP Lillebonne, Raffinage Tereos, Caisse Régionale du Crédit Agricole du Nord-Est, Calyon, Crédit Industriel et Commercial, Natexis Banques Populaires, Coöperative Centrale Raiffeisen-Boerenleenbank B.A., among others, and, providing for up to €1,500.0 million of revolving credit, term loan, bridge loan and acquisition financing borrowings, including any Guarantees, collateral documents, instruments and agreements executed in connection therewith, as such agreement, documents and instruments may be amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time, including any agreement extending the maturity of, refinancing (including pursuant to credit facilities, or commercial paper facilities with banks, investors, other lenders or institutional investors or by means of sales of debt securities to institutional investors or others), replacing or otherwise restructuring (without limitations as to amount, terms, conditions, covenants and other provisions, including increasing the amount of available borrowings thereunder or altering the maturities thereof or adding Subsidiaries of the Company as additional borrowers or guarantors thereunder) all or any portion of the debt under such agreement or any successor or replacement agreement and whether by the same or any other agent, lender or group of lenders or other party

"*Credit Facilities*" means one or more debt facilities (including, without limitation, debt facilities made available under, or in accordance with, the Credit Agreement) or commercial paper facilities or indentures or trust deeds or note purchase agreements, in each case, with banks or other institutional lenders or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), letters of credit, bonds, notes, debentures or other debt instruments, in each case, as amended, extended, restated, modified, supplemented, renewed, refunded, restructured, replaced (whether upon or after termination or otherwise and whether in whole or in part) or refinanced from time to time (including by means of sales of debt securities to institutional investors or others) in whole or in part from time to time by one or more credit agreements or debt facilities (and whether or not with the parties to the Credit Agreement) without limitation as to amount outstanding or committed, the identity of the lenders or investors, or the maturity, terms, conditions, covenants or other provisions thereof.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "—Certain Covenants—Restricted Payments." The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the indenture will be the maximum amount that the Company and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

“*Equity Interests*” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“*Euro Equivalent*” means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in the *Financial Times* in the “Currency Rates” section (or, if the *Financial Times* is no longer published, or if such information is no longer available in the *Financial Times*, such source as may be selected in good faith by the Issuer) on the date of such determination.

“*European Union Member State*” shall mean any country that was a member of the European Union as of January 1, 2004.

“*Existing Indebtedness*” means the aggregate principal amount of Indebtedness of the Issuer and its Subsidiaries (other than Indebtedness under the Credit Agreement) in existence on the date of the indenture, until such amounts are repaid.

“*Fair Market Value*” means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors of the Company (unless otherwise provided in the indenture).

“*Fixed Charge Coverage Ratio*” means, with respect to any specified Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the “*Calculation Date*”), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable Testing Period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the Testing Period or subsequent to such reference period and on or prior to the Calculation Date will be given pro forma effect as if they had occurred on the first day of the Testing Period;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such Testing Period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such Testing Period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period

(taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months).

For purposes of this definition, whenever *pro forma* effect is to be given to an acquisition or other Investment and the amount of income or earnings relating thereto, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Company (including in respect of anticipated expense and cost reductions and synergies), provided that such adjustments are set forth in an officers' certificate signed by such officer which states (i) the amount of such adjustment or adjustments, (ii) that such adjustment or adjustments is based on the reasonable good faith beliefs of such officer at the time of such execution and (iii) that any related incurrence of Indebtedness is permitted pursuant to the indenture. In addition, for purposes of this definition, in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness on such date.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs (but excluding costs, incurred in connection with the issuance of the notes on the date of the indenture) and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; *plus*

(2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; plus

(3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; *plus*

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of the Company (other than Disqualified Stock) or to the Company or a Restricted Subsidiary of the Company, *times* (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with GAAP.

"*French Sugar Companies*" means Tereos, Commerciale Tereos SAS, SDA Brabant SAD, Raffinage Tereos, Beghin Meiji, Tereos Finance SA, Distillerie de la Région de Châlons, Tereos Iberia, Tereos Coproduits, Tereos Deutschland GmbH and Tereos UK and their successors.

"*GAAP*" means:

(1) generally accepted accounting principles in France in effect from time to time; or

(2) if the Company shall so elect by notifying the trustee in writing in connection with the delivery of financial statements, accounting principles adopted by the International Account Standard Boards and its procedures ("IFRS"), as in effect from time to time; provided that (a) any such election once made shall be irrevocable and (b) in connection with the delivery of financial statements pursuant to "—Certain Covenants—Reports", it shall restate its consolidated financial statements for such financial period and the prior comparable period in accordance with IFRS,

in each case, *provided* that if any Joint Venture (other than a Joint Venture that is an Unrestricted Subsidiary) is proportionately consolidated with the Company and its Restricted Subsidiaries pursuant to GAAP as of the relevant date, then it shall be so proportionately consolidated with the Company and its Restricted Subsidiaries for purposes of any calculation under the indenture.

"*Government Securities*" means direct obligations (or certificates representing an ownership interest in such obligations) of any country that is a European Union Member State (including any agency or instrumentality thereof) for the payment of which the full faith and credit of such country is pledged and which are not callable at the holder's option.

"*Guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"*Guarantors*" means each of:

(1) the Company; and

(2) any other Subsidiary of the Company that executes a Note Guarantee in accordance with the provisions of the indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of the indenture.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of banker's acceptances;

(4) representing Capital Lease Obligations or Attributable Debt in respect of sale and leaseback transactions;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or

(6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit, Attributable Debt and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to directors, officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Company or any Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "—Certain Covenants—Restricted Payments." The acquisition by the Company or any Subsidiary of the Company of a

Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "—Certain Covenants—Restricted Payments." Except as otherwise provided in the indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

"*Joint Venture*" means a partnership, joint venture, consortium, *groupement d'intérêt économique* (GIE) and *société en participation* (SEP) or such other similar entity in each case that is not a Restricted Subsidiary.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"*Moody's*" means Moody's Investors Service, Inc.

"*Net Income*" means, with respect to any specified Person, the net income (loss) of such Person (Group share in net profit), determined in accordance with GAAP and before any reduction in respect of Preferred Stock dividends, excluding, however:

(1) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with: (a) any Asset Sale by any such Person or its Restricted Subsidiaries or (b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or (c) the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries; and

(2) any extraordinary gain (but not loss), together with any related provision for taxes on such extraordinary gain (but not loss).

"*Net Proceeds*" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

"*Non-Recourse Debt*" means Indebtedness:

(1) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and

(3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries.

"*Note Guarantee*" means the Guarantee by each Guarantor of the Issuer's obligations under the indenture and the notes, executed pursuant to the provisions of the indenture.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Permitted Business*" means any business in which the Company and its Restricted Subsidiaries (whether directly or through Joint Ventures) were engaged on the date of the indenture, and any business incidental, reasonably related, complementary or ancillary thereto, or which is a reasonable extension thereof as determined in good faith by the Board of Directors of the Company.

"*Permitted Investments*" means:

(1) any Investment in the Company or in a Restricted Subsidiary of the Company;

(2) any Investment in Cash Equivalents;

(3) any Investment by the Company or any Restricted Subsidiary of the Company in a Person, if as a result of such Investment:

  (a) such Person becomes a Restricted Subsidiary of the Company; or

  (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "—Repurchase at the Option of Holders—Asset Sales;"

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company;

(6) any Investments received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes with Persons who are not Affiliates;

(7) Investments represented by Hedging Obligations;

(8) loans or advances to employees made in the ordinary course of business of the Company or any Restricted Subsidiary of the Company in an aggregate principal amount not to exceed €1 million at any one time outstanding;

(9) repurchases of the notes, including any additional notes issued pursuant to the indenture;

(10) lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business

(11) additional Investments by the Company or any of its Restricted Subsidiaries in minority interests, or Unrestricted Subsidiaries, in either case conducting a Permitted Business having an aggregate Fair Market Value, taken together with all other Investments made pursuant to this clause (11), not to exceed 2.0% of Total Assets at the time of such Investment (with the Fair Market Value of each Investment being measured at the time made and without giving effect to subsequent changes in value); *provided, however*, that if any Investment pursuant to this clause (11) is made in any Person that is not a Restricted Subsidiary at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (11) for so long as such Person continues to be a Restricted Subsidiary;

(12) additional Investments by the Company or any of its Restricted Subsidiaries in a Joint Venture conducting a Permitted Business having an aggregate Fair Market Value, taken together with all other Investments made pursuant to this clause (12), not to exceed 10.0% of Total Assets at the time of such Investment (with the Fair Market Value of each Investment being measured at the time made and without giving effect to subsequent changes in value); *provided, however*, that if any Investment pursuant to this clause (12) is made in any Person that is not a Restricted Subsidiary at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (12) for so long as such Person continues to be a Restricted Subsidiary;

(13) Investments in existence on, or made pursuant to legally binding commitments in existence on, the date of the indenture;

(14) Investments of a Restricted Subsidiary acquired after the date of the indenture or of an entity merged into the Company or merged into or consolidated with a Restricted Subsidiary in accordance with the covenant described under "—Certain Covenants—Merger, Consolidation or Sale of Assets of the Company" after the date of the indenture to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger or consolidation and were in existence on the date of such acquisition, merger or consolidation;

(15) an Asset Swap effected in compliance with the covenant set forth under the heading "—Repurchase at the Option of Holders—Asset Sales;" and

(16) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (16) that are at the time outstanding not to exceed €25.0 million.

"*Permitted Liens*" means:

(1) Liens on assets of the Company or any of its Restricted Subsidiaries securing Indebtedness and other Obligations incurred pursuant to the first paragraph of the covenant entitled "Issuance of Indebtedness and Issuance of Preferred Stock" (provided that Indebtedness under such paragraph is incurred for the purpose of financing all or any part of the acquisition of property (real or personal), plant or equipment or capital expenditures (whether through the direct or indirect purchase of assets, such as through the purchase of the Capital Stock of any Person owning such assets), or pursuant to either clause (1) or clause (14) of the definition of Permitted Debt and/or securing Hedging Obligations related thereto;

(2) Liens in favor of the Issuer or any Guarantor;

(3) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with the Company; *provided* that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Company or the Restricted Subsidiary;

(4) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Company or any Restricted Subsidiary of the Company; *provided* that such Liens were in existence prior to, such acquisition, and not incurred in contemplation of, such acquisition;

(5) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds, letters of credit, bankers' acceptances or other obligations of a like nature incurred in the ordinary course of business;

(6) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (4) of the definition of Permitted Debt.

(7) Liens existing on the date of the indenture;

(8) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(9) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(10) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(11) Liens created for the benefit of (or to secure) the notes or a Note Guarantee;

(12) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the indenture; *provided, however,* that:

   (a) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(13) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(14) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities; and

(15) Liens incurred in the ordinary course of business (other than for borrowing purposes) of the Company or any Restricted Subsidiary of the Company with respect to obligations that do not exceed €10.0 million at any one time outstanding.

"*Permitted Non-Cash Consideration*" means the Fair Market Value of any non-cash consideration received by the Borrower or one of its Restricted Subsidiaries in connection with an Asset Disposition that is designated as Permitted Non-Cash Consideration pursuant to an Officers' Certificate, setting forth the basis of such valuation. A particular item of Permitted Non-Cash Consideration will no longer be considered to be outstanding when it has been sold or otherwise disposed pursuant to the covenant set forth under the heading "—Repurchase at the Option of Holders—Asset Sales".

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the notes on terms at least as favorable to the holders of notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and

(4) such Indebtedness is incurred either by the Company or by the Restricted Subsidiary who is the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Preferred Stock*" means any Equity Interest with preferential rights of payment of dividends upon liquidation, dissolution or winding up.

"*Price Complement Threshold*" means a single or aggregate amount in excess of 25% of Consolidated Cash Flow (calculated before deduction of payment of the price complement) reported by the French Sugar Companies for the then current fiscal year; *provided* that the Consolidated Cash Flow of the French Sugar Companies shall be calculated based on the first three historical quarters for such fiscal year and the fourth quarter of such year, but if then not available for each quarter at the time of payment, the Company shall estimate such Consolidated Cash Flow reasonably and in good faith, and any amount paid hereunder and subsequently determined to have been in excess of the Price Complement Threshold shall be deducted against amounts otherwise available for Restricted Payments in subsequent periods.

"*Principals"* means Union BS, Union SE and their cooperative members on the date of the indenture.

"*Proceeds Loan*" means (1) the Proceeds Loan made on the date of the indenture and (2) any other loan from the Issuer to the Company of the proceeds from the issuance of additional notes permitted by the indenture pursuant to a loan agreement with such terms and conditions substantially similar to those contained in the Proceeds Loan Agreement in the preceding clause (1) (with such adjustments as are necessary to reflect changes in principal amount, accreted value, issue date and other differences so that the payment terms of such Proceeds Loan match those of the additional notes) and, in each case, all loans directly or indirectly replacing or refinancing such loan or any portion thereof.

"*Proceeds Loan Agreement*" means a loan agreement by and between the Issuer and the Company pursuant to which a Proceeds Loan was made, as the same may be amended from time to time.

"*Proceeds Loan Pledge Agreement*" means the agreement governing the pledge of a Proceeds Loan, by and among the Issuer, the Company and the Security Agent and any other agreement governing the pledge of a Proceeds Loan extended by the Issuer to the Company after the date of the indenture, as the same may be amended from time to time.

"*Related Business Assets*" means assets (other than cash or Cash Equivalents) used or useful in a Permitted Business; *provided* that any assets received by the Company or a Restricted Subsidiary in exchange for assets transferred by the Company or a Restricted Subsidiary will not be deemed to be Related Business Assets if they consist of securities of a Person, unless upon receipt of the securities of such Person, such Person would become a Restricted Subsidiary.

"*Related Party*" means:

(1) any controlling stockholder, 80% (or more) owned Subsidiary, or immediate family member (in the case of an individual) of any Principal; or

(2) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding an 80% or more controlling interest of which consist of any one or more Principals and/or such other Persons referred to in the immediately preceding clause (1).

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"*S&P*" means Standard & Poor's Ratings Group.

"*Significant Subsidiary*" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the indenture.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the date of the indenture, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"*Testing Period*" means the Company's most recently ended two full fiscal six-month periods; *provided however* that if the Company has begun to provide full quarterly financial statements pursuant to clause (3) of the first paragraph of "—Reports," upon the completion of four fiscal quarters "Testing Period" above will be defined as the Company's most recently ended four full fiscal quarters.

"*Total Assets*" means the total consolidated assets of the Company and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Company.

"*Unrestricted Subsidiary*" means any Subsidiary of the Company (other than the Issuer, the French Sugar Companies or any successor to any of them) that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by the covenant described above under the caption "—Certain Covenants—Transactions with Affiliates," is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company;

(3) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries.

"*U.S. Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended.

"*U.S. Securities Act*" means the U.S. Securities Act of 1933, as amended.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; *by*

(2) the then outstanding principal amount of such Indebtedness.

"*Wholly Owned Subsidiary*" any Person means a Restricted Subsidiary of such Person to the extent that all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares and Capital Stock held by other statutorily required minority shareholders) shall at the time be owned directly or indirectly by such Person.

# BOOK ENTRY, DELIVERY AND FORM

## General

Notes sold to qualified institutional buyers in reliance on Rule 144A (the "Rule 144A Notes") under the Securities Act will be represented by one or more global notes in registered form without interest coupons attached (collectively, the "144A Global Notes"). The 144A Global Notes will be deposited with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the Common Depositary.

Notes sold in reliance on Regulation S (the "Reg S Notes") under the Securities Act will be represented by one or more global notes in registered form without interest coupons attached (collectively, the "Reg S Global Notes" and, together with the Rule 144A Global Notes, the "Global Notes"). The Reg S Global Notes will be deposited with, or on behalf of, the Common Depositary and registered in the name of the nominee of the Common Depositary.

Ownership of interests in the 144A Global Notes ("Restricted Book-Entry Interests") and in the Reg S Global Notes (the "Reg S Book-Entry Interests" and, together with the Restricted Book-Entry Interests, the "Book Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants or otherwise in accordance with applicable transfer restrictions set out in the indenture governing the notes and any applicable securities laws of any state of the United States or any other jurisdiction. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of certificated notes.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream and their respective participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of notes for any purpose.

So long as the notes are held in global form, Euroclear and/or Clearstream, as applicable (or their respective nominees), will be considered the sole holders of Global Notes for all purposes under the indenture. In addition, participants in Euroclear and/or Clearstream must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the indenture.

Neither we nor the trustees under the indenture will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

## Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream (or their respective nominees), as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that, under existing practices of Euroclear and Clearstream, if fewer than all of the notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of less than €50,000 in principal amount may be redeemed in part.

### Payments on Global Notes

We will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional interest, if any) to the common depositary or its nominee, which will distribute such payments to participants in accordance with their procedures. We will make payments of all such amounts without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature except as may be required by law. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the indenture, we and the trustee will treat the registered holders of the Global Notes (e.g., Euroclear or Clearstream (or their respective nominees)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, neither we nor the trustee nor any of our or its respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to payments made on account of a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

### Currency of Payment for the Global Notes

Except as may otherwise be agreed between Euroclear and/or Clearstream and any holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such notes (the "Euroclear/Clearstream Holders") through Euroclear and/or Clearstream in euro.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. Neither we nor the trustee nor the initial purchasers nor any of our or their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

### Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under a series of notes, each of Euroclear and Clearstream reserves the right to exchange the relevant Global Notes for definitive registered notes in certificated form (the *"Definitive Registered Notes"*), and to distribute Definitive Registered Notes to its participants.

### Transfers

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

The Global Notes will bear a legend to the effect set forth in "Transfer Restrictions." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers as discussed in "Transfer Restrictions."

Subject to the foregoing, a Reg S Book-Entry Interest may be transferred to a person who takes delivery in the form of a Restricted Book-Entry Interest in a Global Note only upon delivery by the transferor of a written certification (in the form provided in the indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "Transfer Restrictions," and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Transfers of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to the transfer restrictions contained in the legend appearing on the face of the 144A Global Note, as set forth in "Transfer Restrictions."

Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of a Reg S Book-Entry Interest in a Global Note upon delivery by the transferor of a written certification (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act or otherwise in accordance with the applicable restrictions set forth in the indenture and any applicable securities laws of any state of the United States or any other jurisdiction. See "Transfer Restrictions."

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

**Definitive Registered Notes**

Under the terms of the indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- if Euroclear or Clearstream notifies us that it is unwilling or unable to continue as depositary for the Global Note, and we fail to appoint a successor;
- if Euroclear or Clearstream so requests following an event of default under the indenture; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream, as applicable, following an event of default under the indenture.

Euroclear has advised us that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause, its current procedure is to request that we issue or cause to be issued notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respectively customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear a restrictive legend with respect to certain transfer restrictions, unless that legend is not required by the indenture or applicable law.

To the extent permitted by law, the issuer, the trustee, the Paying Agents and the Registrars shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof.

For so long as the notes are listed on the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market, and its rules so require, if Definitive Registered Notes are issued, we will publish a notice in the *d'Wort* of any issuance of Definitive Registered Notes in a daily leading newspaper having general circulation in Luxembourg (which we expect to be the *d'Wort*) or posted on the official website of the Luxembourg Stock Exchange at www.bourse.lu and send a copy of such notice to the Luxembourg Stock Exchange.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such note by surrendering it to the registrar. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; provided that no Definitive Registered Note in a denomination less than €50,000 and in integral multiples of €1,000, in excess thereof, will be issued. We will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes. Holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

We will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (a) the record date for any payment of interest on the notes, (b) any date fixed for redemption of the notes, (c) the date fixed for selection of the notes to be redeemed in part. We also will not be required to register the transfer or acknowledge of any Definitive Registered Notes which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer. Also, we are not required to register the transfer or exchange of any notes selected for redemption. In the event of the transfer of any Definitive Registered Note, the transfer agent may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the indenture. We may require a holder to pay any taxes and fees required by law and permitted by the indenture.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken or if such Definitive Registered Notes are mutilated and are surrendered to the registrar or at the office of a transfer agent, we will issue and the trustee will authenticate a replacement Definitive Registered Note if the trustee's and our requirements are met. We or the trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the trustee and us to protect us, the trustee or the paying agent appointed pursuant to the indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. We may charge for its expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the indenture, we in our discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only in accordance with the indenture and, if required, only after the transferor first delivers to the transfer agent a written certification (in the form provided in the indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such notes. See "Transfer Restrictions."

## Global Clearance and Settlement under the Book-Entry System

### *Initial Settlement*

Initial settlement for the notes will be made in euros. Book-Entry Interests owned through Depositary accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. Book-Entry Interests held through Euroclear and Clearstream will be credited to the securities custody account of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

### *Secondary Market Trading*

The Book-Entry Interests will trade through participants of the relevant Depositary, and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading any Book-Entry Interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

### *Special Timing Considerations*

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the notes, or to receive or make a payment or delivery of notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

### *Clearing Information*

We expect that the notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers, common codes and CUSIP numbers for the notes are set out under "Listing and General Information—Clearing Information."

## Information Concerning Euroclear and Clearstream

The following description of the operations and procedures of Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the relevant settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the systems or their participants directly to discuss these matters.

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

## PLAN OF DISTRIBUTION

Under the terms and conditions contained in a purchase agreement dated the date of this offering memorandum, we have agreed to sell to the initial purchasers, and subject to certain conditions contained therein, each of the initial purchasers has agreed to purchase, in aggregate, €500.0 million principal amount of the notes.

The initial purchasers propose to offer the notes initially at the offering price set out on the cover page of this offering memorandum. After the initial offering, the offering price may be changed. The initial purchasers may make offers and sales in the United States through their respective U.S. broker-dealer affiliates.

We have agreed to indemnify and hold harmless the initial purchasers against certain liabilities or to contribute to payments that it may be required to make in respect of any liabilities. In addition, the issuer and Tereos have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 180 days after the date the notes are issued, to not, and to cause our respective subsidiaries to not, without having received the prior sole written consent of Calyon provided for in the purchase agreement, offer, sell, contract to sell or otherwise dispose of any debt or convertible securities issued or guaranteed by the issuer or Tereos or any of their respective subsidiaries.

The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to persons in offshore transactions in reliance on Regulation S under the Securities Act. Resales of the notes are restricted as described under "Transfer Restrictions."

Persons who purchase notes from the initial purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page of this offering memorandum.

The notes are a new issue of securities for which there currently is no market. We have applied to admit the notes to listing on the Official list of the Luxembourg Stock Exchange to trading on the Euro MTF market. However, we cannot assure you that the notes will be approved for listing or that such listing will be maintained. The initial purchasers have advised us that they intend to make a market in the notes as permitted by applicable law. The initial purchasers are not obligated, however, to make a market in the notes, and any market-making activity may be discontinued at any time at the sole discretion of Calyon without notice. In addition, any such market-making activity will be subject to the limits imposed by the Securities Act and the U.S. Exchange Act of 1934 ("the Exchange Act"). Accordingly, we cannot assure you that any market for the notes will develop, that it will be liquid if it does develop, or that you will be able to sell any notes at a particular time or at a price which will be favorable to you.

The issuer expects that delivery of the notes will be made against payment therefore on or about April 12, 2007. Such date, treating April 6, 2007 and April 9, 2007 as holidays, will be the fourth business day following the date of pricing of the notes (this settlement cycle being referred to as "T+4"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+4, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to make such trades should consult their own advisors.

In the purchase agreement, each of the initial purchasers has agreed that:

- the notes may not be offered or sold within the United Sates or to U.S. Persons except pursuant to an exemption from the registration requirements of the Securities Act or in jurisdictions not subject to those registration requirements;
- during the initial distribution of the notes, it will only offer or sell notes to qualified institutional buyers in compliance with Rule 144A and outside the United States in compliance with Regulation S;
- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection

with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not apply to us; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a *"Relevant Member State"*), each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the *"Relevant Implementation Date"*) it has not made and will not make an offer of notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of notes to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purpose of this restriction the expression "offer to the public" shall be construed in accordance with the legal principles and provisions of each relevant jurisdiction and in relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a *"Relevant Member State"*). *"Offer to the public"* means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State except that the private placement of the notes with professional market parties is permitted. The expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the initial purchasers to reclaim a selling concession from a broker/dealer when the notes originally sold by that broker-dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

From time to time, the initial purchasers and their affiliates have provided, and may in the future provide, investment banking and commercial banking services to us and our affiliates for which they have received or may receive customary fees and commissions. Affiliates of each of the initial purchasers are lenders and arrangers under the senior credit facility, including the bridge finance facility. They will therefore receive a portion of the proceeds of this offering in repayment of amounts outstanding under the bridge financing facility. Calyon is also the agent and the security agent with respect to the senior credit facility. In addition, an affiliate of Coöperatieve Centrale Raiffeisen–Boerenleenbank B.A. (trading as Rabobank International) is a lender under the Rabobank loan to the guarantor. Affiliates of each of the initial purchasers are also parties to certain of our hedging arrangements in respect of the senior credit facility. See "Description of Other Indebtedness" and "Use of Proceeds."

We have agreed to pay the initial purchasers certain customary fees for their services in connection with this offering and to reimburse them for certain out-of-pocket expenses.

## CERTAIN U.S. TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

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The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of notes by a U.S. Holder (as defined below). This summary deals only with initial purchasers of notes at the issue price that are U.S. Holders and that will hold the notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of notes by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that will hold the notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any state thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership that holds notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of notes by the partnership.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

**THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

### *Payments of Interest*

*General.* Interest on a note will be taxable to a U.S. Holder as foreign source ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit rules to income attributable to the notes.

*Foreign Currency Denominated Interest.* Because interest payments on the notes are denominated in euro, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the Internal Revenue Service (the "IRS").

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

***Purchase, Sale and Retirement of the Notes***

A U.S. Holder's tax basis in a note will generally be its U.S. dollar cost. The U.S. dollar cost of a note purchased with euro will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the Internal Revenue Service (the "IRS"). A U.S. Holder will generally recognize gain or loss on the sale or retirement of a note equal to the difference between the amount realized on the sale or retirement and the tax basis of the note. The amount realized does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. The amount realized on a sale or retirement for an amount in euro will be the U.S. dollar value of this amount on the date of sale or retirement, or the settlement date for the sale, in the case of notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the Internal Revenue Service (the "IRS"). A U.S. Holder will recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the note (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the note. Any such exchange rate gain or loss (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest) will be realized only to the extent of total gain or loss realized on the sale or retirement. Except to the extent attributable to changes in exchange rates, gain or loss recognized by a U.S. Holder on the sale or retirement of a note will be capital gain or loss and will be long-term capital gain or loss if the note was held by the U.S. Holder for more than one year. Gain or loss realized by a U.S. Holder on the sale or retirement of a note generally will be U.S. source.

### Disposition of Foreign Currency

Foreign currency received as interest on a note or on the sale or retirement of a note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

#### *Backup Withholding and Information Reporting*

Payments of principal and interest on, and the proceeds of a sale or other disposition of, notes by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

#### *Reportable Transactions*

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the notes as a reportable transaction if the loss exceeds U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. In the event the acquisition, holding or disposition of notes constitutes participation in a reportable transaction for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Accordingly, if a U.S. Holder realizes a loss on any note (or, possibly, aggregate losses from the notes) satisfying the monetary thresholds discussed above, the U.S. Holder could be required to file an information return with the IRS, and failure to do so may subject the U.S. Holder to the penalties described above. In addition, the issuer, the guarantor and their respective advisers may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules to the acquisition, holding or disposition of notes.

## CERTAIN FRENCH TAX CONSIDERATIONS

The following is a summary of certain French tax considerations relating to the purchase, ownership and disposition of the notes by a beneficial holder of notes that is not a French resident for French tax purposes and that does not hold the notes in connection with a permanent establishment or fixed base in France. This summary is based on the tax laws and regulations of France, as currently in effect and applied by the French tax authorities, and all of which are subject to change or to different interpretation. This summary is for general information only and does not address all of the French tax considerations that may be relevant to specific holders in light of their particular circumstances. Furthermore, this summary does not address any French estate or gift tax considerations.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS AS TO FRENCH TAX CONSIDERATIONS RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.

### France

The notes issued in euros by a French legal entity are deemed to be issued outside the Republic of France for the purposes of Article 131 *quater* of the French *Code Général des Impôts*. Consequently, payments of principal or interest on, and other revenues with respect to, the notes paid to non-French residents benefit from the exemption of the withholding tax provided for in Article 125 A III of the French *Code Général des Impôts*. Accordingly, such payments do not give the right to any tax credit from any French source.

Transfer of the notes outside France will not be subject to any stamp duty or other similar taxes imposed in France, unless it is registered by the parties.

### European Union Directive on the Taxation of Savings Income

On 3 June 2003, the European Council of Economic and Finance Ministers adopted the Directive 2003/48/EC regarding the taxation of savings income (the "Directive"). Pursuant to the Directive and subject to a number of conditions being met, Member States are required, since 1 July 2005, to provide to the tax authorities of another Member State, *inter alia*, details of payments of interest within the meaning of the Directive (interest, products, premiums or other debt income) made by a paying agent located within its jurisdiction to, or for the benefit of, a beneficial owner in that other Member State (the "Disclosure of Information Method").

For these purposes, the term "paying agent" is widely defined and includes in particular any economic operator who is responsible for making interest payments, within the meaning of the Directive, for the immediate benefit of individuals.

However, throughout a transitional period, certain Member States (the Grand-Duchy of Luxembourg, Belgium and Austria), instead of using the Disclosure of Information Method used by other Member States, withhold an amount on interest payments, unless the beneficial owner of such payments elects for the above method. The rate of such withholding tax equals 15% during the first three years, 20% during the subsequent three years and 35% until the end of the transitional period. Such transitional period will end at the end of the first full financial year following the later of (i) the date of entry into force of an agreement between the European Community, following a unanimous decision of the European Council, and the last of several jurisdictions (Switzerland, Liechtenstein, San Marino, Monaco and Andorra), providing for the exchange of information upon request as defined in the OECD Model Agreement on Exchange of Information on Tax Matters released on 18 April 2002 (the "OECD Model Agreement") with respect to interest payments within the meaning of the Directive, in addition to the simultaneous application by those same jurisdictions of a withholding tax on such payments at the rates defined for the corresponding periods and (ii) the date on which the European Council unanimously agrees that the United States of America is committed to exchange of information upon request as defined in the OECD Model Agreement with respect to interest payments within the meaning of the Directive.

A number of non-EU countries and dependent or associated territories have agreed to adopt similar measures (transitional withholding or exchange of information) with effect since 1 July 2005.

The Directive was implemented into French law under article 242 *ter* of the French *Code Général des Impôts,* which imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another Member State, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to that beneficial owner.

## TRANSFER RESTRICTIONS

The notes and the guarantee have not been registered under the Securities Act and may not be offered, sold or otherwise transferred within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act) except to (a) qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or (b) persons in offshore transactions in reliance on Regulation S.

Each purchaser of the notes will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) The purchaser (A) (i) is a qualified institutional buyer, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring the notes for its own account or for the account of a qualified institutional buyer or (B) is not a U.S. person and is purchasing the notes in an offshore transaction pursuant to Regulation S.

(2) The purchaser understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the notes have not been and will not be registered under the Securities Act and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the notes, such notes may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, and (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, in each case in accordance with any applicable securities laws of any State of the United States, and that (B) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of the notes from it of the resale restrictions referred to in (A) above.

(3) The purchaser understands that the notes will bear a legend substantially to the following effect:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT TO (A) QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A OR (B) PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

## LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Linklaters, Paris, France. The validity of the notes and certain other legal matters will be passed upon for the initial purchasers by Latham & Watkins, London, England and Paris, France.

## INDEPENDENT AND STATUTORY AUDITORS

The consolidated financial statements of Tereos at and for the financial years ended September 30, 2006, 2005 and 2004 included in this offering memorandum have been audited by the independent auditors, PricewaterhouseCoopers Audit and the statutory auditors, Jean-Claude Grand and Sylvain Elkaim, as stated in their report appearing herein.

The opening balance sheet of Tereos Europe at March 15, 2007 included in this offering memorandum has been audited by the statutory auditors, PricewaterhouseCoopers Audit, as stated in their report appearing therein.

## ENFORCEABILITY OF CIVIL LIABILITIES

The issuer is a *société anonyme* and the guarantor is a *union de coopératives agricoles à capital variable,* each organized under the laws of France with its registered office and principal place of business in France. Most of our directors and executive officers are, and will continue to be, non-residents of the United States and a substantial portion of the assets of such companies and such persons are located outside the United States. As a consequence, you may not be able to effect service or process on these non-U.S. resident directors and officers in the United States or to enforce judgments against them outside of the United States, including judgments of the U.S. courts predicated upon the civil liability provisions of the U.S. securities laws.

Our French counsel has advised us that the United States and France are not party to a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, enforceable in the United States, would not directly be recognized or enforceable in France. A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal de Grande Instance*). Enforcement in France of such U.S. judgment could be obtained following proper (i.e., non-ex parte) proceedings if the civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French court of the merits of the foreign judgment):

- such U.S. judgment was rendered by a court having jurisdiction over the matter in accordance with French rules of international conflicts of jurisdiction (including, without limitation, whether the dispute is clearly connected to the U.S.) and the French courts did not have exclusive jurisdiction over the matter;
- the court that rendered such judgment has applied a law which would have been considered appropriate under French rules of international conflicts of laws;
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case;
- such U.S. judgment is not tainted with fraud; and
- such U.S. judgment does not conflict with a French judgment or a foreign judgment which has become effective in France and there are no proceedings pending before French courts at the time enforcement of the judgment is sought and having the same or similar subject matter as such U.S. judgment.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68-678 of July 26, 1968, as modified by French law No. 80-538 of July 16, 1980 and No. 2000 916 of September 19, 2000 (relating to communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action.

We have been advised by our French counsel that if an original action is brought in France, French courts may refuse to apply the designated law if its application contravenes French public policy. In an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Our French counsel has also advised us that according to articles 14 and 15 of the French Civil Code, in the event that a party brings an action outside France against a French national (either a company or an individual), the latter may refuse to be brought before non-French courts and require the complainant to bring his action in France; in addition, a French national may decide to bring an action before the French courts, regardless of the nationality of the defendant. The French national may waive its rights to refuse to be brought before a non-French court or to bring an action before a French court against a non-French defendant.

## LISTING AND GENERAL INFORMATION

### Listing

We have applied to admit the notes to listing on the Official List of the Luxembourg Stock Exchange in accordance with the rules of that exchange and for trading on the Euro MTF market. Notice of any optional redemption, change of control or any change in the rate of interest payable on the notes will be published in a Luxembourg newspaper of general circulation, which is expected to be the *d'Wort* or posted on the official website of the Luxembourg Stock Exchange at www.bourse.lu.

For so long as the notes are listed on the Luxembourg Stock Exchange and the rules of that exchange require, copies of the following documents, including any future amendments, may be inspected and obtained free of charge at the specified office of the listing agent in Luxembourg during normal business hours on any weekday:

- the issuer's and the guarantor's organizational documents;
- the issuer's and the guarantor's most recent audited consolidated financial statements and six-month interim financial statements of the guarantor;
- the guarantor's most recent audited unconsolidated financial statements;
- this offering memorandum;
- the purchase agreement relating to the notes;
- the indenture relating to the notes, which includes the form of the notes and the guarantee; and
- the security documents.

For so long as the notes are listed on the Luxembourg Stock Exchange and the rules of that exchange require, copies of the issuer's and the guarantor's articles of incorporation and bylaws, or other constitutional documents as applicable, will be available free of charge at the offices of the paying agent in Luxembourg.

We will maintain a paying and transfer agent in Luxembourg for as long as any of the notes are listed on the Luxembourg Stock Exchange. The issuer reserves the right to vary such appointment and will publish notice of such change of appointment in a newspaper having a general circulation in Luxembourg, which is expected to be the *d'Wort* or posted on the official website of the Luxembourg Stock Exchange at www.bourse.lu.

Our financial year ends September 30. Our most recent audited consolidated and unconsolidated financial statements are available free of charge at the office of our Luxembourg paying agent. Our statutory auditors are Jean-Claude Grand, whose registered offices are at 35, rue Arnaud Bisson, 02100 Saint-Quentin, France, and Sylvain Elkaim, whose registered offices are at 47, avenue Mathurin Moreau, 75019 Paris, France, and our independent auditor is PricewaterhouseCoopers Audit, whose registered offices are at 63, rue de Villiers, 92208 Neuilly-sur-Seine, France.

Except as disclosed herein, there has been no material adverse change in the financial position of the guarantor that is material in the context of the issue and offering of the notes since the date of its last audited consolidated financial statements. Except as disclosed herein, there has been no material adverse change in the financial position of the issuer since the date of its incorporation.

Except as disclosed herein, neither of the issuer nor the guarantor is involved in, has knowledge of a threat of, any litigation, administrative proceedings or arbitration that is or may be material in the context of the issue and offering of the notes.

### Clearing Information

The notes sold pursuant to Rule 144A and Regulation S of the Securities Act have been accepted for clearance through the facilities of Clearstream, Luxembourg and Euroclear. The common code number for the notes sold pursuant to Rule 144A and Regulation S of the Securities Act is 029563314 for the 144A notes and 029563284 for the Regulation S notes. The international securities identification number for the notes sold pursuant to Rule 144A and Regulation S of the Securities Act is XS0295633142 for the 144A notes and XS0295632847 for the Regulation S notes.

The issuer is a *société anonyme* organized under the laws of France on March 15, 2007. The issuer is a wholly owned finance subsidiary of Tereos that currently has no operating activities. The issued share capital of the issuer is €225,000, divided into 2,250 fully paid up shares with a nominal value of €100 each. The registered office of the issuer is 11, rue Pasteur, 02390 Origny-Sainte-Benoîte, France.

The guarantor is a *union de coopératives agricoles à capital variable* organized under the laws of France on June 10, 1996. The registered office of the guarantor is 11, rue Pasteur, 02390 Origny-Sainte-Benoîte, France. Its principal executive offices are located at Tour Lilleurope, 11, Parvis de Rotterdam, 59777 Lille, France and its main telephone number is +33 (0) 3 28 38 79 30.

The creation and issuance of the notes and the execution of the indenture will be authorized by a resolution of the issuer's board of directors, which will be ratified by a meeting of the issuer's shareholders prior to the creation and issuance of the notes and the execution of the indenture. The issuance of the guarantee and the execution of the indenture have been authorized by a resolution of the guarantor's supervisory board dated February 13, 2007 and a resolution of the guarantor's board of directors dated March 26, 2007.

## GLOSSARY OF SELECTED TERMS IN THIS OFFERING MEMORANDUM

*Below is a glossary of selected terms in this offering memorandum, which has been provided only to aid the reader and that does not purport to be complete in all material respects. For further descriptions of the terms used in this glossary, we refer you to "Business" and "Industry Overview."*

***ACP***

African, Caribbean and Pacific countries.

***Campaign***

The period of time during which sugar factories operate, generally about three months from October to December. During these campaigns, manufacturing plants operate around-the-clock, seven days a week.

***CAP***

Common Agricultural Policy.

***CMO***

Common Market Organization.

***Declassification***

Instrument used to cut back the EU sugar quotas for compliance with the WTO requirements of limiting the value and volume of subsidized sugar.

***Fructose*** *(fruit sugar)*

Sweetener often found in fruit. In a chemically bound form it is contained in sucrose and in inulin, which is dominant in chicories. Fructose is suited for use as a diabetic sweetener. It is industrially extracted from sucrose, inulin and starch. Fructose is subject to market regulations.

***Glucose*** *(dextrose or grape sugar)*

Widely used plant-based sweetener. The carbohydrate forms part of the family of monosaccharides and it is a structural element of starch, cellulose and glycogen. Glucose is industrially extracted from starch.

***Intervention Price***

The price guaranteed by the EU for specific quantities of sugar produced (quotas). This price is currently €631.9 per ton.

***Isoglucose***

Sugar substitute produced from starch; also known as high fructose syrups. Production in Europe is regulated by quotas.

***LDC/EBA***

"Least developed countries"/"Everything but arms". Both terms relate to an EU resolution of 2001, according to which the 50 least developed countries in the world may import any goods except arms into the EU free of any duty. Sugar falls under a special transitional arrangement until 2009.

***Levies***

The levies are collected by the EU state members from sugar factories (42%) and growers (58%) based on their quota production. These levies finance the quota exports from EU Member States, i.e., the difference between intervention price and the international sugar price.

***Molasses***

Molasses is a by-product of sugar derived from the crystallization process in the plant which has a sugar content of approximately 50% As the contained sugar cannot be extracted in economically viable conditions to produce refined sugar, it is used in alcohol production and animal food.

***Panel***

Active World Trade Organization dispute settlement mechanism involving the European Community acting as complainant or defendant. Australia, Brazil and Thailand requested the establishment of a Panel against the European Community concerning the sugar market. On April 28, 2005 , the WTO Sugar Panel found that exports of both C sugar and ACP/Indian equivalent sugar from the EC were subsidized exports in violation of the WTO Agreement on Agriculture.

***Price Complement***

A payment made to beet farmers who are members of a cooperative in addition to the price paid for the beet. The payment is similar to a dividend in a corporation.

***Soil Tare***

The soil which cannot be removed from the beet by lifting and cleaner/loader machinery. Typically, this is the soil stuck in the root furrow.

***Sorbitol*** *(E420)*

Polyhydric alcohol that occurs, for instance, in rowan berries. Its structure is similar to that of glucose, from which it is produced in a technical process by the catalytic addition of water (hydration). Sorbital has half the sweetening power of glucose and is an important sugar substitute for diabetics.

***SPS***

Special Preferential Sugar.

***Sucrose*** *(sugar)*

A disaccharide based on fructose and glucose. Texture, taste enhancement and stability are properties which, in addition to its sweet flavor, make it an important sweetener. Sucrose is produced from sugar beet and sugar cane.

***WTO***

World Trade Organization. Multinational organization located in Geneva, in which 146 Member States negotiate world trade liberalization on an intergovernmental level. As a result of the Uruguay Round talks, the subsidies for quota sugar which may be exported from the EU were limited in terms of volume and value.

## SUMMARY OF CERTAIN DIFFERENCES BETWEEN FRENCH GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

The audited historical consolidated financial statements included elsewhere in the offering memorandum, together with the notes thereto, have been prepared in accordance with the French Generally Accepted Accounting Principles ("French GAAP"). These principles differ in certain respects from International Financial Reporting Standards as adopted by the European Union ("IFRS").

The discussion set forth below summarizes certain differences identified between French GAAP as applied by the Company and IFRS, following a limited analysis of both sets of principles. The Company is responsible for preparing the summary below and has not prepared a complete reconciliation of its consolidated financial information. These differences, which have not been quantified, were identified as potentially having an impact on consolidated net income and shareholders' equity. There can be no assurance that these are the only differences in accounting principles that would have an impact on the Group's consolidated net income or shareholders' equity.

In making an investment decision, investors must rely upon their own examination of the Company, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between French GAAP and IFRS and how those differences might affect the financial information herein. Potential investors should not take this summary to be an exhaustive list of all differences between French GAAP and IFRS.

There may also be significant differences between the presentation of the Group's consolidated financial statements and the notes thereto and those that would be required under IFRS. These differences have not been addressed in the discussion below.

### Business combinations

#### *Allocation of purchase price to assets and liabilities acquired*

Under French GAAP, the allocation of the purchase price to assets acquired and liabilities assumed in a business combination is subject to adjustment through the end of the full fiscal year following the fiscal year during which the business combination was consummated.

Under IFRS, adjustments against goodwill to the provisional fair values recognized at acquisition are permitted provided those adjustments are made within 12 months of the acquisition date. Adjustments made after 12 months are recognized in the income statement.

#### *Identification and recognition of intangible assets*

Under French GAAP, the purchase price of acquired entities is allocated to the assets acquired and liabilities assumed of the entity acquired. Purchase consideration in excess of the fair value of net assets acquired is allocated to goodwill.

In accordance with IFRS, an intangible asset is recognized separately from goodwill if it represents contractual or legal rights or is capable of being separated or divided and sold, transferred, licensed rented or exchanged. Non-identifiable intangible assets are included in goodwill.

### Intangible assets

Under French GAAP, the Company capitalizes goodwill and other intangible assets and amortizes them over their useful life, not exceeding 20 years. French GAAP requires an impairment review of goodwill and other intangibles whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Under IFRS, goodwill is no longer amortized but, instead, is tested for impairment annually, or more frequently based upon facts and circumstances. Goodwill resulting from a business combination must be allocated to each of the acquirer's cash-generating-units (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combination. A CGU is typically at a lower level than a reporting unit. Groupings of CGUs for goodwill impairment testing cannot be larger than a segment.

The one step impairment test does not need to take place at the balance sheet date. The carrying amount of a CGU, or group of CGUs, including goodwill allocated, is then compared with the recoverable amount, defined as the higher of fair value less cost to sell or the value in use. If the carrying amount exceeds the recoverable amount, an impairment charge is recorded to reduce the carrying amount of the CGUs to its recoverable amount. The impairment charge is recognized to first reduce the carrying amount of goodwill allocated to the CGU under review to zero. Allocation is made on a pro rata basis to the CGU's assets if the impairment loss exceeds the book value of goodwill.

***Trademarks***

As in French GAAP, the Company's acquired trademarks are not amortized. However, under IFRS, deferred taxes would be calculated on the carrying value of the trademarks. No deferred taxes are currently recorded in the Company's consolidated accounts.

**Financial Instruments**

The Company uses financial instruments to manage exposures to changes in raw sugar prices, interest rates and exchange rates. Futures contracts are used to manage forward sugar sales and reduce future price risk and also to manage currency risk for sugar contracts not denominated in euros. Interest rate risk is managed through the use of caps and floors, fixed rate agreements and swaps. The aim is to reduce their exposure and not to speculate. Under French GAAP, all open positions at year end with regard to derivatives are presented as off balance sheet items.

In accordance with IFRS, derivatives are required to be recorded in the balance sheet as an asset or liability. They are initially measured at fair value on the acquisition date. IFRS requires subsequent measurement of all derivatives at their fair values, regardless of any hedging relationship that might exist. Changes in fair value are required to be recognized currently in earnings, unless specific hedge accounting criteria are met. Hedge accounting is permitted under IFRS provided that the entity meets stringent qualifying criteria in relation to documentation and hedge effectiveness.

**Investments in marketable securities**

In accordance with French GAAP, the Company accounts for marketable securities at the lower of cost or market value. Investment securities are stated at the lower of acquisition cost or value in use. Provisions for impairment that are recorded when value in use is lower than acquisition cost may be reversed if asset value increases. Unrealized gains on marketable and investment securities are not recognized.

Under IFRS marketable securities and investment securities are classified into three categories: trading, held-to-maturity and available-for-sale. Debt securities that a Company has the positive intent and ability to hold to maturity are classified as "held to maturity" and are carried at amortized costs. Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings. Finally, debt and equity securities not classified as either held to maturity or trading securities are classified as available for sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a statement of changes in shareholder's equity or in a statement of recognized income and expense under IFRS.

**Biological assets**

The Company owns cane sugar plantations in Brazil and Mozambique. These plantations have a life cycle of six years. Under French GAAP, these plantations are valued at historical cost in the Company accounts.

Under IFRS, these plantations would qualify as biological assets under IAS 41 and as such would be measured on initial recognition and at each balance sheet date at its fair value less estimated point-of-sale costs. Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties. Point-of-sale costs exclude transport and other costs necessary to get assets to a market. A gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset shall be included in profit or loss for the period in which it arises.

## INDEX TO FINANCIAL STATEMENTS

**TEREOS EUROPE**

**OPENING BALANCE SHEET**

**AT MARCH 15, 2007**

## STATUTORY AUDITOR'S REPORT ON THE OPENING BALANCE SHEET AT MARCH 15, 2007

*This is a free translation into English of the Statutory Auditor's report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Renaud Wattinne
Chairman of the Board of Directors
Tereos Europe
*Société anonyme* (joint-stock company) with share capital of €225,000
Registered office: 11, rue Pasteur - 02390 Origny Sainte-Benoîte

Following your request in connection with the issuance of a bond maturing in 2014 and in our capacity as Statutory Auditor of Tereos Europe SA, we audited the accompanying opening balance sheet, prepared in accordance with the accounting rules and principles applicable in France.

It is the responsibility of the Chairman of the Board of Directors to prepare the opening balance sheet. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the opening balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the opening balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the opening balance sheet. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the opening balance sheet at March 15, 2007 prepared for the purposes of the issuance of a bond maturing in 2014, presents fairly, in all material aspects, the financial position of the Company in accordance with the accounting rules and principles applicable in France.

Neuilly-sur-Seine, March 31, 2007

The Statutory Auditor
PricewaterhouseCoopers Audit

Philippe Aerts

## OPENING BALANCE SHEET AT MARCH 15, 2007

| Assets (in €) | 3/15/2007 Gross | Depreciation, amortization and provisions | Net |
|---|---|---|---|
| Intangible assets | - | - | - |
| Property, plant and equipment | - | - | - |
| Financial fixed assets | - | - | - |
| **Total I** | - | - | - |
| **Current assets** | - | - | - |
| Inventories | - | - | - |
| Receivables | - | - | - |
| Cash and cash equivalents | 225,000.00 | - | 225,000.00 |
| **Accrual & other assets** | - | - | - |
| Prepaid expenses | - | - | - |
| **Total II** | **225,000.00** | - | **225,000.00** |
| **Total assets (I + II )** | **225,000.00** | - | **225,000.00** |

| Liabilities & shareholders' equity (in €) | 3/15/2007 Net |
|---|---|
| **Shareholders' equity** | - |
| Share capital | 225,000.00 |
| **Total I** | **225,000.00** |
| Provision for contingencies & charges | - |
| **Total II** | - |
| Liabilities | - |
| Accrual & other liabilities | - |
| **Total III** | - |
| **Total liabilities & shareholders' equity ( I + II + III )** | **225,000.00** |

## NOTES TO THE OPENING BALANCE SHEET AT MARCH 15, 2007

This opening balance sheet has been prepared in connection with this offering memorandum.

### *1 — ACCOUNTING POLICIES AND METHODS*

The financial statements have been prepared in accordance with French generally accepted accounting principles, as set out in the *Plan Comptable Général* of 1999.

### *CASH AND CASH EQUIVALENTS*

Cash and cash equivalents consist of payments in cash made by the company's shareholders totaling €225,000 and corresponding to the company's share capital.

### *OFF BALANCE SHEET COMMITMENTS*

N/A

### *2 — COMPOSITION OF SHARE CAPITAL*

| | Number of shares | | | |
|---|---|---|---|---|
| **Category of shares** | **At year-end** | **Issued during the period** | **Redeemed during the period** | **Par value** |
| Ordinary shares | - | 2,250 | - | €100 |

### *3 — ADDITIONAL INFORMATION*

### *IDENTITY OF CONSOLIDATING COMPANY*

Coopérative SDA
Capital : 15,882,666 euros
Registered office: 11 rue Pasteur
02390 Origny-Ste-Benoite
France

**TEREOS**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF AND FOR THE FINANCIAL YEARS ENDED**

**SEPTEMBER 30, 2006, 2005 AND 2004**

**INDEPENDENT AND STATUTORY AUDITORS' REPORT FOR THE FINANCIAL YEARS ENDED SEPTEMBER 30, 2006, 2005 AND 2004**

To the Chairman of the Executive Board

TEREOS
11, rue Pasteur
02390 Origny Sainte-Benoîte

At your request in the context of the preparation of the International Offering Memorandum related to the issue of Senior Notes due 2014 we have audited the consolidated financial statements of Tereos Group for the years ended September 30, 2006, 2005 and 2004 prepared in accordance with the accounting rules and principles applicable in France, such as included in the International Offering Memorandum related to the issue of Senior Notes due 2014.

The consolidated financial statements have been approved by the Chairman of the Executive Board. Our role is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements, prepared for the purpose of the International Offering Memorandum related to the issue of Senior Notes due 2014, present fairly, in all material aspects, the financial position of Tereos Group as of September 30, 2006, 2005 and 2004, and the results of its operations for each of the three year then ended, in accordance with the accounting rules and principles applicable in France.

Neuilly-sur-Seine, Amiens and Paris, March 28, 2007

Independent Auditor

PricewaterhouseCoopers Audit
Philippe Aerts
*Partner*

Statutory auditors

Jean-Claude Grand

Sylvain Elkaim

*This is a free translation into English of the auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements.*

*This report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.*

## TEREOS GROUP

## CONSOLIDATED BALANCE SHEET

| | Actual 30 September 2004 | Actual 30 September 2005 | Actual 30 September 2006 |
|---|---|---|---|
| | | (€ million) | |
| **Intangible assets** | 331.3 | 314.8 | 462.4 |
| **Goodwill** | 394.0 | 423.1 | 505.6 |
| **Property, plant and equipment** | 452.8 | 435.0 | 829.1 |
| **Financial assets** | | | |
| - Investments accounted for by the equity method | 38.0 | 62.0 | 62.6 |
| - Unconsolidated investments | 9.4 | 34.6 | 33.5 |
| - Other financial fixed assets | 10.7 | 9.4 | 16.6 |
| total | 58.0 | 105.9 | 112.7 |
| **Fixed assets** | **1,236.0** | **1,278.8** | **1,909.8** |
| Deferred tax assets | 20.5 | 5.7 | 0.9 |
| Inventories and work in-progress | 263.3 | 311.7 | 276.9 |
| Trade receivables | 231.2 | 236.7 | 311.6 |
| Other receivables | 119.3 | 148.5 | 171.2 |
| Investment securities | 80.8 | 15.2 | 8.8 |
| Cash and cash equivalents | 62.3 | 32.3 | 92.5 |
| **Current assets** | **777.4** | **750.2** | **861.9** |
| **Total assets** | **2,013.5** | **2,029.0** | **2,771.7** |
| **Shareholders' equity** | | | |
| - Capital | 351.0 | 426.7 | 555.7 |
| - Additional paid-in capital | 113.8 | 179.1 | 261.0 |
| - Reserves | -91.3 | -81.1 | 1.4 |
| - Translation adjustments | -2.4 | 40.0 | 41.6 |
| - Net profit | 28.7 | 4.3 | 40.4 |
| **Shareholders' equity - Group share** | **399.8** | **569.0** | **900.1** |
| Minority interests | 185.7 | 49.2 | 104.7 |
| **Consolidated shareholders' equity** | **585.5** | **618.2** | **1,004.7** |
| Investment subsidies | - | - | - |
| Loss and contingency provisions | 42.0 | 25.3 | 46.2 |
| Deferred tax liabilities | 4.0 | 0.3 | 8.5 |
| Negative goodwill | 6.0 | 5.4 | 5.0 |
| Financial debt | 955.3 | 889.1 | 991.3 |
| Trade payables | 234.2 | 249.0 | 369.3 |
| Other liabilities | 186.5 | 241.8 | 346.7 |
| **Total liabilities** | **2,013.5** | **2,029.0** | **2,771.7** |

## CONSOLIDATED INCOME STATEMENT

| | Actual 30 September 2004 | Actual 30 September 2005 | Actual 30 September 2006 |
|---|---|---|---|
| | | (€ millions) | |
| **Operating revenues** | | | |
| Revenues | 1,719.8 | 1,602.4 | 2,102.9 |
| Other operating revenues | 30.5 | 102.2 | -27.0 |
| Reversal of depreciation, amortization and provisions | 12.7 | 8.8 | 5.3 |
| | 1,763.1 | 1,713.4 | 2,081.1 |
| **Operating expense** | | | |
| Purchases and changes in inventory | 883.2 | 886.3 | 1,086.8 |
| Other external charges | 358.7 | 373.5 | 462.7 |
| Taxes and other levies | 89.5 | 107.9 | 64.7 |
| Employee-related expenses | 153.6 | 153.8 | 197.2 |
| Depreciation and amortization allowances and provisions | 127.1 | 95.8 | 89.5 |
| Other operating expenses | 2.6 | 1.8 | 15.6 |
| | 1,614.8 | 1,619.0 | 1,916.5 |
| **Operating income** | **148.2** | **94.4** | **164.7** |
| **Net financial expense** | **-53.0** | **-49.3** | **-63.1** |
| **Profit before tax and exceptional items** | **95.3** | **45.1** | **101.5** |
| **Net non-recurring (expense)/income** | -4.8 | 3.9 | -3.4 |
| **Income tax** | -31.9 | -21.6 | -23.1 |
| **Net income from fully-consoldiated companies** | 58.6 | 27.4 | 75.0 |
| **Share in income of companies accounted for by the equity method** | 4.3 | 6.2 | 4.1 |
| **Amortization of goodwill** | -21.7 | -24.5 | -26.5 |
| **Net consolidated profit** | **41.2** | **9.2** | **52.6** |
| **Minority interests** | **12.4** | **4.9** | **12.3** |
| **Group share in net profit** | **28.7** | **4.3** | **40.3** |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | Actual September 30 2004 | Actual September 30 2005 | Actual September 30 2006 |
|---|---|---|---|
| | | € million | |
| **OPERATING ACTIVITIES** | | | |
| **OPERATING INCOME** | **148.3** | **94.4** | **164.7** |
| Charges for depreciation, amortization and provisions | 127.1 | 95.8 | 89.5 |
| Release of depreciation, amortization and provisions | -12.7 | -8.8 | -5.3 |
| **Gross operating income** | **262.6** | **181.3** | **248.9** |
| Net change in inventories | 10.2 | -61.0 | 49.3 |
| Net change in operating receivables | 54.8 | -44.2 | -15.1 |
| Net change in operating liabilities | -29.2 | 84.9 | -23.6 |
| **Changes in working capital requirements** | **35.8** | **-20.2** | **10.6** |
| **Cash flows from operating activities** | **298.4** | **161.1** | **259.6** |
| **Other receipts and disbursements related to the business activity** | -121.8 | -82.5 | -77.1 |
| Financial expense | -65.3 | -55.8 | -74.6 |
| Financial income | 11.9 | 12.3 | 18.6 |
| Dividends received from subsidiaries accounted for by the equity method | 2.4 | 2.6 | 4.9 |
| Corporate income tax, net of taxation of capital gains on disposals | -9.0 | -15.9 | -18.2 |
| Non-recurring income and expense related to the business activity | -0.5 | -16.8 | -20.5 |
| Share in income from joint ventures | 0.0 | -0.1 | 0.0 |
| Net change in non-operating receivables and liabilities | -61.3 | -8.8 | 12.6 |
| **Net cash flows generated from operating activities** | **176.7** | **78.6** | **182.5** |
| **INVESTING ACTIVITIES** | | | |
| Disbursement/acquisitions of intangible assets | | -4.1 | -0.7 |
| Disbursement/acquisitions of property, plant and equipment | -99.4 | -73.0 | -190.7 |
| Proceeds on disposal of intangible assets and property, plant and equipment | 16.6 | 28.1 | 20.0 |
| Net change in receivables and payables on disposals of fixed assets (1) | -2.8 | | |
| Disbursement/acquisitions of financial fixed assets | | -1.9 | -6.6 |
| Proceeds on sale of financial fixed assets | | 3.1 | 1.8 |
| Net cash disbursements/receipts from acquisitions and divestitures | -7.0 | -209.8 | 6.6 |
| **Cash flows used in investing activities** | **-92.6** | **-257.7** | **-169.7** |
| **FINANCING ACTIVITIES** | | | |
| Increase in capital or additional paid-in capital | | 134.5 | 89.7 |
| Dividends paid to the shareholders of the parent company | -3.0 | -4.9 | -6.3 |
| Dividends paid to minority shareholders | -4.5 | -4.7 | -4.6 |
| Changes in other equity | | | |
| Loan proceeds | | 142.0 | 249.0 |
| Reimbursement of loans | -101.2 | -173.8 | -262.1 |
| **Cash flows generated from/(used in) financing activities** | **-108.7** | **93.0** | **65.7** |
| **NET INCREASE/(DECREASE) IN CASH FLOWS** | **-24.6** | **-86.2** | **78.5** |
| Impact of changes in foreign exchange rates | -0.9 | 7.4 | -0.9 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | **100.6** | **75.1** | **-3.6** |
| Reclassifications | | 0.1 | |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | **75.1** | **-3.6** | **74.0** |

(1) Amount allocated between different headings in 2005 and in 2006

## NOTES TO THE FINANCIAL STATEMENTS
## 2003/2004 - 2004/2005 - 2005/2006

## TEREOS GROUP

These financial statements have been prepared in connection with this offering memorandum. The notes have been prepared on the basis of the consolidated financial statements for the 2005/2006 financial year, and completed using financial information and comments relating to the principal changes over the two preceding financial years.

To assist the users of these financial statements, it should be specified that Tereos is a union of cooperatives (*Union de Coopératives*) whose cooperative shareholders at 30 September 2006 comprise Union des planteurs de Betteraves à Sucre (UBS) and Union Sucre Ethanol (USE);

### 1. Accounting policies and valuation methods

#### *1.1. Accounting policies*

The consolidated financial statements of the Tereos group have been prepared in accordance with French Accounting Regulations Committee **(*Comité de la Réglementation Comptable, CRC*)** Rule 99-02 relating to the consolidated financial statements of commercial companies and public enterprises. The company has not opted for early application of Rule CRC 2005-10, which amended Rule CRC 99-02 and is applicable to the Tereos Group for the 2007 financial year.

The business combination of Sucreries Distilleries des Hauts de France (SDHF) with Tereos and the implementation of the new accounting rules relating to assets during the period have had a significant impact on the financial statements at 30 September 2006. In the interests of completeness, pro forma financial statements have been prepared and are presented in paragraph 20 of these notes.

#### *1.2. Significant events*

*2005/2006*

- In 2005/2006, Tereos (formerly USDA) increased its shareholders' equity by an amount of €210.9 million. This increase can be broken down as follows:
    - €176.5 million as consideration for the business combination with SDHF. This amount was used as follows:
        - €44.1 million was attributed to UBS
        - €132.4 million was attributed to SDHF. These shares were subsequently transferred to USE
    - within the scope of the attribution of "additional sugar rights" in accordance with the new sugar regime, the attribution of new ethanol licensing arrangements and the construction of the Lillebonne plant, Tereos' increased its shareholders' equity by €34.4 million as follows:
        - €8.6 million was attributed to UBS
        - €25.8 million was attributed to USE
- During 2005/2006, the Tereos Group acquired companies in Brazil, Mozambique and the Czech Republic. The details of these transactions are provided in paragraph 2 (b).

*2004/2005*

- On 1 October 2004, Sucrerie Centrale de Cambrai, Tereos SA (formerly Béghin-Say), Origny-Naples and Naples-Origny were merged into Tereos. Prior to the merger, Tereos increased its shareholders' equity by an amount of €165 million to finance the contribution by UBS of its stake in Origny-Naples. Goodwill for an amount of €39.1 million was recognized in relation to these transactions.

- Tereos sold its cereals activity to USDA Collecte, which generated a capital gain of €12.2 million in the consolidated financial statements at 30 September 2005.
- Tereos do Brasil acquired a stake in Cosan in exchange for its shares in Franco Brasilian Açucar Alcool (FBA).
- Tereos acquired Edison's stake in Guarani for an amount of €36 million. This increased Tereos' stake in Guarani to 99.96%, up from 64% at 30 September 2004.

***1.3. Changes in accounting methods***

*Accounting rules concerning assets*

In the 2005/2006 financial year, Tereos began applying *CRC* Rules 2003-7, 2004-6 and 2002-10, concerning the definition, measurement and recognition of assets, as well as their depreciation and impairment.

Property, plant and equipment are now depreciated over the useful life of each asset component ("component approach"). The overall impact of this change in accounting method was to extend asset depreciation periods.

In accordance with French accounting regulations concerning changes in accounting method, the Tereos Group has decided to apply the "retrospective" method".

The Tereos Group adjusted the opening balance sheet and recorded the impacts of the change in method in shareholders' equity as if the new accounting method had always been applied.

The application of these new regulations, especially CRC Rule 2002-10 ("component approach") concerning the depreciation and impairment of assets in accordance with the "retrospective" method, gave rise to an increase in shareholders' equity of €95.1 million at 30 September 2006. Asset useful lives are detailed in paragraph 1.8.

*Other changes*

The impact of changes in accounting methods on prior financial periods is analyzed in the relevant paragraphs of these notes.

***1.4. Consolidation methods***

All material investments in companies over which the Tereos Group exercises exclusive control, directly or indirectly, are carried in the financial statements as fully consolidated subsidiaries.

Companies over which Tereos exercises joint control are consolidated on a proportional basis.

When the Tereos Group exercises significant influence over a company and holds more than 20% of its capital, either directly or indirectly, such investments are accounted for by the equity method.

Certain investments that meet the criteria defined above are not consolidated by the Group due to their non-material impact.

All material inter-company transactions are eliminated upon consolidation.

***1.5. Translation of transactions and financial statements denominated in foreign currencies***

Transactions in foreign currencies are translated at the exchange rate prevailing at the transaction date.

Liabilities, receivables and cash and cash equivalents in foreign currency are translated either at the balance sheet exchange rate—in which case the resulting foreign exchange gains or losses are recognized in profit or loss—or at the forward rate when such items have been hedged.

The financial statements of foreign entities are translated as follows: excluding shareholders' equity which is translated at historical exchange rates, balance sheet headings are translated at the official balance sheet exchange rate. Profit and loss account headings are translated at the average exchange rate over the financial year.

The resulting foreign exchange gains and losses are recognized in consolidated shareholders' equity.

| | | 2004 | 2005 | 2006 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|
| **Foreign currency/Euro** | | **Average rate** | | | **Balance sheet rate** | | |
| Brazil | Real | 3.5955 | 3.2767 | 2.7113 | 3.5536 | 2.6709 | 2.7576 |
| Czech Republic | Czech koruna | 32.1390 | 30.2426 | 28.6550 | 31.6600 | 29.5535 | 28.3260 |
| UK | Pound sterling | - | - | 0.6835 | | - | 0.6777 |
| USA | Dollar | - | - | 1.2304 | | - | 1.2660 |
| Romania | New Romanian Leu | - | - | 3.5654 | | - | 3.5362 |
| Mozambique | Mozambican Metical | - | - | 31.6149 | | - | 32.8100 |

***1.6. Intangible assets***

Intangible assets are amortized on a straight-line basis over the following periods:

| | |
|---|---|
| Goodwill, other intangible assets | 20 years |
| Patents, licenses | variable useful life, not exceeding 20 years |
| Start-up costs | 5 years |
| Software | variable useful life, not exceeding 5 years |

Brands are valued based on the advice of specialized consultants. Given that they are legally protected, brands are not amortized; however, in the event of a significant, prolonged deterioration in their value, they may be impaired.

Goodwill and other intangible assets, whose components cannot be valued separately, is treated in the same way as goodwill and amortized over the same period, in accordance with French GAAP.

A provision for impairment is recognized for intangible assets when there is a prolonged decline in their current value in relation to their carrying amount.

Following the acquisition of the Beghin-Say (previous name of Tereos SA) Group in 2003 by USDA (previous name of Tereos), and for the purpose of standardizing amortization methods throughout the Group, intangible assets and goodwill, which were previously amortized over 10 years by the absorbing company, have been amortized over 20 years beginning in the 2003/2004 financial year. Amortization expense in 2003/2004 amounted to €15 million. If this had been calculated over a ten-year period, the amount would have been €42 million.

***1.7. Goodwill***

Purchase price discrepancy recognized when an investment is acquired (difference between the acquisition price and the percentage of restated shareholders' equity represented by the consolidated investment at the acquisition date) is allocated to the appropriate balance sheet account heading. This amount must be allocated to identifiable items on the assets or liabilities side of the balance sheet by the end of the first full financial year following the acquisition. The unallocated portion is carried in the balance sheet in "Goodwill" and amortized over a maximum period of 20 years, barring exceptional cases related to the circumstances and expected economic outcome of the acquisition, when a shorter amortization period may be used. In cases where the value of identifiable items exceeds the purchase price discrepancy, the amount allocated is limited to the purchase price discrepancy.

Negative goodwill is amortized over the same period.

Goodwill may be impaired when there is a prolonged decline in its current value in relation to its carrying amount.

The treatment of goodwill was also standardized throughout the Tereos Group in the 2003/2004 financial year following the acquisition of the Beghin-Say Group. The annual amortization expense in 2003/2004 amounted to €22 million. If it had been calculated over a ten-year period, the amount would have totaled €46 million.

*1.8. Property, plant and equipment*

Property, plant and equipment are carried in the balance sheet at cost.

Depreciation is calculated on a straight-line basis over the asset's useful life which is estimated based on the different production processes (sugar cane, sugar beet and ethanol).

Asset useful lives are as follows:

| | |
|---|---|
| Industrial buildings | 20 - 40 years |
| Technical installations, equipment and industrial tools (France, Czech Rep.) | 15 - 40 years |
| Technical installations, equipment and industrial tools (Brazil, Mozambique) | 10 - 15 years |
| Fixtures and improvements to buildings | 10 - 20 years |
| Office equipment | 5 years |
| Transportation equipment | 5 years |

The change in method following the application of the new accounting rules for assets (CRC 2002-10—"component approach") resulted in a decrease in the amount of depreciation charged on assets previously in service of approximately €25 million for the 2005/2006 financial year.

When the Group leases an asset under a finance lease, under terms and conditions similar to an acquisition, the fair market value of the asset at the inception of the lease is recognized in fixed assets and depreciated as described previously. The corresponding expense is recognized in liabilities.

Servicing and repair costs are expensed in the financial period in which they are incurred, unless they help to enhance the asset's productivity or to prolong its useful life.

*1.9. Unconsolidated investments*

Investments in unconsolidated companies are measured at acquisition cost, less any provisions for impairment.

*1.10. Investments accounted for by the equity method*

On 1 October 2004, the Tereos Group began applying the "preferential" method recommended by the *Plan Comptable Général* (French general chart of accounts) when accounting for minority interests relating to investments accounted for by the equity method. In the 2004/2005 financial period, this change in method generated an increase of €21 million in the value of investments accounted for by the equity method carried on the assets side of the balance sheet, and a symmetrical amount in minority interests in balance sheet liabilities.

*1.11. Inventories and work in-progress*

Inventories and work in-progress are valued at cost which must not exceed their realizable value. If the realizable value is less than the carrying value, a provision for impairment is set aside.

Within the scope of the merger operations described in paragraph 1.2 (2004/2005), Tereos SA and Tereos harmonized their accounting policies. Beginning on 1 October 2004, Tereos values its sugar inventories on a quota basis. As this reflected a change in accounting policy, the impact on the opening inventory balance was recognized in shareholders' equity at 1 October 2004 for an amount of € 6.9 million.

*1.12. Investment subsidies*

Investment subsidies are carried in balance sheet liabilities and written off at the same rate as the fixed assets to which they are related.

*1.13. Post-employment benefits*

The Group recognizes its pension commitments, lump-sum retirement benefits, healthcare commitments, long-service awards, death and disability benefit and related benefits in accordance with *CNC* Recommendation 2003-R-01. These post-employment benefit commitments are covered by provisions and insurance funds.

### *1.14. Taxation*

The amount of tax actually due at the balance sheet date is adjusted for deferred taxes, calculated using the balance sheet liability method for all timing differences existing between the tax base and carrying value of assets and liabilities, as well as for any pre-consolidation entries. Deferred tax assets, including tax loss carryforwards, calculated by tax entity, are recognized when it is likely that the Group will be able to offset them against future taxable profit.

A provision is booked for taxes on dividends to be distributed within the current financial year.

No provision is set aside for the distributable reserves of subsidiaries as these are deemed to be held on a permanent basis.

The Group does not discount deferred taxes to present value.

### *1.15. Financial instruments*

Group companies use various types of financial instruments to handle interest rate and foreign exchange risk.

Group policy is to reduce its exposure to interest rate and foreign exchange risk and not to speculate.

The Group manages these risks and its general hedging policy centrally.

The Group's positions are negotiated on organized markets, i.e., OTC markets with first-ranking bank guarantees.

Income generated on hedging instruments is recognized symmetrically to the income generated on the hedged items.

The unexpired portion of accrued interest on interest rate hedging transactions is calculated and booked at each balance sheet date in order to offset the extra cost or saving related to the underlying and recorded in expenses for the period.

All pending transactions at the balance sheet date are booked in commitments received from and given to third parties without any offsetting.

**Risk management policy:**

***a) Foreign exchange risk***

Foreign exchange risks arising in the course of the Group's business activities are analyzed and dealt with as soon as they are identified. Forward contracts (forward purchases/sales) or foreign currency options are set up, depending on the risk probability, future visibility on movements in the currency in question and whether the forward rate is higher than the current rate (premium—discount).

Foreign exchange risks arising from financing arrangements entered into by group companies in currencies other than their functional currency are usually covered, either by income generated in these currencies, or by foreign currency swaps.

***b) Interest rate risks***

Interest rate risk is managed on a currency by currency basis using instruments adapted to each currency market.

The Group either uses forward hedging strategies (interest rate swaps, FRA) or options that usually combine a number of hedging instruments (caps, floors).

For each currency, the Group fixes objectives in terms of hedging volume, hedging term and the breakdown between forward contracts and options based on the relative importance of each currency and expected interest rate movements.

***c) Hedging of raw materials prices***

The Group engages in hedging on the futures market of Euronext.liffe in order to avoid speculative positions and to limit exposure to fluctuations in worldwide commodity prices.

***1.16. Investment securities***

Investment securities are measured at the lower of cost or market price.

***1.17. Research and development costs***

Research and development costs are expensed in the period in which they are incurred. New product development costs are not recognized as intangible assets insofar as any future economic advantage from such products can only be proven after they have been brought to market.

***1.18. Earnings per share***

Earnings per share are not disclosed in the notes to the financial statements due to Tereos' specific legal structure. Its share capital is divided into partnership shares, which are owned in proportion to the beet deliveries and the activities commitments of its cooperative growers.

## 2. Scope of consolidation

### *a) List of consolidated companies at 30 September 2006*

At 30 September 2006, the scope of consolidation comprised 55 companies, including 33 fully consolidated entities.

| Full consolidation | Legal form | Registered office | Country | Company database code | % holding | % interest |
|---|---|---|---|---|---|---|
| TEREOS | Union coopérative | Origny Ste Benoîte | France | 407 948 926 | Parent company | Parent company |
| ACUCAR TEREOS | SAS | Origny Ste Benoîte | France | 490 700 895 | 100.00 | 100.00 |
| AGROETANOL TTD | Joint Stock Company | Cukrovary | Czech Rep. | - | 100.00 | 62.07 |
| BENP | SA | Origny Ste Benoîte | France | 389 430 331 | 60.87 | 60.87 |
| BENP Lillebonne | SAS | Origny Ste Benoîte | France | 480 891 407 | 54.84 | 33.38 |
| BPA | SAS | Origny Ste Benoîte | France | 444 413 058 | 100.00 | 100.00 |
| SDA BRABANT | SAS | Origny Ste Benoîte | France | 449 929 249 | 80.00 | 80.00 |
| CRUZ ALTA PART | SA | | Brazil | - | 100.00 | 88.94 |
| CHRUDIM | Joint Stock Company | Cukrovary | Czech Rep. | - | 100.00 | 62.07 |
| CODIPAG | SARL | Paris | France | 339 129 538 | 100.00 | 100.00 |
| COMMERCIALE TEREOS | SAS | Origny Ste Benoîte | France | 388 255 853 | 100.00 | 100.00 |
| SDA COPRODUITS | SAS | Origny Ste Benoîte | France | 424 388 643 | 100.00 | 100.00 |
| DRC | SA | Morains | France | 735 820 276 | 99.98 | 99.98 |
| EUROCANNE | SAS | St André | France | 349 651 513 | 51.00 | 51.00 |
| France FONDANTS | SAS | Origny Ste Benoîte | France | 383 630 969 | 40.00 | 40.00 |
| FHF | SAS | Lillers | France | 414 141 630 | 99.99 | 99.99 |
| ACUCAR GUARANI | SA | Olimpia | Brazil | - | 88.94 | 88.94 |
| TEREOS IBERIA | SA | Barcelona | Spain | - | 100.00 | 100.00 |
| RAFFINAGE TEREOS | SAS | Nantes | France | 440 776 847 | 100.00 | 100.00 |
| SAO JOSE | SA | Colina | Brazil | - | 78.46 | 73.27 |
| SAO JOSE AGRICULTURA | SA | Colina | Brazil | - | 99.99 | 73.27 |
| SBR | SAS | St André | France | 315 253 922 | 51.00 | 51.00 |
| SODES | SA | Lillebonne | France | 662 035 138 | 99.99 | 60.87 |
| SODES DISTRIBUTION | SA | Lillebonne | France | 391 922 234 | 99.76 | 60.73 |
| SILO SUCRE de CALAIS | SAS | Calais | France | 410 379 150 | 100.00 | 100.00 |
| TEREOS do BRASIL | SA | Sao Paulo | Brazil | - | 100.00 | 100.00 |
| TEREOS DEUTSCHLAND | Limited liability company | Frieburg | Germany | - | 100.00 | 100.00 |
| TEREOS UK | Companies Act 1985 Ltd | Leeds | UK | - | 100.00 | 100.00 |
| TEREOS ITALIA | SRL | Milan | Italy | - | 100.00 | 100.00 |
| TOI | Companies Act 2001 | Port Louis | Mauritius | - | 100.00 | 100.00 |
| TSM | SA | Calais | France | 330 376 310 | 61.00 | 61.00 |
| TTD | Joint Stock Company | Cukrovary | Czech Rep. | - | 62.07 | 62.07 |
| TEREOS FINANCE | SA | Origny Ste Benoîte | France | 423 607 886 | 99.98 | 99.98 |
| **Proportional consolidation** | | | | | | |
| BEGHIN MEIJI | SA | Thumeries | France | 349 707 646 | 50.00 | 50.00 |
| CDSS | - | - | Mozambique | - | 50.00 | 43.59 |
| FRS | Société Civile | Marconnelle | France | 422 350 652 | 50.00 | 50.00 |
| LFH | Limited liability company | London | UK | 2 765 265- | 50.00 | 50.00 |
| RSH | BV | Breda | Netherlands | 1 080 503 | 50.00 | 50.00 |
| SENA LINES | - | - | Mozambique | - | 50.00 | 43.64 |
| SHL | Private Company | Port Louis | Mauritius | - | 50.00 | 50.00 |
| SML | Private Company | Port Louis | Mauritius | - | 50.00 | 50.00 |
| SYRAL | SAS | Marckolsheim | France | 403 138 225 | 50.00 | 50.00 |
| ZAHARCOM | SRL | Ludus | Romania | - | 50.00 | 50.00 |
| ZAHARUL | SA | Ludus | Romania | - | 50.00 | 45.56 |
| ZAMUR | SA | Ludus | Romania | - | 50.00 | 43.10 |
| **Equity method** | | | | | | |
| BCE | SCICA SA | Provins | France | 344 395 033 | 39.80 | 39.80 |
| COMASUCAR | SA | Orense | Spain | - | 25.00 | 25.00 |
| LESAFFRES FRERES | SA | Nangis | France | 407 508 604 | 45.35 | 45.35 |
| LOIRET France | SA | Nantes | France | 854 800 315 | 43.58 | 43.58 |
| NETBE | SAS | Loon Plage | France | 398 894 675 | 34.45 | 27.95 |
| SUCRIERE de la REUNION | SA | Ste Suzanne | France | 315 281 832 | 36.64 | 36.64 |
| SARDAA | SA | Marconnelle | France | 407 540 210 | 30.00 | 30.00 |
| SAVANNA | SAS | St André | France | 310 850 391 | 44.00 | 44.00 |
| SDN | SAS | Corbeilles | France | 402 499 321 | 24.94 | 24.94 |
| SEM | SAS | Thumeries | France | 429 856 974 | 34.00 | 34.00 |

***b) Changes in the scope of consolidation in 2005/2006***

The main acquisitions and divestitures were as follows:

*- Acquisitions 2005/2006*

- France
    - Financière des Hauts de France
    - Sucrière de Normandie
    - Franco Roumaine de Sucrerie
    - Société Artésienne de Déshydratation d'Alcool Agricole
- Romania
    - Zamur
    - Zaharul
    - Zaharcom
    - Romanian Sugar Holding
- Brazil
    - Companhia Energetica Saõ José
    - Saõ José Agricultura
    - Cruz Alta Participacoes
- Mauritius
    - Sena Holding Limited
    - Société Marromeu Limited
    - Tereos Océan Indien
- Czech Republic
    - Manolis
    - Chrudim
    - Agroetanol TTD
- Mozambique
    - Companhia De Sena
    - Sena Lines
- Netherlands
    - Ludus Factory Holding
- Italy
    - Tereos Italia
- UK
    - Tereos UK

*- Divestitures 2005/2006*

On 1 October 2005, AAD was sold and deconsolidated. This fully-owned French company was previously fully consolidated.

*- Merger 2005/2006*

Manolis, which was acquired on 31 March 2006, was merged into TTD on 1 April 2006.

***c) Changes in the scope of consolidation in 2004/2005***

The main acquisitions and divestitures were as follows:

*- Acquisitions 2004/2005*

- France
    - Raffinage Tereos
    - Sodes
    - Sodes Distribution
    - BENP Lillebonne
- Germany
    - Tereos Deutschland

*- Divestitures 2004/2005*

On 1 October 2004, the Spanish company, Loiret Haentjens Spain was deconsolidated. Prior to this date, the Group had a 51% holding in this company and it was fully consolidated.

On 1 October 2004, the French company, Hubau, was deconsolidated. Prior to this date, it was fully owned and fully consolidated by the Group.

On 23 November 2004, the French company, Cereplus, was deconsolidated. Prior to this date, it was 25%-owned by the Group and consolidated on a proportional basis.

On 30 April 2005, the Brazilian company FBA, was deconsolidated. Prior to this date, it was 47.5%-owned by the Group and consolidated on a proportional basis.

*- Mergers 2004/2005*

On 1 October 2004, Sucrerie Centrale de Cambrai, Tereos SA, Origny-Naples and Naples-Origny were merged into Tereos.

Olimpia was merged into Guarani on 3 May 2005, with retroactive effect from 30 April 2005.

Financière de Bois Rouge was merged into Berneuil Participation on 28 September 2005.

***d) Changes in the scope of consolidation in 2003/2004***

The main acquisitions and divestitures were as follows:

*- Acquisition 2003/2004*

- SDA Brabant SAS, (a French company)

*- Divestiture 2003/2004*

On 1 July 2004, the French company, Eribins, was deconsolidated. Prior to this date, it was 25%-owned by the Group and consolidated on a proportional basis.

*- Mergers 2003/2004*

On 1 October 2003, Bucy-Berneuil, SDA Brabant and Barbery were merged into Tereos.

Béghin-Say Hungary was merged into Tereos SA on 24 May 2004.

### 3. Intangible assets

***a) By nature***

| | 2004 | 2005 | 2006 | | |
|---|---|---|---|---|---|
| | Net | | Gross | Amortization | Net |
| | | | € million | | |
| Brands | 55.0 | 55.2 | 55.2 | 0.6 | 54.6 |
| Franchises, patents and licenses | 5.3 | 5.3 | 16.1 | 11.9 | 4.2 |
| Business goodwill | 4.0 | 3.5 | 17.2 | 12.5 | 4.7 |
| Other intangible assets[1] | 266.9 | 250.8 | 728.1 | 329.3 | 398.8 |
| **TOTAL** | **331.3** | **314.8** | **816.7** | **354.3** | **462.4** |

(1) Other intangible assets, which are generated through business combination and whose components cannot be valued separately, are treated as goodwill and amortized over the same period (20 years), in accordance with French GAAP.

***b) Changes***

| | 2003/2004 | 2004/2005 | 2005/2006 |
|---|---|---|---|
| | | € million | |
| **at 1 October** | **347.1** | **331.3** | **314.8** |
| Changes in scope of consolidation | 2.9 | 0.4 | 148.1 |
| Investments during the period | 0.8 | 12.1 | 41.5 |
| Divestitures | -0.3 | -0.7 | -14.0 |
| Amortization | -19.2 | -19.7 | -28.5 |
| Translation adjustments | - | 0.1 | 0.0 |
| Other movements | -0.1 | -8.7 | 0.5 |
| **at 30 September** | **331.3** | **314.8** | **462.4** |

*2005/2006*

Most of the changes in the scope of consolidation (€148.1 million) correspond to the partial contribution of industrial assets from SDHF to Tereos.

Investments made during the period (€41.5 million) mostly concern $CO^2$ emission quotas allocated by the State to different Group companies.

*2004/2005*

Acquisitions made during the period (€12.1 million) mostly concern $CO^2$ emission quotas allocated by the State to different Group companies.

An amount of €8.7 million was reclassified from intangible assets to goodwill (other movements).

### 4. Goodwill

***a) By nature***

| | 2004 | 2005 | 2006 | | |
|---|---|---|---|---|---|
| | Net | | Gross | Amortization | Net |
| | | | € million | | |
| France | 354.1 | 374.4 | 473.1 | 122.4 | 350.7 |
| Czech Rep. | 1.8 | 10.0 | 41.1 | 10.5 | 30.7 |
| Brazil | 38.1 | 38.7 | 118.3 | 14.6 | 103.7 |
| Mozambique | | - | 20.8 | 0.3 | 20.5 |
| **TOTAL** | **394.0** | **423.1** | **653.3** | **147.8** | **505.6** |

***b) Changes***

| | 2003/2004 | 2004/2005 | 2005/2006 |
|---|---|---|---|
| | | € million | |
| **at 1 October** | **415.1** | **394.0** | **423.1** |
| Acquisitions & divestments in the period | 3.4 | 34.4 | 108.6 |
| Amortization | -22.1 | -24.8 | -26.5 |
| Translation adjustments | -2.4 | 10.7 | 0.3 |
| Other movements | | 8.7 | |
| **at 30 September** | **394.0** | **423.1** | **505.6** |

*2005/2006*

The recognition of goodwill amounting to €108.6 million relates mainly to the acquisition of the following companies:

- The Brazilian companies Saõ José and Saõ José Agricultura: €66.2 million, including share acquisition costs of €39.7 million.
- The Mozambican companies, CDSS and Sena Lines: €20.8 million, including share acquisition costs of €16.8 million.
- The Czech company, Manolis: €20.2 million, including share acquisition costs of €20.9 million.

*2004/2005*

Acquisitions and divestitures during the period amounting to €34.4 million mainly comprise:

- The acquisition of an additional stake in Origny-Naples, as described in paragraph 1.2 Key events, generated goodwill of €39.1 million at 1 October 2004.
- Deconsolidation of FBA, as described in paragraph 2 (c) Changes in the scope of consolidation, led to derecognition of the goodwill related to this company amounting to €12.2 million.
- An amount of €8.7 million was reclassified from intangible assets to goodwill (other movements).

## 5. Property, plant and equipment

***a) By nature***

| | 2004 | 2005 | 2006 | | |
|---|---|---|---|---|---|
| | Net | | Gross | Depreciation | Net |
| | | | € million | | |
| Land | 50.6 | 44.5 | 72.5 | 12.6 | 59.9 |
| Buildings | 128.55 | 114.3 | 267.5 | 111.9 | 155.6 |
| Technical install., equip. & ind. tools | 208.5 | 196.8 | 1,009.2 | 616.0 | 393.2 |
| Other property, plant and equipment | 28.8 | 36.4 | 111.3 | 52.6 | 58.7 |
| Fixed assets in-progress | 36.4 | 43.1 | 161.7 | | 161.7 |
| Advances and down payments | | | | | 0.0 |
| **TOTAL** | **452.8** | **435.0** | **1,622.3** | **793.1** | **829.1** |

At 30 September 2006 the total net value of leased property, plant and equipment amounted to €12 million.

Fixed assets in progress at 30 September 2006 (€161.7 million) mainly include costs related to the new distilleries at Origny and Lillebonne.

*b) Changes*

| | | | |
|---|---|---|---|
| **at 1 October** | **474.7** | **452.8** | **435.0** |
| Changes in scope of consolidation | | -22.7 | 143.8 |
| Investments during the period | 89.3 | 65.3 | 207.9 |
| Divestitures | -12.2 | -11.9 | -4.7 |
| Amortization | -85.5 | -76.0 | -57.3 |
| Translation adjustments | -2.2 | 25.6 | -2.6 |
| Other movements | -11.3 | 1.9 | 107.0 |
| **at 30 September** | **452.8** | **435.0** | **829.1** |

*2005/2006*

Changes in scope of consolidation (€143.8 million) comprise the acquisition of the Mozambican and Brazilian companies, the partial contribution of assets from SDHF and deconsolidation of Artenay Agro Développement.

Other movements (€107 million) resulted from the application of *CRC* Rule 2002-10 ("component approach") to the depreciation and impairment of assets in line with the "retrospective method" throughout the Tereos Group (refer to paragraph 1.3. Change in accounting methods).

*2004/2005*

Changes in scope of consolidation (-€22.7 million) comprise the acquisition of Sodes and deconsolidation of FBA and Hubau.

Divestitures in the period (-€11.9 million) essentially relate to the discontinuation of the cereals activity as described in paragraph 1.2, Key events.

**6. Investments accounted for by the equity method**

| | 2004 | 2005 | 2006 | | |
|---|---|---|---|---|---|
| | Percentage of shareholders' equity | | | % capital held | Country |
| | | | € million | | |
| Brie Champagne Ethanol | 3.9 | 3.9 | 4.0 | 39.80 | France |
| Comasucar | 0.3 | 0.3 | 0.3 | 25.00 | Spain |
| Lesaffre Frères | 9.4 | 20.0 | 20.5 | 45.35 | France |
| Loiret France | 5.1 | 5.6 | 6.5 | 43.58 | France |
| Nord ETBE | 1.2 | 1.9 | 2.1 | 27.95 | France |
| Sucrière de la Réunion | 9.4 | 20.2 | 20.1 | 36.64 | France |
| Savanna | 7.7 | 8.3 | 6.1 | 44.00 | France |
| Société Européenne de Mélasse | 0.9 | 1.7 | 1.7 | 34.00 | France |
| SARDAA | 0.0 | 0.0 | 0.5 | 30.00 | France |
| Sucrière de Normandie | 0.0 | 0.0 | 0.9 | 24.94 | France |
| **TOTAL** | **38.0** | **62.0** | **62.6** | | |

## 7. Non-consolidated investments

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| | | € million | |
| Cosan | | 25.7 | 24.9 |
| GIE Utilité | 2.8 | 2.8 | 2.8 |
| SICA Pulposec de Chevrières | 1.3 | 1.7 | 1.7 |
| Chrudim | 1.5 | 1.6 | 0.0 |
| SICA Boiry | 1.1 | 1.1 | 1.1 |
| Other investments | 2.7 | 1.7 | 3.0 |
| **TOTAL** | **9.4** | **34.6** | **33.5** |

Cosan is not consolidated as it does not meet the criteria for consolidation by the equity method. At 30 September 2006, the Tereos Group held a 6.24% stake in Cosan equivalent to a market capitalization value of €152 million.

## 8. Other financial fixed assets

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| | | € million | |
| Guarantees and deposits | 0.5 | 1.3 | 5.7 |
| Inter-company loans and advances | 2.1 | 0.8 | 0.7 |
| Loans and advances to third parties | 2.3 | 1.1 | 1.2 |
| Other securities held for long-term investment | 1.1 | 0.8 | 1.3 |
| Other financial fixed assets | 4.7 | 5.3 | 7.7 |
| **TOTAL** | **10.7** | **9.4** | **16.6** |

## 9. Deferred taxation

| | 2003/2004 | | 2004/2005 | | 2005/2006 | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities |
| | | | € million | | | |
| **at 1 October** | **53.9** | **25.0** | **20.5** | **4.0** | **5.7** | **0.3** |
| Movements in the period | (34.4) | (9.0) | (15.4) | (3.3) | (4.8) | 1.8 |
| Change in scope of consolidation | 0.0 | 0.0 | (5.2) | 1.0 | 0.0 | 1.7 |
| Translation adjustments | 0.9 | 1.1 | 5.9 | (1.3) | (0.1) | 0.0 |
| Other movements | 0.0 | (13.1) | 0.0 | 0.0 | 0.0 | 4.7 |
| **at 30 September** | **20.5** | **4.0** | **5.7** | **0.3** | **0.9** | **8.5** |

*2005/2006*

Deferred tax assets at 30 September 2006 (€8.5 million) comprise the application impact of *CRC* Rule 2002-10 ("component approach") on the depreciation and impairment of assets for an amount of €6.4 million (as described in paragraph 1.3. Changes in accounting methods).

The amount of unrecognized tax loss carryforwards is not material.

*2004/2005*

Movements in the period mainly consist of the merger of Tereos SA into Tereos, a cooperative company partially liable for corporate income tax.

*2003/2004*

Movements in the period mainly reflect the utilization of Tereos SA's tax loss at year-end.

**10. Inventories and work in-progress**

| | 2004 | 2005 | 2006 | | |
|---|---|---|---|---|---|
| | Net | | Gross | Depreciation | Net |
| | | | € million | | |
| Raw materials | 95.5 | 102.1 | 111.0 | 4.8 | 106.1 |
| Work in-progress | 13.1 | 7.6 | 8.3 | | 8.3 |
| Finished products | 127.1 | 196.4 | 154.6 | 0.2 | 154.4 |
| Goods purchased for resale | 27.6 | 5.7 | 8.1 | 0.0 | 8.1 |
| **TOTAL** | **263.3** | **311.7** | **282.0** | **5.0** | **276.9** |

**11. Other receivables**

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| | | € million | |
| Other operating receivables | 75.3 | 96.7 | 105.5 |
| Accrued income tax refunds | 5.2 | 9.4 | 14.7 |
| Outstanding amounts on property transactions | 0.4 | 0.7 | 0.9 |
| Accrued income | 16.3 | 11.2 | 0.6 |
| Prepaid expenses | 19.0 | 21.5 | 48.2 |
| Deferred charges | 2.9 | 9.1 | 1.3 |
| **TOTAL** | **119.3** | **148.5** | **171.2** |

*2005/2006*

Changes in other operating receivables (€105.5 million) mainly resulted from the impact of changes in the scope of consolidation and in particular the acquisition of SDHF for an amount of €41.7 million.

Prepaid expenses (€48.2 million) mainly comprise supplies of consumables and expenses relating to the new production campaign for 2006/2007.

## 12. Changes in shareholders' equity—Group share

| | Capital | Additional paid-in capital | Legal reserve | Translation adjustments | Retained earnings and other reserves | Net profit/ (loss) | TOTAL |
|---|---|---|---|---|---|---|---|
| | | | | € million | | | |
| **at 30 September 2003** | **337.0** | **95.8** | **8.3** | **(0.3)** | **(41.6)** | **(33.9)** | **365.3** |
| Appropriation of financial results | | | 0.7 | | (34.6) | 33.9 | 0.0 |
| Distribution of dividends | | | | | (3.0) | | (3.0) |
| Profit/(loss) for the period | | | | | | 28.7 | 28.7 |
| Increase in capital | 14.0 | | | | | | 14.0 |
| Other | | 18.0 | | (2.1) | (21.2) | | (5.3) |
| **at 30 September 2004** | **351.0** | **113.8** | **9.0** | **(2.4)** | **(100.4)** | **28.7** | **399.8** |
| Appropriation of financial results | | | 0.9 | | 27.8 | (28.7) | 0.0 |
| Distribution of dividends | | | | | (4.9) | | (4.9) |
| Profit/(loss) for the period | | | | | | 4.3 | 4.3 |
| Increase in capital | 75.7 | 66.0 | | | (7.2) | | 134.5 |
| Other | | (0.7) | | 42.3 | (6.4) | | 35.2 |
| **at 30 September 2005** | **426.7** | **179.1** | **10.0** | **39.9** | **(91.1)** | **4.3** | **568.9** |
| Appropriation of financial results | | | 0.3 | | | (0.3) | 0.0 |
| Distribution of dividends | | | | | (1.9) | (4.0) | (5.9) |
| Profit/(loss) for the period | | | | | | 40.4 | 40.4 |
| Increase in capital | 129.0 | 81.9 | | | | | 210.9 |
| Other (*) | | | | 1.6 | 84.2 | | 85.8 |
| **at 30 September 2006** | **555.7** | **261.0** | **10.3** | **41.5** | **(8.9)** | **40.4** | **900.0** |

(*) Impact on Group share of the application of *CRC* Rule 2002-10 ("component approach") in line with the "retrospective method" (as described in paragraph 1.3. Changes in accounting methods).

## 13. Minority interests

| | 2003/2004 | 2004/2005 | 2005/2006 |
|---|---|---|---|
| | | € million | |
| **at 1 October** | **208.4** | **185.7** | **49.2** |
| Profit/(loss) for the period | 12.4 | 5.0 | 12.2 |
| Dividends | (2.4) | (4.9) | (5.0) |
| Acquisitions, divestitures and other changes in consolidation method | (21.0) | (138.7) | 38.7 |
| Translation adjustments | (1.5) | 2.1 | 1.2 |
| Other | (10.1) | 0.0 | 8,4(*) |
| **at 30 September** | **185.7** | **49.2** | **104.7** |

(*) Impact on minority interest share of the application of *CRC* Rule 2002-10 ("component approach") in line with the "retrospective method" (as described in paragraph 1.3. Changes in accounting methods).

*2005/2006*

The increase in minority interests over the period relates to acquisitions in Brazil, increases in capital to fund the development of the ethanol activity and the application of *CRC* Rule 2002-10 concerning the "retrospective method" described previously.

*2004/2005*

The change over the period reflects the acquisition of an additional stake in Origny-Naples, as described in paragraph 1.2 Key events.

**14. Loss and contingency provisions**

| | | | 2006 | | | | |
|---|---|---|---|---|---|---|---|
| | **2004** | **2005** | **Allowances** | **Uses** | **Reversals** | **Scope and translation adjustments** | **Balance** |
| | | | | € million | | | |
| Post-employment benefits | 7.8 | 8.6 | 0.8 | (0.2) | (0.8) | 1.4 | 9.7 |
| Restructuring | 19.3 | 10.1 | 18.5 | (3.2) | | 1.2 | 26.5 |
| Commercial risks | 0.2 | 0.0 | 0.1 | | | 0.1 | 0.2 |
| Employee-related contingencies | 0.3 | 0.5 | | | | 0.1 | 0.6 |
| Provisions for major repairs | - | 2.8 | | | (0.5) | | 2.3 |
| Other loss and contingency provisions | 14.4 | 3.3 | 1.5 | (1.2) | (1.2) | 4.4 | 6.9 |
| **TOTAL** | **42.0** | **25.3** | **20.9** | **(4.6)** | **(2.5)** | **7.1** | **46.2** |

***a) Post-employment benefits***

Post employment benefits at 30 September 2006 are covered by a provision for €9.7 million and by an external insurance fund totaling €10.9 million. They are measured using the "retrospective" projected unit credit method in accordance with French GAAP and CNC Recommendation 2003-R-01. The Group applied a discount rate of 4.25%.

***b) Provision for restructuring***

At 30 September 2006, loss and contingency provisions include a restructuring provision that covers both a previous modernization and cost reduction program and a provision booked in the 2005/2006 financial year in relation to the business combination with SDHF.

**15. Financial debt**

The Group mainly uses two types of financial debt: bank borrowings and debenture loans.

***a) Debenture loans***

At 30 September 2006, outstanding debenture loans amounted to €25.7 million, or 2.42% of gross outstanding financial debt.

***b) Bank borrowings***

On 26 April 2006, Tereos entered into a new credit arrangement with a banking consortium covering a total line of credit of €1.5 billion. At 30 September 2006 the Group had drawn down a total amount of €669 million.

The costs of setting up this new credit arrangement were recorded under non-recurring charges in the period.

The remaining balance comprises bank borrowings, overdrafts, and participating and subordinated loans for an amount of €208 million.

***c) Financial and participating debt***

At 30 September 2006, financial and participating debt totaled €88.3 million and consisted of miscellaneous debt including subordinated loans, leases, export advances and debt related to employee profit sharing.

*d) Debt repayment schedule*

| | 2004 | | | 2005 | | | 2006 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Short term | Medium & long term | Total | Short term | Medium & long term | Total | Short term | Medium & long term | Total |
| | | | | | € million | | | | |
| Bank borrowings | 321.6 | 356.0 | 677.6 | 81.7 | 576.0 | 657.7 | 5.8 | 772.7 | 778.5 |
| Debenture loans | 17.9 | 81.8 | 99.7 | 3.5 | 101.9 | 105.4 | 15.4 | 10.3 | 25.7 |
| Other debts | 3.8 | 5.0 | 8.8 | 1.1 | 4.2 | 5.3 | 1.2 | 4.4 | 5.6 |
| Overdraft | 39.0 | 0.0 | 39.0 | 18.9 | 0.0 | 18.9 | 11.1 | 0.0 | 11.1 |
| Employee profit sharing | 2.3 | 0.0 | 2.3 | 0.7 | 1.7 | 2.4 | 0.0 | 2.8 | 2.8 |
| **Total France - Sugar and Alcohol activity** | **384.6** | **442.8** | **827.4** | **105.9** | **683.8** | **789.7** | **33.5** | **790.2** | **823.7** |
| Bank borrowings | 53.5 | 0.0 | 53.5 | 16.7 | 17.3 | 34.0 | 6.4 | 10.8 | 17.2 |
| Other debts | 23.4 | 0.0 | 23.4 | 8.3 | 14.1 | 22.4 | 15.7 | 15.9 | 31.6 |
| Overdraft | 29.1 | 0.0 | 29.1 | 32.3 | 0.0 | 32.3 | 16.2 | 0.0 | 16.2 |
| **Total France - Other activities** | **106.0** | **0.0** | **106.0** | **57.3** | **31.4** | **88.7** | **38.3** | **26.7** | **65.0** |
| Bank borrowings | 11.6 | 0.0 | 11.6 | 4.8 | 3.2 | 8.0 | 30.8 | 23.5 | 54.3 |
| Other debts | 8.9 | 1.4 | 10.3 | 1.5 | 1.2 | 2.7 | 45.7 | 2.6 | 48.3 |
| **Total - Other countries** | **20.5** | **1.4** | **21.9** | **6.3** | **4.4** | **10.7** | **76.5** | **26.1** | **102.6** |
| **Total** | **511.1** | **444.2** | **955.3** | **169.5** | **719.6** | **889.1** | **148.3** | **843.0** | **991.3** |

*e) Net indebtedness*

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| | | € million | |
| Financial debt | 955.3 | 889.1 | 991.3 |
| Cash and cash equivalents | 62.3 | 32.3 | 92.5 |
| Investment securities | 80.8 | 15.2 | 8.8 |
| **Total** | **812.2** | **841.5** | **890.0** |

*f) Indebtedness by rate basis*

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| | | € million | |
| Financial debt | 955.3 | 889.1 | 991.3 |
| Fixed rate borrowings | 26.2 | 33.1 | 78.6 |
| Variable rate borrowings(1) | 929.1 | 856.0 | 912.7 |

(1) including hedges of variable rates, amounting to €602.3, €652.8 and €788.3 for the financial years 2004, 2005 and 2006, respectively.

Finance costs totaled €62.2 million at 30 September 2006.

**16. Other liabilities**

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| | | € million | |
| Other operating liabilities | 85.5 | 160.5 | 214.4 |
| Tax liabilities | 37.4 | 51.2 | 80.2 |
| Outstanding amounts on fixed assets | 12.8 | 2.6 | 13.4 |
| Accrued expenses | 44.9 | 11.6 | 2.8 |
| Prepaid income | 5.9 | 15.9 | 36.0 |
| **Total** | **186.5** | **241.8** | **346.7** |

*2005/2006*

Other operating liabilities comprise tax and social security liabilities and other operating liabilities. The increase in the 2005/2006 financial year (€214.4 million) was mainly the result of the partial contribution of assets from SDHF and the acquisition of the Mozambican company (CDSS) and the Brazilian company (Saõ José).

Prepaid income (€36 million) mainly comprises CO² emission quotas allocated by the state to different Group companies.

**17. Breakdown of assets**

***a) By geographical zone***

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| | | € million | |
| **Non-current assets** | **1,236.0** | **1,278.8** | **1,909.8** |
| France | 1,011.4 | 991.4 | 1,365.7 |
| of which, property, plant & equip. | 301.7 | 260.7 | 508.4 |
| Czech Republic | 69.2 | 70.7 | 138.1 |
| of which, property, plant & equip. | 57.4 | 58.9 | 104.2 |
| Reunion | 44.0 | 60.7 | 68.2 |
| of which, property, plant & equip. | 19.8 | 23.5 | 31.3 |
| Brazil | 111.4 | 156.0 | 278.7 |
| of which, property, plant & equip. | 73.9 | 91.9 | 146.6 |
| Rest of the world | 0.0 | 0.0 | 59.1 |
| of which, property, plant & equip. | 0.0 | 0.0 | 38.6 |
| **Current assets** | **777.4** | **750.2** | **861.9** |
| France | 575.2 | 566.5 | 543.6 |
| Czech Republic | 50.0 | 60.9 | 52.4 |
| Reunion | 50.0 | 42.9 | 39.5 |
| Brazil | 102.2 | 79.9 | 212.9 |
| Rest of the world | 0.0 | 0.0 | 13.5 |

***b) By segment***

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| | | € million | |
| **Non-current assets** | **1,236.0** | **1,278.8** | **1,909.8** |
| Sugar beet | 964.6 | 926.7 | 1,251.8 |
| of which property, plant & equip. | 272.3 | 229.7 | 407.4 |
| Sugar cane | 146.1 | 228.7 | 418.7 |
| of which property, plant & equip. | 94.0 | 125.4 | 224.2 |
| Glucose | 59.7 | 58.3 | 72.1 |
| of which property, plant & equip. | 54.0 | 52.9 | 65.8 |
| Alcohol/ Bio-ethanol | 36.8 | 45.2 | 155.4 |
| of which property, plant & equip. | 14.4 | 17.0 | 128.1 |
| Other | 28.8 | 19.9 | 11.8 |
| of which property, plant & equip. | 18.1 | 10.0 | 3.6 |
| **Current assets** | **777.4** | **750.2** | **861.9** |
| Sugar beet | 493.8 | 459.9 | 448.3 |
| Sugar cane | 162.6 | 180.1 | 309.1 |
| Glucose | 24.2 | 18.2 | 15.5 |
| Alcohol/ Bio-ethanol | 30.7 | 65.5 | 68.7 |
| Other | 66.1 | 26.5 | 20.3 |

## 18. Breakdown of sales

*a) By geographical production area*

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| | | € million | |
| France | 1,434.1 | 1,294.3 | 1,653.0 |
| Czech Republic | 105.0 | 110.1 | 129.1 |
| Reunion | 54.9 | 56.3 | 50.4 |
| Brazil | 125.8 | 141.8 | 260.0 |
| Rest of the world | 0.0 | 0.0 | 10.3 |
| **Total** | **1,719.8** | **1,602.4** | **2,102.9** |

*b) By segment*

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| | | € million | |
| Sugar beet | 1,088.6 | 920.8 | 1,223.8 |
| Sugar cane | 145.5 | 245.1 | 393.6 |
| Alcohol | 90.7 | 148.4 | 167.8 |
| Bio-Ethanol | 20.3 | 27.5 | 89.4 |
| Cereals | 118.2 | 0.7 | 0.2 |
| Glucose | 62.0 | 65.6 | 65.8 |
| Supplies | 62.0 | 49.9 | 38.0 |
| By products | 47.6 | 46.5 | 48.2 |
| Other | 84.8 | 97.8 | 76.1 |
| **Total** | **1,719.8** | **1,602.4** | **2,102.9** |

*2005/2006*

The increase in sales was mainly driven by the partial contribution of assets from SDHF and the development of the Brazilian market.

*2004/2005*

The fall in sales was mainly the result of the selling off of the cereals activity.

## 19. Net financial expense

| | 2003/2004 | 2004/2005 | 2005/2006 |
|---|---|---|---|
| | | € million | |
| Foreign exchange losses | (0.7) | (1.7) | (0.1) |
| Other financial income | 6.2 | 6.8 | 6.3 |
| Financial expenses on loans | (58.2) | (54.4) | (62.2) |
| Additions to financial provisions | (0.3) | (0.1) | (7.1) |
| **TOTAL** | **(53.0)** | **(49.3)** | **(63.1)** |

## 20. Non-recurring Income/expense

| | 2003/2004 | 2004/2005 | 2005/2006 |
|---|---|---|---|
| | | € million | |
| Restructuring programmes | (2.0) | (0.6) | (24.3) |
| Capital gains on disposal of assets | 0.8 | 13.3 | 39.1 |
| Finance costs | - | (9.2) | (20.0) |
| Other non-recurring (expense) income | (3.5) | 0.5 | 1.7 |
| **TOTAL** | **(4.8)** | **3.9** | **(3.4)** |

*2005/2006*

Restructuring programs (€24.3 million) mainly include costs related to the modernization and cost reduction programs and a provision booked in relation to the business combination with SDHF.

Capital gains on disposal of assets (€39.1 million) mainly relate to the sale of AAD and the Guarani/Saõ José share exchange.

Finance costs (€20 million) mainly related to the establishment of the existing senior credit facility.

*2004/2005*

Capital gains on disposal of assets (€13.3 million) resulted mainly from the selling off of the cereals activity.

### 21. Income tax

| | 2003/2004 | 2004/2005 | 2005/2006 |
|---|---|---|---|
| | | € million | |
| Current taxes | 6.5 | 15.9 | 18.2 |
| Deferred taxes | 25.4 | 5.7 | 4.9 |
| **TOTAL** | **31.9** | **21.6** | **23.1** |

Due to Tereos' tax status as a cooperative company partially liable for corporate income tax, the tax burden mainly falls on non-French companies. For this reason, it is not possible to reconcile the actual and theoretical tax charge.

### 22. Financial commitments

***a) Foreign exchange and interest rates hedges (€ million):***

| (interest rate and foreign exchange) | 2004 | 2005 | 2006 |
|---|---|---|---|
| Commitments given(1) | - | 233.0 | 852.5 |
| Reciprocal commitments(2) | 677.2 | 755.6 | 688.4 |
| **Total** | **677.2** | **988.6** | **1,540.9** |

(1) Commitments given consist of purchases of interest rate options in the form of caps.
(2) At 30 September 2006, reciprocal commitments can be broken down as follows:

- 5.14% related to forward purchases and sales of foreign currencies to hedge commercial transactions that must be settled in a period ranging from 1 to 18 months. All foreign exchange risks arising from the Group's commercial activities are systematically hedged.
- 45.5% concerned interest rate hedges (for which the Group pays a fixed rate "ordinary swaps")
- 49.4% concerned interest rate hedges (for which the Group pays a variable rate with fixed rate collars)

***b) Hedging of raw materials***

The Group's companies hedge their forward export sales of sugar (outside the European Union) on Euronext.liffe. Commitments given by the Group can be analyzed as follows:

| | 2004 | 2005 | 2006 | |
|---|---|---|---|---|
| | Value contracted for (€ million) | | Volume (tonnes thousands) | Value contracted for (€ million) |
| Forward purchases of sugar | 33.7 | 26.6 | 10.0 | 3.7 |
| Forward sales of sugar | 9.5 | 35.8 | 15.0 | 5.3 |

*c) Other financial commitments*

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| | | € million | |
| (1) - Endorsements, sureties and counter-guarantees given to third parties | 97.2 | 103.8 | 47.0 |
| (2) - Endorsements, sureties and counter-guarantees given to related companies | 51.3 | 53.7 | 35.9 |
| (3) - Endorsements and sureties received from third parties | 36.9 | 48.3 | 29.9 |

(1) These amounts mainly consist of deposits paid to the *FIRS* (sugar market intervention and regularization fund), *BIRB* (Belgian payment agency) and customs deposits necessary for the day-to-day management of sugar exports and imports of brown sugar by Tereos and Raffinage Tereos.

(2) Relate to comfort letters issued on behalf of subsidiaries.

(3) Endorsements and sureties received mainly concern CO2 emission quotas allocated to Group companies for 2005 and 2006.

**23. Workforce (unaudited)**

***Workforce at the balance sheet date by category***

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| Corporate officers | 11 | 8 | 24 |
| Other executives | 503 | 447 | 678 |
| Employees | 1,088 | 937 | 1,957 |
| Workers | 3,064 | 2,723 | 4,244 |
| **TOTAL[1]** | **4,666** | **4,115** | **6,903** |

(1) These figures do not include agricultural workers in Brazil and Mozambique.

*2005/2006*

The increase in the workforce was mainly driven by the acquisition of Saõ José and the Mozambican companies.

*2004/2005*

The drop in the workforce mainly reflected the deconsolidation of FBA.

**24. Environmental policies**

The business activities of the Tereos Group are regulated by environmental legislation, particularly in relation to gas emissions, treatment of waste water, soil protection and the reduction of noise and olfactory pollution. The Group has, and will continue to invest considerable sums in regulatory compliance. Within this regulatory context, the Group has introduced monitoring and regular testing of production facilities to ensure that the Group's equipment meets current regulatory standards.

**25. Remuneration of corporate officers**

For reasons of confidentiality (articles D248-12 of the French Decree of 23March 1967), no information is disclosed concerning the remuneration of Tereos' corporate officers.

**26. Pro forma financial statements**

The pro forma financial statements at 30 September 2005 take account of the partial contribution of assets made by SDHF.

The pro forma financial statements at 30 September 2006 exclude the financial impact of the application of *CRC* Rule 2002-10 (“component approach”) on assets (refer to paragraph 1.3. Change in accounting methods and 1.8. Property, plant and equipment).

***Balance sheet***

| | TEREOS 30 September 2005 (actual) | TEREOS 30 September 2005 (pro forma) (included SDHF) | TEREOS 30 September 2006 (pro forma) (excluding “component approach”) | TEREOS 30 September 2006 (actual) |
|---|---|---|---|---|
| | € million | | | |
| Intangible assets | 314.8 | 464.1 | 462.4 | 462.4 |
| Goodwill | 423.1 | 423.2 | 505.6 | 505.6 |
| Property, plant and equipment | 435.0 | 516.8 | 699.0 | 829.1 |
| Financial fixed assets | 105.9 | 119.3 | 112.7 | 112.7 |
| **Total fixed assets** | **1,278.8** | **1,523.4** | **1,779.7** | **1,909.8** |
| **Current assets** | 702.7 | 760.7 | 761.4 | 760.6 |
| **Cash and cash equivalents** | 47.5 | 60.4 | 101.3 | 101.3 |
| **Total assets** | **2,029.0** | **2,344.5** | **2,642.4** | **2,771.7** |
| Consolidated shareholders’ equity | 618.1 | 762.6 | 883.6 | 1,004.7 |
| Loss and contingency provisions | 31.1 | 34.4 | 51.5 | 59.7 |
| Financial debt | 889.1 | 985.3 | 991.3 | 991.3 |
| Other liabilities | 490.8 | 562.2 | 716.0 | 716.0 |
| **Total liabilities** | **2,029.0** | **2,344.5** | **2,642.4** | **2,771.7** |

***Profit and loss account***

| | TEREOS 30 September 2005 (actual) | TEREOS 30 September 2005 (included SDHF) | TEREOS 30 September 2006 (pro forma) (excluding “component approach”) | TEREOS 30 September 2006 (actual) |
|---|---|---|---|---|
| | € million | | | |
| **Sales** | 1,602.4 | 1,662.8 | 2,102.9 | 2,102.9 |
| **Operating income** | 94.4 | 81.1 | 139.7 | 164.7 |
| **Net financial expense** | (49.3) | (51.0) | (63.1) | (63.1) |
| **Profit/(loss) before tax and exceptional items** | **45.1** | **30.1** | **76.6** | **101.6** |
| **Net non-recurring income** | 3.9 | (16.8) | (3.4) | (3.4) |
| **Income tax** | (21.6) | (21.7) | (22.3) | (23.1) |
| **Net income from fully-consolidated companies** | 27.4 | (8.4) | 50.9 | 75.1 |
| **Share in income of companies accounted for by the equity method** | 6.2 | 6.7 | 4.1 | 4.1 |
| **Amortization of goodwill** | (24.5) | (24.5) | (26.5) | (26.5) |
| **Net consolidated profit/(loss)** | **9.2** | **(26.2)** | **28.4** | **52.6** |

It should be noted that in this instance SDHF closed its financial statements on 31 August 2005. Its previous year-end was 31 March 2005 and consequently its profit and loss account included in the pro forma income statement represents only five months of activity.

The operating loss of €9.6 million generated by this company was due the absence of a sugar beet campaign over these five months (which affected revenues) and the recognition of inter-campaign expenses of approximately €10.4 million.

Moreover, SDHF's non-recurring income at 30 September 2005 included expenses totaling €20 million related to the business combination with Tereos.

**27. Subsequent events**

***1. Transactions in Brazil***

The Brazilian company, Cruz Alta Participaçoes, a subsidiary of Tereos, has completed the following transactions:

- Acquisition of 100% of the capital of Tanabi on 1 December 2006 for an amount of BRL46.2 million.
- Repurchase of 16.85% of the shares of Saõ José held by the minority shareholders for an amount of BRL67 million. The Tereos Group now controls 95.31% of Saõ José's capital.

***2. Transactions in France.***

Berneuil Participations, a subsidiary of Tereos, in partnership with the Groups' long-standing cooperative cereal growers, acquired 50% of Syral, which was previously owned by Nordzucker. Upon completion of this transaction, Tereos increased its stake in Syral from 50% to 55.56% on 5 January 2007 at a cost of €4.5 million. This subsidiary will be fully consolidated from financial year 2007.

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