

## Results for Six Months to 30 September 2010

4 November 2010, London



Good morning and welcome to the presentation of Tate & Lyle's results for the six months ended 30 September 2010.

## Agenda

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Key Results and Operating Highlights	Javed Ahmed
Financial Review	Tim Lodge
Outlook	Javed Ahmed
Focus, Fix, Grow: Update	Javed Ahmed

The agenda for today's presentation is on the screen.

I am pleased to report that our results for the first six months of the financial year were encouraging and that we have made good progress with the initiatives we are undertaking to focus, fix and grow our business.

I will provide you with a more detailed update later in the presentation.

# Key Results and Operating Highlights

Javed Ahmed, Chief Executive

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Moving to our key results.

## Key Results

Six Months to September

### Continuing operations <sup>1</sup>

	2010 (£1=US\$1.52)	2009 (£1=US\$1.60)	Change	Change at constant currency
Adjusted operating profit <sup>2</sup>	<b>£170m</b>	£144m	18%	13%
Speciality Food Ingredients adjusted operating profit	<b>£108m</b>	£82m	32%	27%
Bulk Ingredients adjusted operating profit	<b>£85m</b>	£75m	13%	8%
Diluted EPS <sup>2</sup>	<b>23.5p</b>	18.0p	31%	21%
Dividend	<b>6.8p</b>	6.8p		
Free cash flow <sup>3</sup>	<b>£162m</b>	£225m		
Net debt	<b>£540m</b>	£987m		

<sup>1</sup> Excluding the results of the Sugars segment in both periods

<sup>2</sup> Before exceptional items and amortisation of acquired intangible assets

<sup>3</sup> Free cash flow is defined as operating cash flows from continuing operations after working capital, interest, taxation and capital expenditure

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Unless stated to the contrary, all our comments will refer to the continuing operations at constant currency.

Adjusted operating profit was up 13% at £170m, driven by a strong performance from Speciality Food Ingredients which increased by 27% and an improved performance from Bulk Ingredients which was up 8%.

Diluted earnings per share on continuing operations increased by 21% to 23.5p benefiting from a lower effective tax rate. The Board has approved a dividend of 6.8p, maintained in line with the prior year.

We generated £162m of free cash flow during the period, and combined with the proceeds from the sale of our EU Sugar Refining operations, achieved a further reduction in net debt of 34% in the six months, to £540m at the end of September.

## Operating Highlights

### Strong performance in Speciality Food Ingredients

- Higher sales volumes and improved product mix
- Full benefits from single plant Sucralose manufacturing footprint

### Improved performance in Bulk Ingredients

- Strong seasonal demand for corn sugars in US and continuation of firm demand patterns in Mexico

### Benefit from corn price dynamics during the period

- Lower average net corn costs during the period
- Higher co-product income due to US and European corn price increases during summer

Looking at the operating highlights for the six months.

We experienced strong profit growth in Speciality Food Ingredients, driven by higher sales volumes across all product lines, improved product mix and the full benefits from the single plant Sucralose manufacturing footprint.

Bulk Ingredients benefited from strong seasonal demand for corn sugars in the US as well as the continued firm demand patterns in Mexico.

Corn price dynamics also benefited us during the period with lower net corn costs combined with higher co-product income.

## KPI Progress

		Six months to 30 September		
	KPI	Measure	2010	2009
Financial performance <sup>1</sup>	Growth in Speciality Food Ingredients	Sales	£414m	£403m
	Profitability	Adjusted operating profit	£170m	£144m
	Working capital efficiency	Cash conversion cycle	33 days	43 days
Financial strength	Balance sheet	Net debt / EBITDA Interest cover	1.4x 6.8x	2.4x 5.3x

<sup>1</sup> Excluding the results of the Sugars segment in both periods

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Back in May, we announced that we would report a set of Key Performance Indicators to measure our performance. The KPIs for asset utilisation and safety will be reported annually, but the progress in our other KPIs for the six months to 30 September 2010 is shown on this slide.

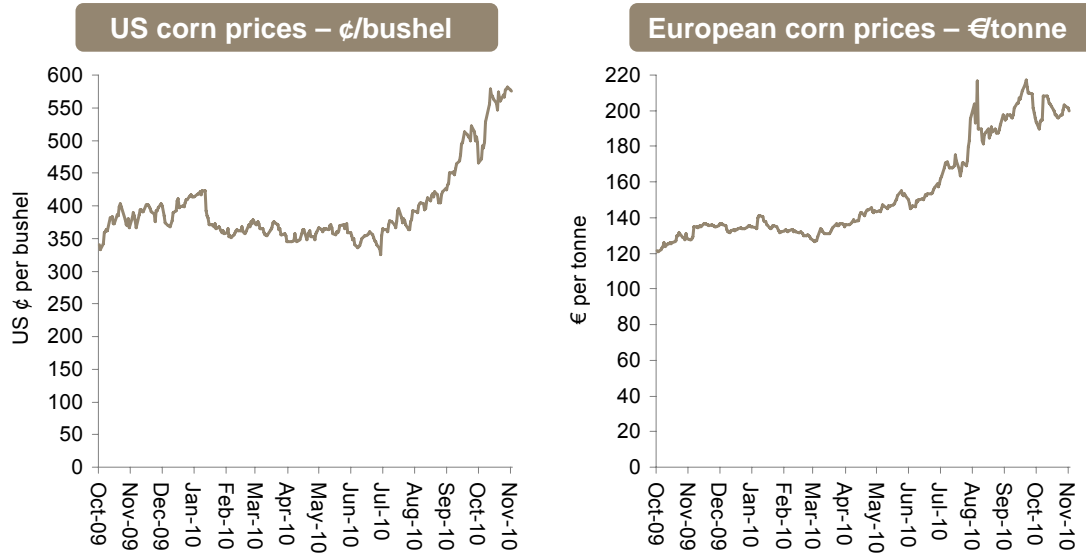
During the six months, we generated sales of £414m from Speciality Food Ingredients, flat in constant currency.

As mentioned earlier, adjusted operating profit for the Group was £170m, representing a 13% increase.

We continue to focus on actions to improve working capital efficiencies and through our efforts have improved our cash conversion cycle to 33 days, from 43 days a year ago.

We have continued to strengthen the Group's balance sheet. Through the progress we have made on net debt, we have significantly reduced our net debt to EBITDA ratio to 1.4 times at 30 September 2010. Our current level means that we are well within our new internal target of not more than 2 times. During the year, we have also improved our interest cover from 5.3 times to 6.8 times.

## Corn Prices



Source: Bloomberg

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Global corn prices have increased towards the end of the summer following the tightening of world grain supplies as a result of adverse weather conditions. As at the start of November, corn prices in both the US and Europe were up by around 50% from a year ago.

The increase in corn prices in the US and Europe delivered a benefit to our co-product income in the first half of the financial year. Just to remind you, in the US we fully hedge the gross cost of corn for use in each sales contract. However, in Europe where hedging options are more limited, higher corn prices are expected to have a modest impact on profitability on current contracts during the final quarter of the 2010 calendar year.

With higher corn prices and anticipated tighter corn supply, we would expect to carry higher levels of working capital in the business at 31 March 2011.

Let me now give you a little more colour on the performance within our two business segments ...

## Speciality Food Ingredients

Adjusted Operating Profit<sup>1</sup> (+32% reported, +27% constant currency)

### Starch-based Speciality Ingredients

- Volume increases across all major product lines
- New product launches in Health & Wellness category
- Commissioned first polydextrose facility in Europe

c.50% of segmental sales by value

### High Intensity Sweeteners

- Robust volume growth offset by lower selling prices
- Full benefits from single plant Sucralose manufacturing footprint

c.25% of segmental sales by value

### Food Systems

- Volume growth driven by increases in Asia Pacific, US and South Africa

c.25% of segmental sales by value

**7% sales volume growth across segment**

<sup>1</sup> Before exceptional items and amortisation of acquired intangible assets

Firstly, Speciality Food Ingredients.

This slide shows the broad product platforms in the segment and their approximate contributions to sales by value.

Overall, the Speciality Food Ingredients segment achieved a 7% increase in sales volumes.

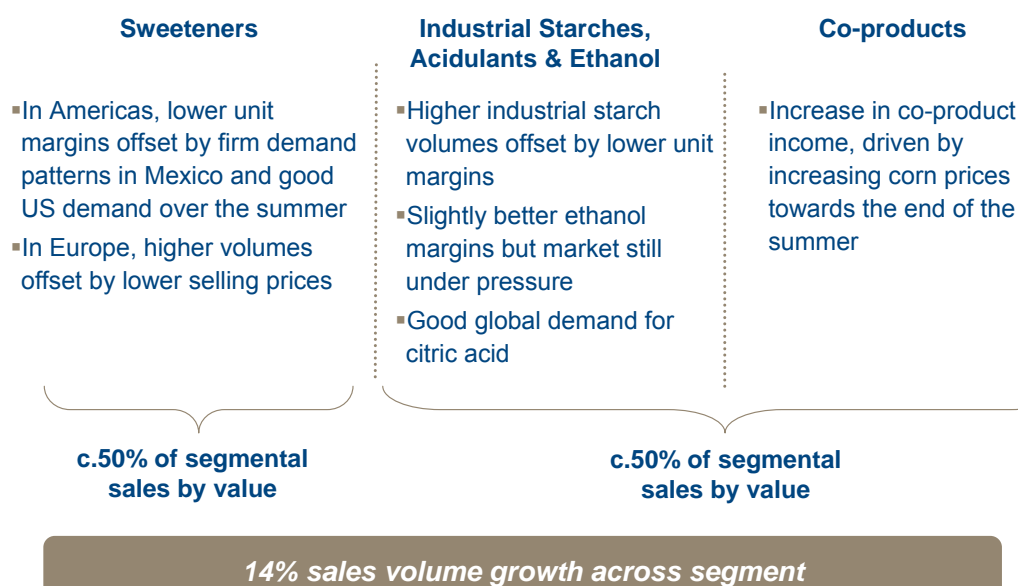
In starch-based speciality ingredients we saw volume increases across all major product categories. We continued to see positive growth in demand for products in the Health and Wellness area and launched a number of new ingredients including Resistamyl 140 – a bakery cream starch in Europe, and Promitor Corn Fiber 85 – a high fibre, low-calorie pre-biotic fibre, in the US and Latin America. We also commissioned the first polydextrose facility in Europe, in response to customer demand.

In High Intensity Sweeteners, namely Sucralose, we continued to experience robust volume growth. Sales by value were slightly lower, reflecting lower average selling prices due to volume-incentive arrangements in long-term customer contracts.

Food Systems continued to perform well, achieving high single digit volume growth, driven by increases in Asia Pacific and South Africa as well as in the US.

## Bulk Ingredients

Adjusted Operating Profit<sup>1</sup> (+13% reported, +8% constant currency)



<sup>1</sup> Before exceptional items and amortisation of acquired intangible assets

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Moving on to Bulk Ingredients.

Sweeteners account for around 50% of this segment's sales by value.

Overall, we achieved strong sales volume growth of 14% across the segment.

In the Americas, profits from sweeteners were marginally above the comparative period. As expected, unit margins were lower. However, this was more than offset by good volume growth driven by strong seasonal demand for corn sugars in the US and the continuation of firm demand patterns in Mexico.

In Europe, increased isoglucose or corn sugar volumes were partially offset by lower selling prices following the final reduction in European sugar reference prices on 1 October 2009.

In industrial starch, the modest increase in volumes was more than offset by lower unit margins. In ethanol, the market remained under pressure despite slightly better unit margins.

Our citric acid business performed well with volumes benefiting from good global demand.

As mentioned previously, we saw an increase in co-product income, driven by the higher corn prices towards the end of the summer.

I will now hand over to Tim who will take you through the financials in more detail.

# Financial Review

**Tim Lodge, Chief Financial Officer**

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Thank you Javed, and good morning.

## Income Statement

### Six Months to September

Continuing operations <sup>1</sup>

£m, unless stated	2010 (£1=US\$1.52)	2009 (£1=US\$1.60)	At constant currency
Sales	1,348	1,298	-
Adjusted operating profit <sup>2</sup>	170	144	13%
Net finance expense	(34)	(37)	13%
<b>Adjusted profit before tax <sup>2</sup></b>	<b>136</b>	<b>107</b>	<b>21%</b>
Exceptional items	(25)	(55)	
Amortisation of acquired intangibles	(7)	(7)	
<b>Profit before tax</b>	<b>104</b>	<b>45</b>	<b>121%</b>
Income tax (expense) / credit	(8)	1	
<b>Profit from continuing operations</b>	<b>96</b>	<b>46</b>	<b>109%</b>
<b>Adjusted diluted earnings per share <sup>2</sup></b>	<b>23.5p</b>	<b>18.0p</b>	<b>21%</b>

<sup>1</sup> Excluding the results of the Sugars segment in both periods

<sup>2</sup> Before exceptional items and amortisation of acquired intangible assets

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Starting with the income statement for the continuing operations, sales at £1.3 billion were flat at constant currency. Volumes were higher but lower unit sales prices for some products offset these. The lower sales prices for these products were linked closely to lower net corn costs. Operating profit at £170 million was 13% ahead of the comparative period at constant currency, while profit before tax of £136 million was £29 million, or 21% ahead, aided by a £7 million lower net interest charge for post retirement plans. The average US\$ exchange rate against the pound was stronger than the comparative period. This led to a positive impact on profit before tax of £5 million. Let me remind you that every 1 cent on the average dollar:sterling exchange rate for the full year typically impacts our full year profit before tax by around £1.3 million. This £1.3 million can broadly be broken down into an impact on Speciality Food Ingredients of £1 million, on Bulk Ingredients of £600 thousand, with an offsetting £300 thousand in the net interest charge.

I'll talk about the exceptional item and tax in a moment.

## Sales and Operating Profit

Six Months to September 2010

Continuing operations <sup>1</sup>

£m, unless stated	Sales	At constant currency	Adjusted operating profit <sup>2</sup>	At constant currency
Speciality Food Ingredients	414	-	108	27%
Bulk Ingredients	934	-	85	8%
	<b>1,348</b>	-	<b>193</b>	<b>18%</b>
Central costs			(23)	(77%)
	<b>1,348</b>	-	<b>170</b>	<b>13%</b>

<sup>1</sup> Excluding the results of the Sugars segment

<sup>2</sup> Before exceptional items and amortisation of acquired intangible assets

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This slide shows the segmental sales and operating profit and we will look at that by division shortly, but let me cover Central costs here. At £23 million Central costs were higher than the comparative period by £10 million. We incurred a further £6 million of non-recurring costs arising from the review of the Group's activities. So underlying costs were £17 million and I anticipate costs to be similar to this underlying rate in the second half.

So, turning to Speciality Food Ingredients in more detail....

## Speciality Food Ingredients

Six Months to September

Continuing operations <sup>1</sup>

£m, unless stated	2010	2009	At reported rates	At constant currency
Sales	414	403	3%	-
Adjusted operating profit <sup>1</sup>	108	82	32%	27%
Margin <sup>1</sup>	26.1%	20.3%		
Operating cash flow	105	92		

- Volumes increased by 7%
- Exchange translation improved profit by £3m
- Full benefits achieved from single plant Sucralose manufacturing footprint

<sup>1</sup> Before exceptional items and amortisation of acquired intangible assets

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Overall volumes increased by 7%. Sales were flat at constant currency, reflecting the impact of lower average sucralose selling prices driven by the volume incentives within our long-term customer contracts.

Adjusted operating profit increased by £26m, or 27%, with improvement in all major product families as well as all geographies. The effect of exchange translation was to increase profit by £3m. We achieved the full benefits from the single plant Sucralose manufacturing footprint. Operating profit margin on sales for the division increased from 20.3% to 26.1%.































































