

**6 February 2015 – Tate & Lyle PLC**

## **TRADING STATEMENT**

With the annual sweetener pricing round largely complete, Tate & Lyle issues the following trading statement for the three months ended 31 December 2014.

### **THIRD QUARTER OPERATING PERFORMANCE**

- Speciality Food Ingredients in line with our expectations
- Bulk Ingredients weaker driven by lower US sweetener volumes and ethanol margins
- Diagnostic review of global supply chain confirms no material incremental capital investment is required; improvements to operating and internal planning processes being implemented

### **SPECIALITY FOOD INGREDIENTS**

Speciality Food Ingredients, excluding SPLENDA<sup>®</sup> Sucralose, performed in line with our expectations, with volumes slightly ahead of the prior year period driven by solid growth in Europe and Asia Pacific. Customer demand for new products launched from our innovation pipeline remains high, with these new products delivering another quarter of strong volume growth.

SPLENDA<sup>®</sup> Sucralose performed in line with our expectations with volumes slightly lower than the prior year period. The sucralose market remained, and looks set to continue to be, extremely competitive and our approach remains only to compete for volumes where we see value. We expect to conclude the project to evaluate how best to maximise returns from this product by the end of the current quarter.

We continue to invest in the higher growth emerging markets. On 8 December 2014, we acquired a majority equity interest in Gemacom Tech Indústria e Comércio S.A. (Gemacom), the leading domestically-owned Food Systems business in Brazil. In December, we also re-purchased certain distribution rights to sell crystalline fructose directly to customers primarily in Asia Pacific for a consideration of US\$18million. This will be treated as an exceptional cost in the full year income statement.

### **BULK INGREDIENTS**

Bulk Ingredients performed below the prior year period driven by the impact of lower US sweetener volumes in part due to capacity constraints in the wider US transportation network, weakening EU sugar prices which affected bulk sweetener prices in Europe, and a sharp deterioration in ethanol margins near the end of the period. The combined impact of these industry-related factors meant that Bulk Ingredients performed below our expectations.

Consistent with our strategy to dampen commodities volatility, we have progressively re-positioned our Bulk Ingredients business such that tolling contracts now represent around 75% of US corn sweetener volumes. Contracts in the 2015 calendar year pricing round for the remaining 25% of corn sweetener volumes were renewed at higher unit margins, although this benefit for the overall division will be offset in the final quarter and into the 2016 financial year by a combination of lower volumes as grind is diverted to Speciality Food Ingredients and the impact of continued pricing pressure in US ethanol and EU bulk sweetener markets.

## **REVIEW OF DEMAND, SUPPLY AND PLANNING PROCESSES**

The diagnostic review of global demand, supply and planning processes announced in September 2014 has been completed. This confirms that the programme of incremental capital expenditure announced as part of our May 2014 full year results, together with ongoing actions to increase inventory held closer to our customers, will allow us to better manage customer needs going forward. Accordingly, no material incremental capital investment is required beyond the already announced incremental capital expenditure which we expect to come on stream in the second half of the 2016 financial year. The review also confirms that improvements are needed to operating and supply chain planning capabilities and to the robustness of internal planning processes. A programme to implement these improvements is underway, with a number of short-term actions already in place, and it is anticipated this will take 12 to 18 months to embed fully. Together, these actions are expected to improve the capabilities required to support future growth in our Speciality Food Ingredients business.

As previously reported, we expect to incur costs of around £40 million in the current financial year as a result of operational and supply chain disruption. Of this, around £15 million relates to operational costs which are not expected to reoccur in the next financial year. The remaining costs relate mainly to lost sales due to product unavailability and while we expect a return to normal levels of growth off a lower base, we do not expect to see the incremental benefit of the recovery of these lost sales in the 2016 financial year.

## **BALANCE SHEET**

Net debt at 31 December 2014 was £466 million (30 September 2014 – £383 million), reflecting investments in future growth including the continued deployment of capital expenditure previously announced, the acquisition of a majority stake in Gemacom, and the repurchase of crystalline fructose distribution rights. The effect of exchange translation was to increase net debt by £15 million.

## **OUTLOOK FOR THE YEAR ENDING 31 MARCH 2015**

While Speciality Food Ingredients is anticipated to continue to perform in line with our expectations, following the weak performance of Bulk Ingredients in the third quarter driven by lower US sweetener volumes and pressure in ethanol and EU bulk sweetener markets, which we anticipate

will continue through the fourth quarter, we now expect Group profits for the full financial year to be modestly below the range stated in September 2014 of £230 to £245million<sup>1</sup>.

---

<sup>1</sup> Range based on forecast foreign exchange rates of GBP:USD £1.00:\$1.69 in September 2014

**END**

**Conference call:**

A conference call will be held today at 8:00am GMT, hosted by Javed Ahmed, Chief Executive and Nick Hampton, Chief Financial Officer. Participants are requested to dial in at least 10 minutes before the commencement of the call.

Dial in details are as follows:

Standard International Access: +44 (0) 20 3003 2666

Password: Tate & Lyle

UK replay number: +44 (0) 20 3350 6902

Replay access PIN: 1243240

A replay of this call will be available after the end of the live call for 14 days until 19 February 2015.

**For more information contact Tate & Lyle PLC:**

Christopher Marsh, Group VP, Investor and Media Relations

Tel: +44 (0) 20 7257 2110 or Mobile: +44 (0) 7796 192 688

Andrew Lorenz, FTI Consulting (Media)

Tel: +44 (0) 20 3727 1323 or Mobile: +44 (0) 7775 641 807

**About Tate & Lyle:**

Tate & Lyle is a global provider of ingredients and solutions to the food, beverage and other industries, with operations in over 30 locations worldwide.

Tate & Lyle operates through two global divisions, Speciality Food Ingredients and Bulk Ingredients, supported by our Innovation and Commercial Development and Global Operations groups. The Group's strategy is to become a leading global provider of Speciality Food Ingredients through a disciplined focus on growth, and by driving Bulk Ingredients for sustained cash generation to fuel this growth.

Speciality Food Ingredients consists of three platforms: Texturants, which includes speciality starches and stabilisers; Sweeteners, which comprises nutritive sweeteners and our range of no-calorie sweeteners including SPLENDA<sup>®</sup> Sucralose; and our Health and Wellness portfolio which includes speciality fibres and

our salt-reduction offering. Additionally, our Food Systems business provides a wide variety of blended ingredient solutions.

Tate & Lyle Bulk Ingredients includes bulk sweeteners, industrial starches and fermentation products (primarily acidulants). Corn co-products from both divisions are primarily sold as animal feed.

Tate & Lyle is listed on the London Stock Exchange under the symbol TATE.L. American Depositary Receipts trade under TATYY. In the year to 31 March 2014, Tate & Lyle sales totalled £3.1 billion. For more information, please visit <http://www.tateandlyle.com>.

SPLENDA® is a trademark of McNeil Nutritionals, LLC.