7 November 2019

TATE & LYLE

TATE & LYLE PLC STATEMENT OF HALF YEAR RESULTS

For the six months to 30 September 2019

Six months to 30 September[1] Continuing operations £m unless stated otherwise	Adjusted results 2019	2018	Constant currency change	Statutory results 2019	2018	Change
Sales	**1 476**	1 383	2%			7%
Profit before tax (PBT)	**181**	166	3%	**164**	113	45%
Diluted earnings per share (pence)	**30.5p**	27.9p	3%	**27.8p**	17.4p	60%
Net debt – comparative at 31 March 2019				**465***	337	
Dividend per share (pence)				**8.8p**	8.6p	

Key highlights

- Encouraging first-half with performance in line with our expectations
  - Food & Beverage Solutions delivered top-line momentum and double-digit profit[2] growth
  - Sucralose performed solidly with profit[2] broadly in-line with the comparative period
  - Primary Products profit[2] lower in challenging market conditions
- 'Sharpen, Accelerate, Simplify' priorities supporting performance
- Four-year US$100m productivity programme on track
- Balance sheet strengthened following UK pension buy-in and debt refinancing
- Important sustainable agriculture programme launched
- Full-year guidance unchanged

Financial highlights

- 11% increase in Food & Beverage Solutions profit[2] to £90m
  - Sales 4% higher[3] with good price and mix management in all regions
  - Volume in line with the comparative period
- 1% decrease in Sucralose profit[2] to £29m
- 5% decrease in Primary Products profit[2] to £86m
  - Sweeteners and Starches profit[2] 5% lower; Commodities profit[2] in line with the comparative period
- Group statutory profit before tax 45% higher due to lower net exceptional costs
- 3% increase[3] in adjusted profit before tax
- 3% increase[3] in adjusted diluted earnings per share
- Adjusted free cash flow £19m higher at £171m (£2m higher on pre-IFRS 16 basis[*])
- Net debt to EBITDA 1.0x (0.6x on pre-IFRS16 basis[*])
- Interim dividend increased by 0.2p to 8.8p per share; up 2.3%

Nick Hampton, Chief Executive, said:

"We made encouraging progress in the first half. In Food & Beverage Solutions, increased focus on pricing and mix management delivered strong growth. Profit from Primary Products was lower despite good performance from our manufacturing and supply chain network as market conditions continued to be challenging. Both divisions benefited from productivity gains and cost discipline. Cash generation was higher and during the half we took further actions to strengthen our balance sheet.

Our priorities to sharpen the focus on our customers, accelerate portfolio development and simplify the business are driving momentum across the organisation and supporting performance. We are also proud to have established an important programme to support sustainable agriculture for US-grown corn.

Overall, the business is in a strong financial position and delivering clear strategic progress.

Despite market challenges, our outlook for the year ending 31 March 2020 is unchanged and we continue to expect earnings per share growth in constant currency to be broadly flat to low-single digit."

1 The adjusted results for the six months to 30 September 2019 have been adjusted to exclude exceptional items, amortisation of acquired intangible assets and the tax on those adjustments. A reconciliation of statutory and adjusted information is included in Note 2 to the Financial Information. Growth percentages are calculated on unrounded numbers.
2 Adjusted operating profit, percentage change in constant currency
3 Change in constant currency
* IFRS 16 Leases adoption increased net debt by £173 million and adjusted free cash flow by £17 million. Comparatives have not been restated.

FINANCIAL HIGHLIGHTS

Six months to 30 September Continuing operations	2019 £m	2018 £m	Change	Constant currency change
Sales:				
– Food & Beverage Solutions	**478**	443	8%	4%
– Sucralose	**76**	77	(1%)	(5%)
– Primary Products	**922**	863	7%	1%
Sales	**1 476**	1 383	7%	2%
Adjusted operating profit				
– Food & Beverage Solutions	**90**	77	17%	11%
– Sucralose	**29**	27	5%	(1%)
– Primary Products	**86**	85	1%	(5%)
– Central	**(22)**	(23)	7%	8%
Adjusted operating profit	**183**	166	10%	4%
Net finance expense	**(15)**	(13)		
Share of profit after tax of joint ventures	**13**	13		
Adjusted profit before tax	**181**	166	9%	3%
Adjusted effective tax rate	**20.9%**	21.5%		
Adjusted diluted earnings per share	**30.5p**	27.9p	9%	3%
Adjusted free cash flow	**171**	152		
Net debt – comparative at 31 March 2019	**465**	337		

The adjusted results for the six months to 30 September 2019 have been adjusted to exclude exceptional items, amortisation of acquired intangible assets and the tax on those adjustments. A reconciliation of statutory and adjusted information is included in Note 2 to the Financial Information. Growth percentages are calculated on unrounded numbers.

- Food & Beverage Solutions adjusted operating profit of £90m:
  - Sales 4% higher[1] reflecting good price and mix management and the pass through of higher net corn costs.
  - New Products sales increased[1] 12% to £55m, representing 11% of Food & Beverage Solutions sales.
  - Profit 11% higher[1] reflecting cost discipline.
- Sucralose adjusted operating profit of £29m, broadly in-line in constant currency:
  - Production efficiencies and customer mix largely offset lower volume.
- Primary Products adjusted operating profit of £86m:
  - Sweeteners and Starches profit 5% lower[1] with good performance from manufacturing and supply chain and cost discipline partly offsetting weaker volume from challenging market conditions.
    - Sweetener volume in line with the comparative period.
    - Industrial Starch volume 12% lower reflecting the closure of paper capacity at a customer's facility and weaker paper and packaging demand.
  - Commodities profit of £6m, in line with the comparative period in constant currency.
- Central costs at £22m, 8% lower[1].
- Net finance costs of £15m, 12% higher[1] reflecting increased lease interest following IFRS 16 adoption.
- Net exceptional costs of £11m with net exceptional cash outflow of £12m. Exceptional items relate to actions to simplify the business and the portfolio.
  - £5m restructuring charge as part of the simplification programme.
  - £6m closure costs of Primary Products' small, non-core savoury ingredients business.
- Adjusted effective tax rate of 20.9% (2018 – 21.5%), lower than expected due to the pension buy-in transaction. Adjusted effective tax rate for the 2020 financial year expected to be in the 20% to 22% range.
- Group statutory profit before tax of £164m, £51m higher mainly due to lower exceptional costs.
- Adjusted free cash flow[2] increased to £171m. Cash generation from operations was strong, while capital expenditure in the half was £11m higher at £73m.
- Net debt[2] at £465m, was £128m higher than at 31 March 2019. Following the adoption of IFRS 16 lease liabilities of £173m are now included in net debt.

1 Change in constant currency
2 IFRS 16 Leases was adopted in the year without restating comparatives. Lease payments are now classified as financing rather than operating cash flows increasing adjusted free cash flow by £17 million. IFRS 16 lease liabilities increased net debt by £173 million at 30 September 2019.

Cautionary statement

This Statement of Half Year Results contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Tate & Lyle PLC. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts.

A copy of this Statement of Half Year Results for the six months to 30 September 2019 can be found on our website at www.tateandlyle.com. A hard copy of this statement is also available from the Company Secretary, Tate & Lyle PLC, 1 Kingsway, London WC2B 6AT.

Webcast and Conference Call Details

A presentation of the results by Chief Executive, Nick Hampton, and Chief Financial Officer, Imran Nawaz, will be audio webcast live at 10.00 (GMT) on Thursday 7 November 2019. To view and/or listen to a live audio-cast of the presentation, visit https://brrmedia.news/62fmj. Please note that remote listeners will not be able to ask questions during the Q&A session.

A webcast replay of the presentation will be available within two hours of the end of the live broadcast on the link above.

For those unable to view the webcast, there will also be a teleconference facility for the presentation. Details are given below:

Dial in details:
UK dial in number: +44 (0)330 336 9411
US dial in number: +1 323 794 2588
Password: 8690611

There will be no replay facility for the teleconference. Please use the link above to view the webcast replay.

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Overview

We have made an encouraging start to the year with good commercial and operational execution together with strong cost discipline and gains from productivity initiatives delivering solid financial results. The three priorities we announced in May 2018 to sharpen the focus on our customers, accelerate portfolio development and simplify the business are driving momentum across the organisation and supporting performance. Cash generation remains good, our balance sheet is robust, and we continue to invest for long-term growth. Overall, although we continue to face external cost pressures and an evolving and uncertain geopolitical landscape, the business is in a strong financial position and delivering clear strategic progress.

Purpose-driven organisation

Tate & Lyle's purpose is *Improving Lives for Generations*. Our people believe passionately that, through our purpose, we can successfully grow our business and have a positive impact on society. We live our purpose through three main pillars. Firstly, supporting healthy living by using our ingredients and expertise to help people make healthier and tastier choices when they eat and drink, and lead a more balanced lifestyle. Secondly, to help build thriving communities where we operate. Thirdly, to care for the planet we live on and help protect it for the benefit of future generations.

In September, we announced an important multi-year partnership with Land O' Lakes SUSTAIN™, a US conservation solutions provider, to support sustainable agriculture practices on 1.5 million acres of US-grown corn. This is equivalent to every single acre of corn we buy globally each year. Under the programme, participating farmers in the Midwest receive customised support to help measure and improve greenhouse gas emissions, nitrogen efficiency, water usage, wind erosion and soil quality. We are the first corn wet-milling ingredient supplier to launch a sustainable agriculture programme of this kind.

We are also working to increase energy efficiency and reduce carbon emissions in our business. During the half, the Board approved the construction of a new natural-gas fired combined heat and power system at our Lafayette South corn wet-mill in Indiana. This investment, which is subject to local regulatory approval, is due to be completed in the second half of the 2021 calendar year and will deliver significant improvements in energy and operational efficiency, and substantially reduce greenhouse gas emissions.

Focus on three priorities to 'Sharpen, Accelerate, Simplify' supporting performance

Sharpen the focus on our customers

- We continue to build stronger relationships at all levels of our customers' organisations. In the first half, in addition to increased 'top-to-top' interactions with customers, the number of calls or face-to-face meetings held each month with customers to discuss growth opportunities increased by 20%. This helped increase the value of our customer project pipeline by 6% in the same period and drive top-line growth.
- We are increasingly seeking new ways to collaborate with customers. During the half, we held our first two-day Fibre Symposium for around 50 customers at our Innovation Centre in Chicago, as well as a two-day sugar-reduction event in Shanghai with more than 80 customers. We also launched our Healthink workshops across Asia Pacific in Singapore, Malaysia and Vietnam. Healthink brings together customers, academia, trade associations, NGOs and our technical experts to look at ways to drive thinking on healthier food and drink, and how our ingredients and solutions can be used to tackle increasing levels of obesity, diabetes and digestive health concerns.
- In October, we opened our new offices and expanded labs in Sao Paulo, Brazil, and a further expansion of our existing application labs in Singapore. Both will allow us to collaborate more closely with customers and to help them develop new products, and reformulate existing products, to meet increasing consumer demand for healthier, tastier food and beverages.

Accelerate portfolio development

- New Product sales were 12% higher than the comparative period. This growth was driven largely by our clean-label starches and fibre products.
- We continue to improve the balance of our innovation portfolio with an increasing emphasis on developing line extensions (i.e. new variants of existing product lines) as these tend to have faster financial returns. For example, in the first half we launched three new non-GMO starch products from our CLARIA® line of clean label starches which add shelf-stability with a clean taste, white colour, and neutral flavour to frozen soups, sauces, and bakery fillings.

- We continue to expand our global open innovation network. Through our partnership with TERRA, a leading Food & Agriculture Incubator, we partnered with three more start-ups on early stage developments in areas such as food safety and reclaiming value from waste streams.

Simplify our business

- We are on track to deliver our four-year US$100 million productivity target. This programme commenced in the 2019 financial year to drive supply chain and selling and administration costs benefits, delivering £25 million in productivity benefits in its first year.
- We approved capital investments to reduce energy costs and increase efficiency such as a new co-generation system and new boilers.
- We delivered cost reduction and efficiency improvements in our supply chain including projects to reclaim energy, de-bottleneck production processes and improve yields through waste reduction.
- Zero-based budgeting continues to reduce discretionary costs, particularly in areas such as travel, contractors and events.
- We introduced new systems and processes to automate and reduce bureaucracy, including new tools for recipe management and remote working.

Strong balance sheet

Our strong balance sheet provides the means to invest in accelerating growth and during the first half we took actions to strengthen and de-risk it further. In August, we priced US$200 million of long-term debt which will be used to refinance a maturing debt facility at lower cost. In September, we supported the trustees of our main UK pension scheme in completing a £930 million bulk annuity insurance 'buy-in' securing an insurance policy to meet the future pensions obligations for our main UK pension scheme without incremental funding by the Group. This will create an annual cash benefit of £20 million from the 2021 financial year.

Executive management

To simplify our management structure, the four regional general managers in Food & Beverage Solutions now report directly to Nick Hampton, Chief Executive. In addition, on 1 September 2019, Harry Boot, President, Asia Pacific, Food & Beverage Solutions was appointed to the Group's Executive Committee.

Outlook

The outlook for the year ending 31 March 2020 remains unchanged. On 23 May 2019, the Group gave the following outlook statement for the year ending 31 March 2020:

"We expect continuing progress in Food & Beverage Solutions and gains from productivity initiatives to offset both lower Sucralose profits and continued market challenges in Primary Products. As a result, we expect earnings per share growth in constant currency to be broadly flat to low-single digit."

SEGMENTAL OPERATING PERFORMANCE

Food & Beverage Solutions

Six months to 30 September Continuing operations	2019 Volume change
Volume	
North America	1%
Asia Pacific and Latin America	3%
Europe, Middle East and Africa	(3%)
Total	-%

	2019 £m	2018 £m	Change %	Constant currency change %
Sales				
North America	235	211	12%	6%
Asia Pacific and Latin America	115	105	10%	8%
Europe, Middle East and Africa	128	127	-%	-%
Total	478	443	8%	4%
Adjusted operating profit	90	77	17%	11%

Strong profit growth

Volume was in line with the comparative period. Sales increased by 4% in constant currency to £478 million driven by good price and mix management and the impact of passing through higher net corn costs. Adjusted operating profit was 11% higher in constant currency driven by good sales growth, cost discipline and operating leverage. The effect of currency translation was to increase sales by £16 million and adjusted operating profit by £4 million.

North America

Top-line momentum continued with volume up 1% and sales 6% higher at £235 million. Sales growth was driven by good progress across a range of categories, notably beverage, bakery and dairy (especially ice cream). While the overall US food and beverage market remains largely flat, we continue to see strong customer demand in our key categories, particularly to deliver sugar and calorie reduction.

Asia Pacific and Latin America

Volume increased by 3%. Sales increased by 8% in constant currency to £115 million with single-digit growth in Asia Pacific and double-digit growth in Latin America. In Asia Pacific, we saw good sales growth in China in dairy and in South East Asia in soups, sauces and dressings. In Latin America, sales growth was strong in Mexico and in dairy in the Southern Cone. In Brazil, macroeconomic conditions improved and new front-of-pack labelling rules led to reformulation opportunities with customers.

Europe, Middle East and Africa

Volume decreased by 3%, while sales at £128 million were in line with the comparative period as we continued to exit lower margin texturant business to improve mix. The expansion of our facility in Slovakia to double capacity of high-grade maltodextrin (used in categories such as baby food) opened in October 2019.

New Products

Sales of New Products (products launched in the last seven years) increased by 12% in constant currency (16% reported currency) to £55 million. New Products represent 11% of Food & Beverage Solutions sales. Sales of PROMITOR® Soluble Fibre increased strongly reflecting its use as a fibre enrichment solution and for sugar and calorie reduction particularly in beverage, dairy, confectionery and bakery. We also saw good growth in Non-GMO texturants and clean label starches from our CLARIA® line of functional starches.

Sucralose

Six months to 30 September Continuing operations	2019 £m	2018 £m	Change %	Constant currency change %
Volume			(6%)	
Sales	76	77	(1%)	(5%)
Adjusted operating profit	29	27	5%	(1%)

Solid results

Sucralose volume decreased by 6% and sales at £76 million decreased by 5% in constant currency principally due to phasing. Adjusted operating profit at £29 million was 1% lower in constant currency reflecting good customer mix and cost management. The effect of currency translation was to increase sales by £3 million and adjusted operating profit by £2 million.

Primary Products

Six months to 30 September Continuing operations	2019 Volume change
Volume	
North American Sweeteners	-%
North American Industrial Starches	(12%)
Total Primary Products	(2%)

	2019 £m	2018 £m	Change %	Constant currency change %
Sales				
Total Primary Products	922	863	7%	1%
Adjusted operating profit				
Sweeteners and Starches	80	80	1%	(5%)
Commodities	6	5	5%	-%
Total Primary Products	86	85	1%	(5%)

Profit lower in constant currency in challenging market conditions

Volume was 2% lower with sweeteners in line but weaker demand for industrial starch. Sales at £922 million were up 1% in constant currency reflecting the pass through of higher net corn costs. Adjusted operating profit at £86 million was 5% lower in constant currency.

Adjusted operating profit in Sweeteners and Starches was 5% lower in constant currency with good performance from manufacturing and supply chain and strong cost discipline offsetting cost inflation and weaker volume from challenging market conditions. There was a £4 million insurance recovery in the comparative period. Commodities profit at £6 million was in line in constant currency.

To simplify our business and focus capital investment on key priorities, we have decided to close our small, non-core, savoury ingredients business and not invest the significant capital required to sustain this business, with production due to cease at the end of the 2019 calendar year.

The effect of currency translation was to increase sales by £46 million and adjusted operating profit by £5 million.

Sweeteners

Volume was in line with the comparative period due to strong customer service and operational performance, despite soft demand for bulk sweeteners in the US. Demand for carbonated soft drinks in the US continued to be soft, partly reflecting higher pricing and lower promotional intensity within that category.

Industrial Starches

Volume was 12% lower due to the closure of paper capacity at a customer’s facility combined with weaker demand for paper and for packaging as e-commerce operators drove packaging optimisation initiatives. US domestic demand was also impacted by increased imports of paper.

Commodities

Commodities delivered profit of £6 million, in line in constant currency. Co-product recoveries were in line with the comparative period. Ethanol cash margins declined while income from our network of corn elevators increased slightly.

Summary of financial results for the period to 30 September 2019 (unaudited)

Six months to 30 September[1] **Continuing and total operations**	**2019** **£m**	2018 £m	Change %	Constant currency change %
Sales	**1 476**	1 383	7%	2%
Adjusted operating profit				
- Food & Beverage Solutions	**90**	77	17%	11%
- Sucralose	**29**	27	5%	(1%)
- Primary Products	**86**	85	1%	(5%)
- Central	**(22)**	(23)	7%	8%
Adjusted operating profit	**183**	166	10%	4%
Net finance expense	**(15)**	(13)		
Share of profit after tax of joint ventures	**13**	13		
Adjusted profit before tax	**181**	166	9%	3%
Exceptional items	**(11)**	(47)		
Amortisation of acquired intangible assets	**(6)**	(6)		
Profit before tax	**164**	113	45%	36%
Income tax expense	**(33)**	(32)		
Profit for the period	**131**	81		
Earnings per share (pence)				
Basic	**28.2p**	17.6p	60%	51%
Diluted	**27.8p**	17.4p	60%	51%
Adjusted earnings per share (pence)				
Basic	**30.8p**	28.2p	9%	3%
Diluted	**30.5p**	27.9p	9%	3%
Cash flow and net debt[2]				
Adjusted free cash flow	**171**	152		
Net debt – At 30 September (comparative at 31 March 2019)	**465**	337		

1 Adjusted results and a number of other terms and performance measures used in this document are not directly defined within accounting standards. We have provided descriptions of the various metrics and their reconciliation to the most directly comparable measures reported in accordance with IFRS and the calculation (where relevant) of any ratios in Note 2.
2 IFRS 16 Leases was adopted in the year without restating comparatives. Lease payments are now classified as financing rather than operating cashflows increasing adjusted free cash flow by £17 million. IFRS 16 lease liabilities increased net debt by £173 million at 30 September 2019.

Sales from continuing operations of £1,476 million were 7% higher than the prior period (2% higher in constant currency).

Adjusted profit before tax of £181 million was 9% higher than the prior period (3% in constant currency). Adjusted diluted earnings per share increased by 2.6p to 30.5p (3% in constant currency).

On a statutory basis, profit before tax increased by £51 million to £164 million driven by an improved operating performance and lower exceptional charges of £11 million (2018 – £47 million). As a result, statutory diluted earnings per share increased by 10.4p to 27.8p.

Central costs

Central costs, which include head office costs and certain treasury and legal activities, were 7% lower (8% in constant currency) at £22 million, reflecting continued strong cost discipline.

Net finance expense

Net finance expense from continuing operations was £2 million higher than the prior period at £15 million, driven predominantly by the adoption of the new leasing standard, IFRS 16, which increased finance expense by £3 million. This has been partially offset by higher finance income on cash deposits.

On 1 August 2019 the Group priced a US$200 million debt private placement which will be issued on 19 November 2019 at which point US$100 million 3.31% notes due 2029 and US$100 million 3.41% notes due 2031 will be drawn down. The proceeds will be used to refinance a maturing £200 million 6.75% bond.

Share of profit after tax of joint ventures

The Group's share of profit after tax of joint ventures of £13 million was in line with the prior period (2% lower in constant currency).

Exceptional items

In the six months to 30 September 2019, the Group recorded a net exceptional charge of £11 million, and a net exceptional cash outflow of £12 million. Exceptional items comprised the following:

- £5 million restructuring charge as part of the previously announced simplification programme, of which £3 million is an exceptional cash item.
- £6 million charge relating to the decision to exit the Primary Products' small, non-core savoury ingredients business of which £1 million is an exceptional cash item.
- Total cash flows from exceptional items were £12 million, including £10 million relating to charges recorded in the year to 31 March 2019.

During the six months to 30 September 2018, the Group recorded a net exceptional charge of £47 million which mainly comprised a £40 million non-cash impairment charge.

Taxation

The adjusted effective tax rate on earnings for the six months to 30 September 2019 was 20.9% (2018 – 21.5%), the lower rate primarily reflecting the pension buy-in transaction which enabled the utilisation of some previously unrecognised tax losses in the period. We now expect the adjusted effective tax rate for the year ending 31 March 2020 to be in the range of 20% to 22%.

The reported effective tax rate (on statutory earnings) was 20.4% (2018 – 28.2%), the higher comparative period rate reflecting higher non-tax deductible exceptional costs.

Earnings per share

Adjusted basic earnings per share increased by 9% (3% in constant currency) to 30.8p and adjusted diluted earnings per share at 30.5p were also 9% higher (3% in constant currency). Statutory diluted earnings per share increased by 10.4p to 27.8p reflecting lower exceptional charges in the period.

Dividend

An increase in the interim dividend for the six months to 30 September 2019 of 0.2p to 8.8p has been approved by the Board. This will be paid on 3 January 2020 to all shareholders on the Register of Members on 22 November 2019. In addition to the cash dividend option, shareholders will continue to be offered a Dividend Reinvestment Plan alternative.

Cash flow and net debt

	Six months to 30 September[1]	
	2019	2018
	£m	£m
Adjusted operating profit from continuing operations	**183**	166
Adjusted for:		
Depreciation and adjusted amortisation	**91**	69
Working capital and other non-cash items in adjusted operating profit	**21**	24
Net interest and tax paid	**(35)**	(31)
Net retirement benefit obligations	**(16)**	(14)
Capital expenditure	**(73)**	(62)
Adjusted free cash flow[2]	**171**	152

	At 30 September	At 31 March
	2019	2019
	£m	£m
Net debt[2]	**465**	337

1 Adjusted results and a number of other terms and performance measures used in this document are not directly defined within accounting standards. We have provided descriptions of the various metrics and their reconciliation to the most directly comparable measures reported in accordance with IFRS, and the calculation where relevant of any ratios, in Note 2.
2 IFRS 16 Leases was adopted in the year without restating comparatives. Lease payments are now classified as financing rather than operating cash flows increasing adjusted free cash flow by £17 million. IFRS 16 lease liabilities increased net debt by £173 million at 30 September 2019.

Adjusted free cash flow (representing cash generated from continuing operations after net interest paid, income tax paid, and capital expenditure, and excluding the impact of exceptional items) was £171 million, £19 million higher than the prior period mainly due to the adoption of IFRS 16 Leases in the period. Before the impact of IFRS 16, adjusted free cash flow was £2 million higher.

Capital expenditure of £73 million, which included an £11 million investment in intangible assets, was £11 million higher reflecting continued investment in capacity as well as safety, efficiency and maintenance investments. We continue to expect capital expenditure for the 2020 financial year to be around £140 million to £160 million.

Other significant cash flows in arriving at net debt included: £27 million of dividends received from joint ventures, external dividend payment of £97 million, and a £8 million payment for share option commitments.

Overall net debt at 30 September 2019 of £465 million was £128 million higher than at 31 March 2019. The adoption of IFRS 16 increased net debt by £173 million at 30 September 2019. Strong cash generation decreased net debt by £61 million in the period (2018 – decrease of £80 million) before the adverse impact of exchange rates. Foreign currency translation, mainly due to the stronger US dollar, increased net debt by £23 million.

Retirement benefits

The Group maintains pension plans for its employees and former employees in a number of countries. Certain of these arrangements are defined benefit pension schemes. All funded schemes in the UK and US are closed for further accrual. In the US, the Group also provides an unfunded post-retirement medical benefit scheme.

On 18 September, the Group further de-risked its retirement benefit obligations by supporting the trustees of the main UK defined benefit pension scheme in completing a £930 million bulk annuity insurance policy ‘buy-in’ for that scheme. The ‘buy-in’ secured an insurance asset that fully matches the remaining pension liabilities of the scheme, with the result that the Company no longer bears any investment, longevity, interest rate or inflation risk.

The scheme assets and liabilities were close to balance on a funding basis, and the opportunity therefore arose for a ‘buy-in’ transaction requiring no incremental funding by the Group. As the scheme was in surplus on an accounting basis, in accordance with the relevant accounting standards the impact of this transaction was to derecognise £195 million of pension scheme accounting surplus by charging the same amount to other comprehensive income. There was no impact on profit before tax.

The other significant movement in retirement benefit obligations in the period relates to actuarial losses of £155 million, which arose because of a reduction in the discount rates applied to pension liabilities in the US and UK. The corresponding gain on plan assets in the period was £114 million. Neither items impacted profit before tax.

Retirement benefits (continued)

At 30 September 2019, the Group's retirement benefit obligations are now in a net deficit of £207 million (31 March 2019 – surplus of £24 million), with the movement principally reflecting the charges to other comprehensive income set out above. The closing total net deficit substantially comprises the unfunded schemes in the US.

As a result of the 'buy-in' cash contributions into the main UK scheme will cease, saving approximately £20 million of cash annually from the 2021 financial year.

Further information about retirement benefit obligations is included in Note 8 to the condensed consolidated financial statements.

Basis of preparation

The Group's principal accounting policies are unchanged compared with the year ended 31 March 2019.

With effect from 1 April 2019 the Group has adopted IFRS 16 Leases which has had a material impact on Group net debt and adjusted free cash flow and IFRIC 23 Uncertainty over Income Tax Treatments which has not had a material impact. As permitted by IFRS 16 comparatives have not been restated. Further information can be found in Note 11.

Details of the basis of preparation, including information in respect of the Group's adjusted performance metrics, can be found in Note 1 to the attached financial information. Growth percentages are calculated on unrounded numbers.

Going Concern

After making enquiries, the Directors are satisfied that the Group has adequate resources to continue to operate for a period of not less than 12 months from the date of approval of the financial information and that there are no material uncertainties around their assessment. For these reasons, the Directors continue to adopt the going concern basis in preparing the condensed consolidated financial information of the Group.

Risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group are detailed on pages 61 to 65 of the Tate & Lyle Annual Report 2019, a copy of which is available on the Company's website at www.tateandlyle.com. In our view these principal risks remain unchanged from those disclosed therein and actions continue to be taken to substantially mitigate the impact of such risks, should they materialise.

The Board reviewed the impact of Brexit and the contingency plan we have in place in the event the UK leaves the EU without a deal; and concluded that Brexit is not a material risk for us.

Impact of changes in exchange rates

The Group's reported financial performance at average rates of exchange for the six months to 30 September 2019 was favourably impacted by currency translation. The average and closing US dollar and Euro exchange rates used to translate reported results were as follows:

	Average rates		Closing rates	
Six months to 30 September	**2019**	2018	**2019**	2018
US dollar : sterling	**1.26**	1.33	**1.23**	1.30
Euro : sterling	**1.13**	1.13	**1.13**	1.12

For the period to 30 September 2019, net foreign exchange translation increased Food & Beverage Solutions adjusted operating profit by £4 million, increased Sucralose adjusted operating profit by £2 million and increased Primary Products adjusted operating profit by £5 million, with adjusted profit before tax for the Group increasing in total by £10 million.

CONDENSED (INTERIM) CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Continuing operations	Notes	**Six months to 30 September 2019 £m**	Six months to 30 September 2018 £m	Year to 31 March 2019 £m
Sales	2	**1 476**	1 383	2 755
Operating profit	2	**166**	113	236
Finance income		**4**	2	5
Finance expense		**(19)**	(15)	(31)
Share of profit after tax of joint ventures		**13**	13	30
Profit before tax		**164**	113	240
Income tax expense	2	**(33)**	(32)	(59)
Profit for the period		**131**	81	181

Profit for the period all relates to continuing operations and is entirely attributable to owners of the Company.

Earnings per share		**Pence**	Pence	Pence
– basic	2	**28.2p**	17.6p	39.2p
– diluted	2	**27.8p**	17.4p	38.6p

Analysis of adjusted profit for the period		**£m**	£m	£m
Profit before tax		**164**	113	240
Adjusted for:				
Net charge for exceptional items	4	**11**	47	58
Amortisation of acquired intangible assets		**6**	6	11
Adjusted profit before tax	2	**181**	166	309
Adjusted income tax expense	2	**(38)**	(36)	(65)
Adjusted profit for the period	2	**143**	130	244

CONDENSED (INTERIM) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	**Six months to 30 September 2019 £m**	Six months to 30 September 2018 £m	Year to 31 March 2019 £m
Profit for the period		**131**	81	181
Other comprehensive income/(expense):				
Items that have been/may be reclassified to profit or loss:				
Gain on currency translation of foreign operations		**75**	82	75
Fair value loss on net investment hedges		**(18)**	(25)	(24)
Net loss on cash flow hedges		**(9)**	–	–
Share of other comprehensive income of joint ventures		**4**	4	4
Tax effect of the above items		**–**	–	–
		52	61	55
Items that will not be reclassified to profit or loss:				
Re-measurement of retirement benefit plans:				
– return on plan assets	8	**114**	(50)	29
– impact of ‘buy-in’ on main UK pension scheme	8	**(195)**	–	–
– net actuarial (loss)/gain on retirement benefit obligations	8	**(155)**	48	(34)
Change in the fair value of FVOCI investments		**1**	1	2
Tax effect of the above items		**45**	(3)	10
		(190)	(4)	7
Total other comprehensive (expense)/income		**(138)**	57	62
Total comprehensive (expense)/income		**(7)**	138	243

Total comprehensive income all relates to continuing operations and is entirely attributable to owners of the Company.

CONDENSED (INTERIM) CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Notes	**At 30 September 2019 £m**	At 30 September 2018 £m	At 31 March 2019 £m
ASSETS				
Non-current assets				
Goodwill and other intangible assets		**348**	354	342
Property, plant and equipment		**1 189**	989	982
Investments in joint ventures		**95**	85	102
Investments in equities	7	**64**	45	59
Retirement benefit surplus	8	**10**	187	207
Deferred tax assets		**24**	6	3
Trade and other receivables		**1**	–	2
Derivative financial instruments	7	**–**	5	–
		1 731	1 671	1 697
Current assets				
Inventories		**413**	417	434
Trade and other receivables		**315**	346	325
Current tax assets		**5**	3	4
Derivative financial instruments	7	**36**	38	48
Cash and cash equivalents	6	**361**	284	285
		1 130	1 088	1 096
TOTAL ASSETS		**2 861**	2 759	2 793
EQUITY				
Capital and reserves				
Share capital		**117**	117	117
Share premium		**406**	406	406
Capital redemption reserve		**8**	8	8
Other reserves		**272**	221	217
Retained earnings		**575**	660	741
TOTAL EQUITY		**1 378**	1 412	1 489
LIABILITIES				
Non-current liabilities				
Borrowings	6	**538**	577	373
Retirement benefit deficit	8	**217**	169	183
Deferred tax liabilities		**35**	46	46
Provisions		**14**	24	20
Trade and other payables		**–**	9	–
Derivative financial instruments	7	**2**	33	1
		806	858	623
Current liabilities				
Borrowings	6	**256**	24	224
Trade and other payables		**305**	354	342
Provisions		**22**	17	24
Current tax liabilities		**42**	74	45
Derivative financial instruments	7	**52**	20	46
		677	489	681
TOTAL LIABILITIES		**1 483**	1 347	1 304
TOTAL EQUITY AND LIABILITIES		**2 861**	2 759	2 793

CONDENSED (INTERIM) CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Notes	**Six months to 30 September 2019 £m**	Six months to 30 September 2018 £m	Year to 31 March 2019 £m
Cash flows from operating activities				
Profit before tax from continuing operations		**164**	113	240
Adjustments for:				
Depreciation of property, plant and equipment; and leases		**79**	55	112
Amortisation of intangible assets		**18**	20	40
Share-based payments		**7**	8	18
Exceptional income statement items	4	**–**	46	51
Net finance expense		**15**	13	26
Share of profit after tax of joint ventures		**(13)**	(13)	(30)
Net retirement benefit obligations		**(16)**	(14)	(25)
Changes in working capital and other non-cash movements		**14**	16	(16)
Cash generated from continuing operations		**268**	244	416
Net income tax paid		**(25)**	(22)	(58)
Interest paid		**(13)**	(11)	(28)
Net cash generated from operating activities		**230**	211	330
Cash flows from investing activities				
Purchase of property, plant and equipment		**(62)**	(46)	(103)
Disposal of property, plant and equipment (exceptional)	4	**(1)**	–	3
Investments in intangible assets		**(11)**	(16)	(27)
Purchase of equity investments		**(3)**	(6)	(20)
Disposal of equity investments		**2**	2	3
Interest received		**3**	2	5
Dividends received from joint ventures		**27**	21	21
Sale and leaseback of rail cars (exceptional)	4	**–**	13	16
Other investing cash flows		**–**	–	(9)
Net cash used in investing activities		**(45)**	(30)	(111)
Cash flows from financing activities				
Purchase of own shares including net settlement		**(8)**	(7)	(8)
Cash inflow from additional borrowings		**1**	1	5
Cash outflow from repayment of borrowings		**(2)**	–	(1)
Repayment of leases		**(18)**	(1)	(2)
Dividends paid to the owners of the Company	5	**(97)**	(94)	(134)
Net cash used in financing activities		**(124)**	(101)	(140)
Net increase in cash and cash equivalents	6	**61**	80	79
Cash and cash equivalents				
Balance at beginning of period		**285**	**190**	190
Net increase in cash and cash equivalents		**61**	**80**	79
Currency translation differences		**15**	**14**	16
Balance at end of period	6	**361**	**284**	285

A reconciliation of the movement in cash and cash equivalents to the movement in net debt is presented in Note 6.

CONDENSED (INTERIM) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital and share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2019	**523**	**8**	**217**	**741**	**1 489**
IFRS 16 lease adoption	**–**	**–**	**–**	**(8)**	**(8)**
1 April 2019 restated	**523**	**8**	**217**	**733**	**1 481**
Profit for the period	**–**	**–**	**–**	**131**	**131**
Other comprehensive income/(expense)	**–**	**–**	**53**	**(191)**	**(138)**
Total comprehensive income/(expense)	**–**	**–**	**53**	**(60)**	**(7)**
Hedging losses transferred to inventory	**–**	**–**	**2**	**–**	**2**
Transactions with owners:					
Share-based payments, net of tax	**–**	**–**	**–**	**7**	**7**
Purchase of own shares including net settlement	**–**	**–**	**–**	**(8)**	**(8)**
Dividends paid (Note 5)	**–**	**–**	**–**	**(97)**	**(97)**
At 30 September 2019	**523**	**8**	**272**	**575**	**1 378**

	Share capital and share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2018	523	8	159	677	1 367
Profit for the period	–	–	–	81	81
Other comprehensive income/(expense)	–	–	62	(5)	57
Total comprehensive income	–	–	62	76	138
Hedging losses transferred to inventory	–	–	–	–	–
Transactions with owners:					
Share-based payments, net of tax	–	–	–	8	8
Purchase of own shares including net settlement	–	–	–	(7)	(7)
Dividends paid	–	–	–	(94)	(94)
At 30 September 2018	523	8	221	660	1 412

	Share capital and share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2018	523	8	159	677	1 367
Profit for the year	–	–	–	181	181
Other comprehensive income	–	–	57	5	62
Total comprehensive income	–	–	57	186	243
Hedging losses transferred to inventory	–	–	1	–	1
Transactions with owners:					
Share-based payments, net of tax	–	–	–	20	20
Purchase of own shares including net settlement	–	–	–	(8)	(8)
Dividends paid	–	–	–	(134)	(134)
At 31 March 2019	523	8	217	741	1 489

NOTES TO THE FINANCIAL INFORMATION

For the six months to 30 September 2019

1. Presentation of half year financial information

The principal activity of Tate & Lyle PLC and its subsidiaries, together with its joint ventures, is the global provision of ingredients and solutions to the food, beverage and other industries.

The Company is a public limited company incorporated and domiciled in the United Kingdom and registered in England. The address of its registered office is 1 Kingsway, London WC2B 6AT. The Company has its primary listing on the London Stock Exchange.

Basis of preparation

This condensed set of consolidated financial information for the six months to 30 September 2019 has been prepared on a going concern basis in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 Interim Financial Reporting as adopted by the European Union (EU). The condensed set of consolidated financial information should be read in conjunction with the Group's Annual Report and Accounts for the year to 31 March 2019, which were prepared in accordance with IFRSs as adopted by the EU.

Having reviewed the Group's latest projected results, cash flows, liquidity position and borrowing facilities, the Directors are satisfied that the Group has adequate resources to continue to operate for a period not less than 12 months from the date of approval of the condensed set of financial information and that there are no material uncertainties around their assessment. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the condensed set of consolidated financial information.

The condensed set of consolidated financial information is unaudited, but has been reviewed by the external auditors. The condensed set of consolidated financial information in the Statement of Half Year Results does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's published Annual Report and Accounts for the year to 31 March 2019 were approved by the Board of Directors on 22 May 2019 and filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph or a statement under Section 498 (2) or (3) of the Companies Act 2006. The condensed set of consolidated financial information for the six months to 30 September 2019 on pages 13 to 28 was approved by the Board of Directors on 6 November 2019.

Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the condensed set of consolidated financial information are consistent with those of the Group's Annual Report and Accounts for the year to 31 March 2019, but also reflect the adoption, with effect from 1 April 2019, of new or revised accounting standards, as set out below. Further detail is provided in Note 11.

- IFRS 16 Leases (effective for the year beginning 1 April 2019)
  The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model. On adoption on 1 April 2019 lease commitments have been recognised on the statement of financial position as liabilities of £167 million within borrowings and associated 'right-of-use' (ROU) assets of £151 million within property, plant and equipment.

- IFRIC 23 Uncertainty over Income Tax Treatments (effective for the year beginning 1 April 2019)
  The interpretation clarifies the recognition principles when there is uncertainty over income tax treatments under IAS 12. The adoption of this interpretation has not had a material impact on the Group's financial statements.

There are no other new standards, new interpretations or amendments to standards or interpretations that have been published that are expected to have a significant impact on the Group's financial statements.

1. Presentation of half year financial information (continued)

Seasonality

The Group's principal exposure to seasonality is in relation to working capital. The Group's inventories are subject to seasonal fluctuations reflecting the timing of crop harvests in North America and purchases. Inventory levels typically increase from September to November and gradually reduce in the first six months of the calendar year.

Changes in constant currency

Where changes in constant currency are presented in this statement, they are calculated by retranslating current period results at prior period exchange rates. Reconciliations of the movement in constant currency have been included in 'Additional information' within this document.

Use of alternative performance measures

The Group also presents alternative performance measures, including adjusted operating profit, adjusted profit before tax, adjusted earnings per share and adjusted free cash flow, which are used for internal performance analysis and incentive compensation arrangements for employees. They are presented because they provide investors with additional information about the performance of the business which the Directors consider to be valuable. For the periods presented, alternative performance measures exclude, where relevant:

- **Exceptional items** (excluded as they are material in amount; and are outside the normal course of business or relate to events which do not frequently recur, and therefore merit separate disclosure in order to provide a better understanding of the Group's underlying financial performance);
- **Amortisation of acquired intangible assets** (costs associated with amounts recognised through acquisition accounting that impact earnings compared to organic investments); and
- **Tax on the above items and tax items that themselves meet these definitions.** For tax items to be treated as exceptional, amounts must be material and their treatment as exceptional enable a better understanding of the Group's underlying financial performance.

Alternative performance measures reported by the Group are not defined terms under IFRS and may therefore not be comparable with similarly-titled measures reported by other companies. Reconciliations of the alternative performance measures to the most directly comparable IFRS measures are presented in Note 2.

Exceptional items

Exceptional items comprise items of income, expense and cash flow, including tax items that: are material in amount; and are outside the normal course of business or relate to events which do not frequently recur, and therefore merit separate disclosure in order to provide a better understanding of the Group's underlying financial performance. Examples of events that give rise to the disclosure of material items of income, expense and cash flow as exceptional items include, but are not limited to:

- impairment events;
- significant business transformation activities;
- disposals of operations or significant individual assets;
- litigation claims by or against the Group; and
- restructuring of components of the Group's operations.

For tax items to be treated as exceptional, amounts must be material and their treatment as exceptional enable a better understanding of the Group's underlying financial performance.

Exceptional items in the Group's financial statements are classified on a consistent basis across accounting periods.

NOTES TO THE FINANCIAL INFORMATION

For the six months to 30 September 2019

2. Reconciliation of alternative performance measures

Income statement measures

For the reasons set out in Note 1, the Group presents alternative performance measures including adjusted operating profit, adjusted profit before tax and adjusted earnings per share.

The following table shows the reconciliation of the key alternative performance measures to the most directly comparable measures reported in accordance with IFRS:

	Six months to 30 September 2019			Six months to 30 September 2018		
£m unless otherwise stated Continuing operations	**IFRS reported**	**Adjusting items**	**Adjusted reported**	IFRS reported	Adjusting items	Adjusted reported
Sales	**1 476**	**–**	**1 476**	1 383	–	1 383
Operating profit	**166**	**17**	**183**	113	53	166
Profit before tax	**164**	**17**	**181**	113	53	166
Income tax expense	**(33)**	**(5)**	**(38)**	(32)	(4)	(36)
Profit for the period	**131**	**12**	**143**	81	49	130
Effective tax rate	**20.4%**		**20.9%**	28.2%		21.5%
Earnings per share:						
Number of ordinary shares[1] - basic	**464.1**		**464.1**	462.2		462.2
Basic earnings per share	**28.2p**	**2.6p**	**30.8p**	17.6p	10.6p	28.2p
Number of ordinary shares[1] - diluted	**469.9**		**469.9**	467.6		467.6
Diluted earnings per share	**27.8p**	**2.7p**	**30.5p**	17.4p	10.5p	27.9p

1 Weighted average

	Year to 31 March 2019		
£m unless otherwise stated Continuing operations	IFRS reported	Adjusting items	Adjusted reported
Sales	2 755	–	2 755
Operating profit	236	69	305
Profit before tax	240	69	309
Income tax expense	(59)	(6)	(65)
Profit for the year	181	63	244
Effective tax rate	24.4%		21.0%
Earnings per share:			
Number of ordinary shares[1] - basic	462.6		462.6
Basic earnings per share	39.2p	13.6p	52.8p
Number of ordinary shares[1] - diluted	469.5		469.5
Diluted earnings per share	38.6p	13.4p	52.0p

1 Weighted average

The following table shows the reconciliation of the adjusting items in the current and comparative periods:

Continuing operations	Note	**Six months to 30 September 2019 £m**	Six months to 30 September 2018 £m	Year to 31 March 2019 £m
Exceptional items included in operating profit	4	**11**	47	58
Amortisation of acquired intangible assets		**6**	6	11
Total excluded from adjusted profit before tax		**17**	53	69
Tax credit on adjusting items		**(5)**	(4)	(6)
Total excluded from adjusted profit for the period		**12**	49	63

2. Reconciliation of alternative performance measures (continued)

Cash flow measure

The Group also presents an alternative cash flow measure, 'Adjusted free cash flow' which is defined as cash generated from continuing operations after net interest and tax paid, and capital expenditure, and excluding the impact of exceptional items.

The following table shows the reconciliation of adjusted free cash flow:

Continuing operations	**Six months to 30 September 2019[1] £m**	Six months to 30 September 2018 £m	Year to 31 March 2019 £m
Adjusted operating profit	**183**	166	305
Adjusted for:			
Depreciation and adjusted amortisation	**91**	69	141
Share-based payments charge, net of tax	**7**	8	18
Changes in working capital and other non-cash movements	**14**	16	(16)
Net retirement benefit obligations	**(16)**	(14)	(25)
Capital expenditure	**(73)**	(62)	(130)
Net interest and tax paid	**(35)**	(31)	(81)
Adjusted free cash flow[1]	**171**	152	212

1 IFRS 16 Leases was adopted in the year without restating comparatives. Lease payments are now classified as financing rather than operating cashflows, increasing adjusted free cash flow by £17 million.

Financial strength measure

At the interim period the Group uses the net debt to EBITDA ratio to assess its financial strength. The Group no longer uses the interest cover ratio and so this has been removed. Performance is based on the previous 12 months' results. The ratio is calculated based on unrounded figures in £ million.

Calculation of net debt to EBITDA ratio	**30 September 2019[1] £m**	31 March 2019 £m
Net debt (Note 6)[1]	**465**	337
Adjusted operating profit[2]	**322**	305
Add back depreciation and adjusted amortisation[2]	**163**	141
Pre-exceptional EBITDA	**485**	446
Net debt to EBITDA ratio (times)	**1.0**	0.8

1 IFRS 16 Leases was adopted in the year without restating comparatives. For the ratio calculated at 30 September 2019, IFRS 16 lease liabilities increased net debt by £173 million and EBITDA by £17 million. On a like-for-like basis the net debt to EBITDA ratio was 0.6 times.

2 30 September 2019 results include the impact of IFRS 16 Leases from adoption – i.e. six months only.

NOTES TO THE FINANCIAL INFORMATION

For the six months to 30 September 2019

3. Segment information

Segment information is presented on a basis consistent with the information presented to the Board (the designated Chief Operating Decision Maker). All sales are from external customers.

a) Segment results

	Six months to 30 September 2019				
Continuing operations	**Food & Beverage Solutions £m**	**Sucralose £m**	**Primary Products £m**	**Central £m**	**Total £m**
Sales	**478**	**76**	**922**	**–**	**1 476**
Adjusted operating profit[1]	**90**	**29**	**86**	**(22)**	**183**
Adjusted operating margin	**18.8%**	**38.0%**	**9.3%**	**n/a**	**12.4%**

1 Reconciled to statutory profit for the period in Note 2.

	Six months to 30 September 2018				
Continuing operations	Food & Beverage Solutions £m	Sucralose £m	Primary Products £m	Central £m	Total £m
Sales	443	77	863	–	1 383
Adjusted operating profit[1]	77	27	85	(23)	166
Adjusted operating margin	17.4%	35.1%	9.8%	n/a	12.0%

1 Reconciled to statutory profit for the period in Note 2.

	Year to 31 March 2019				
Continuing operations	Food & Beverage Solutions £m	Sucralose £m	Primary Products £m	Central £m	Total £m
Sales	889	164	1 702	–	2 755
Adjusted operating profit[1]	143	61	148	(47)	305
Adjusted operating margin	16.1%	37.0%	8.7%	n/a	11.1%

1 Reconciled to statutory profit for the year in Note 2.

b) Geographic disclosure: sales

	Six months to 30 September 2019 £m	Six months to 30 September 2018 £m	Year to 31 March 2019 £m
Food & Beverage Solutions			
North America	**235**	211	430
Asia Pacific and Latin America	**115**	105	201
Europe, Middle East and Africa	**128**	127	258
Food & Beverage Solutions – total	**478**	443	889
Sucralose – total	**76**	77	164
Primary Products			
Americas	**870**	804	1 588
Rest of the world	**52**	59	114
Primary Products – total	**922**	863	1 702
Total	**1 476**	1 383	2 755

NOTES TO THE FINANCIAL INFORMATION
For the six months to 30 September 2019

4. Exceptional items

Exceptional items recognised in the income statement are as follows:

Income statement – continuing operations	Footnote	**Six months to 30 September 2019 £m**	Six months to 30 September 2018 £m	Year to 31 March 2019 £m
Restructuring costs	(a)	**(5)**	(2)	(13)
Primary Products' savoury business exit	(b)	**(6)**	–	–
Oats ingredients business disposal		**–**	(40)	(43)
Gain on sale and leaseback of railcars		**–**	11	14
Asset remediation		**–**	(16)	(16)
Exceptional items included in profit before tax		**(11)**	(47)	(58)

In the six months to 30 September 2019, certain costs were recorded as exceptional, each of which relates to the Group's previously-announced programme to simplify the business and drive productivity. These are set out below:

a) In the six months to 30 September 2019, the Group recorded a restructuring charge of £5 million for employee severance and associated programme costs, of which £2 million was recorded in each of the Food & Beverage Solutions and Primary Products operating segments and £1 million within Central. £3 million of the total will be cash costs of which £2 million has been paid in the period.

b) The Group recorded exit costs of £6 million for its Primary Products' small, non-core savoury ingredients business, of which £5 million is a non-cash charge for the associated property, plant and equipment.

The most significant exceptional cost in the comparative periods related to the impairment and subsequent disposal of the Group's oats ingredients business, all of which was recorded within the Food & Beverage Solutions operating segment. Remaining exceptional costs included restructuring charges following the Group's announcement in May 2018 to deliver US$100 million of annualised cost savings relating to the previously announced programme, the recognition of a provision to remediate environmental health and safety risks associated primarily with idle assets at manufacturing sites in North America and a gain on sale and leaseback of certain tranches of railcars held under operating leases. We continue to expect the cash costs of the US$100 million productivity programme to be around US$40 million.

Total cash outflow for the six months to 30 September 2019 from exceptional items was £12 million, of which £2 million related to income statement charges recorded in the period to 30 September 2019 and £10 million related to income statement charges recorded in the year to 31 March 2019.

Further details in respect of cash flows from exceptional items are set out below.

Net cash (outflows)/inflows on exceptional items	Footnote	**Six months to 30 September 2019 £m**	Six months to 30 September 2018 £m	Year to 31 March 2019 £m
Restructuring costs	(a)	**(7)***	(1)	(6)
Oats ingredients business disposal		**(1)**	–	3
Gain on sale and leaseback of railcars		**–**	13	16
Asset remediation		**(4)**	–	(1)
Net cash (outflows)/inflows – exceptional items		**(12)**	12	12

* Cash payments of £5 million were made in respect of exceptional items recognised in the income statement in the year to 31 March 2019.

The total cash flows on exceptional items are included in the statement of cash flows as follows:

Reconciliation to the statement of cash flows				
Exceptional charge included in profit before tax		**11**	47	58
Cash outflows relating to restructuring costs	(a)	**(7)**	(1)	(6)
Cash outflows relating to asset remediation		**(4)**	–	(1)
As presented within cash flows from operating activities		**–**	46	51
Cash flows relating to oats ingredients business disposal		**(1)**	–	3
Cash inflows on gain on sale and leaseback of railcars		**–**	13	16
As presented within cash flows from investing activities		**(1)**	13	19

5. Dividends on ordinary shares

The Directors have declared an interim dividend of 8.8p per share for the six months to 30 September 2019 (six months to 30 September 2018 – 8.6p per share), payable on 3 January 2020.

The final dividend for the year to 31 March 2019 of £97 million, representing 20.8p per share, was paid during the six months to 30 September 2019.

6. Net debt

The components of the Group's net debt are as follows:

	At 30 September 2019 £m	At 30 September 2018 £m	At 31 March 2019 £m
Borrowings[1]	**(610)**	(601)	(597)
Debt-related derivative financial instruments	**(32)**	(20)	(25)
Lease liabilities[1]	**(184)**	–	–
Cash and cash equivalents	**361**	284	285
Net debt	**(465)**	(337)	(337)

1 IFRS 16 Leases was adopted in the year without restating comparatives. IFRS 16 lease liabilities increased net debt by £173 million to 30 September 2019. During the period, £11 million (31 March 2019 – £11 million; 30 September 2018 – £13 million) relating to IAS 17 finance leases has been reclassified from borrowings to lease liabilities.

Debt-related derivative financial instruments represent the net fair value of currency and interest rate swaps that are used to manage the currency and interest rate profile of the Group's net debt. At 30 September 2019, the net fair value of these derivatives comprised assets of £7 million (30 September 2018 – £12 million; 31 March 2019 – £6 million) and liabilities of £39 million (30 September 2018 – £32 million; 31 March 2019 – £31 million).

On 1 August 2019 the Group priced a US$200 million debt private placement which will be issued on 19 November 2019 at which point US$100 million 3.31% notes due 2029 and US$100 million 3.41% notes due 2031 will be drawn down. The proceeds will be used to refinance a maturing £200 million 6.75% bond.

Movements in net debt were as follows:

	Six months to 30 September 2019 £m	Six months to 30 September 2018 £m	Year to 31 March 2019 £m
Net debt carried forward from previous period	**(337)**	(392)	(392)
IFRS 16 adoption at beginning of the period	**(167)**	–	–
Net debt at beginning of period	**(504)**	(392)	(392)
Net increase in cash and cash equivalents	**61**	80	79
Net in-period decrease/(increase) in borrowings and leases	**4**	–	(2)
Currency translation differences[1]	**(23)**	(23)	(21)
Other fair value movements	**(3)**	(2)	(1)
Decrease in net debt in the period	**39**	55	55
Net debt at end of the period	**(465)**	(337)	(337)

1 Includes the foreign currency element of the fair value movement on currency swaps and the translation of foreign denominated borrowings.

7. Financial instruments

Carrying amount versus fair value

The fair value of borrowings, excluding lease liabilities, is estimated to be £629 million (30 September 2018 – £593 million; 31 March 2019 – £596 million) and has been determined using quoted market prices, broker dealer quotations or discounted cash flow analysis. The carrying value of other assets and liabilities held at amortised cost is not materially different from their fair value.

Fair value measurements recognised in the balance sheet

The table below shows the Group's financial assets and liabilities measured at fair value at 30 September 2019. The fair value hierarchy categorisation, valuation techniques and inputs, is consistent with those used in the year to 31 March 2019.

	At 30 September 2019				At 31 March 2019			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets at fair value								
Investments in equities[1]	**–**	**–**	**64**	**64**	–	–	59	59
Derivative financial instruments:								
– currency swaps	**–**	**–**	**–**	**–**	–	1	–	1
– interest rate swaps	**–**	**7**	**–**	**7**	–	5	–	5
– commodity pricing contracts	**5**	**–**	**24**	**29**	2	1	39	42
Assets at fair value	**5**	**7**	**88**	**100**	2	7	98	107
Liabilities at fair value								
Derivative financial instruments:								
– currency swaps	**–**	**(39)**	**–**	**(39)**	–	(31)	–	(31)
– commodity pricing contracts	**(9)**	**(3)**	**(3)**	**(15)**	(7)	(7)	(2)	(16)
Liabilities at fair value	**(9)**	**(42)**	**(3)**	**(54)**	(7)	(38)	(2)	(47)

1 Includes FVPL assets of £38 million (31 March 2019 – £35 million) and FVOCI assets of £26 million (31 March 2019 – £24 million).

The Group's net US commodity position is recognised at fair value on the basis that doing so aligns with the economics of the business and minimises price risk volatility. The most significant unobservable inputs in the valuation of US commodity contracts remain the future price of co-product positions and basis and so are included as Level 3 financial instruments. They are valued based on the Group's own assessment of the particular commodity, its supply and demand and expected pricing. A 10% movement in the price of co-products and basis would result in a net fair value movement of £1 million and £1 million respectively.

In the period £2 million (year to 31 March 2019 – £nil) of commodity pricing contracts have transferred from Level 2 to Level 3 as the Level 3 element of those contracts exceeded 10% of the total contract value in the period to 30 September 2019.

The derivative financial instruments included with the Group's Level 2 financial instruments are valued based on observable inputs. The fair value of swaps is based indirectly on published rate curves and the commodity contracts are valued by reference to the Chicago Mercantile Exchange.

Investment in equities are valued based on management's assessment of the value of those investments and so is sensitive to a number of market and non-market factors.

The following table reconciles the movement in fair value of net financial instruments classified in fair value hierarchy 'Level 3':

	Financial assets at FVPL £m	Financial assets at FVOCI £m	Commodity pricing contract – assets £m	Commodity pricing contract – liabilities £m	Total £m
At 1 April 2019	**35**	**24**	**39**	**(2)**	**96**
Income statement:					
– prior year amounts settled	**–**	**–**	**(38)**	**1**	**(37)**
– current year unrealised net gain/(loss)	**–**	**–**	**23**	**(2)**	**21**
Other comprehensive income	**–**	**1**	**–**	**–**	**1**
Non-qualified deferred compensation arrangements	**1**	**–**	**–**	**–**	**1**
Purchases	**2**	**1**	**–**	**–**	**3**
Disposals	**(2)**	**–**	**–**	**–**	**(2)**
Currency translation differences	**2**	**–**	**–**	**–**	**2**
At 30 September 2019	**38**	**26**	**24**	**(3)**	**85**

8. Retirement benefit obligations

On 18 September, the Group supported the trustees of the main UK pension scheme in completing a £930 million bulk annuity insurance policy 'buy-in' for that scheme. As a result, the assets of the main UK pension scheme were replaced with an insurance asset matching UK scheme liabilities. The impact of this transaction was to derecognise £195 million of pension scheme accounting surplus by charging the same amount to other comprehensive income. There was no impact on profit before tax.

The other significant movement in retirement benefit obligations in the period relates to actuarial losses of £155 million, which arose because of a reduction in the discount rates applied to pension liabilities in the US (from 3.8% to 3.0%) and UK (from 2.4% to 1.8%). The corresponding gain on plan assets in the period was £114 million. Neither items impacted profit before tax.

At 30 September 2019, the Group's retirement benefit obligations are now in a net deficit of £207 million (31 March 2019 – surplus of £24 million), with the movement principally reflecting the charges to other comprehensive income set out above. The closing total net deficit substantially comprises the unfunded schemes in the US. The net deficit of £18 million relating to UK plans was not subject to the 'buy-in'.

Other movements in retirement benefit obligations comprise a net income statement charge of £2 million, employer contributions of £18 million and an increase in the net deficit for currency translation of £10 million.

These movements are set out in the table below:

	Six months to 30 September 2019		
	UK plans £m	**US plans £m**	**Total £m**
Net surplus/(deficit) at 1 April 2019	**181**	**(157)**	**24**
Income statement:			
– current service costs	**–**	**(1)**	**(1)**
– administration costs	**–**	**(1)**	**(1)**
– net interest expense	**2**	**(2)**	**–**
Other comprehensive income:			
– return on plan assets	**71**	**43**	**114**
– impact of the 'buy-in'	**(195)**	**–**	**(195)**
– actuarial loss	**(90)**	**(65)**	**(155)**
Other movements:			
– employer's contributions	**14**	**4**	**18**
– non-qualified deferred compensation arrangements	**–**	**(1)**	**(1)**
– currency translation differences	**(1)**	**(9)**	**(10)**
Net deficit at 30 September 2019	**(18)**	**(189)**	**(207)**

9. Contingent liabilities

The Group is subject to claims and litigation generally arising in the ordinary course of its business. Provision is made when liabilities are considered likely to arise and the expected quantum of the exposure is estimable. The risk in relation to claims and litigation is monitored on an ongoing basis and provisions amended accordingly. It is not expected that claims and litigation existing at 30 September 2019 will have a material adverse effect on the Group's financial position.

10. Events after the reporting period

There are no material post balance sheet events requiring disclosure in respect of the six months to 30 September 2019.

11. Accounting standards adopted in the year

As explained in Note 1, the Group has adopted IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments. The impact of the adoption of these standards is below. Comparatives have not been restated.

IFRS 16 Leases

The Group has adopted IFRS 16 from 1 April 2019 using the modified retrospective approach. The Group's leases principally comprise railcars, properties and other miscellaneous leases such as motor vehicles or machinery. The Group has not restated comparatives for the 2019 financial year as permitted. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 April 2019.

a) Adjustments recognised on adoption of IFRS 16

	31 March 2019 £m	Adjustment £m	1 April 2019 £m
Non-current assets			
Property, plant and equipment	982	151	1 133
Liabilities			
Trade and other payables	342	(5)	337
Borrowings	597	167	764
Deferred tax liabilities	46	(3)	43
Equity			
Retained earnings	741	(8)	733

The Group has recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 April 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4%. For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

	1 April 2019 £m
Operating lease commitments disclosed as at 31 March 2019	308
Less: contract not recognised as an IFRS 16 lease	(112)
Discounted using the Group's incremental borrowing rate at the date of initial application	(29)
Recognised as IFRS 16 leases at 31 March 2019	167
Add: finance lease liabilities as at 31 March 2019	11
Lease liability at 1 April 2019	178
Of which:	
Current lease liabilities	26
Non-current lease liabilities	152

At 31 March 2019 the Group had an IAS 17 operating lease of £112 million in respect of an energy procurement contract and related infrastructure. This contract was not recognised as an IFRS 16 lease as the Group has determined that it does not have the right to direct the use of the related asset.

Where practicable the associated right-of-use assets were measured on a retrospective basis, as if the new rules had always been applied. Where this was not possible, right-of-use assets were measured at the amount equal to the lease liability as at 1 April 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of asset:

	1 April 2019 £m
Railcars	97
Properties	51
Other	3
Right-of-use assets	151

11. Accounting standards adopted in the year (continued)

b) Accounting policy and key judgements

Having adopted IFRS 16 the Group applies the following approach. At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term which includes periods covered by renewal options the Group is reasonably certain to exercise. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost including the amount of lease liabilities recognised and initial direct costs incurred. Right-of-use assets are subject to impairment.

The Group applies the short-term lease exemption and the low-value lease exemption. The effect of applying this is not expected to be material.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation is to be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group applies significant judgement in identifying uncertainties over income tax treatments and operates in a complex multinational environment. Following a detailed assessment the Group has determined that the adoption of this interpretation has not had a material impact on the Group's financial statements.

No other new standards, new interpretations or amendments to standards or interpretations have been published which are expected to have a significant impact on the Group's financial statements.

TATE & LYLE PLC

ADDITIONAL INFORMATION

For the six months to 30 September 2019

Calculation of changes in constant currency

Where changes in constant currency are presented in this statement, they are calculated by retranslating current period results at prior period exchange rates. The following table provides a reconciliation between the six months to September 2019 performance at actual exchange rates and at constant currency exchange rates. Absolute numbers presented in the table are rounded for presentational purposes, whereas the growth percentages are calculated on unrounded numbers.

Six months to 30 September Adjusted performance Continuing operations	**2019 £m**	FX £m	2019 at constant currency £m	Underlying growth £m	2018 £m	Change %	Change in constant currency %
Sales	**1 476**	(65)	1 411	28	1 383	7%	2%
Adjusted operating profit							
Food & Beverage Solutions	**90**	(4)	86	9	77	17%	11%
Sucralose	**29**	(2)	27	–	27	5%	(1%)
Primary Products	**86**	(5)	81	(4)	85	1%	(5%)
Central	**(22)**	1	(21)	2	(23)	7%	8%
Adjusted operating profit	**183**	(10)	173	7	166	10%	4%
Net finance expense	**(15)**	–	(15)	(2)	(13)	(17%)	(12%)
Share of profit after tax of joint ventures	**13**	–	13	–	13	2%	(2%)
Adjusted profit before tax	**181**	(10)	171	5	166	9%	3%
Adjusted income tax expense	**(38)**	3	(35)	1	(36)	(6%)	1%
Adjusted profit after tax	**143**	(7)	136	6	130	10%	4%
Adjusted diluted EPS (pence)	**30.5p**	(1.8p)	28.7p	0.8p	27.9p	9%	3%

Statement of Directors' responsibilities

The Directors confirm: that this condensed consolidated set of financial information has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union; that the condensed consolidated set of financial statements gives a true and fair view of the assets, liabilities, financial position and profit or loss as required by the Disclosure Guidance and Transparency Rules (DTRs) sourcebook of the United Kingdom's Financial Conduct Authority, paragraph DTR 4.2.4; and that the interim management report herein includes a fair review of the information required by paragraphs DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of consolidated financial information;
- a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

The Directors are responsible for the maintenance and integrity of the Company's website. UK legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors of Tate & Lyle PLC are listed in the Tate & Lyle Annual Report for the year ended 31 March 2019; the changes to the Board since 31 March 2019 being the appointment of Kimberly Nelson on 1 July 2019 and the retirement as a director of Douglas Hurt on 25 July 2019.

For and on behalf of the Board of Directors:

Nick Hampton
Chief Executive

Imran Nawaz
Chief Financial Officer

6 November 2019

INDEPENDENT REVIEW REPORT TO TATE & LYLE PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Statement of Half Year Results for the six months to 30 September 2019 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the Statement of Half Year Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The Statement of Half Year Results is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Statement of Half Year Results in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Statement of Half Year Results has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Statement of Half Year Results based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Statement of Half Year Results for the six months to 30 September 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
6 November 2019