

## OUR MARKETPLACE

# Speciality Food Ingredients

The global market for speciality food ingredients is large and growing, underpinned by strong consumer trends: convenience, health and wellness and 'clean label'.

### Focus and depth

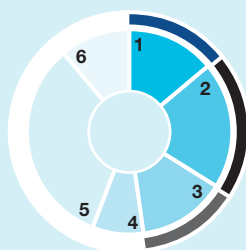
Our strategy is to focus on three core platforms and to have deep expertise within each one:

- ➔ Sweeteners
- ➔ Texturants
- ➔ Health and wellness

### Global speciality food ingredients market

Approximately US\$35 billion\*

- |                                   |                                |
|-----------------------------------|--------------------------------|
| 1 14% Sweeteners                  | 4 8% Colours and preservatives |
| 2 20% Texturants                  | 5 33% Flavour                  |
| 3 14% Functional food ingredients | 6 11% Other                    |



### Tate & Lyle Speciality Food Ingredients:

#### 1. Sweeteners

- SPLENDA® Sucralose
- Speciality corn-based sweeteners
- PUREFRUIT™ Monk Fruit Extract
- TASTEVA® Stevia Sweetener

#### 2. Texturants

- Speciality food starches
- Food stabiliser systems

#### 3. Health and wellness

- PROMITOR® Soluble Corn Fiber
- STA-LITE® Polydextrose
- SODA-LO® Salt Microspheres
- PromOat® Beta Glucan

\*Sources: Leatherhead; SRI; LMC International; Company analysis.

### Convenience

- Changes in consumer lifestyles continue to increase the demand for packaged and convenience foods, for consumption both at home and 'on the go'
- Product launches with a 'convenient' claim increased globally by 25% in 2013
- Increasing urbanisation has driven growth in Asia Pacific and Latin America where launches of convenience products increased by 23% and 40% respectively in 2013

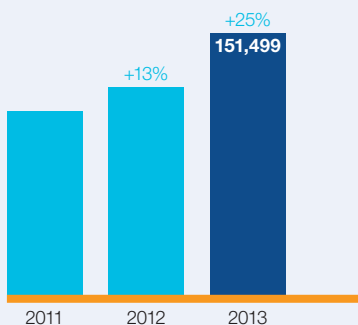
### Health and wellness

- Consumers are increasingly aware of the link between diet and health and are seeking products enhanced or fortified with ingredients such as fibre
- The number of product launches containing fibres increased by 47% globally in 2013 with growth across both developed and developing markets
- In 2013, product launches containing fibres were up by 65% in Asia Pacific and by 51% in Europe

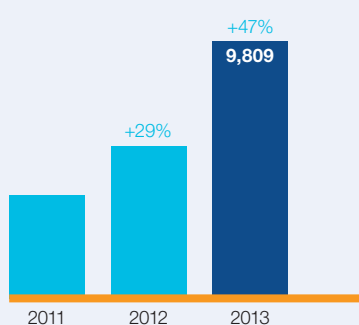
### 'Clean label'

- Food and beverage manufacturers are launching more 'clean label' products in response to increasing consumer demand for more natural products across a broad range of categories
- The fastest growing 'clean label' categories are baby food, soups, soft drinks, cereals and spreads
- 'Clean label' product launches increased globally by 27% in 2013

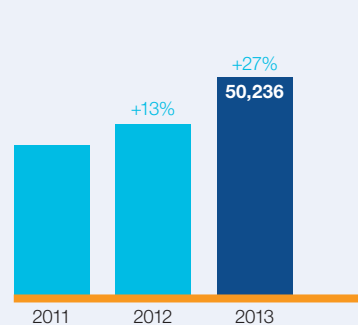
Global convenience product launches<sup>1,2</sup>



Global product launches containing fibres<sup>1,3</sup>



Global 'clean label' product launches<sup>1,4</sup>



Source: Innova Market Insights.

1 Data shown is based on calendar years.

2 Definition: product launches that have at least one of these claims – convenient consumption, easy-to-prepare, ready prepared, time saving.

3 Definition: product launches containing fibres in their formulation.

4 Definition: product launches claiming no additives/preservatives, natural, organic and/or without genetically modified organisms (non GMO).

# Bulk Ingredients

Bulk ingredients operates in a mature, consolidated industry, manufacturing largely commodity products, where the level of profitability is related to the level of industry capacity utilisation.

## Steady sustained cash generation

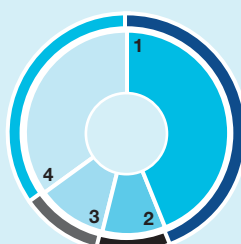
Our strategy is to generate sustained long-term cash flows to help fund growth in Speciality Food Ingredients:

- ➔ Optimise margins
- ➔ Optimise and fill grind capacity
- ➔ Ensure security of raw material supply
- ➔ Dampen volatility

### US corn wet milling industry output

by major product category in 2013 (75bn lbs)\*

- |  |                          |
|--|--------------------------|
| <b>1</b> 44% Liquid Sweeteners (commercial weight) | <b>2</b> 10% Starch      |
| <b>3</b> 11% Ethanol                               | <b>4</b> 35% Co-products |



### Tate & Lyle Bulk Ingredients:

#### 1. Liquid Sweeteners

- High fructose corn syrup
- Glucose
- Dextrose

#### 2. Starch

- Industrial starch

#### 3. Ethanol

#### 4. Co-products

- Corn oil
- Corn gluten feed
- Corn gluten meal

\*Sources: Compiled by the Corn Refiners Association based on 2013 data from the U.S. Department of Agriculture, Renewable Fuels Association, American Coalition for Ethanol, press reports, and industry data compiled for CRA by Veris Consulting, Inc. Corn marketing year ended 31 August 2013. NB Includes approximately 95% of US corn milling industry.

### Corn market dynamics

- Corn is the main raw material in the corn wet milling industry which, in the US, processes around 11% of the corn crop annually
- A good harvest in the US in 2013, as a result of favourable growing conditions, helped ease tight market conditions and saw corn supplies restored to more normal levels
- As a result of a more balanced demand and supply situation, US corn prices reduced significantly during the summer of 2013 with corn prices in Europe following a similar pattern

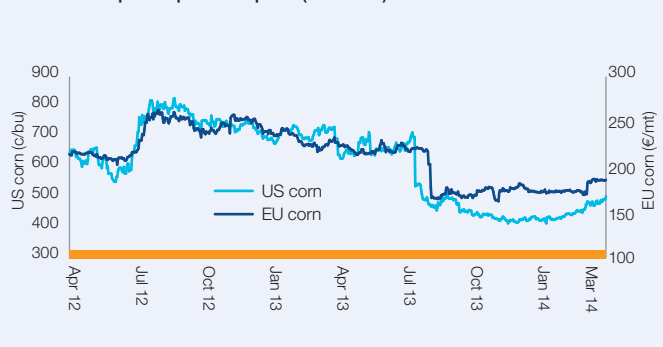
### Bulk corn sweeteners

- Demand for US bulk corn sweeteners, including high fructose corn syrup (HFCS), is closely linked to the consumption of beverages and carbonated soft drinks in particular, both in the US and Mexico
- During 2013, a softer beverage season caused by the cold spring in the US reduced consumption of beverages thereby weakening domestic demand for HFCS across the industry
- Mexican imports of US HFCS were also held back as a result of lower Mexican sugar prices (used as a substitute for HFCS)

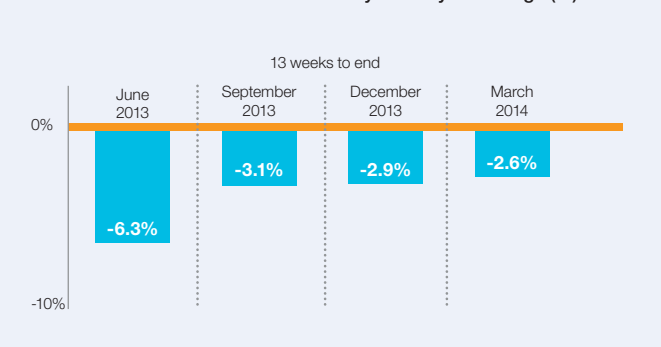
### Industrial markets

- The paper industry, which provides a major source of demand for industrial starches in the US, saw a reduction in operating rates during the year as a result of a modest decrease in demand
- In Europe, additional starch capacity reduced industrial starch prices and margins during the year
- US ethanol industry margins recovered during the year and moved into positive territory as a result of improved demand and supply dynamics

### US and European spot corn price (c/bushel)<sup>5</sup>



### US carbonated soft drinks sales volume year-on-year change (%)<sup>6</sup>



<sup>5</sup> Source: Bloomberg.

<sup>6</sup> Source: IRI Infoscan Reviews, Total U.S. Multi-Outlet and Convenience (FDM, WMT, Dollar, Club, Convenience Stores).