

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2020

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-13397

**Ingredion Incorporated**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**22-3514823**

(I.R.S. Employer Identification Number)

**5 Westbrook Corporate Center  
Westchester, Illinois**  
(Address of principal executive offices)

**60154**  
(Zip Code)

**(708) 551-2600**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$.01 par value per share	INGR	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 31, 2020
Common Stock, \$.01 par value	66,990,288 shares

**INGREDION INCORPORATED**  
**FORM 10-Q**  
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**Ingredion Incorporated (“Ingredion”)  
Condensed Consolidated Statements of Income  
(Unaudited)**

(in millions, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Net sales	\$ 1,502	\$ 1,574	\$ 4,394	\$ 4,660
Cost of sales	1,176	1,230	3,474	3,671
Gross profit	326	344	920	989
Operating expenses	155	153	456	457
Other expense (income), net	2	(2)	4	(3)
Restructuring/impairment charges	16	28	41	41
Operating income	153	165	419	494
Financing costs, net	22	24	59	62
Other, non-operating (income) expense, net	(2)	1	(3)	1
Income before income taxes	133	140	363	431
Provision for income taxes	40	38	125	120
Net income	93	102	238	311
Less: Net income attributable to non-controlling interests	1	3	5	7
Net income attributable to Ingredion	<u>\$ 92</u>	<u>\$ 99</u>	<u>\$ 233</u>	<u>\$ 304</u>
Weighted average common shares outstanding:				
Basic	67.2	66.9	67.2	66.9
Diluted	67.6	67.4	67.6	67.4
Earnings per common share of Ingredion:				
Basic	\$ 1.37	\$ 1.48	\$ 3.47	\$ 4.54
Diluted	\$ 1.36	\$ 1.47	\$ 3.45	\$ 4.51

See Notes to Condensed Consolidated Financial Statements

**Ingredion Incorporated (“Ingredion”)  
Condensed Consolidated Statements of Comprehensive Income  
(Unaudited)**

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income	\$ 93	\$ 102	\$ 238	\$ 311
Other comprehensive income:				
Gains (losses) on cash flow hedges, net of income tax effect of \$4, \$4, \$12 and \$4, respectively	12	(13)	(38)	(12)
Losses (gains) on cash flow hedges reclassified to earnings, net of income tax effect of \$8, \$ — , \$14 and \$1, respectively	23	(3)	42	2
Actuarial losses on pension and other postretirement obligations, settlements and plan amendments, net of income tax effect of \$ —	—	(1)	—	(2)
Currency translation adjustment	13	(45)	(105)	(48)
Comprehensive income	141	40	137	251
Less: Comprehensive income attributable to non-controlling interests	3	5	5	5
Comprehensive income attributable to Ingredion	\$ 138	\$ 35	\$ 132	\$ 246

See Notes to Condensed Consolidated Financial Statements

**Ingredion Incorporated (“Ingredion”)  
Condensed Consolidated Balance Sheets**

(in millions, except share and per share amounts)	September 30, 2020 (Unaudited)	December 31, 2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 553	\$ 264
Short-term investments	—	4
Accounts receivable, net	913	977
Inventories	908	861
Prepaid expenses	56	54
<b>Total current assets</b>	<b>2,430</b>	<b>2,160</b>
Property, plant and equipment, net of accumulated depreciation of \$3,087 and \$3,056, respectively	2,354	2,306
Goodwill	841	801
Other intangible assets, net of accumulated amortization of \$220 and \$197, respectively	479	437
Operating lease assets	161	151
Deferred income tax assets	23	13
Other assets	176	172
<b>Total assets</b>	<b>\$ 6,464</b>	<b>\$ 6,040</b>
<b>Liabilities and equity</b>		
Current liabilities:		
Short-term borrowings	\$ 62	\$ 82
Accounts payable and accrued liabilities	893	885
<b>Total current liabilities</b>	<b>955</b>	<b>967</b>
Non-current liabilities	211	220
Long-term debt	2,115	1,766
Non-current operating lease liabilities	123	120
Deferred income tax liabilities	189	195
<b>Total liabilities</b>	<b>3,593</b>	<b>3,268</b>
Share-based payments subject to redemption	32	31
Redeemable non-controlling interests	74	—
Ingredion stockholders’ equity:		
Preferred stock — authorized 25,000,000 shares — \$0.01 par value, none issued	—	—
Common stock — authorized 200,000,000 shares — \$0.01 par value, 77,810,875 issued at September 30, 2020 and December 31, 2019, respectively	1	1
Additional paid-in capital	1,145	1,137
Less: Treasury stock (common stock: 10,822,592 and 10,993,388 shares at September 30, 2020 and December 31, 2019, respectively) at cost	(1,027)	(1,040)
Accumulated other comprehensive loss	(1,259)	(1,158)
Retained earnings	3,884	3,780
<b>Total Ingredion stockholders’ equity</b>	<b>2,744</b>	<b>2,720</b>
Non-redeemable non-controlling interests	21	21
<b>Total equity</b>	<b>2,765</b>	<b>2,741</b>
<b>Total liabilities and equity</b>	<b>\$ 6,464</b>	<b>\$ 6,040</b>

See Notes to Condensed Consolidated Financial Statements

**Ingredion Incorporated (“Ingredion”)**  
**Condensed Consolidated Statements of Equity and Redeemable Equity**  
**(Unaudited)**

(in millions)	Total Equity							Non- Redeemable Non- Controlling Interests	Share-based Payments Subject to Redemption	Redeemable Non- Controlling Interests
	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings				
<b>Balance,</b>										
<b>December 31, 2019</b>	\$ —	\$ 1	\$ 1,137	\$(1,040)	\$ (1,158)	\$ 3,780	\$ 21	\$ 31	\$ —	
Net income attributable to Ingredion						233				
Net income (loss) attributable to non-controlling interests							7		(2)	
Dividends declared						(129)	(5)			
Share-based compensation, net of issuance			8	13				1		
Acquisition of redeemable non-controlling interests									74	
Other comprehensive (loss) income					(101)		(2)		2	
<b>Balance,</b>										
<b>September 30, 2020</b>	\$ —	\$ 1	\$ 1,145	\$(1,027)	\$ (1,259)	\$ 3,884	\$ 21	\$ 32	\$ 74	
	Total Equity									
(in millions)	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Non- Redeemable Non- Controlling Interests	Share-based Payments Subject to Redemption	Redeemable Non- Controlling Interests	
<b>Balance,</b>										
<b>December 31, 2018</b>	\$ —	\$ 1	\$ 1,096	\$(1,091)	\$ (1,154)	\$ 3,536	\$ 20	\$ 37	\$ —	
Net income attributable to Ingredion						304				
Net income attributable to non-controlling interests							7			
Dividends declared						(127)	(6)			
Repurchases of common stock			32	31						
Share-based compensation, net of issuance			9	16				(9)		
Other comprehensive income (loss)					(60)		(2)			
<b>Balance,</b>										
<b>September 30, 2019</b>	\$ —	\$ 1	\$ 1,137	\$(1,044)	\$ (1,214)	\$ 3,713	\$ 19	\$ 28	\$ —	

See Notes to Condensed Consolidated Financial Statements

**Ingredion Incorporated (“Ingredion”)  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)**

(in millions)	Nine Months Ended September 30,	
	2020	2019
<b>Cash provided by operating activities</b>		
Net income	\$ 238	\$ 311
Non-cash charges to net income:		
Depreciation and amortization	158	158
Mechanical stores expense	39	42
Deferred income taxes	(1)	2
Charge for fair value markup of acquired inventory	3	—
Other	46	21
Changes in working capital:		
Accounts receivable and prepaid expenses	36	(56)
Inventories	(10)	(71)
Accounts payable and accrued liabilities	54	76
Margin accounts	6	(4)
Other	(7)	11
Cash provided by operating activities	562	490
<b>Cash used for investing activities</b>		
Capital expenditures and mechanical stores purchases, net of proceeds on disposals	(250)	(231)
Payments for acquisitions, net of cash acquired of \$14 and \$4, respectively	(208)	(42)
Investment in non-consolidated affiliates	(6)	(10)
Short-term investments	4	4
Other	—	1
Cash used for investing activities	(460)	(278)
<b>Cash provided by (used for) financing activities</b>		
Proceeds from borrowings	1,527	839
Payments on debt	(1,186)	(858)
Payments for debt issuance costs	(9)	—
Repurchases of common stock, net	—	63
Issuances of common stock for share-based compensation, net of settlements	2	1
Dividends paid, including to non-controlling interests	(132)	(131)
Cash provided by (used for) financing activities	202	(86)
Effects of foreign exchange rate changes on cash	(15)	(10)
Increase in cash and cash equivalents	289	116
Cash and cash equivalents, beginning of period	264	327
Cash and cash equivalents, end of period	\$ 553	\$ 443

See Notes to Condensed Consolidated Financial Statements

**INGREDION INCORPORATED (“Ingredion”)  
Notes to Condensed Consolidated Financial Statements**

**1. Interim Financial Statements**

References to the “Company” are to Ingredion Incorporated (“Ingredion”) and its consolidated subsidiaries. These statements should be read in conjunction with the consolidated financial statements and the related notes to those statements contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019.

The unaudited Condensed Consolidated Financial Statements as of September 30, 2020 and for the three and nine months ended September 30, 2020 and 2019 included herein were prepared by management on the same basis as the Company’s audited Consolidated Financial Statements for the year ended December 31, 2019 and reflect all adjustments (consisting solely of normal recurring items unless otherwise noted) which are, in the opinion of management, necessary for the fair presentation of the Condensed Consolidated Statements of Income, Condensed Consolidated Statements of Comprehensive Income, Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Equity and Redeemable Equity, and Condensed Consolidated Statements of Cash Flows. The results for the interim period are not necessarily indicative of the results expected for the full year or any other future period.

**2. Summary of Significant Accounting Standards and Policies**

For detailed information about the Company’s significant accounting standards, see Note 2 of the Notes to the Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019. Except for the matters discussed below, there have been no other material changes to the Company’s significant accounting policies for the nine months ended September 30, 2020.

***Recently Adopted Accounting Standards***

*ASU No. 2017-04, Intangibles – Goodwill and Other (Topic 350)*

In January 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This ASU simplifies the subsequent measurement of goodwill as this ASU eliminates Step 2 from the goodwill impairment test. Under this ASU, an entity will continue to perform its annual, or interim, goodwill impairment test to determine if the fair value of a reporting unit is greater than its carrying amount. An entity should then recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value using the results of its Step 1 assessment, with the loss recognized not to exceed the total amount of goodwill allocated to that reporting unit. This ASU is effective for annual periods beginning after December 15, 2019, with early adoption permitted. The Company adopted ASU 2017-04 at the beginning of its 2020 fiscal year, and this ASU did not have a material impact on the Company’s Condensed Consolidated Financial Statements upon adoption.

*ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326)*

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires the Company to measure and recognize expected credit losses for financial assets held and not accounted for at fair value through net income. This ASU is effective for annual periods beginning after December 15, 2019, with early adoption permitted. The Company adopted ASU 2016-13 at the beginning of its 2020 fiscal year, and this ASU did not have a material impact on the Company’s Condensed Consolidated Financial Statements upon adoption.

***Significant Accounting Policies***

*Indefinite-lived intangible assets and goodwill:* The Company has indefinite-lived intangible assets of \$178 million at September 30, 2020 and December 31, 2019. Goodwill (\$841 million and \$801 million at September 30, 2020 and December 31, 2019, respectively) represents the excess of the cost of an acquired entity over the fair value assigned to identifiable assets acquired and liabilities assumed. The following table summarizes the Company’s indefinite-lived intangible assets at the dates presented:



<b>(in millions)</b>	<b>Balance at September 30, 2020</b>		<b>Balance at December 31, 2019</b>	
Trademarks/tradenames (indefinite-lived)	\$	178	\$	178

The original carrying value of goodwill and accumulated impairment charges by reportable business segment at September 30, 2020 was as follows:

<b>(in millions)</b>	<b>North America</b>	<b>South America</b>	<b>Asia-Pacific</b>	<b>EMEA</b>	<b>Total</b>
Goodwill before impairment charges	\$ 608	\$ 54	\$ 229	\$ 65	\$ 956
Accumulated impairment charges	(1)	(33)	(121)	—	(155)
Balance at January 1, 2020	607	21	108	65	801
Acquisitions	—	—	48	—	48
Currency translation	—	(6)	(3)	1	(8)
Balance at September 30, 2020	<u>\$ 607</u>	<u>\$ 15</u>	<u>\$ 153</u>	<u>\$ 66</u>	<u>\$ 841</u>

The Company assesses indefinite-lived intangible assets and goodwill for impairment annually (or more frequently if impairment indicators arise). The Company performs this annual impairment assessment as of July 1 each year. In testing indefinite-lived intangible assets for impairment, the Company first assesses qualitative factors to determine whether it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is less than its carrying value. After assessing the qualitative factors, if the Company determines that it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is greater than its carrying amount, then it would not be required to compute the fair value of the indefinite-lived intangible asset. In the event the qualitative assessment leads the Company to conclude otherwise, then it would be required to determine the fair value of the indefinite-lived intangible assets and perform a quantitative impairment test in accordance with Accounting Standards Codification (“ASC”) subtopic 350-30. In performing the qualitative analysis, the Company considers various factors including net sales derived from these intangibles and certain market and industry conditions. Based on the results of its assessment, the Company concluded that as of July 1, 2020, there were no impairments in its indefinite-lived intangible assets.

In testing goodwill for impairment, the Company first assesses qualitative factors in determining whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. After assessing the qualitative factors, if the Company determines that it is more-likely-than-not that the fair value of a reporting unit is greater than its carrying amount, then the Company does not perform an impairment test. If the Company concludes otherwise, then it performs an impairment test as described in ASC subtopic 350-30. This test compares the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of its net assets, goodwill is not considered impaired and no further testing is required. If the carrying value of the net assets exceeds the fair value of the reporting unit, an impairment is recorded. Based on the results of the annual assessment, the Company concluded that as of July 1, 2020, there were no impairments in its reporting units.

#### ***Net Sales Presentation Change***

During the three months ended December 31, 2019, the Company changed its presentation of shipping and handling costs. These expenses were previously included as a reduction to Net sales in the Condensed Consolidated Statements of Income. The Company is now presenting these expenses within Cost of sales in the Condensed Consolidated Statements of Income. The change in presentation was applied retrospectively to all periods presented in the Condensed Consolidated Statements of Income. The change in presentation had no effect on Gross profit, Operating income, Net income, or Earnings per share. The Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Comprehensive Income, Condensed Consolidated Statements of Equity and Redeemable Equity, and Condensed Consolidated Statements of Cash Flows are not affected by this change in presentation.

The effect of the adjustment is as follows:

<b>(in millions)</b>	<b>Three Months Ended September 30, 2019</b>		<b>Nine Months Ended September 30, 2019</b>	
	<b>As Reported</b>	<b>As Adjusted</b>	<b>As Reported</b>	<b>As Adjusted</b>
<b>Consolidated Statements of Income:</b>				
Net sales before shipping and handling costs	\$ 1,574	\$ —	\$ 4,660	\$ —
Less: shipping and handling costs	117	—	349	—
Net sales	1,457	1,574	4,311	4,660
Cost of sales	1,113	1,230	3,322	3,671
Gross profit	\$ 344	\$ 344	\$ 989	\$ 989

  

<b>(in millions)</b>	<b>Three Months Ended September 30, 2019</b>		<b>Nine Months Ended September 30, 2019</b>	
	<b>As Reported</b>	<b>As Adjusted</b>	<b>As Reported</b>	<b>As Adjusted</b>
<b>Net sales to unaffiliated customers:</b>				
North America	\$ 892	\$ 984	\$ 2,637	\$ 2,912
South America	234	245	667	699
Asia-Pacific	196	205	585	611
EMEA	135	140	422	438
Total	\$ 1,457	\$ 1,574	\$ 4,311	\$ 4,660

### 3. Acquisitions

On July 1, 2020, the Company completed its acquisition of PureCircle Limited (“PureCircle”) through its wholly owned subsidiary Ingredion SRSS Holdings Limited (“Ingredion SRSS”), an unlisted United Kingdom private limited company. PureCircle is one of the leading producers and innovators of stevia sweeteners for global food and beverage industries. To complete the closing, the Company made a total cash payment of \$208 million, net of \$14 million of cash acquired, which it funded from cash on hand. Upon the closing, PureCircle is wholly owned by Ingredion SRSS, which in turn is 75%-owned by Ingredion and 25%-owned by former PureCircle shareholders. PureCircle is consolidated by Ingredion for financial reporting purposes, with a corresponding redeemable non-controlling interest of \$74 million recorded for the portion not owned by the Company. The results of PureCircle will be reported on a one-month lag within the Company’s consolidated financial statements during the integration process of the companies. The results of the acquired operations are included in the Company’s consolidated results from the acquisition date within the Asia-Pacific reportable segment. Pro-forma results of operations for the acquisition have not been presented as the effect of the acquisition would not be material to the Company’s results of operations for any periods presented.

A preliminary allocation of the purchase price to the assets acquired and liabilities assumed was made based on available information and incorporating management’s best estimates. The assets acquired and liabilities assumed in the transaction are generally recorded at their estimated acquisition date fair values, while transaction costs associated with the acquisition were expensed as incurred. Goodwill represents the amount by which the purchase price exceeds the estimated fair value of the net assets acquired. The goodwill related to PureCircle is not tax-deductible due to the structure of the acquisition.

The following table summarizes the preliminary purchase price allocations for the PureCircle acquisition as of September 30, 2020:

<b>(in millions)</b>	<b>Preliminary PureCircle</b>
Working capital (excluding cash)	\$ 77
Property, plant and equipment	89
Other, net	4
Identifiable intangible assets	64
Goodwill	48
Total purchase price, net of cash	\$ 282

All of the recorded assets and liabilities, including working capital, property, plant and equipment, goodwill, intangibles and taxes, are open to change as the Company is still in process of performing purchase accounting for PureCircle, pending receipt of certain information required to finalize the determination of fair value. The goodwill results from synergies and other operational benefits expected to be derived from the acquisition.

The identifiable intangible assets for the acquisition of PureCircle include items such as customer relationships, trade names, and proprietary technology. The fair values of these intangible assets were determined to be Level 3 under the fair value hierarchy. Level 3 inputs are unobservable inputs for an asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for fair value estimates to be made in situations in which there is little, if any, market activity for an asset or liability at the measurement date. For more information on the fair value hierarchy, see Note 6.

On March 1, 2019, the Company completed its acquisition of Western Polymer LLC (“Western Polymer”), a privately-held, U.S.-based company headquartered in Moses Lake, Washington, that produces native and modified potato starches for industrial and food applications for \$42 million, net of cash acquired of \$4 million. The acquisition expanded the Company’s potato starch manufacturing capacity, enhanced its processing capabilities, and broadened its higher-value specialty ingredients business and customer base. The results of the acquired operation are included in the Company’s consolidated results from the acquisition date within the North America business segment. During the three months ended March 31, 2020, the Company finalized the purchase price allocation for the Western Polymer acquisition. The finalization of goodwill and intangible assets did not have a significant impact on previously estimated amounts. The acquisition of Western Polymer added \$13 million of goodwill and intangible assets and \$29 million of net tangible assets as of the acquisition date. Pro-forma results of operations for the acquisition made in 2019 have not been presented as the effect of the acquisition would not be material to the Company’s results of operations for any periods presented.

The Company incurred \$5 million and \$8 million of pre-tax acquisition and integration costs for the three and nine months ended September 30, 2020, respectively, associated with the PureCircle acquisition. The Company incurred an insignificant amount of pre-tax acquisition and integration costs for the three months ended September 30, 2019 and \$2 million of pre-tax acquisition and integration costs for the nine months ended September 30, 2019 associated with the Western Polymer acquisition.

#### **4. Revenue Recognition**

The Company applies the provisions of ASC 606-10, *Revenue from Contracts with Customers*. The Company recognizes revenue under the core principle to depict the transfer of products to customers in an amount reflecting the consideration the Company expects to receive. In order to achieve that core principle, the Company applies the following five-step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

The Company identified customer purchase orders, which in some cases are governed by a master sales agreement, as the contracts with its customers. For each contract, the Company considers the transfer of products, each of which is distinct, to be the identified performance obligation. In determining the transaction price for the performance obligation, the Company evaluates whether the price is subject to adjustment to determine the consideration to which the Company expects to be entitled. The pricing model can be fixed or variable within the contract. The variable pricing model is based on historical commodity pricing and is determinable prior to completion of the performance obligation. Additionally, the Company has certain sales adjustments for volume incentive discounts and other discount arrangements that reduce the transaction price. The reduction of the transaction price is estimated using the expected value method based on an analysis of historical volume incentives or discounts, over a period of time considered adequate to account for current pricing and business trends. Historically, actual volume incentives and discounts relative to those estimated and included when determining the transaction price have not materially differed. Volume incentives and discounts are accrued at the satisfaction of the performance obligation and accounted for in Accounts payable and accrued liabilities in the Condensed Consolidated Balance Sheets. These amounts were not significant as of September 30, 2020 or December 31, 2019. The product price as specified in the contract, net of any discounts, is considered the standalone selling price as it is an observable input which depicts the price as if sold to a similar customer in similar circumstances. Payment is received

shortly after the performance obligation is satisfied; therefore, the Company has elected the practical expedient under ASC 606-10-32-18 to not assess whether a contract has a significant financing component.

Revenue is recognized when the Company’s performance obligation is satisfied and control is transferred to the customer, which occurs at a point in time, either upon delivery to an agreed upon location or to the customer. Further, in determining whether control has transferred, the Company considers if there is a present right to payment and legal title, along with risks and rewards of ownership having transferred to the customer.

Shipping and handling activities related to contracts with customers represent fulfillment costs and are recorded in Cost of sales. Taxes assessed by governmental authorities and collected from customers are accounted for on a net basis and excluded from revenues. The Company applies a practical expedient to expense costs to obtain a contract as incurred as most contracts are one year or less. These costs primarily include the Company’s internal sales force compensation. Under the terms of these programs, such costs are generally earned and the costs are recognized at the time the revenue is recognized.

From time to time, the Company may enter into long-term contracts with its customers. Historically, the contracts entered into by the Company do not result in significant contract assets or liabilities. Any such arrangements are accounted for in Other assets or Accounts payable and accrued liabilities in the Condensed Consolidated Balance Sheets. There were no significant contract assets or liabilities as of September 30, 2020 or December 31, 2019.

The Company is principally engaged in the production and sale of starches and sweeteners for a wide range of industries, and is managed geographically on a regional basis. The Company’s operations are classified into four reportable business segments: North America, South America, Asia-Pacific and Europe, Middle East and Africa (“EMEA”). The nature, amount, timing and uncertainty of the Company’s Net sales are managed by the Company primarily based on its geographic segments. Each region’s product sales are unique to each region and have unique risks.

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Net sales to unaffiliated customers:				
North America	\$ 928	\$ 984	\$ 2,739	\$ 2,912
South America	224	245	643	699
Asia-Pacific	207	205	583	611
EMEA	143	140	429	438
Total net sales	<u>\$ 1,502</u>	<u>\$ 1,574</u>	<u>\$ 4,394</u>	<u>\$ 4,660</u>

## 5. Restructuring and Impairment Charges

For the three and nine months ended September 30, 2020, the Company recorded a total of \$16 million and \$41 million of pre-tax restructuring and impairment charges, respectively. For the three and nine months ended September 30, 2020, the Company recorded \$2 million and \$17 million of pre-tax restructuring charges for its Cost Smart cost of sales program, respectively. During the three months ended September 30, 2020, the Company recorded \$1 million of other restructuring costs in relation to the closure of the Lane Cove, Australia production facility and \$1 million of other costs related to the closure of the Stockton, California production facility. During the nine months ended September 30, 2020, the Company recorded \$10 million of restructuring charges in relation to the closure of the Lane Cove, Australia production facility, \$6 million related to the closure of the Stockton, California production facility and \$1 million of other restructuring costs. The Lane Cove, Australia restructuring costs consist of \$6 million of asset write-offs, \$3 million of other costs, and \$1 million of accelerated depreciation. The Stockton, California restructuring costs consist of \$4 million of accelerated depreciation, \$1 million of employee-related severance, and \$1 million of other costs. The Company expects to incur \$1 million to \$2 million of additional restructuring costs during the remainder of 2020 related to the Lane Cove production facility closure.

Additionally, the Company recorded pre-tax restructuring charges of \$4 million and \$14 million during the three and nine months ended September 30, 2020, respectively, for its Cost Smart selling, general and administrative expense (“SG&A”) program. During the three months ended September 30, 2020, the Company recorded \$4 million of pre-tax restructuring charges, consisting primarily of other costs, including professional services, in North America. During the nine months ended September 30, 2020, the Company recorded pre-tax restructuring costs of \$14 million primarily in

North America, consisting of \$12 million of other costs, including professional services, and \$2 million of employee-related severance.

Finally, the Company recognized an other-than-temporary impairment of \$10 million on its equity method investment in Verdient Foods Inc. during the three months ended September 30, 2020. The other-than-temporary impairment was triggered by the decrease in the fair value of its investment as determined by the agreed upon price for Ingredion to acquire the remaining 80% interest in Verdient Foods Inc. This agreement is more fully described in Note 14, Subsequent Event.

For the three and nine months ended September 30, 2019, the Company recorded \$28 million and \$41 million of pre-tax restructuring charges, respectively. For the three and nine months ended September 30, 2019, the Company recorded \$14 million and \$23 million, respectively, of other costs, including professional services, and employee-related severance in the North America and South America segments as part of its Cost Smart SG&A program. This included \$1 million and \$2 million of other costs associated with the Finance Transformation initiative in Latin America for the three and nine months ended September 30, 2019, respectively. Additionally, for the three and nine months ended September 30, 2019, the Company recorded \$14 million and \$18 million, respectively, of other costs, including professional services, as part of the Cost Smart cost of sales program, including \$2 million in relation to the prior year cessation of wet-milling at the Stockton, California plant.

A summary of the Company's employee-related severance accrual as of September 30, 2020 is as follows (in millions):

Balance in severance accrual as of December 31, 2019	\$	15
Cost Smart cost of sales and SG&A		3
Payments made to terminated employees		(11)
Foreign exchange translation		(1)
Balance in severance accrual as of September 30, 2020	\$	<u>6</u>

Of the \$6 million severance accrual as of September 30, 2020, \$5 million is expected to be paid in the next 12 months.

As of September 30, 2020, the Company identified certain assets within the Stockton, California and Lane Cove, Australia locations that met the held for sale criteria. The Company expects to sell these assets at a fair value equal to or greater than the carrying value as of September 30, 2020, and did not record a gain or loss associated with the reclassification of these assets to held for sale for the nine months ended September 30, 2020. The assets classified as held for sale are reflected in the Condensed Consolidated Balance Sheets as follows:

<u>(in millions)</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Other assets	\$ 8	\$ —

## 6. Financial Instruments, Derivatives and Hedging Activities

The Company is exposed to market risk stemming from changes in commodity prices (primarily corn and natural gas), foreign currency exchange rates and interest rates. In the normal course of business, the Company actively manages its exposure to these market risks by entering into various hedging transactions, authorized under established policies that place controls on these activities. These transactions utilize exchange-traded derivatives or over-the-counter derivatives with investment grade counterparties. Derivative financial instruments currently used by the Company consist of commodity-related futures, options and swap contracts, foreign currency-related forward contracts, interest rate swaps, and treasury locks ("T-Locks").

*Commodity price hedging:* The Company's principal use of derivative financial instruments is to manage commodity price risk relating to anticipated purchases of corn and natural gas to be used in the manufacturing process, generally over the next 12 to 24 months. The Company maintains a commodity-price risk management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations caused by commodity-price volatility. To manage price risk related to corn purchases primarily in North America, the Company uses corn futures and option contracts that trade on regulated commodity exchanges to lock-in corn costs associated with fixed-priced customer sales contracts. The Company also uses over-the-counter natural gas swaps in North America to hedge a portion of its natural

gas usage. These derivative financial instruments limit the impact that volatility resulting from fluctuations in market prices will have on corn and natural gas purchases. The Company's natural gas derivatives and the majority of its corn derivatives have been designated as cash flow hedging instruments.

The Company enters into certain corn derivative instruments that are not designated as hedging instruments as defined by ASC 815, *Derivatives and Hedging*. Therefore, the realized and unrealized gains and losses from these instruments are recognized in cost of sales during each accounting period. These derivative instruments also mitigate commodity price risk related to anticipated purchases of corn.

For commodity hedges designated as cash flow hedges, unrealized gains and losses associated with marking the commodity hedging contracts to market (fair value) are recorded as a component of other comprehensive income ("OCI") and included in the equity section of the Condensed Consolidated Balance Sheets as part of Accumulated other comprehensive income ("AOCI"). These amounts are subsequently reclassified into earnings in the same line item affected by the hedged transaction and in the same period or periods during which the hedged transaction affects earnings, or in the month a hedge is determined to be ineffective. The Company assesses the effectiveness of a commodity hedge contract based on changes in the contract's fair value. The changes in the market value of such contracts have historically been, and are expected to continue to be, highly effective at offsetting changes in the price of the hedged items. Gains and losses from cash flow hedging instruments reclassified from AOCI to earnings are reported as Cash provided by operating activities on the Condensed Consolidated Statements of Cash Flows.

As of September 30, 2020, the Company had outstanding futures and option contracts that hedged the forecasted purchase of approximately 64 million bushels of corn. The Company had outstanding swap and option contracts that hedged the forecasted purchase of approximately 29 million mmbtu's of natural gas at September 30, 2020.

*Foreign currency hedging:* Due to the Company's global operations, including operations in many emerging markets, the Company is exposed to fluctuations in foreign currency exchange rates. As a result, the Company has exposure to translational foreign-exchange risk when the results of its foreign operations are translated to U.S. dollars and to transactional foreign-exchange risk when transactions not denominated in the functional currency are revalued. The Company's foreign-exchange risk management strategy uses derivative financial instruments such as foreign currency forward contracts, swaps and options to manage its transactional foreign exchange risk. The Company enters into foreign currency derivative instruments that are designated as both cash flow hedging instruments as well as instruments not designated as hedging instruments as defined by ASC 815, *Derivatives and Hedging*, in order to mitigate transactional foreign-exchange risk. Gains and losses from derivative financial instruments not designated as hedging instruments are marked to market in earnings during each accounting period.

The Company hedges certain assets using foreign currency derivatives not designated as hedging instruments, which had a notional value of \$648 million and \$621 million as of September 30, 2020 and December 31, 2019, respectively. The Company also hedges certain liabilities using foreign currency derivatives not designated as hedging instruments, which had a notional value of \$457 million and \$356 million as of September 30, 2020 and December 31, 2019, respectively.

The Company hedges certain assets using foreign currency cash flow hedging instruments, which had a notional value of \$495 million and \$374 million as of September 30, 2020 and December 31, 2019, respectively. The Company also hedges certain liability positions using foreign currency cash flow hedging instruments, which had a notional value of \$619 million and \$541 million as of September 30, 2020 and December 31, 2019, respectively.

*Interest rate hedging:* The Company assesses its exposure to variability in interest rates by identifying and monitoring changes in interest rates that may adversely impact future cash flows and the fair value of existing debt instruments, and by evaluating hedging opportunities. The Company's risk management strategy is to monitor interest rate risk attributable to both the Company's outstanding and forecasted debt obligations as well as the Company's offsetting hedge positions. Derivative financial instruments that have been used by the Company to manage its interest rate risk consist of interest rate swaps and T-Locks.

The Company periodically enters into interest rate swaps to hedge its exposure to interest rate changes. The changes in fair value of interest rate swaps designated as hedging instruments that effectively offset the variability in the fair value of outstanding debt obligations are reported in earnings. These amounts offset the gains or losses (the changes in fair value) of the hedged debt instruments that are attributable to changes in interest rates (the hedged risk), which are

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also recognized in earnings. As of September 30, 2020, the Company did not have any outstanding interest rate swaps. As of December 31, 2019, the Company had an outstanding interest rate swap agreement that converted the interest rates on \$200 million of its \$400 million 4.625% senior notes due November 1, 2020, to variable rates. The Company redeemed these notes in July 2020 and settled the outstanding interest rate swap.

The Company periodically enters into T-Locks to hedge its exposure to interest rate changes. The T-Locks are designated as hedges of the variability in cash flows associated with future interest payments caused by market fluctuations in the benchmark interest rate until the fixed interest rate is established, and are accounted for as cash flow hedges. Accordingly, changes in the fair value of the T-Locks are recorded to AOCI until the consummation of the underlying debt offering, at which time any realized gain (loss) is amortized to earnings over the life of the debt. The Company did not have outstanding T-locks as of September 30, 2020 or December 31, 2019. T-locks outstanding as of March 31, 2020 were settled the three months ended June 30, 2020. The corresponding realized loss was recorded in AOCI and will be amortized to earnings over the life of the senior notes sold.

The derivative instruments designated as cash flow hedges included in AOCI as of September 30, 2020 and December 31, 2019 are reflected below:

Derivatives in Cash Flow Hedging Relationships (in millions)	Gains (Losses) included in AOCI	
	September 30, 2020	December 31, 2019
Commodity contracts, net of income tax effect of \$ — and \$5, respectively	\$ 2	\$ (11)
Foreign currency contracts, net of income tax effect of \$1 and \$1, respectively	(3)	3
Interest rate contracts, net of income tax effect of \$1 and \$ —, respectively	(4)	(1)
Total	<u>\$ (5)</u>	<u>\$ (9)</u>

The fair value and balance sheet location of the Company's derivative instruments, presented gross in the Condensed Consolidated Balance Sheets, are reflected below:

Balance Sheet Location	Fair Value of Hedging Instruments as of September 30, 2020							
	Designated Hedging Instruments (in millions)				Non-Designated Hedging Instruments (in millions)			
	Commodity Contracts	Foreign Currency Contracts	Interest Rate Contracts	Total	Commodity Contracts	Foreign Currency Contracts	Interest Rate Contracts	Total
Accounts receivable, net	\$ 18	\$ —	\$ —	\$ 18	\$ —	\$ 7	\$ —	\$ 7
Other assets	4	—	—	4	—	3	—	3
Assets	22	—	—	22	—	10	—	10
Accounts payable and accrued liabilities	6	1	—	7	1	23	—	24
Non-current liabilities	1	3	—	4	—	2	—	2
Liabilities	7	4	—	11	1	25	—	26
Net (Liabilities)/Assets	<u>\$ 15</u>	<u>\$ (4)</u>	<u>\$ —</u>	<u>\$ 11</u>	<u>\$ (1)</u>	<u>\$ (15)</u>	<u>\$ —</u>	<u>\$ (16)</u>

Balance Sheet Location	Fair Value of Hedging Instruments as of December 31, 2019							
	Designated Hedging Instruments (in millions)				Non-Designated Hedging Instruments (in millions)			
	Commodity Contracts	Foreign Currency Contracts	Interest Rate Contracts	Total	Commodity Contracts	Foreign Currency Contracts	Interest Rate Contracts	Total
Accounts receivable, net	\$ 5	\$ 7	\$ —	\$ 12	\$ 2	\$ 4	\$ —	\$ 6
Other assets	1	3	1	5	—	1	—	1
Assets	6	10	1	17	2	5	—	7
Accounts payable and accrued liabilities	13	4	—	17	1	8	—	9
Non-current liabilities	4	4	—	8	—	2	—	2
Liabilities	17	8	—	25	1	10	—	11
Net (Liabilities)/Assets	<u>\$ (11)</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ (8)</u>	<u>\$ 1</u>	<u>\$ (5)</u>	<u>\$ —</u>	<u>\$ (4)</u>

Additional information pertaining to the Company's fair value hedges is presented below:

Line item in the statement of financial position in which the hedged item is included (in millions)	Carrying Amount of the Hedged Assets/(Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of Hedged Assets/(Liabilities)	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
<b>Interest Rate Contracts:</b>				
Long-Term Debt	\$ —	\$ (201)	\$ —	\$ (1)

Additional information relating to the Company's derivative instruments is presented below:

Derivatives in Cash Flow Hedging Relationships (in millions)	Gains (Losses) Recognized in OCI on Derivatives		Income Statement Location	Gains (Losses) Reclassified from AOCI into Income	
	Three Months Ended September 30, 2020	September 30, 2019		Three Months Ended September 30, 2020	September 30, 2019
Commodity contracts	\$ 21	\$ (20)	Cost of sales Net sales/Cost	\$ (30)	\$ 2
Foreign currency contracts	(5)	3	of sales	(1)	1
Interest rate contracts	—	—	Financing costs, net	—	—
Total	\$ 16	\$ (17)		\$ (31)	\$ 3

Derivatives in Cash-Flow Hedging Relationships (in millions, pre-tax)	Gains (Losses) Recognized in OCI on Derivatives		Income Statement Location	Gains (Losses) Reclassified from AOCI into Income	
	Nine Months Ended September 30, 2020	September 30, 2019		Nine Months Ended September 30, 2020	September 30, 2019
Commodity contracts	\$ (36)	\$ (20)	Cost of sales Net sales/Cost	\$ (54)	\$ (1)
Foreign currency contracts	(9)	4	of sales	(1)	(1)
Interest rate contracts	(5)	—	Financing costs, net	(1)	(1)
Total	\$ (50)	\$ (16)		\$ (56)	\$ (3)

Derivatives in Fair Value Hedging Relationships (in millions)	Income Statement Location of Derivatives Designated as Hedging Instruments	Gains (Losses) Recognized in Income Statement		Gains (Losses) Recognized in Income Statement	
		Three Months Ended September 30, 2020	September 30, 2019	Three Months Ended September 30, 2020	September 30, 2019
Interest rate contracts	Financing costs, net	\$ —	\$ —	Financing costs, net	\$ —

Derivatives in Fair Value Hedging Relationships (in millions)	Income Statement Location of Derivatives Designated as Hedging Instruments	Gains (Losses) Recognized in Income Statement		Gains (Losses) Recognized in Income Statement	
		Nine Months Ended September 30, 2020	September 30, 2019	Nine Months Ended September 30, 2020	September 30, 2019
Interest rate contracts	Financing costs, net	\$ (1)	\$ 3	Financing costs, net	\$ 1

As of September 30, 2020, AOCI included \$3 million of net losses (net of income taxes of \$1 million) on settled commodities-related derivatives instruments, T-Locks, and foreign currency hedges designated as cash flow hedges that are expected to be reclassified into earnings during the next 12 months.



*Fair Value Measurements:* Presented below are the fair values of the Company’s financial instruments and derivatives as of the dates presented:

(in millions)	As of September 30, 2020				As of December 31, 2019			
	Total	Level 1 (a)	Level 2 (b)	Level 3 (c)	Total	Level 1 (a)	Level 2 (b)	Level 3 (c)
Available for sale securities	\$ 10	\$ 10	\$ —	\$ —	\$ 13	\$ 13	\$ —	\$ —
Derivative assets	32	15	17	—	24	7	17	—
Derivative liabilities	37	5	32	—	36	5	31	—
Long-term debt	2,106	—	2,106	—	1,751	—	1,751	—

- (a) Level 1 inputs consist of quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 inputs are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability or can be derived principally from or corroborated by observable market data.
- (c) Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The carrying values of cash equivalents, short-term investments, accounts receivable, accounts payable and short-term borrowings approximate fair values. Commodity futures, options, and swap contracts are recognized at fair value. Foreign currency forward contracts, swaps and options are also recognized at fair value. The fair value of the Company’s Long-term debt is estimated based on quotations of major securities dealers who are market makers in the securities. As of September 30, 2020, the carrying value and fair value of the Company’s Long-term debt was \$2.1 billion.

## 7. Debt

As of September 30, 2020 and December 31, 2019, the Company’s total debt consisted of the following:

(in millions)	As of September 30, 2020	As of December 31, 2019
2.900% senior notes due June 1, 2030	\$ 594	\$ —
3.200% senior notes due October 1, 2026	497	497
3.900% senior notes due June 1, 2050	390	—
6.625% senior notes due April 15, 2037	253	253
4.625% senior notes due November 1, 2020	—	400
5.62% senior notes due March 25, 2020	—	200
Term loan credit agreement due April 12, 2021	380	405
Revolving credit facility	—	10
Other long-term borrowings	1	—
Fair value adjustment related to hedged fixed rate debt instruments	—	1
Long-term debt	2,115	1,766
Short-term borrowings	62	82
Total debt	\$ 2,177	\$ 1,848

During the three months ended March 31, 2020, the Company used proceeds from the revolving credit facility (“Revolving Credit Facility”) to refinance \$200 million of its 5.62% senior notes due March 25, 2020.

During the three months ended June 30, 2020, the Company sold its (i) 2.900% senior notes due 2030 in the principal amount of \$600 million (the “2030 Notes”) and (ii) 3.900% senior notes due 2050 in the principal amount of \$400 million (the “2050 Notes”) and, together with the “2030 Notes,” the “Notes”). The Company recorded the aggregate discount of approximately \$7 million at which the Notes were issued and capitalized debt issuance costs of approximately \$9 million associated with the Notes.

During the three months ended June 30, 2020, the Company applied the net proceeds from the sale of the Notes to pay in full the outstanding balance of \$394 million under the Revolving Credit Facility and set aside funds to repay its 4.625% senior notes due November 1, 2020 (the “November 2020 Notes”). On June 8, 2020, the Company issued a notice for the redemption in full of all \$400 million principal amount of the November 2020 Notes. The November 2020 Notes

were redeemed on July 9, 2020 for a total redemption price of \$409 million, including \$4 million of accrued interest and a \$5 million “make-whole” premium as set forth in the indenture.

The Company’s long-term debt as of September 30, 2020 includes the term loan credit agreement due April 12, 2021, as the Company has the ability and intent to refinance it on a long-term basis using the Revolving Credit Facility or other means prior to the maturity date.

## 8. Leases

The Company determines if an arrangement is a lease at inception of the agreement. Operating leases are included in operating lease assets, and current and non-current operating lease liabilities in the Company’s Condensed Consolidated Balance Sheets. Lease assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Lease assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company’s leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease asset value includes in its calculation any prepaid lease payments made and any lease incentives received from the arrangement as a reduction of the asset. The Company’s lease terms may include options to extend or terminate the lease, and the impact of these options is included in the lease liability and lease asset calculations when the exercise of the option is at the Company’s sole discretion and it is reasonably certain that the Company will exercise that option. The Company will not separate lease and non-lease components for its leases when it is impracticable to separate the two, such as for leases with variable payment arrangements. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

The Company has operating leases for certain rail cars, office space, warehouses, and machinery and equipment. The commencement date used for the calculation of the lease obligations recorded is the latter of the commencement date of the new standard (January 1, 2019) or the lease start date. Certain of the leases have options to extend the life of the lease, which are included in the liability calculation when the option is at the sole discretion of the Company and it is reasonably certain that the Company will exercise the option. The Company has certain leases that have variable payments based solely on output or usage of the leased asset. These variable operating lease assets are excluded from the Company’s balance sheet presentation and expensed as incurred. The Company currently has no finance leases.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. The components of lease expense were as follows:

Lease Cost (in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating lease cost	\$ 14	\$ 13	\$ 40	\$ 40
Variable operating lease cost	8	6	23	18
Short term lease cost	1	1	3	2
Lease cost	<u>\$ 23</u>	<u>\$ 20</u>	<u>\$ 66</u>	<u>\$ 60</u>

The following is a reconciliation of future undiscounted cash flows to the operating lease liabilities and the related operating lease assets as presented on the Condensed Consolidated Balance Sheet as of September 30, 2020.

<b>Operating Leases</b>	<b>As of</b>
<b>(in millions)</b>	<b>September 30, 2020</b>
2020 (Excluding the nine months ended September 30, 2020)	\$ 14
2021	49
2022	40
2023	31
2024	21
Thereafter	37
Total future lease payments	192
Less imputed interest	23
Present value of future lease payments	169
Less current lease liabilities	46
Non-current operating lease liabilities	\$ 123
Operating lease assets	\$ 161

Additional information related to the Company's operating leases is listed below.

<b>Other Information</b>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
<b>(\$ in millions)</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 14	\$ 12	\$ 40	\$ 41
Right-of-use assets obtained in exchange for lease liabilities:				
Operating leases	\$ 24	\$ 11	\$ 45	\$ 178
			<b>As of</b>	<b>As of</b>
			<b>September 30, 2020</b>	<b>December 31, 2019</b>
Weighted average remaining lease term:				
Operating leases			5.0 years	5.5 years
Weighted average discount rate:				
Operating leases			5.1 %	5.7 %

## 9. Taxes

The Company's effective tax rate for the three months ended September 30, 2020 increased to 30.1 percent from 27.1 percent during the three months ended September 30, 2019. The increase in the effective income tax rate was driven by one-time items in the quarter over quarter results, a change in the mix of earnings including the consolidation of PureCircle and a valuation allowance on U.S. foreign tax credits. These items were partially offset by a reduction in the Company's U.S. global intangible low-taxed income ("GILTI") based on the newly issued final U.S. Treasury regulations relating thereto, an increase in the valuation of the Mexican peso against the U.S. dollar and utilization of net operating losses for which a benefit had not been previously recognized compared to a valuation allowance recorded for the three months ended September 30, 2019.

The effective tax rate for the nine months ended September 30, 2020 was 34.4 percent compared to 27.8 percent during the nine months ended September 30, 2019. The increase in the effective tax rate was driven by a decrease in the valuation of the Mexican peso against the U.S. dollar, one-time items in the quarter over quarter results, a change in the mix of earnings including the consolidation of PureCircle and a valuation allowance on U.S. foreign tax credits. These items were partially offset by a reduction in the Company's GILTI based on the newly issued final U.S. Treasury regulations relating thereto and utilization of net operating losses for which a benefit had not previously been recognized compared to a valuation allowance recorded for the three months ended September 30, 2019.

## 10. Net Periodic Pension and Postretirement Benefit Costs

The following table sets forth the components of net periodic benefit cost of the U.S. and non-U.S. defined benefit pension plans for the periods presented:

(in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	U.S. Plans		Non-U.S. Plans		U.S. Plans		Non-U.S. Plans	
	2020	2019	2020	2019	2020	2019	2020	2019
Service cost	\$ 2	\$ 2	\$ 1	\$ —	\$ 4	\$ 4	\$ 3	\$ 2
Interest cost	2	4	2	3	8	11	8	8
Expected return on plan assets	(5)	(5)	(2)	(2)	(16)	(14)	(6)	(6)
Amortization of actuarial loss	—	—	1	—	—	—	2	1
Net periodic benefit cost (a)	<u>\$ (1)</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ (4)</u>	<u>\$ 1</u>	<u>\$ 7</u>	<u>\$ 5</u>

The Company currently anticipates that it will make approximately \$4 million in cash contributions to its pension plans in 2020, consisting of contributions of \$3 million to its non-U.S. pension plans and \$1 million to its U.S. pension plans. For the nine months ended September 30, 2020, cash contributions of approximately \$2 million were made to the non-U.S. plans and \$1 million to the U.S. plans.

The following table sets forth the components of net postretirement benefit cost for the periods presented:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	Service cost	\$ —	\$ —	\$ —
Interest cost	—	1	2	2
Amortization of prior service credit	—	—	(1)	(1)
Net periodic benefit cost (a)	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>

(a) The service cost component of net periodic benefit cost is presented within either cost of sales or operating expenses on the Condensed Consolidated Statements of Income. The interest cost, expected return on plan assets, amortization of prior service credit, and amortization of actuarial loss components of net periodic benefit cost are presented as other, non-operating income on the Condensed Consolidated Statements of Income.

## 11. Inventories

Inventories are summarized as follows:

(in millions)	As of September 30, 2020	As of December 31, 2019
Finished and in process	\$ 593	\$ 565
Raw materials	221	237
Manufacturing supplies and other	94	59
Total inventories	<u>\$ 908</u>	<u>\$ 861</u>

## 12. Equity

*Treasury stock:* On October 22, 2018, the Board of Directors authorized a new stock repurchase program permitting the Company to purchase up to 8 million of its outstanding common shares from November 5, 2018 through December 31, 2023. The parameters of the Company's stock repurchase program are not established solely with reference to the dilutive impact of shares issued under the Company's stock incentive plan. However, the Company expects that, over time, share repurchases will offset the dilutive impact of shares issued under the stock incentive plan.

On November 5, 2018, the Company entered into a Variable Timing Accelerated Share Repurchase ("ASR") program with JPMorgan ("JPM"). Under the ASR program, the Company paid \$455 million on November 5, 2018, and acquired 4 million shares of its common stock having an approximate value of \$423 million on that date. On February 5, 2019, the Company and JPM settled the difference between the initial price and average daily volume weighted average price ("VWAP") less the agreed upon discount during the term of the ASR agreement. The final VWAP was \$98.04 per

share, which was less than originally paid. The Company settled the difference in cash, resulting in JPM returning \$63 million of the upfront payment to the Company on February 6, 2019, and lowering the total cost of repurchasing the 4 million shares of common stock to \$392 million. The Company adjusted Additional paid-in capital and Treasury stock by \$32 million and \$31 million, respectively, during the nine months ended September 30, 2019 for this inflow of cash. In the three and nine months ended September 30, 2020, the Company did not repurchase shares of common stock.

*Share-based payments:* The following table summarizes the components of the Company's share-based compensation expense:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Stock options:</b>				
Pre-tax compensation expense	\$ 1	\$ —	\$ 3	\$ 2
Income tax benefit	—	—	—	—
Stock option expense, net of income taxes	1	—	3	2
<b>Restricted stock units ("RSUs"):</b>				
Pre-tax compensation expense	3	2	9	7
Income tax benefit	—	—	(1)	(1)
RSUs, net of income taxes	3	2	8	6
<b>Performance shares and other share-based awards:</b>				
Pre-tax compensation expense	2	2	6	5
Income tax benefit	(1)	—	(1)	—
Performance shares and other share-based compensation expense, net of income taxes	1	2	5	5
<b>Total share-based compensation:</b>				
Pre-tax compensation expense	6	4	18	14
Income tax benefit	(1)	—	(2)	(1)
Total share-based compensation expense, net of income taxes	\$ 5	\$ 4	\$ 16	\$ 13

*Stock Options:* Under the Company's stock incentive plan, stock options are granted at exercise prices that equal the market value of the underlying common stock on the date of grant. The options have a 10-year term and are exercisable upon vesting, which occurs over a three-year period at the anniversary dates of the date of grant. Compensation expense is generally recognized on a straight-line basis for all awards over the employee's vesting period or over a one-year required service period for certain retirement-eligible executive level employees. The Company estimates a forfeiture rate at the time of grant and updates the estimate throughout the vesting period of the stock options within the amount of compensation costs recognized in each period.

The Company granted non-qualified options to purchase 336 thousand shares and 247 thousand shares for the nine months ended September 30, 2020 and 2019, respectively. The fair value of each option grant was estimated using the Black-Scholes option-pricing model with the following assumptions at the date of grant:

	Nine Months Ended September 30,	
	2020	2019
Expected life (in years)	5.5	5.5
Risk-free interest rate	1.4 %	2.5 %
Expected volatility	19.8 %	19.7 %
Expected dividend yield	2.9 %	2.7 %

The expected life of options represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and the Company's historical exercise patterns. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the grant date for the period corresponding to the expected life of the options. Expected volatility is based on historical volatilities of the Company's common stock. Dividend yield is based on current dividend payments at the date of grant.

Stock option activity for the nine months ended September 30, 2020 was as follows:

	Number of Options (in thousands)	Weighted Average Exercise Price per Share	Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in millions)
Outstanding as of December 31, 2019	2,055	\$ 84.36	5.30	\$ 34
Granted	336	88.35		
Exercised	(93)	45.12		
Cancelled	(19)	85.75		
Outstanding as of September 30, 2020	2,279	\$ 86.55	5.37	\$ 12
Exercisable as of September 30, 2020	1,740	\$ 84.09	4.33	\$ 12

For the nine months ended September 30, 2020, cash received from the exercise of stock options was \$5 million. As of September 30, 2020, the unrecognized compensation cost related to non-vested stock options totaled \$3 million, which is expected to be amortized over the weighted-average period of approximately 1.5 years.

Additional information pertaining to stock option activity is as follows:

(dollars in millions, except per share)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Weighted average grant date fair value of stock options granted (per share)	\$ —	\$ —	\$ 11.48	\$ 14.02
Total intrinsic value of stock options exercised	\$ —	\$ 1	\$ 4	\$ 7

*Restricted Stock Units:* The Company has granted restricted stock units (“RSUs”) to certain key employees. The RSUs are subject to cliff vesting, generally after three years, provided the employee remains in the service of the Company. Compensation expense is generally recognized on a straight-line basis for all awards over the employee’s vesting period or over a one-year required service period for certain retirement-eligible executive level employees. The Company estimates a forfeiture rate at the time of grant and updates the estimate throughout the vesting period of the RSUs within the amount of compensation costs recognized in each period. The fair value of the RSUs is determined based upon the number of shares granted and the market price of the Company’s common stock on the date of the grant.

The following table summarizes RSU activity for the nine months ended September 30, 2020:

(RSUs in thousands)	Number of Restricted Shares	Weighted Average Fair Value per Share
Non-vested as of December 31, 2019	339	\$ 108.02
Granted	178	88.10
Vested	(92)	117.18
Cancelled	(14)	102.71
Non-vested as of September 30, 2020	411	\$ 97.52

As of September 30, 2020, the total remaining unrecognized compensation cost related to RSUs was \$18 million, which will be amortized over a weighted average period of approximately 1.8 years.

*Performance Shares:* The Company has a long-term incentive plan for senior management in the form of performance shares. Historically these performance shares vested based solely on the Company’s total shareholder return as compared to the total shareholder return of its peer group over the three-year vesting period. Beginning with the 2019 performance share grants, the vesting of the performance shares is based on two performance metrics. Fifty percent of the performance shares awarded will vest based on the Company’s total shareholder return as compared to the total shareholder return of its peer group, and the remaining fifty percent will vest based on the calculation of the Company’s three-year average Return on Invested Capital (“ROIC”) against an established ROIC target.

For the 2020 performance shares awarded based on the Company’s total shareholder return, the number of shares that ultimately vest can range from zero to 200 percent of the awarded grant depending on the Company’s total shareholder

return as compared to the total shareholder return of its peer group. The share award vesting will be calculated at the end of the three-year period and is subject to approval by management and the Compensation Committee of the Board of Directors. Compensation expense is based on the fair value of the performance shares at the grant date, established using a Monte Carlo simulation model. The total compensation expense for these awards is amortized over a three-year graded vesting schedule.

For the 2020 performance shares awarded based on ROIC, the number of shares that ultimately vest can range from zero to 200 percent of the awarded grant depending on the Company's ROIC performance against the target. The share award vesting will be calculated at the end of the three-year period and is subject to approval by management and the Compensation Committee. Compensation expense is based on the market price of the Company's common stock on the date of the grant and the final number of shares that ultimately vest. The Company will estimate the potential share vesting at least annually to adjust the compensation expense for these awards over the vesting period to reflect the Company's estimated ROIC performance versus the target. The total compensation expense for these awards is amortized over a three-year graded vesting schedule.

For the nine months ended September 30, 2020, the Company awarded 81 thousand performance shares at a weighted average fair value of \$94.48 per share.

As of September 30, 2020, the unrecognized compensation cost related to these awards was \$6 million, which will be amortized over the remaining requisite service period of 1.9 years.

The 2017 performance share awards vested during the nine months ended September 30, 2020, achieving a zero percent payout of the granted performance shares. Additionally, there were 3 thousand performance share cancellations during the nine months ended September 30, 2020.

*Accumulated Other Comprehensive Loss:* The following is a summary of net changes in Accumulated other comprehensive loss by component and net of tax for the nine months ended September 30, 2020 and 2019:

<i>(in millions)</i>	Cumulative Translation Adjustment	Hedging Activities	Pension and Postretirement Adjustment	Accumulated Other Comprehensive Loss
Balance, December 31, 2019	\$ (1,089)	\$ (9)	\$ (60)	\$ (1,158)
Other comprehensive (loss) before reclassification adjustments	(105)	(50)	—	(155)
Loss reclassified from accumulated OCI	—	56	—	56
Tax (provision)	—	(2)	—	(2)
Net other comprehensive (loss) income	(105)	4	—	(101)
Balance, September 30, 2020	<u>\$ (1,194)</u>	<u>\$ (5)</u>	<u>\$ (60)</u>	<u>\$ (1,259)</u>
<i>(in millions)</i>	Cumulative Translation Adjustment	Hedging Activities	Pension and Postretirement Adjustment	Accumulated Other Comprehensive Loss
Balance, December 31, 2018	\$ (1,080)	\$ (5)	\$ (69)	\$ (1,154)
Other comprehensive (loss) before reclassification adjustments	(48)	(16)	(2)	(66)
Loss reclassified from accumulated OCI	—	3	—	3
Tax benefit	—	3	—	3
Net other comprehensive loss	(48)	(10)	(2)	(60)
Balance, September 30, 2019	<u>\$ (1,128)</u>	<u>\$ (15)</u>	<u>\$ (71)</u>	<u>\$ (1,214)</u>

*Supplemental Information:* The following Condensed Consolidated Statements of Equity and Redeemable Equity provide the dividends per share for common stock for the periods presented:

(in millions)	Total Equity								
	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Non-Redeemable Non-Controlling Interests	Share-based Payments Subject to Redemption	Redeemable Non-Controlling Interests
Balance, December 31, 2019	\$ —	\$ 1	\$ 1,137	\$ (1,040)	\$ (1,158)	\$ 3,780	\$ 21	\$ 31	\$ —
Net income attributable to Ingredient						75			
Net income attributable to non-controlling interests							3		
Dividends declared, common stock (\$0.63/share)						(42)			
Share-based compensation, net of issuance			5	12				(8)	
Other comprehensive loss					(164)		(3)		
Balance, March 31, 2020	\$ —	\$ 1	\$ 1,142	\$ (1,028)	\$ (1,322)	\$ 3,813	\$ 21	\$ 23	\$ —
Net income attributable to Ingredient						66			
Net income attributable to non-controlling interests							1		
Dividends declared, common stock (\$0.63/share)						(43)			
Dividends declared, non-controlling interests							(3)		
Share-based compensation, net of issuance			1	1				4	
Other comprehensive income					15		1		
Balance, June 30, 2020	\$ —	\$ 1	\$ 1,143	\$ (1,027)	\$ (1,307)	\$ 3,836	\$ 20	\$ 27	\$ —
Net income attributable to Ingredient						92			
Net income attributable to non-controlling interests							3		(2)
Dividends declared, common stock (\$0.64/share)						(44)			
Dividends declared, non-controlling interests							(2)		
Acquisition of redeemable non-controlling interests									74
Share-based compensation, net of issuance			2					5	
Other comprehensive (loss) income					48				2
Balance, September 30, 2020	\$ —	\$ 1	\$ 1,145	\$ (1,027)	\$ (1,259)	\$ 3,884	\$ 21	\$ 32	\$ 74



(in millions)	Total Equity								
	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Non-Redeemable Non-Controlling Interests	Share-based Payments Subject to Redemption	Redeemable Non-Controlling Interests
Balance, December 31, 2018	\$ —	\$ 1	\$ 1,096	\$ (1,091)	\$ (1,154)	\$ 3,536	\$ 20	\$ 37	\$ —
Net income attributable to Ingredion						100			
Net income attributable to non-controlling interests							2		
Dividends declared, common stock (\$0.625/share)						(42)			
Repurchases of common stock			32	31					
Share-based compensation, net of issuance			9	10				(16)	
Other comprehensive loss					(6)				
Balance, March 31, 2019	\$ —	\$ 1	\$ 1,137	\$ (1,050)	\$ (1,160)	\$ 3,594	\$ 22	\$ 21	\$ —
Net income attributable to Ingredion						105			
Net income attributable to non-controlling interests							2		
Dividends declared, common stock (\$0.625/share)						(43)			
Dividends declared, non-controlling interests							(4)		
Share-based compensation, net of issuance			1	3				4	
Other comprehensive income (loss)					8		(4)		
Balance, June 30, 2019	\$ —	\$ 1	\$ 1,138	\$ (1,047)	\$ (1,152)	\$ 3,656	\$ 16	\$ 25	\$ —
Net income attributable to Ingredion						99			
Net income attributable to non-controlling interests							3		
Dividends declared, common stock (\$0.63/share)						(42)			
Dividends declared, non-controlling interests							(2)		
Repurchases of common stock									
Share-based compensation, net of issuance			(1)	3				3	
Other comprehensive (loss) income					(62)		2		
Balance, September 30, 2019	\$ —	\$ 1	\$ 1,137	\$ (1,044)	\$ (1,214)	\$ 3,713	\$ 19	\$ 28	\$ —

*Supplemental Information:* The following table provides the computation of basic and diluted earnings per common share ("EPS") for the periods presented:

(in millions, except per share amounts)	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	Net Income Available to Ingredion	Weighted Average Shares	Per Share Amount	Net Income Available to Ingredion	Weighted Average Shares	Per Share Amount
Basic EPS	\$ 92	67.2	\$ 1.37	\$ 99	66.9	\$ 1.48
Effect of Dilutive Securities:						
Incremental shares from assumed exercise of dilutive stock options and vesting of dilutive RSUs and other awards		0.4			0.5	
Diluted EPS	\$ 92	67.6	\$ 1.36	\$ 99	67.4	\$ 1.47

(in millions, except per share amounts)	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Net Income Available to Ingredient	Weighted Average Shares	Per Share Amount	Net Income Available to Ingredient	Weighted Average Shares	Per Share Amount
Basic EPS	\$ 233	67.2	\$ 3.47	\$ 304	66.9	\$ 4.54

**Effect of Dilutive Securities:**

Incremental shares from assumed exercise of dilutive stock options and vesting of dilutive RSUs and other awards		0.4			0.5	
Diluted EPS	\$ 233	67.6	\$ 3.45	\$ 304	67.4	\$ 4.51

For the three and nine months ended September 30, 2020 approximately 1.7 million and 1.4 million share-based awards of common stock, respectively, were excluded from the calculation of diluted EPS as the impact of their inclusion would have been anti-dilutive. For the three and nine months ended September 30, 2019 approximately 1.4 million and 1.1 million share-based awards of common stock, respectively, were excluded from the calculation of diluted EPS as the impact of their inclusion would have been anti-dilutive.

**13. Segment Information**

The Company is principally engaged in the production and sale of starches and sweeteners for a wide range of industries, and is managed geographically on a regional basis. The Company's operations are classified into four reportable business segments: North America, South America, Asia-Pacific, and EMEA. Its North America segment includes businesses in the U.S., Mexico, and Canada. The Company's South America segment includes businesses in Brazil, Colombia, Ecuador, and the Southern Cone of South America, which includes Argentina, Peru, Chile, and Uruguay. Its Asia-Pacific segment includes businesses in South Korea, Thailand, China, Australia, Japan, Indonesia, Singapore, the Philippines, India, Malaysia, New Zealand, and Vietnam. The Company's EMEA segment includes businesses in Pakistan, Germany, the United Kingdom, South Africa, and Kenya. The Company has aggregated the PureCircle operating segment into the Asia-Pacific reportable segment. Net sales by product are not presented because to do so would be impracticable.

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Net sales to unaffiliated customers:				
North America	\$ 928	\$ 984	\$ 2,739	\$ 2,912
South America	224	245	643	699
Asia-Pacific	207	205	583	611
EMEA	143	140	429	438
Total net sales	\$ 1,502	\$ 1,574	\$ 4,394	\$ 4,660

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Operating income:				
North America	\$ 132	\$ 145	\$ 358	\$ 409
South America	29	27	68	61
Asia-Pacific	18	22	60	65
EMEA	25	24	73	71
Corporate	(25)	(25)	(86)	(69)
Subtotal	179	193	473	537
Restructuring/impairment charges	(16)	(28)	(41)	(41)
Acquisition/integration costs	(5)	—	(8)	(2)
Charge for fair value markup of acquired inventory	(3)	—	(3)	—
North America storm damage	(2)	—	(2)	—
Total operating income	\$ 153	\$ 165	\$ 419	\$ 494

<b>(in millions)</b>	<b>As of September 30, 2020</b>	<b>As of December 31, 2019</b>
<b>Assets:</b>		
North America (a)	\$ 4,072	\$ 3,924
South America	676	774
Asia-Pacific	1,193	843
EMEA	523	499
Total assets	<u>\$ 6,464</u>	<u>\$ 6,040</u>

(a) For purposes of presentation, North America includes Corporate assets.

#### **14. Subsequent Event**

In 2018, the Company entered into an equity method investment with Verdient Foods, Inc. (“Verdient”) by acquiring 20% of its outstanding shares. Verdient is a Canada-based producer of pulse-based protein concentrates and flours from peas, lentils and fava beans for human food applications. On November 3, 2020, the Company acquired the remaining 80% of the outstanding shares of Verdient not owned by the Company. To complete the closing, the Company made a total cash payment of CAD \$33 million, which it funded from cash on hand.

As a result of the agreed upon price to acquire the remaining shares of Verdient, the Company recognized an other-than-temporary impairment of \$10 million on its previously held 20% interest, which is included in Restructuring/impairment charges in the Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2020.

## ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context indicates otherwise, references to “we,” “us,” “our,” the “Company” and “Ingredion” mean Ingredion Incorporated and its consolidated subsidiaries.

### Overview

We are a major supplier of high-quality food and industrial ingredient solutions to customers around the world. As of September 30, 2020, we have 46 manufacturing plants located in North America, South America, Asia-Pacific and Europe, the Middle East and Africa (“EMEA”), and we manage and operate our businesses at a regional level. We believe this approach provides us with a unique understanding of the cultures and product requirements in each of the geographic markets in which we operate, bringing added value to our customers. Our ingredients are used by customers in the food, beverage, brewing, and animal nutrition industries, among others.

Our strategic growth roadmap is based on five growth platforms and is designed to deliver shareholder value by accelerating customer co-creation and enabling consumer-preferred innovation. Our first platform is starch-based texturizers, the second platform is clean and simple ingredients, the third platform is plant-based proteins, the fourth platform is sugar reduction and specialty sweeteners, and finally, our fifth platform is value-added food systems.

For the three and nine months ended September 30, 2020, operating income, net income and diluted earnings per share decreased from the comparable 2019 period. The decreases for the respective periods were attributable primarily to reductions in volumes driven by government mandated shutdowns associated with coronavirus 19 (“COVID-19”), particularly in the Americas, increased restructuring/impairment costs primarily associated with our Cost Smart program, and the results of the acquired operations of PureCircle.

*COVID-19:* Our operations in recent periods have been adversely affected by impacts of COVID-19. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020 the United States declared a national emergency with respect to COVID-19. Our global operations expose us to risks associated with public health crises, including pandemics such as COVID-19. Foreign governmental organizations and governmental organizations at the national, state and local levels in the United States have taken various actions to combat the spread of COVID-19, including imposing stay-at-home orders and closing “non-essential” businesses and their operations. As a manufacturer of food ingredients, our operations are considered “essential” under most current COVID-19 government regulations, and our facilities are operating globally. We did not experience any material supply chain interruptions during the three months ended September 30, 2020, and were able to continue to operate and ship products from our global network of plants. We place top priority on our employees’ health and safety and continue to follow the advice and the guidelines of public health authorities for physical distancing and to make available personal protective equipment and sanitization supplies.

The Company anticipates continued impacts from COVID-19 on net sales volume across our operating segments in the fourth quarter, with recovery in net sales generally correlated with increased consumer activity. With pandemic case rates rising and falling across many geographies, we expect away-from-home consumption to continue to fluctuate, suppressing volume demand for ingredients that are formulated in food and beverages consumed away-from-home. We anticipate modestly higher demand for food consumed in home, increasing volumes for ingredients that are part of the recipes for these meals.

*Restructuring and Impairment Costs:* For the three and nine months ended September 30, 2020, we recorded a total of \$16 million and \$41 million of pre-tax restructuring and impairment charges, respectively. For the three and nine months ended September 30, 2020, we recorded \$2 million and \$17 million, respectively, of pre-tax restructuring charges for our Cost Smart cost of sales program. During the three months ended September 30, 2020, we recorded \$1 million of other restructuring costs in relation to the closure of the Lane Cove, Australia production facility and \$1 million of other costs related to the closure of the Stockton, California production facility. During the nine months ended September 30, 2020, we recorded \$10 million of restructuring charges in relation to the closure of the Lane Cove, Australia production facility, \$6 million related to the closure of the Stockton, California production facility and \$1 million of other restructuring costs. The Lane Cove, Australia restructuring costs consist of \$6 million of asset write-offs, \$3 million of other costs, and \$1 million of accelerated depreciation. The Stockton, California restructuring costs consist of \$4 million of accelerated

depreciation, \$1 million of employee-related severance, and \$1 million of other costs. We expect to incur \$1 million of additional restructuring costs during the remainder of 2020 related to the Lane Cove production facility closure.

Additionally, we recorded pre-tax restructuring charges of \$4 million and \$14 million during the three and nine months ended September 30, 2020, respectively, for our Cost Smart selling, general and administrative expense (“SG&A”) program. During the three months ended September 30, 2020, we recorded \$4 million of pre-tax restructuring charges, consisting primarily of other costs, including professional services, in North America. During the nine months ended September 30, 2020, we recorded pre-tax restructuring costs of \$14 million primarily in North America, consisting of \$12 million of other costs, including professional services, and \$2 million of employee-related severance.

We also recognized an other-than-temporary impairment of \$10 million on our equity method investment in Verdient Foods Inc. during the three months ended September 30, 2020. The other-than-temporary impairment was triggered by the decrease in the fair value of our investment, determined by the agreed upon price for our acquisition of the remaining 80% interest in Verdient Foods Inc.

*Storm Damage Costs:* During the three and nine months ended September 30, 2020, we incurred storm damage to the Cedar Rapids, Iowa manufacturing facility. The facility was shut down for 10 days, and the storm related damage resulted in \$2 million of charges during the three months ended September 30, 2020. We recorded the storm damage costs within Other expense (income), net on the Condensed Consolidated Statements of Income included in this report.

*Liquidity and Capital Resources:* Our cash provided by operating activities increased to \$562 million for the nine months ended September 30, 2020, from \$490 million in the prior year, driven by our changes in working capital, partially offset by lower net income. Our cash provided by financing activities was \$202 million during the nine months ended September 30, 2020, compared to cash used by financing activities of \$86 million in the prior year. This increase was mainly driven by higher net borrowings during the period, including our issuance and sale of \$1.0 billion of senior notes. The impact of these factors was partially offset by payments on outstanding debt, including payment in full of \$394 million of borrowings under our Revolving Credit Facility and early redemption of \$400 million of our 4.625% senior notes due November 1, 2020.

## **Results of Operations**

We have significant operations in four reporting segments: North America, South America, Asia-Pacific and EMEA. For most of our foreign subsidiaries, the local foreign currency is the functional currency. Accordingly, revenues and expenses denominated in the functional currencies of these subsidiaries are translated into U.S. dollars at the applicable average exchange rates for the period. Fluctuations in foreign currency exchange rates affect the U.S. dollar amounts of our foreign subsidiaries’ revenues and expenses. The impact of foreign currency translation to the reporting currency, where significant, is provided below.

We acquired PureCircle Limited (“PureCircle”) on July 1, 2020 and acquired Western Polymer LLC (“Western Polymer”) on March 1, 2019. The results of the acquired businesses are included in our consolidated financial results from the respective acquisition dates and affect the comparability of our results of operations discussed below.

**For the Three Months Ended September 30, 2020  
With Comparatives for the Three Months Ended September 30, 2019**

(in millions)	Three Months Ended September 30,		Favorable (Unfavorable)	Favorable (Unfavorable)
	2020	2019	Variance	Percentage
Net sales	\$ 1,502	\$ 1,574	\$ (72)	(5)%
Cost of sales	1,176	1,230	54	4 %
Gross profit	326	344	(18)	(5)%
Operating expenses	155	153	(2)	(1)%
Other expense (income), net	2	(2)	(4)	200 %
Restructuring/impairment charges	16	28	12	43 %
Operating income	153	165	(12)	(7)%
Financing costs, net	22	24	2	8 %
Other, non-operating expense/(income), net	(2)	1	3	300 %
Income before income taxes	133	140	(7)	(5)%
Provision for income taxes	40	38	(2)	(5)%
Net income	93	102	(9)	(9)%
Less: Net income attributable to non-controlling interests	1	3	2	67 %
Net income attributable to Ingredion	\$ 92	\$ 99	\$ (7)	(7)%

**Net income attributable to Ingredion.** Net income attributable to Ingredion for the three months ended September 30, 2020 decreased by 7 percent to \$92 million from \$99 million for the three months ended September 30, 2019. The decrease in net income was largely attributable to lower sales volumes in North America, the other-than temporary impairment of our equity method investment in Verdient Foods Inc., and the inclusion of PureCircle's results. These were partly offset by reduced restructuring costs compared to the prior comparable period.

**Net sales.** Net sales were down \$72 million or 5% for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019. The decrease was driven by foreign exchange impacts in South America and sales volumes declines in North America.

**Cost of sales.** Cost of sales for the three months ended September 30, 2020 declined by \$54 million or 4% compared to the three months ended September 30, 2019. Our gross profit margin remained flat at 22 percent for the three months ended September 30, 2020 as compared to the three months ended September 30, 2019.

**Operating expenses.** Our operating expenses increased 1 percent to \$155 million for the three months ended September 30, 2020 as compared to \$153 million for the three months ended September 30, 2019. The increase was primarily driven by transaction costs associated with our acquisition and integration of PureCircle, which were partly offset by reduced travel costs and Cost Smart program savings. Operating expenses, as a percentage of net sales, was 10 percent for the three months ended September 30, 2020 and the three months ended September 30, 2019.

**Financing costs, net.** Financing costs for the three months ended September 30, 2020 decreased to \$22 million from \$24 million for the three months ended September 30, 2019. The decrease was driven by lower net interest costs on long-term debt.

**Provision for income taxes.** Our effective tax rate for the three months ended September 30, 2020 was 30.1 percent compared to 27.1 percent for the three months ended September 30, 2019. The increase in the effective income tax rate was driven by one-time items in the quarter over quarter results, a change in the mix of earnings including the consolidation of PureCircle, and a valuation allowance on U.S. foreign tax credits. These items were partially offset by a reduction in the Company's U.S. global intangible low-taxed income ("GILTI") based on newly issued final U.S. Treasury regulations relating thereto, an increase in the valuation of the Mexican peso against the U.S. dollar and utilization of net operating

losses for which a benefit had not previously been recognized compared to a valuation allowance recorded in the 2019 period.

**Segment Results**

*North America*

<u>(in millions)</u>	<u>Three Months Ended September 30,</u>		<u>Favorable</u>	<u>Favorable</u>
	<u>2020</u>	<u>2019</u>	<u>(Unfavorable)</u>	<u>(Unfavorable)</u>
			<u>Variance</u>	<u>Percentage</u>
Net sales to unaffiliated customers	\$ 928	\$ 984	\$ (56)	(6)%
Operating income	132	145	(13)	(9)%

**Net sales.** Our decrease in net sales of 6 percent for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019, was driven by a 3 percent reduction in volume and 3 percent reduction in price mix.

**Operating income.** Our operating income decreased by \$13 million for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019. The decrease was driven by lower volumes as COVID-19 continued to impact away-from-home consumption across the region, and by unfavorable mix in the U.S. and Canada.

*South America*

<u>(in millions)</u>	<u>Three Months Ended September 30,</u>		<u>Favorable</u>	<u>Favorable</u>
	<u>2020</u>	<u>2019</u>	<u>(Unfavorable)</u>	<u>(Unfavorable)</u>
			<u>Variance</u>	<u>Percentage</u>
Net sales to unaffiliated customers	\$ 224	\$ 245	\$ (21)	(9)%
Operating income	29	27	2	7%

**Net sales.** Our net sales decreased 9 percent for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019, primarily due to an 16 percent unfavorable foreign exchange impact and a 3 percent reduction in volume, partly offset by favorable price mix of 10 percent.

**Operating income.** Our increase in operating income of \$2 million for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019, was driven by strong price mix, which was partially offset by unfavorable foreign currency impacts and lower sales volumes.

*Asia-Pacific*

<u>(in millions)</u>	<u>Three Months Ended September 30,</u>		<u>Favorable</u>	<u>Favorable</u>
	<u>2020</u>	<u>2019</u>	<u>(Unfavorable)</u>	<u>(Unfavorable)</u>
			<u>Variance</u>	<u>Percentage</u>
Net sales to unaffiliated customers	\$ 207	\$ 205	\$ 2	1%
Operating income	18	22	(4)	(18)%

**Net sales.** Our net sales increased \$2 million for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019. The increase was primarily due to the inclusion of PureCircle results in the 2020 period, the effect of which was partly offset by unfavorable price mix.

**Operating income.** Our operating income decreased by \$4 million for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019. The decrease was driven by the \$5 million of operating losses of PureCircle recorded in the 2020 period.

EMEA

(in millions)	Three Months Ended September 30,		Favorable	Favorable
	2020	2019	(Unfavorable)	(Unfavorable)
			Variance	Percentage
Net sales to unaffiliated customers	\$ 143	\$ 140	\$ 3	2 %
Operating income	25	24	1	4 %

**Net sales.** Our net sales increased by 2 percent for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019, primarily driven by favorable price mix and a 1 percent increase in volume.

**Operating income.** Our operating income increased \$1 million for the three months ended September 30, 2020, as compared to the September 30, 2019. The increase was largely attributable to favorable price mix in Pakistan and lower operating expenses in Europe.

**For the Nine Months Ended September 30, 2020  
With Comparatives for the Nine Months Ended September 30, 2019**

(in millions)	Nine Months Ended September 30,		Favorable	Favorable
	2020	2019	(Unfavorable)	(Unfavorable)
			Variance	Percentage
Net sales	\$ 4,394	\$ 4,660	\$ (266)	(6)%
Cost of sales	3,474	3,671	197	5 %
Gross profit	920	989	(69)	(7)%
Operating expenses	456	457	1	— %
Other expense (income), net	4	(3)	(7)	(233)%
Restructuring/impairment charges	41	41	—	— %
Operating income	419	494	(75)	(15)%
Financing costs, net	59	62	3	5 %
Other, non-operating expense/(income), net	(3)	1	4	400 %
Income before income taxes	363	431	(68)	(16)%
Provision for income taxes	125	120	(5)	(4)%
Net income	238	311	(73)	(23)%
Less: Net income attributable to non-controlling interests	5	7	2	29 %
Net income attributable to Ingredion	\$ 233	\$ 304	\$ (71)	(23)%

**Net income attributable to Ingredion.** Net income attributable to Ingredion for the nine months ended September 30, 2020 decreased by 23 percent to \$233 million from \$304 million for the nine months ended September 30, 2019. The decrease in net income was primarily due to decreases in volumes associated with the effects of COVID-19, unfavorable impacts of foreign exchange, the other-than temporary impairment of our equity method investment in Verdient Foods Inc., and the inclusion of the results of PureCircle. These were partly offset by reduced restructuring costs compared to the prior comparable period.

**Net sales.** Net sales decreased by 6 percent for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019, primarily driven by sales volumes declines in North America and foreign exchange impacts in South America.

**Cost of sales.** Cost of sales for the nine months ended September 30, 2020 decreased by 5 percent as compared to the nine months ended September 30, 2019. Our gross profit margin remained flat at 21 percent for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019.



**Operating expenses.** Our operating expenses remained flat for the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019. Operating expenses, as a percentage of net sales, were 10 percent for the nine months ended September 30, 2020 and the nine months ended September 30, 2019.

**Financing costs, net.** Financing costs for the nine months ended September 30, 2020 decreased to \$59 million from \$62 million for the nine months ended September 30, 2019 primarily due to lower interest costs associated with long-term debt, partially offset by foreign exchange impacts.

**Provision for income taxes.** Our effective tax rate for the nine months ended September 30, 2020 was 34.4 percent compared to 27.8 percent for the nine months ended September 30, 2019. The increase in the effective tax rate was driven by a decrease in the valuation of the Mexican peso against the U.S. dollar, one-time items in the quarter over quarter results, a change in the mix of earnings including the consolidation of PureCircle, and a valuation allowance on U.S. foreign tax credits. These items were partially offset by a reduction in the Company's GILTI based on newly issued final U.S. Treasury regulations relating thereto and utilization of net operating losses for which a benefit had not previously been recognized compared to a valuation allowance recorded in the 2019 period.

### **Segment Results**

#### *North America*

<u>(in millions)</u>	<u>Nine Months Ended September 30,</u>		<u>Favorable</u>	<u>Favorable</u>
	<u>2020</u>	<u>2019</u>	<u>(Unfavorable)</u>	<u>(Unfavorable)</u>
			<u>Variance</u>	<u>Percentage</u>
Net sales to unaffiliated customers	\$ 2,739	\$ 2,912	\$ (173)	(6)%
Operating income	358	409	(51)	(12)%

**Net sales.** Our decrease in net sales of 6 percent for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019, was driven by decreased volumes of 6 percent.

**Operating income.** Our operating income decreased by \$51 million to \$358 million for the nine months ended September 30, 2020 compared to \$409 million for the nine months ended September 30, 2019. The decrease was driven by significantly lower away-from-home consumption across the region and the shutdown of brewery customers in Mexico in the second quarter.

#### *South America*

<u>(in millions)</u>	<u>Nine Months Ended September 30,</u>		<u>Favorable</u>	<u>Favorable</u>
	<u>2020</u>	<u>2019</u>	<u>(Unfavorable)</u>	<u>(Unfavorable)</u>
			<u>Variance</u>	<u>Percentage</u>
Net sales to unaffiliated customers	\$ 643	\$ 699	\$ (56)	(8)%
Operating income	68	61	7	11 %

**Net sales.** Our net sales decreased 8 percent for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019, primarily due to unfavorable foreign exchange impacts of 15 percent and a reduction in volume of 3 percent, partially offset by favorable price mix of 10 percent.

**Operating income.** Our increase in operating income of \$7 million for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019, was due to strong price mix, partially offset by unfavorable foreign exchange impacts and lower sales volume.

#### *Asia-Pacific*

<u>(in millions)</u>	<u>Nine Months Ended September 30,</u>		<u>Favorable</u>	<u>Favorable</u>
	<u>2020</u>	<u>2019</u>	<u>(Unfavorable)</u>	<u>(Unfavorable)</u>
			<u>Variance</u>	<u>Percentage</u>
Net sales to unaffiliated customers	\$ 583	\$ 611	\$ (28)	(5)%
Operating income	60	65	(5)	(8)%

**Net sales.** Our net sales decreased 5 percent for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019. The decrease was primarily driven by unfavorable foreign exchange impacts and volume and price mix impacts of 2 percent each, the effects of which were partially offset by a 1 percent increase due to the inclusion of PureCircle results in the 2020 period.

**Operating income.** Our operating income decreased by \$5 million for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019. The decrease was driven by the \$5 million of operating losses of PureCircle recorded in the 2020 period.

*EMEA*

<u>(in millions)</u>	<u>Nine Months Ended September 30,</u>		<u>Favorable</u>	<u>Favorable</u>
	<u>2020</u>	<u>2019</u>	<u>(Unfavorable)</u>	<u>(Unfavorable)</u>
			<u>Variance</u>	<u>Percentage</u>
Net sales to unaffiliated customers	\$ 429	\$ 438	\$ (9)	(2)%
Operating income	73	71	2	3 %

**Net sales.** Our net sales decreased 2 percent for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019. The decrease was driven by unfavorable foreign exchange impacts of 4 percent, partially offset by favorable price mix of 2 percent.

**Operating income.** Our operating income increased \$2 million for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019. The increase was largely attributable to Pakistan pricing actions and solid EMEA specialty sales volume, and lower operating expense in Europe, partially offset by the impacts of stay-at-home orders on Pakistan production and sales volume in the first half of the year, and by negative foreign currency impacts.

**Liquidity and Capital Resources**

Cash provided by operating activities for the nine months ended September 30, 2020 was \$562 million, as compared to \$490 million for the nine months ended September 30, 2019. The increase in operating cash flow was primarily driven by our changes in working capital, partially offset by lower net income. Capital expenditures and mechanical stores purchases were \$250 million for the nine months ended September 30, 2020.

As of September 30, 2020, our total debt consists of the following:

<u>(in millions)</u>	
2.900% senior notes due June 1, 2030	\$ 594
3.200% senior notes due October 1, 2026	497
3.900% senior notes due June 1, 2050	390
6.625% senior notes due April 15, 2037	253
Term loan credit agreement due April 12, 2021	380
Revolving credit facility	—
Other long-term borrowings	1
Fair value adjustment related to hedged fixed rate debt instruments	—
Long-term debt	2,115
Short-term borrowings	62
Total debt	<u>\$ 2,177</u>

During the three months ended March 31, 2020, we used proceeds from the revolving credit facility (“Revolving Credit Facility”) to refinance \$200 million of our 5.62% senior notes due March 25, 2020.

During the three months ended June 30, 2020, we sold our (i) 2.900% senior notes due 2030 in the principal amount of \$600 million (the “2030 Notes”) and (ii) 3.900% senior notes due 2050 in the principal amount of \$400 million (the “2050 Notes” and, together with the “2030 Notes,” the “Notes”). We recorded the aggregate discount of approximately \$7 million at which the Notes were issued and capitalized debt issuance costs of approximately \$9 million associated with the Notes.

During the three months ended June 30, 2020, we applied the net proceeds from the sale of the Notes to pay in full the outstanding balance of \$394 million under the Revolving Credit Facility and to set aside funds to repay our 4.625% senior notes due November 1, 2020 (the “2020 Notes”). On June 8, 2020, we issued a notice for the redemption in full of the \$400 million principal amount of the 2020 Notes. The 2020 Notes were redeemed on July 9, 2020 for a total redemption price of \$409 million, including \$4 million of accrued interest and a \$5 million “make-whole” premium as set forth in the indenture. These costs are recorded in Financing Costs, net in the Condensed Consolidated Statements of Income included in this report.

The Company’s long-term debt as of September 30, 2020, includes the term loan credit agreement due April 12, 2021, as the Company has the ability and intent to refinance it on a long-term basis using our Revolving Credit Facility or other means prior to the maturity date.

As of September 30, 2020, in addition to the approximately \$1.0 billion of borrowings availability under the Revolving Credit Facility, we have approximately \$723 million of unused operating lines of credit in the various foreign countries in which we operate. We are required under our credit facilities not to exceed a maximum leverage ratio and to maintain a minimum interest coverage ratio. As of September 30, 2020, we were in compliance with both of these financial covenants.

The weighted average interest rate on our total indebtedness was approximately 3.4 percent for the nine months ended September 30, 2020, compared to 4.4 percent for the nine months ended September 30, 2019.

On September 16, 2020, our Board of Directors declared a quarterly cash dividend of \$0.64 per share of common stock. This dividend was paid on October 26, 2020, to stockholders of record at the close of business on October 1, 2020.

We have not provided foreign withholding taxes, state income taxes, and federal and state taxes or foreign currency gains/losses on accumulated undistributed earnings of certain foreign subsidiaries because these earnings are considered to be permanently reinvested. It is not practicable to determine the amount of the unrecognized deferred tax liability related to the undistributed earnings. We do not anticipate the need to repatriate funds to the U.S. to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with our domestic debt service requirements. Approximately \$349 million of the total \$553 million of cash and cash equivalents and short-term investments at September 30, 2020 was held by our operations outside of the U.S.

We expect that available cash balances and borrowings expected to be available under the Revolving Credit Facility, together with cash generated from operations and our access to debt markets, will be sufficient to meet our operating and other cash needs for at least the next twelve months.

### **Hedging and Financial Risk**

*Hedging:* We are exposed to market risk stemming from changes in commodity prices (primarily corn and natural gas), foreign-currency exchange rates, and interest rates. In the normal course of business, we actively manage our exposure to these market risks by entering into various hedging transactions, authorized under established policies that place controls on these activities. These transactions utilize exchange-traded derivatives or over-the-counter derivatives with investment grade counterparties. Our hedging transactions may include, but are not limited to, a variety of derivative financial instruments such as commodity-related futures, options and swap contracts, forward currency-related contracts and options, interest rate swap agreements, and Treasury lock agreements (“T-Locks”). See Note 6 of the Notes to the Condensed Consolidated Financial Statements included in this report for additional information.

*Commodity Price Risk:* Our principal use of derivative financial instruments is to manage commodity price risk in North America relating to anticipated purchases of corn and natural gas to be used in our manufacturing process. We periodically enter into futures, options and swap contracts for a portion of our anticipated corn and natural gas usage, generally over the following 12 to 24 months, in order to hedge price risk associated with fluctuations in market prices. Unrealized gains and losses associated with marking our commodities-based cash flow hedge derivative instruments to market are recorded as a component of other comprehensive income (“OCI”). As of September 30, 2020, our Accumulated other comprehensive loss account (“AOCI”) included \$2 million of net gains (net of an insignificant amount of taxes) related to these derivative instruments. It is anticipated that \$1 million of net losses (net of an insignificant amount of taxes) will be reclassified into earnings during the next 12 months. We expect the net losses to be offset by lower underlying commodities costs.

*Foreign-Currency Exchange Risk:* Due to our global operations, including operations in many emerging markets, we are exposed to fluctuations in foreign-currency exchange rates. As a result, we have exposure to translational foreign-exchange risk when our foreign operations' results are translated to U.S. dollars and to transactional foreign-exchange risk when transactions not denominated in the functional currency of the operating unit are revalued into U.S. dollars. We primarily use derivative financial instruments such as foreign-currency forward contracts, swaps and options to manage our foreign currency transactional exchange risk. We enter into foreign-currency derivative instruments that are designated as both cash flow hedging instruments as well as instruments not designated as hedging instruments as defined by Accounting Standards Codification 815, *Derivatives and Hedging*. As of September 30, 2020, we had foreign currency derivatives not designated as hedging instruments hedging certain asset and liability positions with aggregate notional amounts of \$648 million and \$457 million, respectively.

As of September 30, 2020, we had foreign currency derivatives designated as cash flow hedging instruments hedging certain asset and liability positions with aggregate notional amounts of \$495 million and \$619 million, respectively. The amount included in AOCI relating to these hedges at September 30, 2020, was \$3 million of net losses (net of income tax benefit of \$1 million). It is anticipated that \$2 million of net losses (net of income tax benefit of \$1 million) will be reclassified into earnings during the next 12 months.

*Interest Rate Risk:* We occasionally use interest rate swaps and T-Locks to hedge our exposure to interest rate changes, to reduce the volatility of our financing costs, or to achieve a desired proportion of fixed versus floating rate debt, based on current and projected market conditions. We did not have outstanding T-Locks as of September 30, 2020.

As of September 30, 2020, AOCI included \$4 million of net losses (net of an income tax benefit of \$1 million) related to previously settled T-Locks. Once T-Locks are settled, deferred losses are amortized to financing costs over the terms of the senior notes with which they are associated. It is anticipated that an insignificant amount of these net losses (net of an insignificant amount of taxes) will be reclassified into earnings during the next 12 months.

As of September 30, 2020, we did not have any interest rate swap agreements. As of December 31, 2019, we had an interest rate swap that effectively converted the interest rates on \$200 million of our \$400 million of 4.625% senior notes due November 1, 2020, to variable rates, which was paid in July 2020. This swap agreement called for us to receive interest at the fixed coupon rate of the notes and to pay interest at a variable rate based on the six-month U.S. dollar LIBOR plus a spread. As of December 31, 2019, we designated this interest rate swap agreement as a hedge of the changes in fair value of the underlying debt obligation attributable to changes in interest rates and accounted for it as a fair value hedge. The fair value of the interest rate swap agreement as of December 31, 2019 was a \$1 million loss, and is reflected in the Condensed Consolidated Balance Sheets included in this report within Other assets, with an offsetting amount recorded in Long-term debt to adjust the carrying amount of the hedged debt obligations.

### **Critical Accounting Policies and Estimates**

Our critical accounting policies and estimates are described in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2019. See Note 2 of the Notes to the Condensed Consolidated Financial Statements included in this report for additional information regarding our significant accounting policies. There have been no other changes to our critical accounting policies and estimates during the nine months ended September 30, 2020.

## **FORWARD-LOOKING STATEMENTS**

This Form 10-Q contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends these forward-looking statements to be covered by the safe harbor provisions for such statements.

Forward-looking statements include, among other things, any statements regarding the Company's future financial condition, earnings, revenues, tax rates, capital expenditures, cash flows, expenses or other financial items, any statements concerning the Company's prospects or future operations, including management's plans or strategies and objectives therefor, and any assumptions, expectations or beliefs underlying the foregoing.

These statements can sometimes be identified by the use of forward-looking words such as "may," "will," "should," "anticipate," "assume," "believe," "plan," "project," "estimate," "expect," "intend," "continue," "pro forma," "forecast," "outlook," "propels," "opportunities," "potential," "provisional," or other similar expressions or the negative thereof. All statements other than statements of historical facts in this report or referred to in this report are "forward-looking statements."

These statements are based on current circumstances or expectations, but are subject to certain inherent risks and uncertainties, many of which are difficult to predict and are beyond our control. Although we believe our expectations reflected in these forward-looking statements are based on reasonable assumptions, investors are cautioned that no assurance can be given that our expectations will prove correct.

Actual results and developments may differ materially from the expectations expressed in or implied by these statements as a result of the following risks and uncertainties, among others: changing consumption preferences and perceptions, including those relating to high fructose corn syrup; the effects of global economic conditions and the general political, economic, business, market conditions that affect customers and consumers in the various geographic regions and countries in which we buy our raw materials or manufacture or sell our products, including, particularly, economic, currency and political conditions in South America and economic and political conditions in Europe, and the impact these factors may have on our sales volumes, the pricing of our products, our access to credit markets and our ability to collect our receivables from customers; adverse changes in investment returns earned on our pension assets; future financial performance of major industries which we serve and from which we derive a significant portion of our sales, including the food, beverage, animal nutrition, and brewing industries; the uncertainty of acceptance of products developed through genetic modification and biotechnology; our ability to develop or acquire new products and services at rates or of qualities sufficient to meet expectations; changes in U.S. and foreign government policy, laws or regulations and costs of legal compliance; increased competitive and/or customer pressure in the corn-refining industry and related industries, including with respect to the markets and prices for our primary products and our co-products, particularly corn oil; the availability of raw materials, including potato starch, tapioca, gum Arabic and the specific varieties of corn upon which some of our products are based, and our ability to pass on potential increases in the cost of corn or other raw materials to customers; raw material and energy costs and availability; our ability to contain costs, achieve budgets and realize expected synergies, including with respect to our ability to complete planned maintenance and investment projects on time and on budget, and to achieve expected savings under our Cost Smart program as well as with respect to freight and shipping costs; the impact of financial and capital markets on our borrowing costs, including as a result of foreign currency fluctuations, fluctuations in interest and exchange rates and market volatility and the associated risks of hedging against such fluctuations; the potential effects of climate change; our ability to successfully identify and complete acquisitions or strategic alliances on favorable terms as well as our ability to successfully integrate acquired businesses or implement and maintain strategic alliances and achieve anticipated synergies with respect to all of the foregoing; operating difficulties at our manufacturing plants or with respect to boiler reliability; risks related to product safety and quality and compliance with environmental, health and safety, and food safety laws and regulations; economic, political and other risks inherent in operating in foreign countries with foreign currencies and shipping products between countries, including with respect to tariffs, quotas and duties; interruptions, security breaches or failures that might affect our information technology systems, processes and sites; our ability to maintain satisfactory labor relations; the impact that weather, natural disasters, war or similar acts of hostility, acts and threats of terrorism, the outbreak or continuation of pandemics such as COVID 19 and other significant events could have on our business; the potential recognition of impairment charges on goodwill or long lived assets; changes in our tax rates or exposure to additional income tax liabilities; and our ability to raise funds at reasonable rates to grow and expand our operations.

Our forward-looking statements speak only as of the date on which they are made and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of the statement as a result of new information or future events or developments. If we do update or correct one or more of these statements, investors and others should not conclude that we will make additional updates or corrections. For a further description of these and other risks, see “Risk Factors” and other information included in our Annual Report on Form 10-K for the year ended December 31, 2019, in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, and in our subsequent reports on Forms 10-Q and 8-K.

### **ITEM 3**

#### **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

See the discussion set forth in Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk at pages 49 to 50 in our Annual Report on Form 10-K for the year ended December 31, 2019, for a discussion as to how we address risks with respect to interest rates, raw material and energy costs and foreign currencies. There have been no material changes in the information that would be provided with respect to those disclosures from December 31, 2019 to September 30, 2020. For additional information, also see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Hedging and Financial Risk” in this report.

### **ITEM 4**

#### **CONTROLS AND PROCEDURES**

Our management, including our Chief Executive Officer and our Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as of September 30, 2020. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of September 30, 2020, our disclosure controls and procedures (a) are effective in providing reasonable assurance that all information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, has been recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and (b) are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting during the three months ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II OTHER INFORMATION

### ITEM 1 LEGAL PROCEEDINGS

In 2015 and 2016, the Company self-reported certain monitoring and recordkeeping issues relating to environmental regulatory matters involving its Indianapolis, Indiana manufacturing facility. In September 2017, following inspections and the provision by the Company of requested information to the U.S. Environmental Protection Agency (the "EPA"), the EPA issued the Company a Notice of Violation, which included additional alleged violations beyond those self-reported by the Company. These additional alleged violations primarily relate to the results of stack testing at the facility. No individual allegation in the Notice of Violation, whether from the self-reported information, the inspections or the additional requested information, is material to us but, collectively, the exposure to the Company could be more than \$100,000 in potential monetary sanctions. At this point in time, the Company is unable to provide a more specific estimate. The Company believes that the additional alleged violations are without merit and intends to vigorously defend its position. The EPA has referred the overall matter to the U.S. Department of Justice, Environment and Natural Resources Division (the "DOJ"). The DOJ and the Company began discussions with respect to this matter in September 2020. Negotiations between the Company and the DOJ with respect to the Notice of Violation are continuing and no litigation has been initiated with respect to the Notice of Violation.

In addition, we are currently subject to claims and suits arising in the ordinary course of business, including labor matters, certain environmental proceedings, and other commercial claims. We also routinely receive inquiries from regulators and other government authorities relating to various aspects of our business, including with respect to compliance with laws and regulations relating to the environment, and at any given time, we have matters at various stages of resolution with the applicable governmental authorities. The outcomes of these matters are not within our complete control and may not be known for prolonged periods of time. We do not believe that the results of currently known legal proceedings and inquiries will be material to us. There can be no assurance, however, that such claims, suits or investigations or those arising in the future, whether taken individually or in the aggregate, will not have a material adverse effect on our business, financial condition, or results of operations.

### ITEM 1A RISK FACTORS

During the nine months ended September 30, 2020, there have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019, as supplemented by the risk factor disclosed in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020. The risks discussed in those reports are not the only risks that could materially affect our business, financial condition, or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition, or results of operations.

### ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities:

(shares in thousands)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet be Purchased Under the Plans or Programs at End of Period
July 1 – July 31, 2020	—	—	—	5,855 shares
August 1 – August 31, 2020	—	—	—	5,855 shares
September 1 – September 30, 2020	—	—	—	5,855 shares
Total	—	—	—	—

On December 12, 2014, the Board of Directors authorized a stock repurchase program permitting us to purchase up to 5.0 million shares of our outstanding common stock from January 1, 2015, through December 31, 2019. On October 22, 2018, the Board of Directors authorized a new stock repurchase program permitting us to purchase up to an additional 8.0 million shares of our outstanding common stock from November 5, 2018, through December 31, 2023. As of September 30, 2020, we have 5.9 million shares available for repurchase under the stock repurchase programs.



**ITEM 6  
EXHIBITS**

a) Exhibits

Exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index below.

**EXHIBIT INDEX**

<b>Number</b>	<b>Description of Exhibit</b>
10.1*	<a href="#">Letter of Agreement, dated as of June 30, 2020, between the Company and Jorgen Kokke.</a>
31.1†	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2†	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1††	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2††	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.</a>
101.INS†	XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH†	Inline XBRL Taxonomy Extension Schema Document.
101.CAL†	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF†	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB†	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE†	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104†	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the Inline XBRL document, which is contained in Exhibit 101).
†	Filed with this report.
††	Furnished with this report.
*	Management contract or compensatory plan or arrangement to be filed as an exhibit to this form pursuant to Item 6 of this report.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**INGREDION INCORPORATED**

DATE: November 6, 2020

By /s/ James D. Gray  
James D. Gray  
Executive Vice President and Chief Financial Officer

DATE: November 6, 2020

By /s/ Stephen K. Latreille  
Stephen K. Latreille  
Vice President and Corporate Controller



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w: [ingredion.com](http://ingredion.com)

**PERSONAL & CONFIDENTIAL**

June 30<sup>th</sup>, 2020

**Jorgen Kokke**

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Dear Jorgen,

I am pleased to confirm your promotion to the position of **Executive Vice President and President, Americas**. The effective date of this promotion will be October 1<sup>st</sup>, 2020. You will continue to be based in our Westchester, IL location and continue to report to **Jim Zallie, President and Chief Executive Officer**. Save as varied by this letter your terms and conditions of employment with the Company remain unchanged.

Details of this promotion include:

- Your new annual base salary will be \$642,000. Your next salary review will take place February 2021.
- You will continue to participate in the Annual Incentive Plan (AIP) with an 80% target.
- You will continue to participate in the Long-Term Incentive Plan (LTIP). All awards granted as an eligible participant of this program are based on performance. Your February 2021 grant will be \$1,200,000.
- Your new grade will remain O.

We appreciate the significant contributions you have made to Ingredion and look forward to your continued success in this new role.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth Adefioye".

Elizabeth Adefioye  
Senior Vice President and Chief Human Resources Officer

*all IN* to make life better!

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## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James P. Zallie, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ingredion Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2020

/s/ James P. Zallie  
James P. Zallie  
President and Chief Executive Officer

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## CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, James D. Gray, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ingredion Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2020

/s/ James D. Gray

James D. Gray

Executive Vice President and Chief Financial Officer

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**Certification Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the  
Sarbanes-Oxley Act of 2002**

I, James P. Zallie, the Chief Executive Officer of Ingredion Incorporated, certify that to my knowledge (i) the report on Form 10-Q for the quarter ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Ingredion Incorporated.

/s/ James P. Zallie

James P. Zallie

Chief Executive Officer

November 6, 2020

A signed original of this written statement required by Section 906 has been provided to Ingredion Incorporated and will be retained by Ingredion Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

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**Certification Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the  
Sarbanes-Oxley Act of 2002**

I, James D. Gray, the Chief Financial Officer of Ingredion Incorporated, certify that to my knowledge (i) the report on Form 10-Q for the quarter ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Ingredion Incorporated.

/s/ James D. Gray

James D. Gray  
Chief Financial Officer  
November 6, 2020

A signed original of this written statement required by Section 906 has been provided to Ingredion Incorporated and will be retained by Ingredion Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

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