# OLAM

The Brand Behind The Brands

# Olam International Limited

## H1 FY2008 Results Briefing

**14th February 2008**

**Singapore**

*This presentation should be read in conjunction with Olam International Limited's First Half (Interim), FY2008 (H1 FY2008) Financial Results for the period ended 31st December 2007 statement lodged on SGXNET on 14th February 2008.*

# *Cautionary note on forward-looking statements*

***This presentation may contain statements regarding the business of Olam International Limited and its subsidiaries (‘Group’) that are of a forward looking nature and are therefore based on management’s assumptions about future developments.***

***Such forward looking statements are intended to be identified by words such as ‘believe’, ‘estimate’, ‘intend’, ‘may’, ‘will’, ‘expect’, and ‘project’ and similar expressions as they relate to the Group. Forward-looking statements involve certain risks and uncertainties because they relate to future events. Actual results may vary materially from those targeted, expected or projected due to several factors.***

***Potential risks and uncertainties includes such factors as general economic conditions, foreign exchange fluctuations, interest rate changes, commodity price fluctuations and regulatory developments. Such factors that may affect Olam’s future financial results are detailed in our listing prospectus, listed in this presentation, or discussed in today’s press release and in the management discussion and analysis section of the company’s First Half FY2008 results report and filings with SGX. The reader and/or listener is cautioned to not unduly rely on these forward-looking statements. We do not undertake any duty to publish any update or revision of any forward looking statements.***

# Results Presentation: Outline

- Results: H1 FY2008 - Consolidated P&L Analysis
- Results: H1 FY2008 - Segmental Analysis
- Results: H1 FY2008 - Balance Sheet Analysis
- Industry Trend and Analysis
- Olam’s Strategic Response
- M&A Update
- Outlook & prospects
- Q&A

# Results:

# H1 FY2008

# Consolidated P&L Analysis

# Background to the results

- **Acquisitions consolidated in H1FY2008**
  - Universal Blanchers (UB)
  - Queensland Cotton Holdings (QCH)
  - Naarden Agro Products BV (NAP)
  - PT Dharmapala Usaha Sukses (DUS)
  - Key Food Ingredients (KFI)
- The consolidated results of H1FY2008 not strictly comparable to H1FY2007

# Snapshot of Results: H1 FY2008

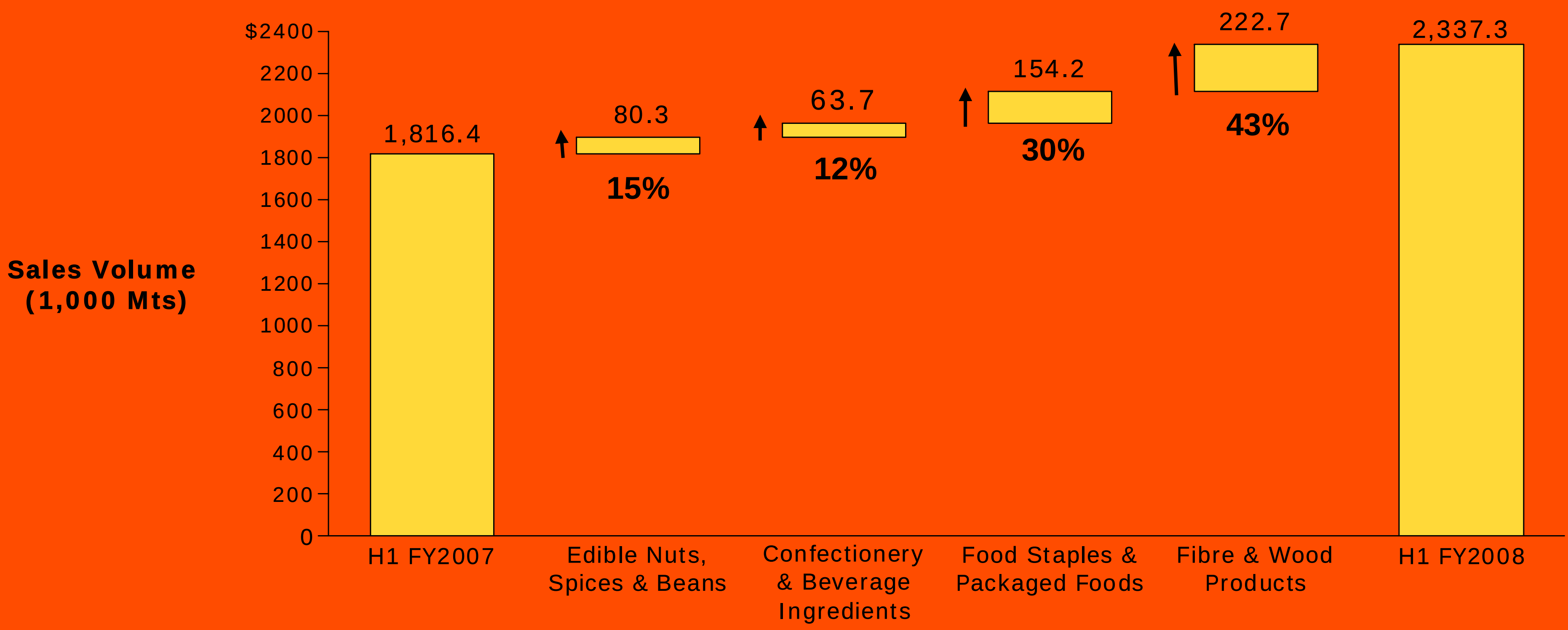
| Description | H1FY2008 | | | H1FY2007 | % Inc Total | % Inc Existing business |
|---|---|---|---|---|---|---|
| | Existing Business | New Business | Total | Total | | |
| Volume (metric tons) | 2,068,685 | 268,622 | 2,337,307 | 1,816,418 | 28.7% | 13.9% |
| Revenue (S$'000) | 2,903,890 | 421,083 | 3,324,973 | 2,367,488 | 40.4% | 22.7% |
| Net Contribution (S$'000) | 172,062 | 33,564 | 205,626 | 131,570 | 56.3% | 30.8% |
| SG & A | 119,893 | 32,648 | 152,540 | 88,937 | 71.5% | 34.8% |
| PAT | 47,186 | (254) | 46,932 | 38,139 | 23.1% | 23.7% |

# Consolidated P&L Analysis: **H1 FY2008**

- **Sales Volume: 2.337 million metric tons**
  - 28.7% growth over H1 FY2007
  - Volume growth across all 4 segments

# Sales Volume Growth: **Segmental Contribution**

Sales Volume growth 28.7%, 520,889 mts



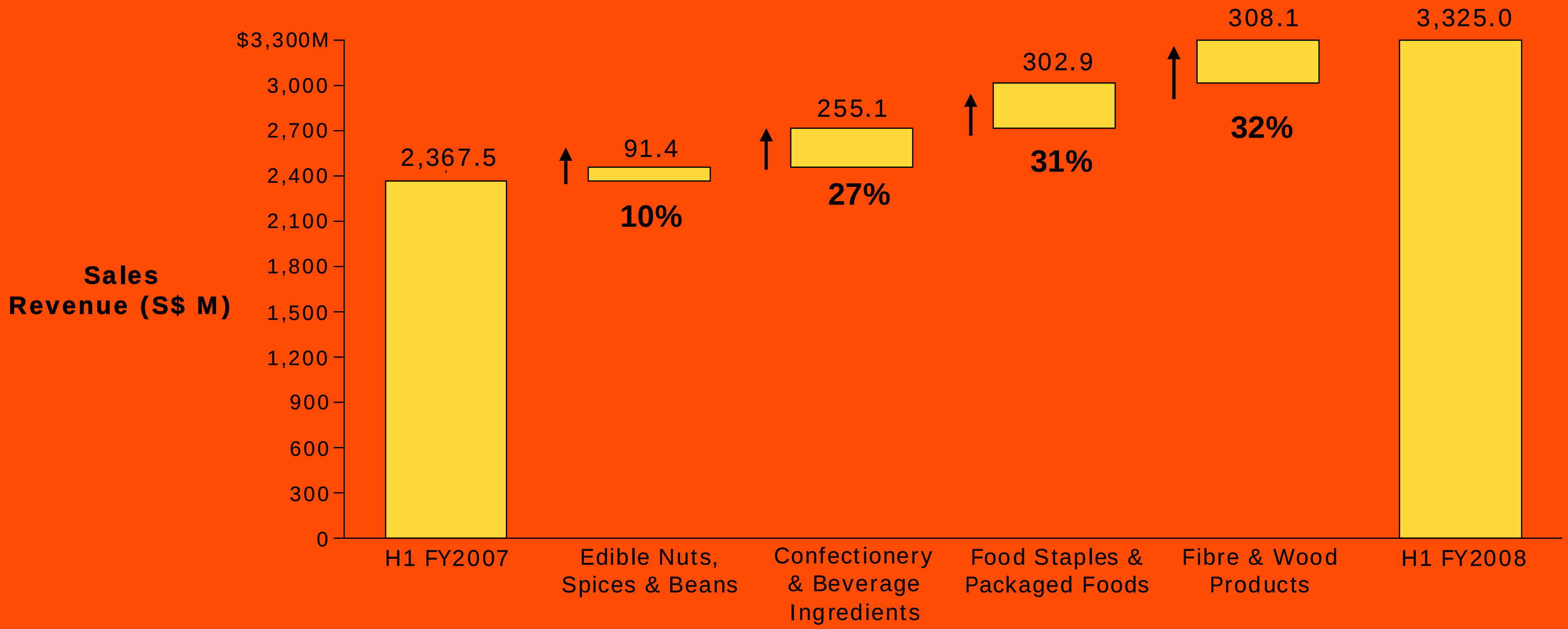

**Growth Over H1 2007:** **36%** **17%** **17%** **79%**

# Consolidated P&L analysis: **H1 FY2008**

- **Total Revenue: S$3,325 million**
  - 40.4% growth over H1 FY2007
  - Revenue growth across all 4 segments

# Sales Revenue Growth: **Segmental Contribution**

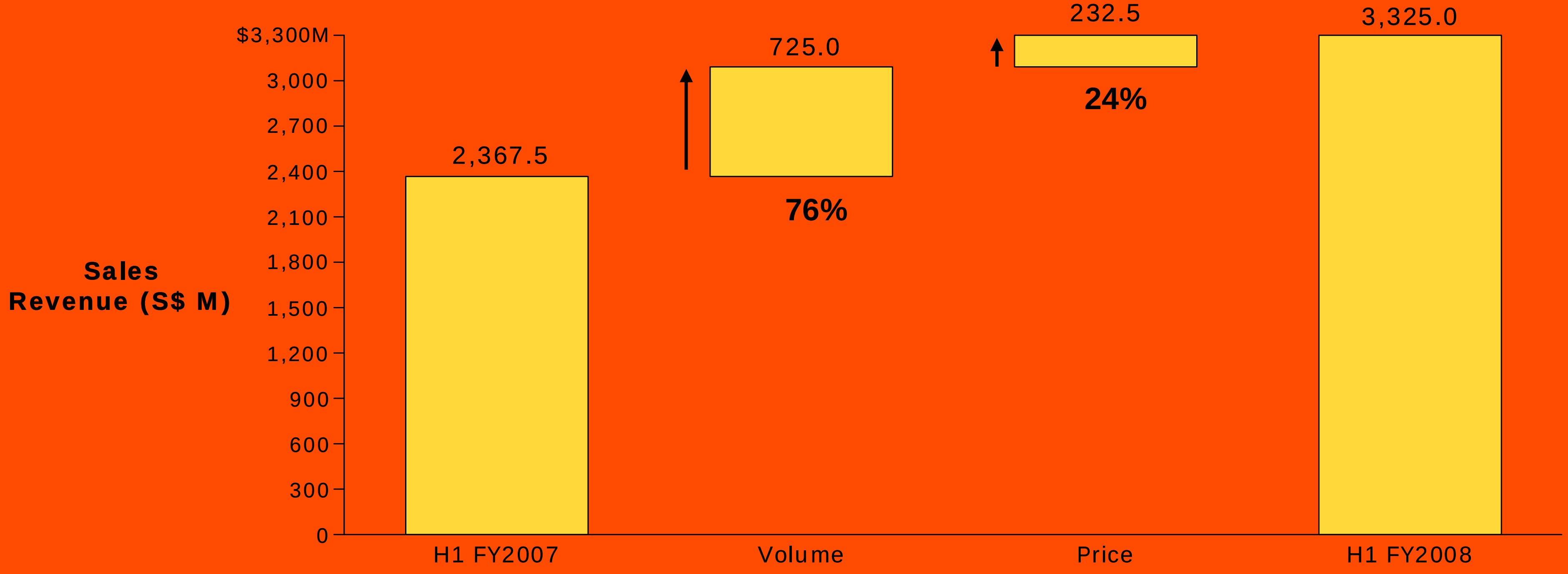
Sales growth 40.4%, S$957.5 million




**Growth Over H1 FY2007:** **27%** **29%** **43%** **71%**

# Sales Revenue Growth: **Sources**

Sales growth 40.4%, S$957.5 million

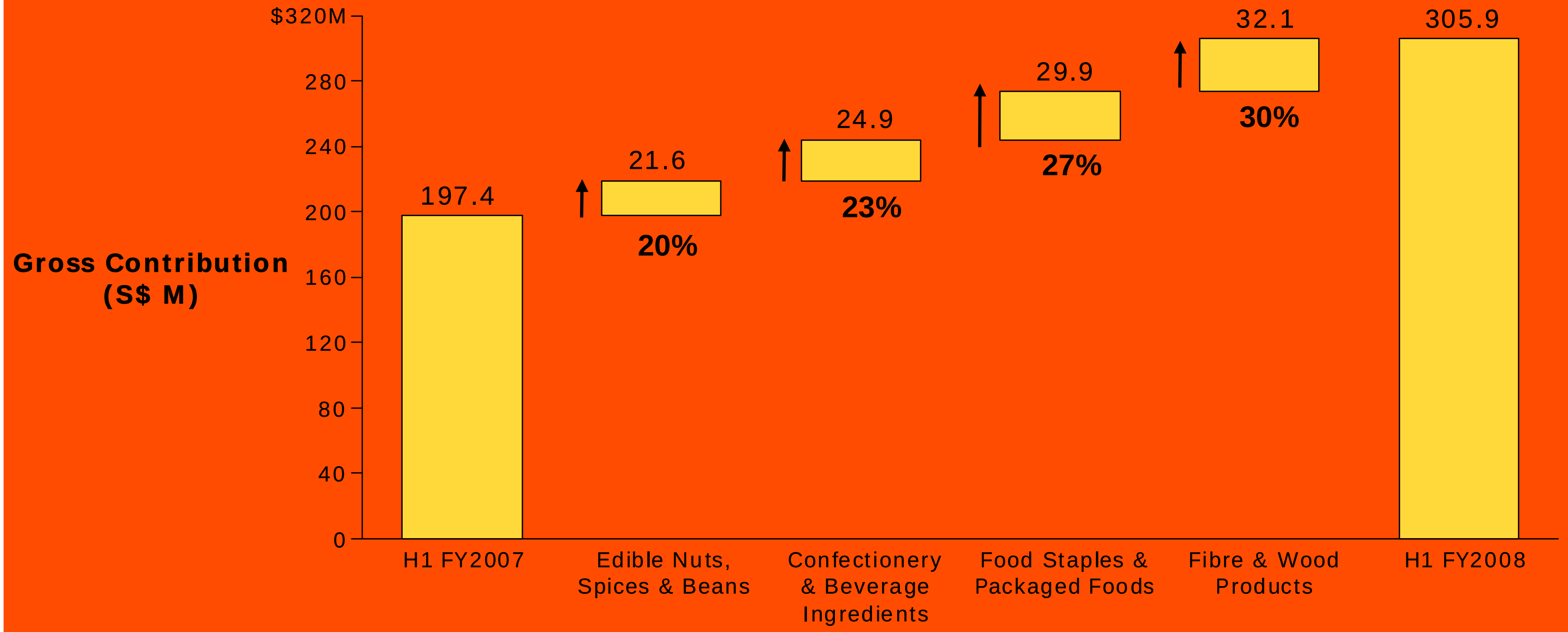


# Consolidated P&L Analysis: **H1 FY2008**

- **Gross Contribution (GC) : S$305.9 million**
  - 55.0% growth over H1 FY2007
  - GC growth across all segments

# Gross Contribution Growth: **Segmental Share**

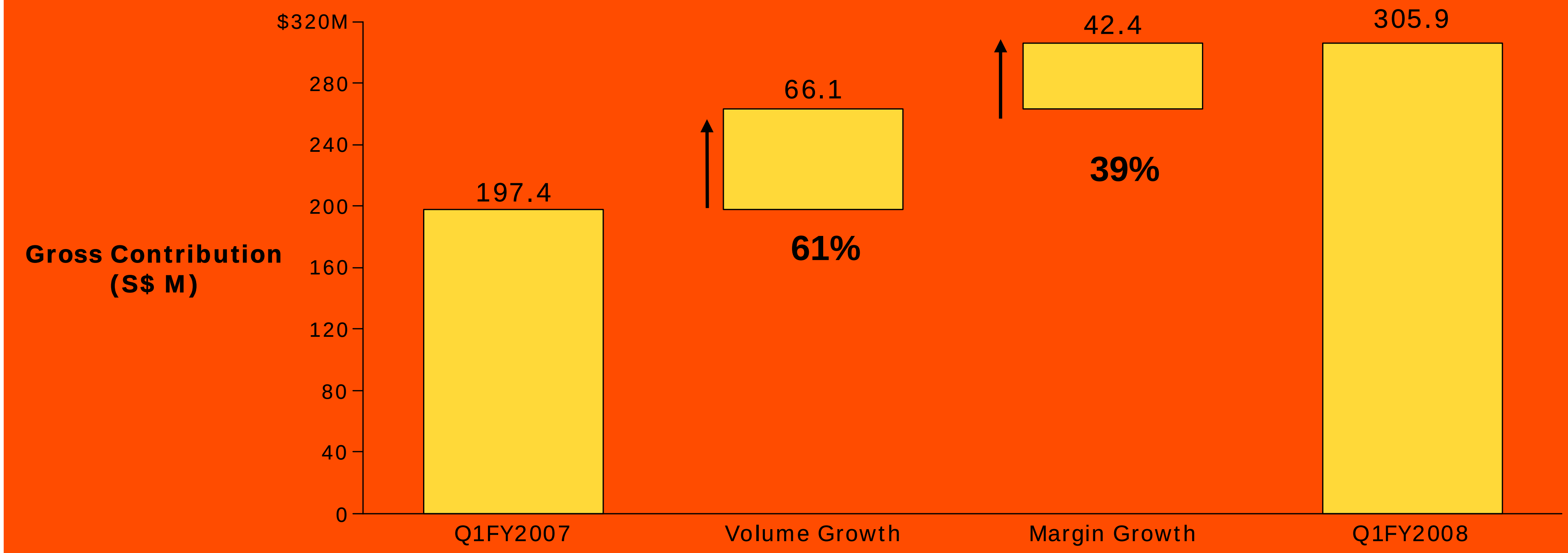
GC growth 54.9%, S$108.5 million




**Growth Over H1 FY2007: 76% 35% 57% 71%**

# Gross Contribution Growth: **Segmental Share**

GC growth 54.9%, S$108.5 million



# Interest Costs

- **Total increase in interest costs S$34.435 million or 52.3%.**

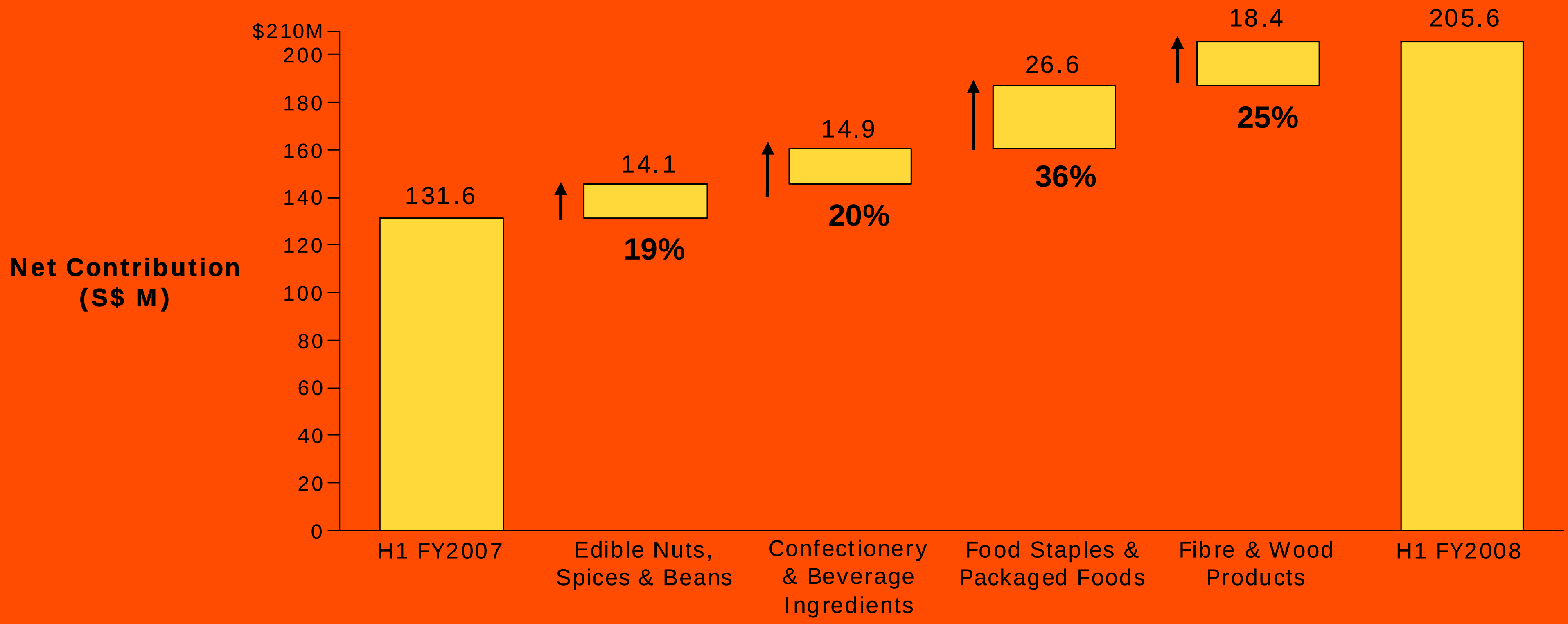
| | H1 FY2008 (S$'000) | H1 FY2007 (S$'000) | Increase (S$'000) | % Increase |
|---|---|---|---|---|
| Interest Expenses | 100,237 | 65,802 | 34,435 | 52.3% |
| Sales | 3,324,973 | 2,367,488 | 957,485 | 40.4% |
| Interest Rate | 7.21% | 7.13% | 0.08% | 1.12% |
| Interest variance due to interest rate increase (S$'000) | | | | 1,112 |
| Interest variance due to working capital increase (S$'000) | | | | 33,323 |
| Total Net Increase in Interest (S$'000) | | | | 34,435 |

# Consolidated P&L Analysis: **H1 FY2008**

- **Net Contribution (NC) : S$205.6 million**
  - 56.3% growth over H1 FY2007
  - NC growth across all segments

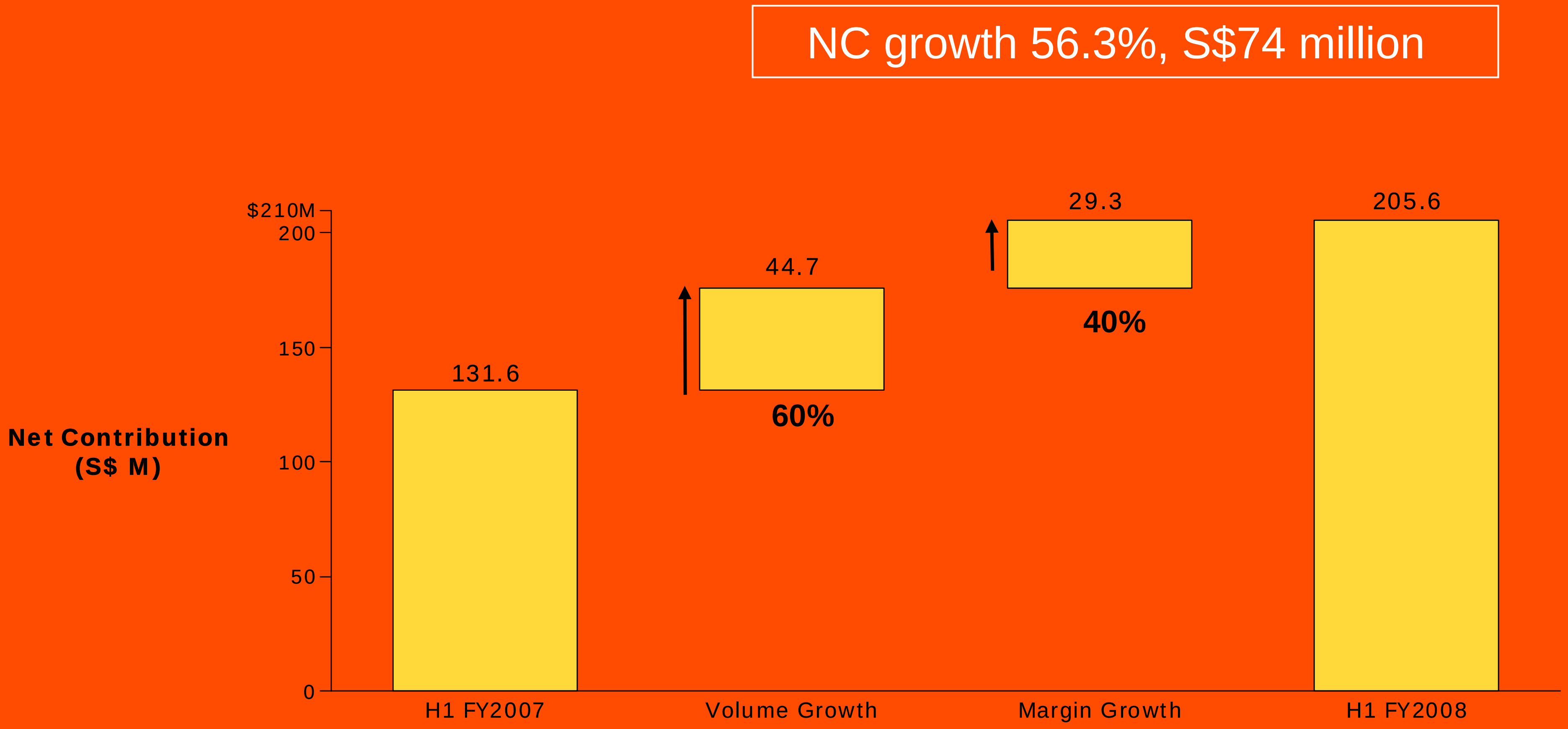
# Net Contribution Growth: **Segmental Share**

NC growth 56.3%, S$74 million




**Growth Over H1 FY2007:** **73%** **31%** **79%** **60%**

# Net Contribution Growth: **Sources**



# Impact of FRS 102

- The following two employee Share Schemes come under the ambit of FRS 102:
  - Employee Share Subscription Scheme (ESSS)
  - Employee Share Options Scheme (ESOS)

- The impact of FRS 102 on the Financial Statements is as follows:

| | Prior Period S$'000 | 6-Mth FY2008 S$'000 | Carried Forward S$'000 | Total S$'000 |
|---|---|---|---|---|
| E S S S | 2,300 | 81 | 76 | 2,457 |
| E S O S | 6,218 | 2,359 | 6,491 | 14,978 |
| **Total** | **8,428** | **2,440** | **6,567** | **17,435** |

# Consolidated P&L Analysis: **H1 FY2008**

- **SG&A** increased by 71.5% to S$152.5 million in H1 FY2008.

| | H1 FY2008 | H1 FY2007 | Change |
|---|---|---|---|
| **SG&A (S$ million)** | **152.5** | **88.9** | **71.5%** |
| **SG&A / Sales ratio (%)** | **4.59** | **3.76** | **(0.83)** |

# Consolidated P&L Analysis: **H1 FY2008**

- **Net Profit After Tax (NPAT): S$46.9 million**
  - 23.1% growth over H1 FY2007
- **Earnings per Share (EPS)**
  - 23.2% growth over H1 FY2007
  - 3.03 cent/share H1 FY2008 vs 2.46 cent/share H1 FY2007 (based on weighted average no. of shares)

# Results: H1 FY2008

# Segmental Analysis

# Segmental Analysis H1 FY2008: **Summary**

## Olam Consolidated

- **Turnover** S$3,325 million
- **Volume** 2.337 mmts
- **NC** S$205.6 m
- **NPAT** S$46.9 m

| Edible Nuts, Spices & Beans | Confectionery & Beverage Ingredients | Food Staples & Packaged Foods | Fibre & Wood Products |
|---|---|---|---|
| • Turnover $426.5 m | • Turnover $1,147.6 m | • Turnover $1,011.9m | • Turnover $738.8 m |
| • Volume 0.306mmts | • Volume 0.448mmts | • Volume 1.078mmts | • Volume 0.505mmt |
| • NC $33.6 m | • NC $62.6 m | • NC $60.2 m | • NC $49.2 m |
| • NC Share 16.3% | • NC Share 30.4% | • NC Share 29.3% | • NC Share 24% |

# Segmental Analysis: **Edible Nuts, Spices & Beans**

| Description | H1 FY2008 | | H1 FY2007 | | % Change |
|---|---|---|---|---|---|
| | Amount | S$/Ton | Amount | S$/Ton | |
| Volume (metric tons) | 306,045 | | 225,773 | | ↑ 35.6% |
| Revenue (S$'000) | 426,549 | 1,394 | 335,111 | 1,484 | ↑ 27.3% |
| Net Contribution (S$'000) | 33,588 | 110 | 19,435 | 86 | ↑ 72.8% |

# Segmental Analysis: **Confectionery & Beverage Ingredients**

| Description | H1 FY2008 | | H1 FY2007 | | % Change |
|---|---|---|---|---|---|
| | Amount | S$/Ton | Amount | S$/Ton | |
| Volume (metric tons) | 448,110 | | 384,444 | | ▲ 16.6% |
| Revenue (S$'000) | 1,147,608 | 2,561 | 892,512 | 2,322 | ▲ 28.6% |
| Net Contribution (S$'000) | 62,602 | 140 | 47,710 | 124 | ▲ 31.2% |

# Segmental Analysis: **Food Staples & Packaged Foods**

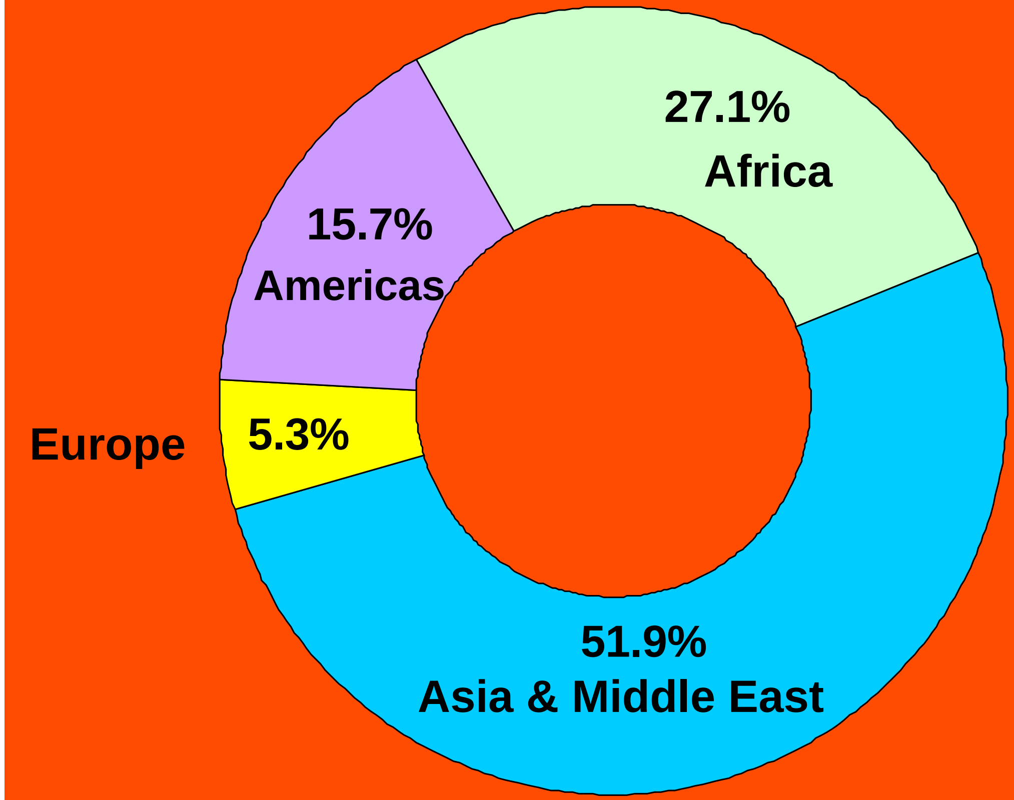
| Description | H1 FY2008 | | H1 FY2007 | | % Change |
|---|---|---|---|---|---|
| | Amount | S$/Ton | Amount | S$/Ton | |
| Volume (metric tons) | 1,077,918 | | 923,716 | | 16.7% |
| Revenue (S$'000) | 1,011,959 | 939 | 709,042 | 768 | 42.7% |
| Net Contribution (S$'000) | 60,197 | 56 | 33,594 | 36 | 79.2% |

# Segmental Analysis: **Fibre & Wood products**

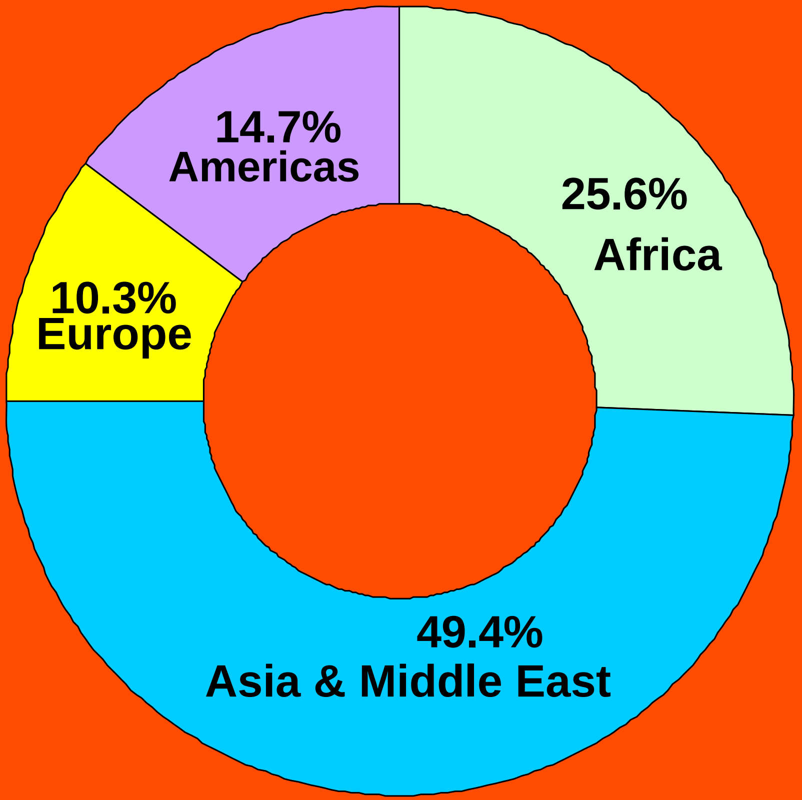
| Description | H1 FY2008 | | H1 FY2007 | | % Change |
|---|---|---|---|---|---|
| | Amount | S$/Ton | Amount | S$/Ton | |
| Volume | 505,234 | | 282,486 | | ↑ 78.9% |
| Turnover | 738,857 | 1,462 | 430,823 | 1,525 | ↑ 71.5% |
| Net Contribution | 49,238 | 97 | 30,832 | 109 | ↑ 59.7% |

# Well Diversified Sourcing: **Origins**

**Sourcing Volume H1FY2008**

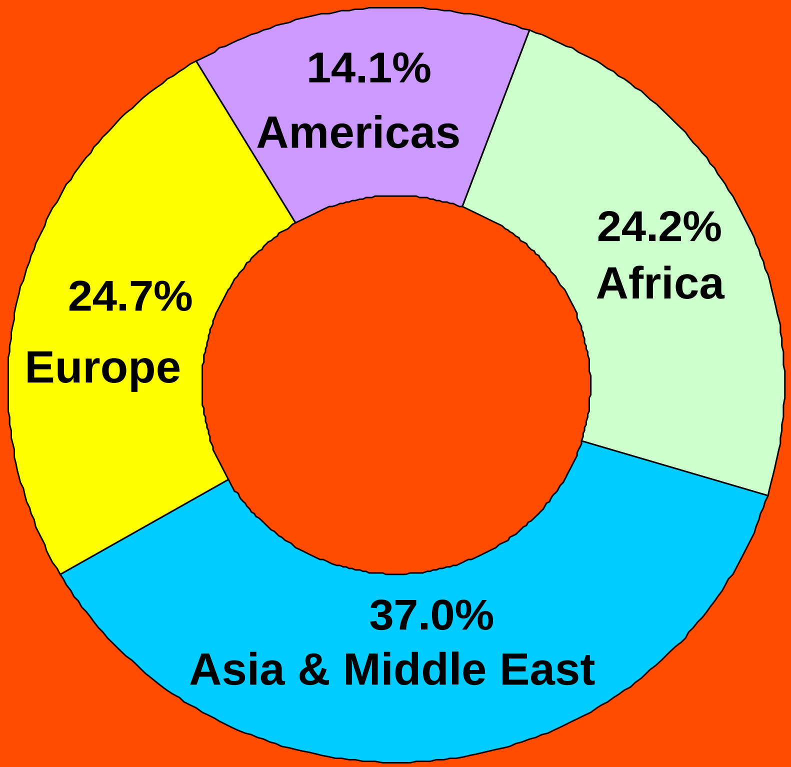



**Sourcing Volume H1FY2007**

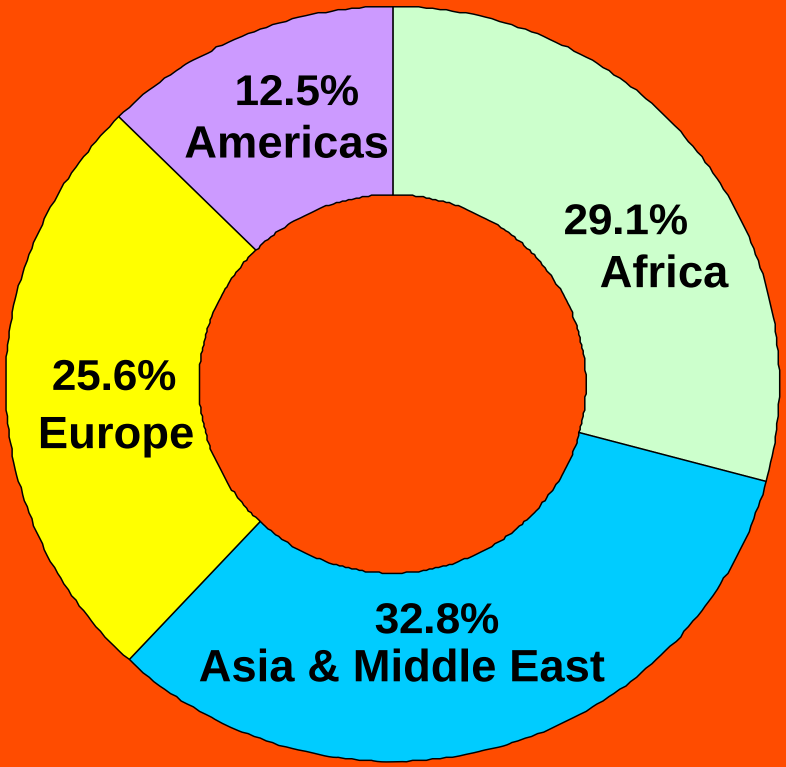


# Well Diversified Sales: **Markets**

**Sales Turnover H1FY2008**




**Sales Turnover H1FY2007**



# Well diversified: **Customers**

| Segment | Top 5 Customer Share of Total Sales |
|---|---|
| Edible Nuts, Spices & Beans | 2.04% |
| Confectionery & Beverage Ingredients | 11.56% |
| Food Staples & Packaged Foods | 2.73% |
| Fibre & Wood Products | 0.94% |

# Results: H1 FY2008

# Balance Sheet Analysis

# Balance Sheet Analysis: **Summary**

| (Figures in S$'000) | H1 FY2008 | FY 2007 | % Change |
| --- | --- | --- | --- |
| Goodwill and Intangibles | 103,208 | 96,203 | 7.3% |
| Fixed Assets & Investments | 458,040 | 232,932 | 96.6% |
| **Current Assets** | | | |
| Debtors | 389,067 | 508,193 | (23.4%) |
| Stocks | 1,242,701 | 1,163,203 | 6.8% |
| Cash & Cash Equivalents | 285,039 | 237,607 | 19.9% |
| Advances to Suppliers | 368,099 | 255,706 | 43.9% |
| Fair Value of Derivatives | 307,744 | 388,032 | (20.7%) |
| Margin Account Balances | 175,578 | 86,162 | 103.8% |
| Other Current Assets | 310,818 | 199,416 | 55.8% |
| **Total Assets** | **3,079,046** | **2,851,780** | |
| Trade Creditors | 328,114 | 255,522 | 28.4% |
| Borrowings | 2,380,658 | 1,919,886 | 24.0% |
| Fair Value of Derivatives | 355,532 | 488,630 | (21.1%) |
| Other Liabilities | 173,769 | 80,805 | 115 .0% |
| **Net Assets** | **402,221** | **432,749** | |
| Minority Interest | (114) | 27 | (522.2%) |
| Equity & Reserves | 402,335 | 432,722 | (7.0%) |

# Fixed Assets and Investments

| (in S$ million) | H1 FY2008 | FY2007 | Increase |
|---|---|---|---|
| Fixed Assets | 431.1 | 151.8 | ↑ 279.3 |
| Investments | 26.9 | 81.1 | ↓ 54.2 |
| **Total** | **458.0** | **232.9** | |

Increase in fixed assets mainly on account of consolidation of the acquisitions

# Balance Sheet Analysis: **Ratios**

| | H1 FY2008 | FY2007 | Change |
|---|---|---|---|
| **Current Asset Ratios** | | | |
| Debtors (days) | 21 | 34 | 13 |
| Stock (days) | 75 | 85 | 10 |
| Advance to Suppliers (days) | 22 | 19 | (3) |
| Trade Creditors (days) | 20 | 19 | 1 |
| Current Ratio (x) | 1.49 | 1.57 | |

# Balance Sheet Analysis: **Debtors**

- 77.4% of Debtors secured by Letter of Credit / Docs of Title.
- Debtor quality good. No additional provisions created over June 2007

# Balance Sheet Analysis: **Stock**

| (in S$ million) | H1 FY2008 | FY2007 | Increase / Decrease |
|---|---|---|---|
| Edible Nuts, Spices & Beans | 176.9 | 182.2 | (5.3) |
| Confectionery & Beverage Ingredients | 732.1 | 586.3 | 145.8 |
| Food Staples & Packaged Foods | 168.3 | 296.0 | (127.7) |
| Fibre & Wood Products | 165.4 | 98.7 | 66.7 |
| **Total** | **1,242.7** | **1,163.2** | **79.5** |

- 83.7% of stocks sold forward or hedged

# Balance Sheet Analysis: **Cash & Borrowings**

- **Cash and Fixed Deposits** increased by 19.9% to S$285.0 million
- **Borrowings**:
  - Only 54.3% of our total credit facilities were used as of 31st Dec.

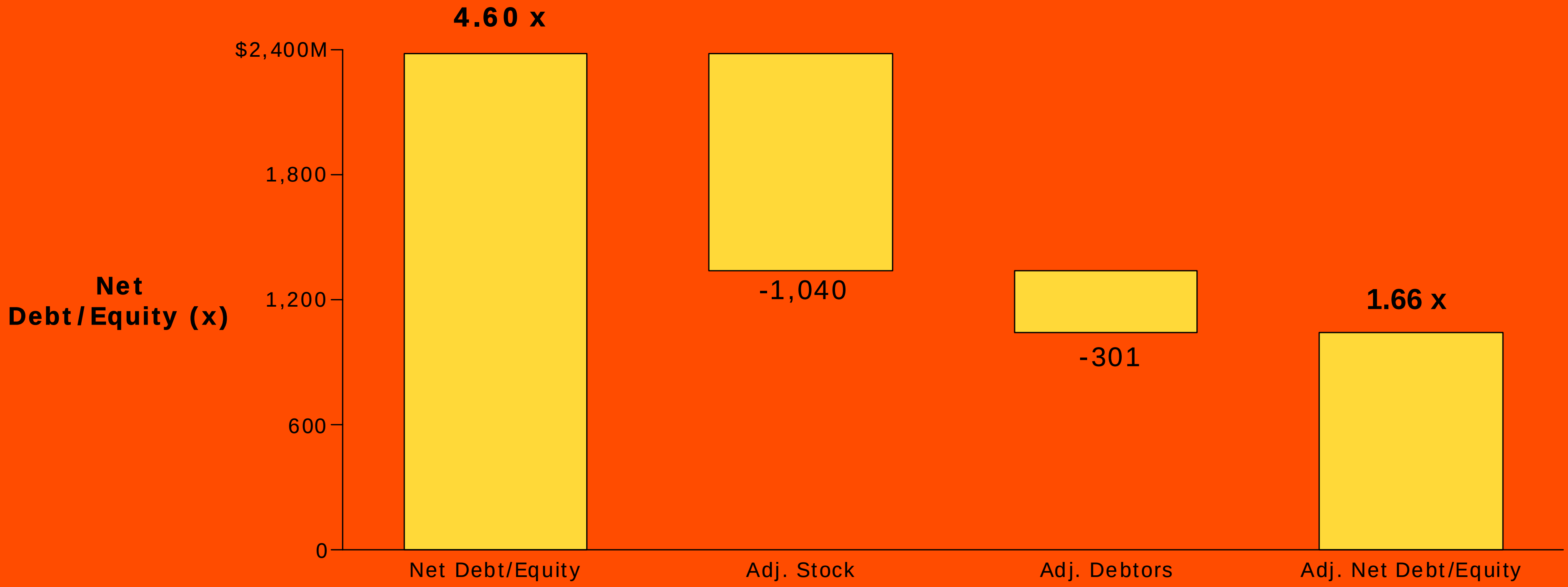
| (in S$ million) | H1 FY2008 | % Share |
|---|---|---|
| Short Term Banking Facilities | 2,185 | 50% |
| Committed Banking Facilities | 651 | 15% |
| MTN / Medium Term Loan | 820 | 19% |
| Long Term Loan | 724 | 16% |
| **Total** | **4,380** | **100%** |

# Balance Sheet Analysis: **Gearing**

| | H1 FY2008 | | | FY 2007 | |
|---|---|---|---|---|---|
| Leverage (x) | Before Intangibles and Fair Value Adj. Reserve | After Intangibles and before Fair Value Adj. Reserve | After Intangibles and Fair Value Adj. Reserve | After Intangibles and before Fair Value Adj. Reserve | After Intangibles and Fair Value Adj. Reserve |
| Gross Debt to Equity (x) | 4.26 | 5.23 | 7.96 | 3.94 | 5.71 |
| Net Debt to Equity (x) | 3.75 | 4.60 | 7.01 | 3.45 | 5.00 |
| Interest Coverage (x) | 1.53 | | | 1.91 | |
| Liquidity | | | | | |
| Cash to Sales (%) | 4.29 | | | 4.36 | |
| Cash & Cash Equivalents | 285.0 m | | | 237.6 m | |

# Balance Sheet: **Analysis of Gearing**

Adjusting: hedged, liquid inventory



# Finance Costs on Borrowings: Interest Spreads

| Facility Type | 2004-05 | 2005-06 | 2006-07 | Current |
|---|---|---|---|---|
| Short Term | 120-140 bps | 80-100 bps | 50-70 bps | 30-50 bps |
| Medium Term | - | 110-120 bps | 80-90 bps | 70-80 bps |
| Long Term | - | 130-140 bps | 100-115 bps | 85-100 bps |
| *Wt. Avg Cost* | *120-140 bps* | *100-120 bps* | *75-90 bps* | *65-80 bps* |

- We have not experienced pressure from credit markets on spreads

# Credit Facilities

- We secured a A$200m 5-year syndicated term loan facility in Oct 2007 for acquisition of QCH
- In Dec 2007 and Jan 2008, we have been able to raise additional short term credit facilities of over US$250m at similar spreads to finance increases in working capital:
- All bank facilities falling due for renewal has been renewed as scheduled on the same terms

## Long-term Financing

- We have more than doubled revenues and profits without diluting existing shareholders' interest over the past 3 years post-IPO in Feb 2005
- We have successfully re-geared balance sheet to an optimum gearing level of 4.6X (or 1.66X adjusted gearing) through a combination of higher dividends and long-term debt
- We are now evaluating raising additional capital to finance our next 2-3 year growth

# Impact of FRS 39

- Impact on P&L is reduction in profits of S$0.539 million.
- Reduction in equity as of 31 December 2007 is S$156.1 million.
- FRS 39 allows for hedge accounting to be applied when strict effectiveness criteria are met.
- We have assessed the effectiveness of our hedging instruments and have concluded that the majority of the derivatives qualifies for hedge accounting. Hence, adjustment due to adoption of FRS 39 has mainly flown to equity.
- We do not expect any adverse impact of these measurements to the results of the Company.

# Industry Trend & Analysis

# Industry Trend: Agricultural Commodity Super cycle?

- Prices across a whole range of agricultural commodities including cashew, cocoa, coffee, corn, palm oil, peanuts, rice, rubber, sesame, soybean, wheat, wood products, all at, near or hitting historical highs. Cotton and sugar prices beginning to move up as well.
- US wheat inventories at a 60 year low. Rice global inventories at a 35 year low, corn global inventories at a 12 year low, soybean global inventories at a 10 year low.
- The imbalance between global supply and demand in agricultural commodities continues to create significant arbitrage opportunities.
- Is this trend cyclical or structural?

# Agricultural Commodity Trends: structural factors

1. Traditional sources of demand for agri-commodities was food and feed. Now a new source of demand emerging - fuel.
   - Ethanol production capacity grew 35% in 2007 and is expected to grow 58% in 2008.
   - Mandated demand for ethanol likely to double by 2012.
   - Significant growth in bio-fuel demand.
   - Intense ‘battle for acreage’.

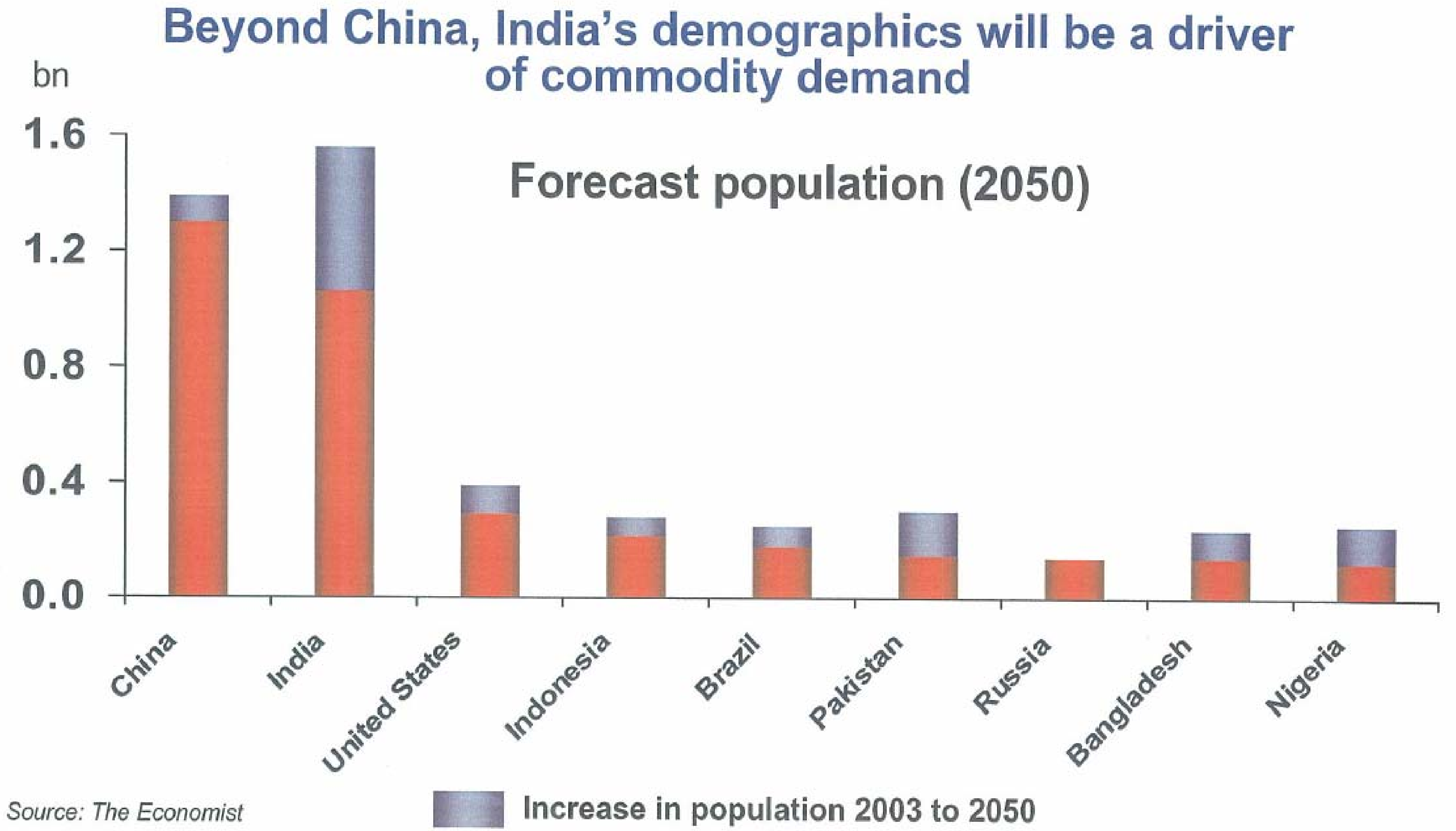
# Agricultural Commodity Trends: structural factors

2. We are in the midst of an agri-commodity up-cycle triggered by:

## Soaring population growth

- World population at the start of the 20th Century was less than 2 billion people.
- Current world population is estimated at 6.5 billion.
- UN estimates world population in 2050 to reach 9.3 billion.
- Population boom driven mainly in the emerging markets in Asia, Africa and Latin America.
- World population is increasing at a rate of > 80 million people a year.

# Soaring population growth




*Source: The Economist*

# Agricultural Commodity Trends: structural factors

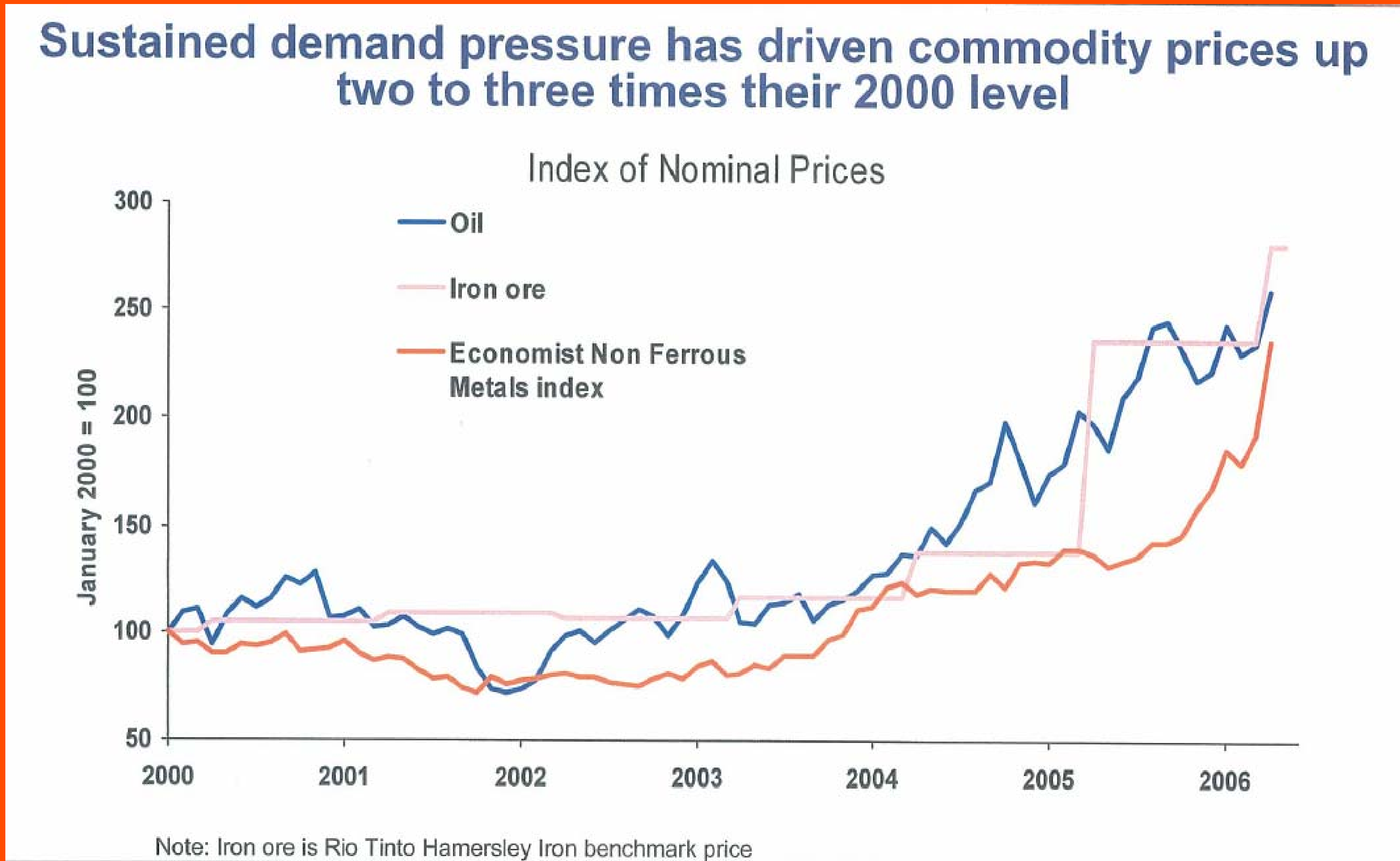
3. We are in the midst of an agri-commodity up-cycle triggered by:

## Rising incomes & demand for higher quality food

- Commodities follow the "Rule of Saturation". As real income grows from about $5,000 to $20,000 per capita (purchasing power parity rules may apply overseas), commodity usage vastly outstrips real income. Then saturation occurs, and individual income grows faster than commodity use. Emerging markets today are following the same trend the U.S. followed in the first half of the 20th Century.
- India's current per capita income is estimated at < US$3,000 while China's is estimated at < US$6,000 indicating significant raw material consumption growth going forward.
- 80% of the world's population fall in the < US$3,465 income bracket. The potential growth in demand for raw material consumption is therefore tremendous.
- Increasing demand for higher quality food which is more resource intensive (you require 100 times more water to produce a pound of beef than a pound of wheat).

# Agricultural Commodity Trends: structural factors

## Rising incomes & demand growth

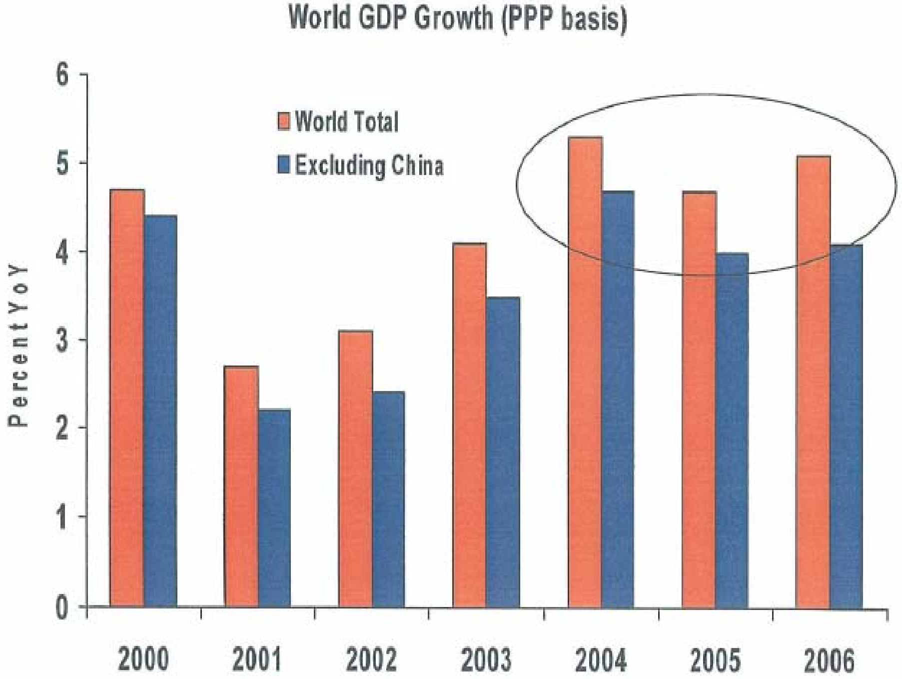



- For example, domestic textile demand in China growing at 20%.

# Agricultural Commodity Trends: structural factors

## Rising incomes & demand growth

### Strong growth in China and the rest of the world is boosting commodity demand

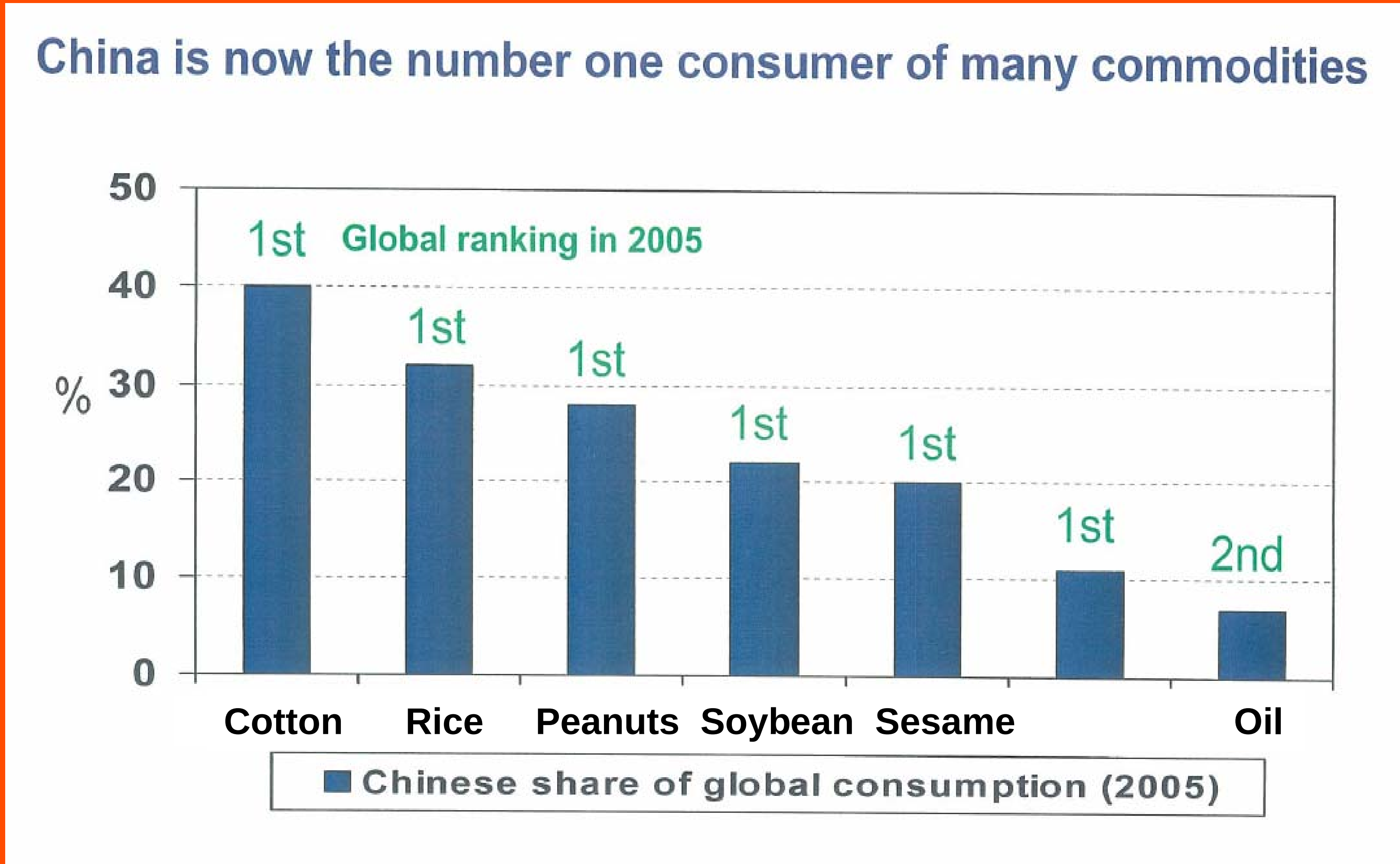



- Over the last 30 years, growth above 4% has been associated with above trend prices
- IMF forecasts world GDP to grow by around 5% in 2007

Source: Global Insight, Rio Tinto

# Agricultural Commodity Trends: structural factors

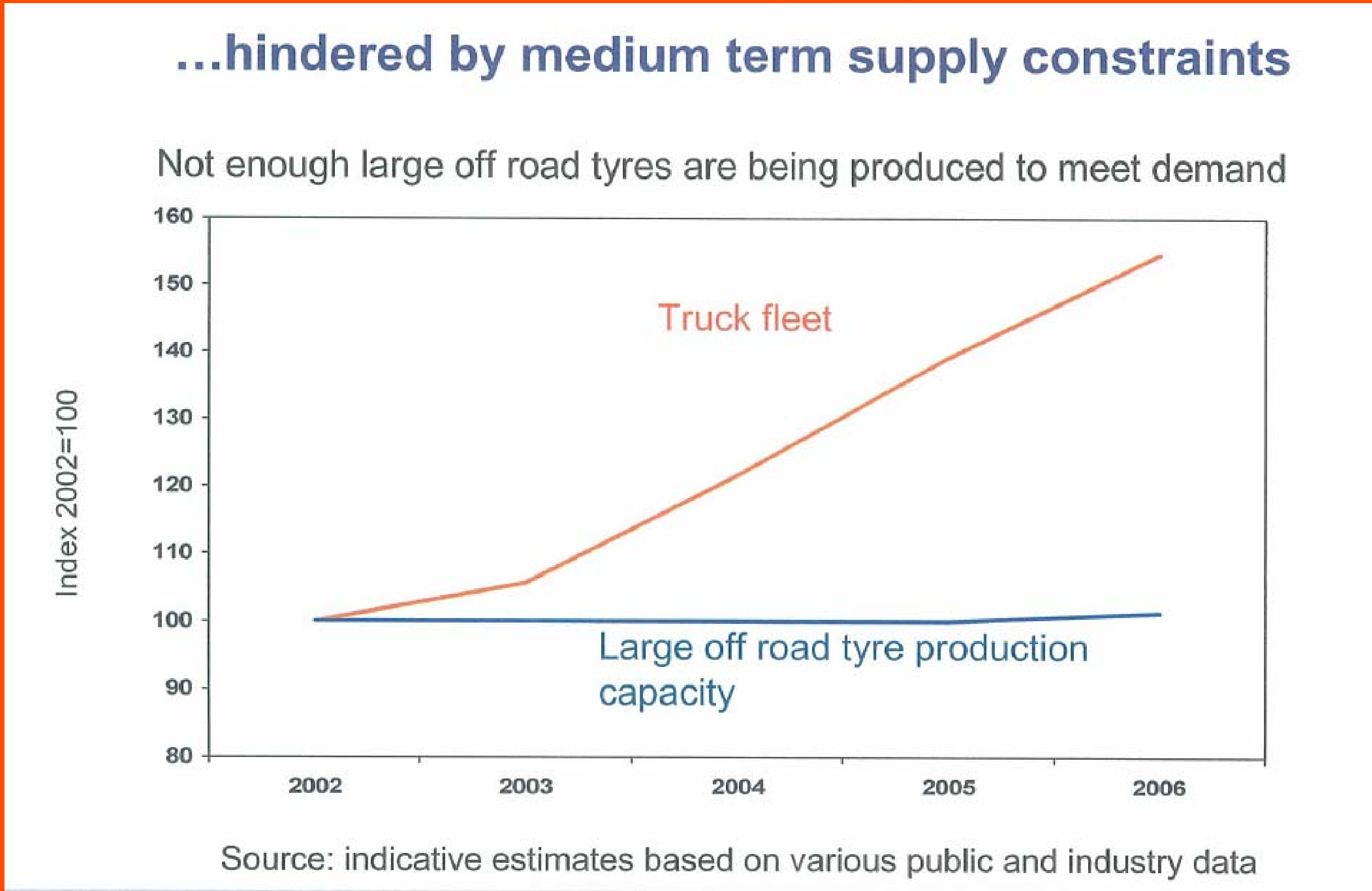
## Rising incomes & demand growth



# Agricultural Commodity Trends: structural factors

4. We are in the midst of an agri-commodity up-cycle triggered by:

**Severe supply constraints**



# Agricultural Commodity Trends: structural factors

5. We are in the midst of an agri-commodity up-cycle triggered by:

**Increasing urbanisation**

- Increased population density from 43 people / $km^2$ to 63 people / $km^2$ (47% increase).
- Cities outgrow into surrounding farmlands.
- Growing demand for infrastructure such as schools, roads, seaports and airports.
- Increasing demand for housing, water and food supply.
- Material reduction in the availability of arable land.

| Year | World Population | Farmland (billion ha) | Farmland/inhabitant (ha) |
|---|---|---|---|
| 1950 | 2.5 b | 1.3 | 0.5 |
| 1975 | 4.0 b | 1.4 | 0.4 |
| 2000 | 6.0 b | 1.5 | 0.3 |
| 2020 | 7.5 b | 1.5 | 0.2 |

- Water becoming a critical constraint.

# Agricultural Commodity Trends: structural factors

6. We are in the midst of an agri-commodity up-cycle triggered by:

**Severe supply constraints**

- a long period of under investment by commodity producers, therefore relative supply inelasticity, long investment gestations to bring productive capacities on stream.

**Supply disruptions caused by climate change**

- More frequent and prolonged floods and drought incidences due to climate change causing supply disruptions

# Agricultural Commodity Trends: structural factors

7. **GMO and productivity breakthroughs:**

   **Adoption of improved planting material (GMO or BT seeds) and increased input intensiveness raising farm yield and productivity.**

# Olam: Strategic direction

# Strategic direction:

## Recap: 5 Key Rules of the Game

**Rule 1: Global Leadership and High Absolute Market Share**

**Rule 2: Strong Presence in Key Origins**

**Rule 3: Strong End-market Presence**

**Rule 4: Direct End-customer Relationship**

**Rule 5: Differential Value Chain Integration**

# Strategic direction:

- As global supply chain manager, we need to:
  - Build **scale** economies, secure **control over supply**, **customer** and develop **pricing power**
  - Be **integrated along entire supply chain** but **no rigid orthodoxy that each business has to be similarly integrated**
- **Degree of integration** for each business **is a function of industry dynamics**, eg. degree of industry liberalisation, fragmented vs. non-fragmented industry, distribution of profits, relative value across various activities in the supply chain
- We **make investments** in the supply chain **directly only when we see opportunity to capture some incremental value**

## Strategic Direction:

- We are an **integrated global supply chain manager**:
  - Backward integration in **selected plantation crops only**, not all crops - we do not envisage ourselves becoming a plantation company
  - Forward integration into **value-added processing**, eg. ingredient manufacturing, **for supplying to private labels**
- We continue to diversify our business across agri-products, geographies, markets, selected upstream and downstream activities
- Higher degree of asset intensity to be expected as we grow but we prefer to remain asset-light by hiving off fixed assets through an **asset trust**

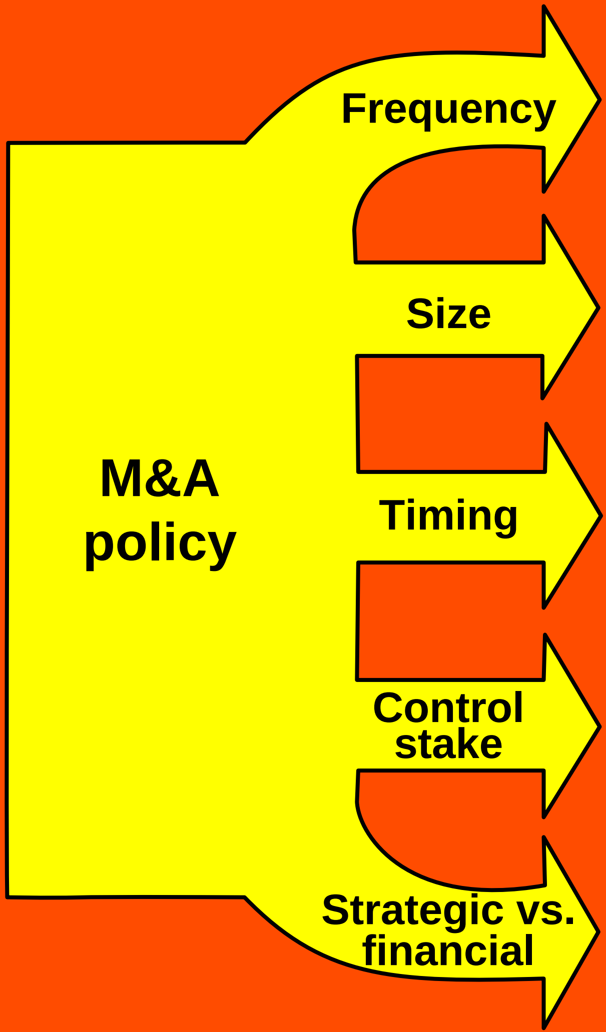
# Olam's strategic response:

## Organic 'growth - as - usual'

- Bringing existing businesses to full potential by growing volumes:
  - Expand procurement reach (width and depth) in existing origins
  - Expand into new origins
  - New customers in existing markets
  - New customers in new markets

# Olam's strategic response:

## Selective earnings and value accretive acquisitions with clear strategic fit with our existing businesses




### M&A Policy

- We would seek to build our M&A expertise over a multi-year period through a series of small deals (string of pearls)

- Sweet spot deals: 5%-10% of market cap
- Maximum deal size: 10% of market cap
- Maximum deal value per annum: 15% of Olam's market capitalisation

- We would make acquisitions throughout economic cycles and not try to time the market

- We would only seek to do deals where it is possible to acquire a controlling stake or management control

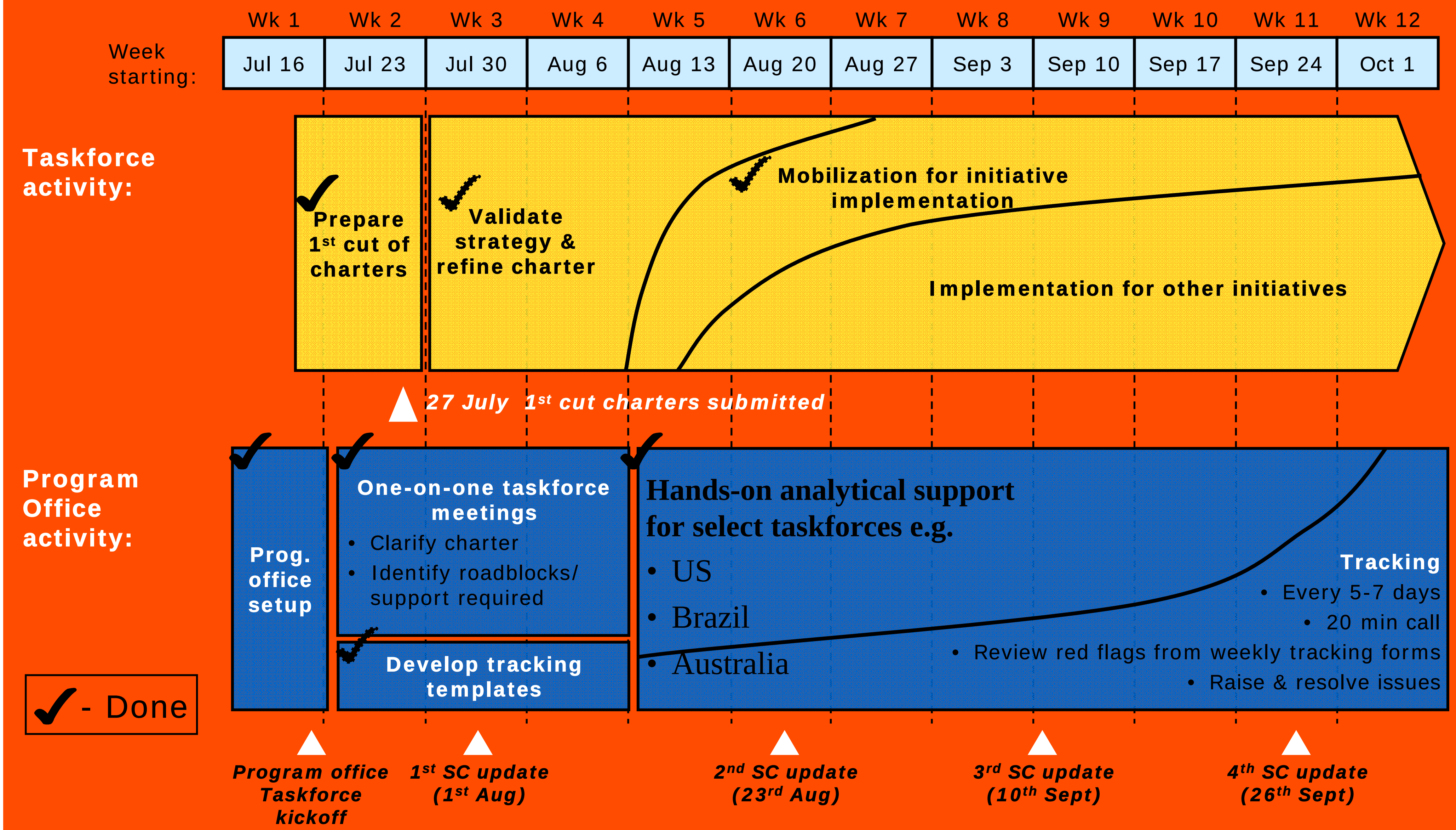
- We would not enter into deals purely based on 'P/E arbitrage' opportunities

# Inorganic Growth: Track Record

- 8 value-accretive transactions announced since February 2007

| Acquisition | Investment (US$ million) | Olam's Stake (%) | Status/Date of Completion | Integration Status | Incorporated in Q1 FY2008 Results |
|---|---|---|---|---|---|
| Chinatex Grains & Oils | 13.5 | 35 | Not Completed | n/a | No |
| Queensland Cotton | 136.3 | 100 | Completed | | Yes |
| Universal Blanchers | 73.1 | 100 | | | Yes |
| Open Country Cheese | 18.0 | 19.9 | | | No |
| Key Foods | 18.5 | 100 | | | No |
| Naarden Agro | 3.8 | 100 | | | Yes |
| PT DUS | 14.0 | 100 | | | No |
| Nauvu Investments | 112.95 | 50 | Jun 2008 | n/a | No |
| Total | 390.15 | - | - | | - |

# Inorganic Growth - QCH Integration



# QCH Prospects

- Accounting policies of QCH have been brought in line with Olam's, including mark-to-market of all open derivative positions prior to 30 Jun 2007; S$5.2m losses booked in H1 FY2008 and some earnings volatility to be expected in H2 FY2008
- Guidance remains that QCH is expected to report full-year loss of A$12-14 million in FY2008

# QCH Prospects (cont'd)

- 7-year drought has broken – Rains in NSW and Queensland since Jan 2008 increases possibility of better cotton crop in the next planting season and hence a return to normal crop in subsequent season
- QCH's performance is expected to improve; more guidance to be given nearer to season in Oct - Nov 2008

# Joint Ventures with Chinatex

- Approval from relevant Chinese government authorities for 35% investment in CTGO has been delayed
- This development is not expected to have a significant impact on our earnings expectations in the near term (current sustainable earnings of CTGO is US$5-6m p.a.)
- Olam will separately pursue to set up 50:50 cotton JV with Chinatex

# Nauvu Investments – Plantation (Palm-CI)

- Short-term initiatives:
  - Increase own plantation yield from current 11.6 to 15 tonnes/ha through sustainable replanting, correction for under-investment in fertilisers and improvement in plantation management and harvesting techniques
  - Consolidate PHCI (acquired from Unilever) and Palm-CI operations to reduce fixed costs
- Long-term initiatives:
  - Further raise own plantation yield to 18 tonnes/ha through increased plantation density and better seed quality
  - Increase outgrower plantation yield from 4.9 to 7 tonnes/ha by providing working capital financing, crop inputs and plantation management services to larger growers
  - Invest in transportation to plug leakages from plantation to mill
  - Increase outgrower volumes and land bank, potentially in Nigeria, Cameroon and Liberia

# Nauvu Investments – Refining (Newco)

- Short-term initiatives:
  - Consolidate Cosmivoire and UCI facilities, which now have high unit costs, to reduce materials, packaging costs and overheads in buying, distribution and logistics function
- Mid to long-term initiatives:
  - Consolidate factories with 300K tonnes capacity into a single-scale facility of 500K tonnes capacity with more efficient processes, eg. bleaching and energy consumption
  - Potential savings of approx. US$4m p.a.

# Nauvu Investments – Rubber

- Expected to benefit from global growth of 4% p.a. fuelled by tyre industry growth, which accounts for 70% of total consumption; China demand alone is growing at 10% p.a.
- Favourable prices in the medium term, est. at US$1,800-2,300/tonne
- Well-positioned for increased production given West Africa’s higher yields (than Asia) of up to 2 tonnes/ha
- High market share (40% in Cote d’Ivoire, almost 100% in Ghana and 9% in Nigeria) and strategic 20% stake by Michelin position us well for long-term supply-backed customer contracts
- Potential expansion into Liberia and Cameroon

# Olam's strategic response:

## Expand into new product adjacencies

- Palm oil
- Soybean
- Wheat
- Rubber
- Fertilizer
- Other edible nuts (almonds, hazelnuts, pecans, macadamia, walnuts).

# Olam's strategic response:

## Selective backward integration into plantations

| Select commodities | Select geographies |
|---|---|
| Oil Palm | Africa |
| Peanuts | Argentina |
| Rubber | Brazil |
| Sugar | India |

- Supply chain managers who control supply of certain agri-commodities through plantation ownership, such as palm and rubber, where ownership is less fragmented and profits are disproportionately distributed across various parts of the chain, are poised to benefit from these structural changes and we want to invest directly but selectively in plantations

# Olam’s strategic response:

## Providing Customised Marketing Solutions & Services

- Organic certification
- Traceability
- Customised grades and qualities
- Vendor-managed inventory (VMI) solution
- Risk management solutions
- Proprietary market intelligence
- Value-added processing

# Olam's strategic response:

## Value chain integration

- Sugar milling and refining
- Edible oil crushing and refining
- Wheat milling
- Rice milling
- Cotton ginning
- Soluble coffee processing
- Cocoa grinding and processing
- Peanut ingredient manufacturing
- Spice grinding and dehydrates
- Fertilizer blending

# Olam's strategic response:

**Selective forward integration into private label and packaged food distribution (PFB)**

- Select geographies:
  - Africa
  - Russia & Eastern Europe
  - Central Asia

# Thank You