



**Olam International Limited**  
**First Quarter FY2009 Results Briefing**

14<sup>th</sup> November 2008 | Singapore



**This presentation should be read in conjunction with Olam International Limited's First Quarter, FY2009 (Q1 FY2009) Financial Results for the period ended 30<sup>th</sup> September 2008 statement lodged on SGXNET on 14<sup>th</sup> November 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 Quarter FY2009 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: Q1FY2009 - Consolidated P&L Analysis
- ✿ Results: Q1FY2009 - Segmental Analysis
- ✿ Results: Q1FY2009 - Balance Sheet Analysis
- ✿ Key Issues & Summary
- ✿ Q&A

# Results : Q1 FY2009

## Consolidated P&L Analysis



## Consolidated P&L Analysis : Q1 FY2009

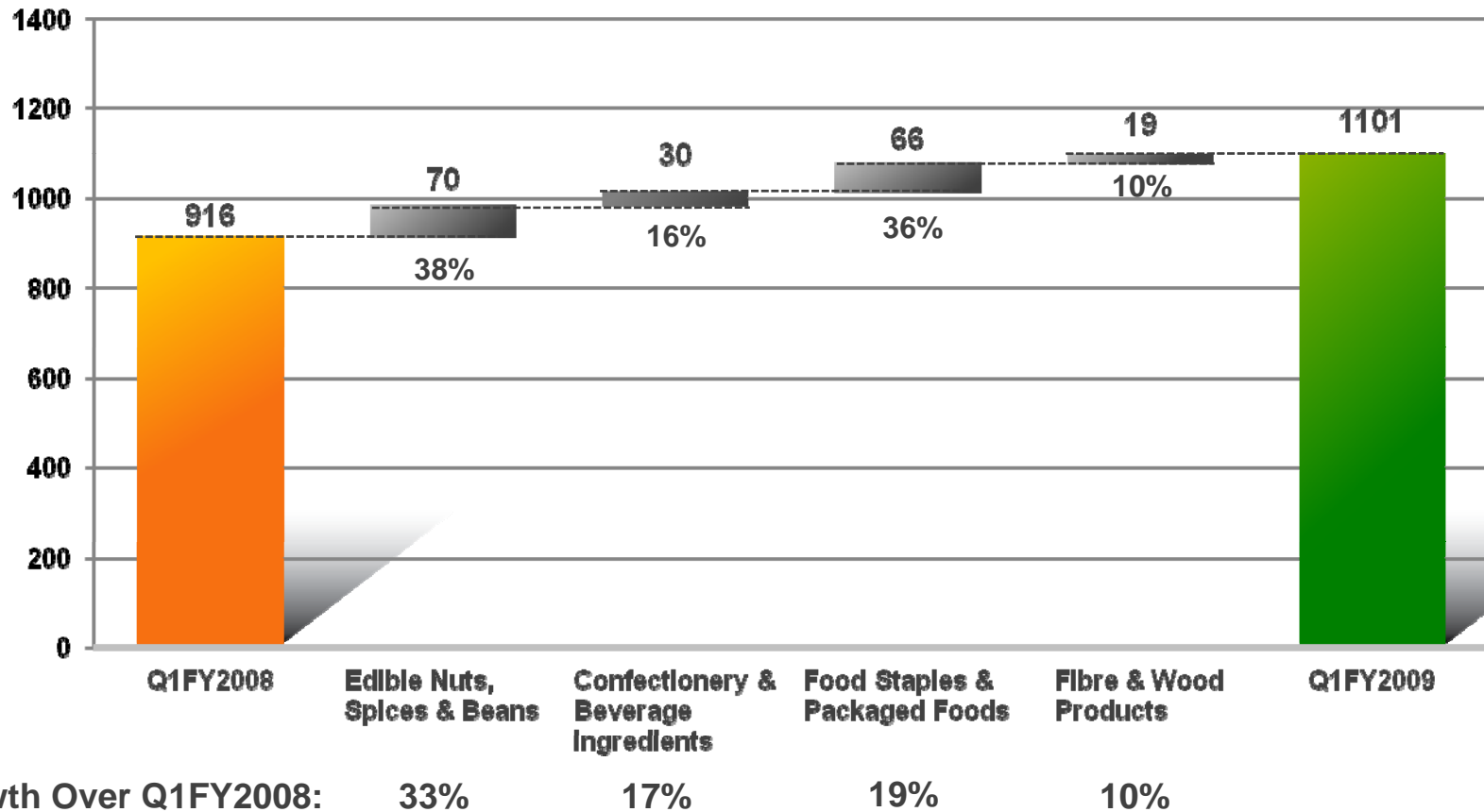
### **Sales Volume : 1.101 million metric tons**

- Volume grew by 0.185 million metric tons
- 20.1% growth over Q1 FY2008
- Volume growth across all 4 segments

# Sales Volume Growth : Segmental Contribution

Sales Volume growth 20.0%, 0.185 mts

Sales Volume  
(1,000 Mts)



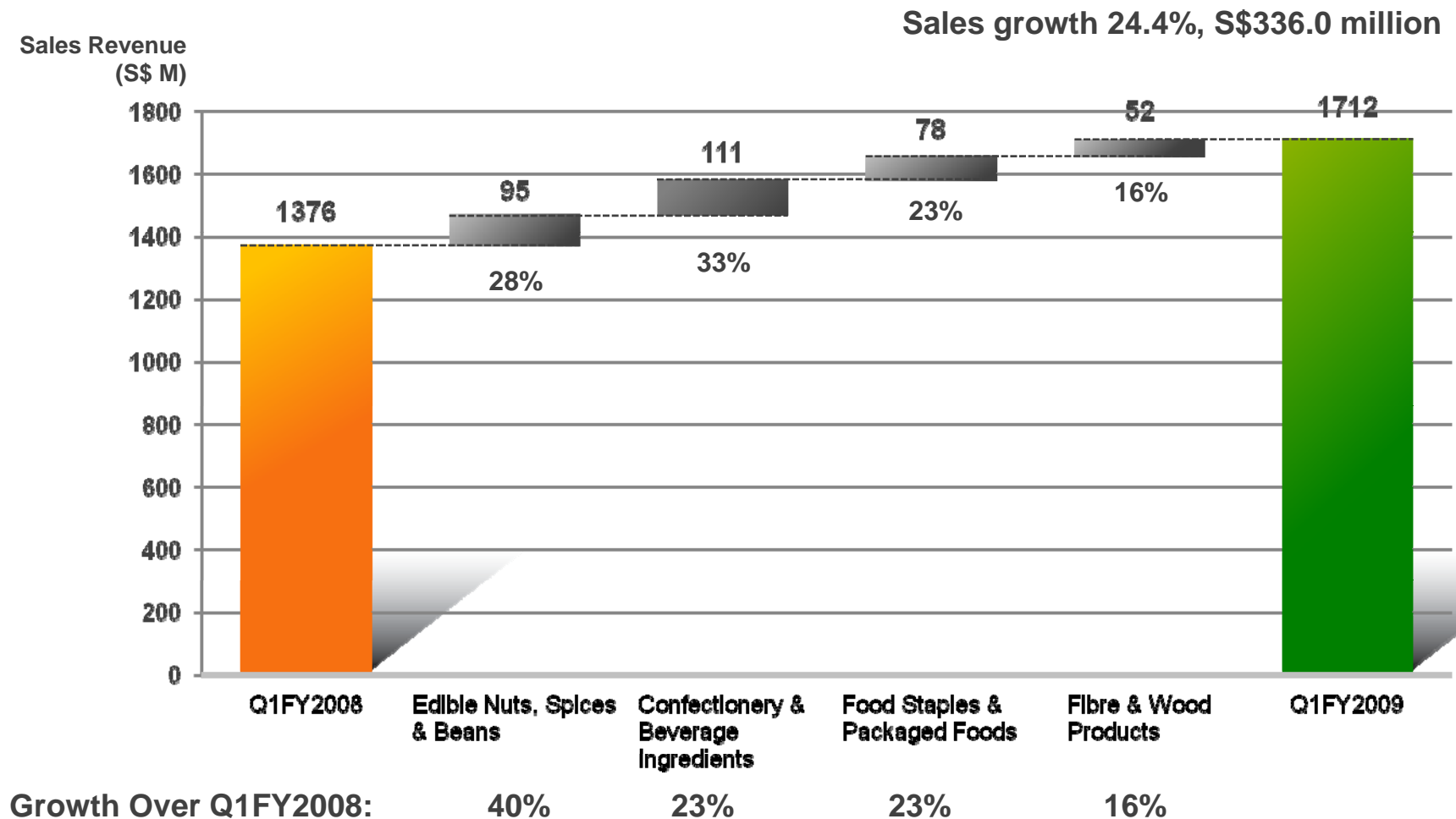
## Consolidated P&L Analysis : Q1FY2009

### **Total Revenue : S\$1,712 million**

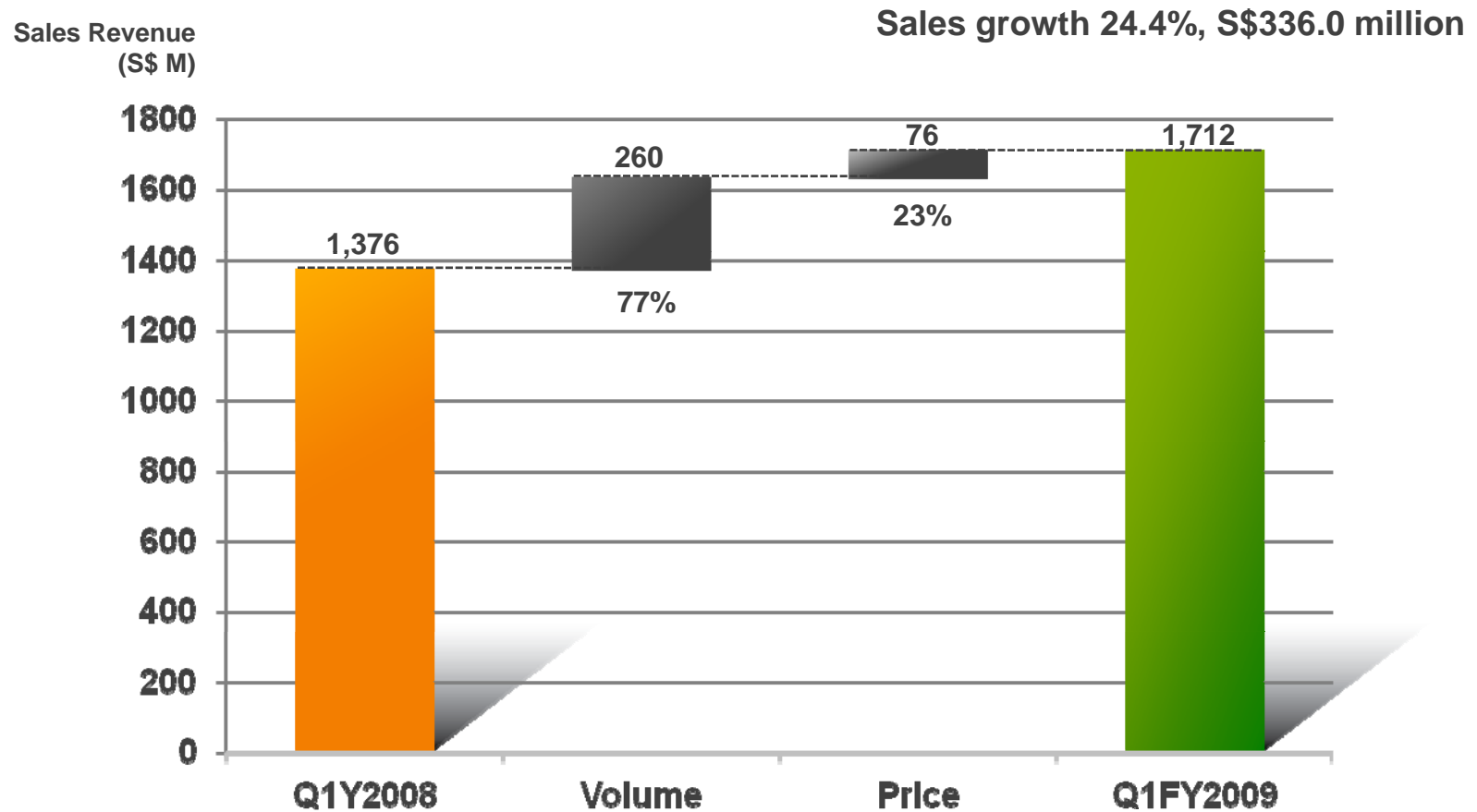
- 24.4% growth over Q1FY2008
- Revenue growth across all 4 segments
- Volume growth accounted for 77% of the revenue growth
- 23% of the revenue growth was on account of price increases



# Sales Revenue Growth : Segmental Contribution



# Sales Revenue Growth : Sources



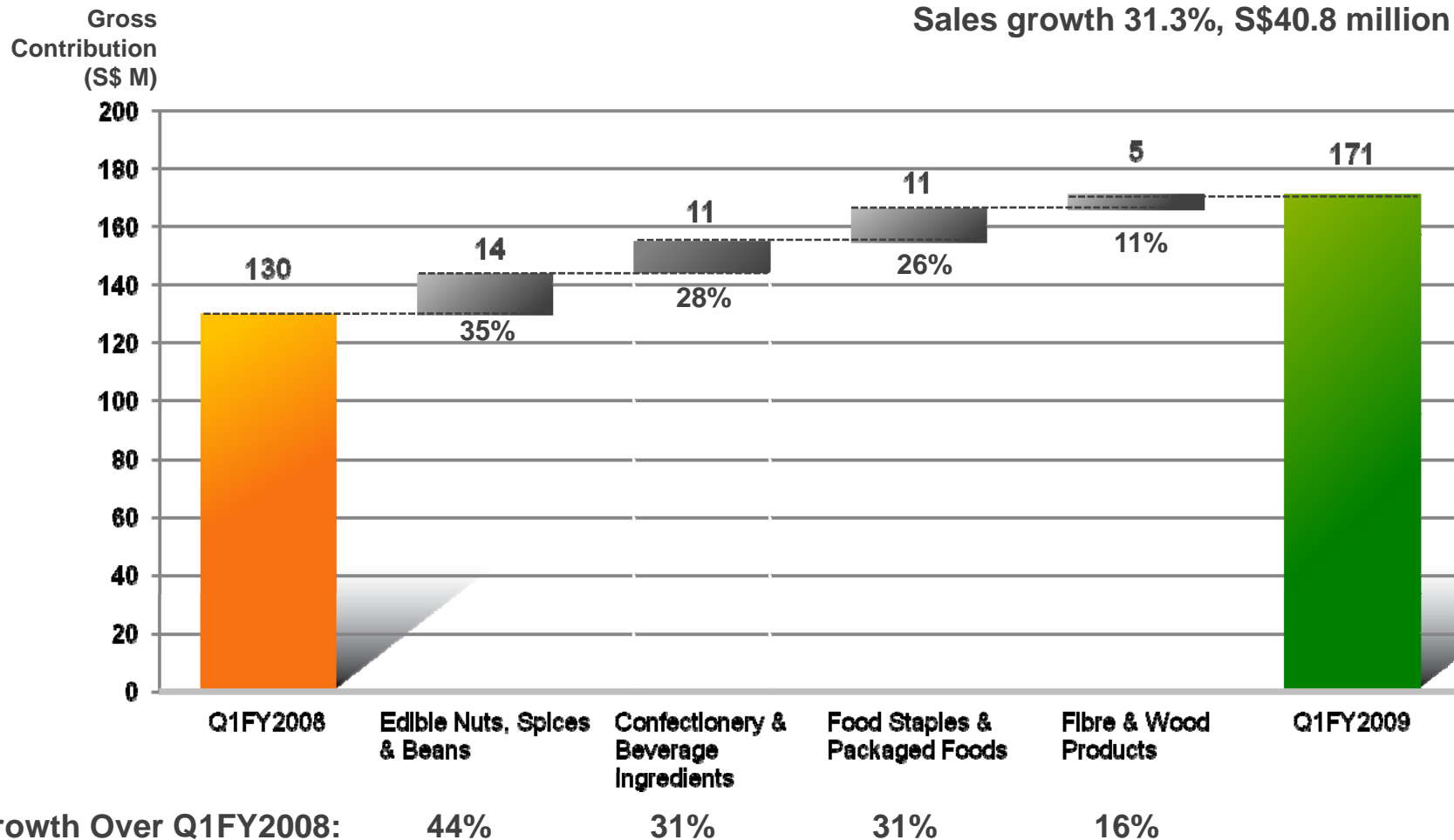
## Consolidated P&L Analysis : Q1FY2009

### **Gross Contribution (GC): S\$171 million**

- 31.3% growth over Q1FY2008
- GC growth across all segments
- GC per ton improved to S\$156/ton from S\$142/ton in Q1FY2008

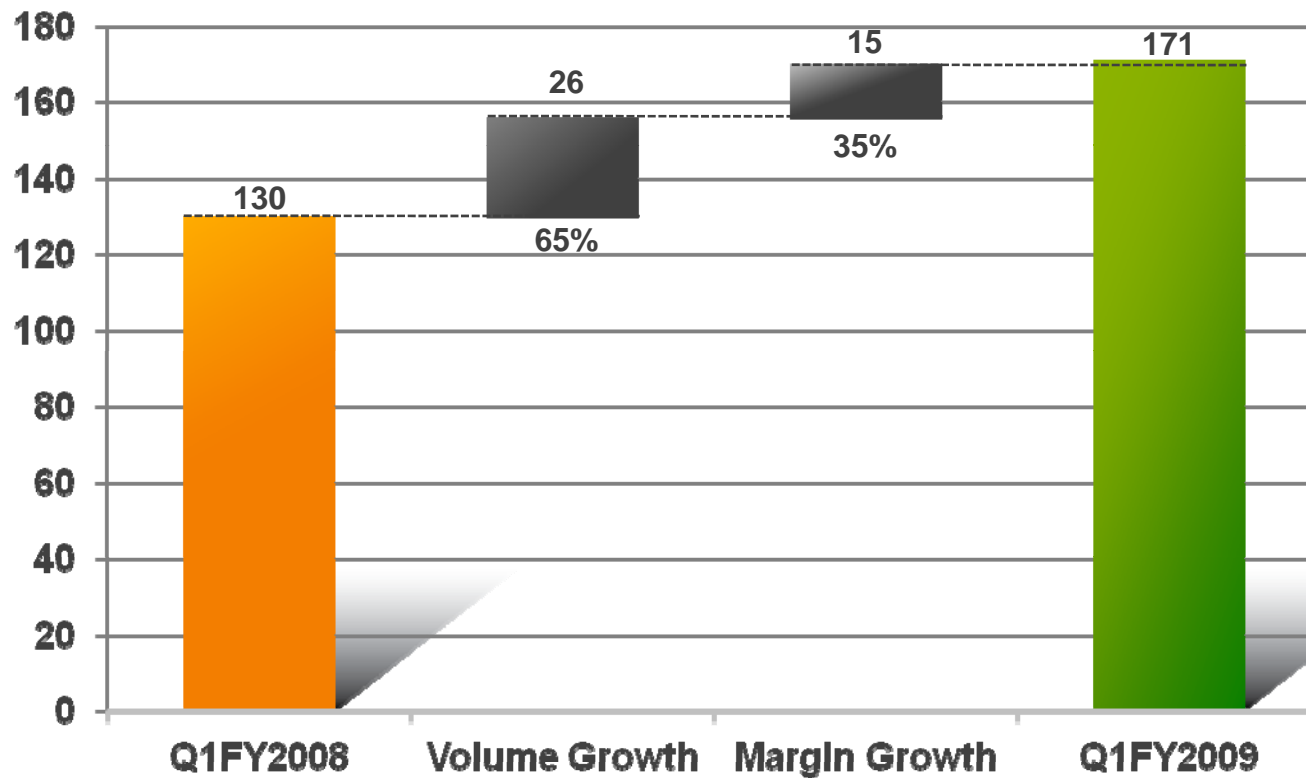
# Gross Contribution Growth : Segmental Share

Sales growth 31.3%, S\$40.8 million



# Gross Contribution Growth : Segmental Share

CG growth 31.3%, S\$40.8 million



# Interest Costs

✦ Total increase in interest costs S\$12.3 million or 29.5%

	Q1FY2009 (S\$'000)	Q1FY2008 (S\$'000)	Increase (S\$'000)	% Increase
Interest Expenses	54,270	41,907	12,363	29.5%
Sales	1,712,777	1,376,720	336,057	24.4%
Interest rate	7.52%	7.31%	0.21%	2.9%
Interest variance due to interest rate increase			(S\$'000)	1,523
Interest variance due to working capital increase			(S\$'000)	10,840
Total Net Increase in Interest			(S\$'000)	12,363

# Market pays for carry

Product	Market	Unit	Front Month Price	Second Month Price	Annualized Carry	Carry Yield
Cocoa	LIFFE	GBP/MT	1,480	1,505	100	7%
	NYBOT	USD/MT	2,558	2,577	76	3%
Coffee	LIFFE	USD/MT	1,976	1,992	96	5%
	NYBOT	Usc/lb	130.5	134.8	17.4	13%
Sugar	LIFFE	USD/MT	380	393.0	54	14%
	NYBOT	Usc/lb	12.4	13.6	3.12	25%
Cotton	NYBOT	Usc/lb	55.5	57.2	10.5	19%

## Consolidated P&L Analysis : Q1FY2009

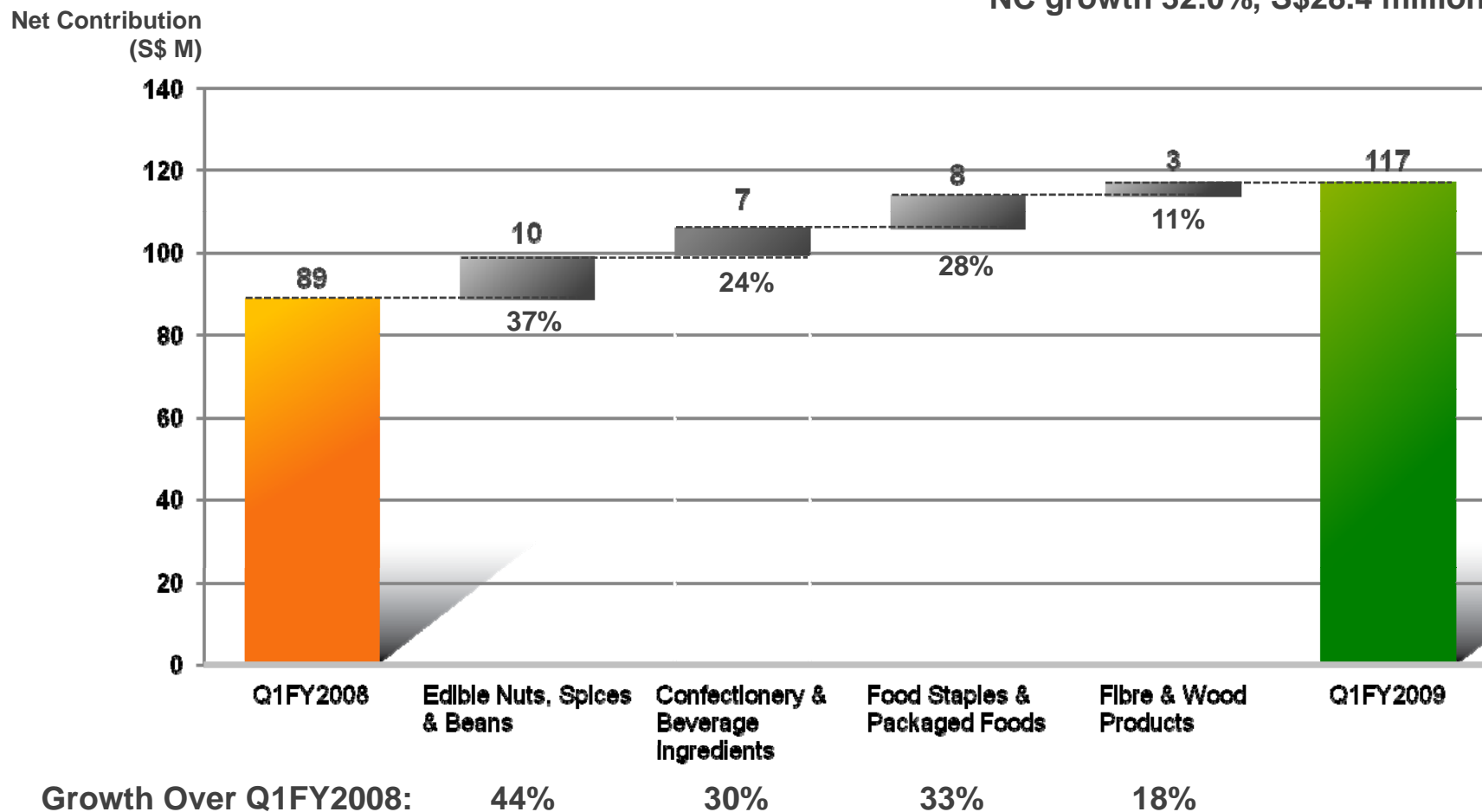
### **Net Contribution (NC): S\$117 million**

- 32.2% growth over Q1FY2008
- NC growth across all segments
- NC per ton grew from S\$97/ton in Q1FY2008 to S\$106/ton in Q1FY2009



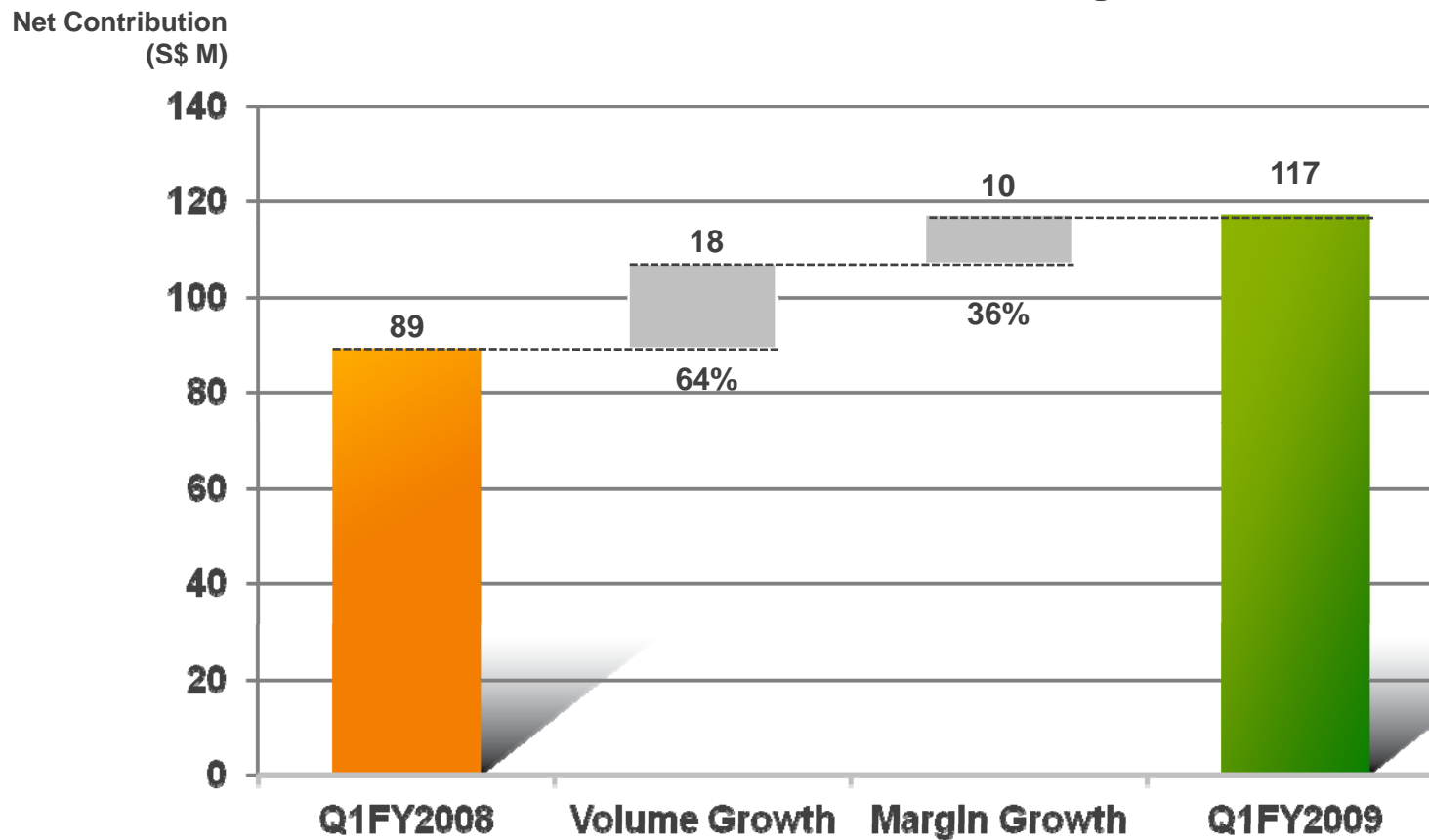
# Net Contribution Growth : Segmental Share

NC growth 32.0%, S\$28.4 million



# Net Contribution Growth : Sources

NC growth 32.0%, S\$28.4 million



# 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	Q1FY2009 S\$'000	Carried Forward S\$'000	Total S\$'000
ESSS	2,457	-	-	2,457
ESOS	11,632	1,271	4,911	17,814
<b>Total</b>	<b>14,089</b>	<b>1,271</b>	<b>4,911</b>	<b>20,271</b>

## Consolidated P&L Analysis : Q1FY2009

 **SG&A** increased by 30.0% to S\$101.6 million in Q1FY2009

	Q1FY2009	Q1FY2008	Change
SG&A (S\$million)	101.6	78.2	30.0%
SG&A/Sales Ratio	5.93	5.68	(0.25)

## Consolidated P&L Analysis : Q1FY2009

### **Net Profit After Tax (NPAT) : S\$14.9 million**

- 62.0% growth over Q1FY2008

### **Earnings per Share (EPS)**

- 47.5% growth over Q1FY2008
- 0.87 cent/share Q1FY2009 vs 0.59 cent/share Q1FY2008 (based on weighted average no. of shares)

# Results : Q1FY2009

## Segmental Analysis



# Segmental Analysis Q1FY2009 : Summary

## Olam Consolidated

- Turnover **S\$1,713 million**
- Volume **1.101 mmts**
- NC **S\$117 m**
- NPAT **S\$14.9 m**

### Edible Nuts, Spices & Beans

- Turnover **\$331 m**
- Volume **278 mmts**
- NC **\$34 m**

- NC Share **29.0%**



### Confectionery & Beverage Ingredients

- Turnover **\$592 m**
- Volume **202 mmts**
- NC **\$30 m**

- NC Share **25.6%**



### Food Staples & Packaged Foods

- Turnover **\$419 m**
- Volume **413 mmts**
- NC **\$32 m**

- NC Share **27.4%**



### Fibre & Wood Products

- Turnover **\$369 m**
- Volume **208 mmts**
- NC **\$21 m**

- NC Share **18.0%**



## Segmental Analysis : Edible Nuts, Spices & Beans

Description	Q1FY2009		Q1FY2008		% Change
	Amount	S\$/Ton	Amount	S\$/Ton	
Volume (metric tons)	277,944		208,268		↑ 33.5
Revenue (S\$'000)	331,566	1,193	236,828	1,137	↑ 40.0
Net Contribution (S\$'000)	34,002	122	23,574	113	↑ 44.2



## Segmental Analysis : Confectionery & Beverage Ingredients

Description	Q1FY2009		Q1FY2008		% Change
	Amount	S\$/Ton	Amount	S\$/Ton	
Volume (metric tons)	202,520		172,510		↑ 17.4
Revenue (S\$'000)	592,209	2,924	481,011	2,788	↑ 23.1
Net Contribution (S\$'000)	29,873	148	22,964	133	↑ 30.1

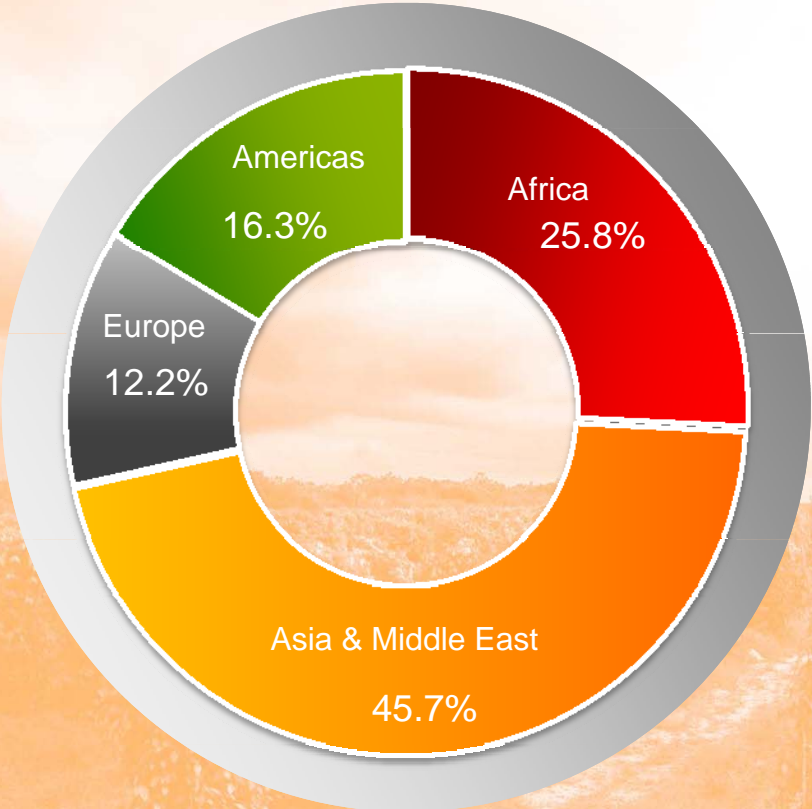
## Segmental Analysis : Food & Staples & Packaged Foods

Description	Q1FY2009		Q1FY2008		% Change
	Amount	S\$/Ton	Amount	S\$/Ton	
Volume (metric tons)	412,842		346,976		↑ 19.0
Revenue (S\$'000)	419,410	1,016	341,329	984	↑ 22.9
Net Contribution (S\$'000)	32,063	78	24,114	69	↑ 33.0

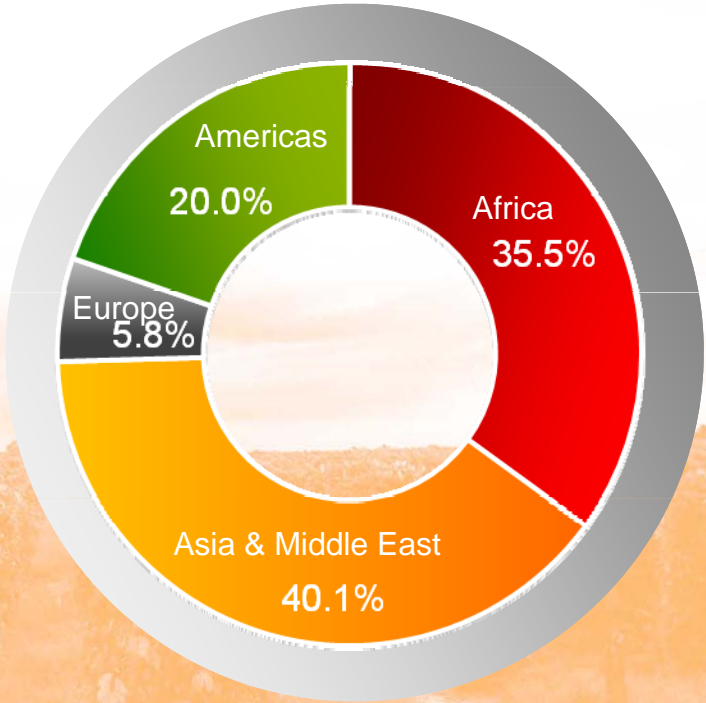
## Segmental Analysis : Fibre & Wood products

Description	Q1FY2009		Q1FY2008		% Change
	Amount	S\$/Ton	Amount	S\$/Ton	
Volume (metric tons)	207,733		188,676		↑ 10.1
Revenue (S\$'000)	369,592	1,779	317,552	1,683	↑ 16.4
Net Contribution (S\$'000)	21,120	102	17,919	95	↑ 17.9

# Well Diversified Sourcing : Origins

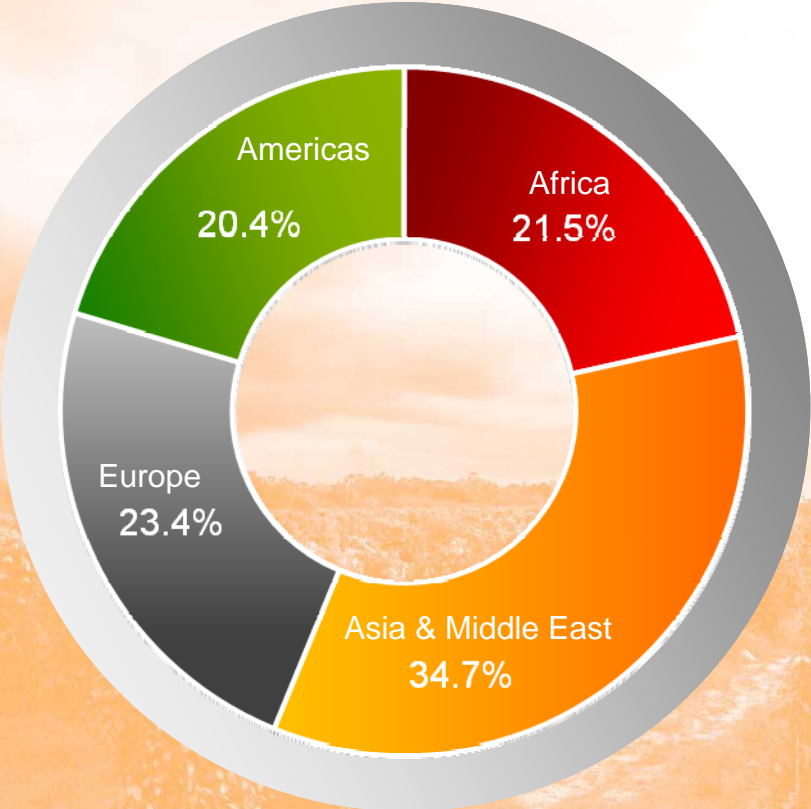


**Sourcing Volume  
Q1FY2009**

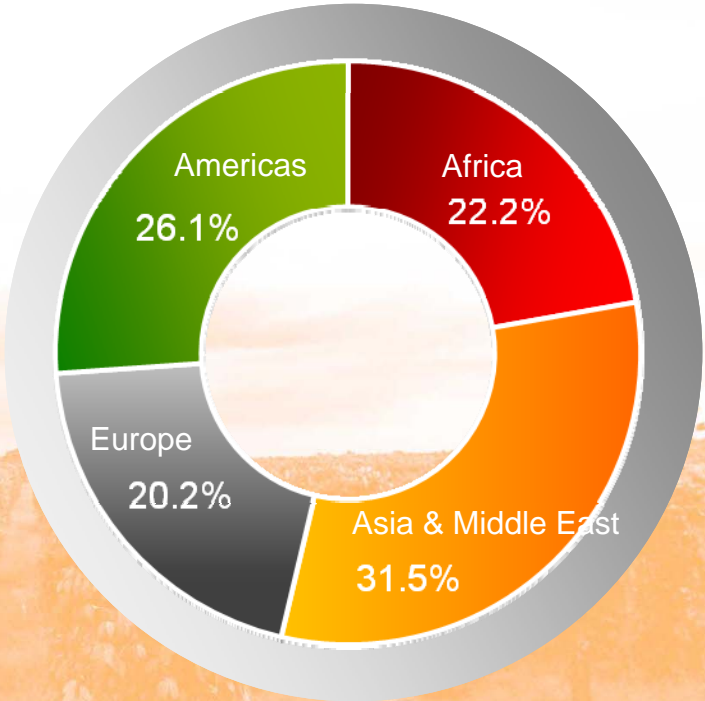


**Sourcing Volume  
Q1FY2008**

# Well Diversified Sales : Markets



**Sales Turnover  
Q1FY2009**



**Sales Turnover  
Q1FY2008**

## Well Diversified : Customers

Segment	Top 5 Customer Share of Total Sales
Edible Nuts, Spices & Beans	2.7%
Confectionery & Beverage Ingredients	7.9%
Food Staples & Packaged Foods	2.2%
Fibre & Wood Products	1.7%

**Total number of customers in Q1FY2009 is over 6,500**

# Results : Q1FY2009

## Balance Sheet Analysis



# Balance Sheet Analysis : Summary

(Figures in S\$'000)	Q1FY2009	Q1FY2008	% Change
Goodwill and Intangibles	133,558	130,259	2.5
Fixed Assets & Investments	679,134	429,459	58.1
Other Non-Current Assets	53,279	61,117	(12.8)
<b>Current Assets</b>			
Debtors	576,400	724,352	(20.4)
Stocks	1,606,548	1,790,236	(10.3)
Cash & Cash Equivalents	428,643	339,124	26.4
Advances to Suppliers	369,049	380,047	(2.9)
Fair Value of Derivatives	585,585	1,832,755	(68.0)
Margin Account Balances	237,587	254,273	(6.6)
Other Current Assets	323,142	292,819	10.4
<b>Total Assets</b>	<b>4,992,925</b>	<b>6,234,441</b>	
<b>Total Assets excluding hedging assets</b>	<b>4,407,340</b>	<b>4,401,686</b>	
Trade Creditors	463,049	519,853	(10.9)
Borrowings	2,788,051	2,984,564	(6.6)
Fair Value of Derivatives	642,631	2,010,994	(68.0)
Other Liabilities	134,416	80,616	66.7
<b>Net Assets</b>	<b>964,776</b>	<b>638,414</b>	
Equity & Reserves (after fair value adj)	964,776	638,414	51.1
Equity & Reserves (before fair value adj)	1,004,272	964,292	4.1



## Fixed Investments

(in S\$ million)	Q1FY2009	FY2008	Increase
Fixed Assets	408.1	403.4	↑ 4.7
Investments	271.0	26.0	↑ 245
Goodwill & Intangibles	133.5	130.3	↑ 3.2
<b>Total</b>	<b>812.6</b>	<b>559.7</b>	<b>↑ 252.9</b>
Fixed Investments / Total Assets Ratio	18.4%	12.7%	

## Balance Sheet Analysis : Ratios

	Q1FY2009	June 2008	Change	Q1 FY2008
Debtors (days)	31	33	(2)	26
Stock (days)	95	88	7	99
Advance to Suppliers (days)	22	19	3	22
Trade Creditors (days)	(27)	(26)	(1)	(22)
Cash to cash cycle	121	114	7	125
Current Ratio(x)	1.66	1.26	0.40	1.39

## Balance Sheet Analysis: Debtors

- 🌿 76.2% of Debtors secured by Letter of Credit / Documents of title compared to previous corresponding quarter of 67.4%

## Balance Sheet Analysis : Stock

(in S\$ million)	Q1FY2009	FY2008	Increase / (Decrease)
Edible Nuts, Spices & Beans	241.0	275.9	(34.9)
Confectionery & Beverage Ingredients	694.1	774.1	(80)
Food Staples & Packaged Foods	374.5	410.3	(35.8)
Fibre & Wood Products	296.9	329.9	(33)
<b>Total</b>	<b>1,606.5</b>	<b>1,790.2</b>	<b>(183.7)</b>

89.1% of stocks sold forward or hedged as compared to 81.8% in Q1 FY2008.

## Balance Sheet Analysis: Stock

	Amount	%
Total Hedged Position	976.9	68.2
Total Sold Forward	454.5	31.8
<b>Sub-Total</b>	<b>1,431.4</b>	<b>89.1</b>
Total Unsold Forward	175.1	10.9
<b>Total</b>	<b>1,606.5</b>	<b>100.0</b>

## Balance Sheet Analysis: Cash & Borrowings

- Only 51.0% of our total credit facilities were used as of 30<sup>th</sup> September.

(in US\$ million)	Q1FY2009	FY2008	Increase/ (Decrease)	% Increase/ (Decrease)
Short Term Banking Facilities	2,752	2,604	148	5.7
MTN / Medium Term Loan	287	310	(23)	(7.4)
Long Term Loan	795	795	-	-
<b>Total in US\$</b>	<b>3,834</b>	<b>3,709</b>	<b>125</b>	<b>3.3</b>
<b>Total in S\$</b>	<b>5,470</b>	<b>5,291</b>	<b>178</b>	<b>3.3</b>

# Export Incentives

- ❖ Several countries in which we operate across Asia (eg. India), South America (eg. Brazil, Argentina), Europe (eg. Poland, Netherlands) & Africa (eg. Nigeria, Cote d'Ivoire) provide export incentives.
- ❖ These export incentives are given by the Governments in these countries to encourage local value addition, promote exports and generation of foreign exchange earnings.
- ❖ Export incentives in these countries are available to all industry participants.
- ❖ The industry prices in the value of these incentives in their costing.
- ❖ In the absence of these incentives, the market prices locally would immediately adjust to reflect this and will not therefore impact margins.

## Export incentives receivables: Status

	(in S\$' mil)
Opening Balance	119.70
Export Incentives booked in Q1 FY2009	3.47
Export Incentives received in Q1 FY2009	(32.48)
<b>Closing Balance</b>	<b>90.69</b>



## Bank Facilities & Utilisation

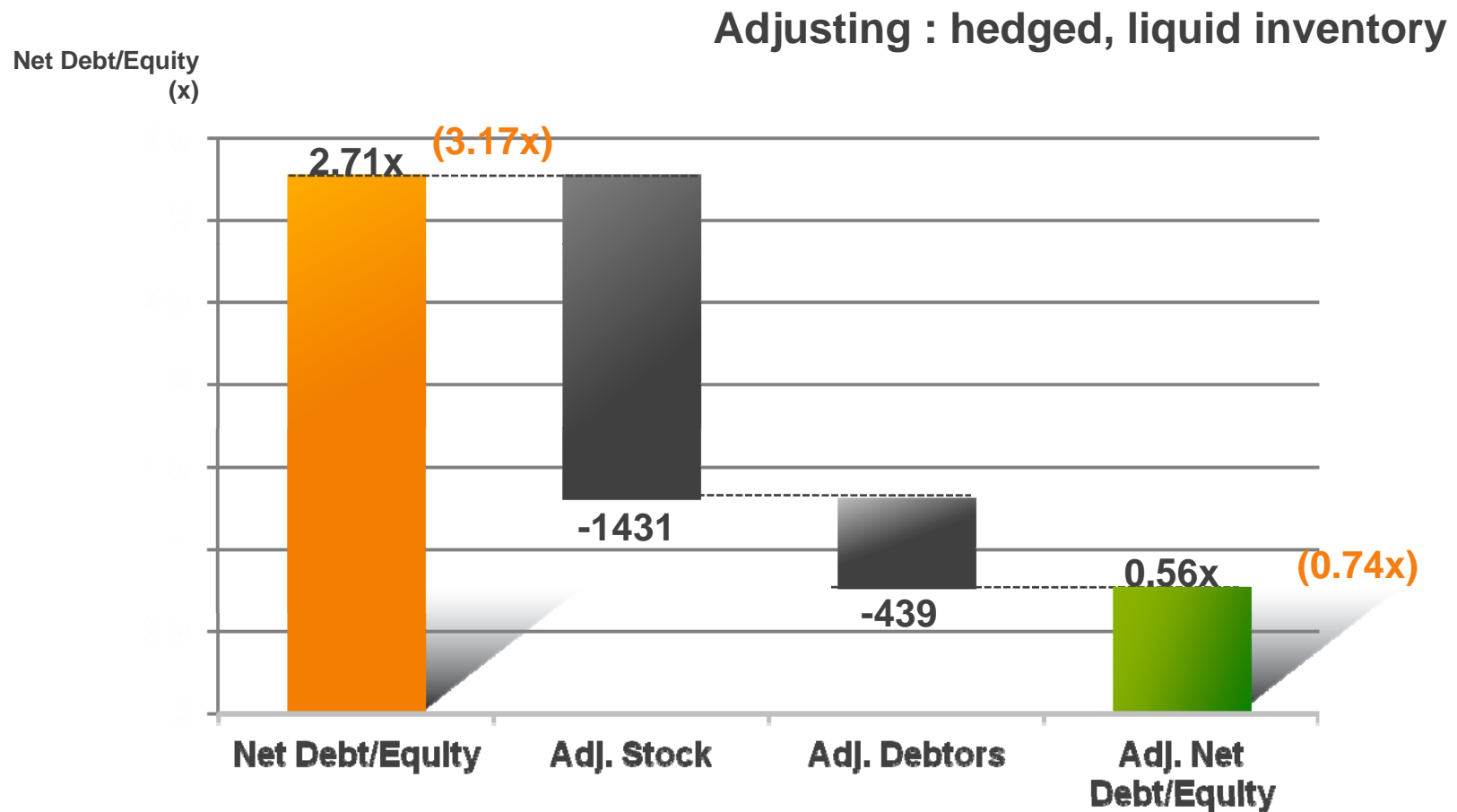
	Amount	% Share	Limits	% Utilised
Short Term Facilities	1,244.8	44.6	3,926.4	31.7
Long Term Facilities	1,543.2	55.4	1,543.2	100.0
Total Borrowings	2,788.0	100.0	5,469.6	51.0

## Balance Sheet Analysis: **Gearing**

	Q1FY 2009		FY 2008		Change
<b>Leverage (x)</b>	Before Fair Value Adj. Reserve	After Fair Value Adj. Reserve	Before Fair Value Adj. Reserve	After Fair Value Adj. Reserve	Vis-à-vis before Fair Value Adj. Reserve
Gross Debt to Equity (x)	3.20	3.35	3.58	5.87	(0.38)
Net Debt to Equity (x)	2.71	2.84	3.17	5.21	(0.46)
<b>Liquidity</b>					
Cash to Sales (%)	6.26		4.18		2.08
Cash & Cash Equivalents	428.6 m		339.1 m		89.5
Margin Deposit with Brokers	237.5 m		254.2 m		(16.7)

✿ **Net Debt: Equity before adjusting goodwill, intangibles and FRS is 2.35.**

# Balance Sheet : Analysis of Gearing



## Impact of FRS 39

- ✿ Impact on P&L - loss of S\$3.2 million.
- ✿ Reduction in equity as of 30 September 2008 is S\$39.5 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.

## Summary

- ❖ Strong top line (volume) and bottom line (PAT) growth at 20.1% and 62.0% respectively for Q1FY2009.
- ❖ EPS grown to 0.87 cents from 0.59 cents (47.5% growth).
- ❖ Total equity grown to S\$1.0 billion.
- ❖ Strong cashflow from operations of S\$529.1 million.

# Key Issues & Summary



## Other Key Issues

- ❖ Global economic slowdown: Impact on demand & Olam's volume growth prospects: FY2009
- ❖ Declining commodity prices: Impact on margins & market risk
- ❖ Declining commodity prices: Impact on counterparty & credit risk
- ❖ Global Credit Crisis: Impact on credit risk (advances & debtors)

## Other Key Issues

- ❖ Availability of credit
- ❖ Higher borrowing costs: Impact on margins
- ❖ Revised gearing targets
- ❖ M&A and capex
- ❖ Earnings guidance: FY2009
- ❖ Delivering the Olam Model



# Global economic slowdown: Impact on demand



# Global Economic Slowdown: Commodity Asset Class Performance

- Global credit crisis & concurrent global slowdown has resulted in a steep commodity price selloff.

Commodity Index	QTD	YTD (31.10.2008)
S&P GSCI	-27.8%	-26.3%
DJ AIG	-21.3%	-28.6%
CRB	-22.3%	-25.2%
Commodity Sub Index	QTD	YTD (31.10.2008)
Energy	-30.7%	-27.2%
Base Metals	-26.5%	-34.5%
Precious Metals	-18.7%	-16.7%
Grains	-17.6%	-27.8%
Agriculture	-17.2%	-24.5%

# Global Economic Slowdown:

## Agri Commodity Asset Class Performance

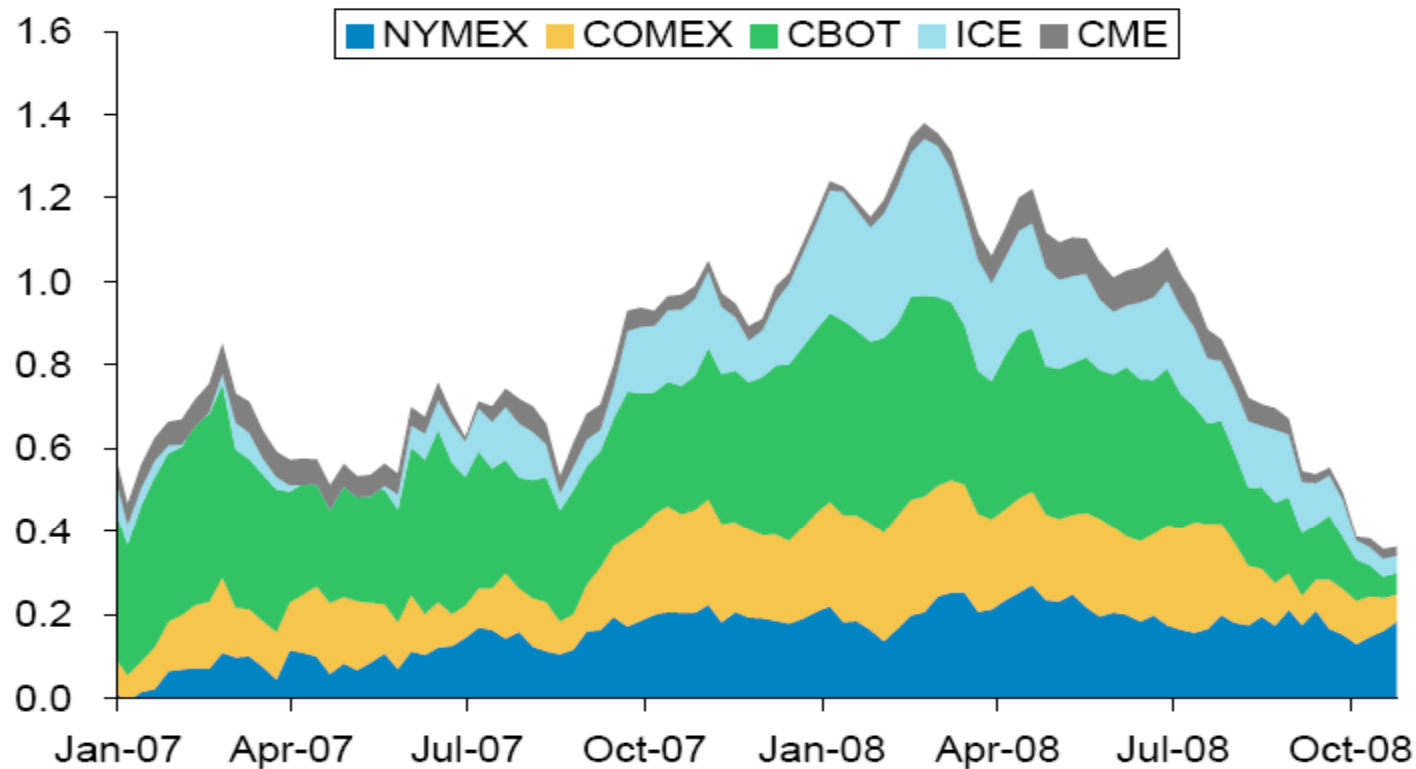
Sub Index	QTD	YTD (31.10.2008)
Corn	-17.6%	-11.9%
Wheat	-21.1%	-39.4%
Soybeans	-11.5%	-22.8%
Cotton	-20.2%	-34.9%
Sugar	-2.8%	11.1%
Coffee	-13.4%	-17.0%
Cocoa	-19.7%	-0.9%

## Commodity Prices: Olam basket

Published Indices	1 Jul 2008	31 Oct 2008	Return
S & P GS Agriculture	960.05	574.37	-40.2%
CRB CMDT Index	476.69	342.56	-28.1%
CRY Index	462.74	268.39	-42.0%
Olam Basket			-26.7%
Olam Basket			
Rice	862	625	-27.5%
Sugar	377.2	342.2	-9.3%
Cocoa	1,705	1,331	-21.9%
Coffee	2,480	1,603	-35.4%
Cotton	75.48	48.53	-35.7%
Cashew Kernel	3.55	2.5	-29.6%
Sesame	1740	1,175	-32.5%
Timber	750	690	-8.0%
Pepper	3,000	2,200	-26.7%
Pulses (Desi Chana)	584.11	502.98	-13.9%
Milk Powder	3,350	2,250	-32.8%
Peanuts	1,500	1,190	-20.7%
<b>Olam Basket wtd. Avg</b>			<b>-26.7%</b>

# Commodity Selloff: Liquidation by funds

## Net Index Length and DJ AIG Commodity TR Index (Million lots)



Source: CFTC, Bloomberg, Morgan Stanley Research

- ❖ The peak of speculative length occurred in March with liquidation well under way by the time the DJAIG Index peaked in July.

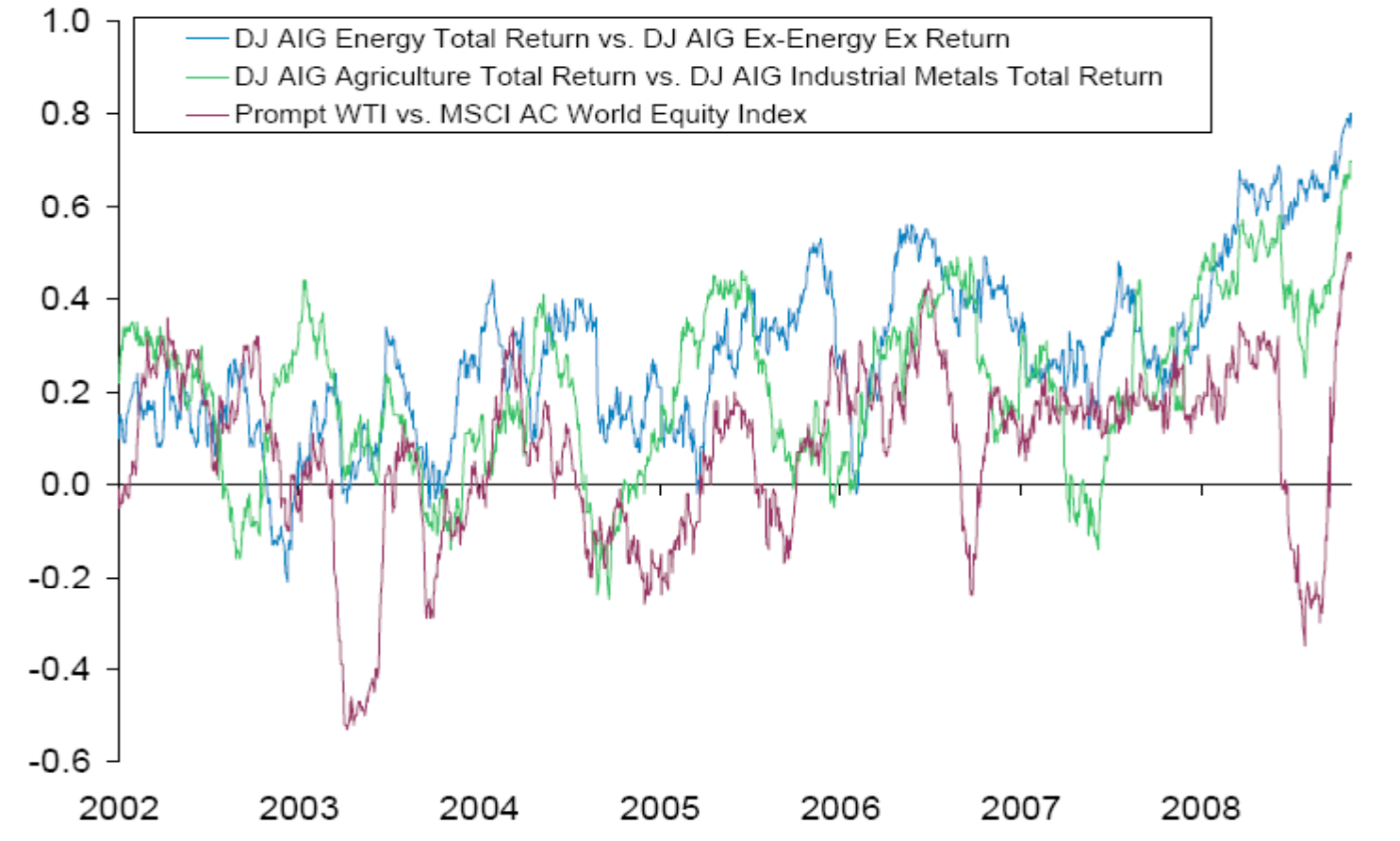
# Global Economic Slowdown: Equity Asset Class Performance

- ❖ Global de-leveraging impacting simultaneous selloff across asset classes, including commodities.

Equity Index	QTD	YTD (31.10.2008)
S&P 500	-16.9%	-34%
FTSE 100	-10.7%	-32.2%
MSCI World	-19.0%	-39.8%

# Asset Correlations at All-Time-Highs

(60 Day, % Daily  $\Delta$  Correlation)

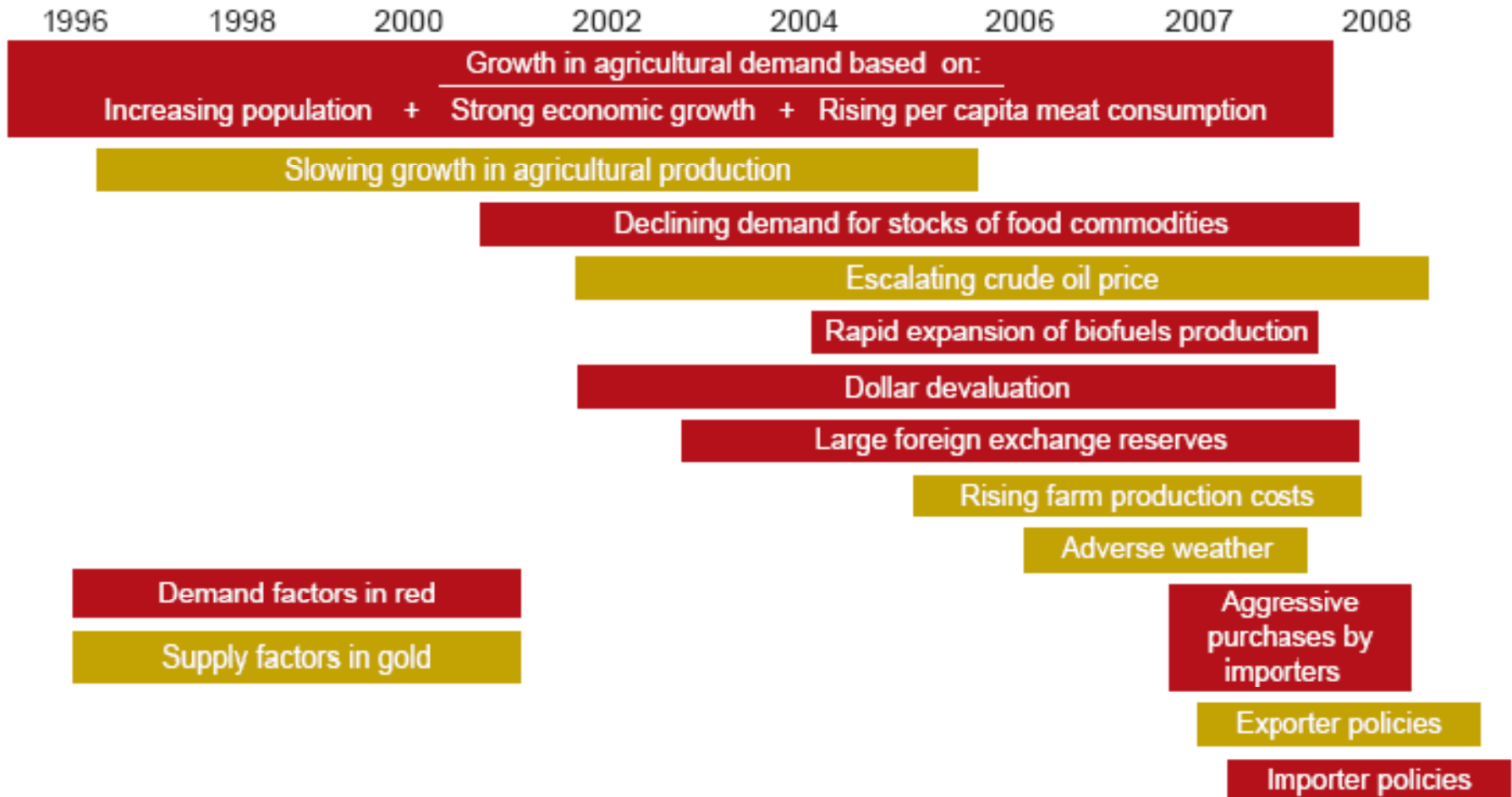


Source: Bloomberg, Morgan Stanley Commodity Research

- 🌿 Tandem/concurrent movements across asset classes & within asset classes have sent correlation markedly higher.

# However, secular commodity trend still intact ...

A number of factors have contributed to higher food commodity prices



Source: USDA, Economic Research Service.



## Global slowdown: Impact on demand

- ❖ Olam's portfolio mainly comprises primary agricultural products where demand is mostly neutral to economic conditions. 17 out of the 20 products in our portfolio are food raw materials where demand is reasonably recession proof while 3 products (cotton, wood products, wool) are industrial raw materials where demand is expected to slow down.
- ❖ Aggregate demand growth for the industry over the last 5 years has averaged 3% - 4%.
- ❖ Sources of volume growth for Olam comes from **3 areas**:
  - a) Participation in the market growth of 3% to 4%
  - b) Market share gains due to our differentiated competitive position
  - c) entry into new product adjacencies

## Global slowdown:

### Impact on demand - Wood Products

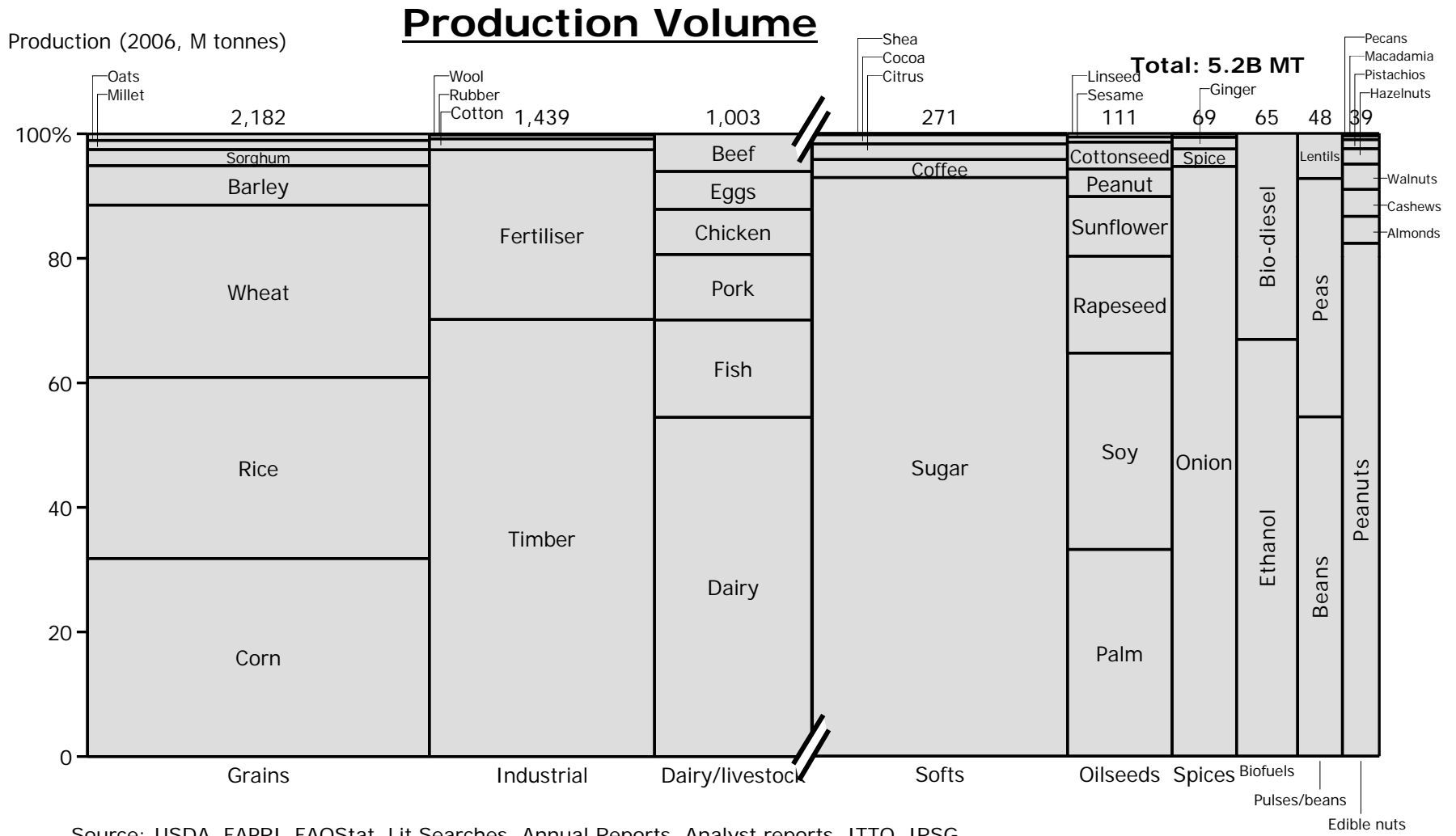
- ❖ Olam's wood products business consists of two categories:  
a) Teak and b) Tropical hardwoods.
- ❖ End Customers mainly in construction & furniture industry.
- ❖ Demand is affected by slowdown in India, China, Vietnam and Europe - our predominant markets
- ❖ Estimated reduction in demand is about 10% - 15% in consumption in these two categories.
- ❖ Wood products account for 3% - 4% of total sales value.

# Global slowdown:

## Impact on demand - Cotton

- ❖ Cotton demand outlook (*source: ICAC Nov 08 report*)
  - ❖ World imports forecast to decrease by 6% to 7.8m tonnes.
  - ❖ Key importing country China, is expected to import 10% less (estimated 2.3m tonnes against 2.5m tonnes in 07/08).
  - ❖ Global mill use expected to decline 3% to about 25.5m tonnes.
  - ❖ Cotton business accounts for between 10%-12% of Olam Sales.

# Global agri-commodities: a 5.2B MT market in total production

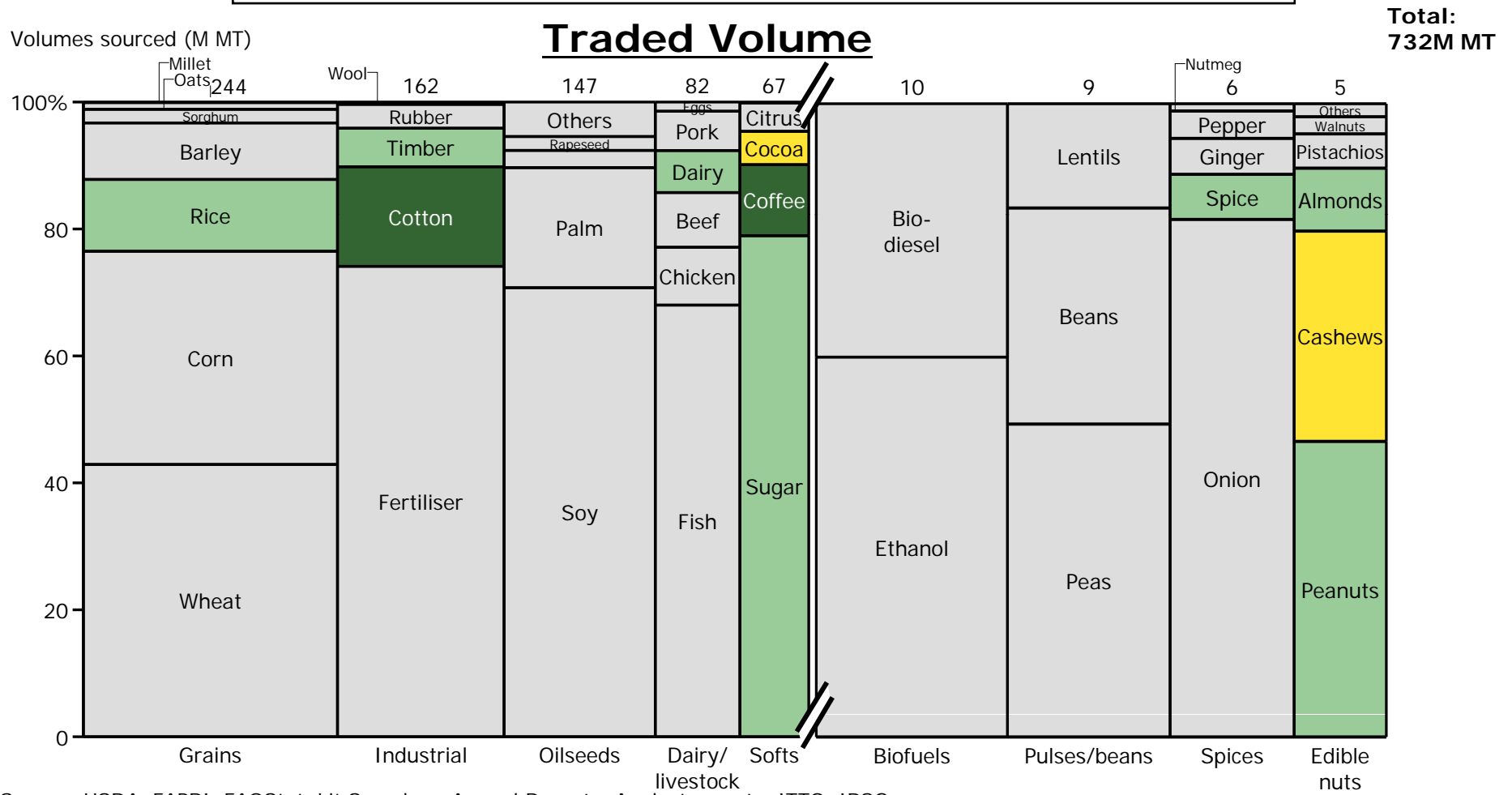


Source: USDA, FAPRI, FAOStat, Lit Searches, Annual Reports, Analyst reports, ITTO, IRSG

# Olam's participation:

~20% of the total addressable traded volume

Olam mkt share >10%
  Olam mkt share bet. 5-10%
  Olam mkt share <5%



Source: USDA, FAPRI, FAOStat, Lit Searches, Annual Reports, Analyst reports, ITTO, IRSG



# Market Share Growth

	FY 2008	FY 2007	FY 2006	FY 2005
<b>Segment : Edible Nuts, Spices &amp; Beans</b>				
Cashew	16.6%	14.4%	13.5%	11.7%
Peanuts	7.8%	3.0%	2.5%	1.8%
Sesame	13.7%	13.4%	9.4%	7.7%
<b>Segment : Confectionery &amp; Beverage Ingredients</b>				
Cocoa	17.1%	15.5%	13.8%	11.2%
Coffee	7.1%	4.5%	3.8%	3.0%
<b>Segment : Food Staples &amp; Packaged Foods</b>				
Rice	4.0%	3.0%	2.6%	2.9%
Sugar	1.5%	1.3%	1.0%	0.8%
Dairy Products	2.8%	1.8%	1.2%	0.6%
<b>Segment : Fibre &amp; Wood Products</b>				
Cotton	7.3%	4.4%	4.2%	2.7%
Timber	2.1%	1.6%	1.2%	1.1%

## Olam's Volume Growth Prospects: FY2009

- ❖ Volume growth for the last 2 three year cycles (past 6 years) is **19.1% CAGR**.
- ❖ FY2008 actual volume: 4.926m tonnes (**growth +30.6%**).
- ❖ Q1 FY2009 volume growth is **20.1%**.
- ❖ Sources of growth for Olam are **a) market demand growth; b) market share gains; & c) new product adjacencies**.

## Olam's Volume Growth Prospects: FY2009

- ❖ Target volume growth in FY2009: **0.887m tonnes** (assuming 18% mid-point of 16-20% CAGR target growth).
- ❖ **New businesses** volume growth (acquisitions + new products like wheat, barley, canola & wool) is expected to be **0.5 million tonnes** (contributing to 10% volume growth in FY2009).
- ❖ **Existing businesses** needs to grow only by 8% to achieve volume growth target in FY2009.
- ❖ Olam's volume growth plans at 16-20% is therefore achievable. **We therefore reaffirm this volume growth guidance.**



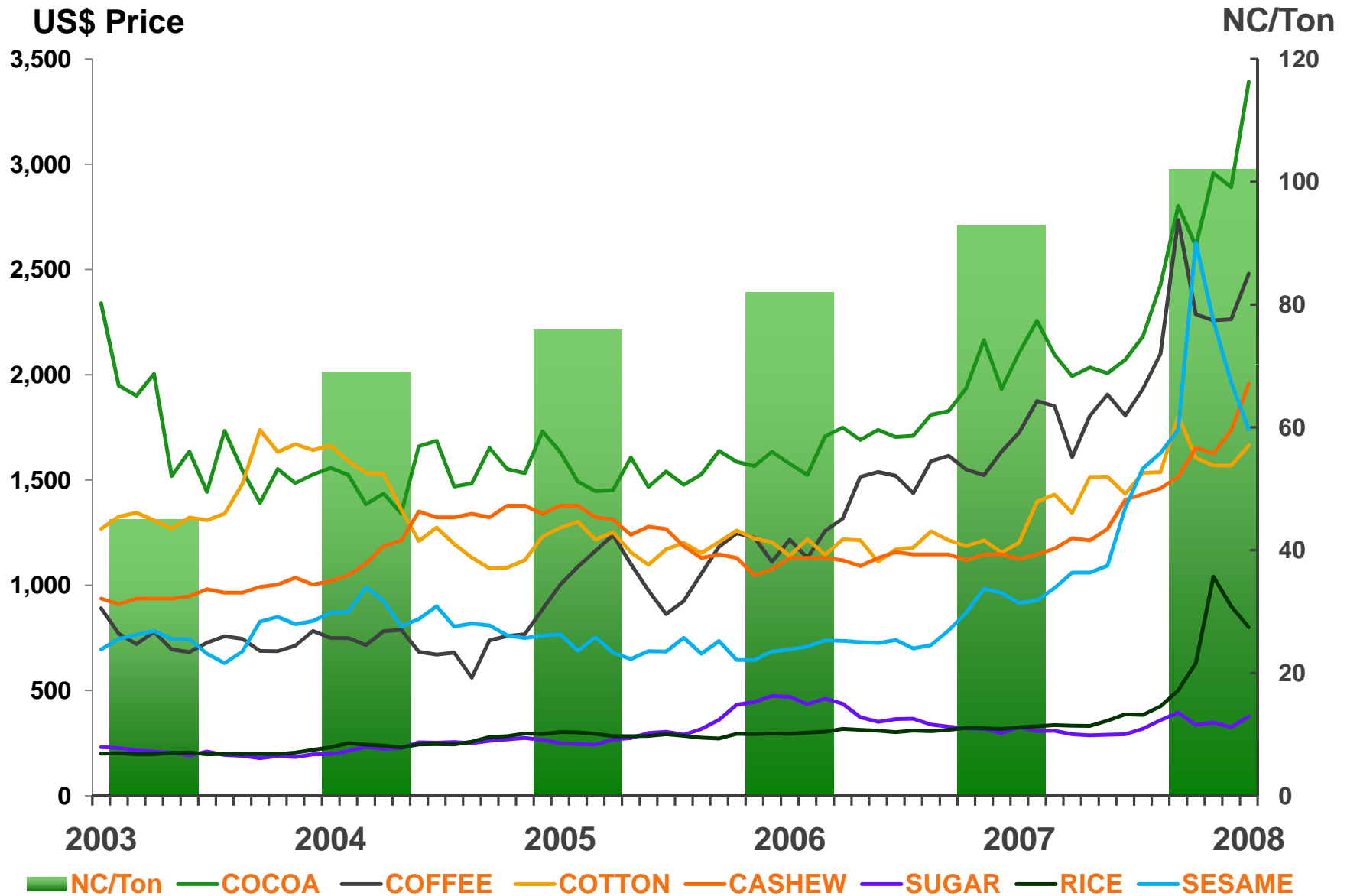
# Declining commodity prices: Impact on margins & market risk



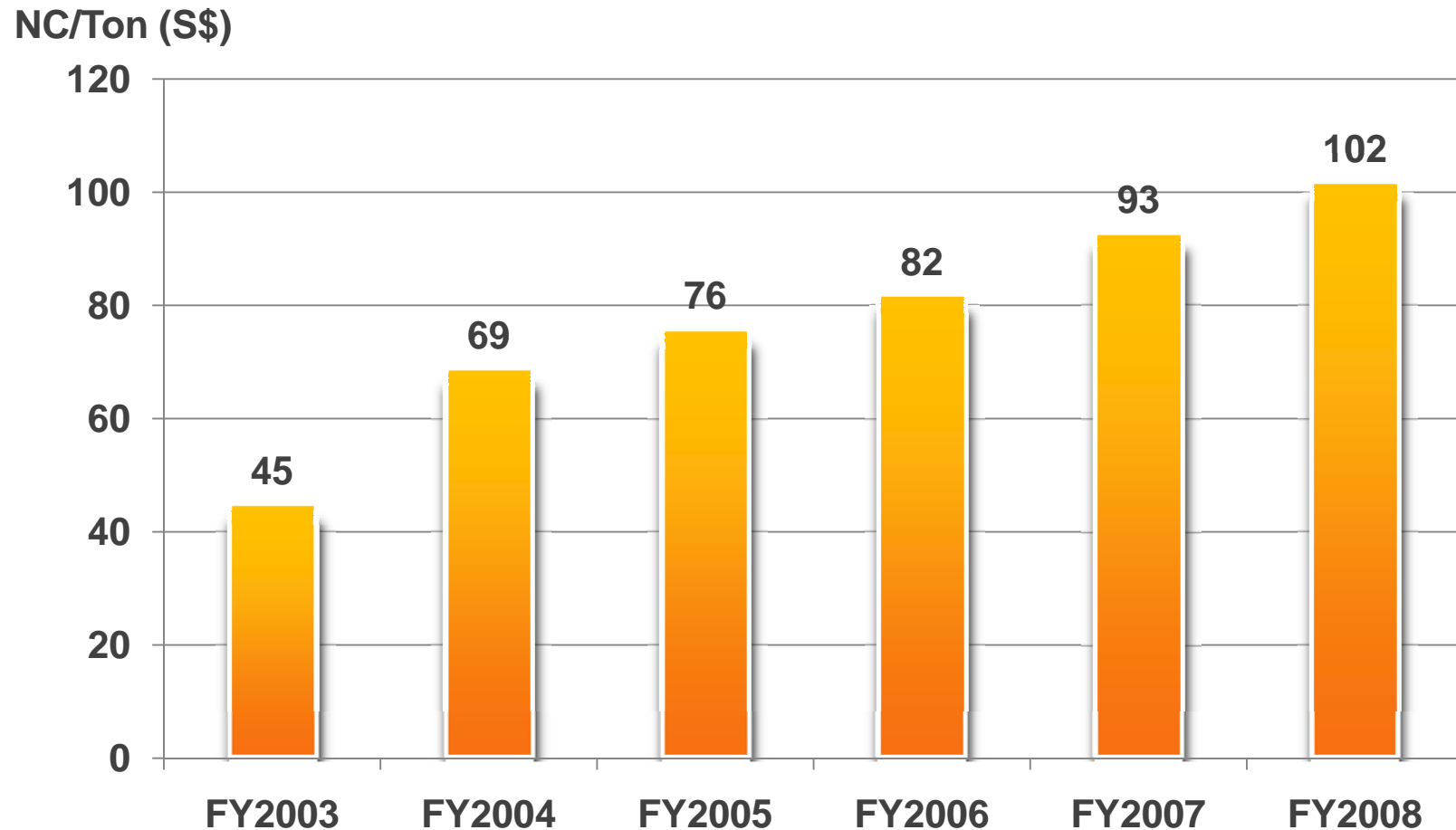
## Declining commodity prices: Impact on margins & market risk exposure

- ❖ Our nature of participation in this industry is as a **supply chain manager**. Olam is not a positional, directional, proprietary or speculative commodity trader.
- ❖ Headline commodity prices have therefore a limited impact on our profitability.

# Earnings Growth Despite Volatile Prices



# Consistent NC/ton Growth through: value added, customised solutions & services



🌱 Q1 FY2009 NC/Ton is **S\$106/Ton, 10% growth** from S\$96/ton in Q1 FY2008.

## Consistent Segmental NC/ton Growth through: value added, customised solutions & services

### Edible Nuts, Spices & Beans

	Q1 FY2009	Q1 FY2008	% Change
NC/ton	122	113	8.1

### Confectionery & Beverage Ingredients

NC/ton	148	133	10.8
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### Food Staples & Packaged Foods

NC/ton	78	69	11.8
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### Fibre & Wood Products

NC/ton	102	95	7.1
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## Consistent Segmental NC/ton Growth through: value added, customised solutions & services

### Edible Nuts, Spices & Beans

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008
NC/ton	106	87	97	114	110	121	151

### Confectionery & Beverage Ingredients

NC/ton	100	73	118	124	130	149	135
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### Food Staples & Packaged Foods

NC/ton	20	18	24	26	32	37	53
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### Fibre & Wood Products

NC/ton	67	70	93	98	111	132	123
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## Declining commodity prices: Impact on Market Risk

	Amount	%
Total Hedged Position	976.9	68.2
Total Sold Forward	454.53	31.8
<b>Sub-Total</b>	<b>1,431.43</b>	<b>89.1</b>
Total Unsold Forward	175.12	10.9
<b>Total</b>	<b>1,606.55</b>	<b>100.0</b>

# Declining commodity prices: Impact on Market Risk

(VaR based on 1-day, 95%)

(as at 30th Sept 2008)

Category	VaR (in US\$ million)
Futures Traded Products	1.23 m
Non Futures Traded Products	1.66 m
<b>Total Portfolio</b>	<b>2.89 m</b>

- ❖ Average holding period of positions was 11 days in Q1 FY2009.



# Declining commodity prices: Impact on counterparty & credit risk



## Counterparty Analysis: forward sales book

	No. of Parties	Average Party Value (\$m)	Amount (\$m)	% Share	Tenor
A1 & A2 Counterparties	59	3.25	191.9	42.2	Up to 2 years
B1 & B2 Counterparties	147	1.05	154.4	34.0	From 6 months to 1 year
C1 & C2 Counterparties	166	0.65	108.3	23.8	Spot to 3 months
<b>Total</b>	<b>372</b>	<b>-</b>	<b>454.5</b>	<b>100.0</b>	<b>-</b>

# Counterparty Risk Management

- ❖ Well diversified, **6,500 customers & 200,000 suppliers**
- ❖ **98% of sales made directly to end-users**, no second hand trade with other brokers, dealers or merchants
- ❖ Predominant **spot purchases eliminates supplier default risk**
- ❖ On supplier side our business model works on very **short tenor advances of between 5-10 days**
- ❖ On customer side, strict **exposure limits on size and tenor**, all customers assessed on a 6-point scale (A1 to C2)
- ❖ **No single customer** accounts for more than 5% of our sales
- ❖ Average value of an invoice is about **US\$156,000**
- ❖ **76.2% of receivables** are secured by LCs or documents of title

# Counterparty Analysis

- ❖ 70-80% of our volumes are through containers; the balance (mainly rice and sugar) are shipped in handy-size vessels
  - ❖ Goods in containers can be held at port for 10-15 days before demurrage is incurred
  - ❖ Demurrage for containers are significantly lower than other large size vessels
- ❖ Direct market presence provides clear visibility and market intelligence on customers' situation on real time basis.
- ❖ Value-added services that provide differentiated services to customers enhances customer stickiness.

## Credit Risk Analysis:

Year	Bad Debt writeoff (in S\$'000)	Bad Debt Provision carried forward (in S\$'000)
FY2005	51	5,869
FY2006	196	9,402
FY2007	551	9,604
FY2008	1,196	6,724

 **No further provision was made in Q1 FY2009.**

## Counterparty & Credit Risk Analysis: Market-wise

Region	Total Sales (in S\$'m)	% Share of Sales	Average Invoice Value (in S\$'000)
Africa	368	21.5%	116
Asia & Oceania	594	34.7%	218
Europe	401	23.4%	153
Americas	350	20.4%	141
<b>Total / Average</b>	<b>1,713</b>	<b>100.0%</b>	<b>156</b>

# Counterparty Analysis

## ❖ Limited credit risk:

- ❖ Sales into Americas and Europe are transacted in cash against documents sent direct to customers (mainly A1-A2)
- ❖ Sales into Asia and Middle East are through LCs or cash-against-documents through banks (mainly B1-B2)
- ❖ Sales into Africa are spot sales in cash (mainly C1-C2)

## ❖ About 20-25% of total Group volume is through LCs:

- ❖ Customers issue LCs from their local (mostly government owned) banks which are largely unaffected by global credit crisis
- ❖ LCs are usually received 45 – 60 days prior to shipment
- ❖ As size of invoice is around US\$150,000, should default happen, the goods can be quickly sold to other customers

# Global Credit Crisis: Availability of Credit





## Availability of Credit:

- ✿ Only 51.0% of our total credit facilities were used as of 30<sup>th</sup> September.

(in US\$ million)	Q1FY2009	FY2008	Increase/ (Decrease)	% Increase/ (Decrease)
Short Term Banking Facilities	2,752	2,604	148	5.7
MTN / Medium Term Loan	287	310	(23)	(7.4)
Long Term Loan	795	795	-	-
<b>Total in US\$</b>	<b>3,834</b>	<b>3,709</b>	<b>125</b>	<b>3.3</b>
<b>Total in S\$</b>	<b>5,470</b>	<b>5,291</b>	<b>178</b>	<b>3.3</b>

## Bank Facilities & Utilisation

	Amount	% Share	Limits	% Utilised
Short Term Facilities	1,244.8	44.6	3,926.4	31.7
Long Term Facilities	1,543.2	55.4	1,543.2	100.0
Total Borrowings	2,788.0	100.0	5,469.6	51.0

# Availability of Credit

- ❖ Current lines are adequate to support growth in FY2009 with significant margin of safety
- ❖ Prices of commodities in our portfolio has declined by 26% YTD
- ❖ We currently have S\$2.3 billion of facilities that are committed, accounting for 88% of debt required at current prices to support our growth plans for FY2009

# Availability of Credit

- ❖ 7 banks contribute to about 60% of short term loans
- ❖ These banks are relatively less affected by the current financial crisis
- ❖ All short term facilities renewed for the year

# Limited Refinancing Risk

Year	Loans for Repayment	
FY 2010	US\$200 m	S\$272.0 m
FY 2011	US\$354 m	S\$495.0 m



No refinancing requirement in FY2009.

## Impact of higher borrowing cost

- ❖ Interest rate fixed for medium & long term loans at 4.30%
- ❖ Interest on short term loans increased on an average by 80 bps compared to FY08
- ❖ Market is offering carry and short term interest cost is being passed through and will not impact earnings

# Revised Gearing Targets



# Gearing

	Net Debt:Equity Revised target	Net Debt:Equity Previous target
Short term assets (inventories & receivables)	2.5x - 3.5x	4.0x - 5.0x
Capex and M&A	1.5 : 1	2 : 1
Adjusted gearing (Net of liquid hedged inventories & receivables)	0.5x – 1.0x	1.0x - 2.0 x

*Our current bank covenants is a Net Debt:Equity ratio of 5:1.*

- ✿ Given the global credit crisis, we have **decided to operate at a significantly reduced gearing till credit markets stabilise.**



# M&A and Capex



## M & A: Lifting Portfolio Equity and Capital Spreads

🌱 No. of deals announced : 10

🌱 Total Investments : US\$623.7m (S\$857.5m)

	FY11 Target	FY14 Target
Net Earnings Accretion	S\$98m	S\$153m
ROE of Acquisitions	34%	54%
Impact on Portfolio Equity Spread (ROE – $K_e$ )	15% (+4%)	23% (+12%)
ROIC of Acquisitions	15%	22%
Impact on Portfolio ROIC spread (ROIC – WACC)	4% (+1%)	6% (+3%)
Average PER	5.0 x	
Average EV/EBITDA	4.3 x	
Equity IRR	40.1%	

## M&A and Capex

- ❖ The company has **decided to be more cautious** in looking at **further acquisitions** in the current credit crisis. We will therefore be putting on hold further M&A activity **till the credit markets stabilise and capital availability improves**.
- ❖ Similarly, the company has also decided to be **more cautious** is making **new capital investments** unless it is maintenance capital expenditure till credit market conditions improve.

# Guidance: FY2009



## Guidance: FY2009

- ❖ The Group continues to execute on its growth strategies by concurrently increasing its sourcing volumes in existing and new origins for existing and new products while continuing to broaden its customer base and undertake margin enhancement initiatives in selected products and geographies.
- ❖ These strategic growth initiatives will result in a further strengthening of Olam's market position across its product portfolio and contribute to sustained profitable growth over the medium term.
- ❖ Olam expects trading conditions to remain difficult over the course of FY2009 with a concurrent recession or slow down across both OECD and emerging economies.

## Guidance: FY2009 (con't)

- ❖ Of the 20 products in its portfolio, 17 are primary food raw materials and demand for these products is reasonably resilient to recessionary conditions.
- ❖ The remaining three industrial raw material products are expected to face more headwinds and are expected to suffer decline in consumption as economic conditions worsen.
- ❖ Given the nature of Olam's participation as a supply chain manager, its diversification across 20 agricultural products, 60 countries, 200,000 suppliers, 6,500 customers and its selective integration across the supply chain, Olam is better positioned to weather this storm.
- ❖ Our medium term guidance for the next 3 years was to grow volume (top line) between 16% to 20% CAGR and bottom line earnings between 25% to 30% CAGR.

**In FY2009, we expect to grow top line volume & bottom line earnings at the lower end of this guidance range.**

# Delivering the Olam Model





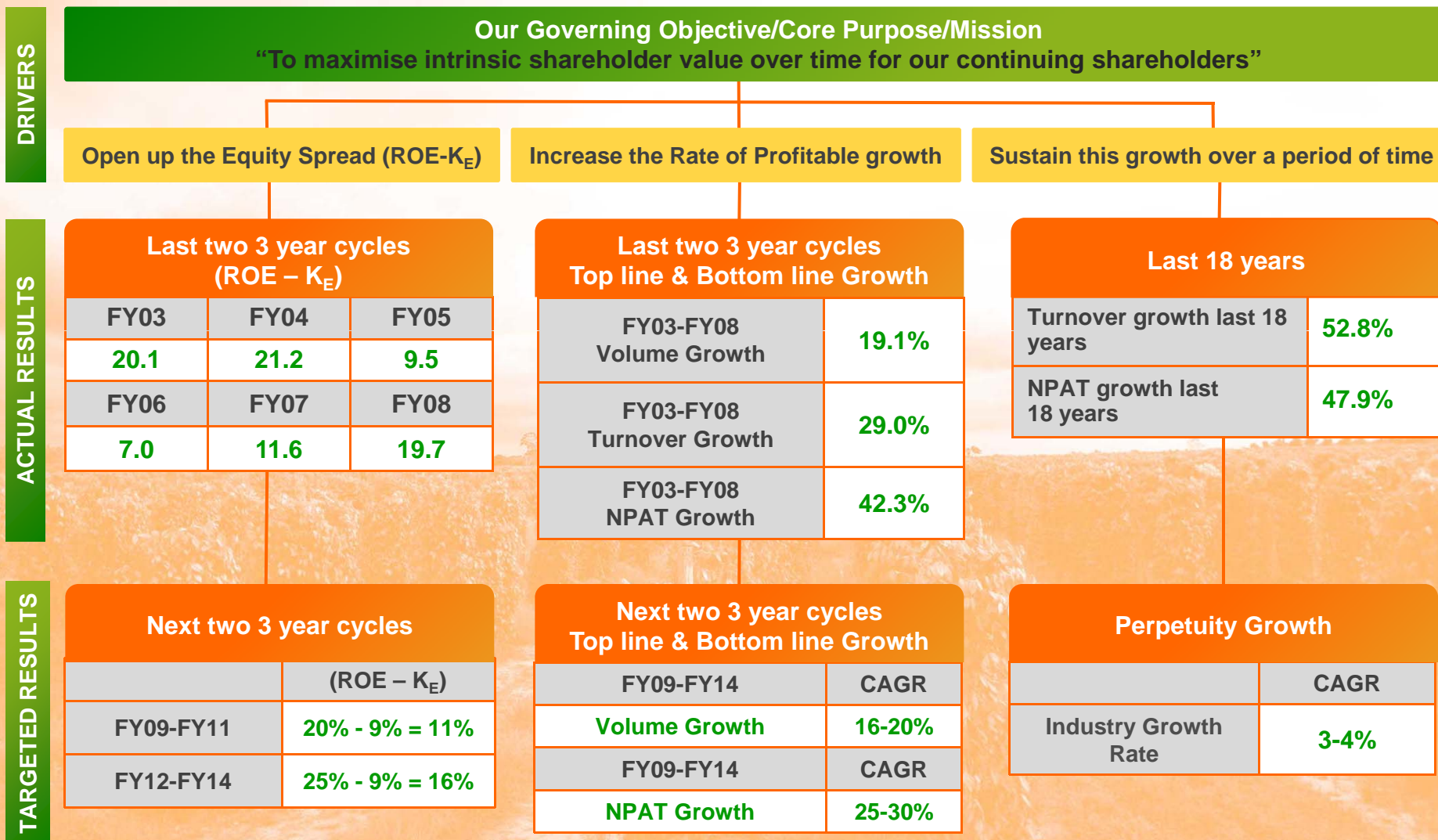
# THE OLAM MODEL

The Olam model, the way we do business, has helped us achieve consistent business results over the last 19 years across commodity cycles and economic cycles. The Olam model is centered around these 10 building blocks.

**MAXIMIZE**  
fundamental intrinsic  
shareholder value over time for  
our continuing shareholders



# Building long term intrinsic shareholder value



# THE OLAM MODEL

## FOCUSED

on a single commodity  
asset class: **agricultural  
complex** helping build  
**market leading positions**

## DIVERSIFIED

broadly across 17 agri-  
commodities, 60 countries,  
200,000 suppliers and  
6,500 customers leading to  
**consistency in earnings**

## SUPPLY CHAIN MANAGER

not a positional / directional /  
proprietary trader leading to  
**stability in earnings**

## MAXIMISE

fundamental intrinsic  
shareholder value over time for  
our continuing shareholders

# THE OLAM MODEL

## DIFFERENTIATED

through out-originating our competitors and providing differentiated marketing solutions and services helping us grow at **above market growth rates**

## RAISING CAPITAL

to support growth. We raised S\$307 million of equity capital, S\$425 million of CB and **grew total credit facilities by 34%** over the last 12 months under challenging credit and capital market conditions

## DISCIPLINED INORGANIC GROWTH

securing **excess returns** through acquiring earnings and value accretive businesses offering clear strategic fit to our core business and helping **accelerate profitable growth**

## ADJACENCY BASED ORGANIC GROWTH

proven growth model of exploiting **adjacent opportunities** that share suppliers, customers, channels, costs and capabilities with existing businesses providing us **good growth visibility**

## MAXIMISE

fundamental intrinsic shareholder value over time for our continuing shareholders

# THE OLAM MODEL

## REPLICATING THE OLAM DNA

grew our global assignee talent pool to 400 managers providing us **significant bandwidth** to execute our growth plans

## GOVERNANCE & TRANSPARENCY

Strong shareholder base, effective board and board processes and strong executive leadership to help **win stakeholder trust**

## MAXIMISE

fundamental intrinsic shareholder value over time for our continuing shareholders

## SCALABLE SYSTEMS

institutionalising risk, IT, operating and control systems that help us achieve **reliable and effective execution**



**Thank You**