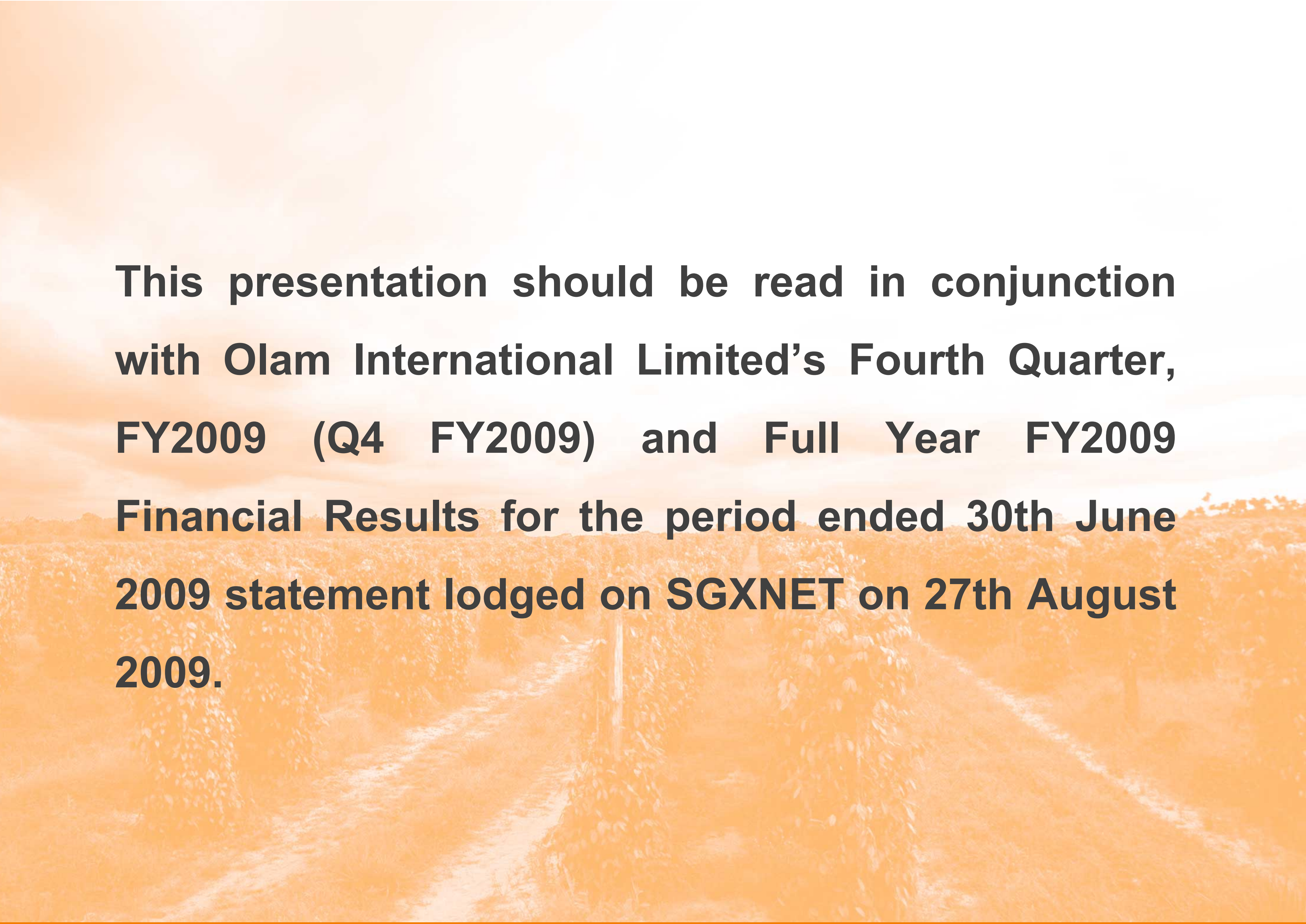
Olam International Limited
Fourth Quarter & Full Year FY2009 Results Briefing

27th August 2009 | Singapore



This presentation should be read in conjunction with Olam International Limited's Fourth Quarter, FY2009 (Q4 FY2009) and Full Year FY2009 Financial Results for the period ended 30th June 2009 statement lodged on SGXNET on 27th August 2009.

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 Fourth Quarter and Full Year 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: FY2009 - Consolidated P&L Analysis
- Results: FY2009 - Segmental Analysis
- Results: FY2009 - Balance Sheet Analysis

Results: FY2009

Consolidated P&L Analysis

Summary

	FY2009 (S$'000)	FY2008 (S$'000)	% Increase
Sales Volume	**5,720,640**	**4,926,363**	**16.1**
Sales Value	8,587,932	8,111,910	5.9
GC	762,091	676,371	12.7
NC	**600,848**	**518,330**	**15.9**
Reported PAT	**252,029**	**167,703**	**50.3**
One-off gains / losses	69,781	16,960	311.4
Operational PAT	**182,248**	**150,743**	**20.9**

Contributions from Acquisitions

	FY2009			FY2008			% Increase
	Existing Business	New Business	Total	Existing Business	New Business	Total	Total
Volume (Metric Tons)	4,784,400	936,240	5,720,640	4,530,153	396,209	4,926,362	16.1%
NC (S$'000)	459,407	141,441	600,848	428,409	89,921	518,330	15.9%
% Share	76.5%	23.5%	100.0%	82.7%	17.3%	100.0%	

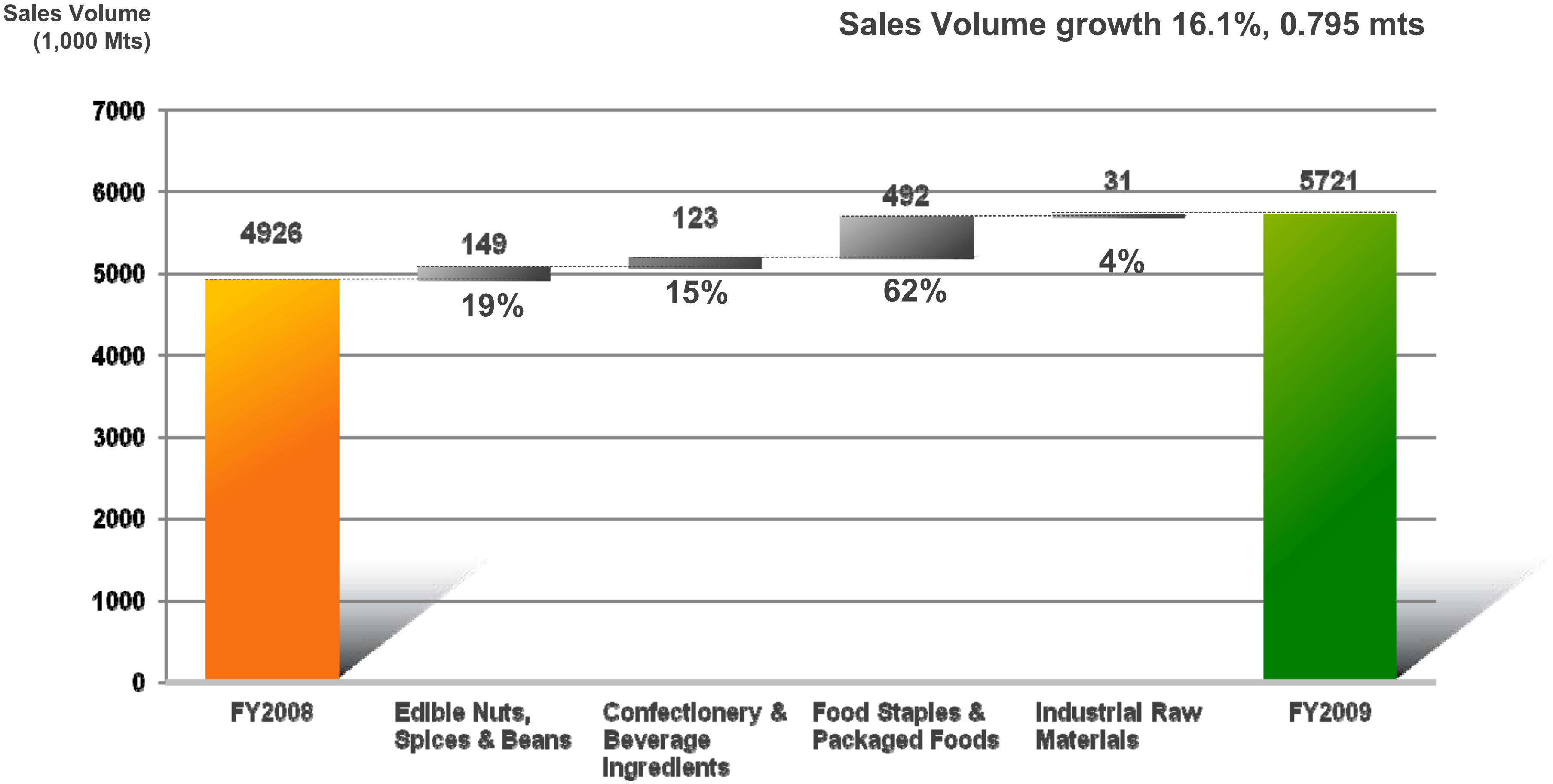
Consolidated P&L Analysis: FY2009

- **Sales Volume: 5.721 million metric tons**
  - Volume grew by 0.795 million metric tons
  - 16.1% growth over FY2008
  - Volume growth across all 4 segments

Volumes

	FY2009 (MT/'000)	FY2008 (MT/'000)	% Change
Edible Nuts, Spices & Beans	976	827	18.0
Confectionery & Beverages Ingredients	1,170	1,046	11.8
Food Staples & Packaged Foods	2,451	1,959	25.1
TOTAL FOOD CATEGORY	4,597	3,832	19.9
Industrial Raw Materials	1,124	1,094	2.7
Consolidated Total	5,721	4,926	16.1

Sales Volume Growth : **Segmental Contribution**



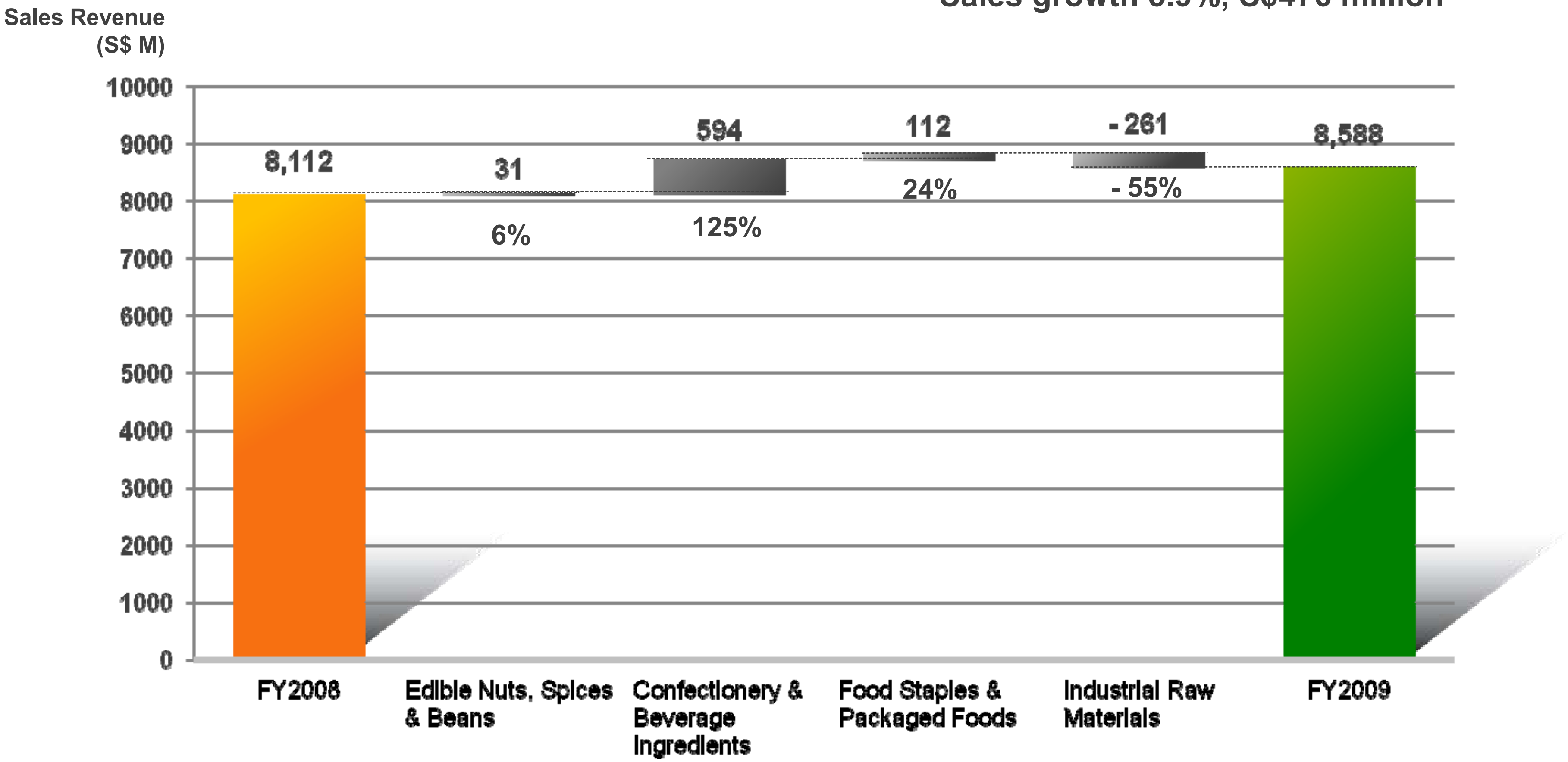
Growth Over FY2008:	18%	12%	25%	3%

Consolidated P&L Analysis: FY2009

- **Total Sales Revenue: S$8,588 million**
  - 5.9% growth over FY2008
  - Revenue growth across all except Industrial Raw Materials
  - Revenue growth driven by growth in volumes

Sales Revenue Growth: Segmental Contribution

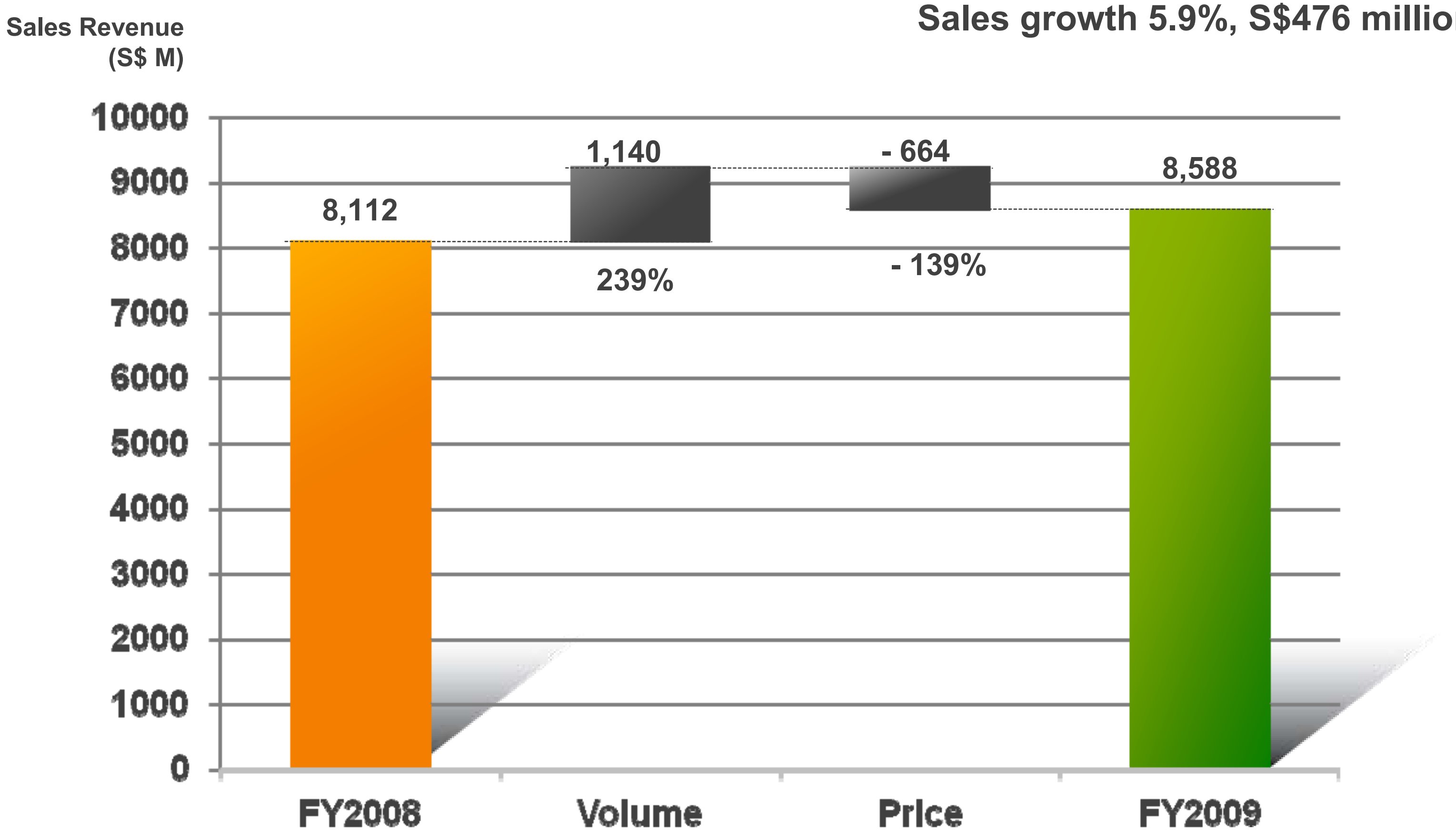
Sales growth 5.9%, S$476 million



Growth Over FY2008:	3%	19%	6%	-15%

Sales Revenue Growth: **Sources**

Sales growth 5.9%, S$476 million

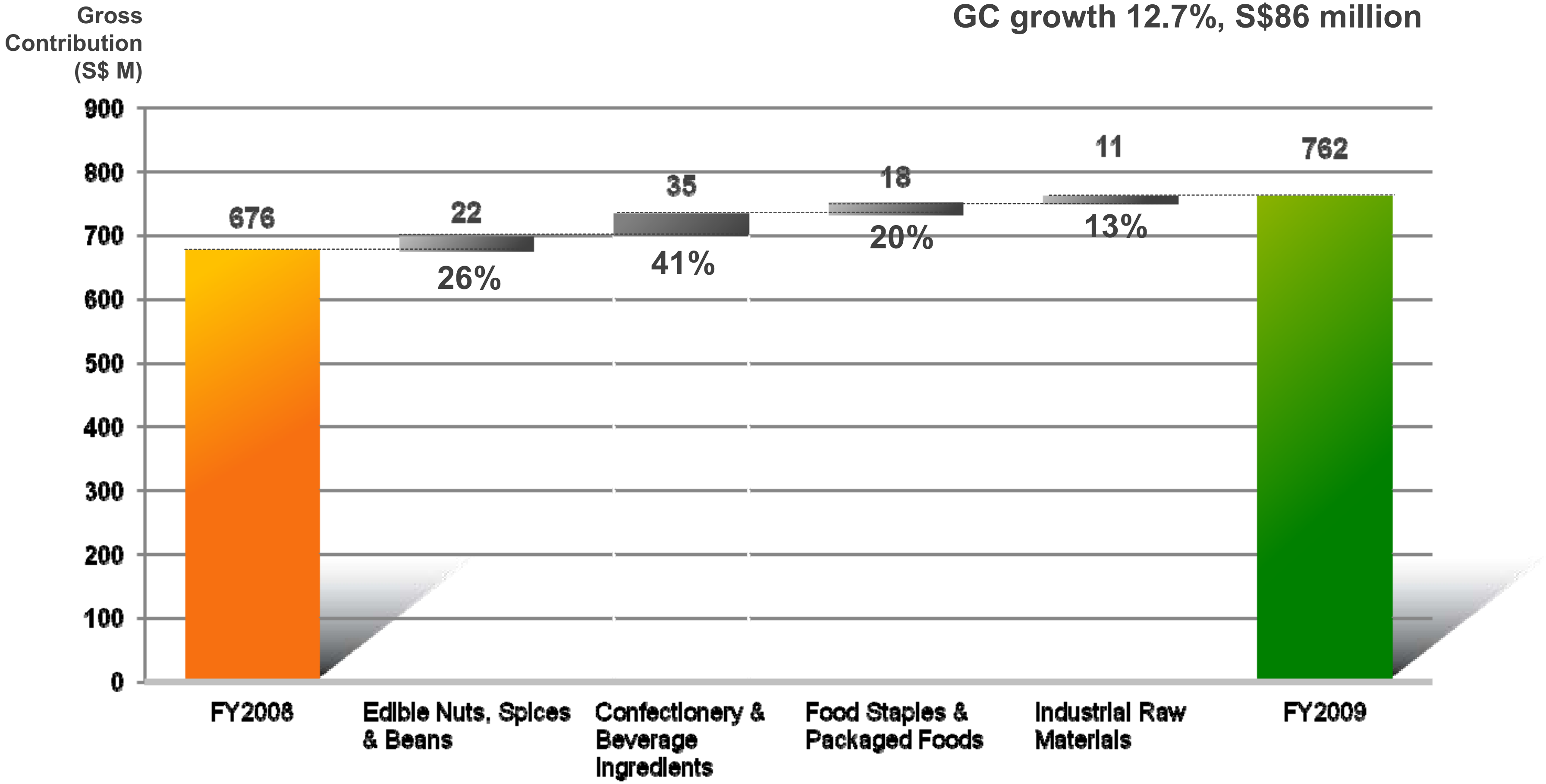


Consolidated P&L Analysis: FY2009

- **Gross Contribution (GC): S$762 million**
    - 12.7% growth over FY2008
    - GC growth across all segments
    - GC per ton decreased marginally to $133/ton in FY2009 from $137/ton in FY2008

Gross Contribution Growth: Segmental Share

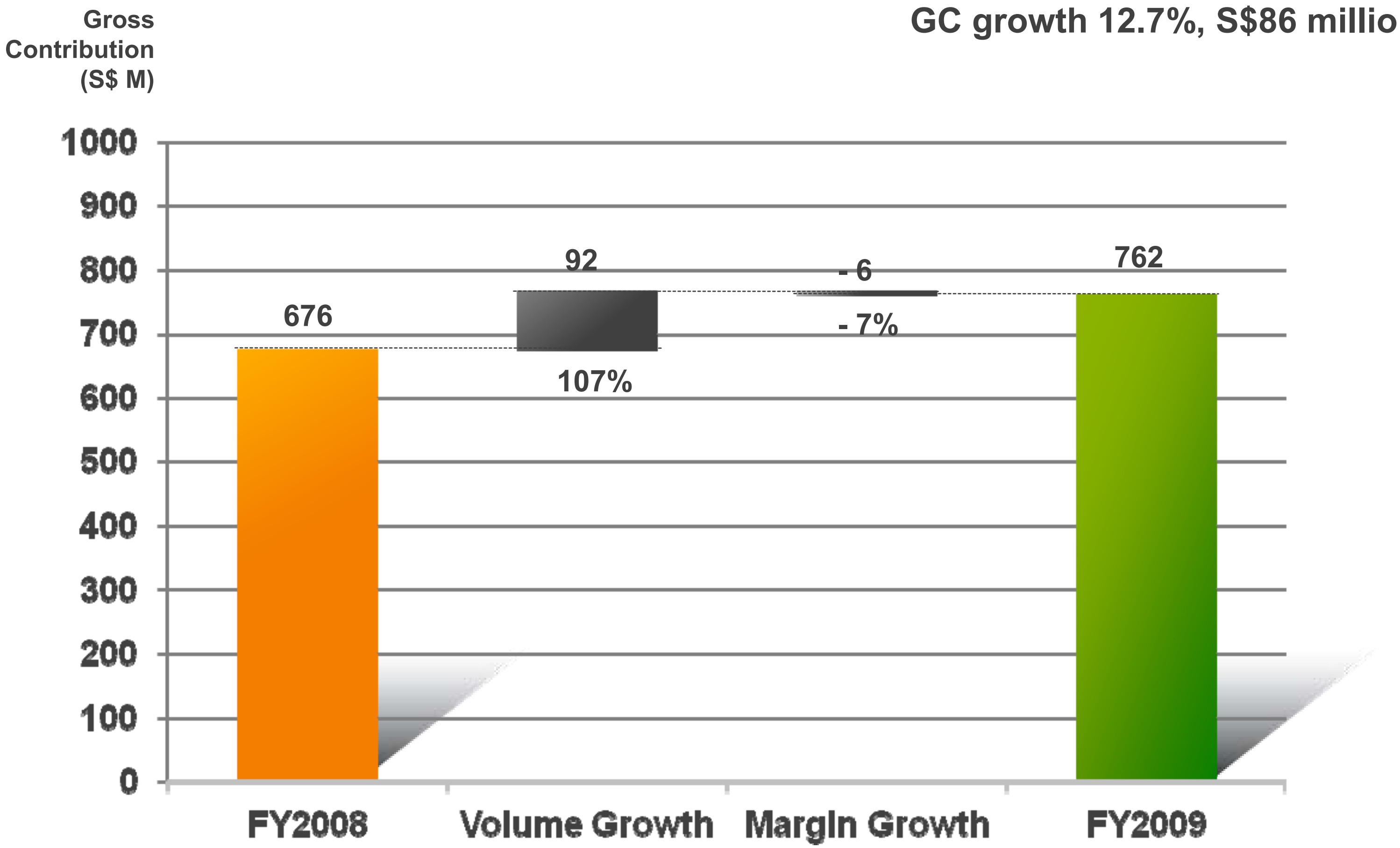
GC growth 12.7%, S$86 million



Growth Over FY2008:	15%	17%	12%	6%

Gross Contribution Growth: Segmental Share

GC growth 12.7%, S$86 million



Consolidated P&L Analysis: FY2009

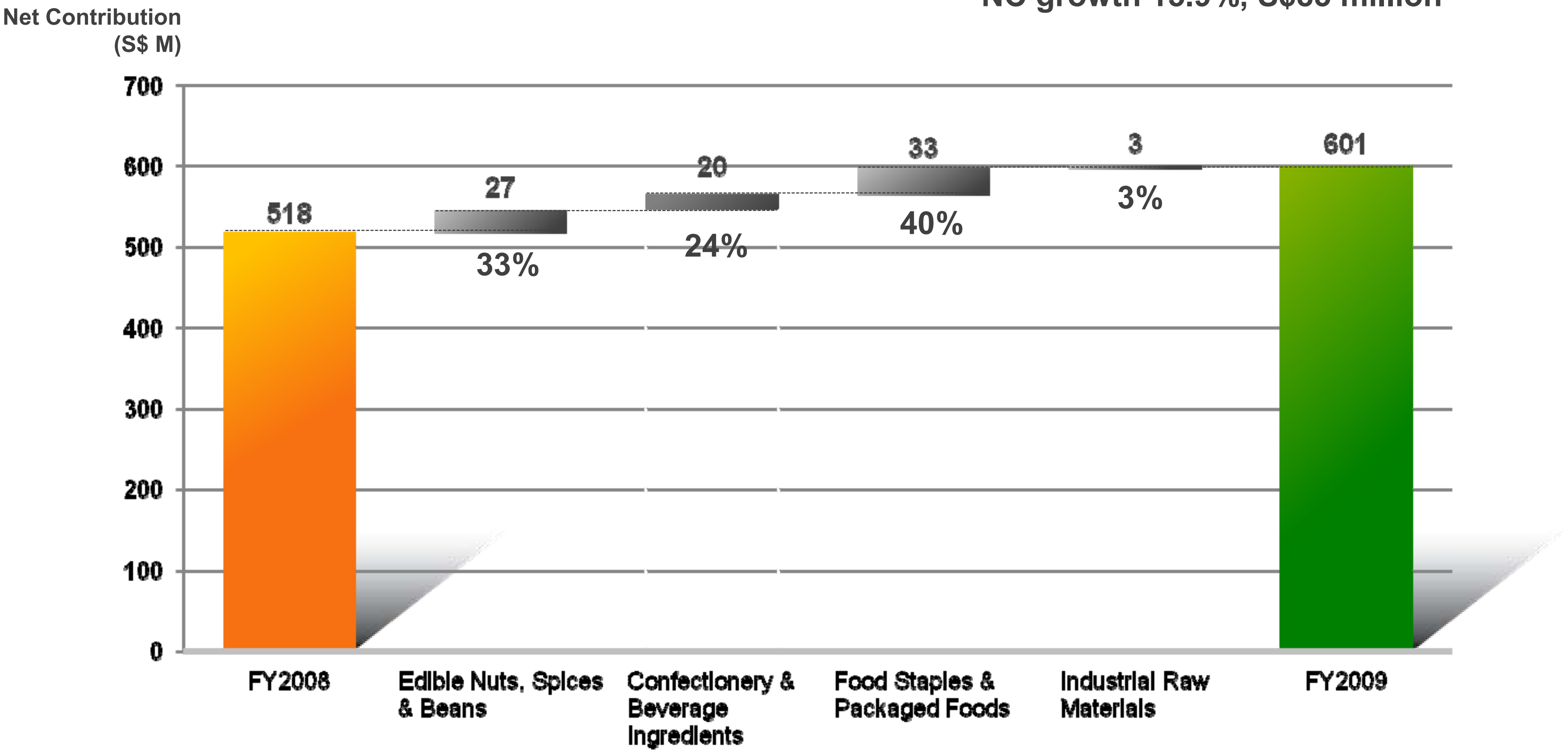
- **Net Contribution (NC): S$601 million**
  - 15.9% growth over FY2008
  - NC growth across all segments
  - NC per ton remains unchanged at S$105/ton

Volumes and Net Contribution

		FY2009	FY2008	% Change
Food Category Total	Volume (MT/'000)	4,597	3,832	19.9
	NC (S$/m)	459.1	378.8	21.2
	NC / MT	99.9	98.8	1.1
Industrial Raw Materials Total	Volume (MT/'000)	1,124	1,094	2.7
	NC (S$/m)	141.7	139.5	1.6
	NC / MT	126.1	127.5	- 1.4
Consolidated Total	Volume (MT/'000)	5,721	4,926	16.1
	NC (S$/m)	600.8	518.3	15.9
	NC / MT	105.1	105.2	-0.1

Net Contribution Growth: Segmental Share

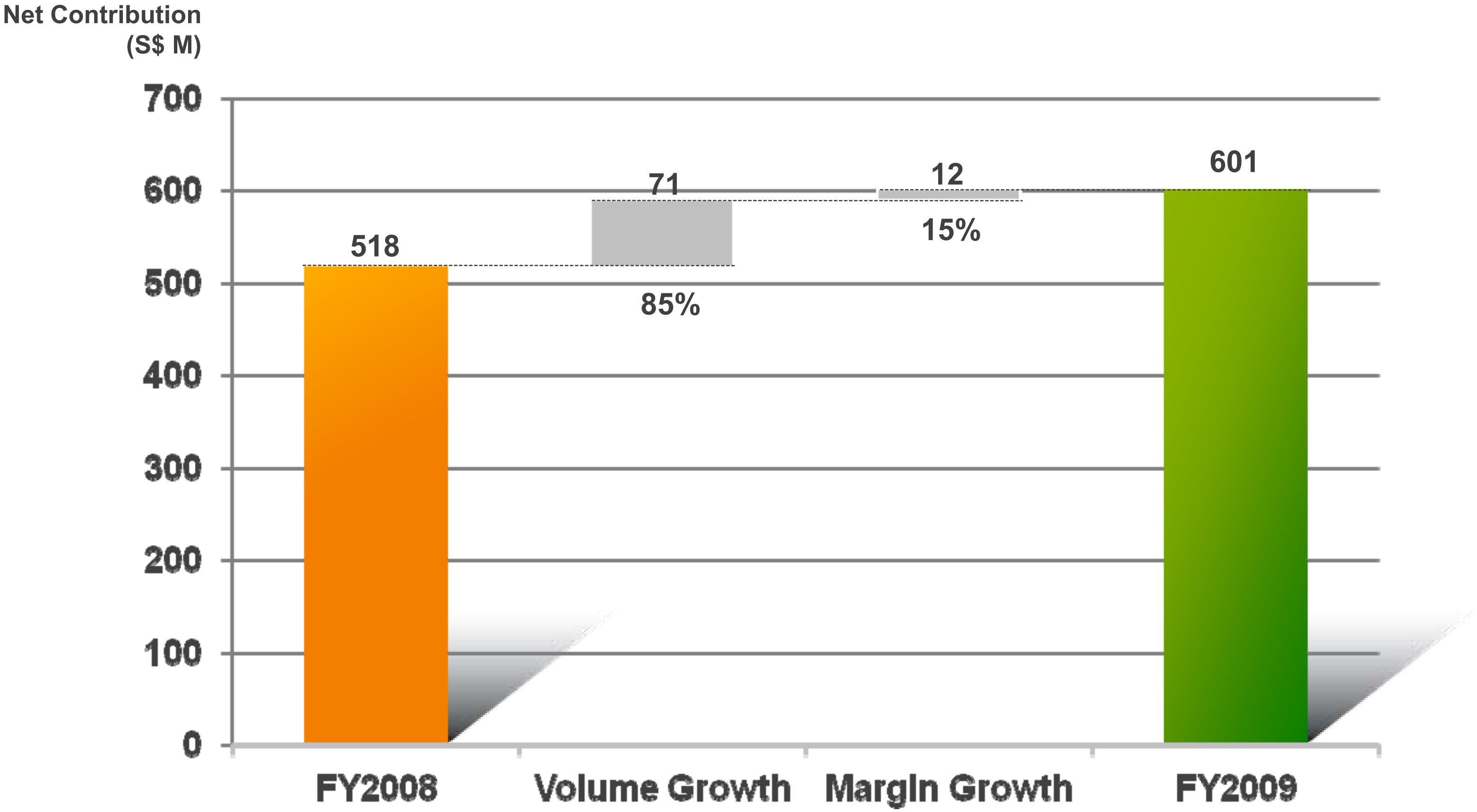
NC growth 15.9%, S$83 million



Growth Over FY2008:	21%	14%	32%	2%

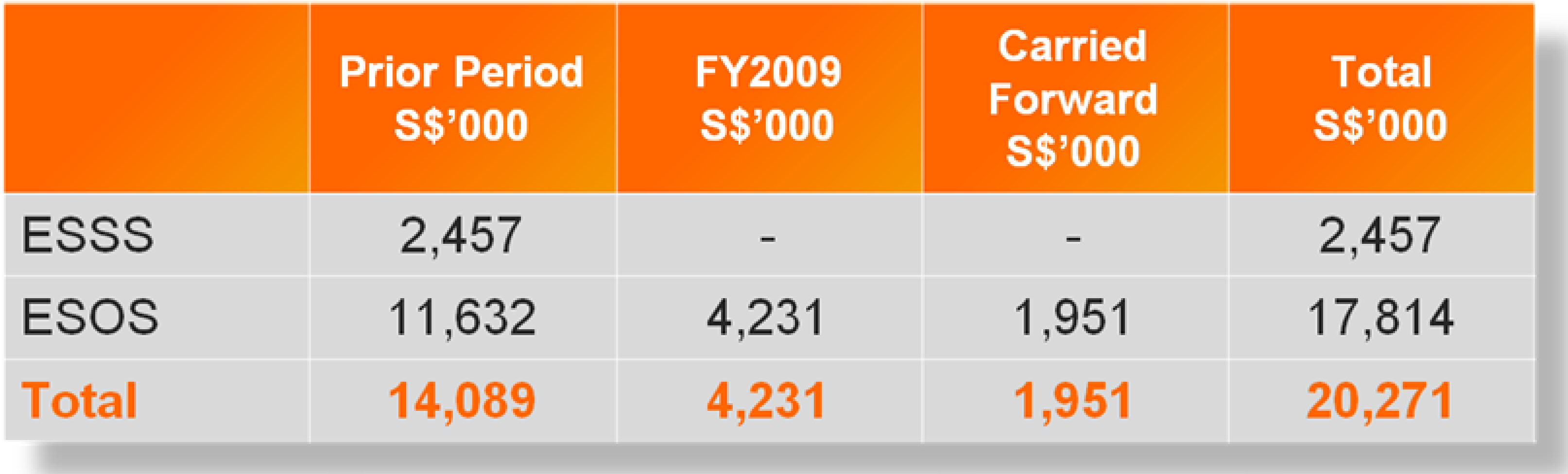
Net Contribution Growth: Sources

NC growth 15.9%, S$83million



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$'000	FY2009 S$'000	Carried Forward S$'000	Total S$'000
ESSS	2,457	-	-	2,457
ESOS	11,632	4,231	1,951	17,814
Total	**14,089**	**4,231**	**1,951**	**20,271**

Consolidated P&L Analysis: FY2009

- **SG&A** increased by 10.3% to S$373.6 million in FY2009

	FY2009	FY2008	Change
SG&A (S$million)	373.6	338.7	10.3%
SG&A/Sales Ratio	4.35	4.18	(0.17)

Consolidated P&L Analysis: FY2009

Net Profit After Tax (NPAT) : S$252.0 million

- 50.3% growth over FY2008

Earnings per Share (EPS)

- 43.1% growth over FY2008
- 14.7 cent/share FY2009 vs 10.3 cent/share FY2008 (based on weighted average no. of shares)

ROE (BOP_E)

- 29.9% in FY2009 vs 28.7% in FY2008

ROIC (Average)

- 14.7% in FY2009 vs 13.2% in FY2008

Results: FY2009

Segmental Analysis

Segmental Analysis FY2009: Summary

Olam Consolidated

•Turnover	S$8,588 million
• Volume	5.721 mmts
• NC	S$601 m
• NPAT	*S$252.0 m*

Edible Nuts, Spices & Beans

•Turnover	$1,200 m
• Volume	976 mmts
• NC	$155 m
• NC Share	*25.8%*

Confectionery & Beverage Ingredients

•Turnover	$3,783 m
• Volume	1,170 mmts
• NC	$168 m
• NC Share	*28.0%*

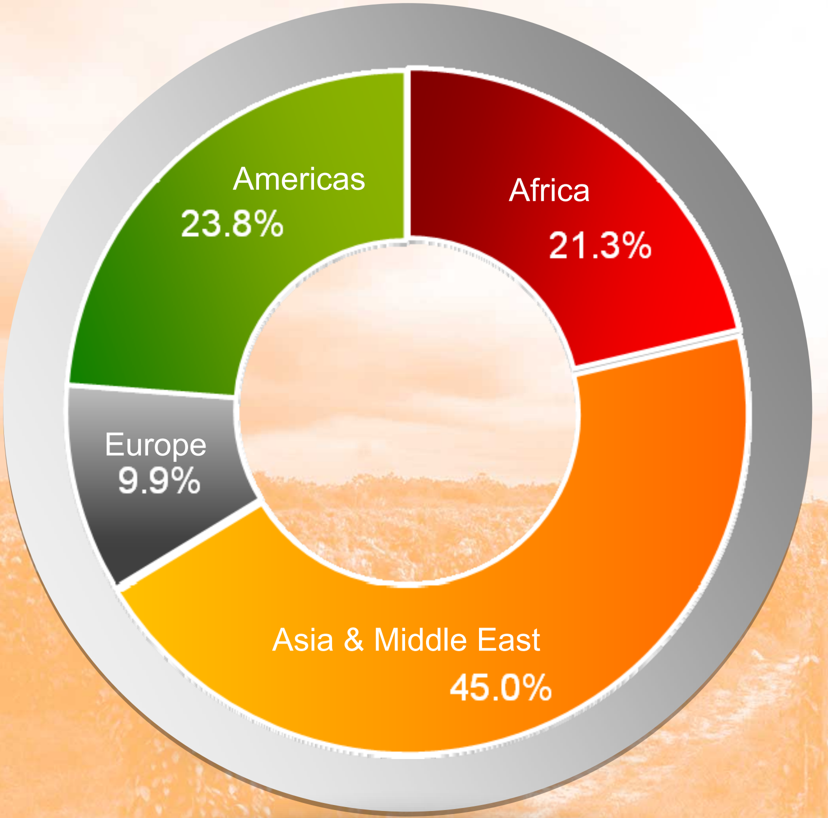
Food Staples & Packaged Foods

•Turnover	$2,140 m
• Volume	2,451 mmts
• NC	$136 m
• NC Share	*22.6%*

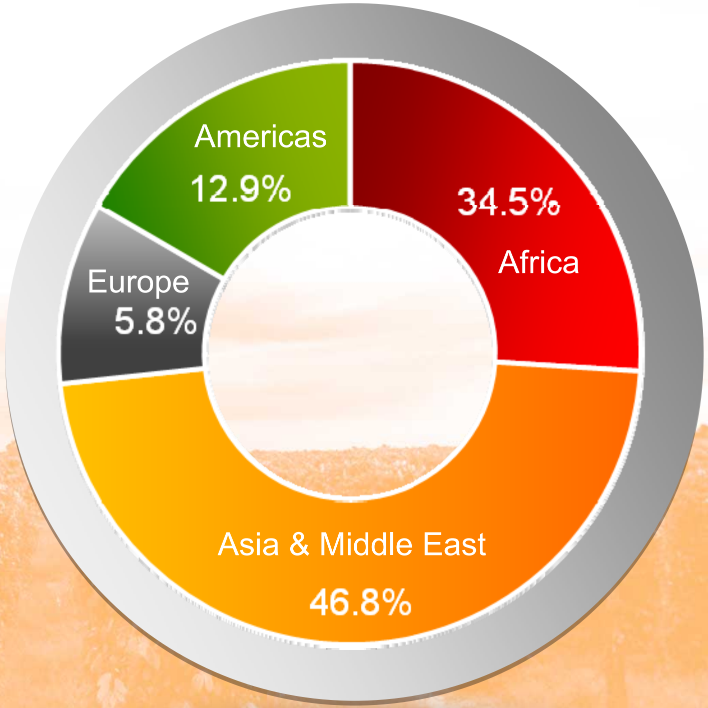
Industrial Raw Materials

•Turnover	$1,465 m
• Volume	1,124 mmts
• NC	$142 m
• NC Share	*23.6%*

Well Diversified Sourcing : Origins

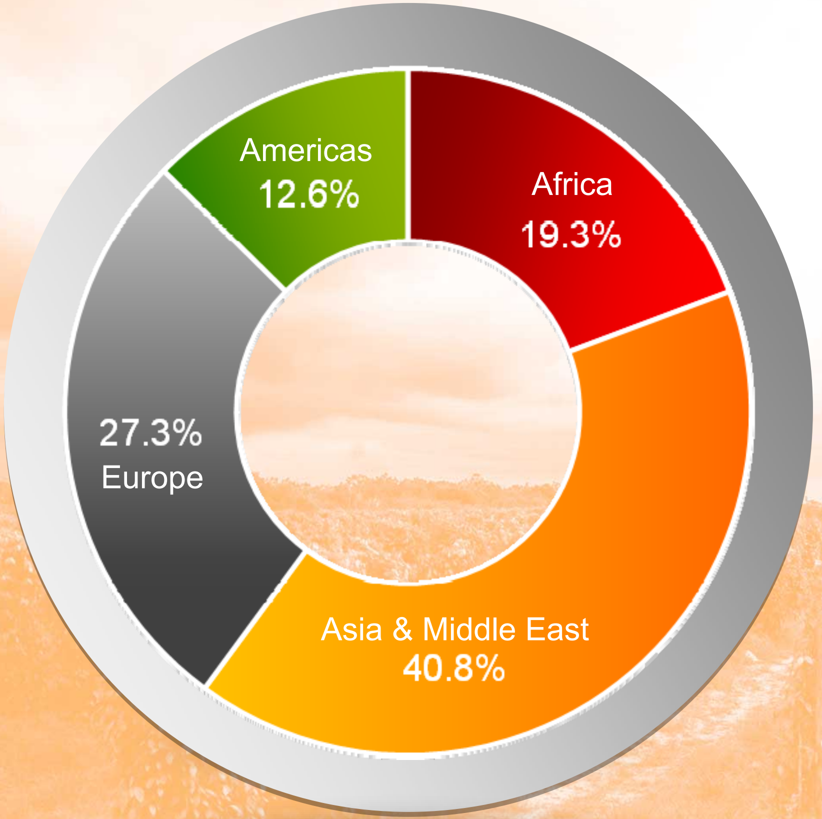


Sourcing Volume FY2009

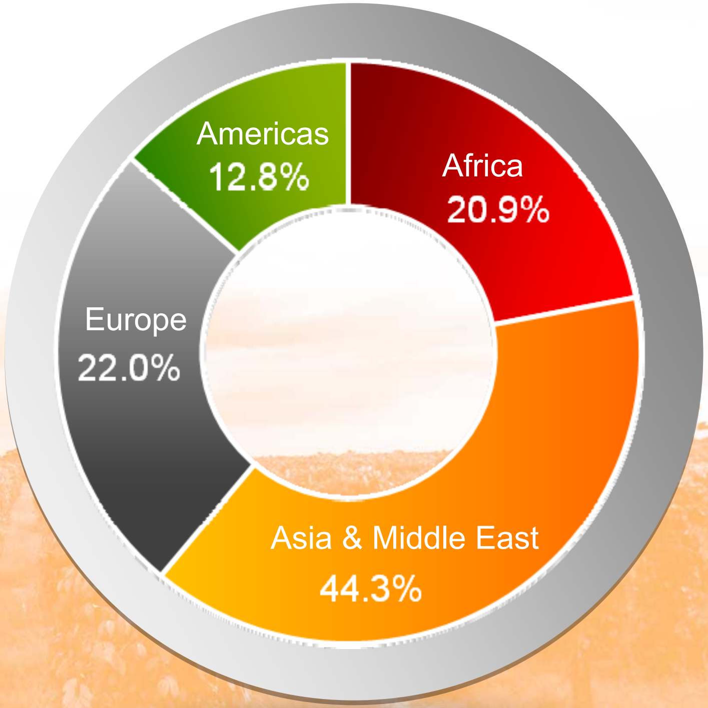


Sourcing Volume FY2008

Well Diversified Sales : Markets



Sales Turnover FY2009



Sales Turnover FY2008

Well Diversified: Customers

Segment	Top 5 Customer Share of Total Sales FY2009
Edible Nuts, Spices & Beans	1.6%
Confectionery & Beverage Ingredients	12.9%
Food Staples & Packaged Foods	1.8%
Industrial Raw Materials	0.8%

Total number of customers in FY2009 is 10,620, a growth of 63.4% over FY2008

Results: FY2009

Balance Sheet Analysis

Balance Sheet Analysis: Summary

(Figures in S$'000)	FY2009	FY2008	% Change
Goodwill and Intangibles	127,538	130,259	(2.1)
Fixed Assets & Investments	934,889	429,459	117.7
Other Non-Current Assets	98,332	61,117	60.9
Current Assets			
Debtors	731,800	724,352	1.0
Stocks	1,952,500	1,790,236	9.1
Cash & Cash Equivalents	531,295	339,124	56.7
Advances to Suppliers	277,683	380,047	(26.9)
Fair Value of Derivatives	336,078	837,557	(59.9)
Margin Account Balances	64,839	254,273	(74.5)
Other Current Assets	344,155	292,819	17.5
Total Assets	**5,399,109**	**5,239,243**	
Total Assets excluding hedging assets	**5,063,031**	**4,401,686**	
Trade Creditors	653,755	519,853	25.8
Borrowings	3,173,663	2,984,564	6.3
Fair Value of Derivatives	402,282	1,015,796	(60.4)
Other Liabilities	135,217	80,616	67.7
Fair Value of Derivatives – Convertible Bonds	-	-	-
Net Assets	**1,034,191**	**638,414**	
Equity & Reserves (after fair value adj)	1,034,145	638,414	62.0
Equity & Reserves (before fair value adj)	1,225,789	964,292	27.1

Equity

On 15 of July 2009, the Company issued 273.5 m new shares at S$1.60 per share to raise gross proceeds of S$437.5 million, representing 13.76% of the enlarged issued and paid up capital of the company to Breedens Investments Pte Ltd and Aranda Investments Pte Ltd, both wholly owned subsidiaries of Temasek Holdings Pte Ltd. As a result of this equity infusion, the total equity has increased by **35.7%** to **S$1,663.3** million and significantly improved the strength of the balance sheet by reducing the Net Debt to Equity ratio from 2.41x to 1.72x.

Long Term Capital / Fixed Investments

(in S$ million)	FY2009	FY2008	Increase/ Decrease
Fixed Assets	534.0	403.4	↑ 130.6
Long Term Capital / Investments	400.9	26.1	↑ 1438.0
Goodwill & Intangibles	127.5	130.3	↓ 2.8
Total	**1,062.4**	**559.8**	↑ **89.8**
Fixed Investments/ Total Assets* Ratio	21.0%	12.7%	
Fixed Investments excluding Goodwill & Intangibles/ Total Assets* Ratio	18.5%	9.8%	

*** Excluding hedging assets**

Balance Sheet Analysis: Ratios

	FY2009	FY 2008	Change
Debtors (days)	31	33	(2)
Stock (days)	91	88	3
Advance to Suppliers (days)	13	19	(6)
Trade Creditors (days)	(30)	(26)	4
Cash to cash cycle	105	114	(9)
Current Ratio(x)	1.37	1.26	(0.11)

Balance Sheet Analysis: Debtors

- 70.0% of Debtors secured by Letter of Credit / Documents of title.

Balance Sheet Analysis: Stock

(in S$ million)	FY2009	FY2008	Increase / Decrease
Edible Nuts, Spices & Beans	282.3	275.9	6.4
Confectionery & Beverage Ingredients	887.8	774.1	113.7
Food Staples & Packaged Foods	459.8	410.3	49.5
Industrial Raw Materials	322.6	329.9	-7.3
Total	**1,952.5**	**1,790.2**	**162.3**

83.8% of stocks sold forward or hedged

Bank Facilities & Utilisation

- Only 57.4% of our total credit facilities were used as of 30th June 2009

	Amount	% Share	Limits	% Utilised
Short Term Facilities	1,966.4	62.0	4,149.1	47.4
Long Term Facilities	1,207.2	38.0	1,384.0	87.2
Total Borrowings	3,173.6	100.0	5,533.1	57.4

Balance Sheet Analysis: Borrowings

(in US$ million)	FY2009	FY2008	Increase/ (Decrease)	% Increase/ (Decrease)
Short Term Banking Facilities	2,863	2,604	259	9.9
MTN / Medium Term Loan	316	310	6	1.9
Long Term Loan	639	795	(156)	(19.6)
Total in US$	**3,818**	**3,709**	**109**	**2.9**
Total in S$	**5,533**	**5,042**	**491**	

Additional Facilities announced today

- US$100 million Islamic Revolving Trade Finance Facility has been arranged by Islamic Bank of Asia (IBA)

  Participating banks: Bank of Tokyo Mitsubishi UFJ Berhad, CIMB, OCBC Al-Amin Bank Berhad and Qatar National Bank, Singapore Branch.

- US$540 million Syndicated Transferable Term Loan Facility fully underwritten by 9 banks
  - **Tranche A**: 3 year term loan of US$324 million
  - **Tranche B**: 5 year term loan of US$216 million

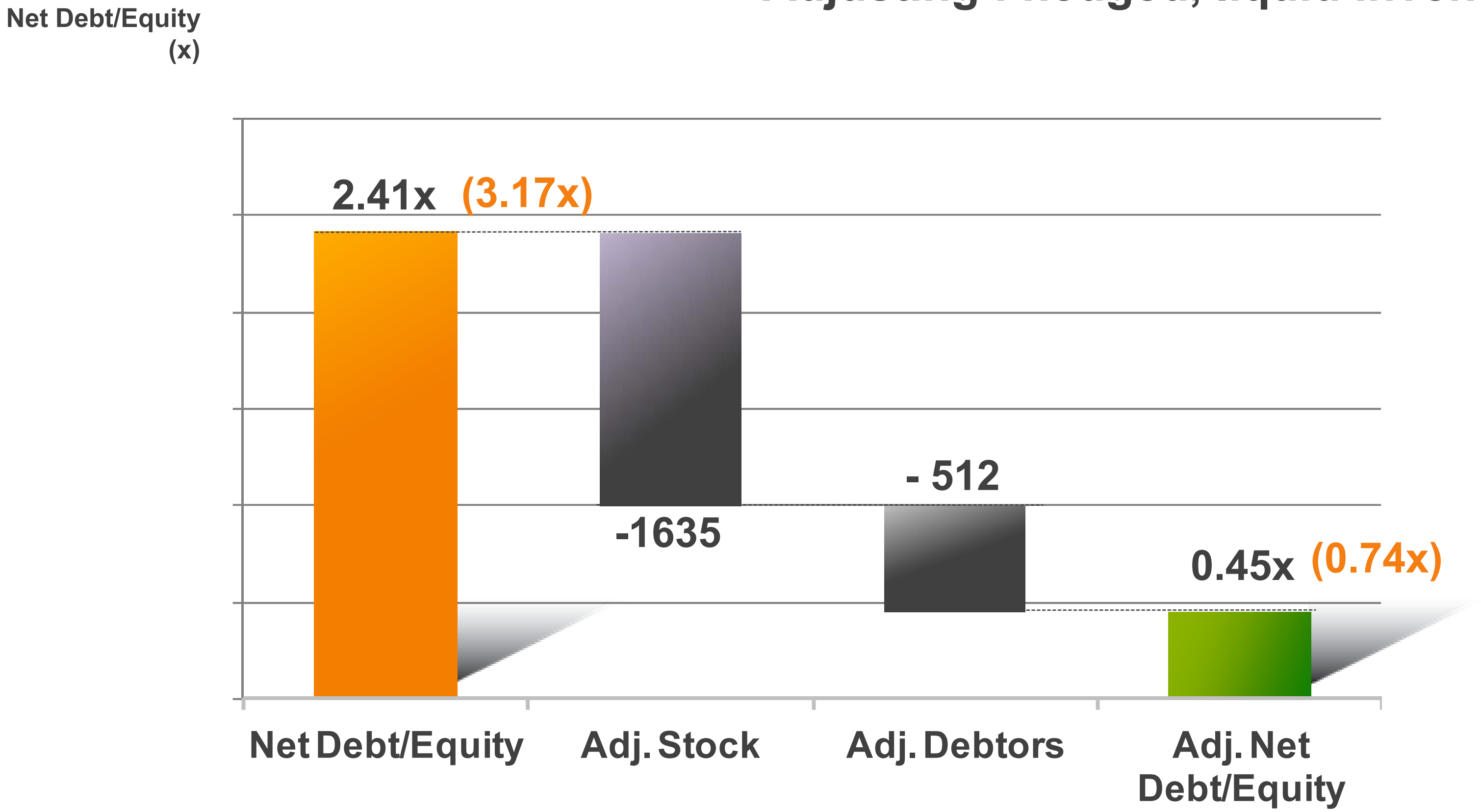
  Participating banks: Bank of Baroda, BNP Paribas, Credit Suisse, DBS, HSBC, ING Bank, JP Morgan, Natixis and SCB.

Balance Sheet Analysis: Gearing

	FY 2009		FY 2008		Change
Leverage (x)	**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)	2.89	3.50	3.58	5.87	(0.69)
Net Debt to Equity (x)	2.41	2.91	3.17	5.21	(0.76)
Liquidity					
Cash to Sales (%)	6.19		4.18		2.01
Cash & Cash Equivalents	531.3 m		339.1 m		192.2
Margin Deposit with Brokers	64.8 m		254.2 m		(189.4)

Balance Sheet : Analysis of Gearing

Adjusting : hedged, liquid inventory



Impact of FRS 39

- Impact on P&L - gain of S$0.9 million.
- Reduction in equity as of 30 June 2009 is S$191.6 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.

Thank You

Olam Corporate Strategy: FY2010 - FY2015

Fourth Quarter & Full Year FY2009 Results Briefing

27th August 2009 | Singapore

Olam Corporate Strategy: **Presentation Outline**

Part 1

- ☐ **Context & Objectives**
- ☐ **Where are we today and how did we get here ?**
- ☐ **Agri business value chain**
- ☐ **Our Point-of-Departure**

Olam Corporate Strategy: **Context** for current review

- ❑ Every three years, we review our strategic plans for the **next two 3-year cycles**
- ❑ The **current economic crisis** has provided further impetus for this year’s exercise
- ❑ This was also an appropriate juncture to assess opportunities and risks posed by **structural changes in the agri-business space**

Olam Corporate Strategy: **Objectives**

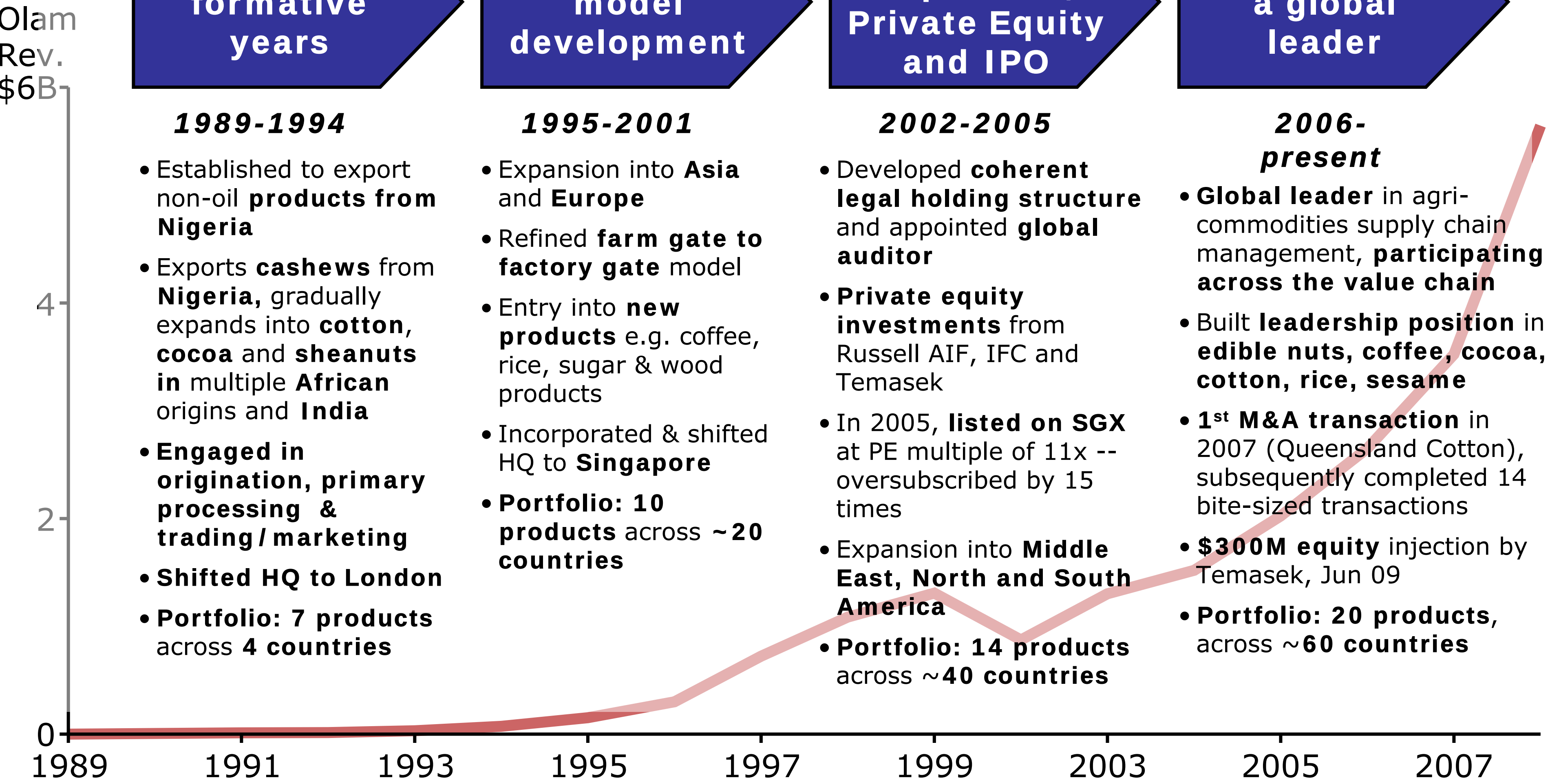
- Take stock of **our current position** and articulate required changes to the **business model and product portfolio** in order to achieve our value creation targets (**point-of-departure**)

- Align the Management Team and Board to **a common set of goals, outcomes and vision for 2015** (**point-of-arrival – the ‘what’**)

- Develop the **overall corporate strategy** and pathway, define the key **strategic imperatives** and build the **implementation roadmap** to mobilise the organisation for execution (**developing the strategic pathway – the ‘how’**)

- Communicate our **next phase growth plans** to all stakeholders (**communicating strategy**)

Where are we **today** and **how** did we get **there**?



1 **The formative years**

1989-1994

- Established to export non-oil **products from Nigeria**
- Exports **cashews** from **Nigeria,** gradually expands into **cotton, cocoa** and **sheanuts in** multiple **African** origins and **India**
- **Engaged in origination, primary processing & trading / marketing**
- **Shifted HQ to London**
- **Portfolio: 7 products** across **4 countries**

2 **Business model development**

1995-2001

- Expansion into **Asia** and **Europe**
- Refined **farm gate to factory gate** model
- Entry into **new products** e.g. coffee, rice, sugar & wood products
- Incorporated & shifted HQ to **Singapore**
- **Portfolio: 10 products** across **~20 countries**

3 **Rapid Expansion, Private Equity and IPO**

2002-2005

- Developed **coherent legal holding structure** and appointed **global auditor**
- **Private equity investments** from Russell AIF, IFC and Temasek
- In 2005, **listed on SGX** at PE multiple of 11x -- oversubscribed by 15 times
- Expansion into **Middle East, North and South America**
- **Portfolio: 14 products** across ~**40 countries**

4 **Building a global leader**

2006-present

- **Global leader** in agri-commodities supply chain management, **participating across the value chain**
- Built **leadership position** in **edible nuts, coffee, cocoa, cotton, rice, sesame**
- **1st M&A transaction** in 2007 (Queensland Cotton), subsequently completed 14 bite-sized transactions
- **$300M equity** injection by Temasek, Jun 09
- **Portfolio: 20 products,** across ~**60 countries**

In 20 years, we have grown from a single product exporter to a global agri-business leader

Expanding our presence **across 60 countries**

- **82%** in **emerging markets** & 18% in developed economies
- Strong **emerging market expertise**

1994

- 7 Products
- 4 Countries

2001

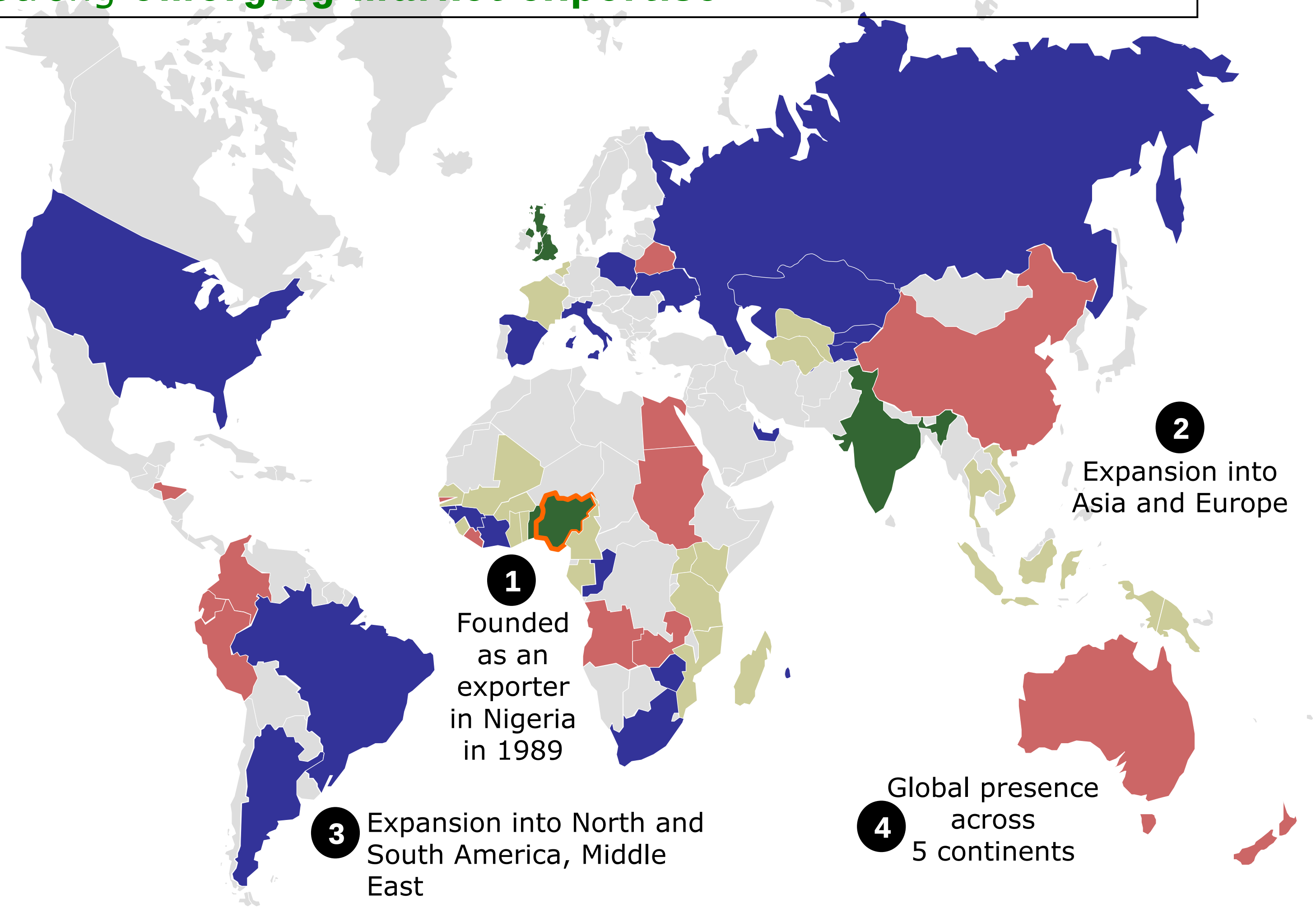
- 10 Products
- ~20 Countries

2005

- 14 Products
- ~40 Countries

Today

- 20 Products
- ~60 Countries



① Founded as an exporter in Nigeria in 1989

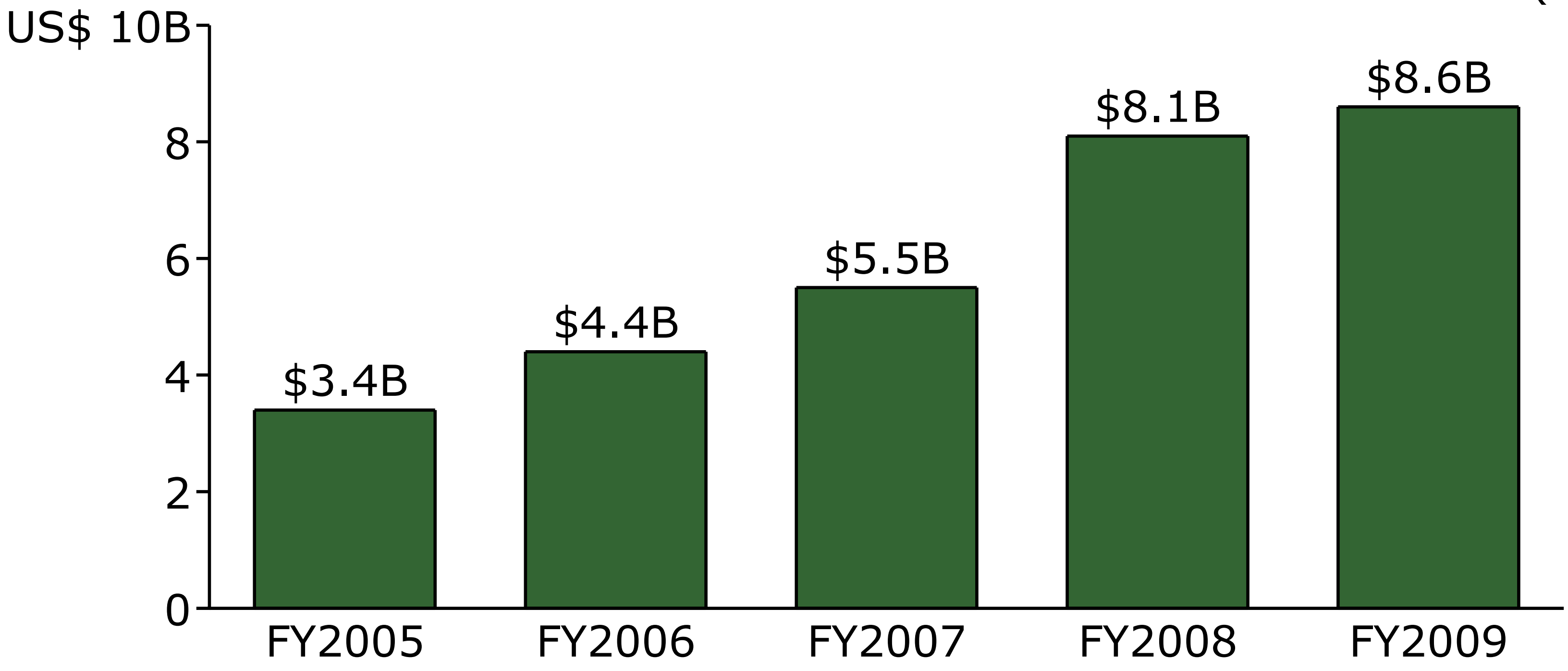
② Expansion into Asia and Europe

③ Expansion into North and South America, Middle East

④ Global presence across 5 continents

We continued our **strong growth trajectory …**

Olam Revenue

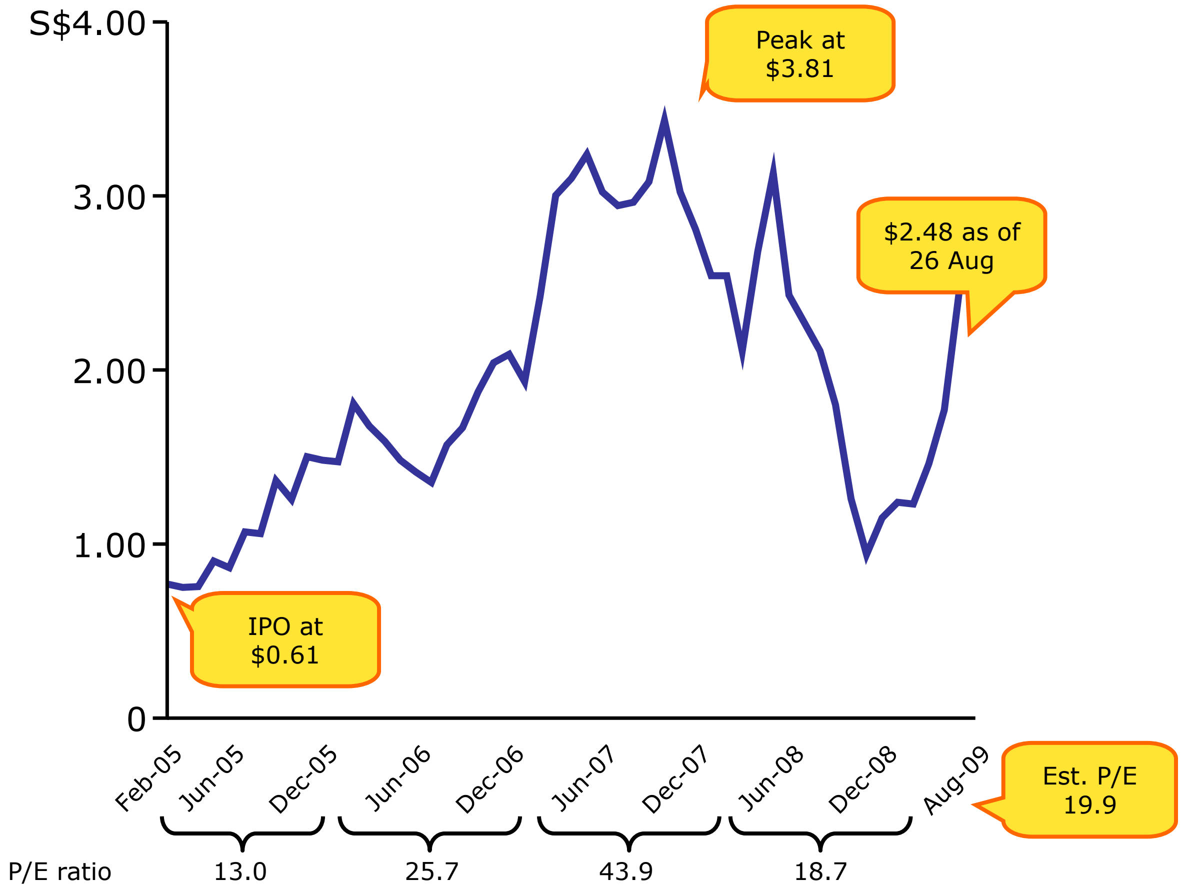


	FY2005	FY2006	FY2007	FY2008	FY2009	CAGR (FY05-09)
Revenue	$3.4B	$4.4B	$5.5B	$8.1B	$8.6B	26%
PBT S$M	74M	97M	126M	148M	188M	26.4%
PBT %	2.2%	2.2%	2.3%	1.8%	2.2%	

*Excludes other income; **Core earnings before exceptionals
Source: Bloomberg

… generating **high TSRs**

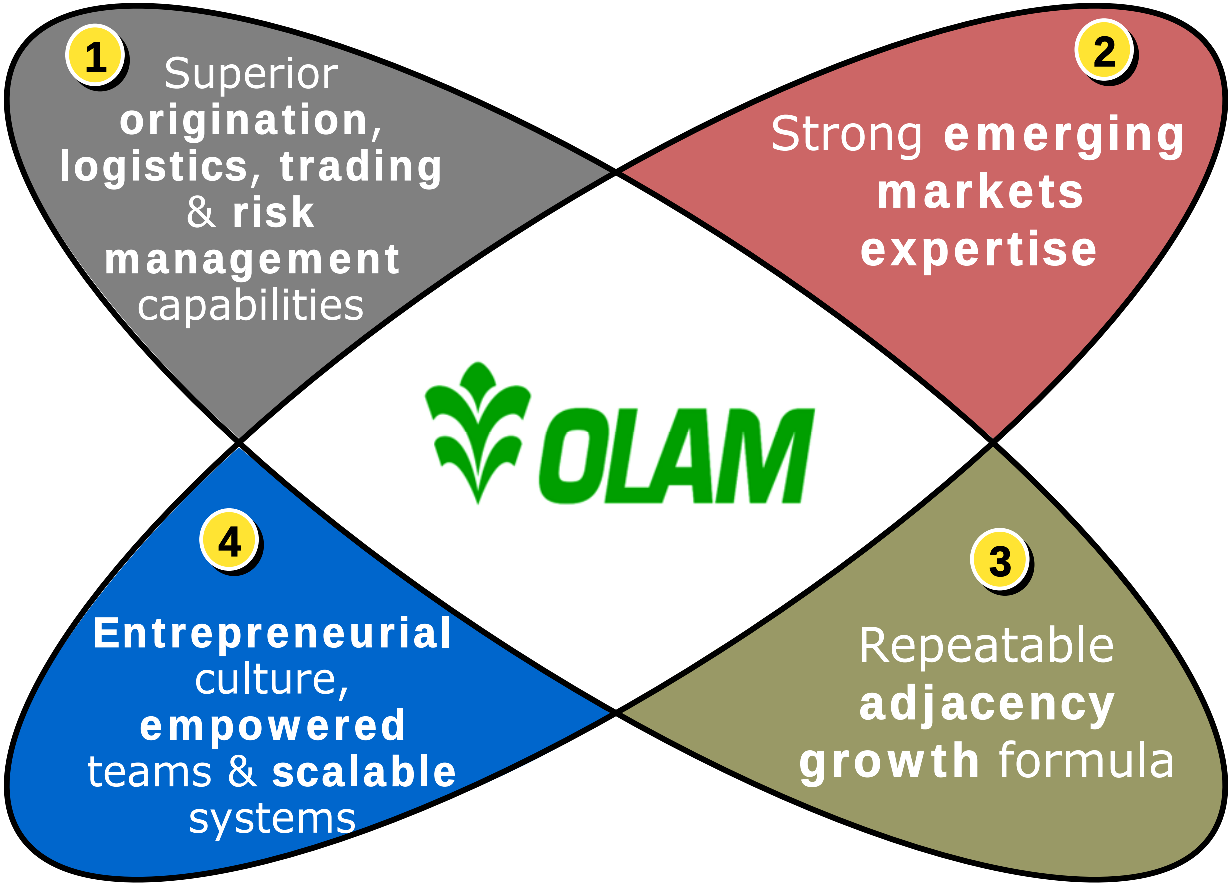
Olam stock price



2005-09* TSR	**33%**
2005-06 TSR**	**146%**
2006-07 TSR	**43%**
2007-08 TSR	**36%**
2008-09 TSR	**-16%**

Note: * from listing to Aug 09; TSR calculations include dividend reinvestment; ** from listing to Jan 06; 2008-09 TSR is calculated until Aug 2009; Source: Bloomberg

Over the years, we have built a **unique business model**



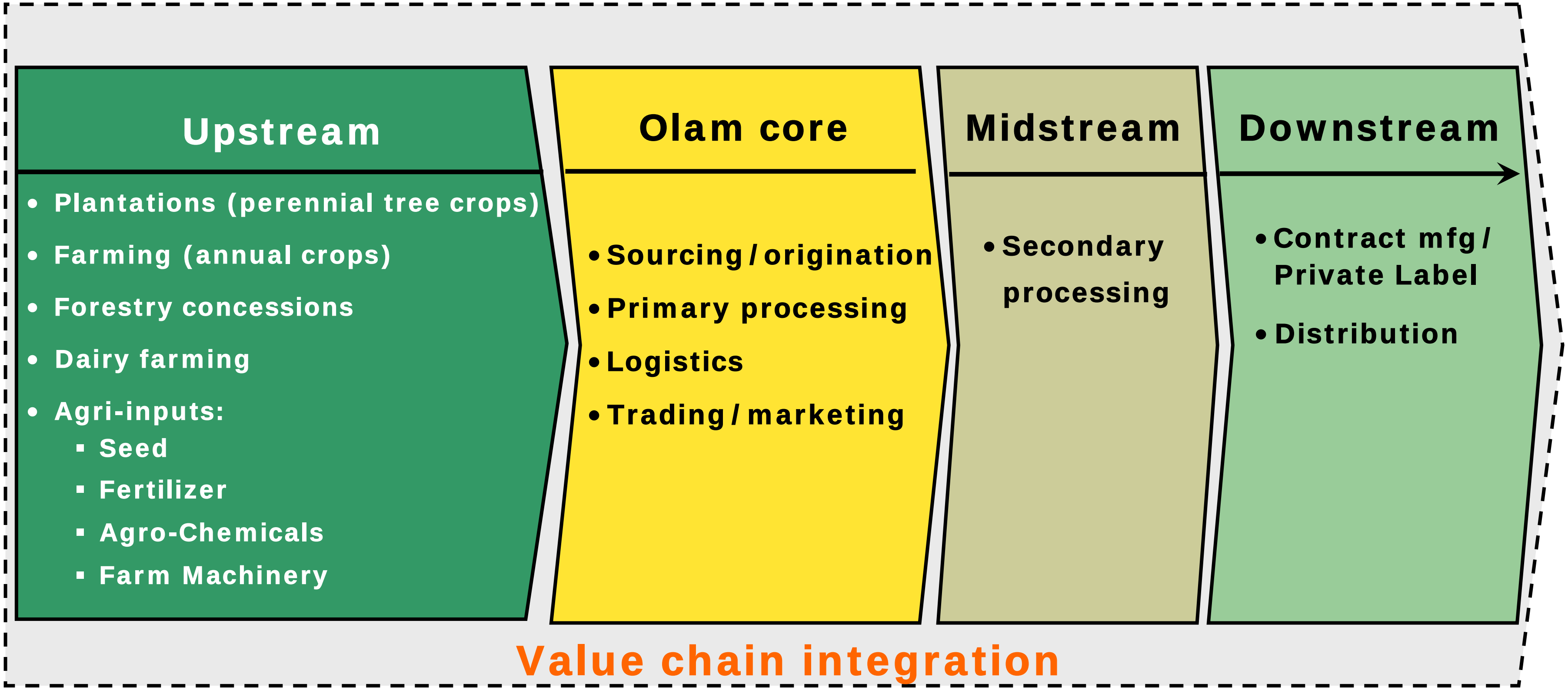
1 Superior **origination, logistics, trading** & **risk management** capabilities

2 Strong **emerging markets expertise**

3 Repeatable **adjacency growth** formula

4 **Entrepreneurial** culture, **empowered** teams & **scalable** systems

Agribusiness **value chain**



Upstream

- Plantations (perennial tree crops)
- Farming (annual crops)
- Forestry concessions
- Dairy farming
- Agri-inputs:
  - Seed
  - Fertilizer
  - Agro-Chemicals
  - Farm Machinery

Olam core

- Sourcing / origination
- Primary processing
- Logistics
- Trading / marketing

Midstream

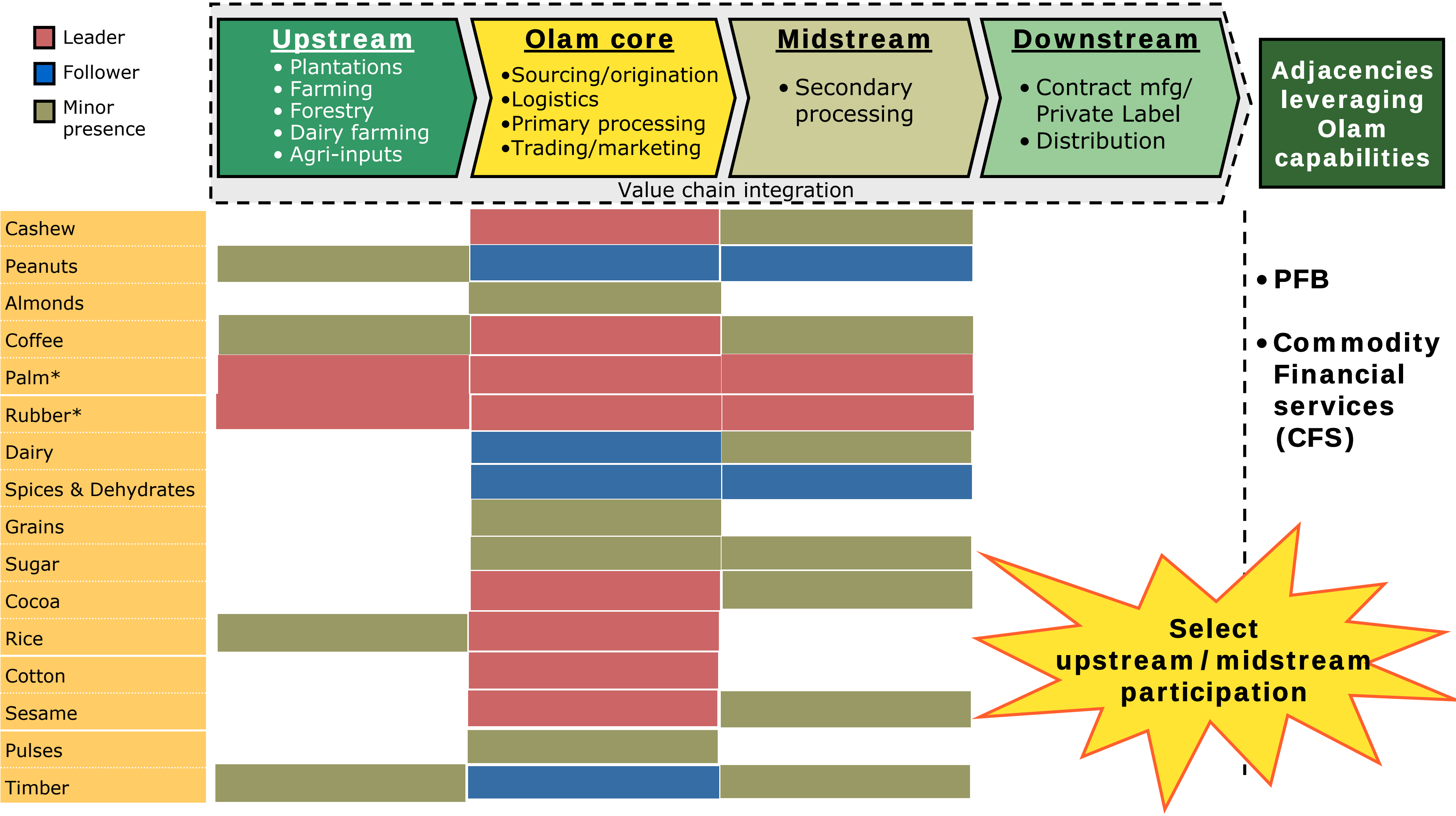
- Secondary processing

Downstream

- Contract mfg / Private Label
- Distribution

Value chain integration

our current **point-of-departure:**



- 🟥 Leader
- 🟦 Follower
- 🟫 Minor presence

Upstream
- Plantations
- Farming
- Forestry
- Dairy farming
- Agri-inputs

Olam core
- Sourcing/origination
- Logistics
- Primary processing
- Trading/marketing

Midstream
- Secondary processing

Downstream
- Contract mfg/ Private Label
- Distribution

Value chain integration

Adjacencies leveraging Olam capabilities

	Upstream	Olam core	Midstream	Downstream
Cashew		🟥	🟫	
Peanuts	🟫	🟦	🟦	
Almonds		🟫		
Coffee	🟫	🟥	🟫	
Palm*	🟥	🟥	🟥	
Rubber*	🟥	🟥	🟥	
Dairy		🟦	🟫	
Spices & Dehydrates		🟦	🟦	
Grains		🟫		
Sugar		🟫	🟫	
Cocoa		🟥	🟫	
Rice	🟫	🟥		
Cotton		🟥		
Sesame		🟥	🟫	
Pulses		🟫		
Timber	🟫	🟦	🟫	

- **PFB**
- **Commodity Financial services (CFS)**

Select upstream / midstream participation

*** In West Africa**

We **refined** our **corporate strategy** using a **three step process**

1 Establish the strategic foundation

① Confirm the governing objective and vision

② Distil lessons from global best practices

③ Assess global macro & industry megatrends

④ Establish Olam Point of Departure across businesses

⑤ Arrive at strategic thrusts going forward

2 Making portfolio & growth choices / Assessing financial implications

⑥ Prioritise BUs based on Point of Departure (historical financial performance & current competitive position) and addressable profit pool

⑦ Prioritise initiatives based on financial attractiveness and strategic relevance

⑧ Align BU plans and initiatives based on strategic thrusts

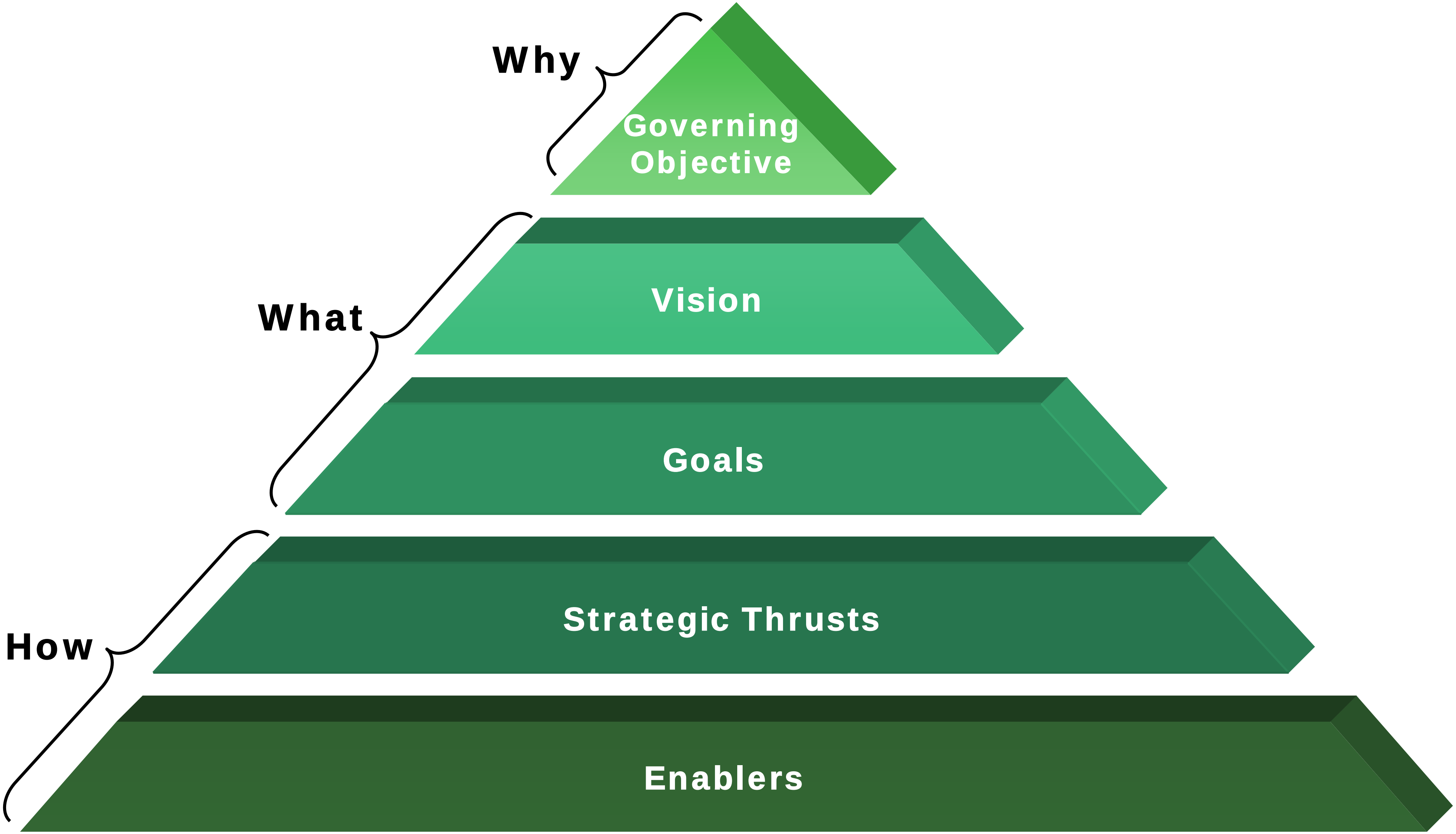
⑨ Assess financial implications and capital requirement

3 Mobilise effectively

⑩ Set execution priorities and enhance execution effectiveness

⑪ Communicate strategy to internal and external stakeholders

We laid out a clear **hierarchy of objectives & goals** and developed a **pathway** to achieve this **through** a set of **strategic priorities & enablers**



Why

Governing Objective

What

Vision

Goals

How

Strategic Thrusts

Enablers

Governing Objective & its Key Drivers

Our governing objective is to maximise intrinsic shareholder value for our long term shareholders

- **Opening up capital spreads** with a superior margin profile and improved asset turns
- **Maintaining profitable growth over a sustained period** of time
- **Managing / reducing cost of equity**
- Pursuing growth in an **ethical, socially responsible** and **environmentally sustainable** basis

Governing Objective: FY2010 - FY2015

We have set ourselves a top down target of **doubling Intrinsic Shareholder Value** for **each** of the **next two 3-year cycles**

We have a clear set of **goals to achieve**

Other Goals / Outcomes / Boundary Conditions

- **Equity spread** ≥ 10% (ROE - K_E : 20% - 10%)
- **Capital spread** ≥ 5% (ROIC – WACC : 12% - 7%)
- **PBTI Margin** ≥ 3.75%
- **PAT Margin** ≥ 3%
- **Reduction in earnings volatility** (BU & Portfolio)
- Achieve **strategic and financial flexibility**
- Be widely recognised as a **responsible and sustainable value creator**

Our Vision:

To be the leading global integrated supply chain manager and processor of agri-commodities by:

- Serving **growers** and **customers globally**
- Pursuing select **scalable and attractive niches** in **upstream** and **value added processing**; and
- Capitalising on our **emerging markets** expertise

Two **Alternative Growth** Approaches

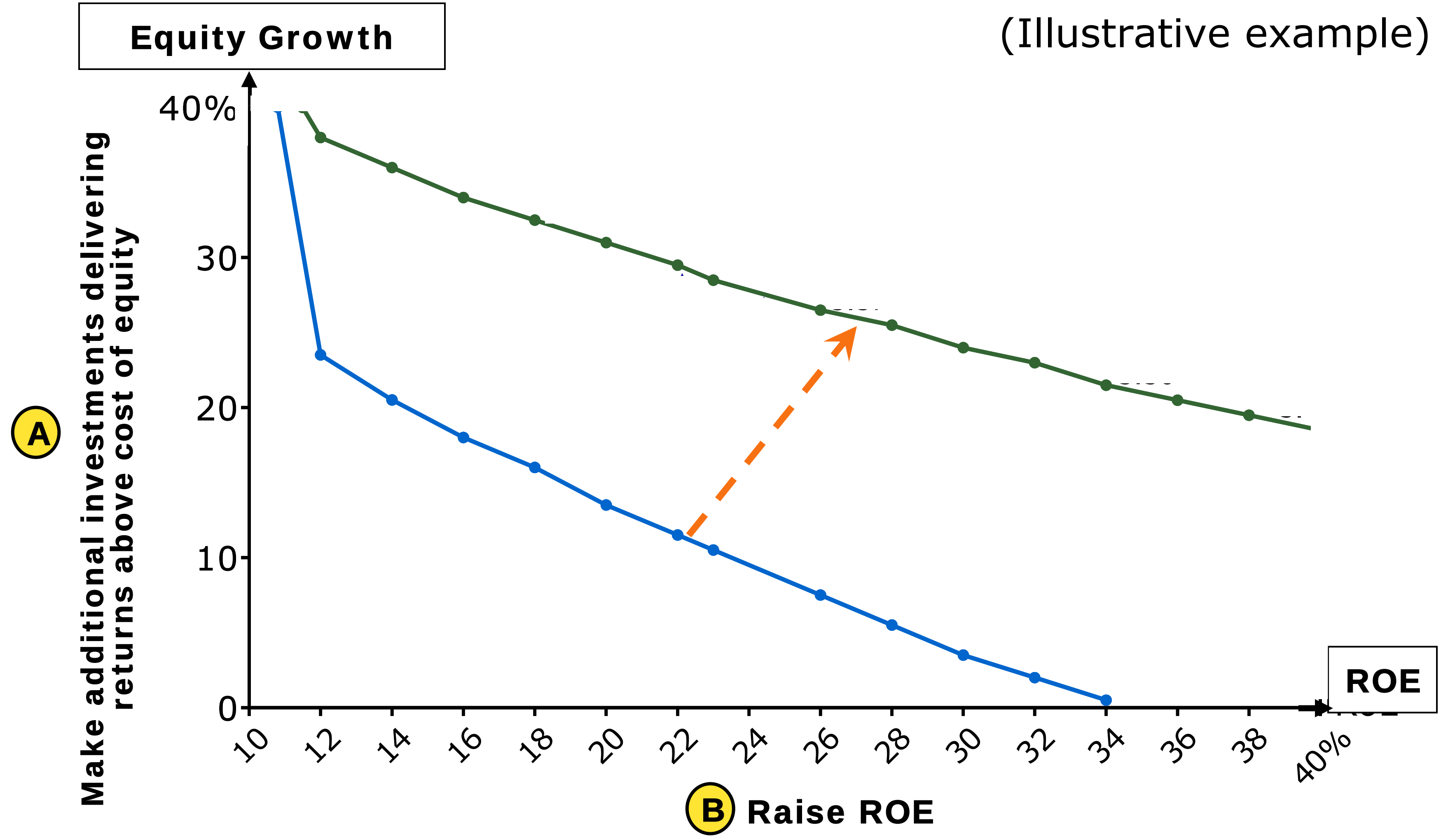
Option 2 with higher margins is preferred in a capital constrained environment

(Illustrative example)

		Option 1 **More of the Same (US$)**	**Option 2** **Higher Margin Profile (US$)**
1	**To achieve every US$100m of NPAT**	**100 m**	**100 m**
2	**NPAT margin**	**2 %**	**4.0 %**
3	**Sales Turnover Required**	**5,000 m**	**2,500 m**
4	**Asset Turnover Ratio**	**2.25 x**	**2.00 x**
5	**Total Capital Required**	**2,222**	**1,250**
6	**Debt Required**	**1,481**	**833**
7	**Equity Required**	**741**	**417**

Combination of **value accretive investments & increasing equity spreads** can **maximise Intrinsic Value**

(Illustrative example)



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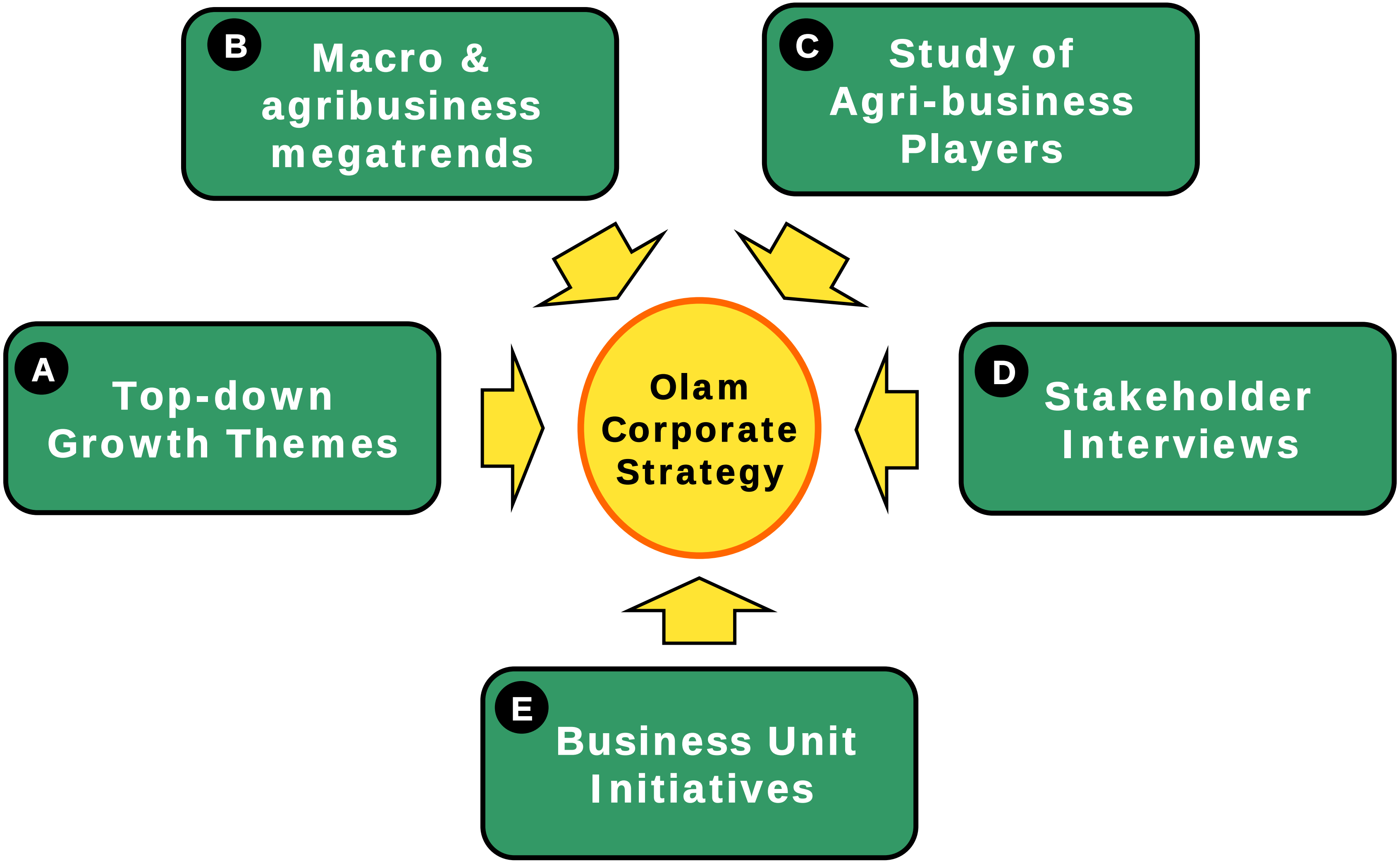
⑪ Communicate strategy to internal and external stakeholders

We tapped multiple sources to develop our corporate strategy



B Macro & agribusiness megatrends

C Study of Agri-business Players

A Top-down Growth Themes

Olam Corporate Strategy

D Stakeholder Interviews

E Business Unit Initiatives

A Top-down **growth themes**

10 Top-down growth themes proposed

- **Agri-inputs distribution**
- **Upstream integration**
- **Midstream value added processing**
- **Contract manufacturing**
- **Private Label**
- **Ingredient manufacturing**
- **Full value chain integration**
- **Packaged Foods distribution**
- **Port & logistics**
- **Commodity Financial Services**

B Analysis of **Megatrends**

Agri-business Trends

- Supply constraints: declining agricultural productivity growth
- growing demand & demand-supply imbalances in food production
- food security issues & increasing protectionist trend
- Rapid urbanisation & higher consumption of processed & packaged foods in emerging markets
- Concerns over food safety
- Outsourcing trend by customers
- Demand for traceability
- Climate change & its impact
- Sovereign investments in agricultural land
- Increased hedge fund activity

B Analysis of **Megatrends**

Other Key Macro Trends

- Prolonged period of sub par world GDP growth
- Rising importance of emerging markets
- Tightening of capital markets and credit markets
- Potential inflationary pressures
- Potential US$ devaluation & pressure on the US$
- Rising CSR related risks

C

Study of 50 agri-commodity companies provided **insights on winning strategies**

Value chain	Leadership	Product	Geography
• **Narrow**: Participation in upstream/ downstream value chain steps ASIATIC DEVELOPMENT BERHAD *Rice processor* Dwarikesh Sugar Industries Ltd. *Sugar processor*	• **Leader**: Top 1 or 2 companies in addressable market/geography/product wilmar *Global palm leader* TATE LYLE *Global sugar leader*	• **Focused**: >75% revenue from 1 commodity gar agribusiness and food *Palm focused* BARRY CALLEBAUT *Cocoa focused*	• **Specific**: Upstream/ processing assets in single or closely clustered geographies REI AGRO LIMITED *Indian rice player* WARRNAMBOOL EST'D 1888 CHEESE & BUTTER *Australian diary player*
• **Broad**: Participation across value chain Bakrie Sumatera Plantations *Integrated palm player* Bannari Amman *Integrated sugar processor*	• **Follower**: No. 3 player onwards SLC Agricola *Diversified follower* SWISS WATER® PROCESS™ *Coffee follower*	• **Diversified**: Participation in multiple commodities noble group *Commodity trader* ADM *Commodity trader*	• **Multiple**: Assets in several diverse geographies *In few products:* Samling Global Limited *Multi-country wood player* OLAM *Multi-country commodity trader*

C A sample of companies was selected **across growth themes** to **test projected returns**

Contract mfg/private label

Ralcorp (USA)	**• Rev CAGR: 14%** **• NPAT%: 3%** **• Rev. Wgt: 39%**	**• ROE: 10%** **• Eqt Gwth: 4%** **• Eqt Spr: 1%** **• Eqt. Wgt: 29%**
TreeHouse (USA)	• Rev CAGR: 28% • NPAT%: 3% • Rev. Wgt: 20%	• ROE: 6% • Eqt Gwth: 4% • Eqt Spr: -2% • Eqt. Wgt: 37%
LANCE (USA)	• Rev CAGR: 8% • NPAT%: 3% • Rev. Wgt: 13%	• ROE: 10% • Eqt Gwth: 8% • Eqt Spr: 1% • Eqt. Wgt: 15%
DIAMOND FOODS (USA)	• Rev CAGR: 10% • NPAT%: 2% • Rev. Wgt: 9%	• ROE: 7% • Eqt Gwth: 30% • Eqt Spr: -2% • Eqt. Wgt: 7%
SENECA (USA)	• Rev CAGR: 5% • NPAT%: 2% • Rev. Wgt: 19%	• ROE: 10% • Eqt Gwth: 12% • Eqt Spr: 2% • Eqt. Wgt: 12%

Packaged foods business

GREEN MOUNTAIN (USA)	• Rev CAGR: 10% • NPAT%: 17% • Rev. Wgt: 1%	• ROE: 10% • Eqt Gwth: 9% • Eqt Spr: -1% • Eqt. Wgt: 6%
Indofood (Indonesia)	• Rev CAGR: 12% • NPAT%: 3% • Rev. Wgt: 35%	• ROE: 11% • Eqt Gwth: 15% • Eqt Spr: -7% • Eqt. Wgt: 25%
(Tiger Brands, S. Afr)	• Rev CAGR: -8% • NPAT%: 11% • Rev. Wgt: 26%	• ROE: 35% • Eqt Gwth: 22% • Eqt Spr: 22% • Eqt. Wgt: 35%
(Tingyi, China)	**• Rev CAGR: 26%** **• NPAT%: 8%** **• Rev. Wgt: 37%**	**• ROE: 18%** **• Eqt Gwth: 16%** **• Eqt Spr: 11%** **• Eqt. Wgt: 34%**

Plantations

(Indonesia)	• Rev CAGR: 44% • NPAT%: 14% • Rev. Wgt: 2%	• ROE: 32% • Eqt Gwth: 120% • Eqt Spr: 12% • Eqt. Wgt: 3%
COSAN (Brazil)	• Rev CAGR: 20% • NPAT%: 2% • Rev. Wgt: 15%	• ROE: 5% • Eqt Gwth: 27% • Eqt Spr: -10% • Eqt. Wgt: 26%
Heilongjiang Agriculture (China)	• Rev CAGR: 31% • NPAT%: 13% • Rev. Wgt: 7%	• ROE: 12% • Eqt Gwth: 2% • Eqt Spr: -4% • Eqt. Wgt: 8%
ILLOVO (Global)	• Rev CAGR: 1% • NPAT%: 6% • Rev. Wgt: 9%	• ROE: 20% • Eqt Gwth: 16% • Eqt Spr: 8% • Eqt. Wgt: 4%
IOI GROUP (SE Asia)	**• Rev CAGR: 31%** **• NPAT%: 15%** **• Rev. Wgt: 44%**	**• ROE: 19%** **• Eqt Gwth: 17%** **• Eqt Spr: 5%** **• Eqt. Wgt: 35%**
(KLK, Thailand)	• Rev CAGR: 10% • NPAT%: 12% • Rev. Wgt: 14%	• ROE: 11% • Eqt Gwth: 7% • Eqt Spr: -1% • Eqt. Wgt: 19%
NAMOI COTTON (Australia)	• Rev CAGR: -7% • NPAT%: 3% • Rev. Wgt: 2%	• ROE: 10% • Eqt Gwth: 4% • Eqt Spr: 2% • Eqt. Wgt: 1%
SIPH (Africa)	• Rev CAGR: 38% • NPAT%: 16% • Rev. Wgt: 3%	• ROE: 27% • Eqt Gwth: 53% • Eqt Spr: 20% • Eqt. Wgt: 2%
KERNEL (Europe)	• Rev CAGR: 28% • NPAT%: 4% • Rev. Wgt: 3%	• ROE: 21% • Eqt Gwth: 25% • Eqt Spr: 14% • Eqt. Wgt: 1%

Olam core

noble group (Global)	• Rev CAGR: 52% • NPAT%: 2% • Rev. Wgt: 57%	• ROE: 24% • Eqt Gwth: 46% • Eqt Spr: 4% • Eqt. Wgt: 47%
OLAM (Global)	• Rev CAGR: 33% • NPAT%: 2% • Rev. Wgt: 14%	• ROE: 22% • Eqt Gwth: 35% • Eqt Spr: 9% • Eqt. Wgt: 14%
LI & FUNG (Global)	• Rev CAGR: 21% • NPAT%: 3% • Rev. Wgt: 29%	• ROE: 31% • Eqt Gwth: 24% • Eqt Spr: 23% • Eqt. Wgt: 39%

Full integration

Rougier (Africa)	**• Rev CAGR: 7%** **• NPAT%: 4%** **• Rev. Wgt: 31%**	**• ROE: 11%** **• Eqt Gwth: 11%** **• Eqt Spr: 5%** **• Eqt. Wgt: 35%**
TATA COFFEE (India)	• Rev CAGR: 53% • NPAT%: 9% • Rev. Wgt: 31%	• ROE: 11% • Eqt Gwth: 22% • Eqt Spr: -6% • Eqt. Wgt: 26%
Shree Renuka Sugars Ltd (India)	• Rev CAGR: 9% • NPAT%: 9% • Rev. Wgt: 28%	• ROE: 40% • Eqt Gwth: 137% • Eqt Spr: 21% • Eqt. Wgt: 34%
Heritage (India)	• Rev CAGR: 9% • NPAT%: 2% • Rev. Wgt: 10%	• ROE: 7% • Eqt Gwth: -2% • Eqt Spr: -8% • Eqt. Wgt: 5%

Value-added processing

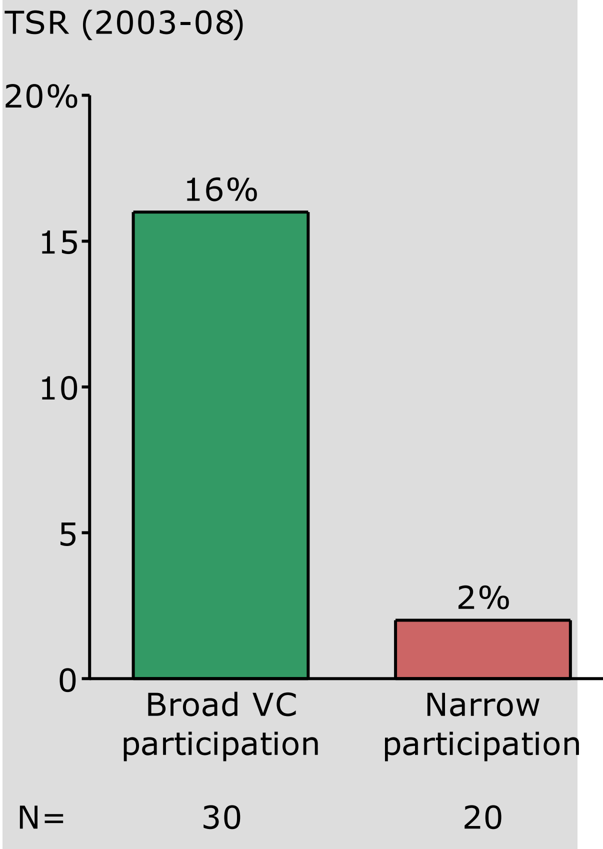
bajaj hindusthan ltd. (India)	**• Rev CAGR: 42%** **• NPAT%: 9%** **• Rev. Wgt: 33%**	**• ROE: 12%** **• Eqt Gwth: 51%** **• Eqt Spr: -7%** **• Eqt. Wgt: 47%**
Bannari Amman Group (India)	• Rev CAGR: 8% • NPAT%: 9% • Rev. Wgt: 13%	• ROE: 20% • Eqt Gwth: 27% • Eqt Spr: 4% • Eqt. Wgt: 15%
CCL PRODUCTS (India)	• Rev CAGR: 17% • NPAT%: 11% • Rev. Wgt: 8%	• ROE: 33% • Eqt Gwth: 30% • Eqt Spr: 20% • Eqt. Wgt: 6%
CACIQUE (L. America)	• Rev CAGR: 6% • NPAT%: 4% • Rev. Wgt: 16%	• ROE: 9% • Eqt Gwth: 7% • Eqt Spr: 1% • Eqt. Wgt: 15%
café Iguaçu (L. America)	• Rev CAGR: 13% • NPAT%: 6% • Rev. Wgt: 20%	• ROE: 13% • Eqt Gwth: 3% • Eqt Spr: -3% • Eqt. Wgt: 14%
GUANCHONG (Malaysia)	• Rev CAGR: 6% • NPAT%: 4% • Rev. Wgt: 11%	• ROE: 19% • Eqt Gwth: 9% • Eqt Spr: 8% • Eqt. Wgt: 4%

Note: **Bold** indicates leader; Financials are for 2003-2007 where available

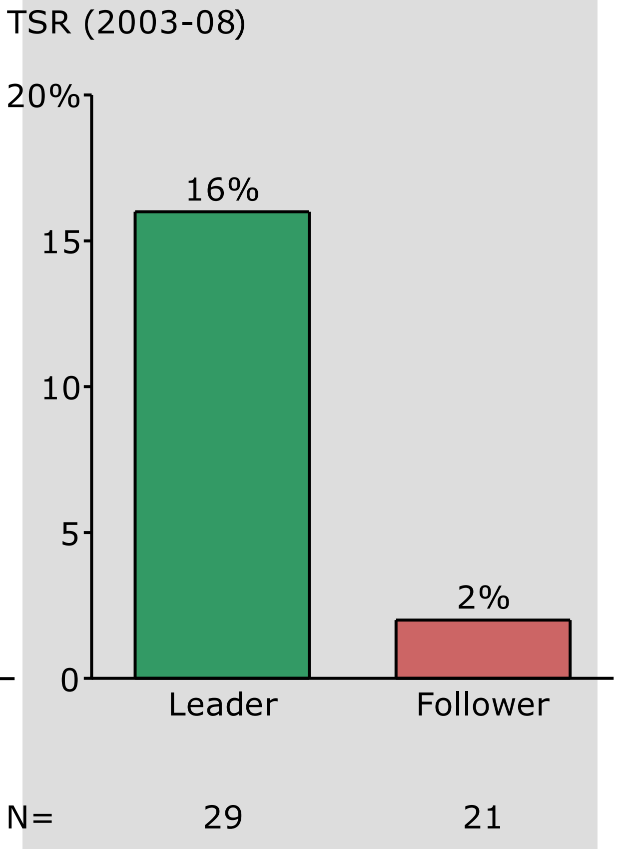
Source: Bloomberg; Annual Reports; Bain Analysis

C Integrated value chain players, leaders and focused players delivered higher TSR

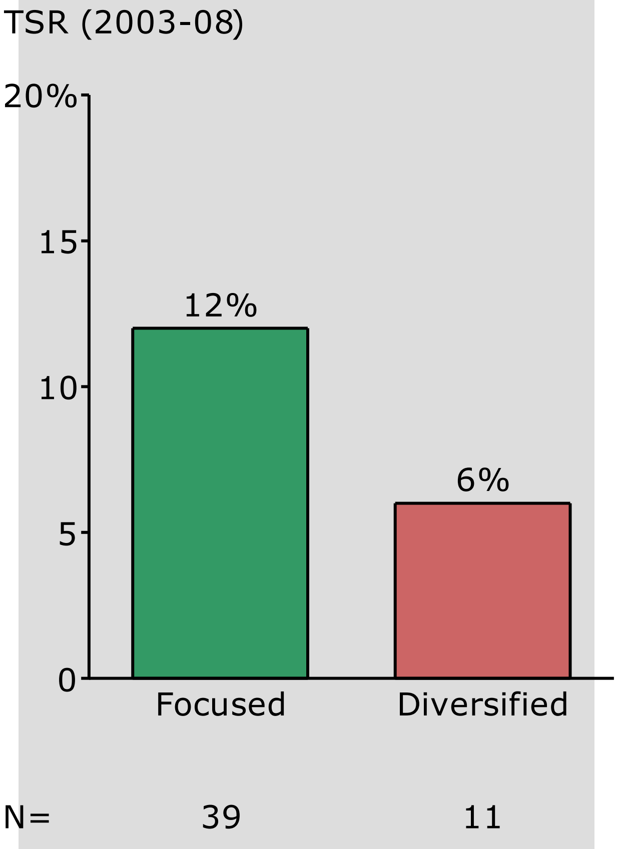
Integrated value chain participation yields higher TSR



Leaders consistently outperform

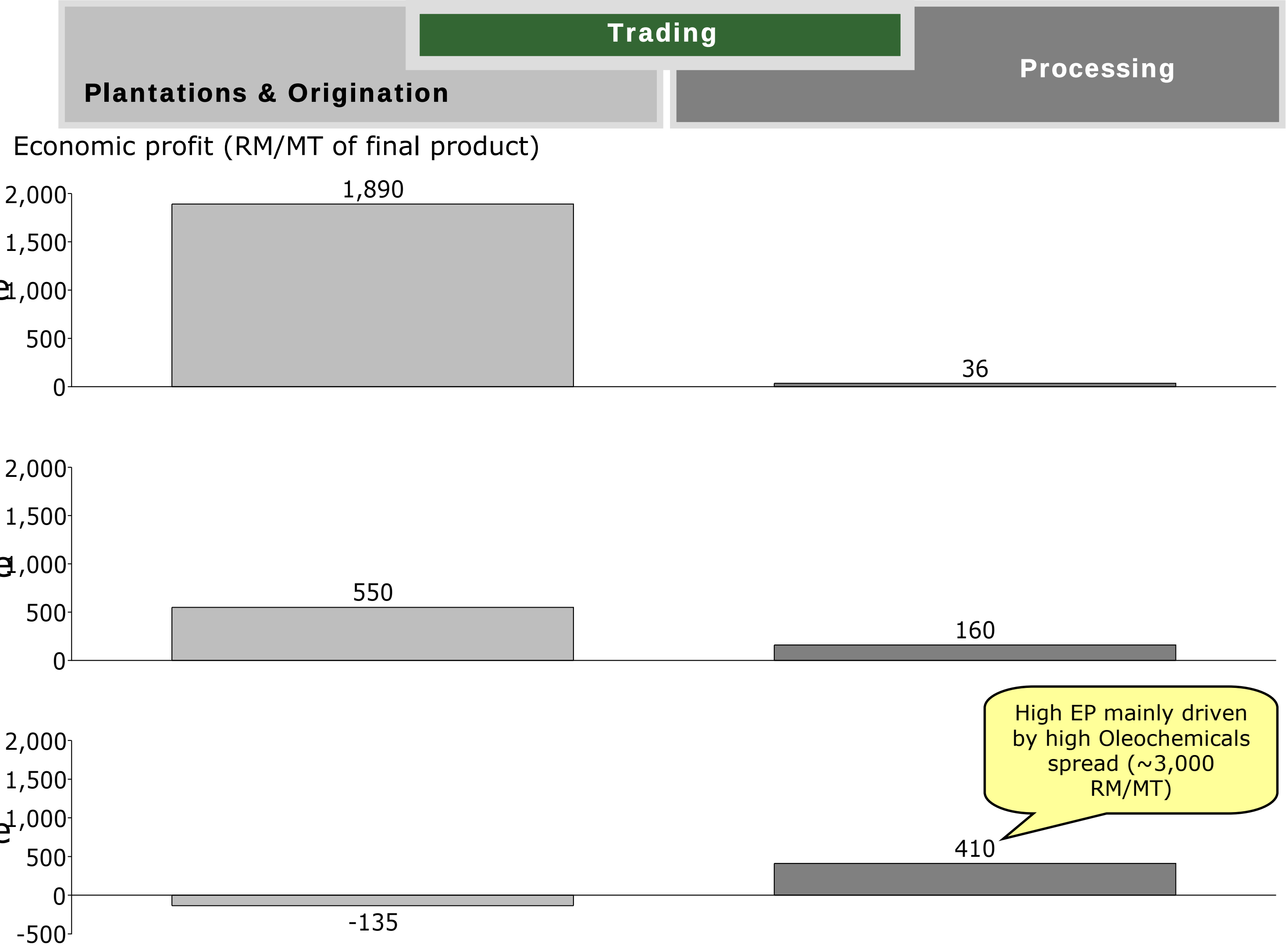


Focused vs. diversified players enjoyed higher TSR



Note: Data for 2003-2008; 1997-2008 data set broadly consistent

C **Integrated** value chain participation **helps offset losses** in **downturns** (Palm example)



High EP mainly driven by high Oleochemicals spread (~3,000 RM/MT)

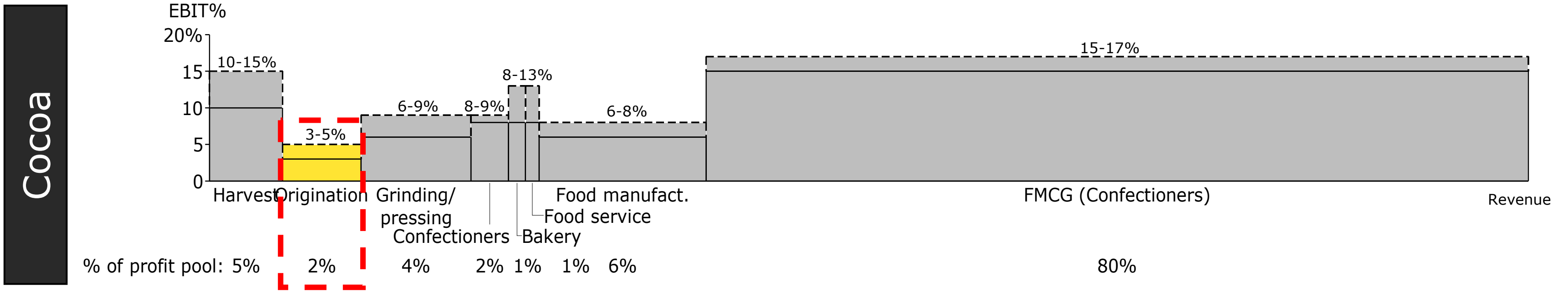
Peak
(Jun 08: CPO price
3,600 RM/MT)

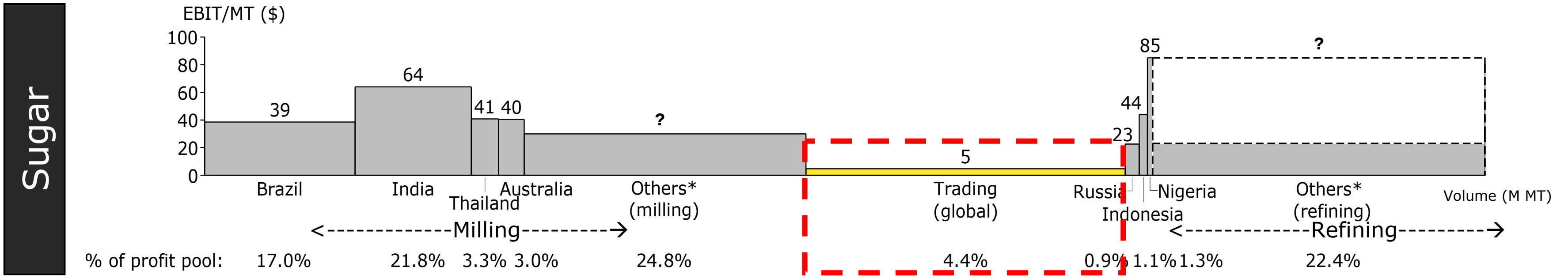
Mid-cycle
(Dec 06: CPO price
1,780 RM/MT)

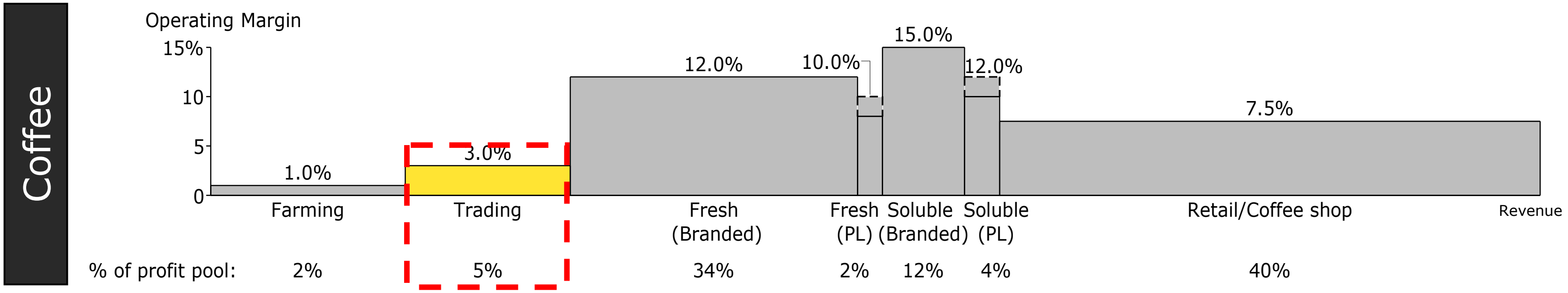
Trough
(Feb 01: CPO price
700 RM/MT)

Sources: Company annual reports, Bloomberg, Analyst reports, Literature search, Bain analysis

C **Value chain extension** could further offer us **access to larger profit pools**







Note: profitability range accounts for different players' performance within the same value chain step
Source: Annual Reports; Analyst Reports; Euromonitor; Lit Searches; Bain Analysis

⬚ Olam current participation

D **Stakeholder** interviews

- Interviewed the Board, Exco, Senior Management Team, Customers, Investors & Analysts
- Conducted over 50 external interviews and over 100 internal interviews for this exercise

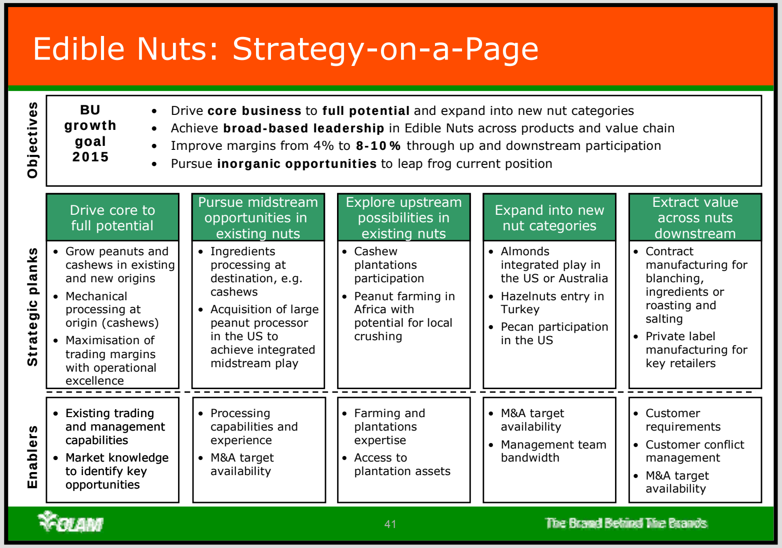
E

Individual **BUs presented** an articulation of their **Strategy** and **Road to Results**

(Illustrative)

Each BU has articulated its strategy based on its point of departure and growth options…

…and developed an execution roadmap to deliver on the strategy



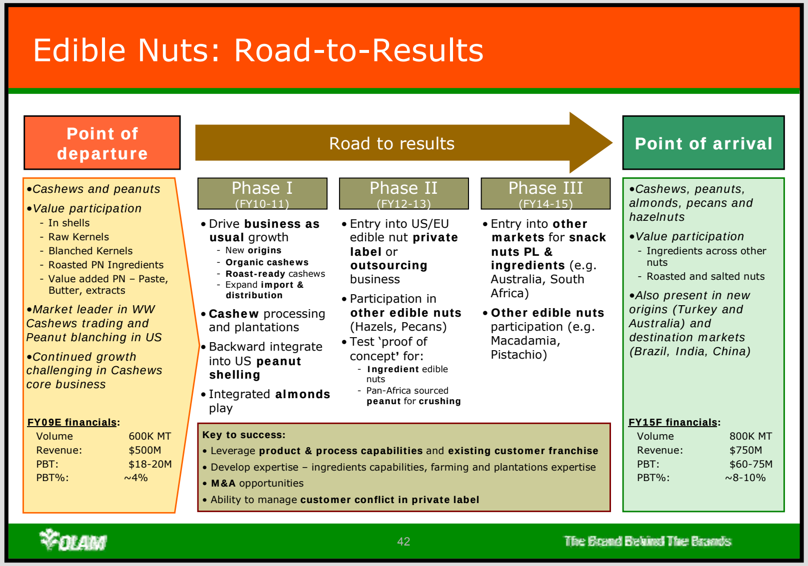
Edible Nuts: Strategy-on-a-Page

Objectives

BU growth goal 2015

- Drive **core business** to **full potential** and expand into new nut categories
- Achieve **broad-based leadership** in Edible Nuts across products and value chain
- Improve margins from 4% to **8-10%** through up and downstream participation
- Pursue **inorganic opportunities** to leap frog current position

	Drive core to full potential	Pursue midstream opportunities in existing nuts	Explore upstream possibilities in existing nuts	Expand into new nut categories	Extract value across nuts downstream
Strategic planks	• Grow peanuts and cashews in existing and new origins • Mechanical processing at origin (cashews) • Maximisation of trading margins with operational excellence	• Ingredients processing at destination, e.g. cashews • Acquisition of large peanut processor in the US to achieve integrated midstream play	• Cashew plantations participation • Peanut farming in Africa with potential for local crushing	• Almonds integrated play in the US or Australia • Hazelnuts entry in Turkey • Pecan participation in the US	• Contract manufacturing for blanching, ingredients or roasting and salting • Private label manufacturing for key retailers
Enablers	• Existing trading and management capabilities • Market knowledge to identify key opportunities	• Processing capabilities and experience • M&A target availability	• Farming and plantations expertise • Access to plantation assets	• M&A target availability • Management team bandwidth	• Customer requirements • Customer conflict management • M&A target availability



Edible Nuts: Road-to-Results

Point of departure

- *Cashews and peanuts*
- *Value participation*
  - In shells
  - Raw Kernels
  - Blanched Kernels
  - Roasted PN Ingredients
  - Value added PN – Paste, Butter, extracts
- *Market leader in WW Cashews trading and Peanut blanching in US*
- *Continued growth challenging in Cashews core business*

FY09E financials:

Volume	600K MT
Revenue:	$500M
PBT:	$18-20M
PBT%:	~4%

Road to results

Phase I (FY10-11)	Phase II (FY12-13)	Phase III (FY14-15)
• Drive **business as usual** growth - New **origins** - **Organic cashews** - **Roast-ready** cashews - Expand **import & distribution** • **Cashew** processing and plantations • Backward integrate into US **peanut shelling** • Integrated **almonds** play	• Entry into US/EU edible nut **private label** or **outsourcing** business • Participation in **other edible nuts** (Hazels, Pecans) • Test 'proof of concept' for: - **Ingredient** edible nuts - Pan-Africa sourced **peanut** for **crushing**	• Entry into **other markets** for **snack nuts PL & ingredients** (e.g. Australia, South Africa) • **Other edible nuts** participation (e.g. Macadamia, Pistachio)

Key to success:

- Leverage **product & process capabilities** and **existing customer franchise**
- Develop expertise – ingredients capabilities, farming and plantations expertise
- **M&A** opportunities
- Ability to manage **customer conflict in private label**

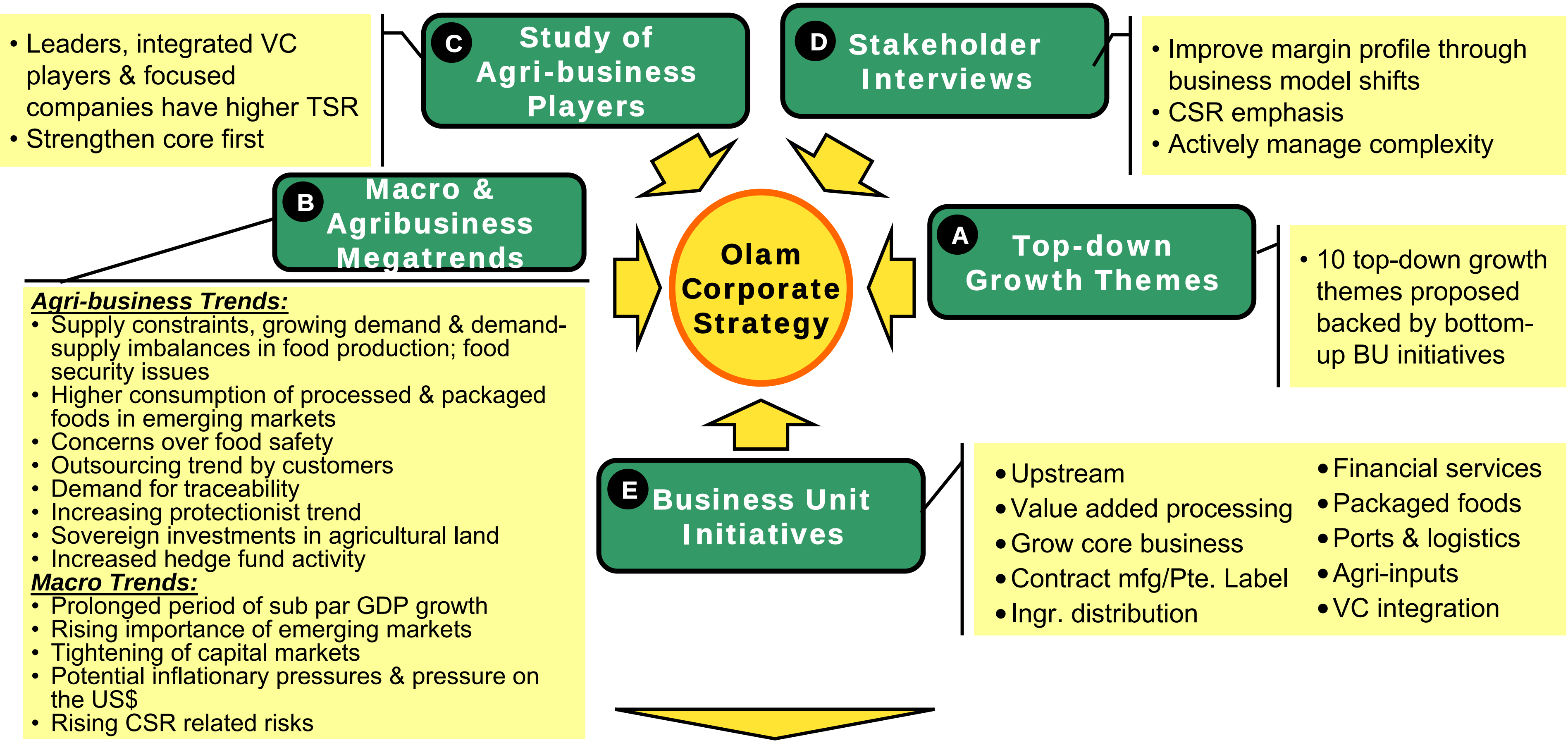
Point of arrival

- *Cashews, peanuts, almonds, pecans and hazelnuts*
- *Value participation*
  - Ingredients across other nuts
  - Roasted and salted nuts
- *Also present in new origins (Turkey and Australia) and destination markets (Brazil, India, China)*

FY15F financials:

Volume	800K MT
Revenue:	$750M
PBT:	$60-75M
PBT%:	~8-10%

Five strategic thrusts emerged from our comprehensive scan for growth ideas …



- Leaders, integrated VC players & focused companies have higher TSR
- Strengthen core first

C **Study of Agri-business Players**

D **Stakeholder Interviews**

- Improve margin profile through business model shifts
- CSR emphasis
- Actively manage complexity

B **Macro & Agribusiness Megatrends**

Agri-business Trends:
- Supply constraints, growing demand & demand-supply imbalances in food production; food security issues
- Higher consumption of processed & packaged foods in emerging markets
- Concerns over food safety
- Outsourcing trend by customers
- Demand for traceability
- Increasing protectionist trend
- Sovereign investments in agricultural land
- Increased hedge fund activity

Macro Trends:
- Prolonged period of sub par GDP growth
- Rising importance of emerging markets
- Tightening of capital markets
- Potential inflationary pressures & pressure on the US$
- Rising CSR related risks

Olam Corporate Strategy

A **Top-down Growth Themes**

- 10 top-down growth themes proposed backed by bottom-up BU initiatives

E **Business Unit Initiatives**

- Upstream
- Value added processing
- Grow core business
- Contract mfg/Pte. Label
- Ingr. distribution
- Financial services
- Packaged foods
- Ports & logistics
- Agri-inputs
- VC integration

Invest to achieve integrated value chain global leadership

Selectively expand into value chain adjacencies

Optimise and extract full value from core

Build on latent assets

Downsize/Exit/ Prune unattractive businesses, origins & activities

We refined our corporate strategy using a three step process

1 **Establish the strategic foundation**

1. Confirm the governing objective and vision
2. Distil lessons from global best practices
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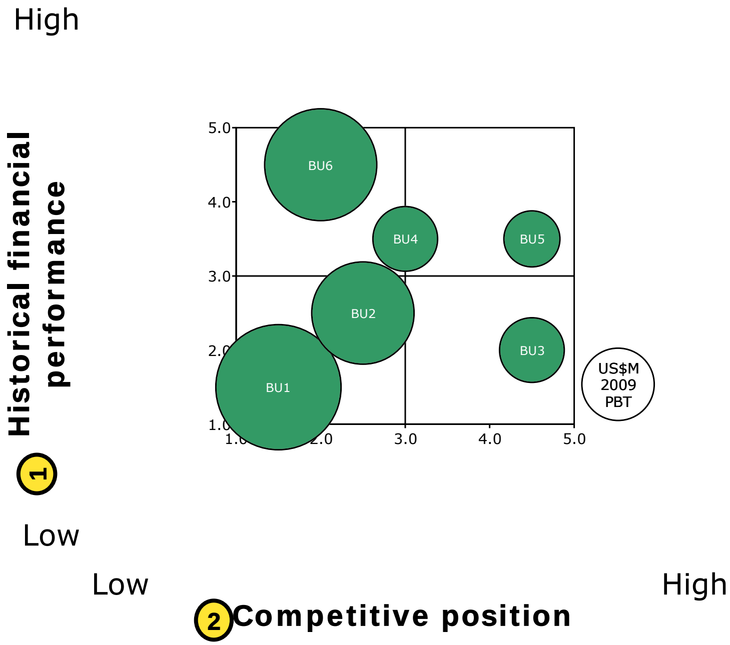
9. Assess financial implications and capital requirement

3 **Mobilise effectively**

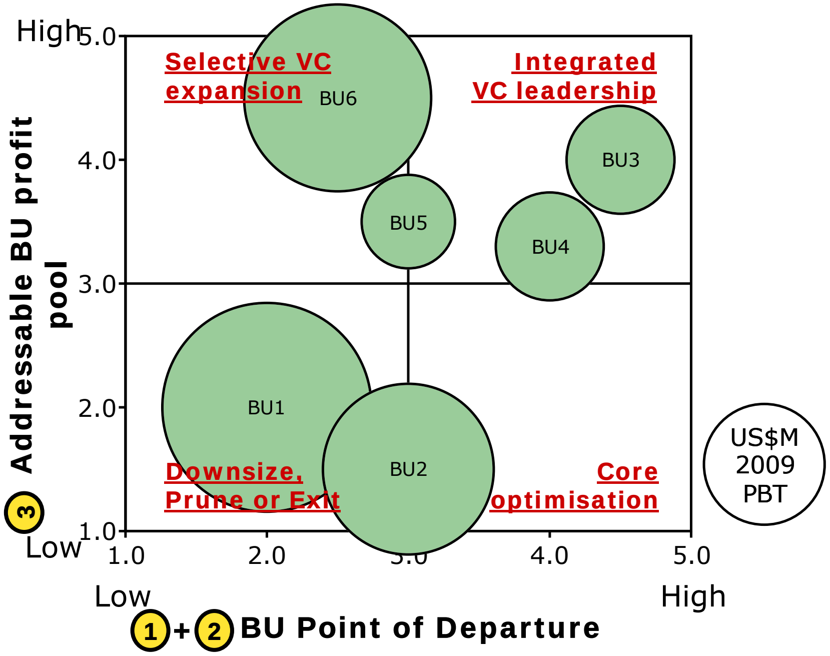
10. Set execution priorities and enhance execution effectiveness
11. Communicate strategy to internal and external stakeholders

BUs were assessed on their **competitive position, historical performance** & **addressable profit pools**

Establish BU point of departure



Assess against addressable BU profit pool to determine BU priorities



- **Historical Financial Performance**
  - Economic Profit, Resource Productivity and Variability of Earnings
- **Competitive Position**
  - Core RMS, Trajectory vs. Peers, Resilience of Core and Participation in Attractive Value Chain Steps

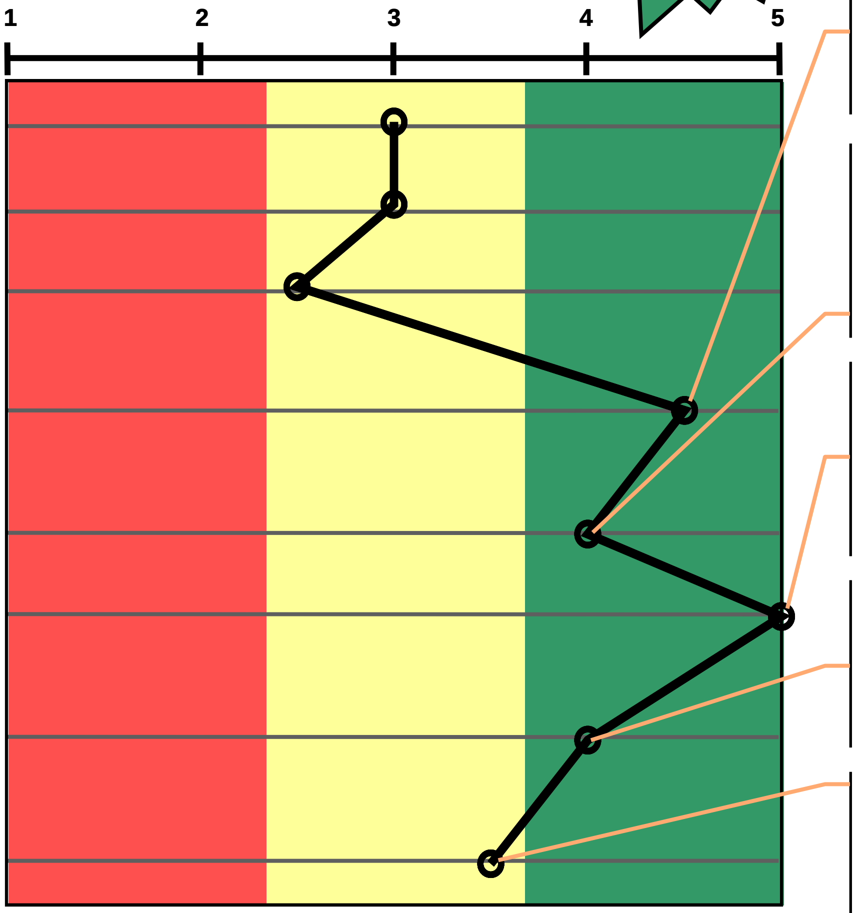
- **Addressable BU profit pool**
  - Size of accessible parts of Value Chain and achievability of share
- **BU Point of Departure**
  - 40% Historical Financial Performance + 60% Competitive Position

BU prioritisation example: Edible Nuts

EXAMPLE

Integrated value chain leadership

X-axis: **BU PoD ①+②**		3.67
① **Historical Financial Performance (40%)**		2.8
(i) Economic profit	30%	
(ii) Resource productivity	30%	
(iii) Variability	40%	
② **Competitive position (60%)**		4.25
(i) Core RMS	30%	
(ii) Trajectory vs. peers	40%	
(iii) Resilience of core	10%	
(iv) Participation in attractive VC steps	20%	
③ **Y-axis:** **Addressable BU profit pool**		3.5



4.5: Market leader in cashews and peanuts

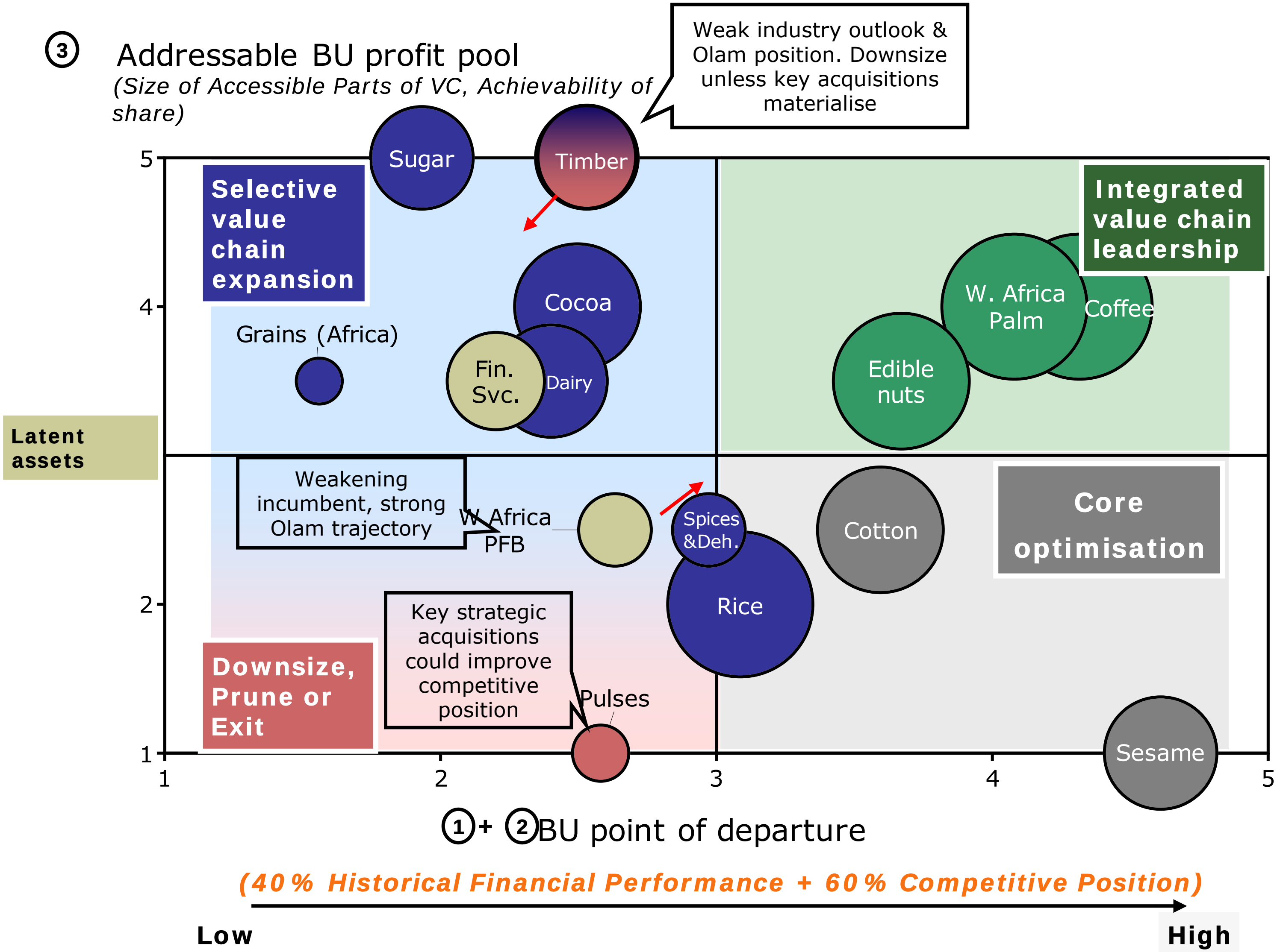
4: Recent market share growth in peanuts. Cashew leadership position held

5: High resilience. Largest global player in peanuts and cashews with participation across value chain

4: Cashew processing, peanut blanching and cleaning

3.5: Scope to expand to other edible nuts e.g. Almonds and VC steps

BUs were mapped to our **strategic thrusts**



We **refined** our **corporate strategy** using a **three step process**

Establish the strategic foundation

① Confirm the governing objective and vision

② Distil lessons from global best practices

③ Assess global macro & industry megatrends

④ Establish Olam Point of Departure across businesses

⑤ Arrive at strategic thrusts going forward

Making portfolio & growth choices / Assessing financial implications

⑥ Prioritise BUs based on Point of Departure (historical financial performance & current competitive position) and addressable profit pool

⑦ Prioritise initiatives based on financial attractiveness and strategic relevance

⑧ Align BU plans and initiatives based on strategic thrusts

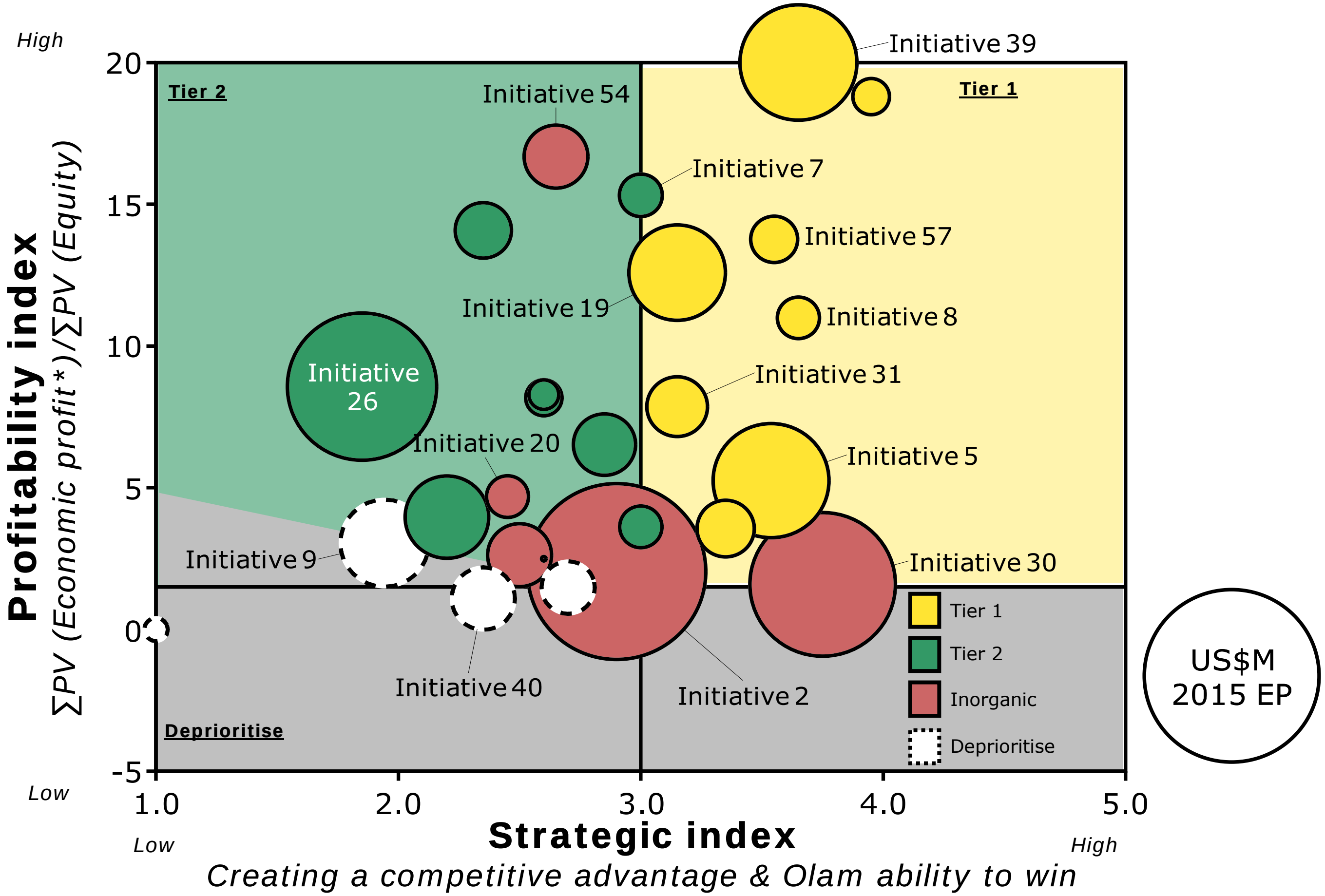
⑨ Assess financial implications and capital requirement

Mobilise effectively

⑩ Set execution priorities and enhance execution effectiveness

⑪ Communicate strategy to internal and external stakeholders

BU initiatives prioritised based on **financial attractiveness** & **strategic relevance**



① **Creating a competitive advantage**

- **(i) Leadership position / creating a choke**
- **(ii) Reinforcing Olam's core**
- **(iii) Repeatability / scalability**

② **Olam ability to win**

- **(i) Initiative winnability**
- **(ii) Distance from core**

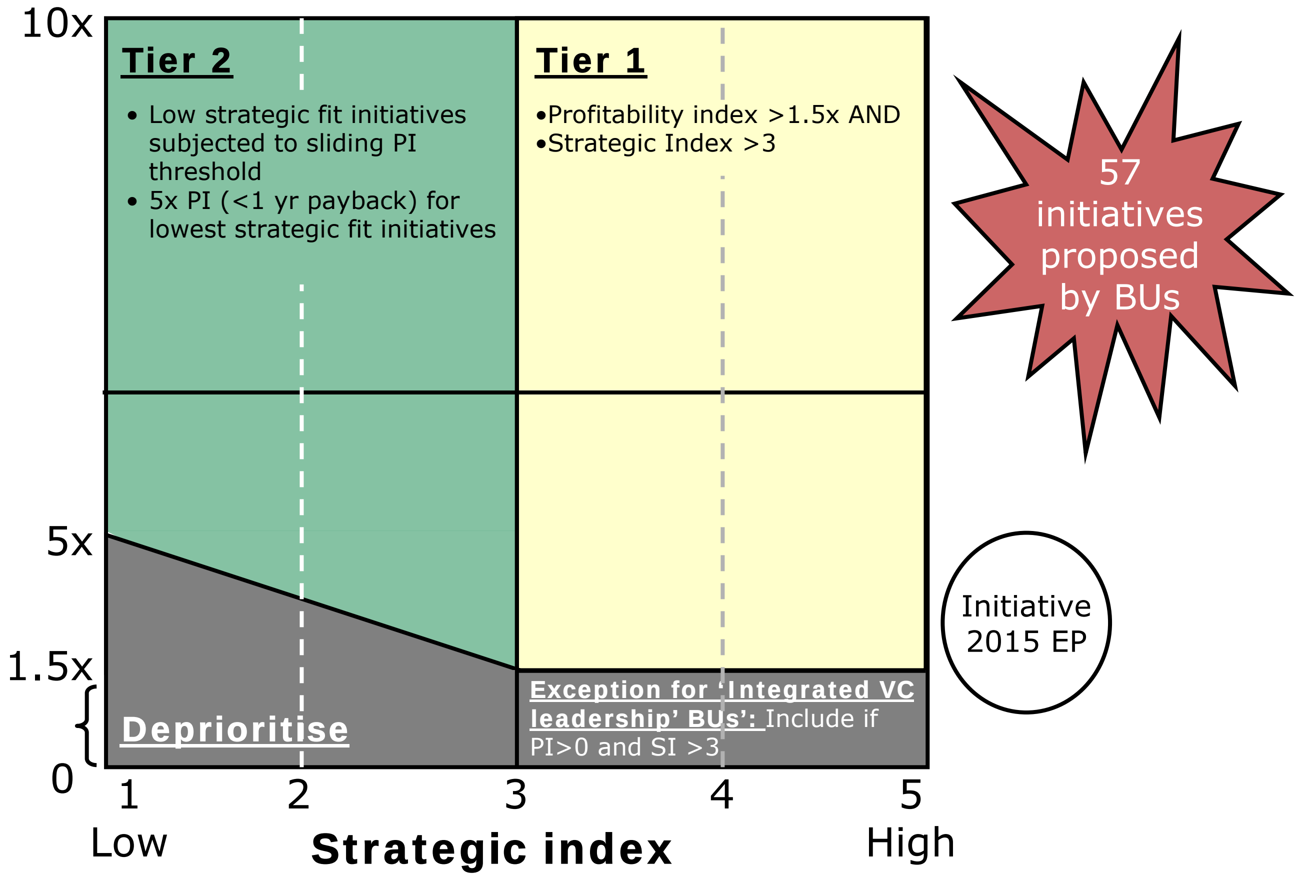
We **prioritised BU growth initiatives** based on **financial attractiveness** & **strategic relevance**

Profitability index

$$\frac{\sum PV\ (\text{Economic profit})^{*}}{\sum PV\ (\text{Equity})}$$

Financial attractiveness cut off:

•1.5x PI = 15% Equity spread (2/3 probability adjustment buffer from target Equity spread of 10%)



Tier 2

- Low strategic fit initiatives subjected to sliding PI threshold
- 5x PI (<1 yr payback) for lowest strategic fit initiatives

Tier 1

•Profitability index >1.5x AND
•Strategic Index >3

Deprioritise

Exception for 'Integrated VC leadership' BUs': Include if PI>0 and SI >3

57 initiatives proposed by BUs

Initiative 2015 EP

- Creating a competitive advantage
- Olam ability to win

*Calculated for first 6 years and terminal value assessed thereafter (except for plantations)

Initiative prioritisation example:
Spices Acquisition of SK foods

X axis: Profitability Index

$$\frac{\sum PV \text{ (Economic profit)}}{\sum PV \text{ (Equity)}}$$

6x

EXAMPLE

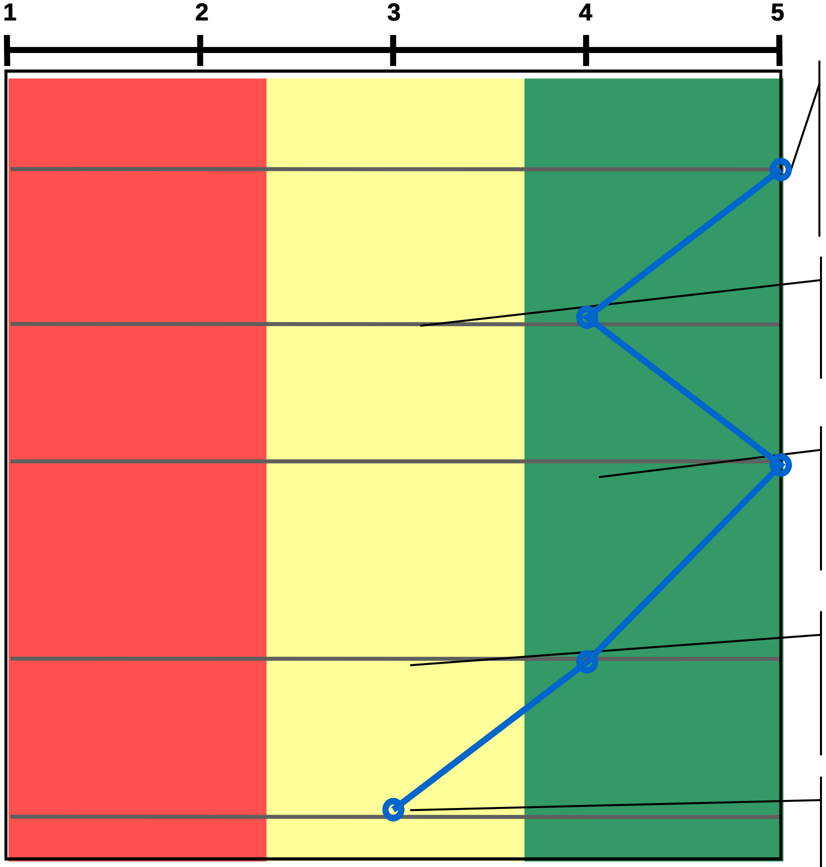
① **Creating a competitive advantage**

(i) Leadership position creating a choke	30%
(ii) Reinforcing Olam's core	15%
(iii) Repeatability/ scalability	15%

② **Olam ability to win**

(i) Initiative winnability	20%
(ii) Distance from core	20%

Y axis: Strategic Index



4.25 out of 5.0

5: Puts Olam as # 2 player in a concentrated industry creating an important choke

4: The business model will be very similar to Olam's core in origination

5: With two facilities we have substantial scale. Entry into this will help us get into other dehydrates in US

4:Strong common customer base with garlic and onions

3: This is a 2 step adjacency; while we market tomato products we are not into processing

BU Initiative Prioritisation

- 57 new initiatives were mapped against financial attractiveness & strategic relevance
- Top 20 initiatives account for 84% & top 8 inorganic for 49% of 2015 prioritised EP
- Eliminated 23 profit centres & de-prioritised 11 initiatives

We **refined** our **corporate strategy** using a **three step process**

1 Establish the strategic foundation

1. Confirm the governing objective and vision
2. Distil lessons from global best practices
3. Assess global macro & industry megatrends
4. Establish Olam Point of Departure across businesses
5. Arrive at strategic thrusts going forward

2 Making portfolio & growth choices / Assessing financial implications

6. Prioritise BUs based on Point of Departure (historical financial performance & current competitive position) and addressable profit pool
7. Prioritise initiatives based on financial attractiveness and strategic relevance
8. Align BU plans and initiatives based on strategic thrusts
9. Assess financial implications and capital requirement

3 Mobilise effectively

10. Set execution priorities and enhance execution effectiveness
11. Communicate strategy to internal and external stakeholders

Five strategic thrusts will inform our growth choices and Portfolio shape

← **Business unit strategies determined based on current strategic and financial position** →

① **Invest to achieve integrated value chain leadership**	② **Selectively expand into attractive value chain adjacencies**	③ **Optimise and extract full value from core**	④ **Build on latent assets**	⑤ **Downsize / exit / prune unattractive businesses, origins and activities**
Coffee, Edible Nuts, W. Africa Palm	Cocoa, Sugar, Rice, Dairy, Spices & Dehydrates, Grains, W. Africa Rubber	Cotton, Sesame, Pulses, Timber	Packaged food in W. Africa, Agri-financial services, Agri-inputs	Select Profit Centres
• Reinforce leadership position • Achieve superior returns through scale and integration	• Strengthen core and improve strategic position • Tap into ‘attractive’ and ‘accessible’ adjacencies	• Capture full value of existing investment through focus, efficiency and effectiveness	• Extract full value from trading capabilities & market access	• Free-up capital and management resources where industry structure and our position is unfavourable

① Invest to achieve **integrated value chain global leadership**

*Example: Be the largest and most profitable diversified **coffee** supply chain business (plantations – green trading – speciality – soluble)*

Historical position

- **Top 3 green coffee trading house**
- **Leader in Robusta**

Recent Initiatives

- **Expanded Arabica presence** with sourcing & primary processing in Brazil, Columbia, Peru & Honduras
- **Entered Soluble Coffee** through investments in freeze-dried, spray dried and coffee extract plant in Vietnam

Future priorities

- **Maintain leadership position in Robusta and scale the Arabica business**
- **Grow soluble coffee processing** footprint
- **Enter plantations** business in 3-4 attractive, low cost origins (eg. Laos, Ethiopia)
- Expand into **Speciality and Certified Coffee**

② **Selectively expand** into attractive **value chain adjacencies**

*Example: "Build leadership in attractive value chain niches in **Spices & Dehydrates**"*

Historical position

- **Focused leadership** in Pepper origination and trading

Recent Initiatives

- Acquired Key Foods to enter **China garlic dehydrates**
- Leveraged Key Foods to expand into **US Onion processing** through Defranscesco
- Starting to **trade** a **wide range** of **spice products** (e.g. Cassia, Cinnamon and Nutmeg)
- Expand into **tomato paste manufacturing**

Future priorities

- Target **high margin processing niches,** having **commonality** with our origins customers, e.g.
  - Pepper grinding
  - Paprika and Capsicum dehydrates
- Leverage current capabilities to extract **full potential from acquisitions**

③ **Optimise** and **extract full value** from **core**

*Example: "Capture full benefits from improved strategic position in **Cotton**"*

Historical position

- **#7 global trader**
- **Portfolio of niche origins** focused on **Africa and Central Asia**

Recent Initiatives

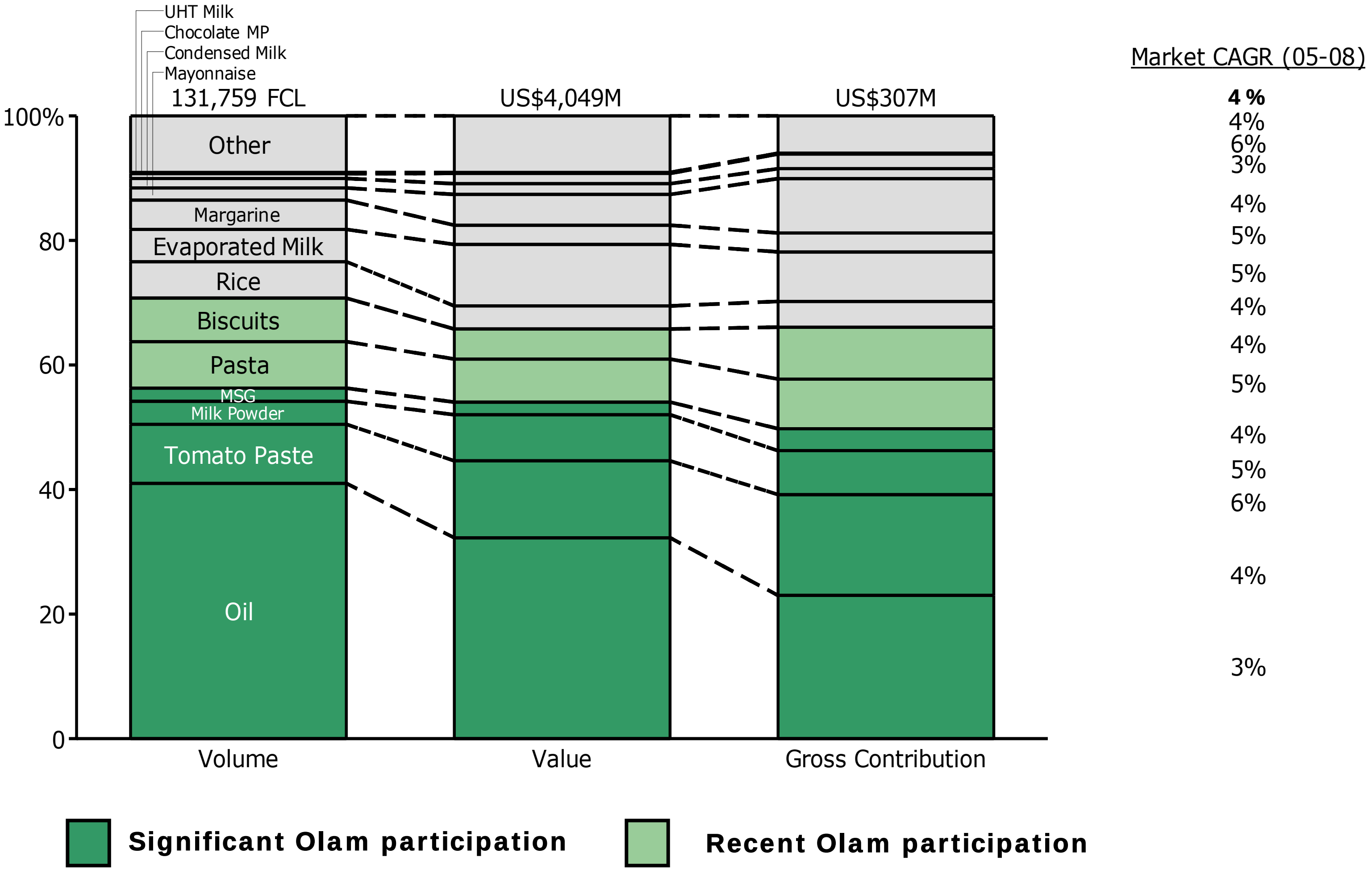
- Acquired **QCH** to:
  - Become **top 3 global trader**
  - Strengthen **competitive position**
  - Gain access to **mainstream and premium cotton origins** like Australia, USA and Brazil

Future priorities

- Enhance **direct marketing focus** in China and Turkey
- Deepen selective **Africa ginning** presence, e.g. Mozambique, IVC, Zimbabwe
- **Enforce focus** on origin leadership, ginning assets utilisation and cost control

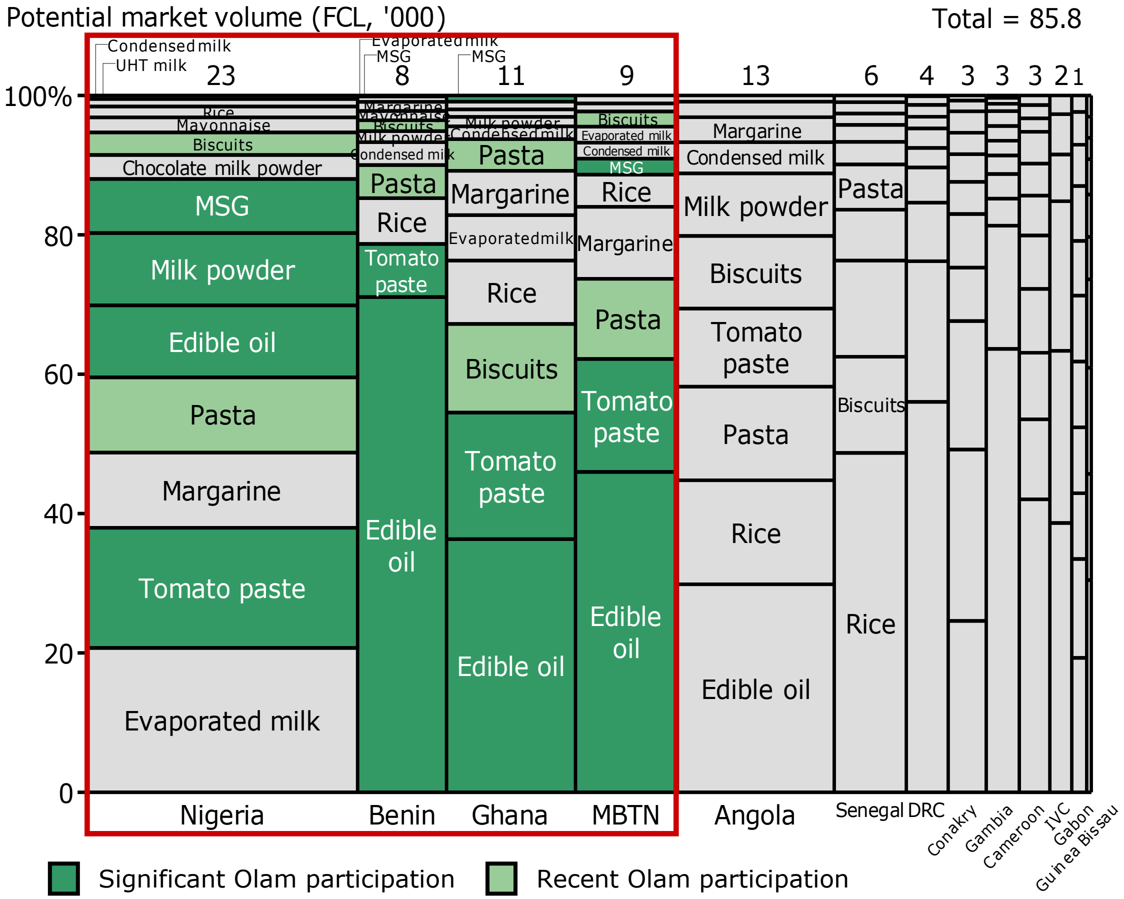
Build on latent assets: **Packaged Foods Business (PFB)**

PFB: Non-perishable food is at least **$4B in value** & ~$300M GC pool in West Africa



3 Target markets: Russia, South Africa & West Africa

PFB: We **participate in ~50% of the value pool** in the **3 largest categories** across **3 major markets**



🟩 Significant Olam participation

- Tomato Paste, 22% MS
- Edible Oil, 23% MS
- MSG, 27% MS

🟩 Recent Olam participation

- Biscuits
- Pasta

Rationale for geographic selection

- **Largest mainstream markets** in West Africa
- Olam has **significant presence** through other BUs
- Ability to **scale** across **multiple countries**

Rationale for category selection

- **Large size categories** (mainstream products)
- **Low asset intensity** (products are mainly imported)
- **Low switching costs** (low road categories)

PFB: Our main markets in West Africa have **unique** characteristics

Market for most categories are imported

- **Low degree of local production**
- Local production systematically suffers from **lack of scale** (compared to global leaders), **higher utilities cost, wastages**, and **inconsistent quality**
- Succeeded mostly in cases of **significant barriers**

Distribution structure dominated by wholesalers

- Wholesalers are the **most cost effective** reach mechanism
- **Retail** is on a **very low scale**
  - Companies with significant retail network only achieve 10-15% of sales through retail
  - Direct retail is mainly a merchandising tool
- **High channel sharing** due to lack of scale in each category (more economies of scope than scale)

Consumers value safety, quality and reliability

- Quality and safety are top priorities and can **command some premium**
- In low road categories, brand equity can be built by **length of presence** in market and **reliability**

PFB: Portfolio selection based on category size, winnability, and sourcing advantages

Categories to be **focused on**

Tomato Paste	• **Large category** in which we have built a **strong #2 position** in key markets
Mayonnaise	• **Similar profile as TP-** Watanmal with 40% to 50% share and high price premium with the rest being fragmented. **High margins** • **Shared Channel**
Biscuits	• **Highly fragmented** with **high margins. No clear leaders** • Entry through **Fortification** • **Lower** Channel synergy
MSG	• Access to **leader brand**
Pasta	• High Coherence with tomato paste • Larger play by local manufacturers • Entry through **fortification**
Rice	• **Sourcing advantage** from Rice BU
Diary Products	• **Sourcing advantage** from Dairy • Potential to enter **infant formula**
Margarine	• Coherence with cooking oil
Cooking Oil	• Large and fragmented market

Categories **for future consideration**

Seasoning cubes	• **Dominated** by Nestle and Knorr
Instant noodles	• Indomie has established **local production** in Nigeria with **import ban** • Enjoys **high brand equity**
Malted beverages	• **Dominated** by Nestle (Milo) and Cadbury
Candy	• Fragmented, **low differentiation**
Fruit juice	• Requires **different capabilities**
RTD yoghurt	• **Small** category
Animal protein	• **High complexity** for opportunity
Canned fruit/veg	• Very **small** opportunity
Ketchup	• **Small** category
Salty snacks	• **Small** category for organised players

4 Build on **latent assets: Commodity Financial Services Group (CFSG)**

Background

- Among the 20 products in Olam’s portfolio, **10 have active futures & derivatives market**.
- Given our market leading positions in these futures traded commodities, we have **developed significant expertise** in derivatives **to manage market or price risk** in these.
- Olam’s core derivative team was **formed in 1995** to **hedge and manage** the **derivatives exposures** in these commodities.
- Today the team is considerably larger but almost all the **people from the initial team are still a part of the organization**. As a result, we have cumulated and compounded our skills in this area over time.
- We have **continuously invested in people & systems to strengthen** our capabilities in the derivatives sphere.
- We have **provided liquidity internally** on options and hedged the residual risk.
- Our **customers and suppliers also look forward risk solutions** in these volatile markets.

Commodity Financial Services: Trends

- **Growth in commodity futures markets**/Commodity as an asset class
- **Consolidation** amongst commodity players
- Large **fund participation**
- Increase in **use of options**
- Rapidly **growing secondary market** for derivatives
- Markets getting **increasingly correlated**
- Markets moving towards **electronic trading**

CFSG: Business **rationale**

The CFSG business will create value by leveraging four key competencies we have built over the past 20 years

1. **Insight into agricultural commodities**
   - Commonalities across agricultural commodities
   - Specific knowledge on unique characteristics of individual commodities like coffee, cocoa, sugar etc
   - Proprietary knowledge of Supply & Demand (S&D) , costs of productions across regions and other fundamentals across the entire basket of agricultural commodities
2. **Relationships with large end users and producers** of these commodities and Olam's reputation as large, dependable, financially sound and customer friendly counterparty with them
3. **Derivatives knowledge**
   - Knowledge of futures and options on commodities and interplay between the physical and futures
4. **Risk Management skills**

CFSG: 3 key activities: ① **Options Market Making & Volatility Arbitrage Trading**

- **Market Making**
  - -Seeking to earn a **fee type bid ask spread** in options
  - -While **warehousing only the minimum residual positions** required to effectively trade in the market
  - -**Managing the greeks of the residual positions** within very tight exposure limits and almost nil directional positions

- **Volatility Arbitrage Trading**
  - -Seeking to **spot option mispricing / volatility arbitrages** in commodity markets
  - -**Historic** vs **implied** volatility
  - -Implied **volatility arbitrages** across the same product in **different exchanges**
  - -**Volatility arbitrages** across two **different but tightly co-related commodities**

CFSG: 3 key activities: ② **Risk Management Solutions (RMS)**

- Offering **customized risk management solutions** to **large end users** and producers who are exposed to the commodity price risk.
- The business would involve a **deep understanding of customers business** and risk philosophy to **tailor products precisely** suited to their needs and risk frameworks.
- **Solutions** could be in the form of simple price swaps or based on exchange trade vanilla options or based on exotic options like barriers etc or a combination of the above.
- The RMS desk would park the various option components with the MM/VT desk which would continue to transfer most of the risk components to the market and manage any residual risk positions.
- This business would be controlled by very tight credit and counterparty limits

CFSG: 3 key activities: ③ **Fund Management**

- Fund Management side of the business would be seeking to earn a **fee** (management and performance fee) **based income** by managing **internal and third party funds** leveraging **Olam's knowledge of commodities**

- Currently the **systemic logic for the first fund has been developed** and tested and this is likely to be **launched shortly** primarily with internal funds.

- We would eventually be looking at **launching multiple commodity funds** with **different investment styles and risk returns.** Some of these could be
  - -Systemic **market neutral Relative Value Fund**
  - -Global **macro agri commodity fund**
  - -Systemic Directional **Long Short Commodity fund**

- Each fund would be a **separate entity**

CFSG: **Governance & Risk Management**

- **Separate subsidiary** with an **Independent Board.** Full segregation and **transparency**.
- The key aspects of **Olam's risk and governance systems** are going to be **replicated** within CFSG. In fact the single point arising of risk as well as the fact that all trades are in liquid transparent markets would make the collection of data and measurement of risk far easier.
- The **risk function** within CFSG would be **independently reporting to the CEO** and the board.
- The systems are further being strengthened with the **implementation of Murex** as the main trading, pricing and risk management platform.
- Apart from VAR limits the business would be controlled by **tight position, activity and loss limits. Stress testing and monitoring** against loss limits would be an essential part of ongoing risk management.

CFSG: **Risk Philosophy**

- **However risk management and control are only a subset of the overarching risk philosophy of the company.**
- **We believe that while VaR and other risk methodologies do give a snapshots into the risks being run they do not capture the full risk of a portfolio.**
- **We believe the only real way of managing risk is**
  - By **avoiding outlier risks** ie. actively investing a part of the income towards protecting from low probability / high impact outlier events
  - **Creating a strong risk culture** in the company with high respect for risk and capital
  - And having team of **managers committed to long term value creation** of the firm by aligning the variable pay to long term wealth creation

⑤ **Downsize**/exit/prune **unattractive** businesses, origins and activities

Example: “__Reduce complexity__ by pruning low value-creating activities”

Historical position

- Olam footprint across **60 origins** and **20 products**

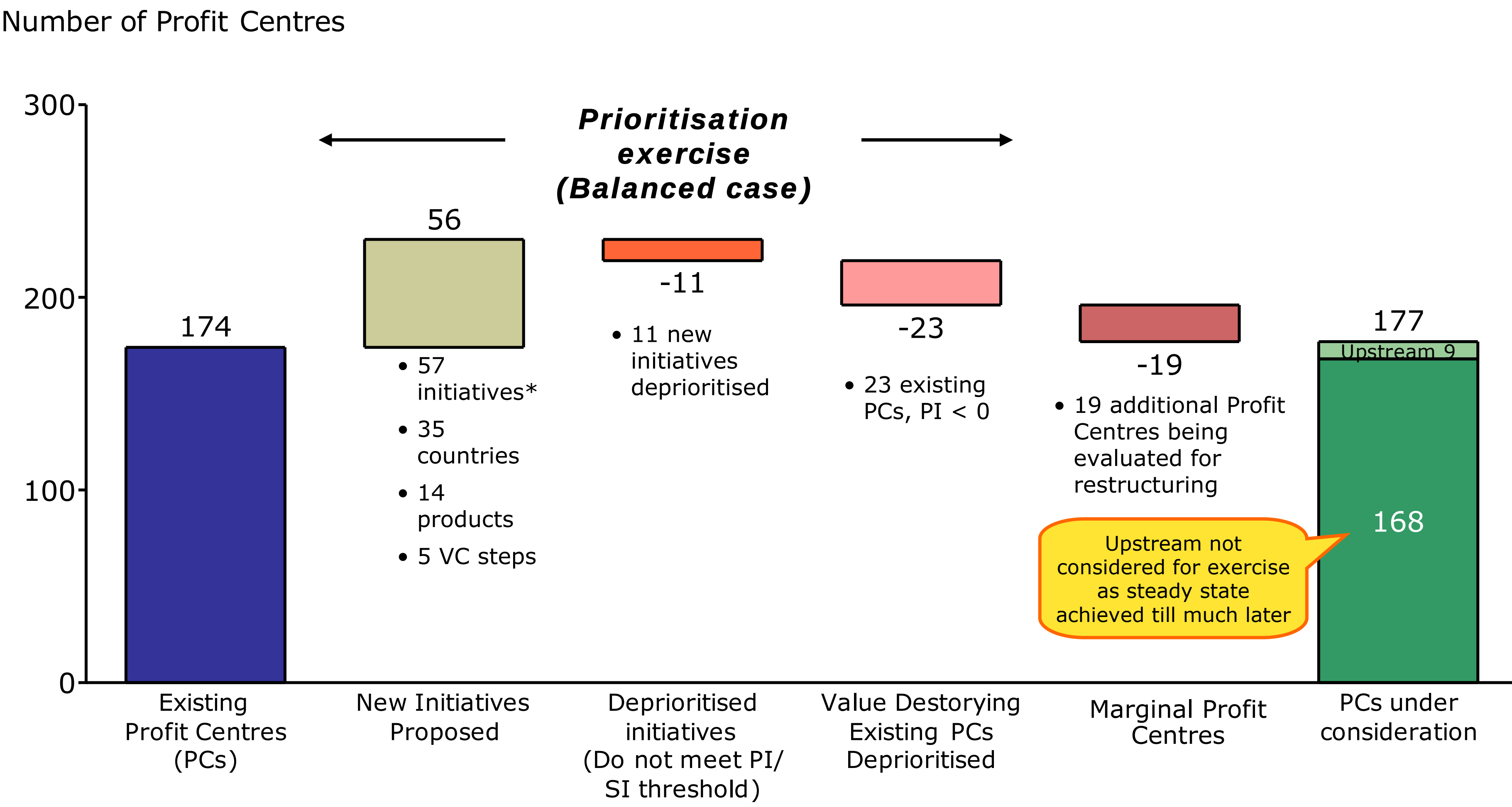
Recent Initiatives

- Established **minimum value-creation thresholds** for each product, origin and value chain activity to reduce complexity
- Identified **bottom 10%, low value-creating profit centres to be exited**

Future priorities

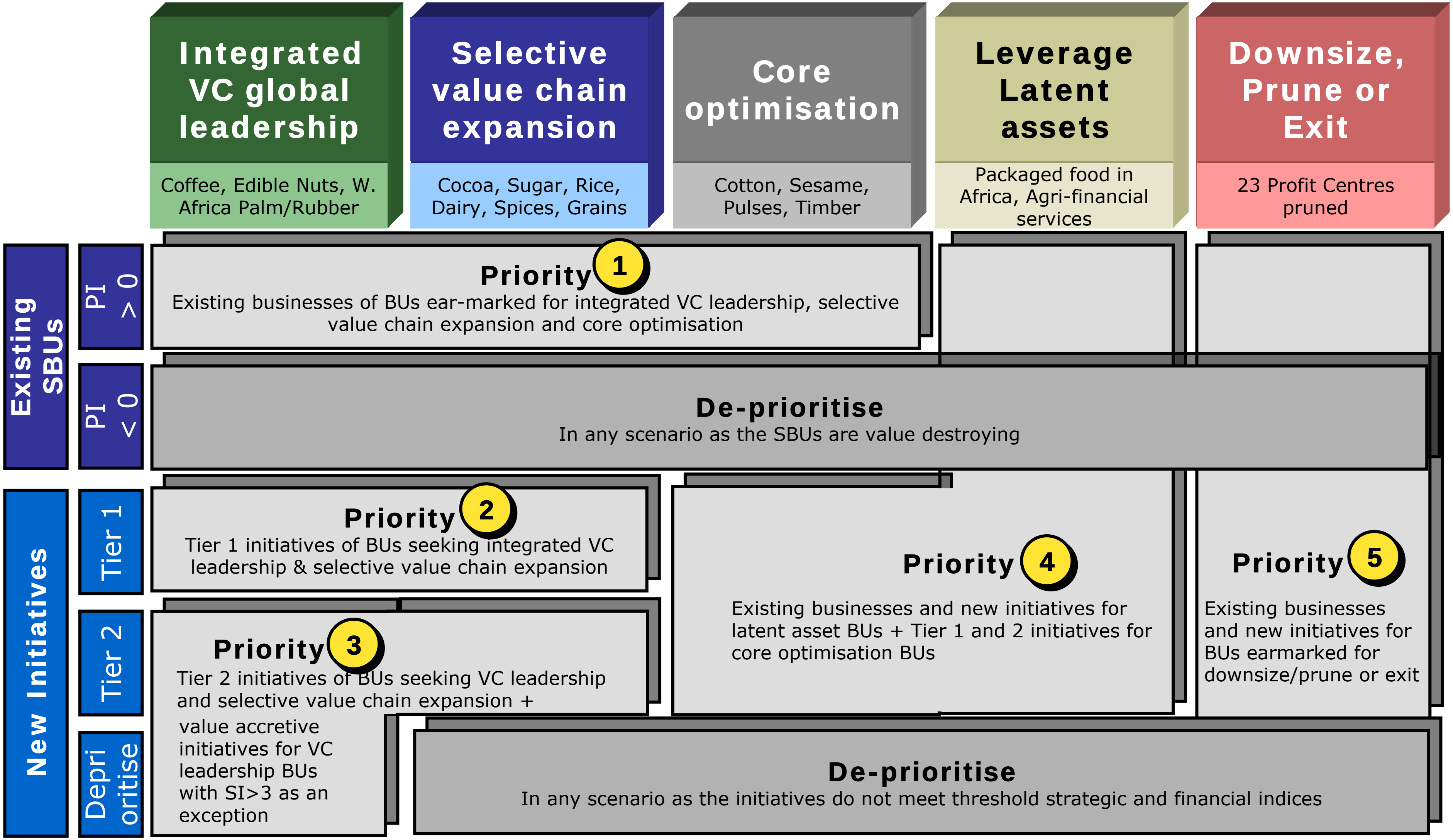
- **Reduce complexity** to:
  - Focus management bandwidth
  - Prune low value creating activities
  - Release capital
  - Reduce overheads

The **balanced case** scenario leaves us with **177 profit centres**



* For purposes of exercise, grouping has been undone due to geographic constraints e.g. coffee green trading in multiple countries. Original number of initiatives is 78;

Building **strategic** flexibility



Integrated VC global leadership
Coffee, Edible Nuts, W. Africa Palm/Rubber

Selective value chain expansion
Cocoa, Sugar, Rice, Dairy, Spices, Grains

Core optimisation
Cotton, Sesame, Pulses, Timber

Leverage Latent assets
Packaged food in Africa, Agri-financial services

Downsize, Prune or Exit
23 Profit Centres pruned

Existing SBUs

PI > 0

Priority 1
Existing businesses of BUs ear-marked for integrated VC leadership, selective value chain expansion and core optimisation

PI < 0

De-prioritise
In any scenario as the SBUs are value destroying

New Initiatives

Tier 1

Priority 2
Tier 1 initiatives of BUs seeking integrated VC leadership & selective value chain expansion

Tier 2

Priority 3
Tier 2 initiatives of BUs seeking VC leadership and selective value chain expansion + value accretive initiatives for VC leadership BUs with SI>3 as an exception

Priority 4
Existing businesses and new initiatives for latent asset BUs + Tier 1 and 2 initiatives for core optimisation BUs

Priority 5
Existing businesses and new initiatives for BUs earmarked for downsize/prune or exit

Depri oritise

De-prioritise
In any scenario as the initiatives do not meet threshold strategic and financial indices

Building **financial flexibility**

Aggregated
(BU bottom-up plans)

	Ⓐ **Unconstrained**	Ⓑ **Balanced**	Ⓒ **Minimalist**
Strategic intent:	Fund all EP positive existing business growth and new initiatives. Build a capital war-chest of US$750M by FY11 for additional M&A	Pursue EP positive existing business growth and new initiatives to the extent funded by new equity infusion of US$300M	Pursue EP positive existing business growth and new initiatives to the extent funded by retained earnings only
Equity availability:	**Unlimited**	**US$300M** in FY10	**None**
Dividend policy:	**25%** Excess of 25% can be paid out subject to meeting D:E norms* and cash availability	**25%**	**0%** Dividends can be paid out subject to meeting D:E norms* and cash availability

***Debt to Equity Norms:** *Working capital financed at 3:1 ratio, CAPEX at 1.5:1 ratio, Investment in JVs at 0:1 ratio. Target is to reach norms by FY11*

We have also identified a set of **Enablers key to realising our goals**

Excellence in execution

- Establish effective **program management**
- Ensure success of new **value added processing and upstream adjacencies**
  - Capabilities
  - Org structure
  - Performance metrics
- Effectively **manage complexity**
- Scale up **IT, risk** and **compliance** systems

M&A effectiveness

- Continue to build strong **M&A pipeline**
- Further enhance **due diligence capabilities**
- Achieve **best-in-class integration** of new assets

Capital efficacy

- Optimise **capital structure**
- Enhance **overhead and capital productivity**

People and values

- Continue to attract and nurture **global talent pool**
- Uphold **entrepreneurial culture**

Our **Strategy-on-a-Page**

Our governing objective is to maximise intrinsic value for our long term shareholders

Vision

To be the leading global supply chain manager and processor of agri-commodities by:

- **Serving growers and customers globally**
- **Pursuing select scalable and attractive niches in upstream and value added processing; and**
- **Capitalising on emerging markets expertise**

Goals

- **Increase Intrinsic Value by 3-4x over the next two 3-year cycles**
- **Equity spread ≥ 10% (ROE - KE : 20% - 10%)**
- **Capital spread ≥ 5% (ROIC - WACC : 12% - 7%)**
- **PBTI Margin ≥ 3.75%**
- **PAT Margin ≥ 3%**
- **Reduction in earnings volatility (BU & Portfolio)**
- **Achieve strategic and financial flexibility**
- **Be widely recognised as a responsible & sustainable value creator**

Strategic thrusts

Invest to achieve integrated value chain leadership	**Selectively expand into attractive value chain adjacencies**	**Optimise and extract full value from core**	**Leverage latent assets**	**Downsize / exit / prune unattractive activities**
Coffee, Edible Nuts, W. Africa Palm	Cocoa, Sugar, Rice, Dairy, Spices & Dehydrates, Grains, W. Africa Rubber	Cotton, Sesame, Pulses, Timber	Packaged food in W. Africa, Agri-financial services, Agri-inputs	Select origins

Enablers

Excellence in execution

- Program management
- Value added processing and upstream adjacencies set-up
- Complexity management
- IT, risk & compliance systems

M&A effectiveness

- M&A pipeline
- Due diligence capabilities
- Best-in-class integration

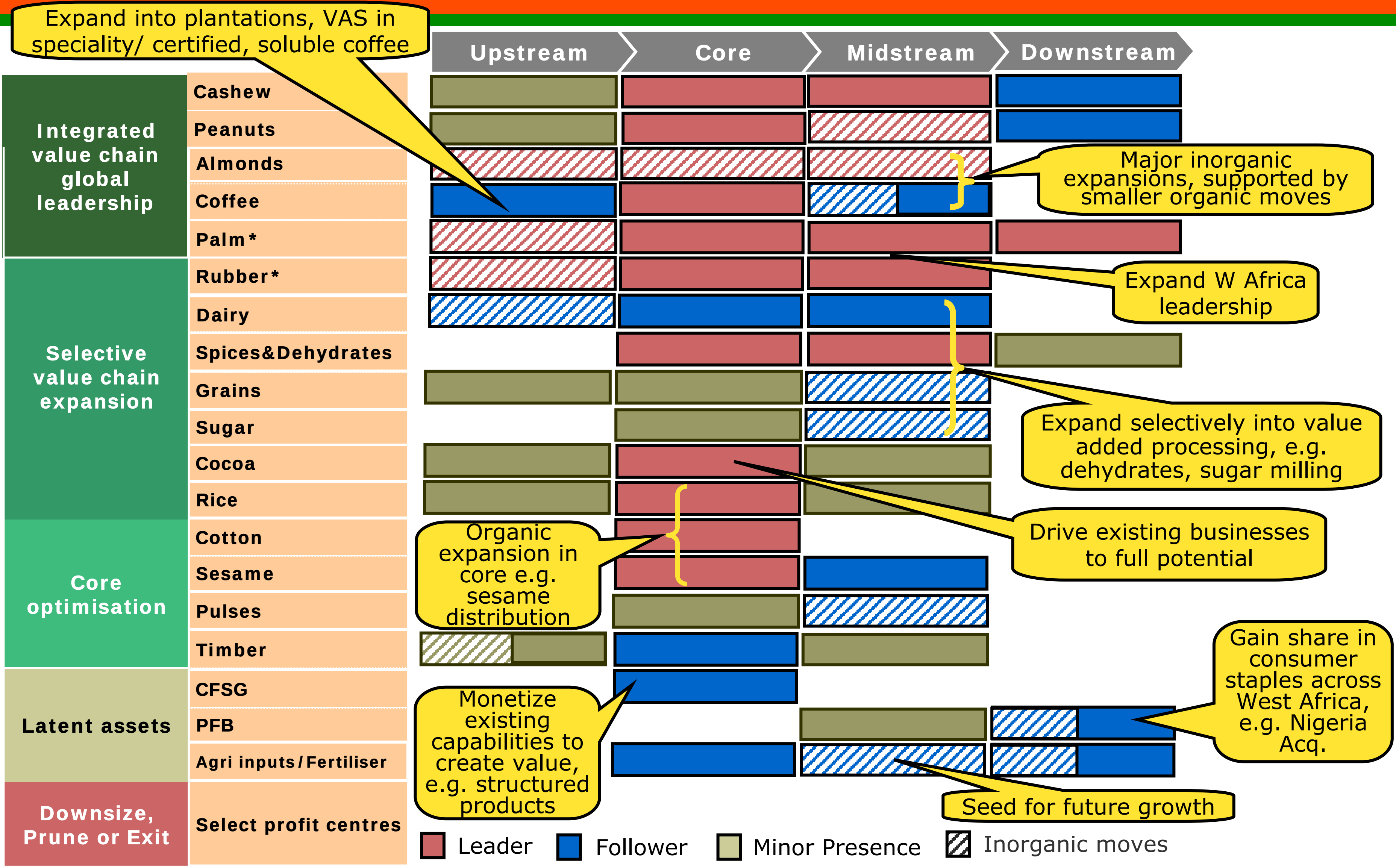
Capital efficacy

- Capital structure
- Overhead and capital productivity

People & Values

- Global talent pool
- Entrepreneurial culture

Growth initiatives are well **aligned** with our **portfolio strategy**



		Upstream	Core	Midstream	Downstream
Integrated value chain global leadership	**Cashew**	🟫	🟥	🟥	🟦
	Peanuts	🟫	🟥	▨🟥	🟦
	Almonds	▨🟥	▨🟥	▨🟥	
	Coffee	🟦	🟥	▨🟦 🟦	
	Palm*	▨🟥	🟥	🟥	🟥
Selective value chain expansion	**Rubber***	▨🟥	🟥	🟥	
	Dairy	▨🟦	🟦	🟦	
	Spices&Dehydrates		🟥	🟥	🟫
	Grains	🟫	🟫	▨🟦	
	Sugar		🟫	▨🟦	
	Cocoa	🟫	🟥	🟫	
	Rice	🟫	🟥	🟫	
Core optimisation	**Cotton**		🟥		
	Sesame		🟥	🟦	
	Pulses		🟫	▨🟦	
	Timber	▨🟫 🟫	🟦	🟫	
Latent assets	**CFSG**		🟦		
	PFB			🟫	▨🟦 🟦
	Agri inputs/Fertiliser		🟦	▨🟦	▨🟦 🟦
Downsize, Prune or Exit	**Select profit centres**				

🟥 Leader 🟦 Follower 🟫 Minor Presence ▨ Inorganic moves

Expand into plantations, VAS in speciality/ certified, soluble coffee

Major inorganic expansions, supported by smaller organic moves

Expand W Africa leadership

Expand selectively into value added processing, e.g. dehydrates, sugar milling

Drive existing businesses to full potential

Organic expansion in core e.g. sesame distribution

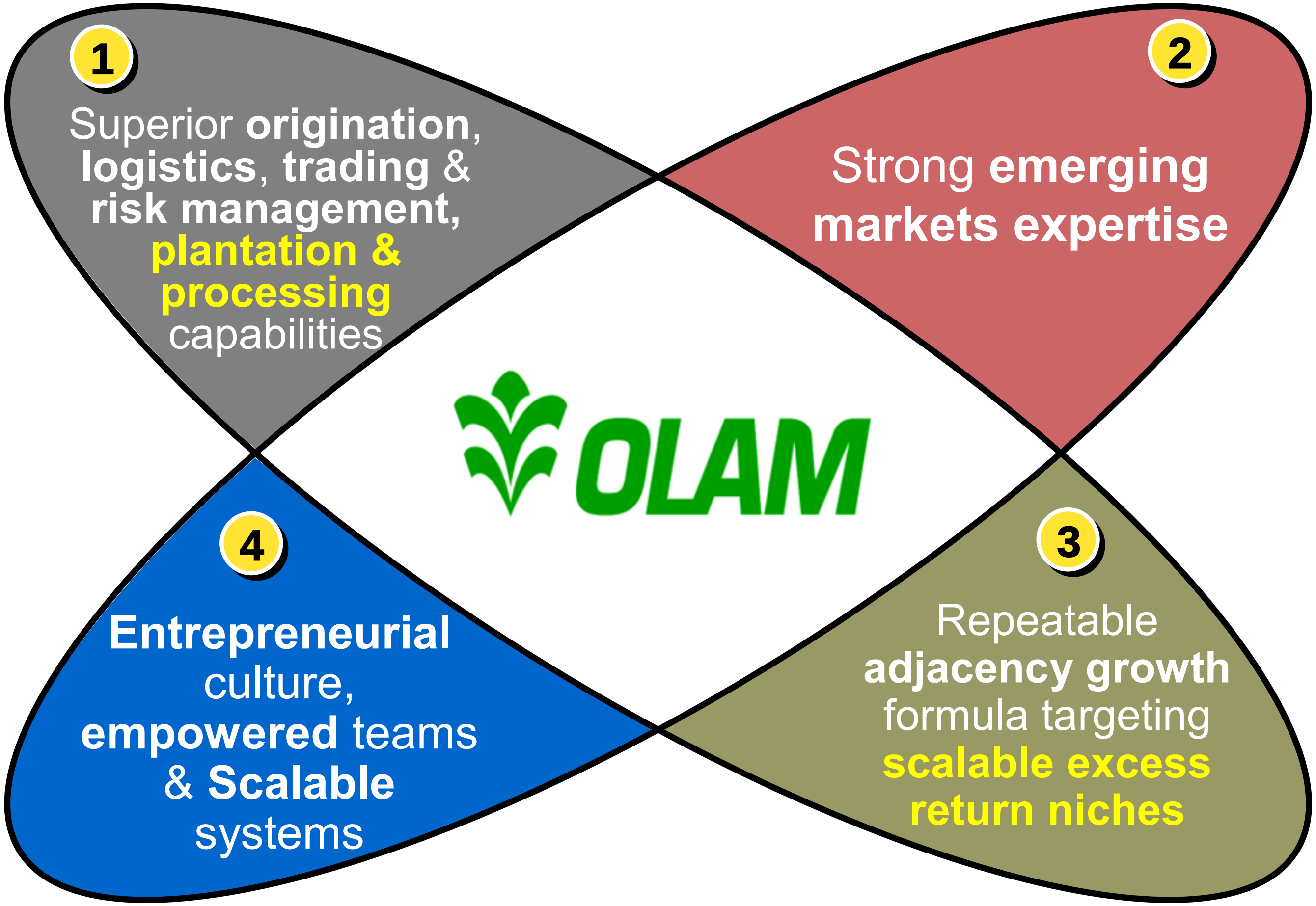
Monetize existing capabilities to create value, e.g. structured products

Gain share in consumer staples across West Africa, e.g. Nigeria Acq.

Seed for future growth

* In West Africa

Continue to build on our **unique business model**



1 Superior **origination**, **logistics**, **trading** & **risk management**, **plantation & processing** capabilities

2 Strong **emerging markets expertise**

3 Repeatable **adjacency growth** formula targeting **scalable excess return niches**

4 **Entrepreneurial** culture, **empowered** teams & **Scalable** systems

We refined our corporate strategy using a three step process

1 Establish the strategic foundation

① Confirm the governing objective and vision

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Growth initiatives identified will **significantly diversify our portfolio** & **improve margin profile**

PBT Analysis, Balanced scenario, base case

Value Chain Segments	2009 Breakdown	2015 Breakdown
Upstream	**5%**	**15%**
Core + VAS*	**75%**	**40%**
Midstream & Downstream	**15%**	**35%**
Latent Assets	**5%**	**10%**
Total	**100%**	**100%**
PBT margin	**2.2%**	**4.0%**

* Value-added services

The next phase of growth will see a **3-4x increase in IV** with a **doubling of margins**

Intrinsic Value
FY2015F
3-4x

NPAT margin
FY2015F
3-3.5%

Earnings per Share CAGR
FY2015F
22-25%

ROIC
FY2015
10-12%

Return on Equity
FY2015F
22-25%

Equity Spread
FY2015F
12-15%

Key takeaways

Point of Departure

- Achieved **leadership positions** in **core origination, primary processing and trading** (e.g. Cashews, Coffee, Cocoa)
- Successfully **replicated core model** across **multiple** new **product adjacencies** and **geographies**
- Made **select entries into agri-commodity processing** (e.g. UB, Key Foods)

Point of Arrival

- Enhanced **participation across attractive value chain niches** (selective upstream, value added midstream processing, and selective downstream participation)
- Reshaped portfolio with a **step-up margin & return profile improvement** in an expected **capital constrained world**
- **Disciplined resource allocation** for individual businesses and growth initiatives based on identified **strategic thrusts**
- **Investments** behind **latent assets** to extract full value of existing capabilities

We **refined** our **corporate strategy** using a **three step process**

1 Establish the strategic foundation

1. Confirm the governing objective and vision
2. Distil lessons from global best practices
3. Assess global macro & industry megatrends
4. Establish Olam Point of Departure across businesses
5. Arrive at strategic thrusts going forward

2 Making portfolio & growth choices / Assessing financial implications

6. Prioritise BUs based on Point of Departure (historical financial performance & current competitive position) and addressable profit pool
7. Prioritise initiatives based on financial attractiveness and strategic relevance
8. Align BU plans and initiatives based on strategic thrusts
9. Assess financial implications and capital requirement

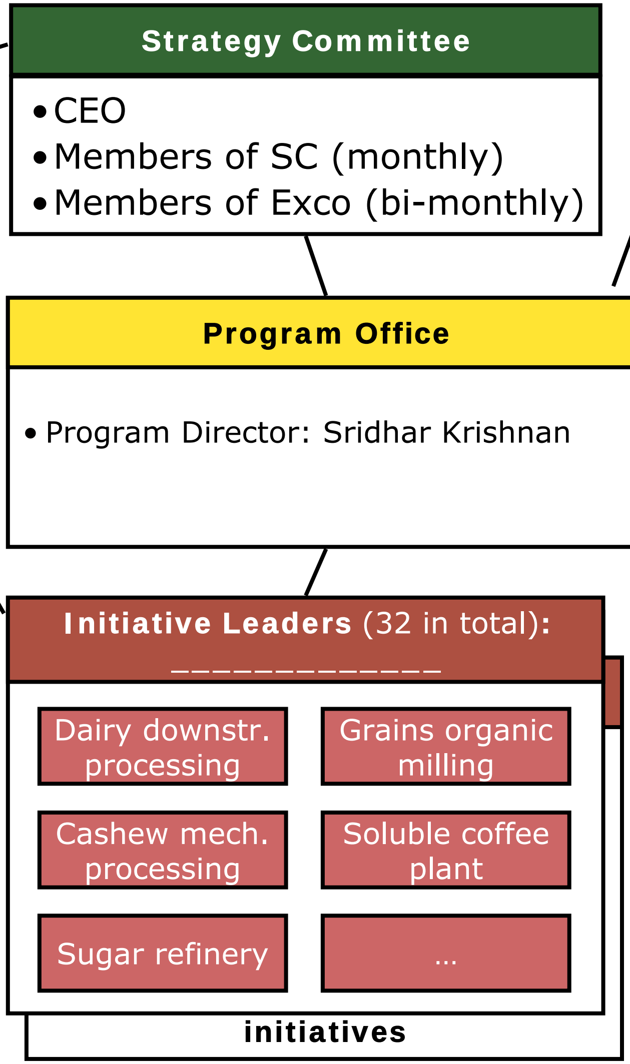
3 Mobilise effectively

10. Set execution priorities and enhance execution effectiveness
11. Communicate strategy to internal and external stakeholders

Mobilising for **Execution**: Creating a **Program Office**

- Evaluates **overall progress** & success of programs
- Controls **resourcing and funding**
- Makes **prioritisation** decisions
- Clears **roadblocks**

- **One Initiative Leader per initiative**
- Initiative teams:
  - **Implement initiatives** to deliver agreed milestones, KPIs and financial outcomes
  - Update & submit **initiative tracker to PO** on monthly basis
  - **Escalate problems** to PO directly as needed



Strategy Committee

- CEO
- Members of SC (monthly)
- Members of Exco (bi-monthly)

Program Office

- Program Director: Sridhar Krishnan

Initiative Leaders (32 in total): ______________

Dairy downstr. processing

Grains organic milling

Cashew mech. processing

Soluble coffee plant

Sugar refinery

…

initiatives

- **Program Office - Single point of coordination**
  - Coordinates all **meeting & communications activities**
  - Owns **Program Dashboard** (key metrics, track progress vs. milestones, KPIs & financial targets)
  - Orchestrates & convenes monthly **initiative status review** meetings
  - Circulates **summary of decisions** taken by SC to initiative leaders
  - Tracks follow-up actions & organises focus groups to **mobilise resources** to clear roadblocks
  - Manages **interdependencies**
  - **Escalates** when appropriate

Organise plantations & VAP within product BUs with centralised oversight; CFSG to remain separate business

Upstream Plantations | **Midstream / Value Added Processing** | **Financial Services**

Org structure

Upstream Plantations / Midstream / Value Added Processing

- Retain plantation and value added processing operations **within individual BUs** (with P&L responsibility)
- Appoint external **plantations manager** and **technical value added processing manager** to provide centralised oversight

Financial Services

- **Structure** financial services **separately** from the outset
    - **Asset management** can be either housed within the FS BU or listed separately

Rationale

Upstream Plantations / Midstream / Value Added Processing

- Facilitates development of world-class **expertise** in plantations management & value added processing
- Establishes **centres of excellence** for shared learning across BUs
- Enables central management of **planning and capital allocation** process
- Leverages existing **product / market knowledge** within parent BU

Financial Services

- **Segregate & track** performance **separately** with full **transparency**
- **Cultural issues** may arise due to remuneration nature of brokerage vs AM
- **Easier to monetise** AM & brokerage separately through **independent listing**

… with **different metrics** that need to be tracked in the **start up and steady state phases**

		Upstream Plantations	**Midstream / Value Added Processing**	**Financial Services**
Start-up		• Plantation **cost** per hectare • Months to **maturity** • Land **preparation** • Irrigation **efficiency** • Soil **fertility**	• Project **cost** • Time to **completion** • **Planned vs. deployed** CAPEX	• **Proprietary systems** development cost
Steady state	**Operational**	• **Yield** per hectare • **Current vs. peak** yield • **Overheads** per tonne • Crop **cycles** & **rotations** • **Labour** cost per hectare	• Production **volume** per month • **PBT** per tonne • **Yield / Wastage** • Direct **cost** per tonne • Capacity **utilisation** • Machinery **downtime**	• **Volumes** traded • **Return** on investment • **Assets under management** • Bid-offer **spreads** • **Value at risk** • **Sharpe ratio**
	Financial	**Across businesses** • Track **EBITDA** instead of NC • Track **ROIC** instead of ROE		

Role of the centralised plantations and VAP managers

- ☐ Establish knowledge centre to **share best practices** across BUs
- ☐ Drive **operational improvement**
- ☐ Evaluate **feasibility** and **progress** of projects
- ☐ **Plan projects** and manage **capital allocations**
- ☐ Develop **performance metrics** to be rolled out across BUs
- ☐ Develop capabilities by **attracting, training** and **retaining** the right people

Q&A

Thank You