



Olam International Limited: Management Presentation

15th Annual General Meeting

29th October 2009, Singapore



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. 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: FY2009

Consolidated P&L Analysis



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
Gross Contribution	762,091	676,371	12.7
Net Contribution	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

P&L Analysis: 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

P&L Analysis: Net Contribution

	FY2009 (S\$ million)	FY2008 (S\$ million)	% Change
Edible Nuts, Spices & Beans NC per ton (US\$/ton)	155.1 159	128.0 155	21.2 2.6
Confectionery & Beverages Ingredients NC per ton (US\$/ton)	168.5 144	148.4 142	13.5 1.4
Food Staples & Packaged Foods NC per ton (US\$/ton)	135.5 55	102.5 52	32.2 5.8
Total Food Category NC per ton (US\$/ton)	459.1 99.9	378.8 98.8	21.2 1.1
Industrial Raw Materials NC per ton (US\$/ton)	141.7 126.1	139.5 127.5	1.6 (1.4)
Consolidated Total NC per ton (US\$/ton)	600.8 105.1	518.3 105.2	15.9 (0.1)

P&L Analysis: Returns Summary

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

- 50.3% growth over FY2008

❖ **Earnings per Share (EPS): 14.7 cents/share**

- 42.7% growth over FY2008
- 14.7 cents/share FY2009 vs 10.3 cents/share FY2008 (based on weighted average no. of shares)

❖ **ROE (BOP_E): 26.1%**

- 26.1% in FY2009 vs 28.7% in FY2008
- **Equity Spread (ROE-Ke): 17.1%**

❖ **ROIC (Average): 14.7%**

- 14.7% in FY2009 vs 13.2% in FY2008
- **Total Capital Spread (ROIC-WACC): 6.3%**

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	934,890	430,288	117.3
Other Non-Current Assets	85,858	60,459	42.0
Current Assets			
Debtors	732,500	724,352	1.1
Stocks	1,966,419	1,790,236	9.8
Cash & Cash Equivalents	533,818	339,124	57.4
Advances to Suppliers	277,683	380,047	(26.9)
Fair Value of Derivatives	349,796	837,557	(58.2)
Margin Account Balances	64,839	254,273	(74.5)
Other Current Assets	342,075	292,648	16.9
Total Assets	5,415,416	5,239,243	
Total Assets excluding hedging assets	5,065,620	4,401,686	
Trade Creditors	658,988	519,853	26.8
Borrowings	3,174,191	2,984,564	6.4
Fair Value of Derivatives	403,528	1,015,796	(60.2)
Other Liabilities	132,817	80,616	64.8
Net Assets	1,045,892	638,414	
Equity & Reserves (after fair value adj)	1,045,846	638,414	63.8
Equity & Reserves (before fair value adj)	1,225,789	964,292	27.1

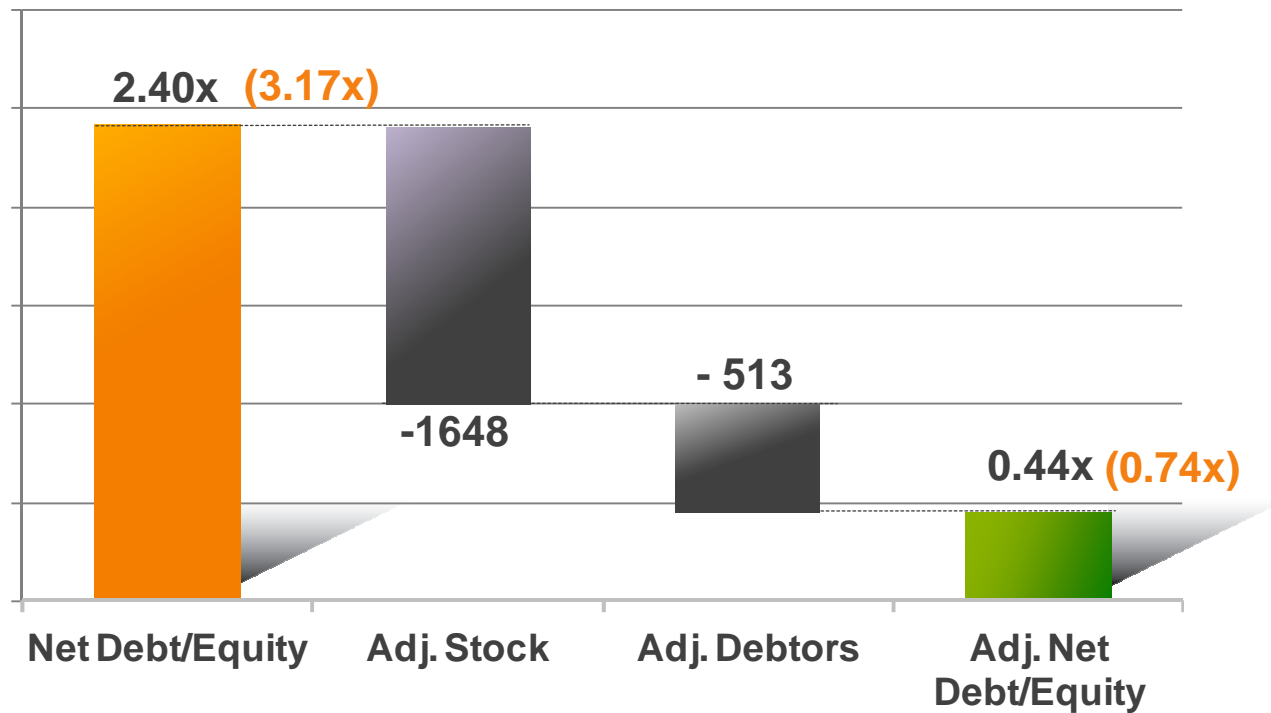
New Equity raised

On 15 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.

Balance Sheet: Analysis of Gearing

Adjusting : hedged, liquid inventory

Net Debt/Equity
(x)



Balance Sheet Analysis: 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	26.9	1490.3 ↑
Goodwill & Intangibles	127.5	130.3	2.8 ↓
Total	1,062.4	560.6	89.5 ↑
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: Banking Facilities

(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	


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

New Debt raised



Convertible Bonds

-  US\$500 million
-  7-year tenure with no put option
-  6% coupon, 25% conversion premium

Syndicated Term Loan

-  US\$540 million facility
 - US\$216 million – 5-year tenure
 - US\$324 million – 3-year tenure

Islamic Funding

-  US\$100 million
-  Revolving 12 months trade finance facility

Olam Corporate Strategy



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** 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**

Where are we today and how did we get there?

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

1994

- 7 Products
- 4 Countries

2001

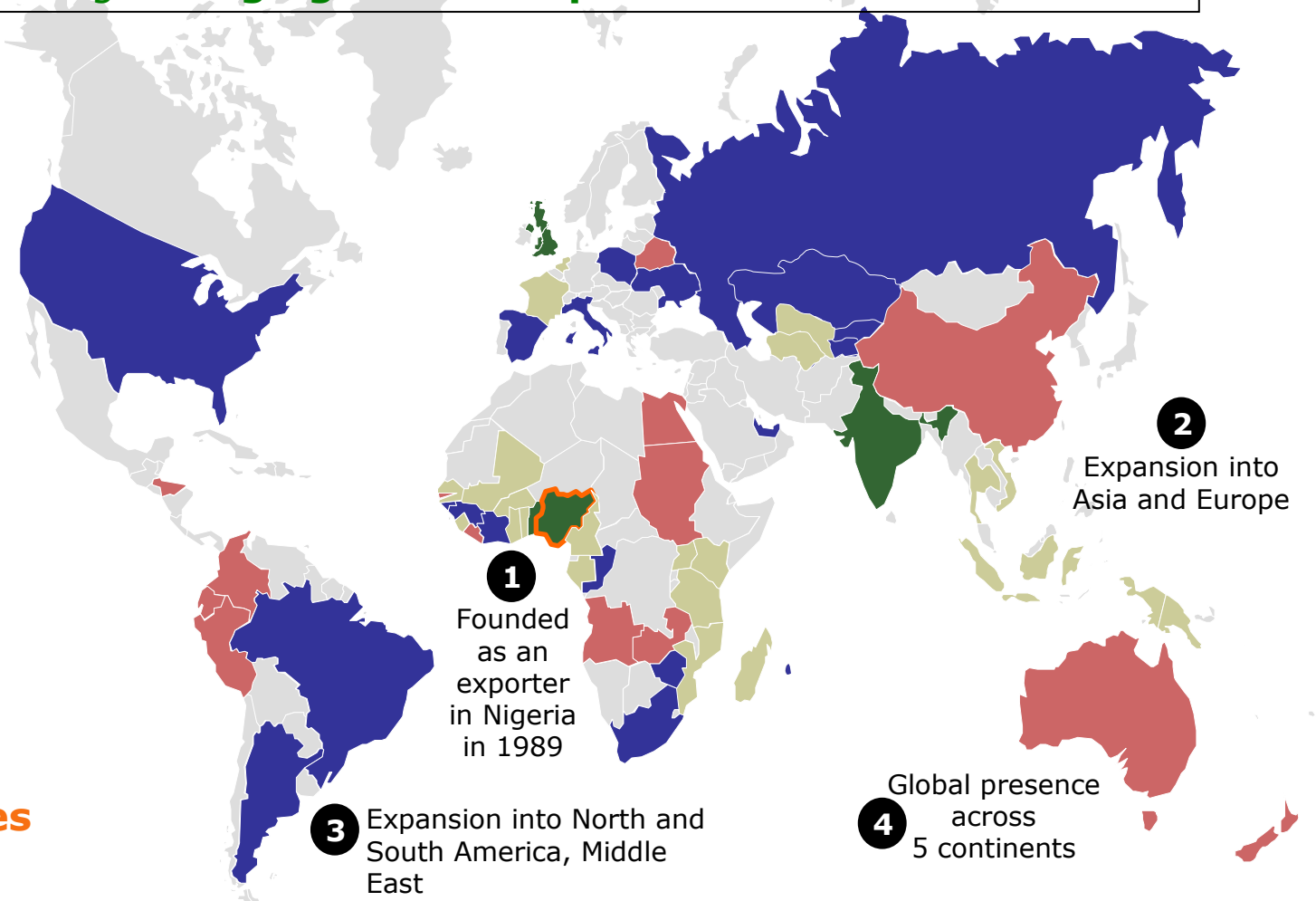
- 10 Products
- ~20 Countries

2005

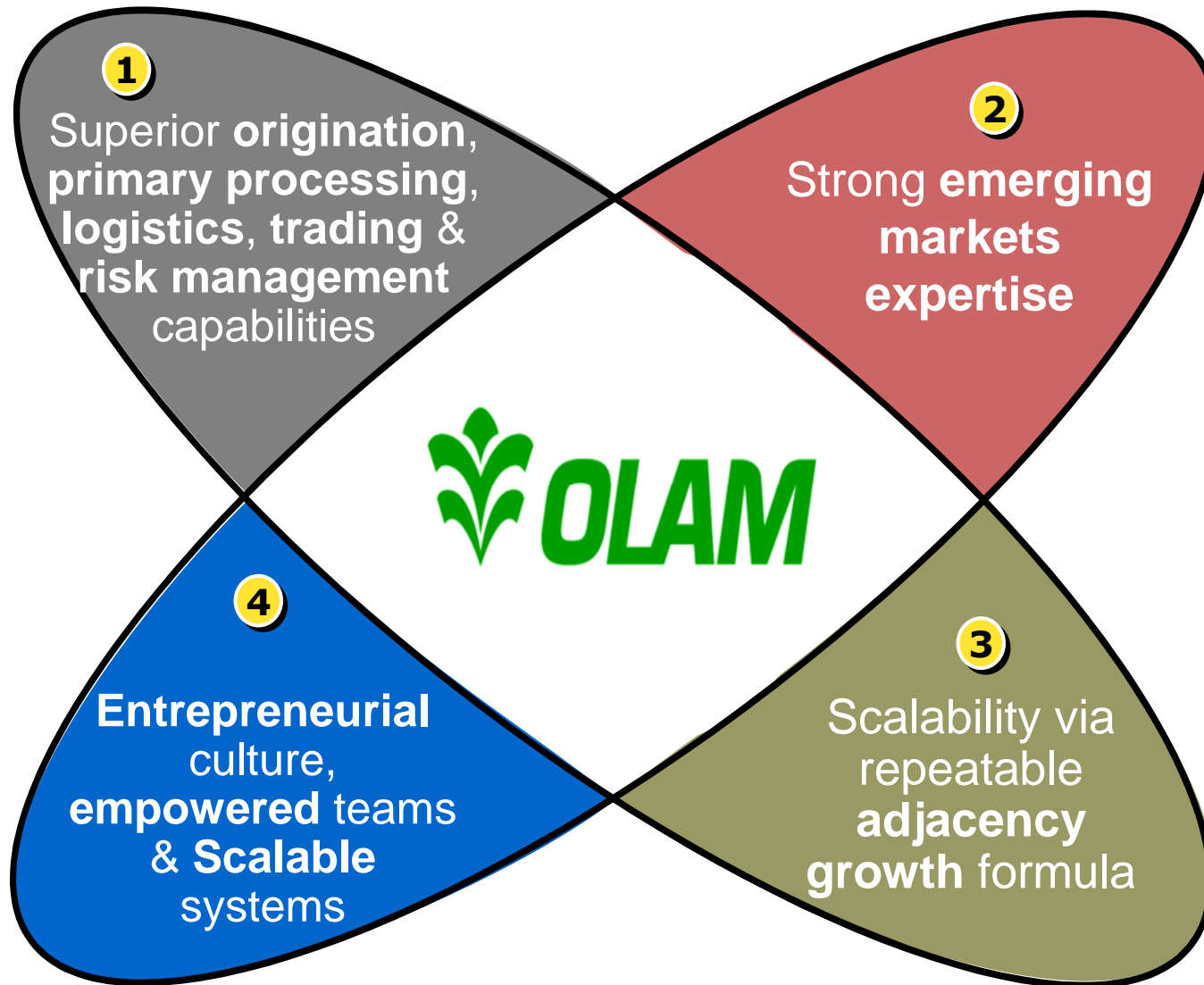
- 14 Products
- ~40 Countries

Today

- **20 Products**
- **~60 Countries**

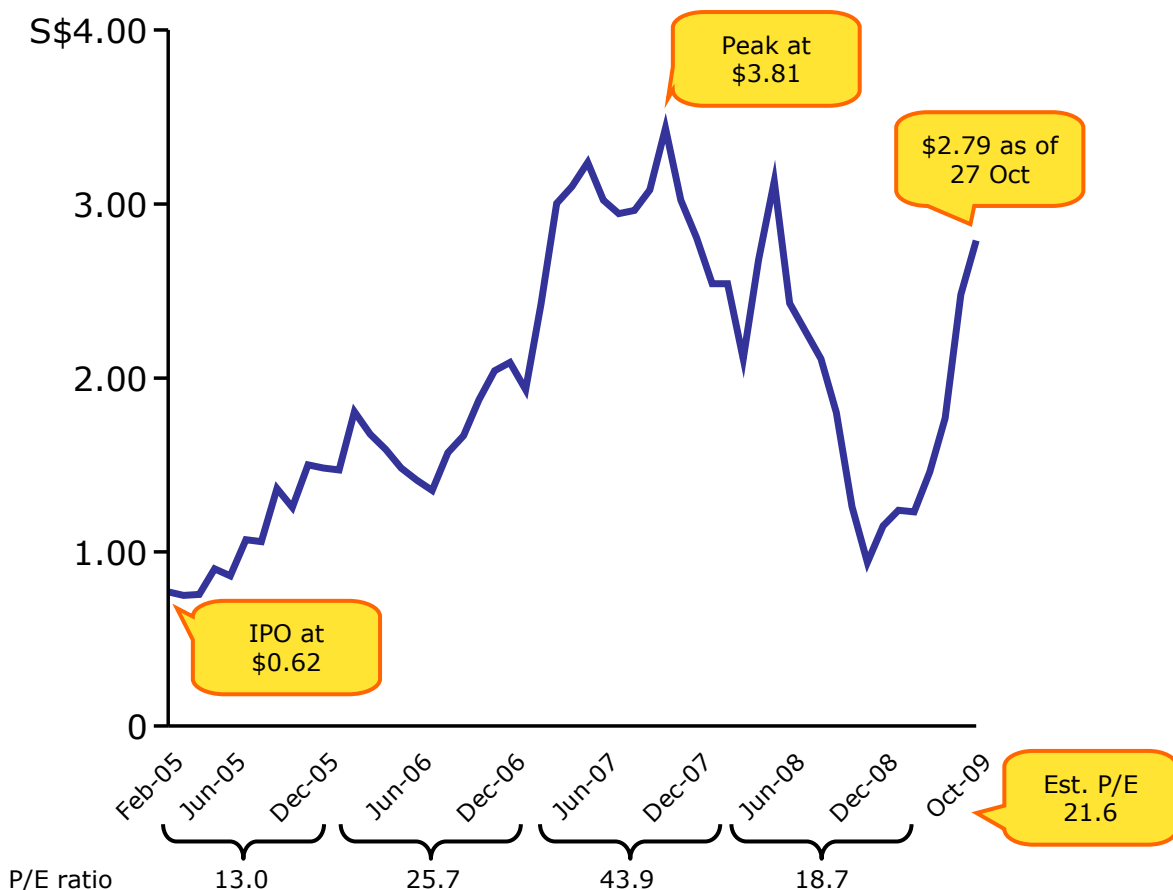


Over the years, we have built a unique business model



... generating high TSRs

Olam stock price

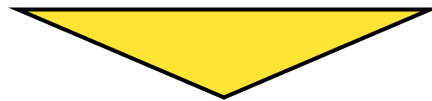


2005-09* TSR	41%
2005-06** TSR	146%
2006-07 TSR	43%
2007-08 TSR	36%
2008-09 TSR	12%

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

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

Our Vision:

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

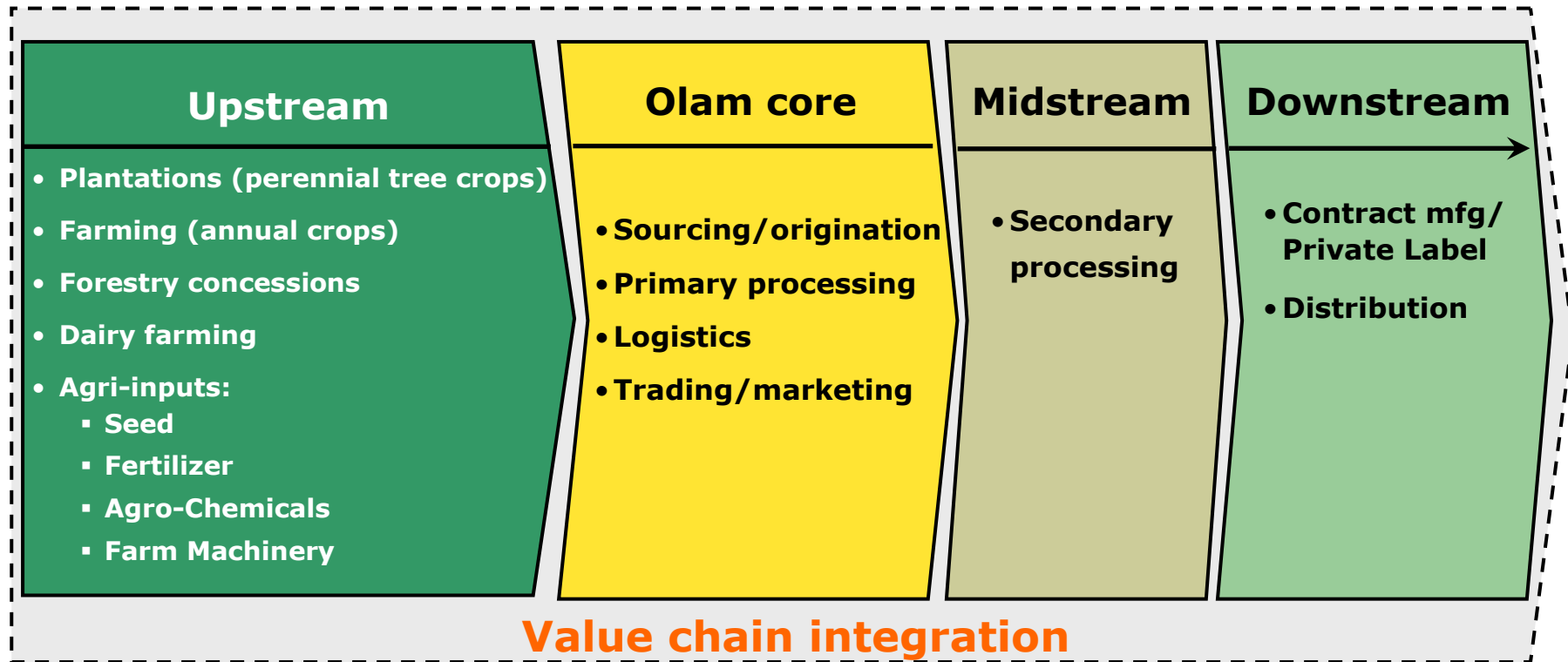
- Serving **growers** and **customers globally**
- Pursuing select **scalable and attractive niches** in **upstream** and **value added processing**; and
- Capitalising on our **emerging markets** expertise

Alternative Approaches

	Profit Margin	Asset Turns	Leverage*	ROE
Approach A:				
More of the same	2%	3.00x	4.0x	24%
Approach B:				
Selective value chain integration in excess return opportunities	4%	2.25x	3.2x	29%

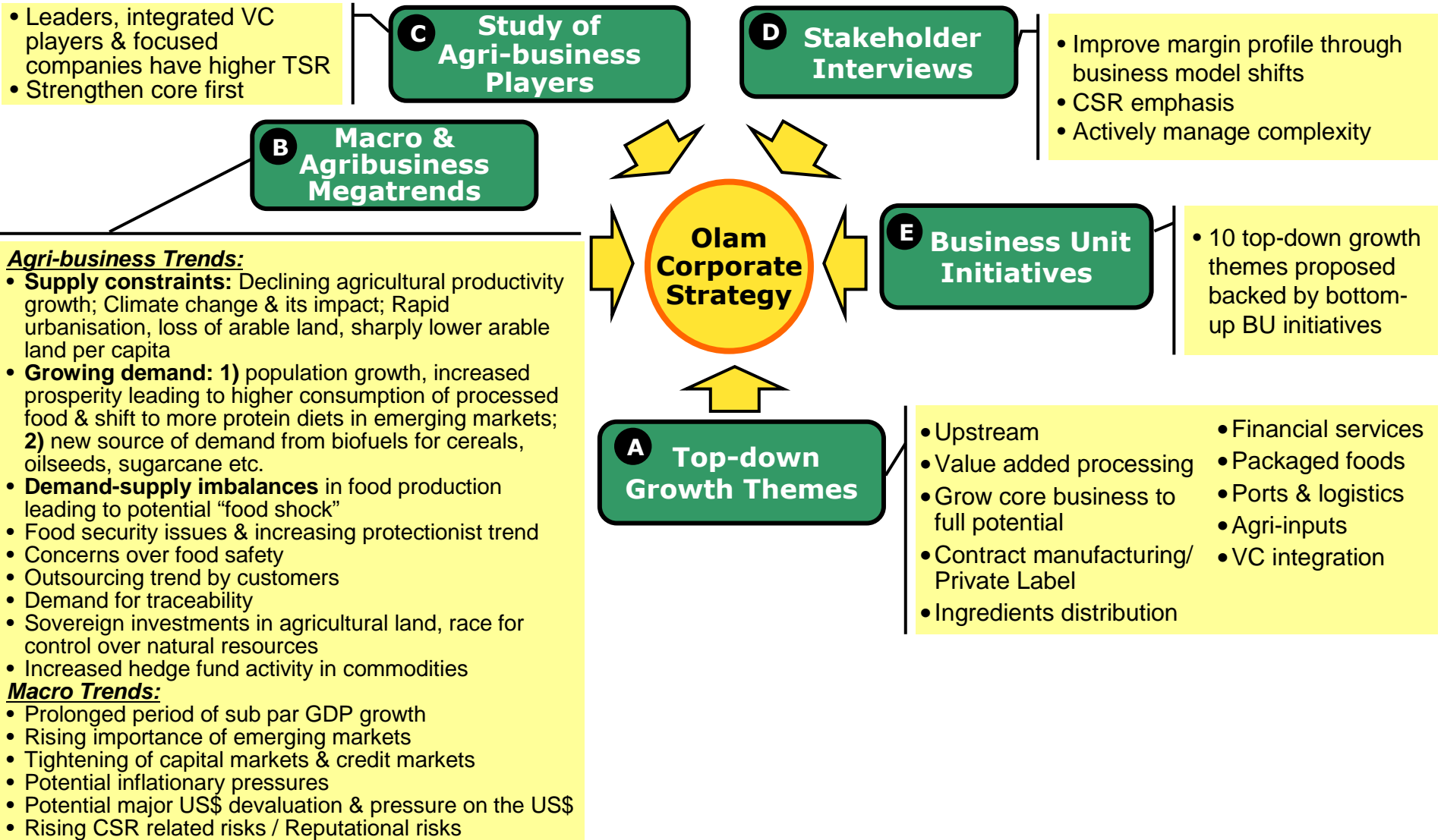
* Net Debt: Equity + 1

Agribusiness value chain



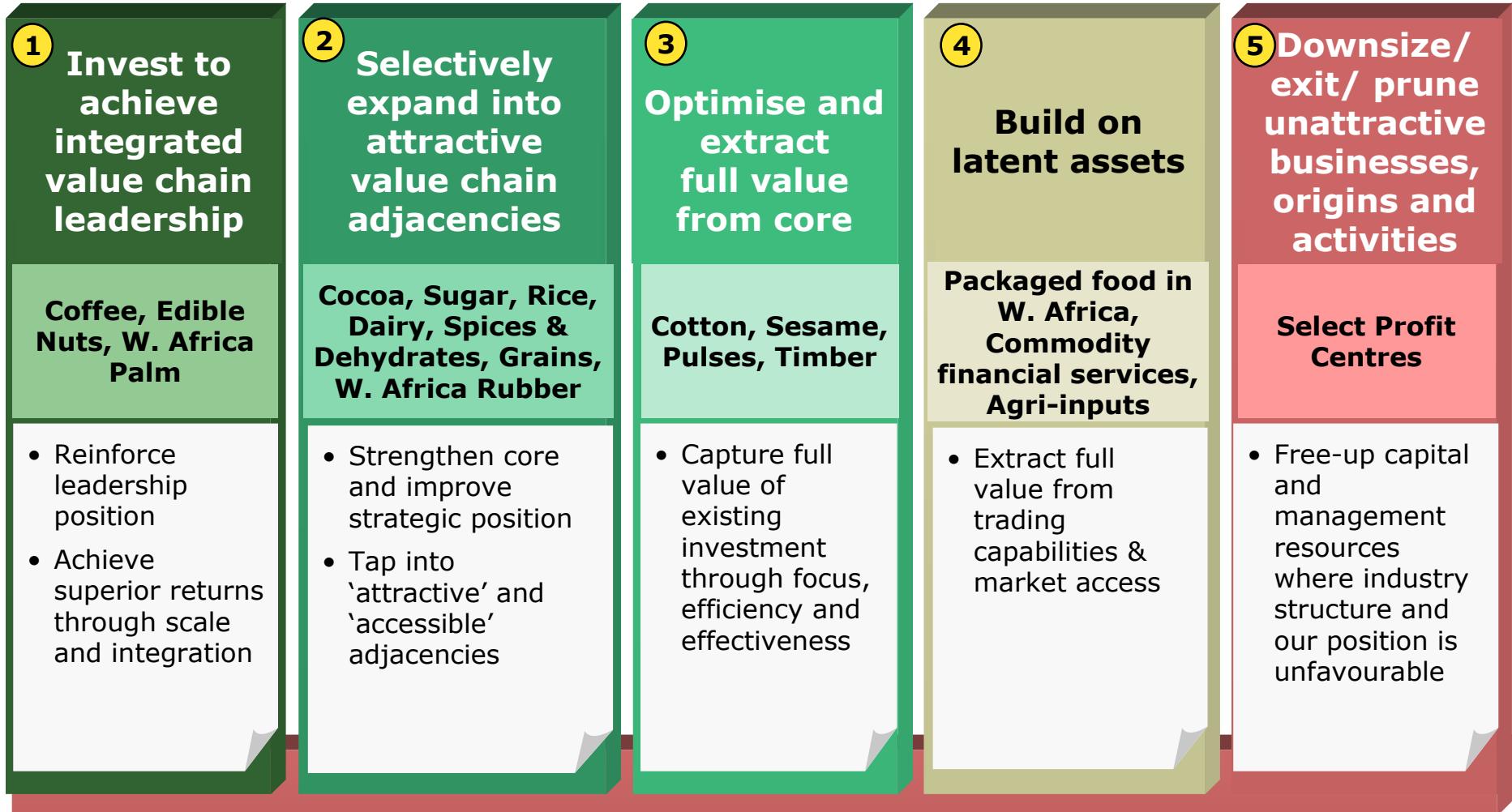
- ❖ What is the **distribution of the profit pool** within the various segments of the value chain?
- ❖ What is the **size of the prize**?
- ❖ What is our **winnability**? Can we **acquire or build competencies** required to win in the more attractive parts of the value chain?

We tapped multiple sources to inform our corporate strategy



Five strategic thrusts will direct our growth choices and Portfolio shape

Business unit strategies determined based on current strategic and financial position



We have identified a set of **Key Enablers** that are **critical to executing our Strategy**

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

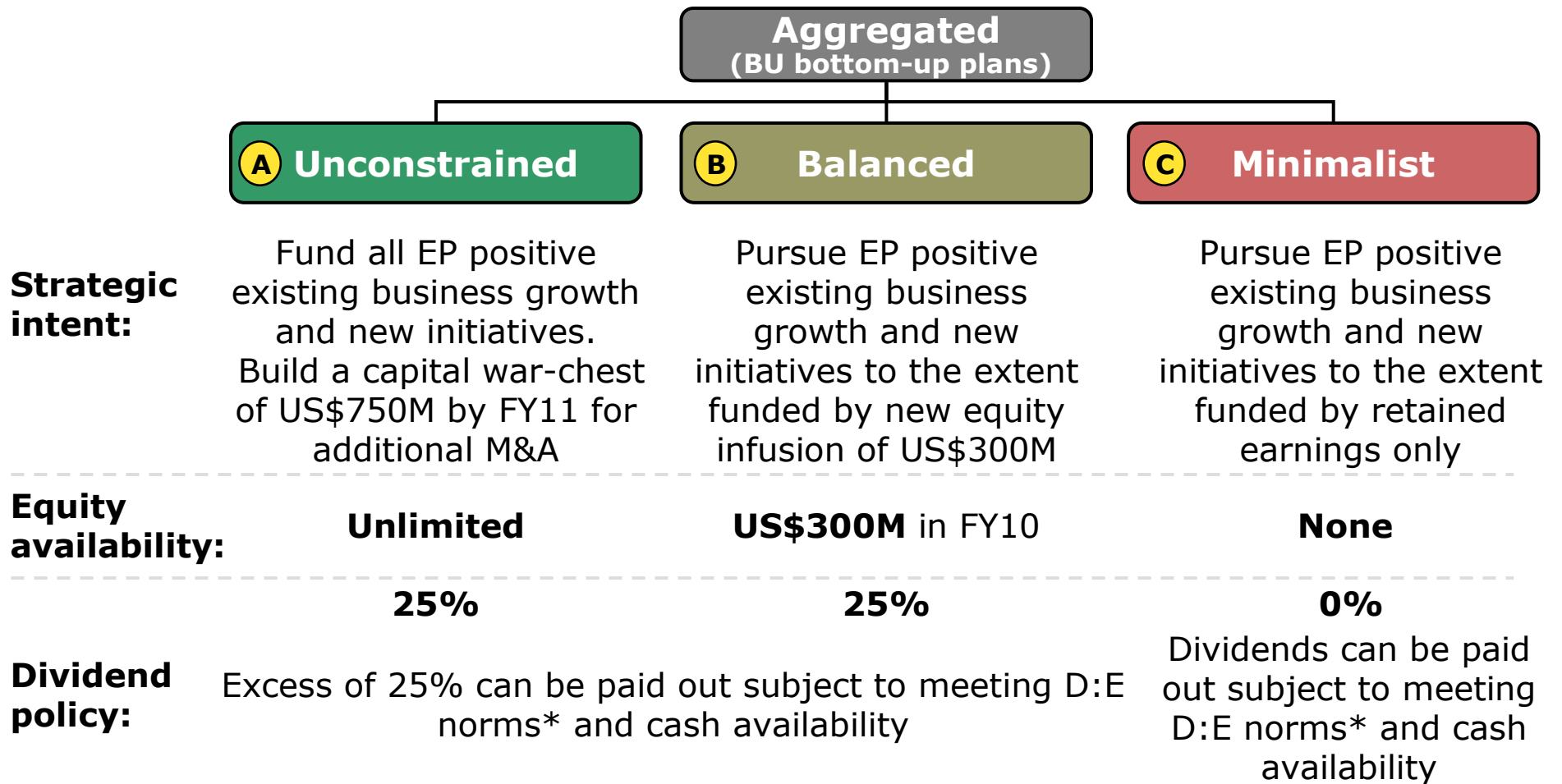
Capital efficacy

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

People and values

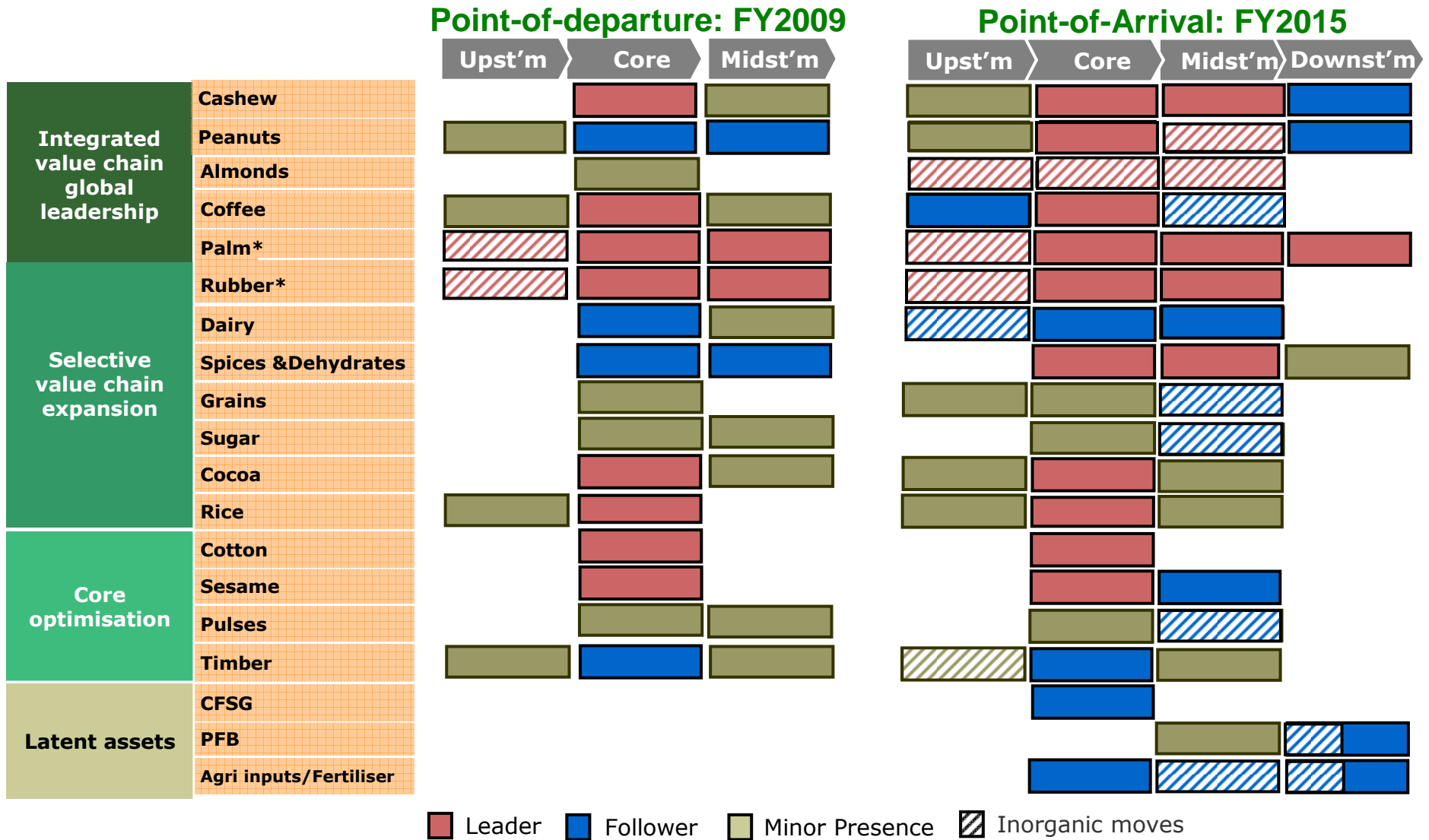
- Continue to attract and nurture **global talent pool**
- Uphold **entrepreneurial culture**

Building financial flexibility

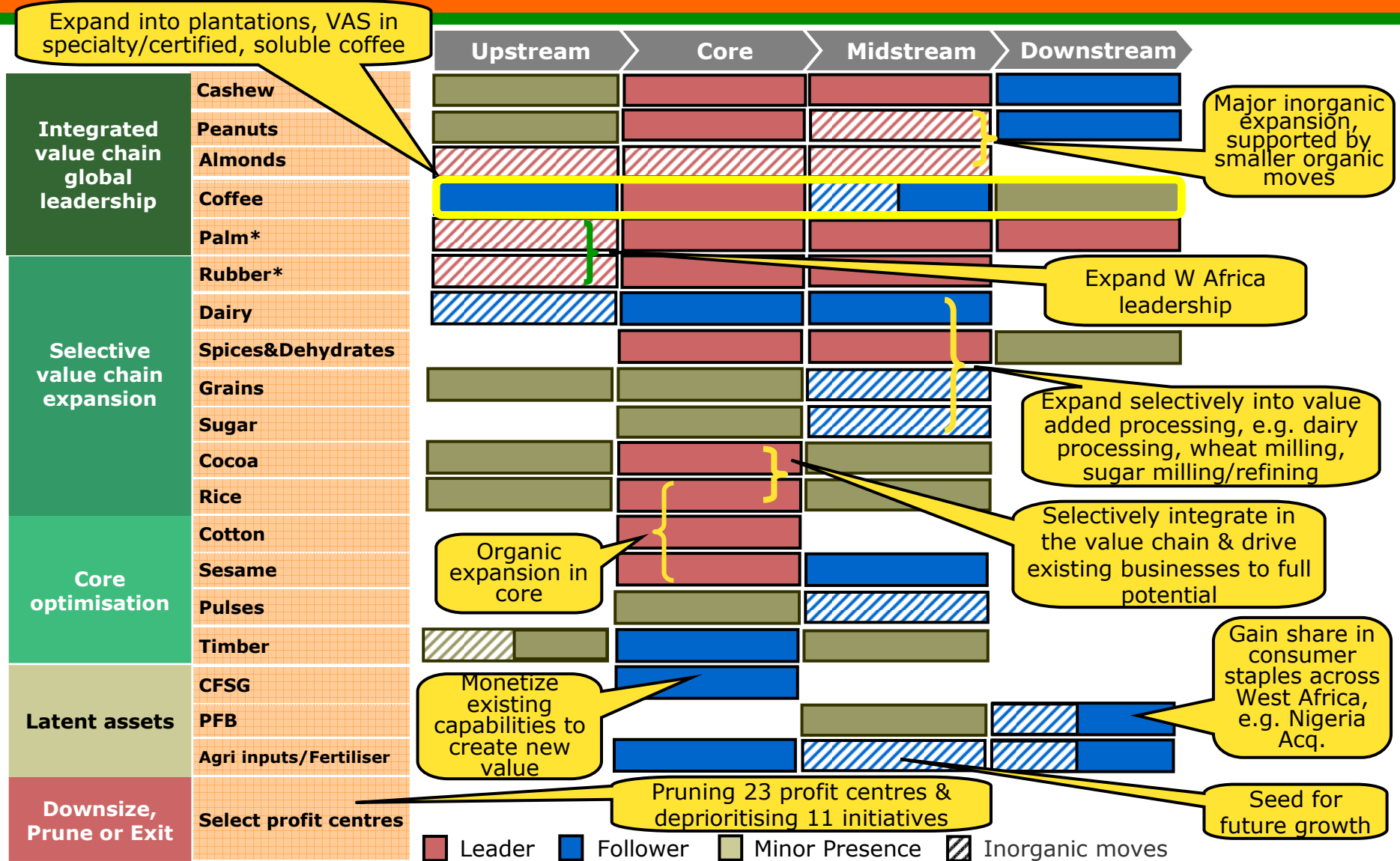


***Debt to Equity Norms:** Working capital financed at 3:1 ratio, CAPEX at 1.5:1 ratio, Investment in JVs at 0:1 ratio. Target is to reach norms by FY11

Reshaping the Portfolio



Growth initiatives are well aligned with our portfolio strategy



Our Strategy-on-a-Page

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

Vision	<p>To be the leading global supply chain manager and processor of agri-commodities by:</p> <ul style="list-style-type: none"> • Serving growers and customers globally • Pursuing select scalable and attractive niches in upstream and value added processing; and • Capitalising on emerging markets expertise 				
Goals	<ul style="list-style-type: none"> • Increase Intrinsic Value by 3-4x over the next two 3-year cycles • Equity spread $\geq 10\%$ (ROE - KE : 20% - 10%) • Capital spread $\geq 5\%$ (ROIC - WACC : 12% - 7%) • PBTI Margin $\geq 5\%$ • PAT Margin $\geq 4\%$ • Reduction in earnings volatility (BU & Portfolio) • Achieve strategic and financial flexibility • Be widely recognised as a responsible & sustainable value creator 				
Strategic thrusts	<p>Invest to achieve integrated value chain leadership</p> <p>Coffee, Edible Nuts, W. Africa Palm</p>	<p>Selectively expand into attractive value chain adjacencies</p> <p>Cocoa, Sugar, Rice, Dairy, Spices & Dehydrates, Grains, W. Africa Rubber</p>	<p>Optimise and extract full value from core</p> <p>Cotton, Sesame, Pulses, Timber</p>	<p>Leverage latent assets</p> <p>Packaged food in W. Africa, Agri-financial services, Agri-inputs</p>	<p>Downsize/exit / prune unattractive activities</p> <p>Select origins</p>
Enablers	<p>Excellence in execution</p> <ul style="list-style-type: none"> • Program management • Value added processing and upstream adjacencies set-up • Complexity management • IT, risk & compliance systems 	<p>M&A effectiveness</p> <ul style="list-style-type: none"> • M&A pipeline • Due diligence capabilities • Best-in-class integration 	<p>Capital efficacy</p> <ul style="list-style-type: none"> • Capital structure • Overhead and capital productivity 	<p>People & Values</p> <ul style="list-style-type: none"> • Global talent pool • Entrepreneurial culture 	

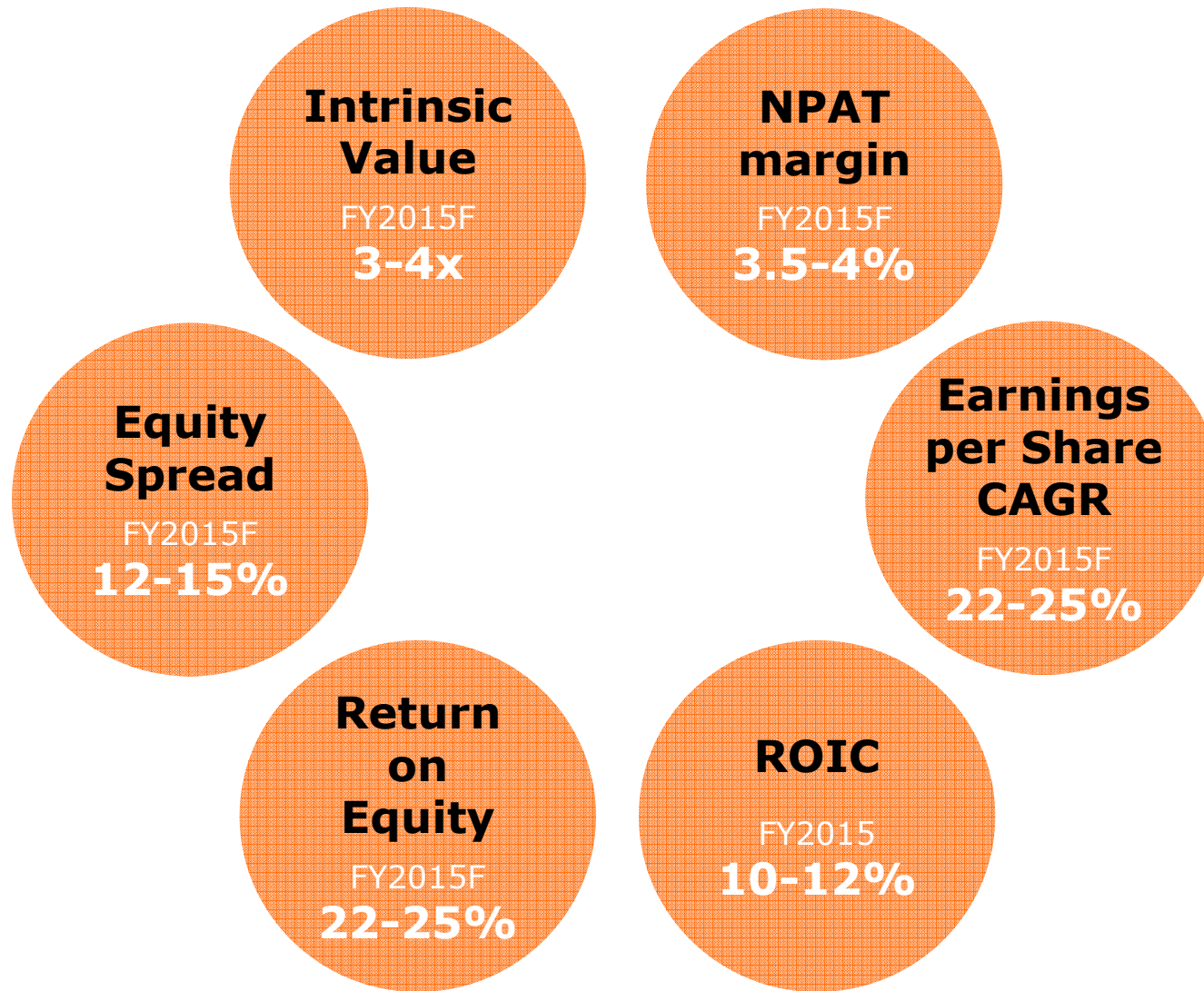
Strategy to diversify our portfolio & achieve step order change in margin profile

Value Chain Segments	2009 Breakdown	2015 Breakdown	Net Profit Margin	Share of PBT Margin
Upstream	5%	15%	15.0%	2.25%
Core + VAS*	75%	40%	2.2%	0.85%
Midstream & Downstream	15%	35%	4.0%	1.40%
Latent Assets	5%	10%	5.0%	0.50%
Total	100%	100%	N.A.	5.00%**
PBT margin	2.2%	5.0%	N.A.	5.00%

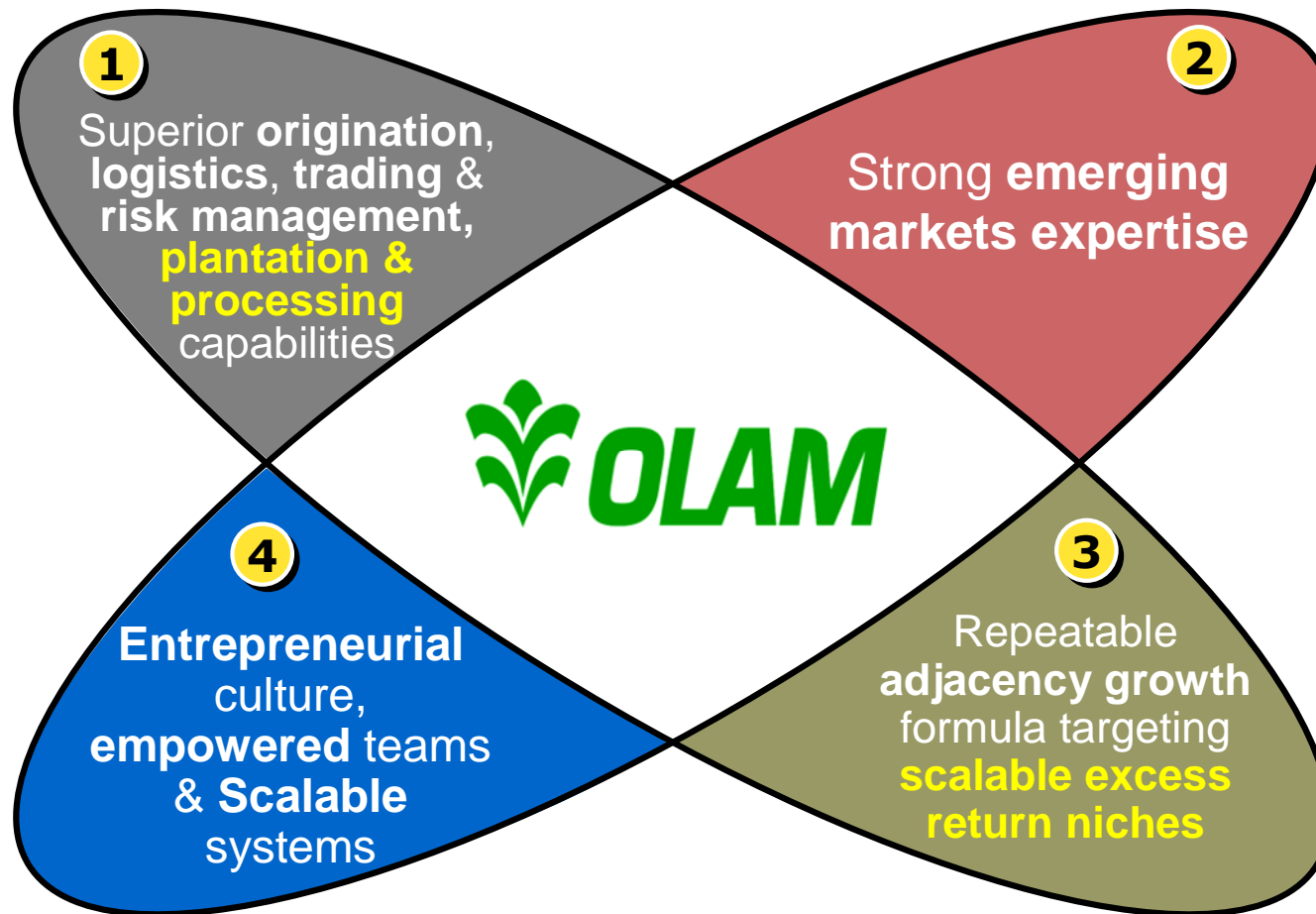
* Value-added services

** A 5% PBT Margin will translate to a 4% PAT margin

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



Continue to build on our unique business model



Key takeaways

Point-of-Departure

- Achieved **leadership positions** in **core origination, primary processing and trading** (e.g. Cashew, Coffee, Cocoa)
- Successfully **replicated core model** across **multiple** new **product, geographic & value chain adjacencies**
- Made **select entries into midstream value added processing** (e.g. UB, PT Dus, SK Foods etc.)

Point-of-Arrival

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

Thank you

