

## OLAM INTERNATIONAL LIMITED

### Financial Statements for the First Quarter Ended 30<sup>th</sup> September 2010

**PART I: Information required for announcements of Quarterly (Q1, Q2, Q3 & Q4), Half-Year and Full Year Results.**

1(a)(i) An income statement for the ("Group") - Olam International Limited ("Company") and its subsidiaries together with a comparative statement for the corresponding period of the immediately preceding financial year.

#### Profit & Loss Statement - First Quarter FY2011: Group

(in S\$'000)	Group		
	Three Months Ended		
	30 Sep 10	30 Sep 09	% change
<b>Revenue - Sale of goods</b>	2,451,056	1,876,657	<b>30.6%</b>
Other income	9,757	12,751	
	<b>2,460,813</b>	<b>1,889,408</b>	<b>30.2%</b>
<b>Costs and expenses</b>			
Cost of goods sold	(1,952,723)	(1,512,813)	
Shipping and logistics	(194,441)	(156,900)	
Commission and claims	(28,590)	(24,077)	
Employee benefit expenses	(65,643)	(50,503)	
Depreciation	(18,420)	(10,586)	
Net measurement of derivative instruments	(11,136)	4,622	
(Loss) / gain on foreign exchange	(3,508)	881	
Other operating expenses	(71,122)	(56,902)	
Finance costs	(82,509)	(62,651)	
	(2,428,092)	(1,868,929)	
Share of gain from jointly controlled entities / associates	2,904	872	
	<b>(2,425,188)</b>	<b>(1,868,057)</b>	<b>29.8%</b>
<b>Profit before taxation</b>	<b>35,625</b>	<b>21,351</b>	<b>66.9%</b>
Taxation	(5,936)	(2,315)	
<b>Profit for the period</b>	<b>29,689</b>	<b>19,036</b>	<b>56.0%</b>
<b>Attributable to:</b>			
Equity holders of the Parent	29,727	19,035	
Non-controlling interests	(38)	1	
	<b>29,689</b>	<b>19,036</b>	

1(a)(ii) A statement of comprehensive income for the (“Group”) - Olam International Limited (“Company”) and its subsidiaries together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Statement of Comprehensive Income – First Quarter FY2011: Group**

(in S\$'000)	Group	
	Three Months Ended	
	30 Sep 10	30 Sep 09
<b>Profit for the period</b>	<b>29,689</b>	<b>19,036</b>
<b>Other Comprehensive Income:</b>		
Net (loss) / gain on fair value changes during the period	(151,925)	(57,965)
Recognised in the profit and loss account on occurrence of hedged transactions	225,799	(22,547)
Foreign currency translation adjustment	(51,979)	(35,035)
<b>Other comprehensive income / (loss)</b>	<b>21,895</b>	<b>(115,547)</b>
<b>Total Comprehensive Income / (Loss)</b>	<b>51,584</b>	<b>(96,511)</b>
<b>Attributable to:</b>		
Equity holders of the Parent	51,622	(96,512)
Non-controlling interests	(38)	1
	<b>51,584</b>	<b>(96,511)</b>

1(b)(i) A Balance Sheet (for the Issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

**Balance Sheets : Group & Company**

(in S\$'000)	Group		Company	
	30 Sep 10	30 Jun 10	30 Sep 10	30 Jun 10
<b>Non-current assets</b>				
Property, plant and equipment	1,184,555	1,054,166	4,140	4,673
Intangible assets	356,709	341,586	22,637	19,456
Biological Assets	193,841	181,883	-	-
Investment in subsidiary companies	-	-	765,904	789,954
Deferred tax assets	85,174	63,978	20,141	9,697
Interest in jointly controlled entities	188,210	195,958	160,460	170,980
Investment in associates	250,115	271,279	251,613	271,422
Long term investments	119,398	18,752	119,398	18,752
Other non current assets	1,324	4,161	-	-
	<b>2,379,326</b>	<b>2,131,763</b>	<b>1,344,293</b>	<b>1,284,934</b>
<b>Current assets</b>				
Amounts due from subsidiary companies	-	-	1,182,499	1,340,165
Trade receivables	980,507	976,781	353,221	275,388
Margin accounts with brokers	139,322	152,815	65,205	165,164
Inventories	2,680,741	2,584,046	430,266	461,731
Advance payments to suppliers	306,156	237,784	148,406	85,824
Advance payments to subsidiary companies	-	-	1,299,890	1,415,482
Other current assets	428,642	392,656	155,029	85,200
Fixed deposits	57,857	259,117	48,170	247,425
Cash and bank balances	527,001	412,426	115,682	141,232
Fair value of derivative financial instruments	787,590	657,270	679,517	595,022
	<b>5,907,816</b>	<b>5,672,895</b>	<b>4,477,885</b>	<b>4,812,633</b>
<b>Current liabilities</b>				
Trade payables and accruals	(662,063)	(648,391)	(178,386)	(330,343)
Other current liabilities	(32,793)	(98,651)	(8,907)	(56,982)
Amounts due to bankers	(2,683,647)	(2,295,568)	(1,429,574)	(1,560,631)
Provision for taxation	(34,586)	(34,920)	(14,562)	(16,319)
Fair value of derivative financial instruments	(617,716)	(608,046)	(541,603)	(562,004)
	<b>(4,030,805)</b>	<b>(3,685,576)</b>	<b>(2,173,032)</b>	<b>(2,526,279)</b>
<b>Net current assets</b>	<b>1,877,011</b>	<b>1,987,319</b>	<b>2,304,853</b>	<b>2,286,354</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	(135,878)	(140,861)	-	-
Term loans from banks	(1,058,955)	(1,228,312)	(880,060)	(1,035,793)
Medium term notes	(249,999)	(249,016)	(249,999)	(249,016)
Convertible Bonds	(561,943)	(730,108)	(561,943)	(730,108)
Other Bonds	(328,750)	-	(328,750)	-
	<b>(2,335,525)</b>	<b>(2,348,297)</b>	<b>(2,020,752)</b>	<b>(2,014,917)</b>
<b>Net assets</b>	<b>1,920,812</b>	<b>1,770,785</b>	<b>1,628,394</b>	<b>1,556,371</b>
<b>Equity attributable to equity holders of the Parent</b>				
Share capital	1,307,281	1,201,581	1,307,281	1,201,581
Reserves	614,639	570,348	321,113	354,790
	1,921,920	1,771,929	1,628,394	1,556,371
Non-controlling Interests	(1,108)	(1,144)	-	-
<b>Total equity</b>	<b>1,920,812</b>	<b>1,770,785</b>	<b>1,628,394</b>	<b>1,556,371</b>

1(b)(ii) Aggregate amount of Group's borrowings and debt securities.

**Amounts repayable in one year or less or on demand**

	30 Sep 10		30 Jun 10	
	Secured	Unsecured	Secured	Unsecured
	(in S\$'000)	(in S\$'000)	(in S\$'000)	(in S\$'000)
Overdrafts	-	131,649	-	167,611
Loans	4,734	2,547,264	11,276	2,116,681
Medium Term Notes	-	-	-	-
<b>Total</b>	<b>4,734</b>	<b>2,678,913</b>	<b>11,276</b>	<b>2,284,292</b>

**Amounts repayable after one year**

	30 Sep 10		30 Jun 10	
	Secured	Unsecured	Secured	Unsecured
	(in S\$'000)	(in S\$'000)	(in S\$'000)	(in S\$'000)
Medium / Long Term Loans	-	1,058,955	-	1,228,312
Medium Term Notes	-	249,999	-	249,016
Convertible Bonds	-	561,943	-	730,108
Other Bonds	-	328,750	-	-
<b>Total</b>	<b>-</b>	<b>2,199,647</b>	<b>-</b>	<b>2,207,436</b>

**Security provided on loans**

A subsidiary, Universal Blanchers LLC in the United States, has an outstanding loan equivalent to S\$4.7 m (S\$11.3 m as at 30 June 2010) which is secured on the assets of the subsidiary.

1(c) A Cash Flow Statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

(in S\$'000)	Group	
	Three Months Ended	
	30 Sep 10	30 Sep 09
<b>Cash flow from operating activities</b>		
<b>Profit before taxation</b>	<b>35,625</b>	<b>21,351</b>
Adjustments for:		
Share of results from jointly controlled entities / associates	(2,904)	(872)
Depreciation of property, plant and equipment	18,420	10,586
Gain / (loss) on disposal of property, plant and equipment	194	(21)
Net measurement of derivative instruments	11,136	(4,622)
Amortisation of intangible assets	293	699
Cost of share-based payments	8,480	2,506
Interest income	(3,685)	(7,232)
Interest expense	82,509	62,651
<b>Operating cash flow before reinvestment in working capital</b>	<b>150,068</b>	<b>85,046</b>
Increase in inventories	(254,969)	(133,025)
Increase in trade & other receivables	(350,333)	(62,664)
Increase in advance payments to suppliers	(82,936)	(55,857)
Increase / (decrease) in trade & other payables	38,205	(242,711)
<b>Cash flow used in from operations</b>	<b>(499,965)</b>	<b>(409,211)</b>
Interest income received	3,685	7,232
Interest expense paid	(93,749)	(61,605)
Tax paid	(4,131)	(2,750)
<b>Net cash flow used in operating activities</b>	<b>(594,160)</b>	<b>(466,334)</b>
<b>Cash flow from investing activities</b>		
Proceeds from disposal of property, plant and equipment	420	4,112
Purchase of property, plant and equipment	(176,722)	(64,181)
Investment in jointly controlled entities / associates	-	(14,755)
Long term investment	(98,611)	-
<b>Net cash flow used in investing activities</b>	<b>(274,913)</b>	<b>(74,824)</b>
<b>Cash flow from financing activities</b>		
Proceeds from / (repayment of) loans from banks	445,627	(4,709)
Proceeds from issuance of shares on exercise of share options	12,098	4,123
Proceeds from issuance of shares for cash	-	437,388
Proceeds from issuance of bonds	328,750	-
<b>Net cash flow provided by financing activities</b>	<b>786,475</b>	<b>436,802</b>
<b>Net effect of exchange rate changes on cash and cash equivalents</b>	<b>31,875</b>	<b>(6,286)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(50,723)</b>	<b>(110,642)</b>
Cash and cash equivalents at the beginning of the period	503,932	268,677
<b>Cash and cash equivalents* at the end of the period</b>	<b>453,209</b>	<b>158,035</b>

\*Cash and cash equivalents include cash and bank balances, fixed deposits less overdrafts.

1(d)(i) A statement (for the Issuer and Group) showing either (i) all changes in equity, or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group 3 Months	Attributable to equity holders of the Company								Minority Interest	Total Equity
	Share Capital	Capital Reserves	Foreign Currency Translation Reserves	Fair Value Adjustment Reserves	Share-based Compensation Reserves	Revenue Reserves	Total Reserves	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
<b>At 30 September 2010:</b>										
<b>At 1 July 2010</b>	1,201,581	145,688	(166,452)	(248,415)	30,203	809,324	570,348	1,771,929	(1,144)	1,770,785
Profit for the period						29,727	29,727	29,727	(38)	29,689
Other comprehensive income for the period			(51,979)	73,874			21,895	21,895		21,895
<b>Total comprehensive income for the period</b>			<b>(51,979)</b>	<b>73,874</b>	<b>-</b>	<b>29,727</b>	<b>51,622</b>	<b>51,622</b>	<b>(38)</b>	<b>51,584</b>
Share-based expense					8,480		8,480	8,480		8,480
Issue of shares upon conversion of bonds	93,601	(15,811)					(15,811)	77,790		77,790
Issue of shares on exercise of share option	12,098						-	12,098		12,098
Acquisition of subsidiary company							-	-	74	74
<b>At 30 September 2010</b>	<b>1,307,280</b>	<b>129,877</b>	<b>(218,431)</b>	<b>(174,541)</b>	<b>38,683</b>	<b>839,051</b>	<b>614,639</b>	<b>1,921,919</b>	<b>(1,108)</b>	<b>1,920,811</b>
<b>At 30 September 2009:</b>										
<b>At 1 July 2009</b>	708,586	24,450	(85,035)	(179,943)	17,765	560,023	337,260	1,045,846	46	1,045,892
Profit for the period						19,035	19,035	19,035	1	19,036
Other comprehensive Income for the period			(35,035)	(80,512)			(115,547)	(115,547)		(115,547)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(35,035)</b>	<b>(80,512)</b>	<b>-</b>	<b>19,035</b>	<b>(96,512)</b>	<b>(96,512)</b>	<b>1</b>	<b>(96,511)</b>
Share-based expense					2,505		2,505	2,505		2,505
Issue of shares for cash	437,388						-	437,388		437,388
Issue of shares on exercise of share option	4,123						-	4,123		4,123
<b>At 30 September 2009</b>	<b>1,150,097</b>	<b>24,450</b>	<b>(120,070)</b>	<b>(260,455)</b>	<b>20,270</b>	<b>579,058</b>	<b>243,253</b>	<b>1,393,350</b>	<b>47</b>	<b>1,393,397</b>

  

Company 3 Months	Attributable to equity holders of the Company								Minority Interest	Total Equity
	Share Capital	Capital Reserves	Foreign Currency Translation Reserves	Fair Value Adjustment Reserves	Share-based Compensation Reserves	Revenue Reserves	Total Reserves	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
<b>At 30 September 2010:</b>										
<b>At 1 July 2010</b>	1,201,581	145,688	(80,321)	(264,403)	30,203	523,623	354,790	1,556,371		
Profit for the period						(6,592)	(6,592)	(6,592)		
Other comprehensive income for the period			(100,559)	80,805			(19,754)	(19,754)		
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>(100,559)</b>	<b>80,805</b>	<b>-</b>	<b>(6,592)</b>	<b>(26,346)</b>	<b>(26,346)</b>		
Share-based expense					8,480		8,480	8,480		
Issue of shares up on conversion of bonds	93,601	(15,811)					(15,811)	77,790		
Issue of shares on exercise of share option	12,098						-	12,098		
<b>At 30 September 2010</b>	<b>1,307,280</b>	<b>129,877</b>	<b>(180,880)</b>	<b>(183,598)</b>	<b>38,683</b>	<b>517,031</b>	<b>321,113</b>	<b>1,628,393</b>		
<b>At 30 September 2009:</b>										
<b>At 1 July 2009</b>	708,586	24,450	(41,562)	(220,167)	17,765	440,779	221,265	929,851		
Profit for the period						(18,227)	(18,227)	(18,227)		
Gain on buy-back of convertible bonds		-				-	-	-		
Other comprehensive Income for the period			(22,593)	(92,844)			(115,437)	(115,437)		
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>(22,593)</b>	<b>(92,844)</b>	<b>-</b>	<b>(18,227)</b>	<b>(133,664)</b>	<b>(133,664)</b>		
Dividends on ordinary shares							-	-		
Share-based expense					2,505		2,505	2,505		
Issue of shares for cash	437,388						-	437,388		
Issue of shares on exercise of share option	4,123						-	4,123		
<b>At 30 September 2009</b>	<b>1,150,097</b>	<b>24,450</b>	<b>(64,155)</b>	<b>(313,011)</b>	<b>20,270</b>	<b>422,552</b>	<b>90,106</b>	<b>1,240,203</b>		

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Jul - Sep 10	Jul - Sep 09
Issue of Shares for cash	-	273,459,000
Issue of Shares upon conversion of Bonds	94,778,382	-
Issue of shares on exercise of share options	7,722,186	2,538,359

	Sep 10	Sep 09
<b>Shares to be issued upon exercise of:</b>		
Conversion right of convertible bonds	240,304,130	120,629,020
Share options	107,658,930	102,074,966
<b>Total no. of shares to be issued as at the end of period</b>	<b>347,963,060</b>	<b>222,703,986</b>

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Sep 10	Jun 10
<b>Issued, fully paid share capital :</b>		
Balance no. of shares as at the beginning of period	2,020,759,705	1,715,894,324
Issue of Shares for cash	-	273,459,000
Issue of Shares under Scrip Dividend Scheme	-	5,633,004
Issue of Shares on conversion of Bonds	94,778,382	18,911,168
Issue of Shares on exercise of share options	7,722,186	6,862,209
<b>Total no. of shares outstanding as at the end of period</b>	<b>2,123,260,273</b>	<b>2,020,759,705</b>

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

N/A

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The financial statements presented above have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

N/A

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The adoption of the new and revised accounting standards that became applicable from 1 July 2010 did not result in substantial changes to the Group accounting policies, which are consistent with

those used in the audited financial statements as at 30 June 2010.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the changes.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 30 June 2010 except for the adoption of new or revised FRS that are mandatory for financial years beginning on or after 1 July 2010. The adoption of these FRS has no significant impact to the Group.

6. Earnings per ordinary share of the Group for the current financial period reported and for the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	Period Ended	
	30 Sep 10	30 Sep 09
(a) Based on weighted average no. of shares (cents/share)	1.44	0.96
(b) Based on fully diluted basis (cents/share)	1.41	0.39
Weighted average no. of shares applicable to basic earnings per share	2,070,536,846	1,991,245,633
Weighted average no. of shares based on fully diluted basis	2,111,886,123	2,138,971,824

7. Net asset value (for the Issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

- (a) current financial period reported on; and  
 (b) immediately preceding financial year.

(In cents per share)	Group		Company	
	As at 30 Sep 10	As at 30 Jun 10	As at 30 Sep 10	As at 30 Jun 10
Net asset value (NAV) per ordinary share based on issued share capital as at end of the period	73.72	70.78	75.63	76.06

The NAV for the Group before fair value adjustment reserve, goodwill and other intangibles decreased from 99.98 cents/share in June 2010 to 98.74 cents /share in September 2010.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and  
 (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.



## **Introduction**

As supply chain managers, we are engaged in the sourcing of various agricultural commodities from the producing countries and processing, warehousing, transporting, shipping, distributing and marketing of the same right up to the factory gate of our customers in the destination markets while managing the risks at each stage of the supply chain. From our founding in 1989, the Company has evolved from a single country, single product trader to a multi-country, multi-product supply chain manager. Today, Olam is a leading global integrated supply chain manager for 20 agricultural products and food ingredients, with operations in over 60 countries.

In that process of evolution and development, the Olam business model has grown both in depth as well as breadth, pursuing selected value chain adjacencies which both complement and enhance our core supply chain model.

The evolution of our business model over recent years has led us to develop new competencies as we have pursued our strategic goals, including the capabilities to identify, execute and integrate attractive acquisition opportunities in selected countries and within or adjacent to our core value chain activities. Successfully completed transactions have addressed opportunities in both the upstream and midstream parts of the value chain.

Building on existing and new capabilities has included careful expansion upstream into plantation ownership and management (perennial crops), farming (annual crops), dairy farming, and forest concessions management. These opportunities, both organic and inorganic, have been pursued in countries that have a comparative advantage to produce these commodities relatively better and at relatively lower costs on a sustainable basis. Pursuit of the more interesting opportunities in the upstream segment has led us to complete transactions in palm and rubber plantations in Africa, almond plantations in Australia, coffee plantation in Laos, peanut farming in Argentina, rice farming in Nigeria and Mozambique, cotton farming in Mozambique, dairy farming in Uruguay and the development of tropical forest concessions in Gabon and Mozambique.

Similarly, in the midstream part of the value chain, we pursued initiatives in both value added processing and manufacturing activities. In the integration initiatives aimed at enhancing the midstream part of our model, we have committed investments in wheat milling in Nigeria and Ghana, sugar milling and refining in India and Indonesia, cocoa processing in the Cote d'Ivoire and Nigeria, tomato paste manufacturing in California, dehydrates manufacturing in USA and China, peanut ingredient manufacturing in USA, palm refining in the Cote d'Ivoire, mechanical processing of cashews in the Cote d'Ivoire and Nigeria, cashew ingredients manufacturing in Vietnam and the USA, and spice grinding in Vietnam, amongst others.

Another area that Olam has earmarked for future entry is to capitalize further on our extensive grower and supplier base in various producing countries by entering local markets to compete in the fertilizer manufacturing and distribution businesses, which are closely related to our in-country agricultural base.

In addition, Olam has also diversified into two new businesses which build on latent assets and capabilities that we have developed in the business over the last 20 years:

- i) The Commodity Financial Services business (CFS), which benefits from our deep understanding of both commodity and financial markets, as well as our capabilities and knowledge in leading-edge risk management practices; and
- ii) Packaged Foods distribution in West Africa, building our own consumer brands which capitalize on our existing knowledge of African markets and operations, brands, and consumers. The foundation for this downstream activity is our knowledge and capabilities related to the management of food supply chains and the common distribution pipeline that we have built for related commodity products (including rice, sugar, wheat flour and dairy products) in West Africa.

## Business Segmentation and Reporting

We organize the 20 products into 4 reporting segments. In addition to the products, we have now added a 5<sup>th</sup> segment for activities related to CFS. The segmental reporting is described below:

Business Segment	Products
<b>Edible Nuts, Spices &amp; Beans</b>	Cashews Peanuts Almonds Spices & Dehydrates Sesame Beans (Pulses, Lentils & Peas)
<b>Confectionery &amp; Beverage Ingredients</b>	Cocoa Coffee Sheanuts
<b>Food Staples &amp; Packaged Foods</b>	Rice Sugar Grains (Wheat, Barley, Corn) Palm Products Dairy Products Packaged Foods
<b>Industrial Raw Materials</b> (Earlier called the Fibre & Wood Products segment)	Cotton Wool Wood Products Rubber
<b>Commodity Financial Services (CFS)</b>	Market Making Risk Management Solutions Commodity Funds Management

## Background to analysing our Financial Statements

### Profitability

- a. **Inclusion of results of companies acquired by the Group:** The results include the consolidated results of Gilroy Foods and Flavors (GFF), the acquisition of which was completed during the quarter. As a result of the financial impact of the acquisition, the consolidated results for Q1 FY2011 are not strictly comparable to the results of Q1 FY2010.
- b. **Gross and Net Contribution:** We measure and track our profitability in terms of Gross Contribution (GC) and Net Contribution (NC) per ton of product supplied. For every transaction, we target a minimum net contribution per ton of product supplied based on the investment, risks, complexities and value added services that we provide to our customers to meet their specific requirements. We are focused on enhancing these margins by providing value added services such as vendor managed inventory solutions (VMI), organic certification, traceability guarantees, fair trade produce certification (FTP), customised grades and quality, processed ingredients supply, proprietary market intelligence and risk management solutions.

GC is calculated as the sale of goods plus other income, less the cost of goods sold (raw material costs plus other direct costs, including packing costs etc.), shipping and logistics expenses, claims and commissions, bank charges, net measurement of derivative instruments, gain/loss on foreign exchange and share of gain/loss from jointly controlled entities/associates. For the purposes of determining Net Contribution, finance costs excluding interest on debt for fixed capital investments, net of interest income are reduced from the GC. For analyzing the performance of the group, share of jointly controlled entities/associates has been included in the GC and NC along with proportionate share of volumes. Due to the changes in the segmental reporting, the previous year numbers have been reclassified appropriately.

The computation for GC and NC for Q1 FY2011 and Q1FY2010 is as under:

(in S\$'000)	Group	
	Three Months Ended	
	30 Sep 10	30 Sep 09
<b>Total Revenue</b>	<b>2,460,813</b>	<b>1,889,408</b>
<b>Add:</b>		
- Share of gain from jointly controlled entities / associates	2,904	872
<b>Less:</b>		
- Interest income	(3,685)	(7,232)
- Cost of goods sold, shipping and logistics, commissions and claims	(2,175,754)	(1,693,790)
- Net measurement of derivative instruments, gain / (loss) on foreign exchange, bank charges	(22,706)	(469)
<b>Gross Contribution</b>	<b>261,572</b>	<b>188,789</b>
<b>Less:</b>		
- Interest on working capital	(58,640)	(44,331)
<b>Net Contribution</b>	<b>202,932</b>	<b>144,458</b>

- c. **Volumes:** Volumes include proportionate share of volumes from the jointly controlled entities/ associates. Volume is one of the key drivers to our profitability. Given our integration and end-to-end supply chain capabilities, we seek to match the supply of our products with demand from our customers. The volume of agricultural products that we supply is largely within our control and is a function of the strength of our supply chain infrastructure in the origins (producing countries) and the markets (consuming countries).
- d. **Seasonality:** The production of agricultural products is globally, seasonal in nature. The seasonality of the products in our portfolio depends on the location of the producing country. The harvesting season for most of the agricultural products for countries situated in the northern hemisphere generally falls between October and March. Countries in the southern hemisphere have harvesting seasons between April and September. It is also not unusual to experience both delays as well as early starts to the harvesting seasons in these countries based on actual weather patterns in a particular year. In addition to an early or delayed harvesting season, the precise timing and size of arrivals of these products can also vary based on the farmer's selling decisions,; these are mainly a function of the farmer's view on prices and inventory holding capacity. The majority of our origins are located in the northern hemisphere. Consequently, our earnings tend to be relatively higher in the Second Half of the Financial Year (January to June) compared to the First Half of the Financial Year (July to December).

Based on this seasonality, we have observed the phasing and range of our earnings to be as follows:

Q1 July - Sept	Q2 Oct - Dec	1 <sup>st</sup> Half July – Dec	Q3 Jan - March	Q4 Apr – June	2 <sup>nd</sup> Half Jan - June
5 – 10%	25 – 30%	<b>30 – 40%</b>	35 – 40%	25 – 30%	<b>60 – 70%</b>

## **Balance Sheet and Cash Flow Statement**

Working capital is deployed to fund inventories, trade and other receivables, margin accounts with brokers, advance payments to suppliers, trade payables and accruals. Working capital needs fluctuate constantly due to changes in the volume and prices of agricultural products. This may cause either an increase or decrease in funds allocated to operations. A large part (85%) of working capital is used to fund the liquid hedged inventories that meet four qualifying conditions:

- 1) *non perishability* (all commodities in Olam's portfolio are non perishable with a shelf life of 2 years and above);
- 2) *limited obsolescence risk* (not easily substitutable or not likely to go out of style or fashion),
- 3) *hedged or sold forward* (no inventory value erosion risk as the inventory is hedged), and
- 4) *liquid* (can be converted into cash at short notice).

These inventories and secured receivables are therefore liquid assets and are regarded by us as near cash. Changes in working capital are therefore not permanent deployment of funds as this capital gets converted into cash when goods are delivered to customers or tendered on the Exchange and monies are collected.

## **Profit and Loss Statement**

The Company has increased sales volume, sales revenue and net profit after tax by 21.1%, 30.6% and 56.0% respectively in Q1 FY2011 compared to Q1 FY2010.

The demand for Food Raw Materials and Ingredients, which is made up of Edible Nuts, Spices and Beans, Confectionery and Beverage Ingredients and Food Staples and Packaged Foods accounted for 76.7% of our revenue in Q1 FY2011. Sales Volume for this segment increased by 19.5% in Q1 FY2011 compared to Q1 FY2010. The Net contribution (NC) for this segment increased by 32.3% in Q1 FY2011 compared to Q1 FY2010. NC per ton also increased by 10.7% to S\$125 per ton in Q1 FY2011 up from S\$113 per ton in Q1 FY2010.

The Industrial Raw Materials segment includes four agri-commodities, namely Cotton, Wool, Rubber and Wood Products. This segment accounted for the remaining 23.3% of our revenue in Q1 FY2011. Sales Volume for the segment increased by 28.7% in Q1 FY2011 compared to Q1 FY2010. The Net contribution for the segment increased by 46.9% in Q1 FY2011 compared to Q1 FY2010; NC per ton increased by 14.2% to S\$128 per ton from S\$112 per ton in Q1 FY2010.

## Segmentals Analysis

The following table provides the segmental breakdown on Sales Volume, Sales Revenue, Gross Contribution (GC) and Net Contribution (NC) for Q1 FY2011:

Segment	Sales Volume (in Metric Tons)		Sales Revenue (in S\$'000)		Gross Contribution (GC) (in S\$'000)		Net Contribution (NC) (in S\$'000)	
	Sep 10	Sep 09	Sep 10	Sep 09	Sep 10	Sep 09	Sep 10	Sep 09
Edible Nuts, Spices & Beans	327,828	320,132	425,319	355,360	65,155	51,804	55,186	42,590
Per ton (S\$)					199	162	168	133
Confectionery & Beverage Ingredients	231,733	223,265	733,045	660,908	65,854	51,977	44,160	34,534
Per ton (S\$)					284	233	191	155
Food Staples & Packaged Foods	734,862	539,411	720,923	483,634	72,260	52,159	62,469	45,224
Per ton (S\$)					98	97	85	84
Industrial Raw Materials*	287,706	223,585	571,769	376,755	53,480	35,741	36,742	25,002
Per ton (S\$)					186	160	128	112
Commodity Financial Services	-	-	-	-	4,823	(2,892)	4,375	(2,892)
<b>Total</b>	<b>1,582,129</b>	<b>1,306,393</b>	<b>2,451,056</b>	<b>1,876,657</b>	<b>261,572</b>	<b>188,789</b>	<b>202,932</b>	<b>144,458</b>
Per ton (S\$)					165	145	128	111

\*Sales volume for Wood Products is measured in cubic meters.

The **Edible Nuts, Spices & Beans segment** registered volume growth of 2.4%, revenue growth of 19.7%, GC growth of 25.8% and NC growth of 29.6% compared to Q1 FY2010. NC per ton in this segment grew an impressive 26.5% from S\$133 to S\$168. Volume growth has been lower mainly on account of the closure of the Pulses Business during this quarter as compared to Q1FY2010. During this quarter, we completed acquisition of ConAgra's dehydrated and vegetable products business "Gilroy Foods & Flavors". The operations are in the process of being integrated with our existing spices and dehydrates business. Initial results have been positive.

The **Confectionery & Beverage Ingredients segment** registered growth of 3.8% in volumes, 26.7% in GC and 27.9% in NC compared to Q1 FY2010. More importantly, this segment grew its NC per ton by 23.2% from S\$155 in Q1 FY2010 to S\$191 in Q1 FY2011. Volume growth has been lower, mainly on account of the delayed start to the West Africa cocoa season. We have decided to set up a greenfield cocoa processing facility in Abidjan, Cote d'Ivoire, with an expected capital outlay of US\$ 43.5 million. Project implementation has commenced.

The **Food Staples & Packaged Foods segment** has had one of its best ever quarters with volume growing 36.2%, revenue 49.1%, GC 38.5% and NC 38.1% compared to Q1 FY2010. NC per ton grew by 1.4% to S\$85 from S\$84 in Q1 FY2010. The impressive volume growth was led by wheat business which has been able to grow its market share in East and South Africa markets. The wheat milling operations in Nigeria have continued to perform well. The greenfield wheat milling project in Ghana continues to make good progress. During the quarter, the company successfully acquired an additional 59.53% shareholding in NZ Farming Systems Uruguay (NZFSU). We are in the process of carrying out a full business plan review in conjunction with the NZFSU Board. This process is likely to be completed by end January 2011. Olam will, through the business plan review, draw up a clear pathway to take NZFSU to strong growth with sustained profitability.

The **Industrial Raw Materials segment** saw volume growth in Q1 FY2011 of 28.7%, GC growth of 49.6% and NC growth of 46.9% compared to Q1 FY2010. This segment constituted 18.2% of the Company's volumes, 23.3% of its revenues, 20.4% of its GC and 18.1% of its NC. NC per ton in this segment grew by 14.2% from S\$112 in Q1 FY2010 to S\$128 in Q1 FY2011. The cotton markets have risen significantly on fears of lower crops in India, China and the US; and prices are at historically high levels. We continue to make good progress in this business and have increased our market share in both Australia and US markets. The wood products business saw a steady offtake across its markets, more specifically in Asia.

The **Commodity Financial Services (CFS) segment** had a good quarter and contributed to 2.2% of the Group's NC with S\$4.4 million as against a NC loss of S\$2.9 million in Q1FY2010. We launched the 'Ektimo Commodity Relative Value Fund' during this quarter. Olam contributed US\$ 30 million to this fund and we were able to raise another US\$27 million from Institutional investors and Olam's management team.

### **Costs and Expenses**

Q1 FY2011: Overhead expenses at S\$147.1 million for Q1 FY2011 was 31.3% higher than the corresponding quarter in Q1 FY2010, mainly on account of increased overheads for recently acquired businesses and for additional performance incentive provision in Q1 FY2011 compared to Q1 FY2010.

### **Taxation**

Q1 FY2011: Taxes increased to S\$5.9 million for Q1 FY2011 as compared to S\$2.3 million for Q1 FY2010.

### **Net profit after tax**

Q1 FY2011: Net profit after tax increased by 56.0% to S\$29.7 million for Q1 FY2011 from S\$19.0 million in Q1 FY2010.

### **Balance Sheet & Cash Flow**

During Q1 FY2011, the industry continued to experience volatility in the prices of various commodities. The application of Hedge Accounting provisions under FRS39 affects equity and fair value of derivative financial instruments under current assets and current liabilities. Since we participate in this industry as supply chain managers and not as positional/directional traders, market volatility, as in past periods, has had limited impact on the profitability of the Group.

### **Property, plant and equipment**

During Q1 FY2011, property, plant and equipment increased from S\$1,054.2 million to S\$1,184.6 million. The increase of S\$130.4 million was mainly on account of purchase of Gilroy Foods' assets in USA.

### **Long term investments**

During Q1 FY2011, long term investments increased from S\$18.8 million to S\$119.4 million. The increase was mainly on account of the acquisition of additional stake of 59% in New Zealand Farming Systems Uruguay (NZFSU) during the quarter. For Q1 FY2011, we have not consolidated the results of this acquisition as the transaction was completed only on 24<sup>th</sup> Sept2010. Disclosures required by revised FRS 103 will be made in Q2FY2011.

### **Current Assets**

#### ***Debtors Analysis***

Debtor days in Q1 FY2011 increased to 36 days as compared to 31 days as at 30 September 2010.

#### ***Stocks***

Stock turnover days decreased to 111 days as compared to 114 days as at 30 September 2009. Stock value increased by S\$96.7 million to S\$2,680.7 million from S\$2,584.0 million as on 30 June 2010.

#### ***Advance to Suppliers***

Advance to Suppliers days decreased to 12 days in Q1 FY2011 from 18 days as at 30 September 2010. The advances increased from S\$237.8 million as at 30 June 2010 to S\$306.2 million in Q1 FY2011.

## **Cash and Fixed Deposits**

Cash and Fixed Deposits decreased by 12.9% to S\$584.9 million as on 30 September 2010 from S\$671.5 million as on 30 June 2010.

## **Borrowings**

Borrowings increased to S\$4,883.2 million as of end of September 2010 from S\$4,503.0 million as of 30 June 2010. This increase is in line with the growth in the business and investments in upstream and midstream assets. The borrowings net of cash and cash equivalents amounted to S\$4,298.4 million as compared to S\$3,831.5 million as at 30 June 2010. However Net Debt to Equity ratio increased from 1.90 in Q1 FY2010 to 2.05 in Q1 FY2011. During the quarter, we issued and priced Senior Unsecured Bonds amounting to US\$250 million. These bonds are unrated and have a tenor of 10 years from the date of issue.

## **Non-current liabilities - Convertible Bonds**

The amount in the balance sheet represents the debt component along with accrued interest for both the outstanding Convertible Bonds of principal value US\$19.2 million issued in Q1 FY2010 and Convertible Bonds issued in Q2FY2010 with a principal value of US\$500 million. In Q1 FY2011 the Company mandatorily converted all outstanding 1.2821% bonds into ordinary shares pursuant to the terms and conditions of the bonds

## **Equity**

Total share capital and reserves (before non-controlling interest) increased by 8.5% from S\$1,771.9 million as of 30 June 2010 to S\$1,921.9 million as of 30 September 2010.

During Q1 FY2011, the Company issued 102,500,568 shares for cash, on conversion of bonds and exercise of share options

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

There was no forecast made by the Company.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

During the period and in the recent past, the Company announced a number of organic capex projects and acquisitions. The completion of the capex projects on time and within budgets is vital to the profitability of these projects. The acquisitions are subject to certain closing conditions and approvals from relevant authorities. The outcomes of these transactions are uncertain until these conditions are met and / or approvals are granted.

The Group constantly reviews corporate development opportunities which are in line with its corporate growth strategy. Some of these are in the nature of acquisitions and joint ventures. The Group is currently in discussions with various parties on such opportunities. If any of these opportunities were to materialize these may have an effect on the financials of the Group.

Given the performance recorded by the Group in Q1 FY2011 and the continued execution of its long term strategic growth plans, the Group is currently positive about its prospects for FY2011.

11. Dividend

- (a) Current Financial Period Reported On 30 September 2010

Any dividend recommended for the current financial period reported on?

NIL

- (b) Corresponding Period of the Immediately Preceding Financial Year.

Any dividend declared for the corresponding period of the immediately preceding financial year?

NIL

- (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

N.A

- (d) Date payable

N.A

- (e) Books closure date

N.A

12. If no dividend has been declared/recommended, a statement to that effect.

N.A

### **Confirmation of the Board**

We refer to the requirement under Rule 705(5) of the Listing Manual.

We hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for period ended 30 September 2010 to be false or misleading in any material aspects.

On behalf of the Board of Directors

R. Jayachandran  
Chairman

Sunny George Verghese  
Group Managing Director & CEO

BY ORDER OF THE BOARD

Sunny George Verghese  
Group Managing Director & CEO

11 November 2010