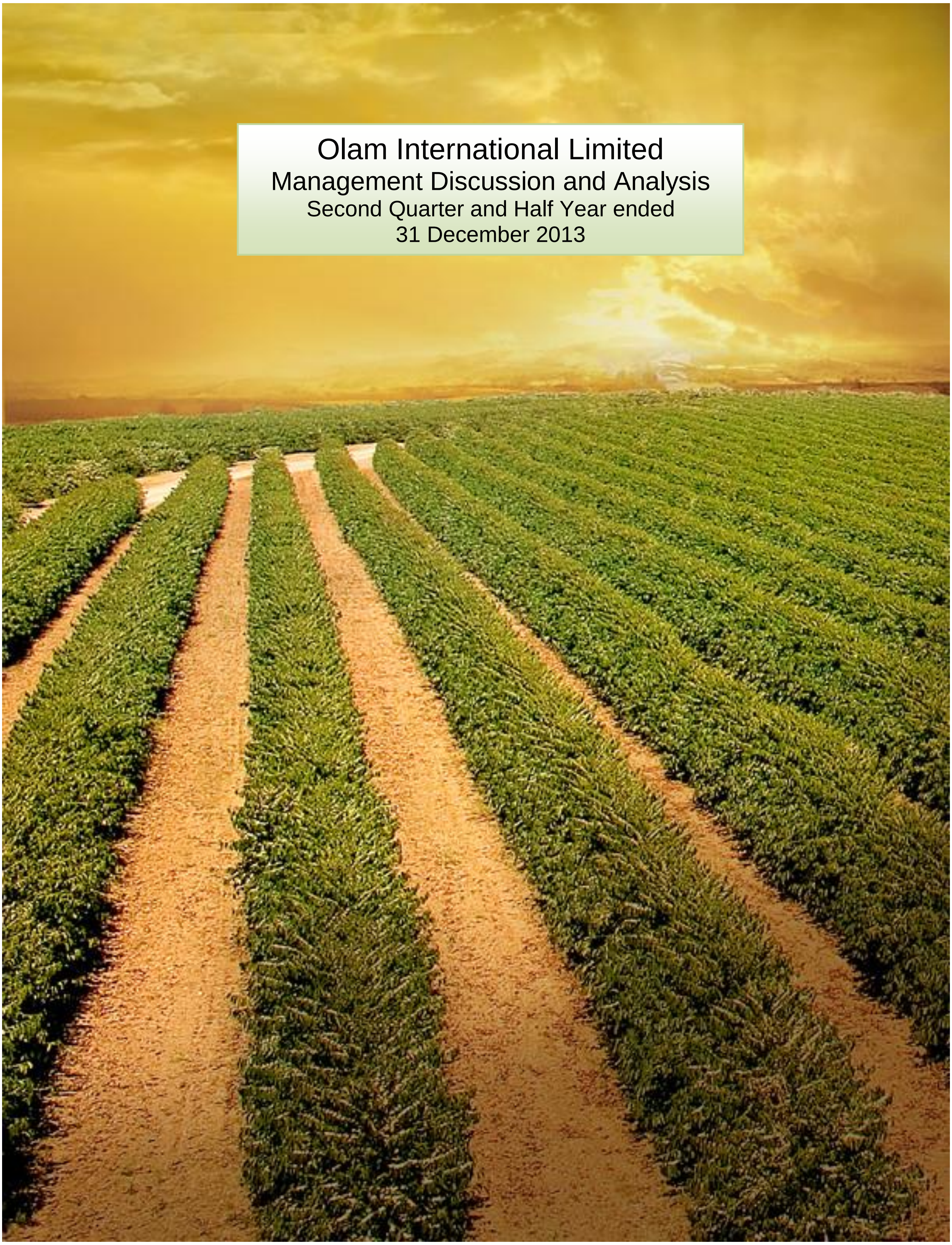
Olam International Limited

Management Discussion and Analysis

Second Quarter and Half Year ended 31 December 2013



This MD&A should be read and understood only in conjunction with the full text of Olam International Limited's H1 FY2014 Financial Statements lodged on SGXNET on February 14, 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter and Half Year ended 31 December 2013 (H1 FY2014)

Contents

Key Highlights

Delivering improved operating performance, cash flow and gearing

- Overall **EBITDA was up 5.4% to S$564.8 million** in H1 FY 2014. This reflects our **focus on margin expansion** and extraction of **greater operating efficiencies** across the business.

- **Reported PATMI was down 8.5% to S$180.5 million** for H1 FY2014 (S$197.3 million in H1 FY2013), while **Operational PATMI** (after excluding exceptional items) **declined marginally by 2.6% to S$174.6 million** (S$179.2 million in H1 FY2013).

- **Overall volume declined by 5.3%** as compared to a high base of H1 FY2013 which saw a record 71.9% increase over H1 FY2012.

- These results include a **net loss of S$12.0 million** on the **fair valuation of biological assets** compared to a **net gain of S$32.2 million** in H1 FY2013.

- **Sustained cost management initiatives** contributed to a **moderate overhead growth of 3.3%** from S$347.6 million in H1 FY2013 to **S$358.9 million** in H1 FY2014.

- **Depreciation and amortisation** was **higher at S$110.6 million** compared to **S$83.9 million** in H1 FY2013.

- **Tax expenses** excluding exceptional items were also **higher at S$27.4 million** as compared to **S$18.0 million** for the prior corresponding period.

- We have **moderated the pace of new investments** and incurred **cash capital expenditure (Capex) of S$262.4 million** in H1 FY2014 as compared to S$469.6 million in H1 FY2013.

- **Significant improvement across** all **cash flow metrics** driven by higher operating cash flow, recalibrated pace of investments, optimisation of working capital and execution of various strategic initiatives to release cash and unlock value. Based on the H1 FY2014 performance, **we remain on track to generate positive free cash flow to firm (FCFF) for FY2014**.

- **Net gearing at 2.06 times** in H1 FY2014 **is lower than the 2.21 times for the comparable period** in H1 FY2013. Based on historical seasonality, and at current market prices, **we expect to be within our FY2016 gearing target of 2.0 times by the end of FY2014**.

Significant progress on key strategic initiatives

- We have announced **10 initiatives**, of which five have already been completed. These five completed initiatives have **released cash of S$134.1 million**, generated a **P&L gain of S$36.1 million** and added **S$14.2 million to our capital reserves**. The other five initiatives, which are expected to be completed within FY2014, are likely to **release further cash of approximately S$312.4 million**, generate a **P&L gain of approximately S$39.8 million** and add **approximately S$2.3 million** to our **capital reserves**.

- **Recent announcements** made after Q2 FY2014 include:
    - Cash proceeds of A$200.0 million received from the sale-and-leaseback of our Almond orchard assets in Australia
    - Complete divestment of our 50% stake held in Lansing Olam Canada for US$5.4 million
    - Partial sale of Timber assets in Gabon for US$18.0 million
    - Repurchase of bonds and perpetual securities aggregating S$54.2 million.

*"In this first year following the announcement of our revised strategic plan, we are pleased with the progress made in H1 FY2014, both in terms of **operating performance** as well as the **execution** against the **four strategic priorities** and the **six key pathways** that were identified in the plan. During this period, we focused on **extracting incremental margins** from existing investments and continued to make **selective investments** in higher margin, better return opportunities across the value chain."*

A. Shekhar
Executive Director - Finance and Business Development

Strategic Plan Update

Post our Strategy Review in April 2013, we announced our strategic plan for the period FY2014-2016. The review reaffirmed the value of our existing strategy of building a core global supply chain business while selectively integrating into higher value upstream and mid/downstream segments. It further reinforced our belief in the attractive prospects for the agri-commodity sector and in the long-term value of our differentiated business model and strategy.

The key change envisaged in the 2013 Strategy Review was **"Rebalancing profitable growth and cash flow"**, with the specific objective of generating positive FCFF by the end of FY2014 and sustaining this going forward. To this end, four key priorities were established and six pathways identified to achieve those priorities:

Four Key priorities:

1. Accelerate free cash flow generation
2. Reduce gearing
3. Reduce complexity
4. Facilitate a better understanding of Olam's business

Six pathways:

1. Recalibrate pace of investments
2. Optimise balance sheet
3. Pursue opportunities for unlocking intrinsic value
4. Optimise shape of portfolio and reduce complexity
5. Improve operating efficiencies
6. Enhance stakeholder communication

We have made steady progress on each of the six pathways:

1. **Recalibrate pace of investments**

   We have **moderated the pace of new investments** and incurred **cash capital expenditure (Capex) of S$262.4 million** in H1 FY2014 **as compared to S$469.6 million** in H1 FY20143. This is a 44.1% reduction in Capex spend over the corresponding prior period.

2. **Optimise balance sheet**

   Several initiatives have been undertaken towards optimising working capital utilisation across the supply chain, including reduction of inventory levels, securing higher supplier credit and prioritisation of higher margin transactions within each business unit.

   In addition, various initiatives to optimise the balance sheet and improve returns have been announced. These include the sale-and-leaseback of our almond assets in the US and Australia, the repurchase of long term unsecured bonds of US$30.0 million issued by NZ

Farming Systems Uruguay Limited ("NZFSU") and the repurchase of 7% perpetual capital securities and 6% fixed rate notes due 2022 aggregating S$54.2 million.

3. **Pursue opportunities for unlocking intrinsic value**
   We have completed several initiatives, including the sale of our basmati rice mill in India, the sale of a 25.5% interest in our instant noodles business in Nigeria to Sanyo Foods of Japan and the sale of our cotton gin in Dirranbandi, Australia.

   We expect to conclude several other initiatives in H2 FY2014, including the sale of a 14.99% stake in our Dairy processing operation – Open Country Dairy (OCD), New Zealand and the sale of a 50% stake in our Grains origination operation - Olam Lansing Canada.

4. **Optimise shape of portfolio and reduce complexity**
   Since the announcement of the strategic plan in April 2013, we have restructured 27 profit centres and 5 business platforms - Wood Products, Natural Fibres, Dairy, Sugar and CFS. This has helped bring a sharper focus to these businesses and also reduce operating costs in some areas.

   We recently announced the partial divestment of our Wood Products business in Gabon. While the transaction is expected to result in a one-off loss of US$4.5 million on the sale of assets and a one-time restructuring charge of US$6.5 million, it will release US$18.0 million of cash from the sale of assets. This transaction is expected to generate annualised manufacturing and overhead cost savings of approximately US$13.5 million from FY2015.

5. **Improve operating efficiencies**
   We launched a **Sustained Cost Management** initiative which helped to moderate the rate of overhead growth despite consolidation of expenses from newly acquired companies and inflationary pressures. **Overhead expenses grew by 3.3% to S$358.9 million** in H1 FY2014 **from S$347.6 million** in H1 FY2013.

6. **Enhance stakeholder communication**
   In order to facilitate a better understanding of Olam's business, we launched several initiatives including investor days for our Edible Nuts, Spices & Vegetable Ingredients, Grains and Packaged Foods businesses. We also organised a field visit to our operations in Nigeria and Gabon and introduced this Management Discussion and Analysis (MD&A) from Q1 FY2014.

In summary, initiatives already completed have **released cash of S$134.1 million,** generated a **P&L gain of S$36.1 million** and added **S$14.2 million to** our **capital reserves:**

SGD Mn

Announced	Closed	Initiative	P & L impact	Addition to reserves	Cash flow released
Q2 FY13	Q2 FY13	Sale-and-leaseback of US almonds	18.1		68.6
Q3 FY13	Q3 FY13	NZFSU Bond buyback	6.0		
Q3 FY13	Q4 FY13	Sale of Basmati rice mill in India	6.1		17.7
Q4 FY13	Q1 FY14	Sanyo Foods JV		14.2	25.1
Q2 FY14	Q2 FY14	Sale of Dirranbandi gin in Australia	5.9		22.7
		Total	**36.1**	**14.2**	**134.1**

Going forward, we expect to **release cash of approximately S$312.4 million**, generate a **P&L gain of** approximately **S$39.8 million,** and **add approximately S$2.3 million** to our **capital reserves** in H2 FY2014 from **initiatives already announced, but pending completion**:

SGD Mn

Announced	Expected	Initiative	P & L impact	Addition to reserves	Cash flow expected
Q2 FY14	Q3 FY14	Sale-and-leaseback of Australian almonds	52.7		234.0
Q2 FY14	Q4 FY14	Partial divestment of 14.99% stake in OCDL			48.8
Q3 FY14	Q3 FY14	Divestment from Olam Lansing Canada			6.9
Q3 FY14	Q4 FY14	Partial sale of Gabon timber assets	(13.9)		22.7
Q3 FY14	Q3 FY14	Repurchase of bonds and perpetual securities	1.0	2.3	
		Total	**39.8**	**2.3**	**312.4**

Note: figures in the table above may change to reflect the closing balance sheet position and exchange rates on date of completion.

Summary of Financial and Operating Results

Profit and Loss Statement

SGD Mn

	H1 FY2014	H1 FY2013	% Change	Q2 FY2014	Q2 FY2013	% Change
Volume ('000 MT)	7,361.1	7,772.4	(5.3)	3,692.4	4,091.8	(9.8)
Revenue	8,827.8	9,589.5	(7.9)	4,506.7	4,900.4	(8.0)
EBITDA	**564.8**	**535.7**	**5.4**	**315.9**	**313.0**	**0.9**
PAT	173.5	193.1	(10.2)	130.2	151.3	(13.9)
PATMI	**180.5**	**197.3**	**(8.5)**	**134.9**	**154.1**	**(12.5)**
Operational PATMI	**174.6**	**179.2**	**(2.6)**	**129.0**	**136.0**	**(5.2)**

The performance during the period represented a mix of strong performance from Edible Nuts, Spices & Vegetable Ingredients, Wheat milling, Sugar refining and the Dairy and Cocoa supply chain businesses, but these results were offset by below par performance in upstream Dairy and our Wood Products businesses.

The volume decline of 5.3% was against a high base of H1 FY2013, which saw an exceptional 71.9% growth over H1 FY2012. Volumes were also impacted by reduced participation in the lower margin fertiliser tender business as well as lower Wood Product volumes as we restructured and prepared to exit parts of that business.

Lower overall commodity prices, coupled with lower volumes, led to a 7.9% decline in sales revenue.

Despite the decline in volume, Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA), grew 5.4% to $564.8 million reflecting margin expansion from upstream and midstream initiatives. The EBITDA for H1 FY2014 includes a net loss of S$12.0 million on the fair valuation of biological assets compared to a net gain of S$32.2 million in H1 FY2013.

Operational PATMI declined by 2.6% as we recorded higher depreciation and amortisation charges on a larger fixed asset base, which increased by over S$1.0 billion since H1 FY2013. The operational tax provision was also higher at S$27.4 million in H1 FY2014 as compared to S$18.0 million in H1 FY2013 due to changes in the geographical mix of the business.

Balance Sheet Analysis

SGD Mn

	H1 FY2014	FY2013	Change vs FY2013	H1 FY2013	Change vs H1 FY2013
Uses of Capital					
Fixed Capital	5,730.4	5,453.7	276.7	4,726.2	1,004.2
Working Capital	6,231.4	5,652.0	579.4	6,905.3	(673.9)
Cash	1,236.0	1,591.0	(355.0)	1,091.8	144.2
Others	(183.0)	(24.7)	(158.3)	(337.6)	154.6
Total	**13,014.8**	**12,672.0**	**342.8**	**12,385.7**	**629.1**
Sources of Capital					
Equity & Reserves	3,829.2	3,765.0	64.2	3,503.3	325.9
Non-controlling interests	141.9	131.9	10.0	97.0	44.9
Short term debt	3,167.9	2,965.6	202.3	3,792.0	(624.1)
Long term debt	5,945.3	5,882.7	62.6	5,044.4	900.9
Fair value reserve	(69.5)	(73.2)	3.7	(51.0)	(18.5)
Total	**13,014.8**	**12,672.0**	**342.8**	**12,385.7**	**629.1**

Our total assets of S$13.0 billion comprised S$1.2 billion of cash, S$6.2 billion of working capital and S$5.7 billion of long term fixed assets. These were funded by S$3.8 billion of equity, S$3.2 billion of short term debt and S$5.9 billion of long term debt.

Cash Flow Analysis

SGD Mn

Cash Flow Summary	H1 FY2014	H1 FY2013	Y-o-Y
Operating Cash flow (before Interest & Tax)	582.3	511.1	71.2
Changes in Working Capital	(574.9)	(816.2)	241.3
Tax paid	(27.2)	(2.5)	(24.7)
Net Operating Cash flow	**(19.8)**	**(307.6)**	**287.8**
Capex / Investments	(262.4)	(469.6)	207.2
Free cash flow to firm (FCFF)	**(282.2)**	**(777.2)**	**495.0**
Net interest paid	(251.3)	(210.9)	(40.4)
Free cash flow to equity (FCFE)	**(533.5)**	**(988.1)**	**454.6**

We have made **significant improvement across all cash flow metrics** as compared to the corresponding prior period and **remain on track to generate positive FCFF** for FY2014.

Detailed Financial Analysis

SGD Mn

	H1 FY2014	H1 FY2013	% Change	Q2 FY2014	Q2 FY2013	% Change
Volume ('000 MT)	**7,361.1**	**7,772.4**	**(5.3)**	**3,692.4**	**4,091.8**	**(9.8)**
Revenue	**8,827.8**	**9,589.5**	**(7.9)**	**4,506.7**	**4,900.4**	**(8.0)**
Other Income (excl. exceptional items)	15.1	13.6	10.5	13.9	8.6	61.9
Cost of sales	(7,892.5)	(8,724.0)	(9.5)	(4,005.6)	(4,423.0)	(9.4)
Overhead expenses	(358.9)	(347.6)	3.3	(187.8)	(181.1)	3.7
Other operating expenses	(19.7)	(33.4)	(41.0)	0.4	(17.0)	(102.4)
Net gain from changes in fair value of biological assets	(12.0)	32.2	(137.4)	(15.4)	22.1	(169.5)
Share of results from jointly controlled entities and associates	5.1	5.4	(5.1)	3.6	3.0	20.0
EBITDA	**564.8**	**535.7**	**5.4**	**315.9**	**313.0**	**0.9**
EBITDA %	6.4%	5.6%		7.0%	6.4%	
Depreciation & Amortisation	(110.6)	(83.9)	31.8	(49.8)	(40.0)	24.4
EBIT	454.2	451.8	0.5	266.1	273.0	(2.5)
Exceptional items	5.9	27.8	N.A.	5.9	27.8	N.A.
Net Finance costs	(259.3)	(258.9)	0.2	(122.2)	(127.9)	(4.5)
PBT	200.9	220.8	(9.0)	149.8	172.9	(13.4)
Taxation	(27.4)	(27.7)	(1.1)	(19.6)	(21.6)	(9.4)
PAT	**173.5**	**193.1**	**(10.2)**	**130.2**	**151.3**	**(13.9)**
PAT %	2.0%	2.0%		2.9%	3.1%	
Non-controlling interests	(7.0)	(4.2)	67.5	(4.6)	(2.8)	63.1
PATMI	**180.5**	**197.3**	**(8.5)**	**134.9**	**154.1**	**(12.5)**
PATMI %	2.0%	2.1%		3.0%	3.1%	
Exceptional items (net of tax)	5.9	18.1	N.A.	5.9	18.1	N.A.
Operational PATMI	**174.6**	**179.2**	**(2.6)**	**129.0**	**136.0**	**(5.2)**
Operational PATMI %	2.0%	1.9%		2.9%	2.8%	

The H1 FY2014 results included the consolidation/share of results from Northern Coffee Corporation Limited (NCCL), Dehydro Foods, Acacia, Seda Solubles, PT Sumber and our joint venture with Sanyo Foods as the acquisition or formation of these companies were completed after H1 FY2013.

Other Income

Other Income (excluding exceptional items) increased by S$1.5 million due to higher commissions and claims income recorded during the period.

Cost of Sales

Cost of Sales was lower, in line with reduced revenue for the period.

Overhead Expenses

Overhead Expenses grew by 3.3% to S$358.9 million in H1 FY2014 from S$347.6 million in H1 FY2013 despite cost inflation and the consolidation of businesses and entities acquired after H1 FY2013 as our cost management initiatives started delivering results.

Other Operating Expenses

Other Operating Expenses reduced by S$13.7 million, primarily on account of lower unrealised foreign exchange losses during the current period.

Net Gain/Loss from Changes in Fair Value of Biological Assets

There was a reduction in fair value of biological assets of S$44.2 million from a gain of S$32.2 million in H1 FY2013 to a loss of S$12.0 million in H1 FY2014. The reduction was primarily a result of lower net fair value of our Australian almond plantation assets which have substantially achieved peak maturity. Based on the current maturity profile of our biological assets, we expect an overall reduction in the fair value of biological assets for FY2014 compared to FY2013.

Share of Results from Jointly Controlled Entities and Associates

Share of results from jointly controlled entities and associates recorded a marginal decline from S$5.4 million to S$5.1 million, mainly due to lower contribution from Nauvu Investments (in SIFCA) as CPO and Rubber prices weakened. OCD reported better results than in H1 FY2013.

Depreciation & Amortisation

Depreciation & Amortisation rose from S$83.9 million in H1 FY2013 to S$110.6 million in H1 FY2014, as invested fixed capital increased by approximately S$1.0 billion between the two periods.

Finance Costs

Net Finance costs remained flat between the two periods as an increase in interest charge was offset by higher finance income of S$11.8 million in H1 FY0214 as against S$7.0 million in H1 FY2013.

Taxation

Tax charge on the base business increased on account of higher tax provisioning for the year driven by the changing geographical mix of the business. H1 FY2013 tax expense included a one-time charge of S$9.7 million on the gain on sale of US almond assets. Excluding this charge, the tax for H1 FY2013 was S$18.0 million as against S$27.4 million in H1 FY2014.

Non-controlling Interest

Non-controlling Interest primarily consists of the minority share of results from SEZ, Invenio Holdings (Commodity Financial Services), Rusmolco, Olam Palm Gabon, Olam Rubber Gabon and the Sanyo Foods joint venture. H1 FY2014 recorded a S$7.0 million loss, compared to a S$4.2 million loss in H1 FY2013 driven by the underperformance in Rusmolco.

Exceptional Items

H1 FY2014 recorded an exceptional gain of S$5.9 million on the sale of the Dirranbandi gin in Australia while there was a gain of S$27.8 million and a tax charge of S$9.7 million in H1 FY2013 from the sale of US almond assets.

Balance Sheet Analysis

Working Capital

SGD Mn

	H1 FY2014	FY2013	Change vs FY2013	H1 FY2013	Change vs H1 FY2013
Stock	4,467.1	4,154.3	312.8	4,904.2	(437.1)
Advance to suppliers	593.0	598.5	(5.5)	406.7	186.3
Receivables	2,239.9	2,372.9	(133.0)	1,701.2	538.7
Trade creditors	(1,494.3)	(1,748.0)	253.7	(905.1)	(589.2)
Others	425.7	274.3	151.4	798.3	(372.6)
Working Capital	**6,231.4**	**5,652.0**	**579.4**	**6,905.3**	**(673.9)**

Others: Includes other current assets, changes to margin accounts with brokers and other current liabilities

As we entered our peak procurement season, overall working capital increased by S$579.4 million from end of FY2013, mainly on account of higher inventories and a reduction in trade creditors. The increase was partly offset by a reduction in receivables.

However, the various working capital optimisation initiatives contributed to a reduction of S$673.9 million vis-à-vis H1 FY2013. The reduction was achieved through a mix of lower inventory levels and better payable management, aided partly by softer prices for a few products.

# of days

	H1 FY2014	H1 FY2013	FY2013	Y-o-Y
Stock	103	102	80	1
Advance to suppliers	13	8	11	5
Receivables	46	32	41	14
Trade creditors	(34)	(18)	(33)	(16)
Total cash cycle	**128**	**124**	**99**	**4**

Our overall working capital cycle increased marginally from 124 days in H1 FY2013 to 128 days in H1 FY2014. The change was driven by an increase in our receivable cycle (due to higher shipments towards period end), which was partly offset by an increase in creditor days achieved by securing better supply terms.

Debt, Liquidity and Gearing

SGD Mn

	H1 FY2014	FY2013	Change vs FY2013	H1 FY2013	Change vs H1 FY2013
Gross debt	9,113.3	8,848.2	265.1	8,836.4	276.9
Less: Cash	1,236.0	1,591.0	(355.0)	1,091.8	144.2
Net debt	7,877.3	7,257.2	620.1	7,744.6	132.7
Less : Readily marketable inventory	3,636.2	3,373.3	262.9	4,050.9	(414.7)
Less: Secured receivables	1,729.2	1,822.4	(93.2)	1,320.1	409.1
Adjusted net debt	2,511.9	2,061.5	450.4	2,373.6	138.3
Equity (before FV adj reserves)	3,829.2	3,765.0	64.2	3,503.3	325.9
Net debt / Equity (Basic)	**2.06**	**1.93**	**0.13**	**2.21**	**(0.15)**
Net debt / Equity (Adjusted)	**0.66**	**0.55**	**0.11**	**0.68**	**(0.02)**

Note: 81.4% of inventories were liquid, hedged and/or sold forward

Net debt increased by S$620.1 million as we entered our peak procurement season, drew down our short term lines and utilised cash balances to fund working capital. Net gearing at 2.06 times was marginally higher than our FY2016 target of 2.0 times as set out in our strategic plan, due to the normal seasonality in the business. However, this is lower than the 2.21 times gearing at H1 FY2013.

Of the S$4.5 billion inventory position, approximately 81.4%, or S$3.6 billion were RMI – readily marketable inventories that were liquid, hedged and/or sold forward, operating as near-cash assets on our balance sheet. In addition, of the S$2.2 billion in trade receivables, approximately 77.2% were secured. Typically, at any given point, about 80-90% of inventory is hedged and/or sold forward and 60-70% of receivables are supported by letters of credit or documents through banks. Adjusting for RMI and secured receivables, our net gearing would be 0.66 times, reflecting the true indebtedness of our Company.

We maintained sufficient liquidity to meet our working capital and capital expenditure requirements, with a total of S$12.1 billion in available liquidity as of end-Q2 FY2014, including unutilised bank lines of S$5.5 billion.

Segmental Review and Analysis

Cumulative

SGD Mn

	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		
	H1 FY2014	H1 FY2013	H1 FY2014	H1 FY2013	H1 FY2014	H1 FY2013	H1 FY2014	H1 FY2013	FY2013
Edible Nuts, Spices and Vegetable Ingredients	737.4	720.8	1,605.5	1,345.6	175.5	138.2	3,610.0	3,049.2	3,375.8
Confectionery and Beverage Ingredients	681.7	701.3	2,036.5	2,341.7	144.1	134.9	2,346.6	1,913.9	2,141.1
Food Staples and Packaged Foods	5,163.0	5,465.9	3,373.1	3,687.9	183.5	220.6	3,612.8	3,691.2	3,308.0
Food Category	**6,582.1**	**6,888.0**	**7,015.1**	**7,375.2**	**503.1**	**493.7**	**9,569.4**	**8,654.3**	**8,824.9**
Industrial Raw Materials (IRM)	779.0	884.4	1,812.0	2,213.6	70.2	58.8	1,839.4	2,193.9	2,103.2
Commodity Financial Services (CFS)	N.A.	N.A.	0.7	0.7	(8.5)	(16.8)	3.4	17.4	1.5
Non-Food Category	**779.0**	**884.4**	**1,812.7**	**2,214.3**	**61.7**	**42.0**	**1,842.8**	**2,211.3**	**2,104.7**
Total	**7,361.1**	**7,772.4**	**8,827.8**	**9,589.5**	**564.8**	**535.7**	**11,412.2**	**10,865.6**	**10,929.6**

For the Quarter

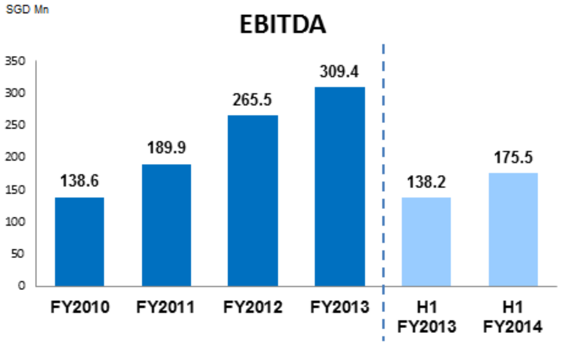
SGD Mn

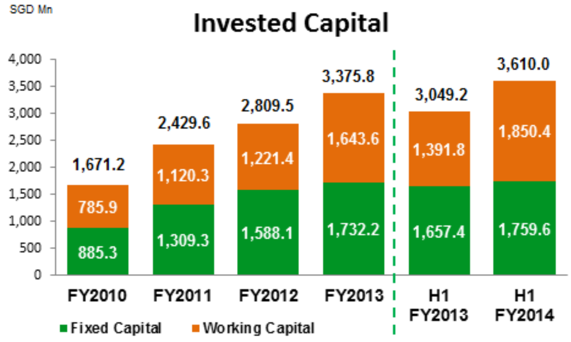
Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		
	Q2 FY2014	Q2 FY2013	Q2 FY2014	Q2 FY2013	Q2 FY2014	Q2 FY2013	H1 FY2014	H1 FY2013	FY2013
Edible Nuts, Spices and Vegetable Ingredients	281.1	300.9	845.1	760.2	76.0	58.9	3,610.0	3,049.2	3,375.8
Confectionery and Beverage Ingredients	366.8	391.6	1,115.1	1,079.7	90.6	88.4	2,346.6	1,913.9	2,141.1
Food Staples and Packaged Foods	2,636.0	2,868.5	1,662.1	1,773.1	96.1	138.3	3,612.8	3,691.2	3,308.0
Food Category	**3,283.9**	**3,561.0**	**3,622.3**	**3,613.0**	**262.7**	**285.6**	**9,569.4**	**8,654.3**	**8,824.9**
Industrial Raw Materials (IRM)	408.5	530.8	884.1	1,287.0	53.4	46.1	1,839.4	2,193.9	2,103.2
Commodity Financial Services (CFS)	N.A.	N.A.	0.3	0.4	(0.2)	(18.7)	3.4	17.4	1.5
Non-Food Category	**408.5**	**530.8**	**884.4**	**1,287.4**	**53.2**	**27.4**	**1,842.8**	**2,211.3**	**2,104.7**
Total	**3,692.4**	**4,091.8**	**4,506.7**	**4,900.4**	**315.9**	**313.0**	**11,412.2**	**10,865.6**	**10,929.6**

H1 FY2014 IC excludes Gabon Fertiliser Project’s fixed capital of S$158.4 million (H1 FY2013: S$62.8 million and FY2013: S$106.0 million)

Edible Nuts, Spices & Vegetable Ingredients

The Edible Nuts, Spices & Vegetable Ingredients segment registered a year-on-year volume growth of 2.3% revenue growth of 19.3% and EBITDA growth of 27.0% in H1 FY2014.



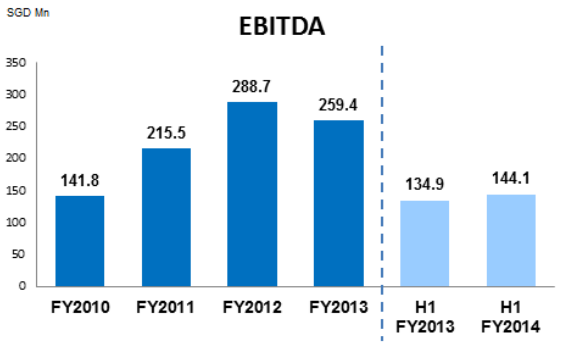


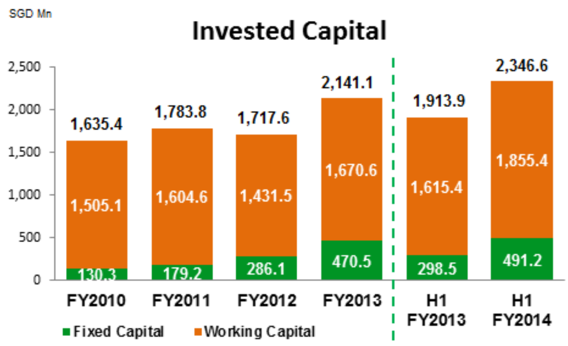
The almond and dehydrated onion businesses were the key contributors to the segment results, with almonds aided by higher upstream volumes and favourable trading conditions. The segment also saw a turnaround in the US tomato processing business through the normalisation of inventory levels and an improvement in selling prices as the market moved out of a global oversupply situation. The US vegetable ingredients business also performed well during the period. The two businesses that underperformed were the upstream peanut business in Argentina and the mechanical cashew processing in Nigeria, which continued to face lower yields and out-turns, leading to sub-optimal capacity utilisation.

Invested capital in the segment increased by S$234.2 million mainly on account of higher working capital deployed in the business due to higher almond and tomato prices.

Confectionery & Beverage Ingredients

The Confectionery & Beverage Ingredients segment recorded a marginal decline in volume of 2.8%, and a revenue decline of 13.0% due primarily to a steep decline in coffee prices. Despite the decline in volume, segment EBITDA grew by 6.8%, led by higher contribution from the Cocoa supply chain and the midstream soluble coffee business.



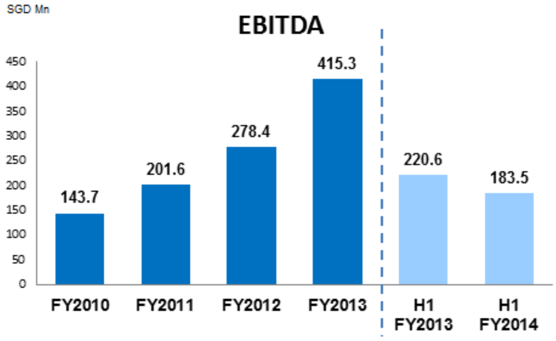


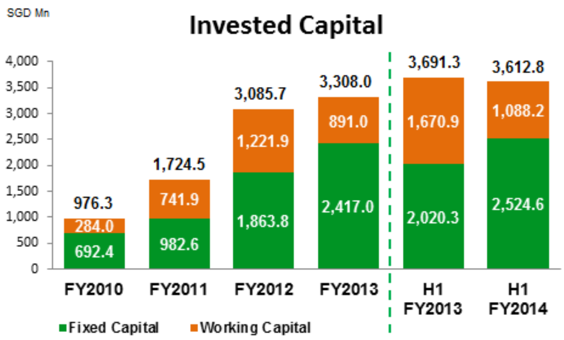
The Cocoa business continued to perform well as we entered the main procurement season in Q2 FY2014 and is well positioned for H2 FY2014. The Coffee business recorded lower volumes and faced some margin pressure due to continuing low prices.

Invested capital in the segment increased by S$205.5 million, driven mainly by investments in our upstream Coffee plantations as well as midstream Cocoa processing in Ivory Coast.

Food Staples & Packaged Foods

Food Staples & Packaged Foods segment volumes declined by 5.5% and revenues declined by 8.5%, mainly due to lower volumes and prices in our Grains and Rice businesses as compared to an exceptionally strong H1 FY2013.





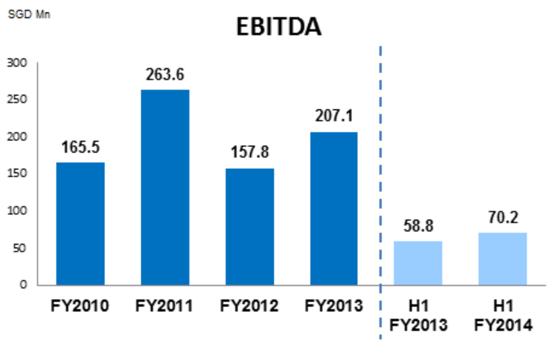
EBITDA declined by 16.8% due to a combination of lower Grains and Rice volumes, lower Rice margins and the upstream Dairy business which continued to face operational challenges, particularly in Rusmolco. The unseasonal rain during the harvest period (September to November) in Russia had an adverse impact on both the yield and quality in our farms. This has negatively impacted our grains farming business for the year. This is also likely to have an adverse impact on the feed cost for our dairy farm in H2 FY2014 as well.

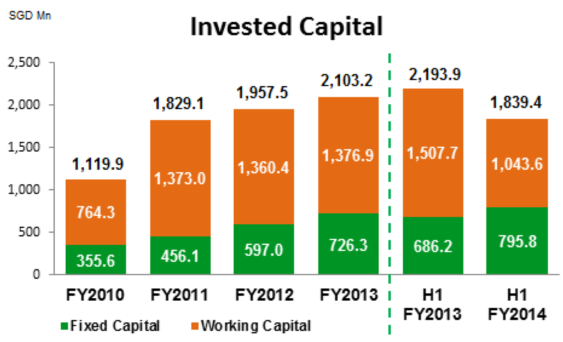
The flour mills in Nigeria and Ghana, Packaged Foods, Dairy supply chain and the Sugar refinery in Indonesia continued to perform well during the period.

Invested capital increased by S$304.8 million during the quarter, mainly due to higher fixed capital deployed in the Nigerian Rice farm, flour mills in Senegal and Cameroon and the upstream Palm plantations in Gabon. We also deployed higher working capital in our Grains and Packaged Foods businesses during H1 FY2014. However, the initiatives towards optimising working capital have led to a significant reduction when compared to H1 FY2013.

Industrial Raw Materials

The Industrial Raw Materials segment saw a volume decline of 11.9%, while turnover declined by 18.1%. While the Cotton business registered good volume growth, the restructuring of the Wood Products business and fewer Fertiliser tenders impacted overall segment growth.





Despite lower volumes, EBITDA increased by 19.4%, primarily on account of better Cotton margins as compared to the prior corresponding period.

Overall invested capital declined by S$263.8 million driven by lower working capital in our Cotton and Wood Product businesses as the impact of our balance sheet optimisation efforts and restructuring started to yield results. Segment fixed capital increased mainly in our projects in Gabon (SEZ and Rubber).

Commodity Financial Services

The CFS business registered an EBITDA loss of S$8.5 million in H1 FY2014 versus a S$16.8 million loss in H1 FY2013.

Recent Developments

We completed the sale-and-leaseback of our Australian almond assets on February 11, 2014 and received cash proceeds of A$200.0 million.

In line with our strategy to unlock value and redeploy capital in areas of higher growth and greater profitability, we recently entered into an agreement to sell up to 14.99% stake in OCD, New Zealand to Talley's Group Limited ("Talley's") for up to NZ$46.5 million. The effective sale price of Olam shares in OCD is expected to be at or above the current carrying value of its OCD investment. The transaction will release cash for Olam while still maintaining product off-take arrangements with OCD, which are strategically important for Olam's Dairy supply chain business.

We also announced the sale of our entire 50.0% stake in Lansing Olam Canada by way of a share repurchase arrangement for a cash consideration of US$5.4 million.

In line with the planned restructuring of our Wood Products business, we entered into an agreement with a consortium of Chinese investors to sell part of our forestry and saw milling assets in Gabon for a gross consideration of US$18.0 million. We expect to record a one-time loss of US$4.5 million on the sale of assets and a restructuring charge of US$6.5 million on completion. The sale of this business is expected to result in annualised manufacturing and overhead cost savings of approximately US$13.5 million from FY2015.

As part of our balance sheet optimisation objective, a bond repurchase transaction was executed in January 2014. Bonds aggregating S$54.2 million from the 7% Perpetual Capital Securities and the 6% Fixed Rate Notes due 2022 were repurchased at an average price of 92.38 and 92.96 respectively. We anticipate a gross P&L gain of approximately S$1.0 million and gross addition to capital reserves of approximately S$2.3 million on completion.

The above transactions are expected to be completed within FY2014, subject to customary closing conditions.

Outlook

Given the momentum seen in the execution of the Company's strategy during H1 FY2014, we remain confident about our ability to deliver both earnings growth and positive FCFF for the full year FY2014.

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Annexure: Business Description

Business Model and Strategy

Olam's business is built on a strong foundation as a fully integrated supply chain manager and processor of agricultural products and food ingredients, with operations across 16 platforms in 65 countries. As a supply chain manager, Olam is engaged in the sourcing of a wide range of agricultural commodities from the producing countries and the processing, warehousing, transporting, shipping, distributing and marketing of these products right up to the factory gate of our customers in the destination markets. We also manage risk at each stage of the supply chain. From our inception in 1989, we have evolved from a single country, single product trader to a multi-country, multi-product supply chain manager.

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.

Business model evolution

The evolution of our business model over recent years has led us to develop new competencies as we pursued our strategic goals, including the capabilities to identify, execute and integrate attractive acquisition opportunities in selected countries. These initiatives are carefully selected to be within or adjacent to our core value chain activities. Successfully completed transactions have addressed opportunities in the upstream (plantation and farming), midstream (manufacturing/ processing) and downstream parts of the value chain.

Building on existing and new capabilities, we have expanded upstream selectively 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.

Selective investments across the value chain

Pursuit of this strategy has led us to invest selectively in almond orchards in Australia and California, peanut farming in Argentina, Coffee plantation in Laos, Ethiopia, Tanzania, Zambia and Brazil, Rice farming in Nigeria and Mozambique, Palm and Rubber plantations in Africa, Dairy farming in Uruguay and Russia, and the development of tropical hard wood forest concessions in The Republic of Congo (ROC), Gabon and Mozambique.

Similarly, in the midstream part of the value chain, we have pursued initiatives in value-added processing and manufacturing activities, such as mechanical processing of cashews in Cote d'Ivoire and Nigeria, hazelnut processing in Turkey, spice grinding in Vietnam, soluble Coffee manufacturing in Vietnam and Spain, Cocoa processing in Cote d'Ivoire and Nigeria and wheat milling in Nigeria and Ghana.

Downstream progress has been reflected in the initiatives completed in Packaged Foods distribution in West Africa and the successful development of our own consumer brands in the food category, which capitalise on our intimate knowledge of African markets, operations, brands, and consumers. This downstream activity also builds on capabilities in the management of food supply chains and on the common distribution pipeline that we have built for related commodity products (including Rice, Sugar, wheat flour and Dairy products) in West Africa. Initiatives in this segment include biscuits and candy manufacturing and downstream distribution in Nigeria and Ghana, juice and dairy beverages in Nigeria, instant noodles, seasonings, tomato paste distribution in Nigeria and selective West African markets.

In addition, Olam has diversified into three adjacent businesses which build on latent assets and capabilities developed over the last 24 years - The Commodity Financial Services business (CFS), the development of a Special Economic Zone (SEZ) and fertiliser manufacturing in Gabon.

A responsible approach to business

Corporate responsibility and sustainability has always been an essential part of our way of doing business around the world. In addition to our longstanding adherence to documented standards, we have also recently established an Olam Livelihood Charter, and continue to work both on our own and with selected expert partners to advance our objectives in this area.

A unique and entrepreneurial culture

One of the major factors that sets Olam apart is our unique culture: we think and act as owner-managers, focused both on the realisation of short-term results and the creation of long-term value for our stakeholders. A fully aligned organisational structure, culture and long-term compensation system support these objectives.

Business Segmentation and Reporting

We organise Olam's operations into five business segments and three value chain segments for reporting purposes. The distribution of the 16 platforms across the business segments and the activities across the value chain segments are given below:

5 Business Segments	16 Platforms
Edible Nuts, Spices & Vegetable Ingredients (formerly known as Edible Nuts, Spices & Beans)	1) Edible Nuts (cashew, peanuts, almonds, hazelnuts and sesame) 2) Spices & Vegetable Ingredients (including onion, garlic, and tomato)
Confectionery & Beverage Ingredients	3) Cocoa 4) Coffee
Food Staples & Packaged Foods	5) Rice 6) Sugar and Natural Sweeteners 7) Grains (including wheat, corn and barley) 8) Palm 9) Dairy 10) Packaged Foods
Industrial Raw Materials (IRM)	11) Natural Fibres (cotton and wool) 12) Wood Products 13) Rubber 14) Fertiliser supply chain 15) Special Economic Zone (SEZ)
Commodity Financial Services (CFS)	16) Commodity Financial Services (Market-making, risk management solutions and commodity funds management)

3 Value Chain Segments	Value Chain Activity
Supply Chain (including value added services)	Includes all activities connected with origination, sourcing, primary processing, logistics, trading, marketing (including VAS) and risk management of agricultural products and the CFS business
Upstream	Includes all activities relating to farming (annual row crops), plantations (perennial tree crops), Dairy farming and forest concessions
Midstream & Downstream	Includes all activities relating to secondary processing, contract manufacturing, branded distribution, private label activities and SEZ

The production of agricultural products is seasonal in nature. The seasonality of the products in our global 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 in a particular year, based on weather patterns. 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 farmers' selling decisions; these are mainly a function of the farmers' 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 distribution of our earnings in prior periods follow the schedule below:

Q1 July - Sept	Q2 Oct - Dec	**1St Half July – Dec**	Q3 Jan - March	Q4 Apr – June	**2nd Half Jan – June**
5 – 10%	25 – 30%	**30 – 40%**	35 – 40%	25 – 30%	**60 – 70%**

Key Definitions

The definitions for the financial terms used in the MD&A are as follows:

Sales Volume: Includes proportionate share of volumes from jointly controlled entities and associates, although there are no associated volumes for CFS and SEZ platforms

Revenue: Sale of goods and services

Other Income: Includes sale of scrap materials, commissions and claims income and fair value gain on investments held for trading. Negative goodwill, gain on sale of assets and other non-recurring, exceptional items which were presented as a part of Other Income are now classified as Exceptional Items

Cost of Sales: Cost of goods sold, shipping and logistics, commissions and claims expenses and the net measurement of derivative assets

Overhead Expenses: Employee benefit costs, manufacturing overheads, travel expenses and other direct expenses

Other Operating Expenses: Unrealised foreign exchange gain/loss and other expenses

Net gain from changes in fair value of biological assets: Includes only operational changes in the fair value of biological assets. Non-operational changes (arising due to changes in the fair value model) which were formerly presented under this line item are now classified as Exceptional Items

Exceptional Items: One-off, non-recurring items, including negative goodwill and related transaction costs, gain/loss on sale of assets/business and associated tax impact, gain/loss on buyback of bonds, impairment loss, non-operational gain/loss from changes in fair value of biological assets and non-recurring business restructuring expenses. These items were earlier presented under Other Income, Cost of Sales, Overhead Expenses or Other Operating Expenses lines.

Operational PATMI: Profit After Tax and Minority Interest (PATMI) excluding exceptional items

EBITDA: Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) which includes minority interest and excludes exceptional items

Invested Capital (IC): Excludes cash and bank balances, deferred tax assets, fixed deposits, other current/non-current assets (other than option premiums payable/receivable) and fair value of derivative assets on bonds.

EBITDA/IC: EBITDA on average invested capital based on beginning and end-of-period invested capital

Free Cash Flow to Firm (FCFF): Operating cash flow less changes in working capital, cash taxes, capital expenditures and investments

Free Cash Flow to Equity (FCFE): FCFF less net interest paid

Note: Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.