H1 FY2014 Results Briefing

14 February 2014 I Singapore

Notice

This presentation should be read in conjunction with Olam International Limited's Second Quarter and First Half FY2014 Financial Results statement and Management's Discussion and Analysis for the period ended 31 December 2013 lodged on SGXNET on 14 February 2014.

Cautionary note on forward-looking statements

This presentation may contain statements regarding the business of Olam International Limited and its subsidiaries (‘Group’) that are of a forward looking nature and are therefore based on management’s assumptions about future developments.

Such forward looking statements are intended to be identified by words such as ‘believe’, ‘estimate’, ‘intend’, ‘may’, ‘will’, ‘expect’, and ‘project’ and similar expressions as they relate to the Group. Forward-looking statements involve certain risks and uncertainties because they relate to future events. Actual results may vary materially from those targeted, expected or projected due to several factors.

Potential risks and uncertainties includes such factors as general economic conditions, foreign exchange fluctuations, interest rate changes, commodity price fluctuations and regulatory developments. Such factors that may affect Olam’s future financial results are detailed in our listing prospectus, listed in this presentation, or discussed in today’s press release and in the management discussion and analysis section of the company’s Second Quarter and First Half FY2014 results report and filings with SGX. The reader and/or listener is cautioned to not unduly rely on these forward-looking statements. We do not undertake any duty to publish any update or revision of any forward looking statements.

Agenda

- Highlights – H1 FY2014
- Consolidated Financial Performance
- Progress on Strategy Execution
- Key Takeaways

Highlights – H1 FY2014

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- **Improved operating performance**
- **Significant progress on strategic plan execution**

Improved operating performance

- **EBITDA growth of 5.4%** to S$564.8 mn on **margin expansion** and **greater operating efficiencies**
- **Overall volume declined by 5.3%** as compared to a **high base of H1 FY2013** (record 71.9% increase over H1 FY2012)
- **Operational PATMI** declined **marginally by 2.6%** to S$174.6 mn
  - **Sustained Cost Management** initiatives have limited **overhead growth** to **3.3%**
  - **Depreciation and amortisation** was higher at **S$110.6 mn** compared to **S$83.9 mn** in H1 FY2013.
  - **Tax expenses** excluding exceptional items were also **higher at S$27.4 mn** as compared to **S$18.0 mn** for the prior corresponding period
- Results include a **net loss of S$12.0 mn** on the fair valuation of **biological assets** compared to a **net gain of S$32.2 mn** in H1 FY2013

Significant progress on strategic plan execution

- **Moderated pace of Capex investments** – S$262.4 mn in H1 FY2014 vs S$469.6 mn in H1 FY2013

- **Significant improvement across all cash flow metrics** driven by higher operating cash flow, reduced Capex, optimisation of working capital and various initiatives to unlock value and release cash

- **Lower net gearing** of 2.06x compared to 2.21x in H1 FY2013

- Announced 10 initiatives, which will **release cash** of ~**S$445** mn, generate a **P&L gain of** ~**S$76** mn and add a further ~**S$16** mn **to capital reserves**

Consolidated Financial Performance

Margin expansion drove **EBITDA growth**

SGD Mn

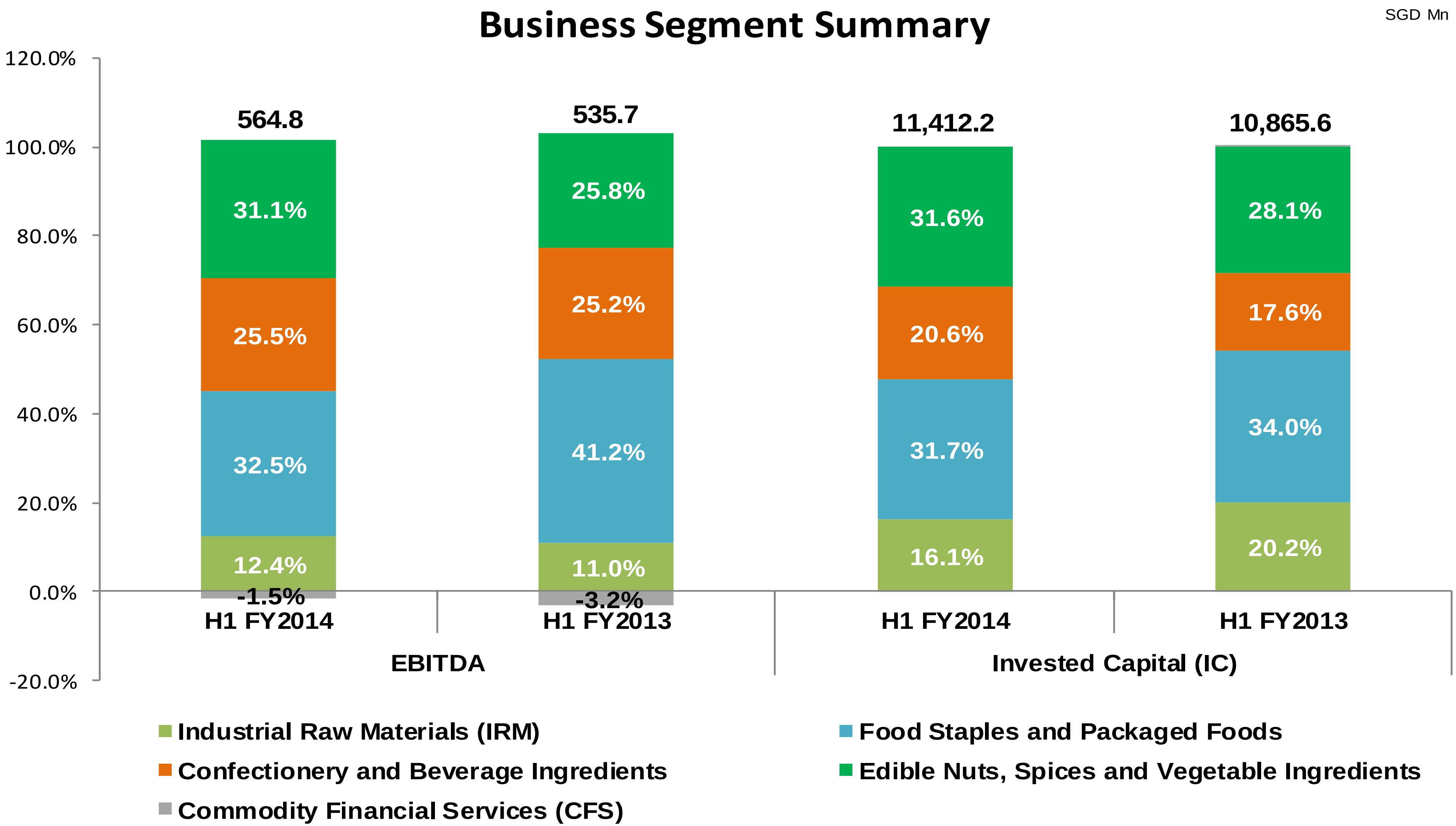
	H1 FY2014	H1 FY2013	% Change	Q2 FY2014	Q2 FY2013	% Change
Volume ('000 MT)	7,361.1	7,772.4	(5.3)	3,692.4	4,091.8	(9.8)
Revenue	8,827.8	9,589.5	(7.9)	4,506.7	4,900.4	(8.0)
EBITDA	**564.8**	**535.7**	**5.4**	**315.9**	**313.0**	**0.9**
PAT	173.5	193.1	(10.2)	130.2	151.3	(13.9)
PATMI	**180.5**	**197.3**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

- **Lower volume** as compared to a high volume base in H1 FY2013 with an exceptional 71.9% growth over the preceding H1 FY2012
- **Lower revenues** due to lower volumes and softer commodity prices
- **EBITDA growth** of 5.4% to S$564.8 mn
- **Excluding exceptional items, PATMI** impacted by higher tax and depreciation

P&L Analysis

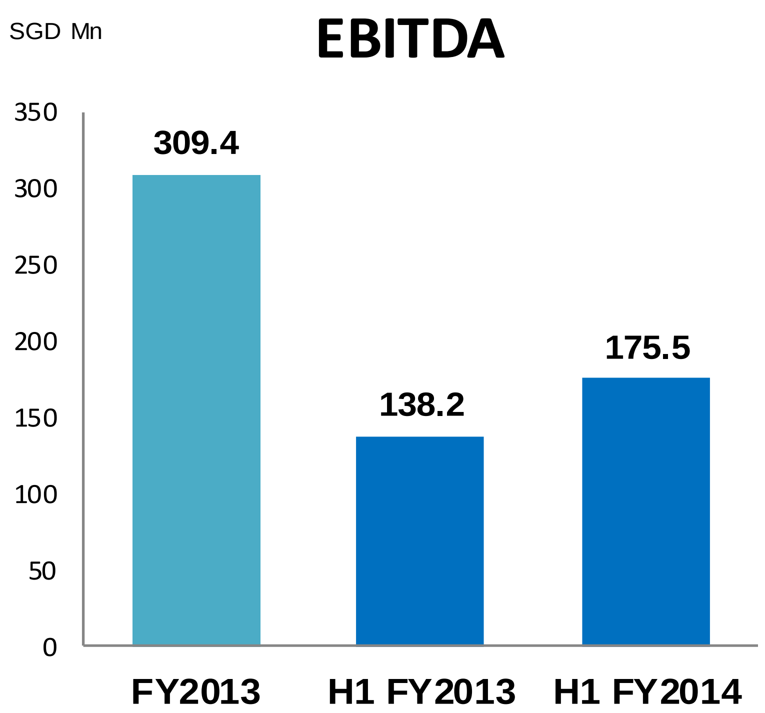
- **Net biological fair value changes turned negative:** loss of S$12.0 mn in H1 FY2014 vs. gain of S$32.2 mn in H1 FY2013
- **Higher depreciation and amortisation** charge of S$110.6 mn in H1 FY2014 vs. S$83.9 mn in H1 FY2013 as fixed capital increased by S$1.0 bn
- **Net finance costs** remained flat for H1 FY2014
- **Tax charge for H1 FY2014 was higher** at S$27.4 mn compared to H1 FY2013 at S$18.0 mn, without the one-off tax charge of S$9.7 mn on the sale of US almond assets
- **Exceptional items** in H1 FY2014 include a S$5.9 mn gain from the sale of Dirranbandi gin in Australia. H1 FY2013 results contain a S$27.8 mn gain and tax of S$9.7 mn on the sale of US almond assets
- **Minority Interests:** H1 FY2014 recorded a higher loss of S$7.0 mn vs. S$4.2 mn in H1 FY2013 driven mainly by the underperformance in Rusmolco

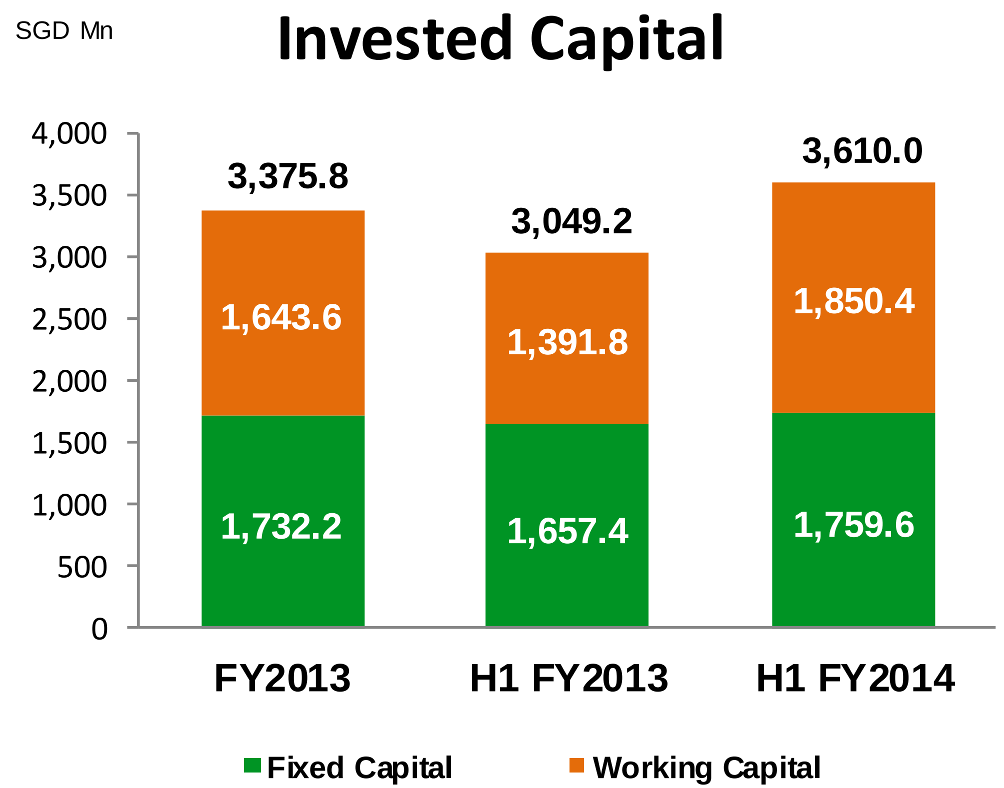
Segment **EBITDA** and **IC** Summary



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

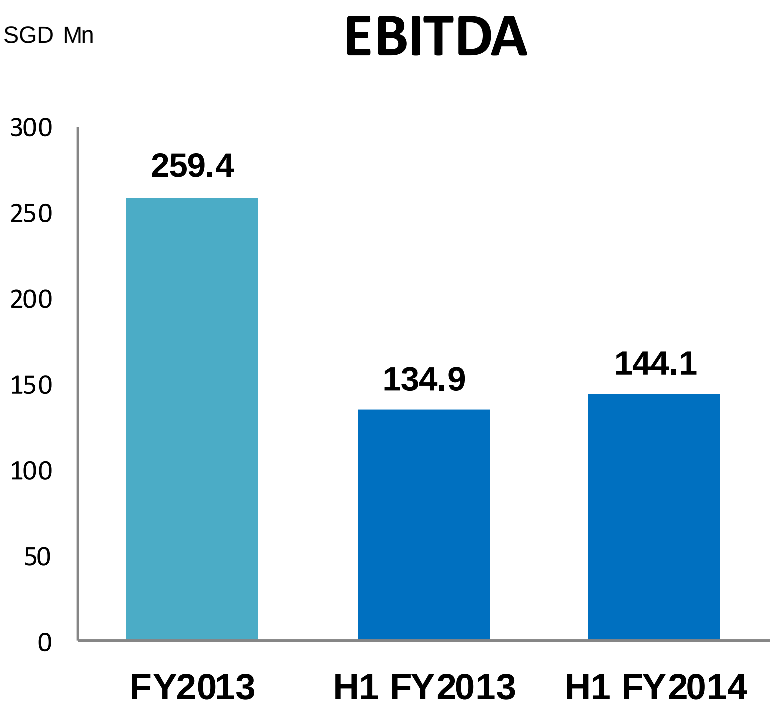
Edible Nuts, Spices & Vegetable Ingredients

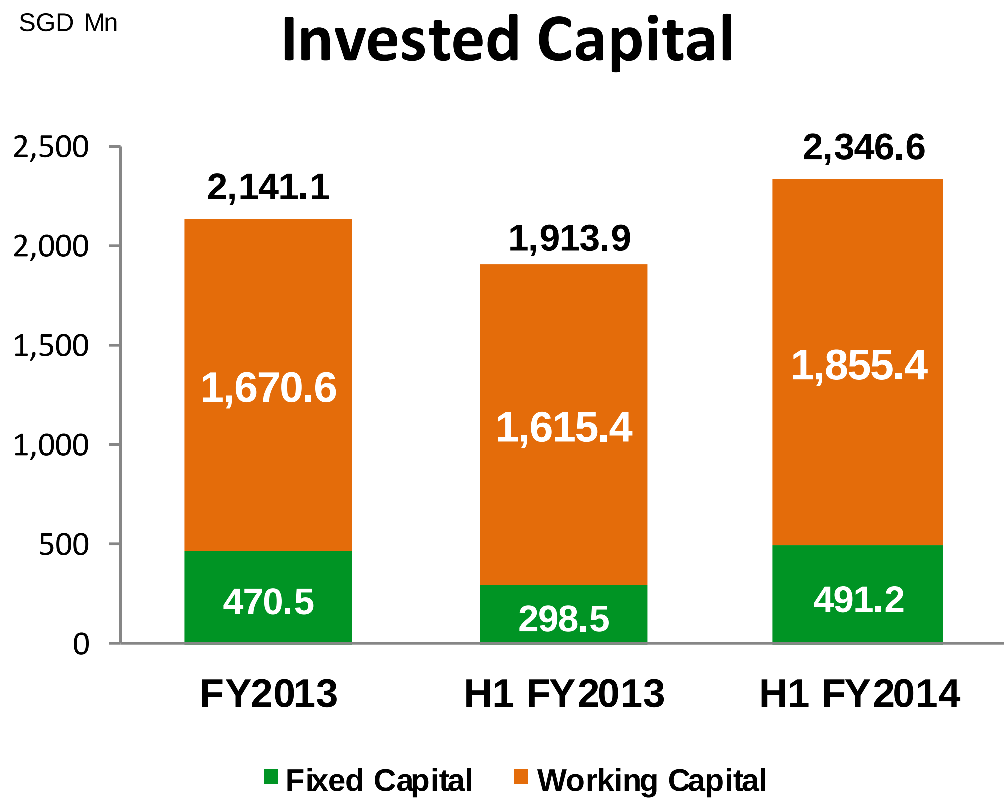




- **Almonds** and **Onions** outperformed on the back of higher volumes and prices and we saw a recovery in our **Tomato** business. **Vegetable Ingredients** (US) business did well. Underperformance in **Peanuts** (Argentina) and mechanical **Cashew** processing (Nigeria)
- Higher **Almond** and **Tomato** prices led to an increase in **working capital**

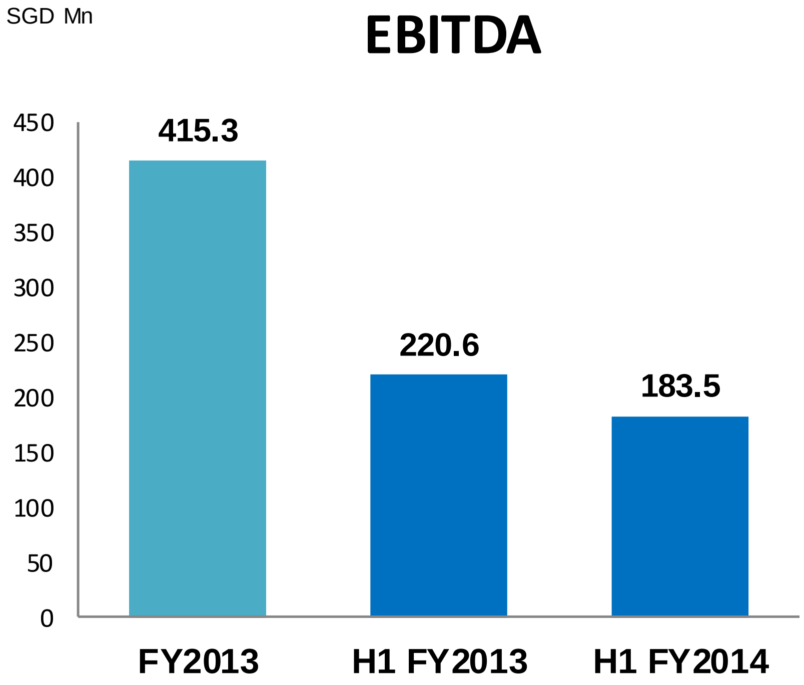
Confectionery & Beverage Ingredients

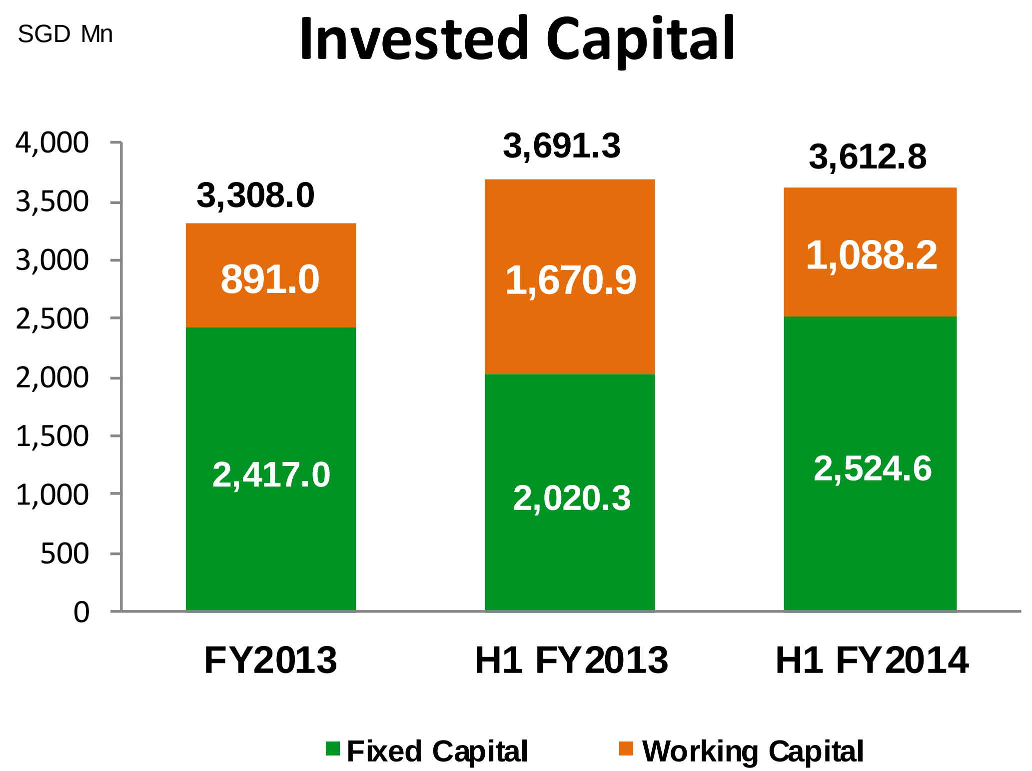




- **EBITDA** growth led by higher contribution from **Cocoa** supply chain and midstream **soluble coffee** businesses
- Good start to the **Cocoa** season, but weaker **Coffee** prices impacted margins
- **Invested capital** increased from investments in upstream **Coffee** plantations and midstream **Cocoa** processing in Côte d’Ivoire

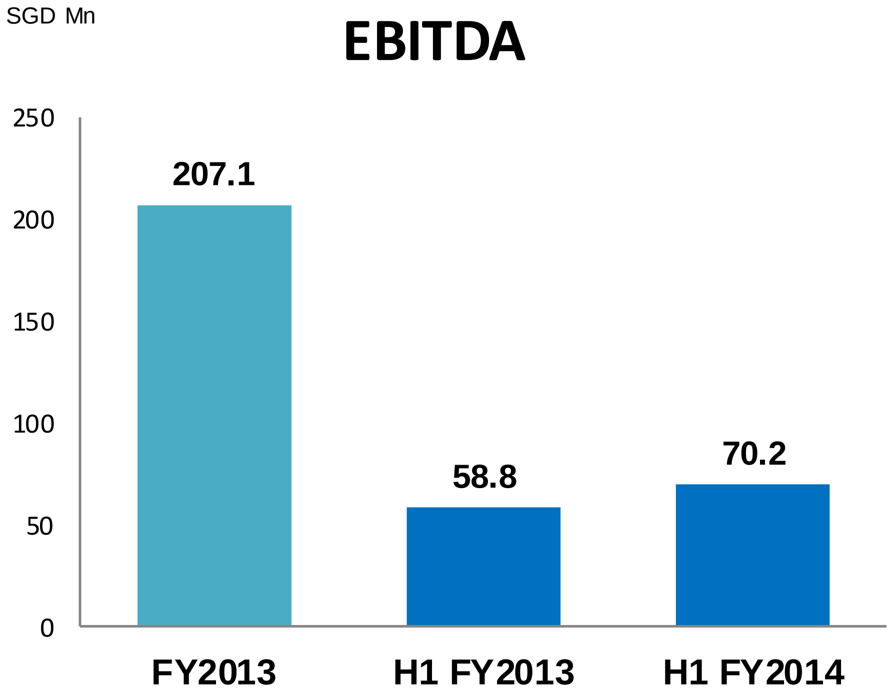
Food Staples & Packaged Foods

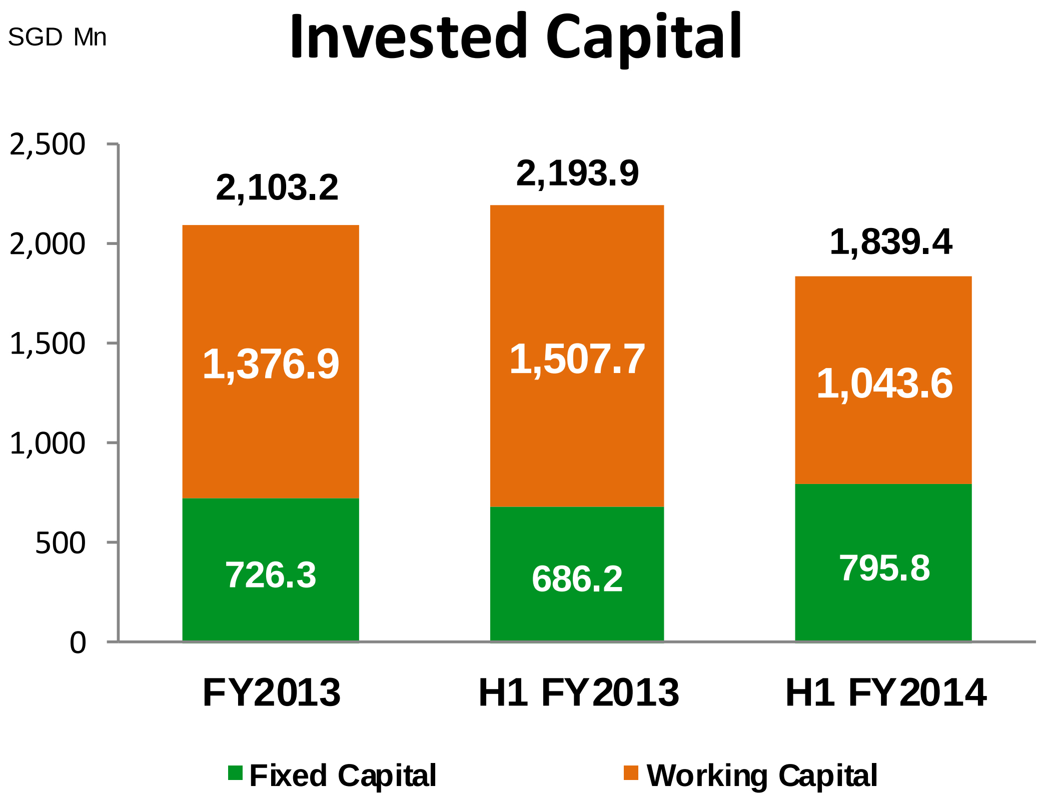




- **EBITDA** impacted by lower **Grain** and **Rice** volumes, lower **Rice** margins and upstream **Dairy** underperformance (Rusmolco). **Flour mills** in Nigeria and Ghana, **Packaged Foods**, **Dairy** supply chain and the **Sugar** refinery in Indonesia performed well during the period
- **Invested capital** increased due to higher **Grains** and **Packaged Foods** inventories and Fixed capital investments in the **Rice** farm in Nigeria, **Palm** plantations in Gabon and **flour mills** in Senegal and Cameroon

Industrial Raw Materials





- **EBITDA** growth on account of better **Cotton** margins
- **Working capital** decreased as working capital optimisation initiatives started to deliver results. **Fixed capital** investments made in **Rubber** plantations and **SEZ** in **Gabon**

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

Improvement in cash flow generation

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**

- **Significant improvement across all cash flow metrics** driven by higher cash EBITDA, lower working capital requirement and a reduced pace of Capex
- Remain on track to generate **positive FCFF for FY2014**

Improved gearing

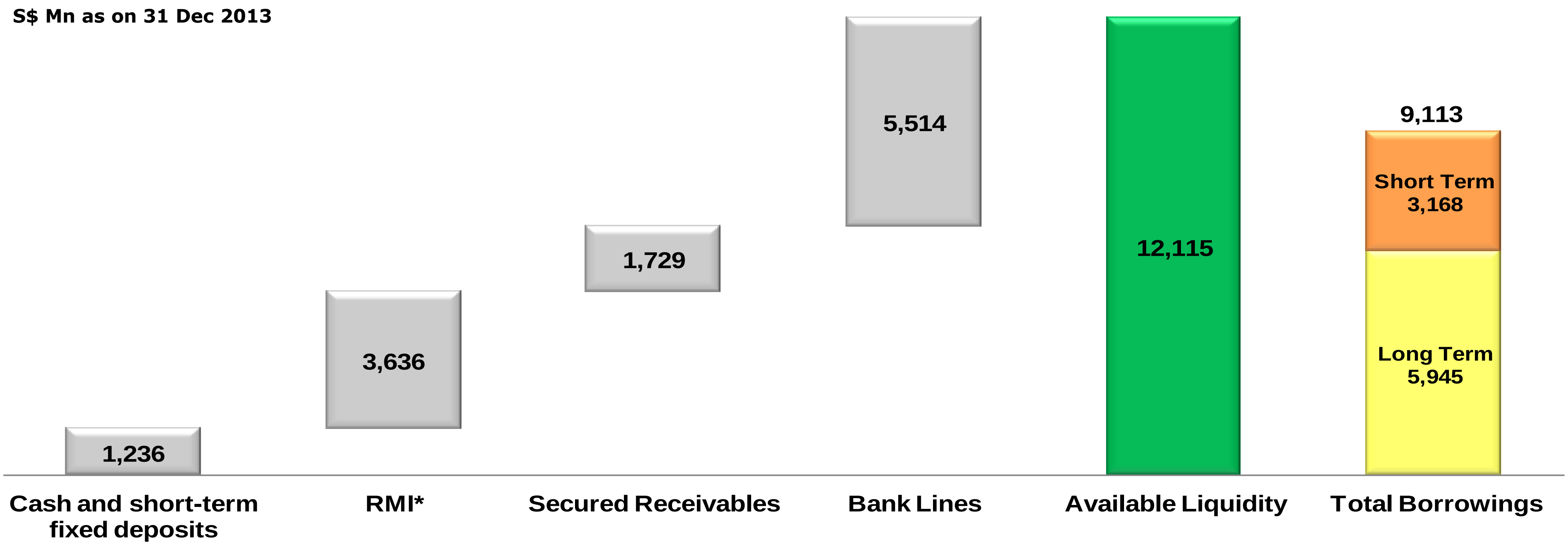
SGD Mn

	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)**

***RMI: inventories that are liquid, hedged and/or sold forward**

- **Net debt and gearing increased from FY2013** due to usual seasonality of our business
- Gearing **significantly lower** than **H1 FY2013**
- Adjusted gearing at 0.66x provides **ample debt capacity**

Ample liquidity to meet all outstanding borrowings



*RMI: inventories that are liquid, hedged and/or sold forward

- **Available liquidity sufficient** to cover all repayment and Capex obligations
- **Borrowing mix remains well diversified** across sources and tenors

Progress on Strategy Execution

Strategy: Four Priorities, Six Pathways

The Strategy Review had established <u>4 priorities</u>:

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

... and <u>6 pathways</u> to realise these 4 priorities:

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

Good progress on all strategic pathways

1. **Recalibrate pace of investments**
   - Moderated pace of capex to S$262.4 million in H1 FY2014 vs S$469.6 million in H1 FY2013

2. **Optimise Balance Sheet**
   - Announced sale-and-leaseback of our almond assets in the US and Australia
   - Bonds repurchased
   - Optimised working capital

3. **Pursue opportunities for unlocking Intrinsic Value**
   - Sold basmati rice mill in India, 25.5% stake in instant noodles business in Nigeria and cotton gin in Dirranbandi, Australia.
   - Announced sale of OCDL, New Zealand and Olam Lansing, Canada

Good progress on all strategic pathways

4. **Optimise shape of portfolio and reduce complexity**
   - Restructured 27 profit centers and 5 business platforms
   - Announced partial divestment of Timber assets in Gabon

5. **Improve operating efficiencies**
   - Reducing pace of overhead growth to 3.3% (after consolidation of acquired entities post prior period)

6. **Enhance stakeholder communication**
   - Investor Days: Grains, Packaged Foods, Edible Nuts and Spices & Vegetable Ingredients
   - Field visits: Nigeria and Gabon
   - Reporting templates: MD&A

Impact of strategic initiatives

5 initiatives announced and completed:

SGD Mn

Announced	Completed	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**

Impact of strategic initiatives

5 announced initiatives expected to be completed in H2 FY2014:

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**

Cash proceeds of A$200Mn received on February 11, 2014 from the sale-and-leaseback of Australian almond orchards

Key Takeaways

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- **Improved operating performance** with **significant progress** on all **4 strategic plan priorities** and the **6 pathways** identified
- **Will continue to invest** in **select platforms** to further consolidate our **competitive position** and **to build for the future**
- **Focus remains on execution against our plans -** extracting full value from our existing investments, selectively investing in higher margin, better return opportunities, improving operating efficiencies and continuously optimising our balance sheet
- **On track** to generate **both earnings growth** and achieve **positive FCFF** for FY2014

Thank You