

Olam International Limited

Second Quarter and First Half FY2010 Results Briefing

11th February 2010 | Singapore



Investing for Value



This presentation should be read in conjunction with Olam International Limited's Second Quarter (Q2 FY2010) and Half Year (H1 FY2010) Financial Results for the period ended 31st December 2009 statement lodged on SGXNET on 11th February 2010.

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 & First Half FY2010 (H1 FY2010) results report and filings with SGX. The reader and/or listener is cautioned to not unduly rely on these forward-looking statements. We do not undertake any duty to publish any update or revision of any forward looking statements.

Results Presentation : Outline

- ❖ **Results: H1 FY2010 - Consolidated P&L Analysis**
- ❖ **Results: H1 FY2010 - Segmental Analysis**
- ❖ **Results: H1 FY2010 - Balance Sheet Analysis**
- ❖ **M & A Update**

Results: H1 FY2010

Consolidated P&L Analysis






Summary

	H1 FY2010 (S\$'000)	H1 FY2009 (S\$'000)	% Increase
Sales Volume (MT)	3,376,577	2,809,456	20.2
Sales Value	4,609,714	3,859,654	19.4
Net Contribution (NC)	361,116	280,897	28.6
Profit After Tax (Excluding Exceptional Gains)	86,801	62,385	39.1
Exceptional Gains	91,099	55,939	62.9
Profit After Tax	177,900	118,324	50.3

Consolidated P&L Analysis: H1 FY2010

Sales Volume: 3.377 million metric tons

-  Volume grew by 0.567 million metric tons
-  20.2% growth over H1 FY2009
-  Volume growth across all 4 segments

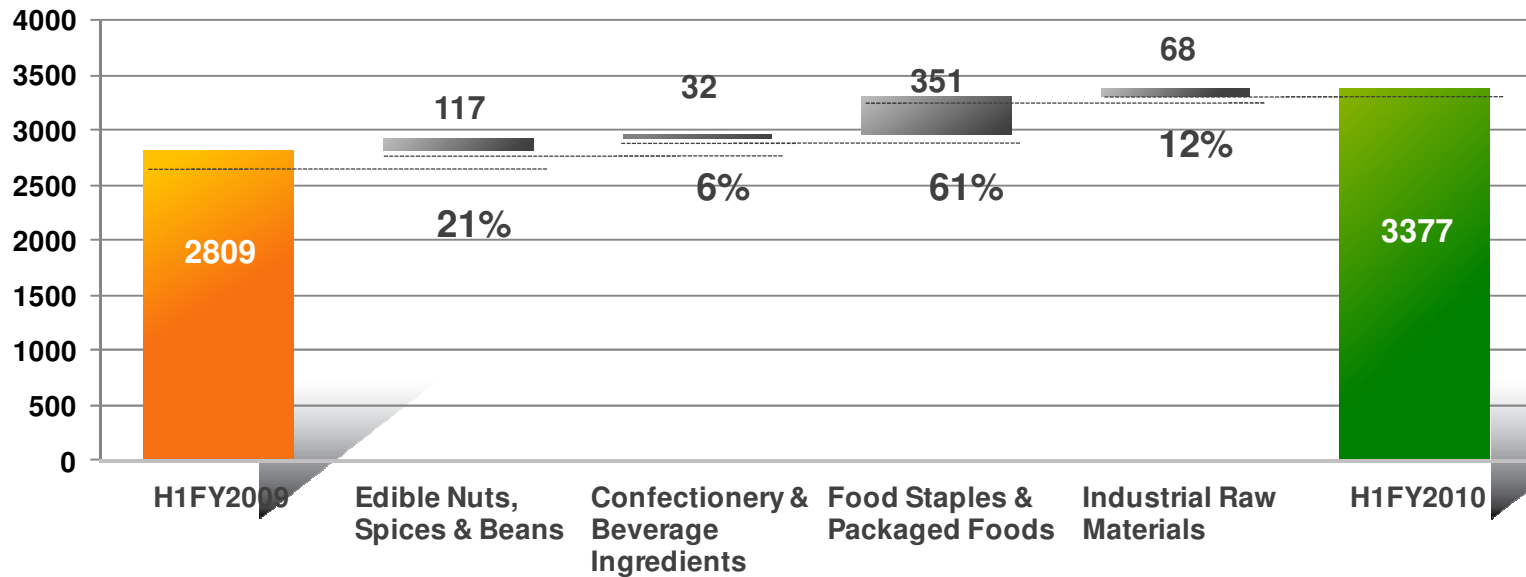
Volumes

	H1 FY2010 (MT/'000)	H1 FY2009 (MT/'000)	% Change
Edible Nuts, Spices & Beans	511	394	29.7
Confectionery & Beverages Ingredients	587	555	5.6
Food Staples & Packaged Foods	1,646	1,295	27.1
Total Food Category	2,744	2,244	22.3
Industrial Raw Materials	633	565	12.1
Consolidated Total	3,376	2,809	20.2

Sales Volume Growth: Segmental Contribution

Sales Volume
(MT/'000)

Sales Volume growth 20.2%, 0.567 mts



Growth Over H1 FY2009:

29.7%

5.6%

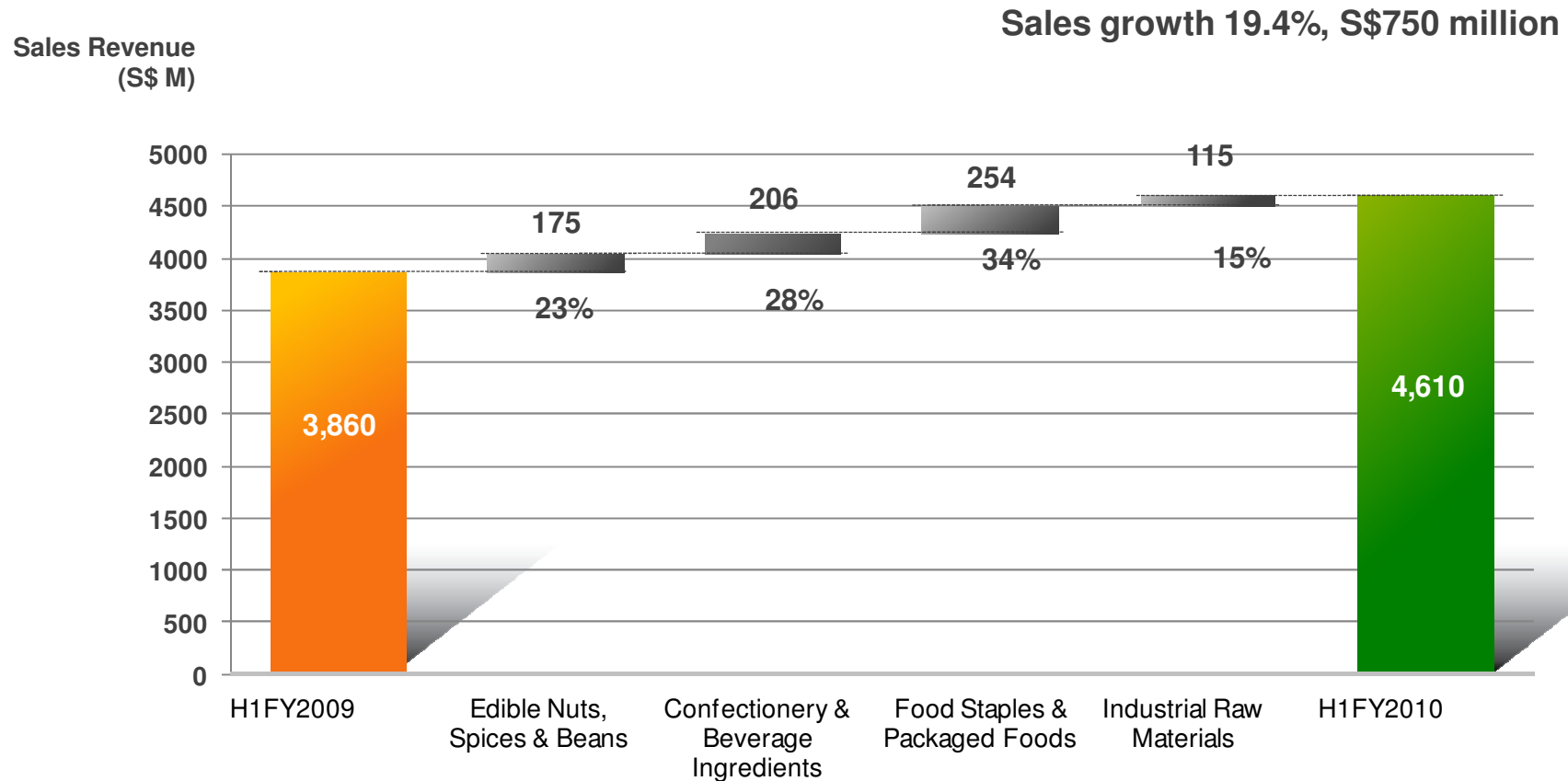
27.1%

12.1%

Consolidated P&L Analysis: H1 FY2010

- ✿ **Total Sales Revenue: S\$4,610 million**
 - ✿ 19.4% growth over H1 FY2009
 - ✿ Revenue growth across all segments
 - ✿ Revenue growth driven by growth in volumes

Sales Revenue Growth: Segmental Contribution

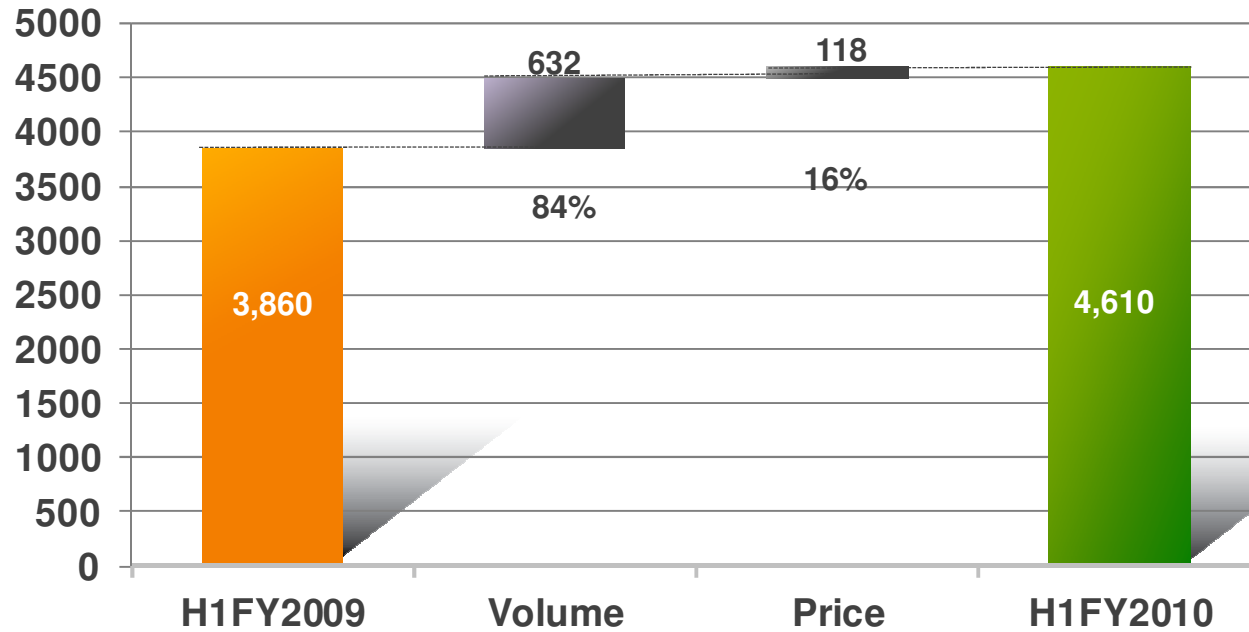


Growth Over H1 FY2009: **33.3%** **14.3%** **22.9%** **14.8%**

Sales Revenue Growth: Sources

Sales Revenue
(S\$ M)

Sales growth 19.4%, S\$750 million



Consolidated P&L Analysis: H1 FY2010

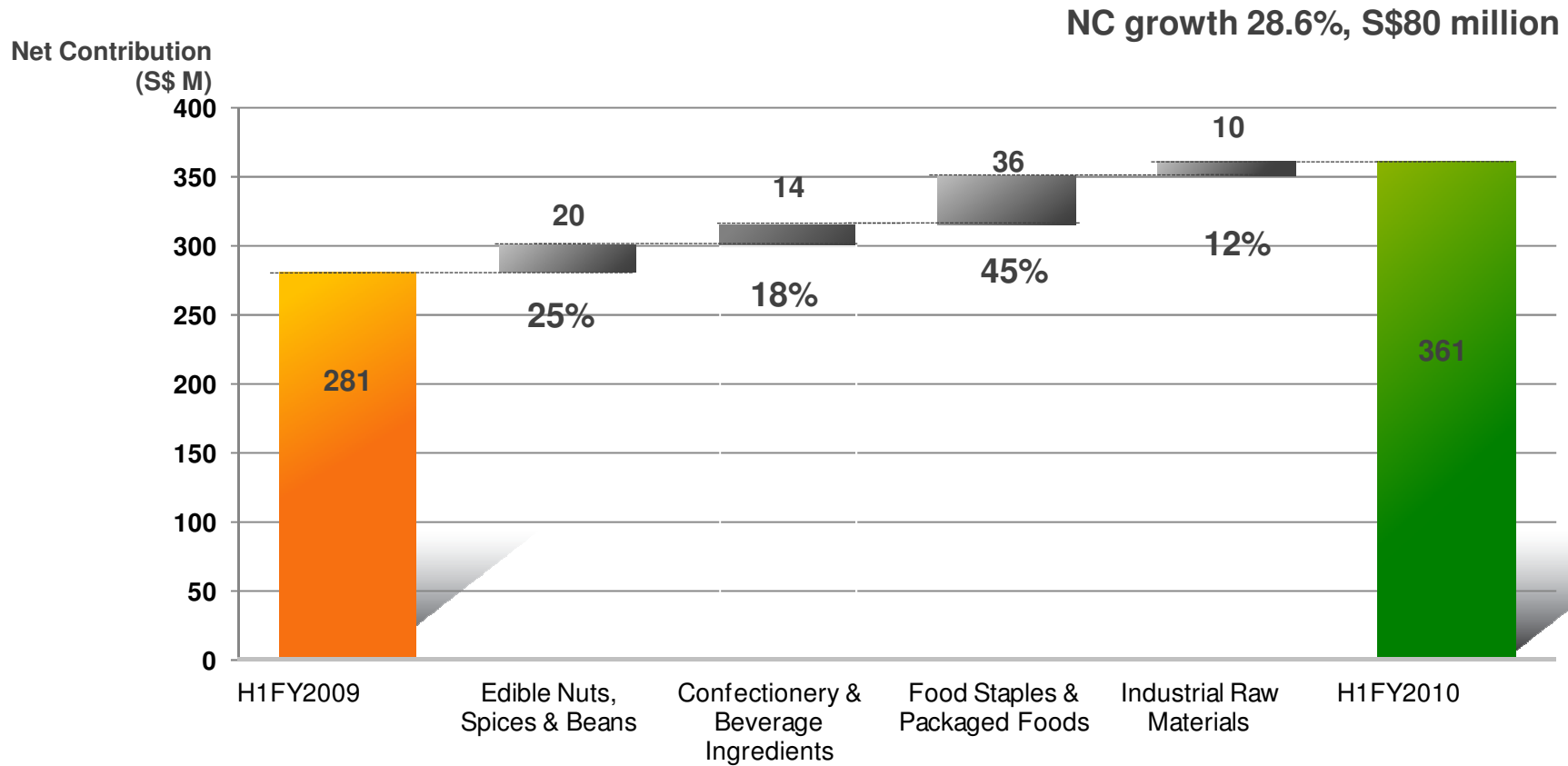
Net Contribution (NC): S\$361 million

 NC growth from S\$281m to S\$361m

 28.6% growth over H1 FY2009

 NC growth across all segments

Net Contribution Growth: Segmental Share

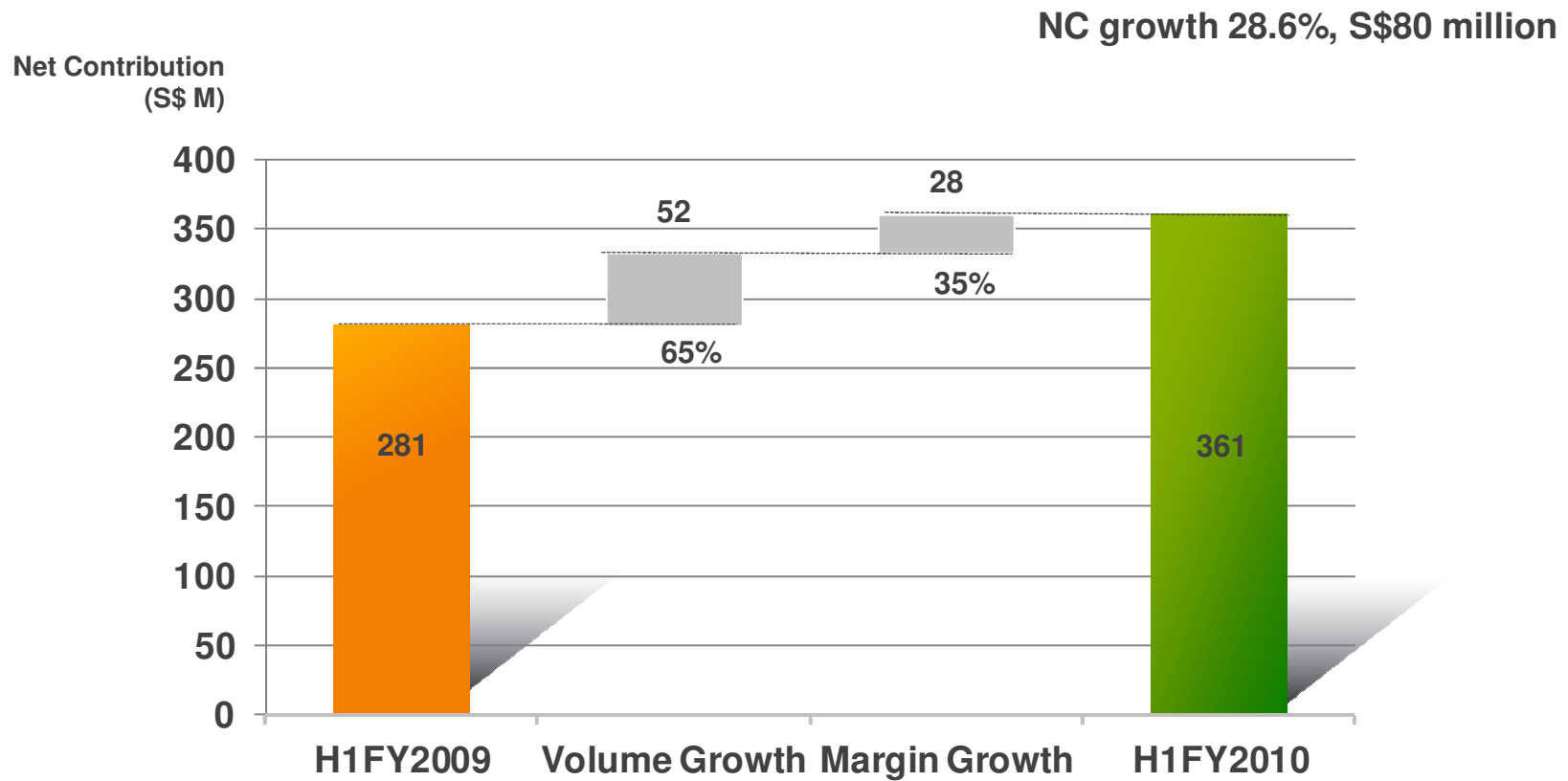


Growth Over H1 FY2009: 37.8% 17.9% 38.8% 17.9%

Net Contribution Growth: Segmental Share

	Net Contribution			Net Contribution / MT		
	H1FY2010 S\$million	H1FY2009 S\$million	% change	H1FY2010 S\$	H1FY2009 S\$	% change
Edible Nuts, Spices & Beans	73.6	53.4	+37.8	143.9	135.5	+6.2
Confectionery & Beverages Ingredients	96.0	81.5	+17.9	163.7	146.7	+11.6
Food Staples & Packaged Foods	128.6	92.7	+38.8	78.2	71.6	+9.2
Industrial Raw Materials	62.9	53.3	+17.9	99.2	94.4	+5.1
Consolidated Total	361.1	280.9	+28.6	106.9	100.0	+6.9

Net Contribution Growth: Sources



Impact of FRS 102


✿ The following two employee Share Schemes come under the ambit of FRS 102:

- Employee Share Subscription Scheme (ESSS)
- Employee Share Options Scheme (ESOS)

✿ The impact of FRS 102 on the Financial Statements is as follows:

	Prior Period S\$'000	H1FY2010 S\$'000	Carried Forward S\$'000	Total S\$'000
ESSS	2,457	-	-	2,457
ESOS	15,863	5,418	28,909	50,190
Total	18,320	5,418	28,909	52,647

Consolidated P&L Analysis: H1 FY2010

 **SG&A** increased by 22.3% to S\$239.2 million in H1 FY2010

	H1 FY2010	H1 FY2009	Change
SG&A (S\$million)	239.2	191.6	24.8%
SG&A/Sales Ratio	5.19%	5.07%	0.12%

Consolidated P&L Analysis: H1 FY2010

Profit After Tax (PAT): S\$177.9 million

- 50.3% growth over H1 FY2009

Profit After Tax (excluding exceptional gains): S\$86.8 million

- 39.1% growth over H1 FY2009

Earnings per Share (EPS)

- 8.92 cent/share in H1 FY2010 vs 6.91 cent/share in H1 FY2009
- 29.1% growth over H1 FY2009

Interim Dividend

- A one-tier tax exempt interim dividend of 2 cents per ordinary share recommended.

Results: H1 FY2010

Segmental Analysis



Segmental Analysis H1 FY2010: Summary

Olam Consolidated

- Turnover **S\$ 4,610 million**
- Volume **3.377 mmts**
- NC **S\$ 361 m**
- NPAT **S\$ 178 m**

Edible Nuts, Spices & Beans

- Turnover **S\$700 m**
- Volume **0.511 mmts**
- NC **\$ 74 m**

- NC Share **20.4%**



Confectionery & Beverage Ingredients

- Turnover **S\$1,651 m**
- Volume **0.587 mmts**
- NC **S\$ 96 m**

- NC Share **26.6%**



Food Staples & Packaged Foods

- Turnover **S\$1,364 m**
- Volume **1.646 mmts**
- NC **S\$ 128 m**

- NC Share **35.6%**



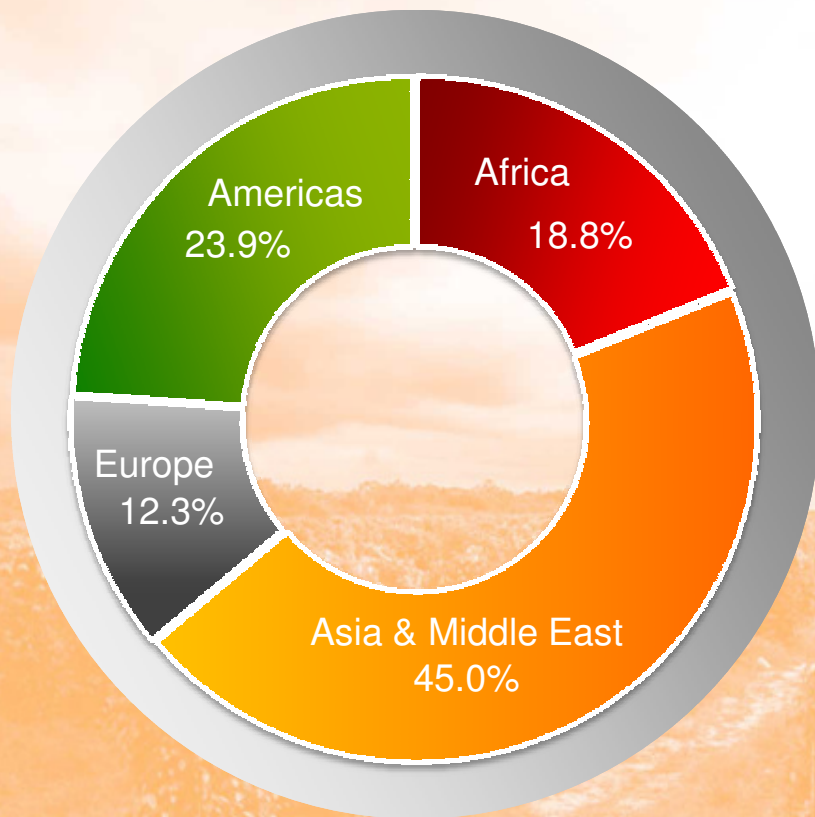
Industrial Raw Materials

- Turnover **S\$895 m**
- Volume **0.633 mmts**
- NC **S\$ 63 m**

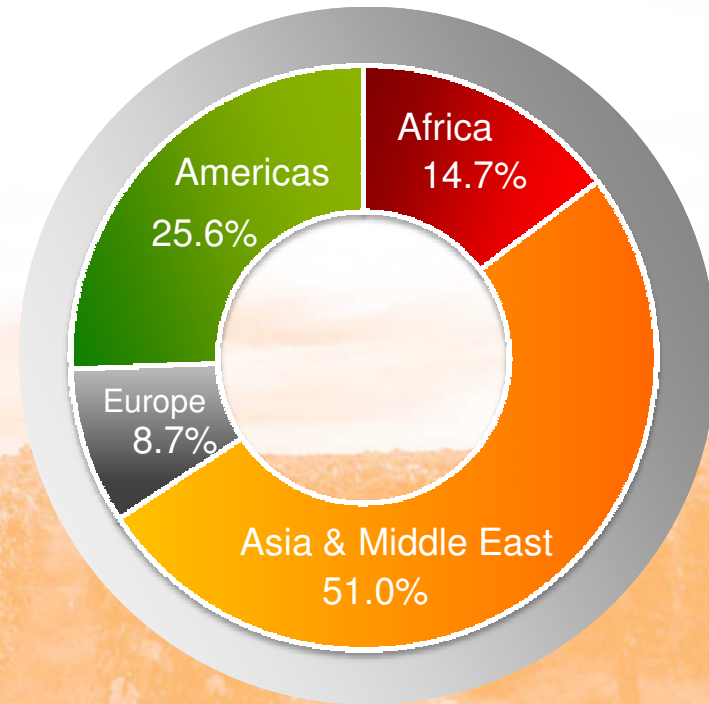
- NC Share **17.4%**



Well Diversified Sourcing: Origins

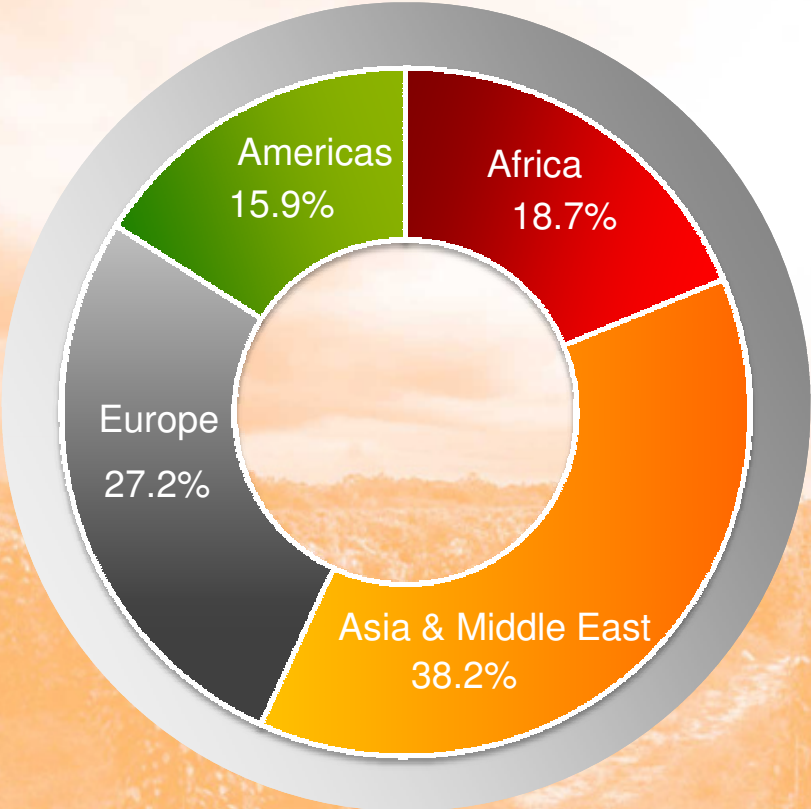


**Sourcing Volume
H1 FY2010**

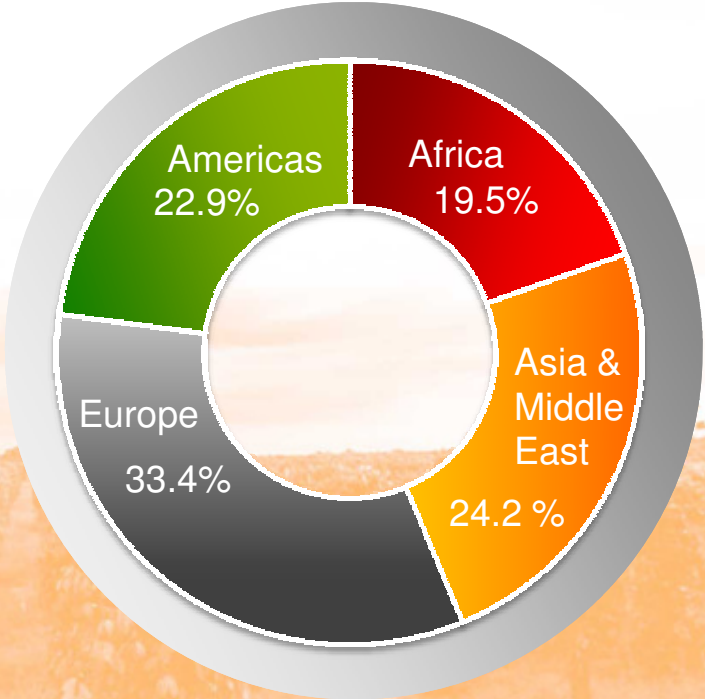


**Sourcing Volume
H1 FY2009**

Well Diversified Sales: Markets



**Sales Turnover
H1 FY2010**



**Sales Turnover
H1 FY2009**

Results: H1 FY2010

Balance Sheet Analysis



Balance Sheet Analysis: Summary

(Figures in S\$ million)	H1FY2010	FY2009	Change	% Change
Fixed assets	974.0	534.0		
Long term investments	502.6	400.9		
Goodwill & Intangibles	123.7	127.5		
Total Fixed / Long Term Investments	1,600.3	1,062.4	537.9	50.6%
Inventories	2,701.7	1,966.4		
Trade receivables	657.6	732.5		
Advance to suppliers	448.3	277.7		
Margin account with brokers	265.9	64.8		
Cash & cash equivalents	487.6	533.8		
Fair value of derivatives	618.0	349.9		
Other assets	444.3	427.9		
Total Other Assets	5,623.4	4,353.0	1,270.4	29.2%
Total Assets	7,223.7	5,415.4	1,808.3	33.4%
Trade payables & accruals	(454.4)	(659.0)		
Fair value of derivatives	(926.4)	(403.5)		
Other Liabilities	(194.8)	(132.8)		
Net Assets	5,648.1	4,220.1	1,428.0	33.8%
Short term debt	3,493.8	3,174.2		
Long term debt	557.2	-		
Total Debt	4,051.0	3,174.2	876.8	27.6%
Equity & Reserves (before fair value adj.)	1,908.1	1,225.8	682.3	55.7%
Less: Fair value Reserve	(311.1)	(179.9)		
Equity & Reserves (after fair value adj.)	1,597.0	1,045.9	551.1	52.7%
Minority Interest	0.1	-		
Total Capital Employed	5,648.1	4,220.1	1,428.0	33.8%

Long Term Capital / Fixed Investments

(in S\$ million)	H1FY2010	FY2009	Increase/ Decrease
Fixed Assets	974.0	534.0	+440.0
Long Term Capital / Investments	502.6	400.9	+101.7
Goodwill & Intangibles	123.7	127.5	-3.8
Total	1,600.3	1,062.4	+537.9
Fixed Investments excluding Goodwill & Intangibles/ Total Assets Ratio	22.2%	19.6%	

Balance Sheet Analysis: Ratios

	H1FY2010	FY2009	Change
Debtors (days)	26	31	5
Stock (days)	119	92	(27)
Advance to Suppliers (days)	20	13	(7)
Trade Creditors (days)	(20)	(31)	(11)
Cash to cash cycle	145	105	(40)
Current Ratio(x)	1.44	1.36	0.08

Balance Sheet Analysis: Stock

(in S\$ million)	H1FY2010	FY2009	Increase / Decrease
Edible Nuts, Spices & Beans	434.4	282.3	152.1
Confectionery & Beverage Ingredients	1,476.9	901.8	575.1
Food Staples & Packaged Foods	416.0	459.8	(43.8)
Industrial Raw Materials	374.4	322.5	51.9
Total	2,701.7	1,966.4	735.3

85.2% of stocks sold forward or hedged

Debt Facilities: Limits

(in S\$ million)	H1FY2010	FY2009	Increase/ (Decrease)	% Increase/ (Decrease)
Short Term Banking Facilities	3,715.6	4,149.1	(433.5)	(10.4)
Medium Term Facilities	1,842.6	1,168.9	1,153.1	57.6
Long Term Facilities	1,233.3	215.0	538.9	473.6
Total in S\$	6,791.5	5,533.0	1,258.5	22.7

Subsequent to quarter end, the Company issued S\$250 million 3 year notes under its MTN programme.

Debt Facilities & Utilisation

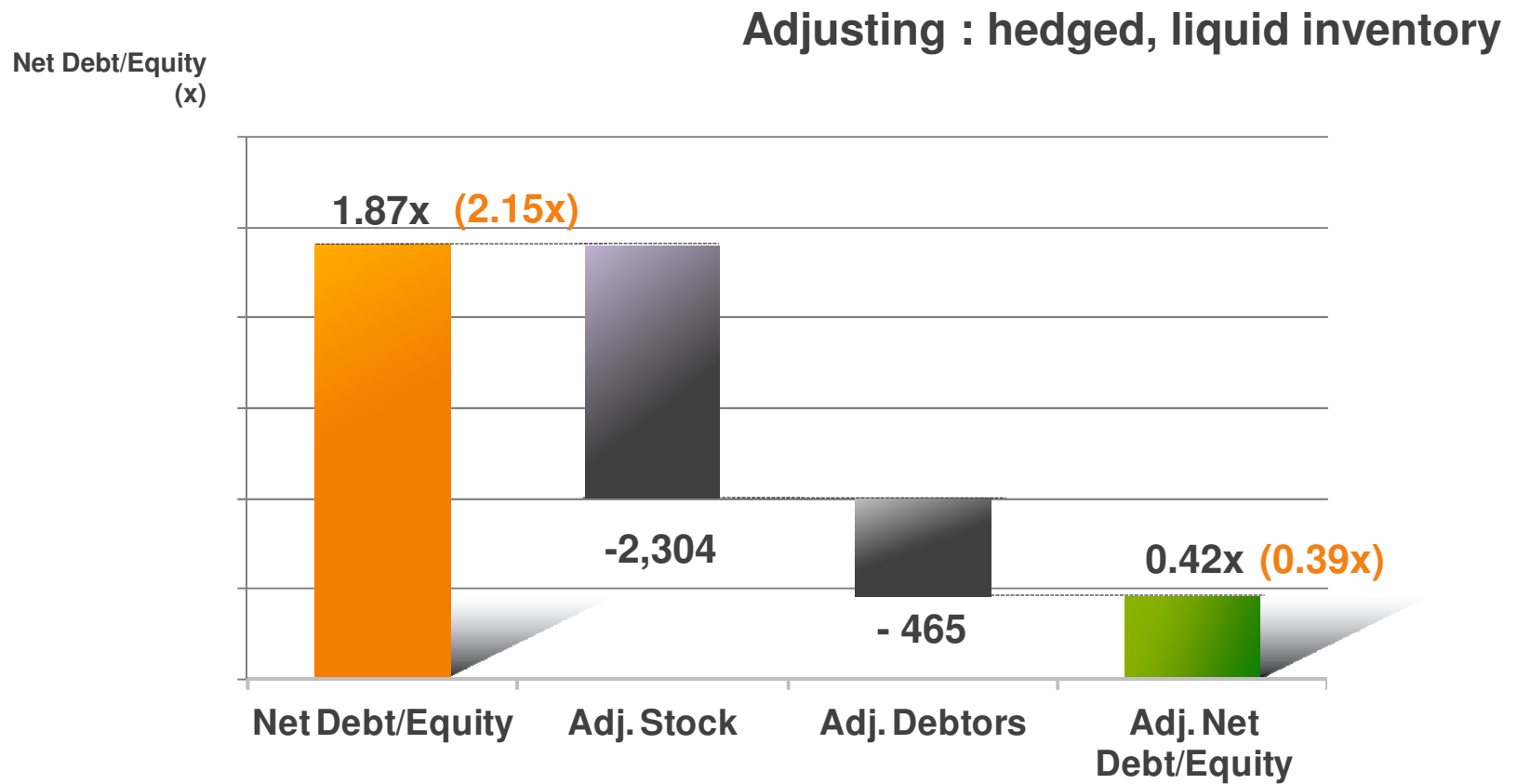
- Only 59.6% of total credit facilities were used as of 31st December 2009

(in S\$ million)	Amount	% Share	Limits	% Utilised
Short Term Facilities	2,359.0	58.2	3,715.6	63.5
Medium Term Facilities	938.1	23.2	1,842.6	50.9
Long Term Facilities	753.9	18.6	1,233.3	61.1
Total Borrowings	4,051.0	100.0	6,791.5	59.6

Balance sheet Analysis: Gearing

	H1 FY2010	FY2009	Change
Leverage (x)			
Gross Debt to Equity (x)	2.12	2.59	0.47
Net Debt to Equity (x)	1.87	2.15	0.28
Liquidity			
Cash to Sales (%)	5.29	6.22	(0.93)
Cash & Cash Equivalents	487.6 m	533.8 m	(46.2)
Margin Deposit with Brokers	265.9 m	64.8 m	201.1

Balance Sheet: Analysis of Gearing



Financial Summary

- ❖ Volume grew by 20.2% to 3.377 million MT
- ❖ Net Contribution grew by 28.6% to S\$361.1 million
- ❖ Profit after tax (excluding exceptional gains) grew by 39.1% to S\$86.8 million
- ❖ Profit after tax grew by 50.3% to S\$177.9 million
- ❖ Earnings per Share (EPS) increased by 29.1% to 8.92 cents per share.
- ❖ First time, a one-tier tax exempt interim dividend of 2 cents per ordinary share recommended.
- ❖ Strong balance sheet – additional capital of US\$1.9 billion raised during H1 FY2010.

Results: H1 FY2010

Strategy and M&A update



Our Strategy-on-a-Page

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

Vision

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

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

Goals

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

Strategic thrusts

Invest to achieve integrated value chain leadership

Coffee, Edible Nuts, W. Africa Palm

Selectively expand into attractive value chain adjacencies

Cocoa, Sugar, Rice, Dairy, Spices & Dehydrates, Grains, W. Africa Rubber

Optimise and extract full value from core

Cotton, Sesame, Pulses, Timber

Leverage latent assets

Packaged food in W. Africa, Agri-financial services, Agri-inputs

Downsize/exit / prune unattractive activities

Select origins

Enablers

Excellence in execution

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

M&A effectiveness

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

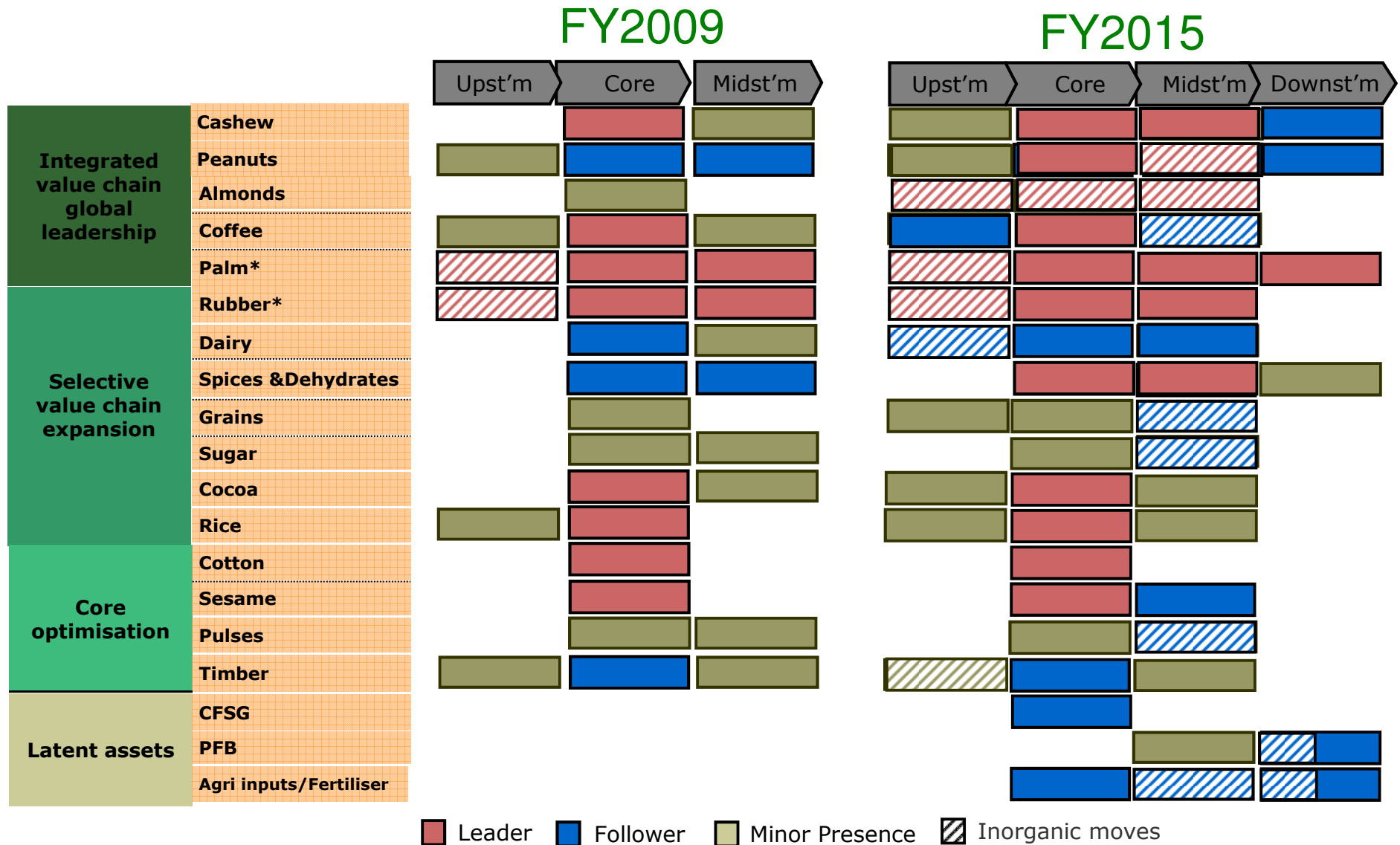
Capital efficacy

- Capital structure
- Overhead and capital productivity

People & Values

- Global talent pool
- Entrepreneurial culture

Change in the Portfolio



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

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

* Value-added services

** Includes Packaged Food Business and Commodity Financial Services Group

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

M&A Update: Acquisition of Tomato Processing Facilities

- ❖ In July 2009, acquired tomato processing assets of SK Foods and RHM Industrial for a cash consideration of US\$39.0 million
- ❖ 1.5 million tonnes tomato processing facilities in 2 plants located on 82 acres in the Central California city of Lemoore and on 42 acres in Williams in northern Sacramento Valley
- ❖ Capability to handle paste, diced and multiple products for tomatoes and other ingredients
- ❖ No. 2 in California with 14% market share and estimated to be 4th largest globally with market share of 5%
- ❖ One of the largest certified processor of organic products with more than 30 percent supply of organic processing tomato acreage in California
- ❖ Estimated to generate revenue of US\$200 million and EBITDA margin of 12-13% in FY2012.

M&A Update: Acquired 14.35% stake in New Zealand Farming Systems Uruguay

- ❖ In September 2009, acquired 14.35% stake in New Zealand Farming Systems Uruguay (“NZFSU”), an operator of large scale Kiwi-style dairy farming operations in Uruguay for a cash consideration of NZ\$14.37 million (US\$9.88 million).
- ❖ NZFSU owns 36,300 hectares of dairy farm land of which 10,500 hectares has currently been developed in 26 farms.
- ❖ In FY2009, NZFSU produced 44.6 million litres of milk and is expected to produce 80-85 million litres in FY2010.
- ❖ NZFSU’s objective is to transfer New Zealand’s superior dairy farming practices to a lower cost dairy asset base in Uruguay, thereby unlocking value.

M&A Update: Acquisition of Almond Orchards

- ✿ In September 2009, signed agreement to acquire 8,096 hectares of planted almond orchards, 1,700 hectares of unplanted land and 40,825 mega litres of permanent water rights from Timbercorp in Australia for a cash consideration of A\$128 million.
- ✿ In November 2009, signed agreement to acquire additional 3,853 hectares of almond orchards with permanent water rights from TPIF Orchards and 48,259 mega litres of permanent water rights from TPIF for a cash consideration of A\$160 million.
- ✿ Combined acquisition of 11,949 hectares of planted almond orchards with 89,084 mega litres of permanent water rights for total cash consideration of A\$288 million, with additional capex of A\$32 million is expected:
 - ✿ To have average orchard age of 4 years
 - ✿ To reach full maturity by 2013-14
 - ✿ To have peak commercial production of 39,500 MT
 - ✿ To be earnings accretive from year 1
 - ✿ To generate project IRR of 18-22%

M&A Update: Investment in PureCircle

- ❖ In July 2008, Olam announced formation of a 50:50 Joint venture company, Olam Wilmar Investments Holdings Pte. Ltd (“OWIH”) to acquire 20% interest in PureCircle Limited (“PureCircle”), leading producer of natural zero-calorie, high-intensity sweeteners from the stevia plant. Olam’s investment was U\$54 million.
- ❖ In November 2009, Olam directly acquired additional stake of 2.61% of the enlarged share capital from PureCircle’s placement of new shares for U\$13 million.
- ❖ In December 2009, shares held by OWIH were transferred to Olam and Wilmar Group respectively. Subsequently Olam has acquired Wilmar’s stake in PureCircle for U\$54 million.
- ❖ Total investment of U\$121.0 million makes Olam the largest individual shareholder in PureCircle with a 20% stake.

M&A Update: Acquisition of Crown Flour Mills

- ❖ In January 2010, Olam acquired Crown Flour Mills (CFM) in Nigeria for a total purchase consideration of US\$108m:
 - ❖ 99.5% equity ownership of CFM for an enterprise value of US\$88 million and equity value of US\$39 million;
 - ❖ Additional US\$20 million for surplus assets including buildings, warehouses, other logistics assets and accompanying additional land for potential agro-processing activities
- ❖ CFM is amongst the 3 largest wheat millers in Nigeria with 2 port-based milling facilities of total installed capacity of 1,550 MT per day
- ❖ Invest additional US\$5.5 million to increase capacity for wheat storage, port handling and semolina milling
- ❖ Increase wheat milled to 400,000 MT by 2013
- ❖ The investment is expected to achieve project IRR of 38%

Greenfield Investment: Wheat Milling in Ghana

- ❖ Olam to Invest US\$31.5 million in a Greenfield wheat milling facility in Ghana.
- ❖ Wheat mill to be located near Tema Port in Accra, close to the largest flour market in Ghana
- ❖ The facility will have a capacity of 500 MT/day and the flour production is expected to reach 115,000 MT in 3 years (FY2014).
- ❖ With the investment Olam is expected to become 3rd largest wheat miller in Ghana that has current market size of approx. 270,000 MT per annum, is growing at 7.5% p.a. and imports all its wheat requirements.
- ❖ The work on the project will commence in Mar 2010 and the mill is expected to be operational by September 2011.
- ❖ Investment is expected to generate project IRR of 25%.

Upstream: Planned initiatives

Upstream

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

Plantations:

1. **Palm** - W. Africa
2. **Rubber** - W. Africa
3. **Coffee** - Laos, Ethiopia, Indonesia
4. **Cocoa** - Indonesia, Nigeria
5. **Cashew** - Tanzania
6. **Almonds** - Australia, USA

Farming:

1. **Peanuts** - Argentina, S. Africa?
2. **Rice** - Cambodia, Mozambique, Nigeria
3. **Wheat** - Zimbabwe, Zambia
4. **Stevia** - Laos, Uganda?

Forestry concessions:

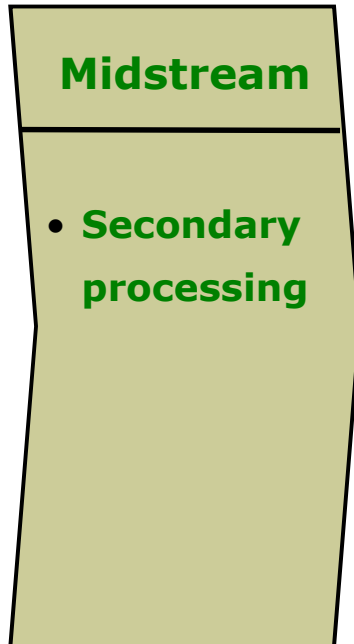
1. **Tropical Hardwoods** - Gabon, ROC, DRC?
2. **Teak** - Central America

Dairy Farming:

1. **S. America** (Chile, Uruguay)
2. **E. Europe** (Ukraine? , Russia?)

 Initiative taken

Midstream: Planned initiatives



Secondary Processing:

1. **Almond processing & ingredient manufacturing - Australia, USA**
2. **Basmati Rice milling – India**
3. **Cashew mechanical processing – Africa**
4. **Palm Oil refining - IVC, DRC**
5. **Peanuts Ingredient manufacturing - USA**
6. **Soluble Coffee processing – Vietnam, India, Russia, IVC, Egypt**
7. **Spice & Dehydrates – Vietnam, USA**
8. **Sugar milling - India, Brazil, Indonesia, Australia, Africa & Russia**
9. **Sugar refining - Nigeria, Indonesia, Bangladesh**
10. **Tomato Paste Manufacturing - USA, China**
11. **Wheat Milling - Nigeria, Ghana, Cameroon, IVC, Angola, Guinea Conakry, Senegal, S. Africa**

Leveraging Latent Assets

Leveraging
Latent
Assets

Packaged Foods Business (PFB):

1. West Africa
2. Russia

Commodity Financial Services Group (CFSG):

1. Market making & volatility arbitrage
2. Risk management solutions
3. Relative Value Fund

Fertiliser Manufacturing

1. West Africa



Thank You