

# OLAM INTERNATIONAL LIMITED

## Financial Statements for the Second Quarter and Half Year Ended 31<sup>st</sup> December 2008

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

- 1(a) 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 Half FY2009: Group**

(in S\$'000)	Group			Group		
	Six Months Ended			Three Months Ended		
	31 Dec 08	31-Dec-07	% change	31 Dec 08	31-Dec-07	% change
<b>Revenue - Sale of goods</b>	3,859,654	3,324,973	16.1%	2,146,877	1,948,253	10.2%
Gain on buy-back of Convertible Bonds	55,939	-		55,939	-	
Other income	17,796	12,218		9,009	7,597	
	<b>3,933,389</b>	<b>3,337,191</b>	<b>17.9%</b>	<b>2,211,825</b>	<b>1,955,850</b>	<b>13.1%</b>
<b>Costs and expenses</b>						
Cost of goods sold	3,086,537	2,638,714		1,761,159	1,542,293	
Shipping and logistics	363,136	363,364		164,451	232,810	
Commission and claims	45,790	28,289		24,712	14,126	
Employee benefit expense	83,060	82,062		41,758	45,946	
Depreciation	17,953	14,370		9,515	7,606	
Net measurement of derivative instruments	(8,683)	(7,665)		(11,944)	(9,187)	
Gain on foreign exchange	(836)	(4,880)		4,788	(4,910)	
Other operating expenses	98,463	64,564		42,861	23,939	
Finance costs	124,257	104,887		66,391	60,388	
	3,809,677	3,283,705		2,103,691	1,913,011	
Share of (gain) / loss from jointly controlled entities / associates	(4,013)	541		(4,166)	280	
	<b>3,805,664</b>	<b>3,284,246</b>	<b>15.9%</b>	<b>2,099,525</b>	<b>1,913,291</b>	<b>9.7%</b>
<b>Profit before taxation</b>	<b>127,725</b>	<b>52,945</b>	<b>141.2%</b>	<b>112,300</b>	<b>42,559</b>	<b>163.9%</b>
Tax expense	(9,401)	(6,013)		(8,905)	(4,841)	
<b>Profit for the financial period</b>	<b>118,324</b>	<b>46,932</b>	<b>152.1%</b>	<b>103,395</b>	<b>37,718</b>	<b>174.1%</b>
<b>Attributable to:</b>						
Equity holders of the Company	118,324	47,073		103,395	37,853	
Minority interest	-	(141)		-	(135)	
	<b>118,324</b>	<b>46,932</b>		<b>103,395</b>	<b>37,718</b>	

#### **Notes:**

(in S\$'000)	Group			Group		
	Six Months Ended			Three Months Ended		
	31 Dec 08	31-Dec-07	% change	31 Dec 08	31-Dec-07	% change
Other income includes <b>interest income</b> of	5,860	4,651		2,263	2,059	
Other operating expenses include <b>bank charges</b> of	7,870	8,455		4,162	3,129	
<b>Gross Contribution</b>	377,776	305,862	23.5%	206,448	175,385	17.7%
<b>Net Contribution</b>	259,378	205,626	26.1%	142,320	117,056	21.6%

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	
	31 Dec 08	30 Jun 08	31 Dec 08	30 Jun 08
<b>Non-current assets</b>				
Property, plant and equipment	359,614	403,391	3,215	1,928
Intangible assets	131,018	130,259	881	861
Investment in subsidiary companies	-	-	314,296	249,977
Deferred tax assets	27,542	36,709	10,256	14,972
Interests in jointly controlled entities	237,790	1,593	239,299	2,101
Investment in associates	100,212	-	100,212	-
Long term investments	-	24,475	-	24,475
Other non current assets	29,082	24,408	17,459	19,806
	<b>885,258</b>	<b>620,835</b>	<b>685,618</b>	<b>314,120</b>
<b>Current assets</b>				
Amounts due from subsidiary companies	-	-	360,639	502,608
Trade receivables	481,191	724,352	85,165	339,886
Margin accounts with brokers	145,144	254,273	124,323	189,435
Inventories	1,662,417	1,790,236	457,190	500,397
Advance payments to suppliers	290,379	380,047	196,858	126,670
Advance payments to subsidiary companies	-	-	984,276	1,109,128
Other receivables	383,941	292,819	96,312	84,178
Fixed deposits	231,468	163,580	231,468	33,988
Cash and bank balances	236,164	175,544	85,951	52,134
Fair value of derivative financial instruments	565,384	837,557	434,115	729,499
	<b>3,996,088</b>	<b>4,618,408</b>	<b>3,056,297</b>	<b>3,667,923</b>
<b>Current liabilities</b>				
Trade payables and accruals	501,205	519,853	409,542	356,607
Other non current liabilities	69,164	51,863	32,583	34,567
Amount due to bankers	1,545,843	1,789,582	1,038,405	1,199,066
Medium term notes	5,396	70,000	5,396	70,000
Provision for taxation	18,443	24,578	10,943	10,565
Fair value of derivative financial instruments	568,928	1,015,796	469,921	888,376
	<b>2,708,979</b>	<b>3,471,672</b>	<b>1,966,790</b>	<b>2,559,181</b>
<b>Net current assets</b>	<b>1,287,109</b>	<b>1,146,736</b>	<b>1,089,507</b>	<b>1,108,742</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	(4,075)	(4,175)	-	-
Term loans from banks	(834,425)	(935,125)	(651,939)	(648,482)
Medium term notes	(130,335)	(189,857)	(130,335)	(189,857)
Convertible Bonds	(249,120)	-	(249,120)	-
<b>Net assets</b>	<b>954,412</b>	<b>638,414</b>	<b>743,731</b>	<b>584,523</b>
<b>Equity attributable to equity holders of the Company</b>				
Share capital	705,018	704,870	705,018	704,870
Reserves	249,394	(66,456)	38,713	(120,347)
<b>Total equity</b>	<b>954,412</b>	<b>638,414</b>	<b>743,731</b>	<b>584,523</b>

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

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

	As at 31/12/2008		As at 30/06/2008	
	Secured	Unsecured	Secured	Unsecured
	(in S\$'000)	(in S\$'000)	(in S\$'000)	(in S\$'000)
Overdrafts	-	170,700	-	174,863
Loans	-	1,375,143	-	1,614,719
Medium Term Notes	-	5,396	-	70,000
<b>Total</b>	-	<b>1,551,239</b>	-	<b>1,859,582</b>

**Amount repayable after one year**

	As at 31/12/2008		As at 30/06/2008	
	Secured	Unsecured	Secured	Unsecured
	(in S\$'000)	(in S\$'000)	(in S\$'000)	(in S\$'000)
Long Term Loans	11,872	822,552	11,488	923,637
Long Term / Medium Term Notes	-	130,335	-	189,857
Convertible Bonds	-	249,120	-	-
<b>Total</b>	<b>11,872</b>	<b>1,202,007</b>	<b>11,488</b>	<b>1,113,494</b>

**Details of any Collateral**

The Group's subsidiary, Universal Blanchers LLC in the United States, has an outstanding loan equivalent to S\$11.9 m (S\$11.5 m as at 30 June 2008) 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		Group	
	Six Months Ended		Three Months Ended	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
<b>Cash flow from operating activities</b>				
<b>Profit before taxation</b>	<b>127,725</b>	<b>52,945</b>	<b>112,300</b>	<b>42,559</b>
Adjustments for:				
Share of results from jointly controlled entities	(4,013)	541	(4,166)	280
Depreciation of property, plant and equipment	17,953	14,370	9,515	7,606
(Gain) / loss on disposal of property, plant and equipment	(59)	26	9	(321)
Gain on convertible bonds buy back	(55,939)	-	(55,939)	-
Net measurement of derivative instruments	(8,683)	(7,665)	(11,944)	(9,187)
Amortisation of intangible assets	728	648	283	316
Cost of share-based payments	2,322	2,440	1,083	1,588
Interest income	(5,860)	(4,651)	(2,263)	(2,059)
Interest expense	124,257	104,887	66,391	60,388
<b>Operating cash flow before reinvestment in working capital</b>	<b>198,431</b>	<b>163,541</b>	<b>115,270</b>	<b>101,170</b>
Decrease / (increase) in inventories	127,819	105,362	(55,869)	118,495
Decrease / (increase) in receivables	322,872	68,054	19,388	(49,107)
Decrease / (increase) in advance payments to suppliers	89,668	(99,172)	78,670	(67,484)
(Decrease) / increase in payables	13,041	16,682	18,394	58,516
<b>Cash flow generated from operations</b>	<b>751,831</b>	<b>254,467</b>	<b>175,852</b>	<b>161,590</b>
Interest income received	5,860	4,651	2,263	2,059
Interest expense paid	(121,186)	(112,988)	(70,512)	(17,001)
Tax received / (paid)	(9,364)	(20,293)	(9,574)	(12,827)
<b>Net cash flow generated from operating activities</b>	<b>627,141</b>	<b>125,837</b>	<b>98,029</b>	<b>133,821</b>
<b>Cash flow from investing activities</b>				
Proceeds from disposal of property, plant and equipment	8,631	3,176	1,448	34
Purchase of property, plant and equipment	(69,698)	(64,942)	(26,294)	(62,193)
Acquisition of subsidiaries - net of cash acquired	-	(179,381)	-	(26,932)
Investment in jointly controlled entities	(211,809)	-	27,780	-
Investment in associates	(100,212)	-	(100,212)	-
Proceeds from sale of government securities	-	13,461	-	-
Repayment from / (loan to) jointly controlled entities	87	(2,233)	42	(2,411)
<b>Net cash flow used in investing activities</b>	<b>(373,001)</b>	<b>(229,919)</b>	<b>(97,236)</b>	<b>(91,502)</b>
<b>Cash flow from financing activities</b>				
(Repayment of) / Increase in loans from banks	(340,277)	171,391	112,864	248,333
Proceeds from issuance of shares on exercise of share options	148	1,256	-	717
Proceeds from issuance of convertible bonds	417,375	-	-	-
Payment on convertible bonds buy back	(110,570)	-	(110,570)	-
Dividends paid on ordinary shares by the Company	(42,832)	(54,411)	(42,832)	(54,411)
(Decrease) / increase in medium term notes	(124,126)	51,170	(62,529)	(92,606)
<b>Net cash flow (used in) / provided by financing activities</b>	<b>(200,282)</b>	<b>169,406</b>	<b>(103,067)</b>	<b>102,033</b>
<b>Net effect of exchange rate changes on cash and cash equivalents</b>	<b>78,813</b>	<b>(9,317)</b>	<b>50,732</b>	<b>4,412</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>132,671</b>	<b>56,007</b>	<b>(51,542)</b>	<b>148,764</b>
Cash and cash equivalents at the beginning of the period	164,261	187,637	348,474	94,880
<b>Cash and cash equivalents at the end of the period</b>	<b>296,932</b>	<b>243,644</b>	<b>296,932</b>	<b>243,644</b>

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 HALF YEAR - 31 DECEMBER 2008**

At 31 December 2008 Group	Attributable to equity holders of the Company							Minority Interest	Total Equity
	Share Capital	Capital Reserve	Foreign Currency Translation Reserves	Fair Value Adjustment Reserves	Share-based Compensation Reserves	Revenue Reserves	Total Reserves		
	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 01 July 2008</b>	704,870	-	(84,434)	(325,878)	13,474	330,382	(66,456)	-	638,414
Net gain on fair value changes during the period				141,465			141,465		141,465
Recognised in the profit and loss account on occurrence of hedged transactions				93,803			93,803		93,803
Foreign currency translation adjustment			(2,547)				(2,547)		(2,547)
<b>Net (expense) / income recognised directly in equity</b>			(2,547)	235,268			232,721		232,721
Profit for the period						118,324	118,324		118,324
<b>Total (expense) / income recognised for the period</b>			(2,547)	235,268		118,324	351,044	-	351,044
Dividends on ordinary shares						(42,832)	(42,832)		(42,832)
Share-based expense					2,379		2,379		2,379
Issue of shares on exercise of share option	148								148
Equity portion of Convertible bonds		5,260					5,260		5,260
<b>At 31 December 2008</b>	705,018	5,260	(86,981)	(90,610)	15,853	405,872	249,394	-	954,412

**GROUP HALF YEAR - 31 DECEMBER 2007**

At 31 December 2007 Group	Attributable to equity holders of the Company							Minority Interest	Total Equity
	Share Capital	Foreign Currency Translation Reserves	Fair Value Adjustment Reserves	Share-based Compensation Reserves	Revenue Reserves	Total Reserves			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 01 July 2007</b>	397,730	(39,929)	(150,827)	8,616	217,132	34,992	(56,476)	27	432,749
Net loss on fair value changes during the period			(56,476)						(56,476)
Recognised in the profit and loss account on occurrence of hedged transactions			51,189				51,189		51,189
Foreign currency translation adjustment		(21,036)					(21,036)		(21,036)
<b>Net (expense) / income recognised directly in equity</b>		(21,036)	(5,287)				(26,323)		(26,323)
Profit for the period					47,073	47,073		(141)	46,932
<b>Total (expense) / income recognised for the period</b>		(21,036)	(5,287)		47,073	20,750	(54,411)	(141)	20,609
Dividends on ordinary shares					(54,411)				(54,411)
Share-based expense				2,018		2,018			2,018
Issue of shares on exercise of share option	1,256								1,256
<b>At 31 December 2007</b>	398,986	(60,965)	(156,114)	10,634	209,794	3,349		(114)	402,221

**COMPANY HALF YEAR - 31 DECEMBER 2008**

At 31 December 2008 Company	Attributable to equity holders of the Company							Total Equity \$'000
	Share Capital	Capital Reserve	Foreign Currency Translation Reserves	Fair Value Adjustment Reserves	Share-based Compensation Reserves	Revenue Reserves	Total Reserves	
	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000	
<b>At 01 July 2008</b>	704,870	-	(84,230)	(291,729)	13,474	242,138	(120,347)	584,523
Net gain on fair value changes during the period				(42,208)			(42,208)	(42,208)
Recognised in the profit and loss account on occurrence of hedged transactions				140,043			140,043	140,043
Foreign currency translation adjustment			38,085				38,085	38,085
<b>Net (expense) / income recognised directly in equity</b>			38,085	97,835			135,920	135,920
Profit for the period						58,333	58,333	58,333
<b>Total (expense) / income recognised for the period</b>			38,085	97,835		58,333	194,253	194,253
Dividends on ordinary shares						(42,833)	(42,833)	(42,833)
Share-based expense					2,379		2,379	2,379
Issue of shares on exercise of share option	148							148
Equity portion of Convertible bonds		5,260					5,260	5,260
<b>At 31 December 2008</b>	705,018	5,260	(46,145)	(193,894)	15,853	257,639	38,713	743,731

**COMPANY HALF YEAR - 31 DECEMBER 2007**

At 31 December 2007 Company	Attributable to equity holders of the Company						Total Equity \$'000
	Share Capital	Foreign Currency Translation Reserves	Fair Value Adjustment Reserves	Share-based Compensation Reserves	Revenue Reserves	Total Reserves	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>At 01 July 2007</b>	397,730	(35,583)	(148,563)	8,616	162,909	(12,621)	385,109
Net loss on fair value changes during the period			(67,837)			(67,837)	(67,837)
Recognised in the profit and loss account of hedged transactions			60,584			60,584	60,584
Foreign currency translation adjustment		(24,013)				(24,013)	(24,013)
<b>Net (expense) / income recognised directly in equity</b>		(24,013)	(7,253)			(31,266)	(31,266)
Profit for the period					54,282	54,282	54,282
<b>Total (expense) / income recognised for the period</b>		(24,013)	(7,253)		54,282	23,016	23,016
Dividends on ordinary shares					(54,410)	(54,410)	(54,410)
Share-based expense				2,018		2,018	2,018
Issue of shares on exercise of share option	1,256						1,256
<b>At 31 December 2007</b>	398,986	(59,596)	(155,816)	10,634	162,781	(41,997)	356,989

GROUP QUARTER - 31 DEC 2008

At 31 December 2008 Group	Attributable to equity holders of the Company							Minority Interest	Total Equity
	Share Capital	Capital Reserve	Foreign Currency Translation Reserves	Fair Value Adjustment Reserves	Share-based Compensation Reserves	Revenue Reserves	Total Reserves		
	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 October 2008</b>	705,018	8,868	(69,668)	(39,495)	14,745	345,308	259,758	-	964,776
Net gain on fair value changes during the period				(22,649)			(22,649)		(22,649)
Recognised in the profit and loss account on occurrence of hedged transactions				(28,466)			(28,466)		(28,466)
Foreign currency translation adjustment			(17,313)				(17,313)		(17,313)
<b>Net (expense) / income recognised directly in equity</b>			(17,313)	(51,115)			(68,428)	-	(68,428)
Profit for the year						103,396	103,396	-	103,396
<b>Total (expense) / income recognised for the period</b>			(17,313)	(51,115)		103,396	34,968	-	34,968
Dividends on ordinary shares						(42,832)	(42,832)		(42,832)
Share-based expense					1,108		1,108		1,108
Issue of shares on exercise of share option	-						-		-
Equity portion of Convertible bonds		(3,608)					(3,608)		(3,608)
<b>At 31 December 2008</b>	705,018	5,260	(86,981)	(90,610)	15,853	405,872	249,394	-	954,412

GROUP QUARTER - 31 DECEMBER 2007

At 31 December 2007 Group	Attributable to equity holders of the Company						Minority Interest	Total Equity
	Share Capital	Foreign Currency Translation Reserves	Fair Value Adjustment Reserves	Share-based Compensation Reserves	Revenue Reserves	Total Reserves		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 01 October 2007</b>	398,269	(39,000)	(108,440)	9,433	226,352	88,345	21	486,635
Net loss on fair value changes during the period			(76,754)			(76,754)		(76,754)
Recognised in the profit and loss account on occurrence of hedged transactions			29,080			29,080		29,080
Foreign currency translation adjustment		(21,965)				(21,965)		(21,965)
<b>Net (expense) / income recognised directly in equity</b>		(21,965)	(47,674)			(69,639)		(69,639)
Profit for the period					37,853	37,853	(135)	37,718
<b>Total (expense) / income recognised for the period</b>		(21,965)	(47,674)		37,853	(31,786)	(135)	(31,921)
Dividends on ordinary shares					(54,411)	(54,411)		(54,411)
Share-based expense				1,201		1,201		1,201
Issue of shares on exercise of share option	717							717
<b>At 31 December 2007</b>	398,986	(60,965)	(156,114)	10,634	209,794	3,349	(114)	402,221

**COMPANY QUARTER - 31 DEC 2008**

At 31 December 2008 Company	Attributable to equity holders of the Company							Total Equity \$'000
	Share Capital \$'000	Capital Reserve	Foreign Currency Translation Reserves \$'000	Fair Value Adjustment Reserves \$'000	Share-based Compensation Reserves \$'000	Revenue Reserves \$'000	Total Reserves \$'000	
<b>At 1 October 2008</b>	705,018	8,868	(70,211)	(89,681)	14,745	254,517	118,238	823,256
Net gain on fair value changes during the period				(93,741)			(93,741)	(93,741)
Recognised in the profit and loss account on occurrence of hedged transactions				(10,471)			(10,471)	(10,471)
Foreign currency translation adjustment			24,066				24,066	24,066
<b>Net (expense) / income recognised directly in equity</b>	-	-	24,066	(104,213)	-	-	(80,147)	(80,147)
Profit for the year						45,954	45,954	45,954
<b>Total (expense) / income recognised for the period</b>	-	-	24,066	(104,213)	-	45,954	(34,193)	(34,193)
Dividends on ordinary shares						(42,833)	(42,833)	(42,833)
Share-based expense					1,108		1,108	1,108
Issue of shares on exercise of share option	-						-	-
Equity portion of Convertible bonds	-	(3,608)					(3,608)	(3,608)
<b>At 31 December 2008</b>	705,018	5,260	(46,145)	(193,894)	15,853	257,639	38,713	743,731

**COMPANY QUARTER - 31 DECEMBER 2007**

At 31 December 2007 Company	Attributable to equity holders of the Company						Total Equity \$'000
	Share Capital \$'000	Foreign Currency Translation Reserves \$'000	Fair Value Adjustment Reserves \$'000	Share-based Compensation Reserves \$'000	Revenue Reserves \$'000	Total Reserves \$'000	
<b>At 01 October 2007</b>	398,269	(37,528)	(112,297)	9,433	177,416	37,024	435,293
Net loss on fair value changes during the period			(84,356)			(84,356)	(84,356)
Recognised in the profit and loss account on occurrence of hedged transactions			40,837			40,837	40,837
Foreign currency translation adjustment		(22,068)				(22,068)	(22,068)
<b>Net (expense) / income recognised directly in equity</b>		(22,068)	(43,519)			(65,587)	(65,587)
Profit for the period					39,775	39,775	39,775
<b>Total (expense) / income recognised for the period</b>		(22,068)	(43,519)		39,775	(25,812)	(25,812)
Dividends on ordinary shares					(54,410)	(54,410)	(54,410)
Share-based expense				1,201		1,201	1,201
Issue of shares on exercise of share option	717						717
<b>At 31 December 2007</b>	398,986	(59,596)	(155,816)	10,634	162,781	(41,997)	356,989



- 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.

	Oct - Dec 08	Oct - Dec 07
Issue of shares on exercise of share options	-	472,000

If all the convertible bonds are converted at the initial conversion price of S\$3.8464 per share, approximately 63 million shares will be issued.

- 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.

	Dec-08	Jun-08
<b>Issued, fully paid share capital :</b>		
Balance no. of shares as at the beginning of period	1,713,212,824	1,555,095,400
Addition on Preferential Offering	-	155,628,689
Addition on exercise of share options	97,500	2,488,735
<b>Total no. of shares outstanding as the end of period</b>	<b>1,713,310,324</b>	<b>1,713,212,824</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 2008 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 2008.

For the half year ended 31 December 2008, net gains or losses of unexpired derivatives for each terminal month and broker are shown as fair value of derivative financial instruments under current assets and current liabilities respectively, as against showing gross gains and losses as assets and liabilities in earlier period. Since the accounts of brokers are settled monthly on a net basis, management is of the opinion that the change in the computation is more appropriate. Year ended 30 June 2008 numbers have been reclassified.

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 in the preparation of the financial statements for the current reporting period as compared to the audited financial statements as at 30 June 2008.

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		Three Months Ended	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
(a) Based on weighted average no. of shares (cents/share)	6.91	3.03	6.04	2.43
(b) Based on fully diluted basis (cents/share)	6.47	2.96	5.66	2.38
Weighted average no. of shares applicable to basic earnings per share	1,713,291,782	1,555,536,601	1,713,212,824	1,555,467,400
Weighted average no. of shares based on fully diluted basis	1,828,009,210	1,589,307,907	1,826,068,351	1,589,491,124

The earnings per share before considering non-cash share-based expense and amortization of intangible asset and gain on buy-back of Convertible Bonds is as follows:

	Group			
	Period Ended		Three Months Ended	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
(a) Based on weighted average no. of shares (cents/share)	4.45	3.22	3.16	2.56
(b) Based on fully diluted basis (cents/share)	4.17	3.16	2.97	2.50

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	As at 30	As at	As at 30
	31 Dec 08	Jun 08	31 Dec 08	Jun 08
Net asset value (NAV) per ordinary share based on issued share capital as at end of the period	48.06	29.66	43.36	34.07

The NAV for the Group before fair value adjustment reserve, goodwill and other intangibles went up from 56.29 cents/share in June 2008 to 60.99 cents/share in December 2008.

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**

Olam is a leading, global, integrated supply chain manager of agricultural products and food ingredients with operations in over 60 countries. Since the establishment of our business in 1989, we have evolved from a single country, single product trader to a multi-country, multi-product supply chain manager. Today, we manage an integrated supply chain for 20 agricultural products. As supply chain managers, we are engaged in the sourcing, processing, warehousing, transportation, shipping, distribution and marketing of these products from the farm gate in the producing countries to the factory gate of our customers in the destination markets while managing the risks at each stage of the supply chain. We organize the 20 products into 4 business segments as given below:

<b>Business Segment</b>	<b>Products</b>
<b>Edible Nuts, Spices &amp; Beans</b>	Cashews Other Edible Nuts Spices (Pepper, Cloves, Nutmeg, Cassia, Ginger, Dehydrated Garlic, Desiccated Coconut and other spices) Sesame Beans - Pulses, Lentils & Peas
<b>Confectionery &amp; Beverage Ingredients</b>	Cocoa Coffee Sheanuts
<b>Food Staples &amp; Packaged Foods</b>	Rice Sugar Wheat Barley Maize Palm Canola Dairy Products Packaged Foods
<b>Fibre &amp; Wood Products</b>	Cotton Wool Wood Products

## **Background to analysing our Financial Statements**

### **Profitability**

- a. **Consolidation of results of companies acquired by the Group:** For H1 FY2009, the results of the Group include the results of our new acquisitions, Key Food Ingredients ("KFI"), PT Dharmapala Usaha Sukses ("DUS"). The results also include proportionate share of profits of a joint venture, Nauvu Investments Pte. Ltd. and an associate, Open Country Dairy Limited (formerly known as Dairy Trust Limited). The results of the investment made in the joint venture, Olam Wilmar Investment Holdings Pte. Ltd. have not been consolidated in H1 FY2009. The consolidated results for H1 FY2009 are therefore not strictly comparable to results of H1 FY2008.
- 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. GC is calculated as sale of goods, other income less cost of goods sold (raw material costs plus other direct costs, including packing costs etc.), shipping and logistics expenses, claims and commission, bank charges, net measurement of derivative instruments, gain / loss on foreign exchange. For the purposes of determining Net Contribution, we deduct the net interest expense from the GC. We consider interest expense to be a variable cost and a function of our inventory holding period. For every transaction, we target a minimum net contribution per ton of product supplied based on the 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 (VMI), organic certification, fair trade produce certification (FTP), customised grades and quality, proprietary market intelligence and risk management solutions.

- c. **Volumes:** The second key driver to our profitability is the volume of products supplied. 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:** Production of agricultural products is 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, which are mainly a function of his view on prices and his 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 expect the phasing of our earnings to be as follows:

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

- e. **Balance Sheet :** During the current quarter, the industry witnessed an increased level of volatility and significant decline in prices of various products. Since we participate in this industry as supply chain managers and not positional / directional traders, this has had limited impact on the profitability of the Group. However, there has been a material impact on equity and current assets and liabilities (fair value of derivative financial instruments) due to the application of Hedge Accounting provisions under FRS39.

## Profit and Loss Statement

The company has delivered strong results in H1 FY2009, with sales volume, sales turnover and net profit after tax growing by 20.2%, 16.1% and 152.1% respectively. Core after tax earnings (earnings excluding the gains on buy-back of convertible bonds) grew by 32.9%.

During the quarter, the Company repurchased Convertible Bonds of aggregate principal amount of US\$123.6 million, for US\$80.5 million resulting in a profit of S\$55.9 million after considering transactional expenses.

The following table provides the segmental breakdown on Sales Volume, Sales Revenue, Gross Contribution (GC) and Net Contribution (NC) for the first half FY2009.

### Cumulative

	Sales Volume (in Metric Tons)		Sales Revenue (in S\$'000)		Gross Contribution (GC) (in S\$'000)		Net Contribution (NC) (in S\$'000)	
Segment	Dec 08	Dec 07	Dec 08	Dec 07	Dec 08	Dec 07	Dec 08	Dec 07
Edible Nuts, Spices & Beans	394,119	306,045	525,001	426,549	67,797	49,945	46,816	33,588
Per ton (S\$)			1,332	1,394	172	163	119	110
Confectionery & Beverage Ingredients	555,547	448,110	1,444,983	1,147,608	125,825	96,461	81,476	62,602
Per ton (S\$)			2,601	2,561	226	215	147	140
Food Staples & Packaged Foods	1,294,889	1,077,918	1,109,640	1,011,959	102,876	82,503	77,760	60,198
Per ton (S\$)			857	939	79	77	60	56
Fibre & Wood Products*	564,901	505,234	780,030	738,857	81,278	76,953	53,326	49,238
Per ton (S\$)			1,381	1,462	144	152	94	97
Total	2,809,456	2,337,307	3,859,654	3,324,973	377,776	305,862	259,378	205,626
Per ton (S\$)			1,374	1,423	134	131	92	88

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

### Quarter

	Sales Volume (in Metric Tons)		Sales Revenue (in S\$'000)		Gross Contribution (GC) (in S\$'000)		Net Contribution (NC) (in S\$'000)	
Segment	Dec 08	Dec 07	Dec 08	Dec 07	Dec 08	Dec 07	Dec 08	Dec 07
Edible Nuts, Spices & Beans	116,175	97,777	193,435	189,721	21,489	17,819	12,814	10,015
Per ton (S\$)			1,665	1,940	185	182	110	102
Confectionery & Beverage Ingredients	353,027	275,600	852,774	666,597	77,229	59,333	51,603	39,639
Per ton (S\$)			2,416	2,419	219	215	146	144
Food Staples & Packaged Foods	882,047	730,941	690,230	670,631	58,965	49,147	45,697	36,083
Per ton (S\$)			783	917	67	67	52	49
Fibre & Wood Products*	357,168	316,558	410,438	421,304	48,765	49,086	32,206	31,319
Per ton (S\$)			1,149	1,331	137	155	90	99
Total	1,708,417	1,420,876	2,146,877	1,948,253	206,448	175,385	142,320	117,056
Per ton (S\$)			1,257	1,371	121	123	83	82

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

A brief segmental review for H1 FY2009 is given below:

➤ **Edible Nuts, Spices & Beans**

The Edible Nuts, Spices & Beans segment recorded a volume growth of 28.8% and a revenue growth of 23.1% for H1 FY2009. Net Contribution grew by 39.4% to S\$46.8 million for H1 FY2009 with net contribution per ton increasing to S\$118.8 from S\$109.8 in corresponding period in H1 FY2008.

The segment continues to do well with increasing participation in the value chain for sesame, spices, cashews and peanuts. Strong growth in volumes in this segment was also supported by the pulses and beans business. Construction of a peanuts storage and cleaning facility in Argentina, expansion of capacity in a cashew grading and filling facility and full capacity utilization of the spices' sterilization facility in Vietnam have also contributed to the increased volumes and improved margins. Key Foods Ingredients [KFI] and Universal Blanchers LLC [UB] were important contributors to the growth in the spices and peanuts business respectively.

During the quarter, we completed the acquisition of a vegetable dehydration facility in California, USA expanding our portfolio of spices and dehydrates from China, Vietnam and India.

➤ **Confectionery and Beverage Ingredients**

Sales Volume and Revenue in the Confectionery & Beverage Ingredients segment grew 24.0% and 25.9% respectively in H1 FY2009. The segment recorded Net Contribution growth of 30.1% to S\$81.5 million in H1 FY2009.

There was a significant short crop in Cocoa across the top 3 producing countries namely Ivory Coast, Ghana and Indonesia with large shortfall in Ivory Coast. This has led to a significant rally in the cocoa prices to a 23 year high. Our presence in the major producing countries and strong franchise helped us consolidate our competitive position in an otherwise supply constrained situation. Our marketing operations in Europe and US helped us manage the supply chain effectively assuring sustained volume growth with increased margins.

The coffee business now has a very balanced portfolio with both Robusta and Arabica coffees contributing almost equally to our sales volumes. There have been significant market share gains in South America, particularly in Brazil and Colombia which has underpinned the volume growth in this business. While the prices of coffee have come off during this quarter, the price fall has been muted due to a short crop in Colombia and a few other origins in Central America.

➤ **Food Staples and Packaged Foods Business**

Sales Volume for the Food Staples & Packaged Foods segment grew 20.1% in H1 FY2009. Revenue growth for the period was 9.7%. Our continued presence in the sourcing origins combined with the distribution strength in the destination market enabled the segment to register healthy net contribution of S\$ 77.8 million, an improvement of 29.2% over the corresponding period of last year. Our expansion into new product adjacencies, namely, Wheat, Barley, Palm Oil and Canola helped us further balance our portfolio and deliver volume growth in this segment. The launch of new products, namely pasta and mayonnaise under the Packaged Foods category in Arica was received well during the quarter. In Dairy products, the 'melamine' scare in China and the severe economic downturn in Russia adversely impacted demand for the Dairy segment during the quarter.

During the quarter, we completed the acquisition of sugar milling assets in India in line with our strategic plan to expand our value chain participation by building a configuration of sugar milling and refining assets globally.

➤ **Fibre and Wood Products**

The Fibre & Wood Products segment registered a growth of 11.8% in Sales Volume and 5.6% in sales revenue respectively in H1 FY2009. Net Contribution increased by 8.3% to S\$53.3 million in H1 FY2009.

Volumes in the Wood Products segment remained under pressure due to fall in demand in the major markets of China, Vietnam, India and Europe. Shipments from West Africa were sharply lower in H1FY2009 as compared to the corresponding period last year.

Cotton business also continued to face difficult industry conditions due to slowdown in consumption across major markets. Volume increase in this segment was mainly supported by increased sourcing volumes from East Africa and CIS. Wool business under the QCH franchise in Australia has got off to a good start and contributed to the NC growth in this segment during the quarter.

**Costs and Expenses**

Q2 FY2009: SG&A of S\$ 90.0 million for Q2 FY2009 was 21.0% higher than the corresponding quarter FY2008 but 11.5% lower than Q1 FY2009.

H1 FY2009: SG&A increased by 25.6% to S\$191.6 million in H1 FY2009 over the corresponding period in FY2008. SG&A/Sales ratio increased from 4.59% in H1 FY2008 to 4.96% in H1 FY2009.

**Profit before tax**

Q2 FY2009: For the quarter ended 31 December 2008, Profit before tax increased by 163.9% to S\$112.3 million as compared to S\$42.6 million in Q2 FY2008. Excluding the gain on buy-back of bonds, Profit before tax increased by 32.4% to S\$ 56.4million.

H1FY2009: For the half year ended 31 December 2008, Profit before tax increased by 141.2% to S\$127.7 million as compared to S\$52.9 million in H1 FY2008. Excluding the gain on buy-back of bonds, Profit before tax increased by 35.6% to S\$ 71.8 million.

**Taxation**

Q2 FY2009: Taxes increased to S\$ 8.9 million for Q2 FY2009 as compared to S\$4.8 million for Q2 FY2008.

H1FY2009: Taxes increased to S\$9.4 million for H1 FY2009 as compared to S\$6.0 million for H1 FY2008.

**Net profit after tax**

Q2 FY2009: Net profit after tax increased by 174.1% to S\$103.4 million for Q2 FY2009 from S\$37.7 million in Q2 FY2008. Excluding the gain on buy-back of bonds, Profit after tax increased by 25.8% to S\$ 47.5 million.

H1FY2009: Net profit after tax increased by 152.1% to S\$118.3 million for H1 FY2009 from S\$46.9 million in H1 FY2008. Excluding the gain on buy-back of bonds, Profit after tax increased by 32.9% to S\$ 62.4 million.

## **Balance Sheet & Cash Flow**

### **Equity and Reserves**

Total equity and reserves (before fair value adjustment reserve) increased from S\$964.3 million as of 30 June 2008 to S\$ 1,045.0 million as of 31 December 2008.

There has been a net decrease of S\$90.6 million to equity on account of the revaluation of financial derivatives used for hedging purposes as per the provision of FRS 39, with a corresponding impact on both Current Assets and Current Liabilities categorized under "Fair value of derivative financial instruments." This sharp reduction in the fair value adjustment reserve from S\$325.9 million as of 30<sup>th</sup> June 2008 to S\$90.6 million as of 31 December 2008 has been due to reduction in prices of the futures traded products.

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

The Company had issued Convertible Bonds of principal amount of US\$300.0 million in July 2008 of which Bonds of principal amount of US\$123.6 million were repurchased in December 2008. S\$249.1 million in the balance sheet represents the value of the Convertible Bonds' residual principal amount of US\$ 176.4 million using FRS 32.

### **Fixed Assets**

During the period, fixed assets of S\$61.0 million were added. Reduction on account of depreciation and currency translation amounting to 104.8 million resulted in net decrease of S\$43.8 million from S\$403.4m to S\$359.6 million during H1 FY2009.

### **Interests in jointly controlled entities**

Increase of S\$236.2 million in the interests in jointly controlled entities represents investments in Nauvu Investments Pte. Ltd. and in Olam Wilmar Investment Holdings Pte. Ltd., which are 50:50 joint ventures between the Company and Wilmar International Limited.

Nauvu Investments Pte Ltd. has invested in integrated palm oil, natural rubber and sugar assets whereas Olam Wilmar Investment Holdings Pte Ltd has a 20% interest in PureCircle Limited ("PureCircle"), the leading producer of natural zero-calorie, high-intensity sweeteners from the stevia plant

### **Investment in associates**

Investment in associates amounting to S\$100.2 million represents the Company's investment in Open Country Dairy Limited (formerly known as Dairy Trust Limited).

### **Long term investments**

Decrease in long term investments represents divestment in Open Country Cheese Company Limited ("OCC"). The divestment was made by tendering the Group's stake in Open Country Cheese Company Limited ("OCC") into DTL's open offer for OCC pursuant to a swap deal for a stake in Open Country Dairy Limited (formerly known as Dairy Trust Limited).

### **Current Assets**

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

Debtor days in Q2 FY2009 decreased to 23 days as compared to 33 days as at 30 June 2008. 74.3% of debtors were secured either against Letters of Credit or against documents with the bank for collection.



## **Stocks**

Stock turnover days decreased to 87 days as compared to 88 days as at 30 June 2008. There was a decrease in stock value by S\$127.8 million to S\$1,662.4 million from S\$1,790.2 million as on 30 June 2008. 86.4 % of the stocks were sold forward to customers or hedged using derivatives.

## **Advance to Suppliers**

Advance to Suppliers days decreased to 15 days in H1 FY2009 from 19 days as at 30 June 2008. The advances decreased from S\$380.0 million in H1 FY2008 to S\$290.4 million in H1 FY2009.

## **Borrowings**

Borrowings decreased to S\$2,765.1 million as of end of December 2008 from S\$2,984.5 million as of 30 June 2008. Reduction in borrowings was both on account of improved cycle time and reduction in working capital due to decrease in the prices of products in our portfolio.

## **Cash and Fixed Deposits**

Cash and Fixed Deposits increased by 37.9% to S\$467.6 million as on 31 December 2008 from S\$339.1 million as on 30 June 2008.

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 H1 FY2009, the industry witnessed an increased level of volatility in the prices of various products. While the volatility has had minimal impact on the financial results of the Group, there has been a significant impact on equity and current assets and liabilities (fair value of derivative financial instruments) due to the application of Hedge Accounting provisions under FRS39.

During the period, the Company announced a number of acquisitions and joint ventures. The completion of these transactions is subject to certain closing conditions and approvals from relevant authorities as such the outcome of these transactions is uncertain until these conditions and approval are met or have been granted.

We continue to expect trading conditions to remain difficult over the course of FY2009 with a concurrent recession or slow down across both OECD and emerging economies. Of the 20 products in our portfolio, 17 are primary food raw materials and demand for these products is reasonably resilient to recessionary conditions. The remaining 3 industrial raw material products i.e. Wood Products, Cotton and Wool are expected to suffer decline in consumption as economic conditions continue to be difficult.

11. Dividend

(a) Current Financial Period Reported On 31 December 2008

During the quarter, the Company paid out a first and final ordinary tax exempt dividend \$0.025 per ordinary share amounting to S\$42.8 million.

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

During Q2 FY2008, the Company paid out a tax exempt dividend of S\$54.4 million comprising ordinary dividend of S\$0.0175 per share and a special dividend of S\$0.0175 per share.

- (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)

The dividend paid is tax exempt in the hands of shareholders.

- (d) Date payable

N.A

- (e) Books closure date

N.A

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

During the current period, there is no dividend declared or recommended.

#### **Confirmation of the Board**

We refer to the requirement under Rule 705(4) 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 31 December 2008 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

12 FEBRUARY 2009