

# OLAM INTERNATIONAL LIMITED

## Financial Statements for the Second Quarter and Half Year Ended 31<sup>st</sup> December 2010

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

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

#### **Profit & Loss Statement - First Half FY2011: Group**

| (in S\$'000)  | Group              |                    |              | Group              |                    |              |
|---|--------------------|--------------------|--------------|--------------------|--------------------|--------------|
|   | Six Months Ended   |                    |              | Three Months Ended |                    |              |
|   | 31 Dec 10          | 31 Dec 09          | % change     | 31 Dec 10          | 31 Dec 09          | % change     |
| <b>Revenue - Sale of goods</b>                              | 6,476,672          | 4,609,714          | <b>40.5%</b> | 4,025,616          | 2,733,057          | <b>47.3%</b> |
| Other income  | 107,747            | 115,844            |              | 97,990             | 103,093            |              |
|   | <b>6,584,419</b>   | <b>4,725,558</b>   | <b>39.3%</b> | <b>4,123,606</b>   | <b>2,836,150</b>   | <b>45.4%</b> |
| <b>Costs and expenses</b>                                   |                    |                    |              |                    |                    |              |
| Cost of goods sold  | (5,147,454)        | (3,718,199)        |              | (3,194,731)        | (2,205,387)        |              |
| Shipping and logistics                                      | (539,563)          | (410,436)          |              | (345,122)          | (253,536)          |              |
| Commission and claims                                       | (68,505)           | (54,027)           |              | (39,915)           | (29,950)           |              |
| Employee benefit expenses                                   | (163,144)          | (103,998)          |              | (97,501)           | (53,495)           |              |
| Depreciation  | (36,210)           | (30,584)           |              | (17,790)           | (19,997)           |              |
| Net measurement of derivative instruments                   | (141,389)          | 17,561             |              | (130,253)          | 12,940             |              |
| (Loss) / gain on foreign exchange                           | (2,614)            | 6,506              |              | 894                | 5,625              |              |
| Other operating expenses                                    | (132,294)          | (114,873)          |              | (61,172)           | (57,972)           |              |
| Finance costs   | (161,055)          | (133,390)          |              | (78,546)           | (70,739)           |              |
|   | (6,392,228)        | (4,541,440)        |              | (3,964,136)        | (2,672,511)        |              |
| Share of gain from jointly controlled entities / associates | 4,396              | 4,800              |              | 1,492              | 3,929              |              |
|   | <b>(6,387,832)</b> | <b>(4,536,640)</b> | <b>40.8%</b> | <b>(3,962,644)</b> | <b>(2,668,582)</b> | <b>48.5%</b> |
| <b>Profit before taxation</b>                               | 196,587            | 188,918            | <b>4.1%</b>  | 160,962            | 167,568            | <b>-3.9%</b> |
| Taxation  | (21,087)           | (11,018)           |              | (15,151)           | (8,703)            |              |
| <b>Profit for the period</b>                                | <b>175,500</b>     | <b>177,900</b>     | <b>-1.3%</b> | <b>145,811</b>     | <b>158,865</b>     | <b>-8.2%</b> |
| <b>Attributable to:</b>                                     |                    |                    |              |                    |                    |              |
| Equity holders of the Parent                                | 175,168            | 177,890            |              | 145,441            | 158,856            |              |
| Non-controlling interests                                   | 332                | 10                 |              | 370                | 9                  |              |
|   | <b>175,500</b>     | <b>177,900</b>     |              | <b>145,811</b>     | <b>158,866</b>     |              |

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

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

| (in S\$'000)   | <b>Group</b>            |                  | <b>Group</b>              |                  |
|--|-------------------------|------------------|---------------------------|------------------|
|  | <b>Six Months Ended</b> |                  | <b>Three Months Ended</b> |                  |
|  | <b>31 Dec 10</b>        | <b>31 Dec 09</b> | <b>31 Dec 10</b>          | <b>31 Dec 09</b> |
| <b>Profit for the period</b>   | <b>175,500</b>          | <b>177,900</b>   | <b>145,811</b>            | <b>158,865</b>   |
| <b>Other Comprehensive Income:</b>   |                         |                  |                           |                  |
| Net (loss) / gain on fair value changes during the period                      | (244,267)               | (99,289)         | (92,342)                  | (41,324)         |
| Recognised in the profit and loss account on occurrence of hedged transactions | 196,366                 | (31,869)         | (29,433)                  | (9,322)          |
| Foreign currency translation adjustment  | (92,511)                | (27,614)         | (40,532)                  | 7,421            |
| <b>Other comprehensive income / (loss)</b>                                     | <b>(140,412)</b>        | <b>(158,772)</b> | <b>(162,307)</b>          | <b>(43,225)</b>  |
| <b>Total Comprehensive Income / (Loss)</b>                                     | <b>35,088</b>           | <b>19,128</b>    | <b>(16,496)</b>           | <b>115,640</b>   |
| <b>Attributable to:</b>  |                         |                  |                           |                  |
| Equity holders of the Parent   | 34,756                  | 19,118           | (16,866)                  | 115,631          |
| Non-controlling interests  | 332                     | 10               | 370                       | 9                |
|  | <b>35,088</b>           | <b>19,128</b>    | <b>(16,496)</b>           | <b>115,640</b>   |

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

| (in S\$'000)   | Group              |                    | Company            |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 31 Dec 10          | 30 Jun 10          | 31 Dec 10          | 30 Jun 10          |
| <b>Non-current assets</b>                                  |                    |                    |                    |                    |
| Property, plant and equipment                              | 1,375,427          | 1,054,166          | 4,158              | 4,673              |
| Intangible assets  | 359,089            | 341,586            | 19,690             | 19,456             |
| Biological Assets  | 304,375            | 181,883            | -                  | -                  |
| Investment in subsidiary companies                         | -                  | -                  | 477,707            | 789,954            |
| Deferred tax assets  | 54,531             | 63,978             | 25,872             | 9,697              |
| Interest in jointly controlled entities                    | 182,491            | 195,958            | 156,911            | 170,980            |
| Investment in associates                                   | 250,584            | 271,279            | 249,040            | 271,422            |
| Long term investments                                      | -                  | 18,752             | -                  | 18,752             |
| Other non current assets                                   | 1,147              | 4,161              | -                  | -                  |
|  | <b>2,527,644</b>   | <b>2,131,763</b>   | <b>933,378</b>     | <b>1,284,934</b>   |
| <b>Current assets</b>                                      |                    |                    |                    |                    |
| Amounts due from subsidiary companies                      | -                  | -                  | 707,895            | 1,340,165          |
| Trade receivables  | 968,714            | 976,781            | 339,383            | 275,388            |
| Margin accounts with brokers                               | 596,197            | 152,815            | 762,765            | 165,164            |
| Inventories  | 3,245,156          | 2,584,046          | 810,819            | 461,731            |
| Advance payments to suppliers                              | 410,476            | 237,784            | 151,671            | 85,824             |
| Advance payments to subsidiary companies                   | -                  | -                  | 1,976,585          | 1,415,482          |
| Other current assets                                       | 434,577            | 392,656            | 120,870            | 85,200             |
| Fixed deposits   | 103,635            | 259,117            | 56,453             | 247,425            |
| Cash and bank balances                                     | 563,041            | 412,426            | 224,730            | 141,232            |
| Fair value of derivative financial instruments             | 1,577,662          | 657,270            | 1,329,704          | 595,022            |
|  | <b>7,899,458</b>   | <b>5,672,895</b>   | <b>6,480,875</b>   | <b>4,812,633</b>   |
| <b>Current liabilities</b>                                 |                    |                    |                    |                    |
| Trade payables and accruals                                | (631,533)          | (648,391)          | (216,193)          | (330,343)          |
| Other current liabilities                                  | (64,467)           | (98,651)           | (8,408)            | (56,982)           |
| Amounts due to bankers                                     | (3,031,115)        | (2,295,568)        | (2,358,518)        | (1,560,631)        |
| Medium term notes  | (50,000)           | -                  | (50,000)           | -                  |
| Convertible Bonds  | (27,068)           | -                  | (27,068)           | -                  |
| Provision for taxation                                     | (24,001)           | (34,920)           | (5,469)            | (16,319)           |
| Fair value of derivative financial instruments             | (1,674,133)        | (608,046)          | (1,386,562)        | (562,004)          |
|  | <b>(5,502,317)</b> | <b>(3,685,576)</b> | <b>(4,052,218)</b> | <b>(2,526,279)</b> |
| <b>Net current assets</b>                                  | <b>2,397,141</b>   | <b>1,987,320</b>   | <b>2,428,657</b>   | <b>2,286,354</b>   |
| <b>Non-current liabilities</b>                             |                    |                    |                    |                    |
| Deferred tax liabilities                                   | (112,700)          | (140,861)          | -                  | -                  |
| Long term loan from subsidiary                             | -                  | -                  | (140,097)          | -                  |
| Term loans from banks                                      | (1,807,603)        | (1,228,312)        | (675,547)          | (1,035,793)        |
| Medium term notes  | (250,000)          | (249,016)          | (250,000)          | (249,016)          |
| Convertible Bonds  | (530,173)          | (730,108)          | (530,173)          | (730,108)          |
| Other Bonds  | (321,325)          | -                  | (321,325)          | -                  |
|  | <b>(3,021,801)</b> | <b>(2,348,297)</b> | <b>(1,917,142)</b> | <b>(2,014,917)</b> |
| <b>Net assets</b>  | <b>1,902,984</b>   | <b>1,770,785</b>   | <b>1,444,893</b>   | <b>1,556,371</b>   |
| <b>Equity attributable to equity holders of the Parent</b> |                    |                    |                    |                    |
| Share capital  | 1,311,044          | 1,201,581          | 1,311,044          | 1,201,581          |
| Reserves   | 550,719            | 570,348            | 133,849            | 354,790            |
|  | <b>1,861,763</b>   | <b>1,771,929</b>   | <b>1,444,893</b>   | <b>1,556,371</b>   |
| Non-controlling Interests                                  | 41,221             | (1,144)            | -                  | -                  |
| <b>Total equity</b>  | <b>1,902,984</b>   | <b>1,770,785</b>   | <b>1,444,893</b>   | <b>1,556,371</b>   |

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

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

|                   | 31 Dec 10    |                  | 30 Jun 10     |                  |
|-------------------|--------------|------------------|---------------|------------------|
|                   | Secured      | Unsecured        | Secured       | Unsecured        |
|                   | (in S\$'000) | (in S\$'000)     | (in S\$'000)  | (in S\$'000)     |
| Overdrafts        | -            | 131,649          | -             | 167,611          |
| Loans             | -            | 2,899,466        | 11,276        | 2,116,681        |
| Medium Term Notes | -            | 50,000           | -             | -                |
| Convertible Bonds | -            | 27,068           | -             | -                |
| <b>Total</b>      | -            | <b>3,108,183</b> | <b>11,276</b> | <b>2,284,292</b> |

**Amounts repayable after one year**

|                          | 31 Dec 10    |                  | 30 Jun 10    |                  |
|--------------------------|--------------|------------------|--------------|------------------|
|                          | Secured      | Unsecured        | Secured      | Unsecured        |
|                          | (in S\$'000) | (in S\$'000)     | (in S\$'000) | (in S\$'000)     |
| Medium / Long Term Loans | -            | 1,807,603        | -            | 1,228,312        |
| Medium Term Notes        | -            | 250,000          | -            | 249,016          |
| Convertible Bonds        | -            | 530,173          | -            | 730,108          |
| Other Bonds              | -            | 321,325          | -            | -                |
| <b>Total</b>             | -            | <b>2,909,101</b> | -            | <b>2,207,436</b> |

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

| (in S\$'000)  | Group              |                  | Group              |                  |
|---|--------------------|------------------|--------------------|------------------|
|   | Six Months Ended   |                  | Three Months Ended |                  |
|   | 31 Dec 10          | 31 Dec 09        | 31 Dec 10          | 31 Dec 09        |
| <b>Cash flow from operating activities</b>                              |                    |                  |                    |                  |
| <b>Profit before taxation</b>   | <b>196,587</b>     | <b>188,918</b>   | <b>160,962</b>     | <b>167,568</b>   |
| Adjustments for:  |                    |                  |                    |                  |
| Share of results from jointly controlled entities / associates          | (4,396)            | (4,800)          | (1,492)            | (3,928)          |
| Fair value of biological assets   | (27,186)           | -                | (27,186)           | -                |
| Depreciation of property, plant and equipment                           | 36,210             | 30,584           | 17,790             | 19,997           |
| Loss on disposal of property, plant and equipment                       | 2,440              | 262              | 2,246              | 282              |
| Net measurement of derivative instruments                               | 141,389            | (17,561)         | 130,253            | (12,939)         |
| Amortisation of intangible assets                                       | 1,862              | 1,311            | 1,569              | 612              |
| Cost of share-based payments  | 14,565             | 5,415            | 6,085              | 2,909            |
| Interest income   | (11,928)           | (11,697)         | (8,243)            | (4,465)          |
| Interest expense  | 161,055            | 133,390          | 78,546             | 70,739           |
| Negative goodwill arising from acquisitions                             | (36,450)           | (92,796)         | (36,450)           | (92,795)         |
| <b>Operating cash flow before reinvestment in working capital</b>       | <b>474,148</b>     | <b>233,025</b>   | <b>324,080</b>     | <b>147,980</b>   |
| Increase in inventories   | (870,249)          | (735,247)        | (615,280)          | (602,222)        |
| (Increase) / decrease in trade & other receivables                      | (344,631)          | 216,612          | 9,834              | 278,772          |
| Increase in advance payments to suppliers                               | (188,621)          | (170,670)        | (105,685)          | (114,812)        |
| Increase in margin account with brokers                                 | (455,982)          | (204,263)        | (460,114)          | (203,759)        |
| (Decrease) / increase in trade & other payables                         | (3,219)            | (207,498)        | (41,424)           | 35,212           |
| <b>Cash flow used in from operations</b>                                | <b>(1,388,554)</b> | <b>(868,041)</b> | <b>(888,589)</b>   | <b>(458,829)</b> |
| Interest income received  | 11,928             | 11,697           | 8,243              | 4,465            |
| Interest expense paid   | (133,949)          | (123,882)        | (40,200)           | (62,276)         |
| Tax paid  | (25,414)           | (10,351)         | (21,283)           | (7,601)          |
| <b>Net cash flow used in operating activities</b>                       | <b>(1,535,989)</b> | <b>(990,577)</b> | <b>(941,829)</b>   | <b>(524,241)</b> |
| <b>Cash flow from investing activities</b>                              |                    |                  |                    |                  |
| Proceeds from disposal of property, plant and equipment                 | 8,773              | 7,958            | 8,353              | 3,845            |
| Purchase of property, plant and equipment                               | (259,708)          | (333,597)        | (82,986)           | (269,415)        |
| Acquisition of subsidiaries - net of cash acquired                      | (113,996)          | -                | (113,996)          | -                |
| Investment in jointly controlled entities / associates                  | -                  | (108,705)        | -                  | (93,949)         |
| Long term investment  | 17,205             | -                | 115,816            | -                |
| <b>Net cash flow used in investing activities</b>                       | <b>(347,726)</b>   | <b>(434,344)</b> | <b>(72,813)</b>    | <b>(359,519)</b> |
| <b>Cash flow from financing activities</b>                              |                    |                  |                    |                  |
| Proceeds from loans from banks  | 1,510,159          | 512,119          | 1,064,532          | 516,827          |
| Proceeds from issuance of shares on exercise of share options           | 15,180             | 7,576            | 3,082              | 3,452            |
| Proceeds from issuance of shares for cash                               | -                  | 437,388          | -                  | -                |
| Proceeds from issuance of bonds   | 328,750            | 689,278          | -                  | 689,277          |
| Dividends paid on ordinary shares by the Company                        | (53,139)           | (55,672)         | (53,139)           | (55,671)         |
| Proceeds / (repayment) of medium term notes                             | 71,516             | (5)              | 71,516             | (4)              |
| <b>Net cash flow provided by financing activities</b>                   | <b>1,872,466</b>   | <b>1,590,684</b> | <b>1,085,991</b>   | <b>1,153,881</b> |
| <b>Net effect of exchange rate changes on cash and cash equivalents</b> | <b>42,344</b>      | <b>(26,725)</b>  | <b>10,469</b>      | <b>(20,438)</b>  |
| <b>Net increase in cash and cash equivalents</b>                        | <b>31,095</b>      | <b>139,039</b>   | <b>81,818</b>      | <b>249,683</b>   |
| Cash and cash equivalents at the beginning of the period                | 503,932            | 268,677          | 453,209            | 158,035          |
| <b>Cash and cash equivalents* at the end of the period</b>              | <b>535,027</b>     | <b>407,716</b>   | <b>535,027</b>     | <b>407,718</b>   |

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

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

| Group 6 Months                                   | Attributable to equity holders of the Company |                  |                                       |                                |                                   |                  |                |                  | Minority Interest | Total Equity     |
|--|---|------------------|---------------------------------------|--------------------------------|-----------------------------------|------------------|----------------|------------------|-------------------|------------------|
|  | Share Capital                                 | Capital Reserves | Foreign Currency Translation Reserves | Fair Value Adjustment Reserves | Share-based Compensation Reserves | Revenue Reserves | Total Reserves | Total            |                   |                  |
|  | \$'000  | \$'000           | \$'000                                | \$'000                         | \$'000                            | \$'000           | \$'000         | \$'000           | \$'000            | \$'000           |
| <b>At 31 December 2010:</b>                      |   |                  |                                       |                                |                                   |                  |                |                  |                   |                  |
| <b>At 1 July 2010</b>                            | <b>1,201,581</b>                              | <b>145,688</b>   | <b>(166,452)</b>                      | <b>(248,415)</b>               | <b>30,203</b>                     | <b>809,324</b>   | <b>570,348</b> | <b>1,771,929</b> | <b>(1,144)</b>    | <b>1,770,785</b> |
| Profit for the period                            |   |                  |                                       |                                |                                   | 175,168          | 175,168        | 175,168          | 332               | 175,500          |
| Other comprehensive income for the period        |   |                  | (92,511)                              | (47,901)                       |                                   |                  | (140,412)      | (140,412)        |                   | (140,412)        |
| <b>Total comprehensive income for the period</b> |   |                  | <b>(92,511)</b>                       | <b>(47,901)</b>                | <b>-</b>                          | <b>175,168</b>   | <b>34,756</b>  | <b>34,756</b>    | <b>332</b>        | <b>35,088</b>    |
| Dividends on ordinary shares                     |   |                  |                                       |                                |                                   | (53,139)         | (53,139)       | (53,139)         |                   | (53,139)         |
| Share-based expense                              |   |                  |                                       |                                | 14,565                            |                  | 14,565         | 14,565           |                   | 14,565           |
| Issue of shares upon conversion of bonds         | 94,283  | (15,811)         |                                       |                                |                                   |                  | (15,811)       | 78,472           |                   | 78,472           |
| Issue of shares on exercise of share option      | 15,180  |                  |                                       |                                |                                   |                  | -              | 15,180           |                   | 15,180           |
| Acquisition of subsidiary company                |   |                  |                                       |                                |                                   |                  | -              | -                | 42,033            | 42,033           |
| <b>At 31 December 2010</b>                       | <b>1,311,044</b>                              | <b>129,877</b>   | <b>(258,963)</b>                      | <b>(296,316)</b>               | <b>44,768</b>                     | <b>931,353</b>   | <b>550,719</b> | <b>1,861,763</b> | <b>41,221</b>     | <b>1,902,984</b> |
| <b>At 31 December 2009:</b>                      |   |                  |                                       |                                |                                   |                  |                |                  |                   |                  |
| <b>At 1 July 2009</b>                            | <b>708,586</b>                                | <b>24,450</b>    | <b>(85,035)</b>                       | <b>(179,943)</b>               | <b>17,765</b>                     | <b>560,023</b>   | <b>337,260</b> | <b>1,045,846</b> | <b>46</b>         | <b>1,045,892</b> |
| Profit for the period                            |   |                  |                                       |                                |                                   | 177,890          | 177,890        | 177,890          | 10                | 177,900          |
| Other comprehensive Income for the period        |   |                  | (27,614)                              | (131,158)                      |                                   |                  | (158,772)      | (158,772)        |                   | (158,772)        |
| <b>Total comprehensive income for the period</b> | <b>-</b>                                      | <b>-</b>         | <b>(27,614)</b>                       | <b>(131,158)</b>               | <b>-</b>                          | <b>177,890</b>   | <b>19,118</b>  | <b>19,118</b>    | <b>10</b>         | <b>19,128</b>    |
| Dividends on ordinary shares                     |   |                  |                                       |                                |                                   | (69,786)         | (69,786)       | (69,786)         |                   | (69,786)         |
| Share-based expense                              |   |                  |                                       |                                | 5,415                             |                  | 5,415          | 5,415            |                   | 5,415            |
| Issue of shares for cash                         | 437,388                                       |                  |                                       |                                |                                   |                  | -              | 437,388          |                   | 437,388          |
| Issue of shares on exercise of share option      | 7,576   |                  |                                       |                                |                                   |                  | -              | 7,576            |                   | 7,576            |
| Issue of shares under the Scrip Dividend Scheme  | 14,115  |                  |                                       |                                |                                   |                  | -              | 14,115           |                   | 14,115           |
| Issue of shares upon conversion of bonds         | 14,495  | (1,538)          |                                       |                                |                                   |                  | (1,538)        | 12,957           |                   | 12,957           |
| Equity portion of Convertible bonds              |   | 124,386          |                                       |                                |                                   |                  | 124,386        | 124,386          |                   | 124,386          |
| <b>At 31 December 2009</b>                       | <b>1,182,160</b>                              | <b>147,298</b>   | <b>(112,649)</b>                      | <b>(311,101)</b>               | <b>23,180</b>                     | <b>668,127</b>   | <b>414,855</b> | <b>1,597,015</b> | <b>56</b>         | <b>1,597,071</b> |

| Company 6 Months                                 | Attributable to equity holders of the Company |                  |                                       |                                |                                   |                  |                  |                  |
|--|---|------------------|---------------------------------------|--------------------------------|-----------------------------------|------------------|------------------|------------------|
|  | Share Capital                                 | Capital Reserves | Foreign Currency Translation Reserves | Fair Value Adjustment Reserves | Share-based Compensation Reserves | Revenue Reserves | Total Reserves   | Total Equity     |
|  | \$'000  | \$'000           | \$'000                                | \$'000                         | \$'000                            | \$'000           | \$'000           | \$'000           |
| <b>At 31 December 2010:</b>                      |   |                  |                                       |                                |                                   |                  |                  |                  |
| <b>At 1 July 2010</b>                            | <b>1,201,581</b>                              | <b>145,688</b>   | <b>(80,321)</b>                       | <b>(264,403)</b>               | <b>30,203</b>                     | <b>523,623</b>   | <b>354,790</b>   | <b>1,556,371</b> |
| Profit for the period                            |   |                  |                                       |                                |                                   | 8,172            | 8,172            | 8,172            |
| Other comprehensive income for the period        |   |                  | (136,176)                             | (38,552)                       |                                   |                  | (174,728)        | (174,728)        |
| <b>Total comprehensive income for the period</b> |   | <b>-</b>         | <b>(136,176)</b>                      | <b>(38,552)</b>                | <b>-</b>                          | <b>8,172</b>     | <b>(166,556)</b> | <b>(166,556)</b> |
| Dividends on ordinary shares                     |   |                  |                                       |                                |                                   | (53,139)         | (53,139)         | (53,139)         |
| Share-based expense                              |   |                  |                                       |                                | 14,565                            |                  | 14,565           | 14,565           |
| Issue of shares up on conversion of bonds        | 94,283  | (15,811)         |                                       |                                |                                   |                  | (15,811)         | 78,472           |
| Issue of shares on exercise of share option      | 15,180  |                  |                                       |                                |                                   |                  |                  | 15,180           |
| <b>At 31 December 2010</b>                       | <b>1,311,044</b>                              | <b>129,877</b>   | <b>(216,497)</b>                      | <b>(302,955)</b>               | <b>44,768</b>                     | <b>478,656</b>   | <b>133,849</b>   | <b>1,444,893</b> |
| <b>At 31 December 2009:</b>                      |   |                  |                                       |                                |                                   |                  |                  |                  |
| <b>At 1 July 2009</b>                            | <b>708,586</b>                                | <b>24,450</b>    | <b>(41,562)</b>                       | <b>(220,167)</b>               | <b>17,765</b>                     | <b>440,779</b>   | <b>221,265</b>   | <b>929,851</b>   |
| Profit for the period                            |   |                  |                                       |                                |                                   | 55,779           | 55,779           | 55,779           |
| Other comprehensive Income for the period        | -   | -                | (33,965)                              | (145,408)                      | -                                 | -                | (179,373)        | (179,373)        |
| <b>Total comprehensive income for the period</b> |   | <b>-</b>         | <b>(33,965)</b>                       | <b>(145,408)</b>               | <b>-</b>                          | <b>55,779</b>    | <b>(123,594)</b> | <b>(123,594)</b> |
| Dividends on ordinary shares                     |   |                  |                                       |                                |                                   | (69,786)         | (69,786)         | (69,786)         |
| Share-based expense                              |   |                  |                                       |                                | 5,415                             |                  | 5,415            | 5,415            |
| Issue of shares for cash                         | 437,388                                       |                  |                                       |                                |                                   |                  | -                | 437,388          |
| Issue of shares on exercise of share option      | 7,576   |                  |                                       |                                |                                   |                  | -                | 7,576            |
| Issue of shares under the Scrip Dividend Scheme  | 14,115  |                  |                                       |                                |                                   |                  | -                | 14,115           |
| Issue of shares upon conversion of bonds         | 14,495  | (1,538)          |                                       |                                |                                   |                  | (1,538)          | 12,957           |
| Equity portion of Convertible bonds              |   | 124,386          |                                       |                                |                                   |                  | 124,386          | 124,386          |
| <b>At 31 December 2009</b>                       | <b>1,182,160</b>                              | <b>147,298</b>   | <b>(75,527)</b>                       | <b>(365,575)</b>               | <b>23,180</b>                     | <b>426,772</b>   | <b>156,148</b>   | <b>1,338,308</b> |

| Group 3 Months                                   | Attributable to equity holders of the Company |                  |                                       |                                |                                   |                  |                 |                  | Minority Interest | Total Equity     |
|--|---|------------------|---------------------------------------|--------------------------------|-----------------------------------|------------------|-----------------|------------------|-------------------|------------------|
|  | Share Capital                                 | Capital Reserves | Foreign Currency Translation Reserves | Fair Value Adjustment Reserves | Share-based Compensation Reserves | Revenue Reserves | Total Reserves  | Total            |                   |                  |
|  | \$'000  | \$'000           | \$'000                                | \$'000                         | \$'000                            | \$'000           | \$'000          | \$'000           | \$'000            | \$'000           |
| <b>At 31 December 2010:</b>                      |   |                  |                                       |                                |                                   |                  |                 |                  |                   |                  |
| <b>At 1 October 2010</b>                         | <b>1,307,280</b>                              | <b>129,877</b>   | <b>(218,431)</b>                      | <b>(174,541)</b>               | <b>38,683</b>                     | <b>839,051</b>   | <b>614,639</b>  | <b>1,921,919</b> | <b>(1,108)</b>    | <b>1,920,811</b> |
| Profit for the period                            |   |                  |                                       |                                |                                   | 145,441          | 145,441         | 145,441          | 370               | 145,811          |
| Other comprehensive income for the period        |   |                  | (40,532)                              | (121,775)                      |                                   |                  | (162,307)       | (162,307)        |                   | (162,307)        |
| <b>Total comprehensive Income for the period</b> |   |                  | <b>(40,532)</b>                       | <b>(121,775)</b>               | <b>-</b>                          | <b>145,441</b>   | <b>(16,866)</b> | <b>(16,866)</b>  | <b>370</b>        | <b>(16,496)</b>  |
| Dividends on ordinary shares                     |   |                  |                                       |                                |                                   | (53,139)         | (53,139)        | (53,139)         |                   | (53,139)         |
| Share-based expense                              |   |                  |                                       |                                | 6,085                             |                  | 6,085           | 6,085            |                   | 6,085            |
| Issue of shares up on conversion of bonds        | 682   | -                |                                       |                                |                                   |                  | -               | 682              |                   | 682              |
| Issue of shares on exercise of share option      | 3,082   |                  |                                       |                                |                                   |                  |                 | 3,082            |                   | 3,082            |
| Acquisition of subsidiary company                |   |                  |                                       |                                |                                   |                  |                 | -                | 41,959            | 41,959           |
| <b>At 31 December 2010</b>                       | <b>1,311,044</b>                              | <b>129,877</b>   | <b>(258,963)</b>                      | <b>(296,316)</b>               | <b>44,768</b>                     | <b>931,353</b>   | <b>550,719</b>  | <b>1,861,763</b> | <b>41,221</b>     | <b>1,902,984</b> |
| <b>At 31 December 2009:</b>                      |   |                  |                                       |                                |                                   |                  |                 |                  |                   |                  |
| <b>At 1 October 2009</b>                         | <b>1,150,097</b>                              | <b>24,450</b>    | <b>(120,070)</b>                      | <b>(260,455)</b>               | <b>20,270</b>                     | <b>579,058</b>   | <b>243,253</b>  | <b>1,393,350</b> | <b>47</b>         | <b>1,393,397</b> |
| Profit for the period                            |   |                  |                                       |                                |                                   | 158,855          | 158,855         | 158,855          | 9                 | 158,864          |
| Other comprehensive Income for the period        |   |                  | 7,421                                 | (50,646)                       |                                   |                  | (43,225)        | (43,225)         |                   | (43,225)         |
| <b>Total comprehensive Income for the period</b> | <b>-</b>                                      | <b>-</b>         | <b>7,421</b>                          | <b>(50,646)</b>                | <b>-</b>                          | <b>158,855</b>   | <b>115,630</b>  | <b>115,630</b>   | <b>9</b>          | <b>115,639</b>   |
| Dividends on ordinary shares                     |   |                  |                                       |                                |                                   | (69,786)         | (69,786)        | (69,786)         |                   | (69,786)         |
| Share-based expense                              |   |                  |                                       |                                | 2,910                             |                  | 2,910           | 2,910            |                   | 2,910            |
| Issue of shares on exercise of share option      | 3,453   |                  |                                       |                                |                                   |                  | -               | 3,453            |                   | 3,453            |
| Issue of shares under the Scrip Dividend Scheme  | 14,115  |                  |                                       |                                |                                   |                  | -               | 14,115           |                   | 14,115           |
| Issue of shares upon conversion of bonds         | 14,495  | (1,538)          |                                       |                                |                                   |                  | (1,538)         | 12,957           |                   | 12,957           |
| Equity portion of Convertible bonds              |   | 124,386          |                                       |                                |                                   |                  | 124,386         | 124,386          |                   | 124,386          |
| Acquisition of subsidiary company                |   |                  |                                       |                                |                                   |                  |                 |                  | -                 | -                |
| <b>At 31 December 2009</b>                       | <b>1,182,160</b>                              | <b>147,298</b>   | <b>(112,649)</b>                      | <b>(311,101)</b>               | <b>23,180</b>                     | <b>668,127</b>   | <b>414,855</b>  | <b>1,597,015</b> | <b>56</b>         | <b>1,597,071</b> |

| Company 3 Months                                 | Attributable to equity holders of the Company |                  |                                       |                                |                                   |                  |                  |                  |
|--|---|------------------|---------------------------------------|--------------------------------|-----------------------------------|------------------|------------------|------------------|
|  | Share Capital                                 | Capital Reserves | Foreign Currency Translation Reserves | Fair Value Adjustment Reserves | Share-based Compensation Reserves | Revenue Reserves | Total Reserves   | Total Equity     |
|  | \$'000  | \$'000           | \$'000                                | \$'000                         | \$'000                            | \$'000           | \$'000           | \$'000           |
| <b>At 31 December 2010:</b>                      |   |                  |                                       |                                |                                   |                  |                  |                  |
| <b>At 1 October 2010</b>                         | <b>1,307,280</b>                              | <b>129,877</b>   | <b>(180,880)</b>                      | <b>(183,598)</b>               | <b>38,683</b>                     | <b>517,031</b>   | <b>321,113</b>   | <b>1,628,393</b> |
| Profit for the period                            |   |                  |                                       |                                |                                   | 14,764           | 14,764           | 14,764           |
| Other comprehensive income for the period        |   |                  | (35,617)                              | (119,357)                      |                                   |                  | (154,974)        | (154,974)        |
| <b>Total comprehensive Income for the period</b> |   | <b>-</b>         | <b>(35,617)</b>                       | <b>(119,357)</b>               | <b>-</b>                          | <b>14,764</b>    | <b>(140,210)</b> | <b>(140,210)</b> |
| Dividends on ordinary shares                     |   |                  |                                       |                                |                                   | (53,139)         | (53,139)         | (53,139)         |
| Share-based expense                              |   |                  |                                       |                                | 6,085                             |                  | 6,085            | 6,085            |
| Issue of shares up on conversion of bonds        | 682   | -                |                                       |                                |                                   |                  | -                | 682              |
| Issue of shares on exercise of share option      | 3,082   |                  |                                       |                                |                                   |                  |                  | 3,082            |
| <b>At 31 December 2010</b>                       | <b>1,311,044</b>                              | <b>129,877</b>   | <b>(216,497)</b>                      | <b>(302,955)</b>               | <b>44,768</b>                     | <b>478,656</b>   | <b>133,849</b>   | <b>1,444,893</b> |
| <b>At 31 December 2009:</b>                      |   |                  |                                       |                                |                                   |                  |                  |                  |
| <b>At 1 October 2009</b>                         | <b>1,150,097</b>                              | <b>24,450</b>    | <b>(64,155)</b>                       | <b>(313,011)</b>               | <b>20,270</b>                     | <b>422,552</b>   | <b>90,106</b>    | <b>1,240,203</b> |
| Profit for the period                            |   |                  |                                       |                                |                                   | 74,006           | 74,006           | 74,006           |
| Other comprehensive Income for the period        | -   | -                | (11,372)                              | (52,564)                       | -                                 | -                | (63,936)         | (63,936)         |
| <b>Total comprehensive Income for the period</b> |   | <b>-</b>         | <b>(11,372)</b>                       | <b>(52,564)</b>                | <b>-</b>                          | <b>74,006</b>    | <b>10,070</b>    | <b>10,070</b>    |
| Dividends on ordinary shares                     |   |                  |                                       |                                |                                   | (69,786)         | (69,786)         | (69,786)         |
| Share-based expense                              |   |                  |                                       |                                | 2,910                             |                  | 2,910            | 2,910            |
| Issue of shares on exercise of share option      | 3,453   |                  |                                       |                                |                                   |                  | -                | 3,453            |
| Issue of shares under the Scrip Dividend Scheme  | 14,115  |                  |                                       |                                |                                   |                  |                  | 14,115           |
| Issue of shares upon conversion of bonds         | 14,495  | (1,538)          |                                       |                                |                                   |                  | (1,538)          | 12,957           |
| Equity portion of Convertible bonds              | -   | 124,386          |                                       |                                |                                   |                  | 124,386          | 124,386          |
| <b>At 31 December 2009</b>                       | <b>1,182,160</b>                              | <b>147,298</b>   | <b>(75,527)</b>                       | <b>(365,575)</b>               | <b>23,180</b>                     | <b>426,772</b>   | <b>156,148</b>   | <b>1,338,308</b> |

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

|  | Oct - Dec 10 | Oct - Dec 09 |
|--|--------------|--------------|
| Issue of Shares under Scrip Dividend Scheme  | -            | 5,633,004    |
| Issue of Shares upon conversion of Bonds     | 180,715      | 9,220,075    |
| Issue of shares on exercise of share options | 1,846,000    | 2,226,650    |

|   | Dec 10             | Dec 09             |
|---|--------------------|--------------------|
| <b>Shares to be issued upon exercise of:</b>                    |                    |                    |
| Conversion right of convertible bonds                           | 240,123,414        | 344,773,608        |
| Share options   | 107,537,930        | 99,835,316         |
| <b>Total no. of shares to be issued as at the end of period</b> | <b>347,661,344</b> | <b>444,608,924</b> |

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

|  | Dec 10               | Jun 10               |
|--|----------------------|----------------------|
| <b>Issued, fully paid share capital :</b>                      |                      |                      |
| Balance no. of shares as at the beginning of period            | 2,020,759,705        | 1,715,894,324        |
| Issue of Shares for cash                                       | -                    | 273,459,000          |
| Issue of Shares under Scrip Dividend Scheme                    | -                    | 5,633,004            |
| Issue of Shares on conversion of Bonds                         | 94,959,097           | 18,911,168           |
| Issue of Shares on exercise of share options                   | 9,568,186            | 6,862,209            |
| <b>Total no. of shares outstanding as at the end of period</b> | <b>2,125,286,988</b> | <b>2,020,759,705</b> |

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

N/A

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

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

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

N/A

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

The adoption of the new and revised accounting standards that became applicable from 1 July 2010 did not result in substantial changes to the Group accounting policies, which are consistent with those used in the audited financial statements as at 30 June 2010.



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

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

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

#### Reported earnings per ordinary share

|   | Group            |               |                    |               |
|---|------------------|---------------|--------------------|---------------|
|   | Six Months Ended |               | Three Months Ended |               |
|   | 31 Dec 10        | 31 Dec 09     | 31 Dec 10          | 31 Dec 09     |
| (a) Based on weighted average no. of shares (cents/share)             | 8.35             | 8.92          | 6.84               | 7.95          |
| (b) Based on fully diluted basis (cents/share)                        | 7.69             | 7.60          | 6.25               | 7.19          |
| Weighted average no. of shares applicable to basic earnings per share | 2,097,704,214    | 1,995,365,419 | 2,124,871,583      | 1,999,485,205 |
| Weighted average no. of shares based on fully diluted basis           | 2,409,489,754    | 2,243,656,207 | 2,418,758,268      | 2,355,084,252 |

#### Operational earnings per ordinary share

| Operational EPS   | Group            |           |                    |           |
|---|------------------|-----------|--------------------|-----------|
|   | Six Months Ended |           | Three Months Ended |           |
|   | 31 Dec 10        | 31 Dec 09 | 31 Dec 10          | 31 Dec 09 |
| (a) Based on weighted average no. of shares (cents/share) | 6.75             | 4.35      | 5.26               | 3.39      |
| (b) Based on fully diluted basis (cents/share)            | 6.30             | 3.54      | 4.86               | 3.32      |

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 31 Dec 10 | As at 30 Jun 10 | As at 31 Dec 10 | As at 30 Jun 10 |
| Net asset value (NAV) per ordinary share based on issued share capital as at end of the period | 70.70           | 70.78           | 67.06           | 76.06           |

The NAV for the Group before fair value adjustment reserve, goodwill and other intangibles increased from 99.98 cents/share in June 2010 to 101.54 cents /share in December 2010.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:
- (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

## **Introduction**

As supply chain managers, we are engaged in the sourcing of various agricultural commodities from the producing countries and processing, warehousing, transporting, shipping, distributing and marketing of the same right up to the factory gate of our customers in the destination markets while managing the risks at each stage of the supply chain. From our founding in 1989, the Company has evolved from a single country, single product trader to a multi-country, multi-product supply chain manager. Today, Olam is a leading global integrated supply chain manager for 20 agricultural products and food ingredients, with operations in 65 countries.

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

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

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

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

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

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

- i) The Commodity Financial Services business (CFS), which benefits from our deep understanding of both commodity and financial markets, as well as our capabilities and knowledge in leading-edge risk management practices; and

- ii) Packaged Foods distribution in West Africa, building our own consumer brands which capitalize on our existing knowledge of African markets and operations, brands, and consumers. The foundation for this downstream activity is our knowledge and capabilities related to the management of food supply chains and the common distribution pipeline that we have built for related commodity products (including rice, sugar, wheat flour and dairy products) in West Africa.

### **Business Segmentation and Reporting**

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

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

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

#### **Profitability**

- a. ***Inclusion of results of companies acquired by the Group:*** The H1 FY2011 results include the consolidated results of Gilroy Foods and Flavours (GFF) and NZFSU, the acquisition of which was completed during the quarter. As a result of the financial impact of these acquisitions, the consolidated results for H1 FY2011 are not strictly comparable to the results of H1 FY2010.
- b. ***Gross and Net Contribution:*** We measure and track our profitability in terms of Gross Contribution (GC) and Net Contribution (NC) per ton of product supplied. For every transaction, we target a minimum net contribution per ton of product supplied based on the investment, risks, complexities and value added services that we provide to our customers to meet their specific requirements. We are focused on enhancing these margins by providing value added services such as vendor managed inventory solutions (VMI), organic certification, traceability guarantees, fair trade produce certification (FTP), customised grades and quality, processed ingredients supply, proprietary market intelligence and risk management solutions.

GC is calculated as the revenue from the sale of goods plus other income, less the cost of goods sold (raw material costs plus other direct costs, including packing costs etc.), shipping and logistics expenses, claims and commissions, bank charges, net measurement of derivative instruments, gain/loss on foreign exchange and share of gain/loss from jointly controlled entities/associates. For the purposes of determining Net Contribution, finance costs excluding interest on debt for fixed

capital investments, net of interest income are reduced from the GC. For analyzing the performance of the group, share of jointly controlled entities/associates has been included in the GC and NC. The proportionate share of volumes has also been included for calculation of GC and NC/ ton. Due to the changes in the segmental reporting, the previous year numbers have been reclassified appropriately.

The computation for GC and NC, together with a comparative statement for the corresponding period of the immediately preceding financial year is as under:

| (in S\$'000)   | Group            |                  |              | Group              |                  |              |
|--|------------------|------------------|--------------|--------------------|------------------|--------------|
|  | Six Months Ended |                  |              | Three Months Ended |                  |              |
|  | 31 Dec 10        | 31 Dec 09        | % change     | 31 Dec 10          | 31 Dec 09        | % change     |
| <b>Total Revenue</b>   | <b>6,584,419</b> | <b>4,725,558</b> |              | <b>4,123,606</b>   | <b>2,836,150</b> |              |
| <b>Add:</b>  |                  |                  |              |                    |                  |              |
| - Share of gain from jointly controlled entities / associates                                | 4,396            | 4,800            |              | 1,492              | 3,929            |              |
| <b>Less:</b>   |                  |                  |              |                    |                  |              |
| - Interest income  | (11,928)         | (11,697)         |              | (8,243)            | (4,465)          |              |
| - Cost of goods sold, shipping and logistics, commissions and claims                         | (5,755,522)      | (4,182,662)      |              | (3,579,768)        | (2,488,873)      |              |
| - Net measurement of derivative instruments, gain / (loss) on foreign exchange, bank charges | (161,616)        | 13,786           |              | (138,910)          | 14,256           |              |
| - Negative goodwill on acquisitions (net of transaction costs)                               | (33,603)         | (91,098)         |              | (33,603)           | (91,098)         |              |
| <b>Gross Contribution</b>  | <b>626,146</b>   | <b>458,687</b>   | <b>36.5%</b> | <b>364,574</b>     | <b>269,899</b>   | <b>35.1%</b> |
| <b>Less:</b>   |                  |                  |              |                    |                  |              |
| - Net interest on working capital  | (113,601)        | (97,572)         |              | (54,961)           | (53,241)         |              |
| <b>Net Contribution</b>  | <b>512,545</b>   | <b>361,115</b>   | <b>41.9%</b> | <b>309,613</b>     | <b>216,658</b>   | <b>42.9%</b> |

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

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

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

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

Working capital is deployed to fund inventories, trade and other receivables, margin accounts with brokers, advance payments to suppliers, trade payables and accruals. Working capital needs fluctuate constantly due to changes in the volume and prices of agricultural products. This may cause either an increase or decrease in funds allocated to operations. In H1 FY2011 prices across our portfolio had seen very sharp increase which in turn has resulted in higher working capital investment in the First Half. A large part (around 90%) of working capital is used to fund the liquid hedged inventories that meet four qualifying conditions:

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

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

## **Profit and Loss Statement**

The company has had a very strong H1 FY2011 with record growth in earnings (excluding negative goodwill on acquisitions (net of transaction costs), classified as “**exceptional gain**”). The period was characterized by sharply rising commodity prices with several agricultural commodities reaching historical or lifetime highs. In addition to rising prices, there was also substantial increase in volatility across the agricultural complex. Sharply higher commodity prices as well seasonality factors have contributed to much higher working capital investments during H1 FY2011 compared to H1 FY2010.

The network benefits arising out of our presence in 65 countries, our diversification across 20 agricultural commodities, our selective integration across the agri value chain, our origination and distribution reach combined with our strong risk management capabilities have allowed us to grow our business profitably under these market conditions. Our strategy has led us to take advantage of attractive upstream opportunities in plantations (perennial tree crop plantation investments including palm, rubber, almonds and coffee), farming (annual crop farming investments including peanuts, soya bean and rice farming), hard wood forest concessions and dairy farming. In addition, we are pursuing selective mid-stream opportunities in value added processing activities (including cocoa processing, soluble coffee manufacturing, tomato paste manufacturing, peanut paste manufacturing, spice grinding, dehydrates manufacturing etc) which have all contributed to generating positive returns and enhancing our margins in H1 FY2011. As a result, Net Contribution margin (NC) has grown from S\$107 per ton in H1 FY2010 to S\$131 in H1 FY2011 (22.7 % improvement in NC margin per ton). Margin growth accounted for 67% growth in overall NC, while volume growth accounted for the balance of the 33% growth in NC.

The Company grew its sales volume by 15.6% and sales revenue by 40.5% in H1 FY2011 compared to H1 FY2010. Excluding the exceptional gain in both periods, operational net profit after tax increased by 63.5% from S\$86.8 million in H1 FY2010 to S\$141.9 million in H1 FY2011. Other income includes exceptional gain of S\$33.6 million (S\$91.1 in H1 FY2010) and gain on fair valuation of Biological Assets of S\$27.1 million (NIL in H1 FY2010) pertaining to Edible Nuts, Spices and Beans, and Food Staples and Packaged Foods segments. All operational costs attributable to these biological assets have been charged to the profit and loss account as period costs.

The demand for Food Raw Materials and Ingredients category, which is made up of Edible Nuts, Spices and Beans, Confectionery and Beverage Ingredients and Food Staples and Packaged Foods segments accounted for 78.1% of our revenue in H1 FY2011. Sales Volume for the Food category increased by 16.5% in H1 FY2011 compared to H1 FY2010. Net contribution (NC) for this segment increased by 42.0% in H1 FY2011 compared to H1 FY2010. NC per ton also increased by 22.0% to S\$128 per ton in H1 FY2011 from S\$105 per ton in H1 FY2010.

The Industrial Raw Materials category includes four agri-commodities, namely Cotton, Wool, Rubber and Wood Products. This category accounted for the remaining 21.9% of our revenue in H1 FY2011. Sales Volume for this category grew by 11.9% in H1 FY2011 compared to H1 FY2010. Net Contribution for this category increased by 46.8% in H1 FY2011 compared to H1 FY2010; NC per ton grew by 31.1% to S\$122 per ton from S\$93 per ton in H1 FY2011.

### Segmental Analysis

The following table provides the segmental breakdown on Sales Volume, Sales Revenue, Gross Contribution (GC) and Net Contribution (NC) for H1 FY2011:

#### Cumulative

|                                      | Sales Volume<br>(in Metric Tons) |           | Sales Revenue<br>(in S\$'000) |           | Gross Contribution (GC)<br>(in S\$'000) |         | Net Contribution<br>(NC) (in S\$'000) |         |
|--------------------------------------|----------------------------------|-----------|-------------------------------|-----------|---|---------|---------------------------------------|---------|
| Segment                              | Dec 10                           | Dec 09    | Dec 10                        | Dec 09    | Dec 10                                  | Dec 09  | Dec 10                                | Dec 09  |
| Edible Nuts, Spices & Beans          | 560,695                          | 511,009   | 1,014,836                     | 699,681   | 126,785                                 | 87,292  | 111,847                               | 73,569  |
| Per ton (S\$)                        |                                  |           |                               |           | 226                                     | 171     | 199                                   | 144     |
| Confectionery & Beverage Ingredients | 645,698                          | 586,822   | 2,420,386                     | 1,651,167 | 171,830                                 | 129,756 | 123,215                               | 86,635  |
| Per ton (S\$)                        |                                  |           |                               |           | 266                                     | 221     | 191                                   | 148     |
| Food Staples & Packaged Foods        | 1,989,513                        | 1,645,337 | 1,622,911                     | 1,363,438 | 192,509                                 | 142,757 | 175,062                               | 128,642 |
| Per ton (S\$)                        |                                  |           |                               |           | 97                                      | 87      | 88                                    | 78      |
| Industrial Raw Materials*            | 708,902                          | 633,408   | 1,418,539                     | 895,428   | 117,310                                 | 85,211  | 86,199                                | 58,719  |
| Per ton (S\$)                        |                                  |           |                               |           | 165                                     | 135     | 122                                   | 93      |
| Commodity Financial Services         | -                                | -         | -                             | -         | 17,712                                  | 13,671  | 16,222                                | 13,550  |
| Total                                | 3,904,808                        | 3,376,576 | 6,476,672                     | 4,609,714 | 626,146                                 | 458,687 | 512,545                               | 361,115 |
| Per ton (S\$)                        |                                  |           |                               |           | 160                                     | 136     | 131                                   | 107     |

#### Quarter

|                                      | Sales Volume<br>(in Metric Tons) |           | Sales Revenue<br>(in S\$'000) |           | Gross Contribution (GC)<br>(in S\$'000) |         | Net Contribution<br>(NC) (in S\$'000) |         |
|--------------------------------------|----------------------------------|-----------|-------------------------------|-----------|---|---------|---------------------------------------|---------|
| Segment                              | Dec 10                           | Dec 09    | Dec 10                        | Dec 09    | Dec 10                                  | Dec 09  | Dec 10                                | Dec 09  |
| Edible Nuts, Spices & Beans          | 232,867                          | 190,877   | 589,517                       | 344,321   | 61,631                                  | 35,489  | 56,661                                | 30,980  |
| Per ton (S\$)                        |                                  |           |                               |           | 265                                     | 186     | 243                                   | 162     |
| Confectionery & Beverage Ingredients | 413,965                          | 363,567   | 1,687,340                     | 990,259   | 105,977                                 | 77,778  | 79,056                                | 52,102  |
| Per ton (S\$)                        |                                  |           |                               |           | 256                                     | 214     | 191                                   | 143     |
| Food Staples & Packaged Foods        | 1,254,650                        | 1,133,926 | 901,988                       | 879,804   | 120,248                                 | 90,597  | 112,594                               | 83,417  |
| Per ton (S\$)                        |                                  |           |                               |           | 96                                      | 80      | 90                                    | 74      |
| Industrial Raw Materials*            | 421,196                          | 413,822   | 846,771                       | 518,673   | 63,829                                  | 49,470  | 49,456                                | 33,716  |
| Per ton (S\$)                        |                                  |           |                               |           | 152                                     | 120     | 117                                   | 81      |
| Commodity Financial Services         | -                                | -         | -                             | -         | 12,889                                  | 16,564  | 11,846                                | 16,443  |
| Total                                | 2,322,678                        | 2,102,192 | 4,025,616                     | 2,733,057 | 364,574                                 | 269,898 | 309,613                               | 216,658 |
| Per ton (S\$)                        |                                  |           |                               |           | 157                                     | 128     | 133                                   | 103     |

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

The **Edible Nuts, Spices & Beans segment** registered volume growth of 9.7%, revenue growth of 45.0%, GC growth of 45.2% and NC growth of 52.0% compared to H1 FY2010. NC per ton in this segment grew an impressive 38.6% from S\$144 to S\$199. The growth in NC per ton in this segment is driven by our expansion into upstream plantations and farming (almonds and peanuts) as well as selective mid-stream processing (tomato paste and peanut paste manufacturing, spices grinding and spice dehydrates manufacturing). Volume growth has been lower mainly on account of the closure of the Pulses Business

during this quarter as compared to H1 FY2010. There has been very strong performance from the spices and dehydrates business on the back of consolidation of performance of the tomato processing facility and operations of Gilroy Foods in H1 FY2011. The edible nuts division (cashews, peanuts and almonds) continues to perform strongly. At the moment we do not expect any material impact of the floods in Australia on the almond crop this year.

The **Confectionery & Beverage Ingredients segment** registered volume growth of 10.0%, 32.4% in GC and 42.2% in NC compared to H1 FY2010. More importantly, this segment grew its NC per ton by 29.3% from S\$148 in H1 FY2010 to S\$191 in H1 FY2011. The improvement in NC margins in this segment was driven by providing more value added services to our customers including chocolate manufacturers, cocoa processors and coffee roasters in different markets. The cocoa business has had some adverse impact particularly, in terms of slightly lower volumes due to the political uncertainty in Cote d'Ivoire. The unstable political situation has resulted in us temporarily closing down our upcountry operations. However, sharply improved margins have more than compensated for the drop in volumes. We have, however ensured that all the cocoa is shipped promptly thereby reducing the risk of losses in the event of further civil unrest. The impact of a call for a ban on exports from Cote d'Ivoire requested by European Union remains uncertain with both the chocolate industry and exporter group seeking clarifications. We continue to monitor the situation closely and are fully prepared to take the required appropriate action, should the situation in the country become even more unsettled. The coffee business continues to perform well across its key origins in West and East Africa (Cameroon, Cote d'Ivoire, Tanzania, Uganda and Burundi), Asia (India, Indonesia, Vietnam, Laos), South and Central America (Brazil, Colombia, Peru, Honduras and Mexico).

The **Food Staples & Packaged Foods segment** had a good first half with volume growing 20.9%, GC by 34.9% and NC by 36.1% respectively compared to H1 FY2010. NC per ton grew by 12.5% from S\$78 in H1 FY2010 to S\$88 in H1 FY2011. This strong volume growth was led by the wheat business with strong market share growth in the African markets. Rice, Sugar and PFB businesses continued to perform in-line with our budgets. The dairy business has faced tough trading conditions with increase in dairy prices on the sourcing side with market prices lagging in response, which has depressed margins in this segment. As expected in our investment thesis and announced by NZFSU, the operation is expected to have a full year loss in FY2011. The impact of this will flow through more in the 2<sup>nd</sup> half of FY2011. While we have taken significant steps in reshaping the strategy and revamping the management of the company, we expect these efforts to start producing results over the next couple of years.

The **Industrial Raw Materials segment** saw volume growth of 11.9%, GC growth of 37.7% and NC growth of 46.8% compared to H1 FY2010. This segment constituted 18.2% of the Company's volumes, 21.9% of its revenues, 18.7% of its GC and 16.8% of its NC. NC per ton in this segment grew by 31.1% from S\$93 in H1 FY2010 to S\$122 in H1 FY2011. Cotton prices continue to rise on the back of significant supply shortages. The floods in Australia and export restriction from India have fueled the prices even further. The impact of unprecedented floods in Queensland is likely to have some impact on the ginning volume and ginning revenue for FY2011 and we have factored this in while assessing the prospects for this segment for the rest of FY2011. However the exact impact cannot be reliably estimated till the harvest is completed in Q3 FY2011. Given our global presence and expanding reach, we have been able to increase our market share in this supply constrained environment. As the industry is turning to reliable suppliers, we have been able to command a counter party premium which has increased our margins as well. However due to these lifetime high prices, the cotton business has required increased working capital given very high cotton prices and increased margin calls on the hedged positions. In the Wood Products business, we announced the acquisition of tt TIMBER INTERNATIONAL from DALHOFF LARSEN HORNEMAN A/S GROUP ("DLH") during the quarter. This allows us to strengthen our position in the Hard Woods segment.

The **Commodity Financial Services (CFS) segment** had a good quarter and contributed to 3.2% of the Group's NC with S\$16.2 million as against a NC of S\$13.6 million in H1 FY2010. The performance of the Relative Value Fund (Ektimo) was positive and has been in-line with our projections. The other activities of the group namely market making of commodity options and risk management solutions continue to develop in line with our business plans.

### **Costs and Expenses**

Q2 FY2011: Overhead expenses at S\$166.9 million for Q2 FY2011 were 31.3% higher than the corresponding quarter in FY2010, mainly on account of increased overheads for recently acquired businesses and for additional performance incentive provision in Q2 FY2011 compared to Q2 FY2010.

H1 FY2011: Overhead expenses at S\$314.0 million for H1 FY2011 were 31.3% higher than H1 FY2010 for the same reasons as above.

### **Taxation**

Q2 FY2011: Income Tax provisions have increased to S\$15.2 million for Q1 FY2011 as compared to S\$8.7 million for Q2 FY2010 primarily due to the growing earnings contribution from higher tax jurisdictions including Australia and USA.

H1 FY2011: Income Tax provisions have increased to S\$21.1 million for H1 FY2011 as compared to S\$11.0 million for H1 FY2010 for the same reasons as above.

### **Net profit after tax**

Q2 FY2011: Excluding exceptional gain in both periods, operational profit after tax increased by 65.6% to S\$112.2 million from S\$67.8 million in Q2 FY 2010. Net profit after tax decreased by 8.2% to S\$145.8 million for Q2 FY2011 from S\$158.9 million in Q2 FY2010 (including exceptional gain in both periods).

H1 FY2011: Excluding exceptional gain in both periods, operational profit after tax increased by 63.5% to S\$141.9 million from S\$86.8 million in H1 FY2010. Net profit after tax decreased by 1.3% to S\$175.5 million for H1 FY2011 from S\$177.9 million in H1 FY2010 (including exceptional gain in both periods).

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

During H1 FY2011, the industry continued to experience significant volatility in the prices of various commodities. The application of provisions under FRS39 affects equity and fair value of derivative financial instruments under current assets and current liabilities. Since we participate in this industry as supply chain managers and not as positional / directional traders, market volatility, during this period, as in past periods, has had limited impact on the profitability of the Group.

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

During H1 FY2011, property, plant and equipment increased from S\$1,054.2 million to S\$1,375.4 million. The increase of S\$321.3 million was mainly on account of purchase of Gilroy Foods' assets in USA and consolidation of New Zealand Farming Systems Uruguay (NZFSU).

### **Current Assets**

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

Debtor days in H1 FY2011 increased marginally to 27 days as compared to 26 days as at 31 December 2009.

#### ***Stocks***

Stock turnover days decreased to 101 days as compared to 119 days as at 31 December 2010. Stock value increased by S\$661.1 million to S\$3,245.2 million from S\$2,584.0 million as on 30 June 2010 mainly due to higher prices of the commodities.

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

Advance to Suppliers days decreased to 12 days in H1 FY2011 from 20 days as at 31 December 2009. The advances increased from S\$237.8 million as at 30 June 2010 to S\$410.5 million in H1 FY2011.

Overall the cash to cash cycle came down from 145 days in H1 FY2010 to 121 days in H1 FY2011.



## **Cash and Fixed Deposits**

Cash and Fixed Deposits decreased by 0.7% to S\$666.7 million as on 31 December 2010 from S\$671.5 million as on 30 June 2010.

## **Borrowings**

Borrowings increased to S\$6,017.3 million as of end of December 2010 from S\$4,503.0 million as of 30 June 2010. This increase was mainly on account of significant increase in working capital requirement arising out of increase in commodity prices. The borrowings net of cash and cash equivalents amounted to S\$5,350.6 million as compared to S\$3,831.5 million as at 30 June 2010. Net Debt to Equity ratio increased from 2.05 in Q1 FY2011 to 2.48 in H1 FY2011.

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

The amount in the balance sheet represents the debt component along with accrued interest for both the outstanding Convertible Bonds of principal value US\$18.7 million issued in FY2009 and Convertible Bonds issued in Q1 FY2011 with a principal value of US\$500 million

## **Equity**

Total share capital and reserves (before Fair Value Adjustment Reserves and Non-controlling interest) increased by 6.8% from S\$2,020.3 million as of 30 June 2010 to S\$2,158.1 million as of 31 December 2010. Fair Value Adjustment Reserves increased from (S\$248.4) as of 30 June 2010 to (S\$296.3) million as of 31 December 2010

During H1 FY2011, the Company issued 104,527,283 shares for cash, on conversion of bonds and exercise of share options

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

There was no forecast made by the Company.

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

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

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

The Group believes that the impact of floods in Australia and the current political situation in Cote d'Ivoire on their businesses is not material. Detailed explanation in this regard is provided in the Segmental Analysis section.

Given the strong performance recorded by the Group in H1 FY2011 and the continued execution of its long term strategic growth plans, the Group continues to be positive about its prospects for the remainder of FY2011.

11. Dividend

(a) Current Financial Period Reported On 31 December 2010

Any dividend recommended for the current financial period reported on?

NIL

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

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

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

N.A

(d) Date payable

N.A

(e) Books closure date

N.A

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

N.A

**Confirmation of the Board**

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

We hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for period ended 31 December 2010 to be false or misleading in any material aspects.

On behalf of the Board of Directors

R. Jayachandran  
Chairman

Sunny George Verghese  
Group Managing Director & CEO

BY ORDER OF THE BOARD

Sunny George Verghese  
Group Managing Director & CEO

14 February 2011