# Olam International Limited

## Management Discussion and Analysis

Fourth Quarter and Full Year ended

30 June 2014

*This MD&A should be read and understood only in conjunction with the full text of Olam International Limited's FY2014 Financial Statements lodged on SGXNET on August 29, 2014.*

# MANAGEMENT DISCUSSION AND ANALYSIS

**Fourth Quarter and Full Year ended 30 June 2014 (FY2014)**

## Contents

## Key Highlights

- **Reported PATMI increased 67.8% to S$608.5 million** for FY2014 (S$362.6 million for FY2013). Reported PATMI includes net exceptional gains of S$283.1 million for FY2014 (S$14.0 million for FY2013).

- **Sales volume declined by 6.7%** as compared to the high base in FY2013 (49.5% increase over FY2012) as well as from targeted volume reduction in lower margin businesses as outlined in the strategic plan.

- Overall **EBITDA was maintained**, on lower volumes, **at S$1,168.8 million** in FY2014 compared to S$1,170.8 million in FY2013.

- These results include a **net loss of S$3.7 million** for FY2014 on the **fair valuation of biological assets** compared to a **net gain of S$92.5 million** in FY2013.

- **Net finance costs** remained flat at **S$504.8 million** in FY2014 compared to **S$501.7 million** in FY2013.

- **Depreciation and amortisation** was **higher at S$215.6 million** in FY2014 **compared to S$199.3 million** in FY2013.

- **Tax expenses** (excluding tax on exceptional items) for FY2014 were **flat at S$90.2 million** as compared to **S$92.3 million** for the prior corresponding period.

- As a result of the above, **Operational PATMI** (after excluding exceptional items) **declined by 6.7% to S$325.4 million** (S$348.6 million in FY2013).

- We have **moderated the pace of new investments** and incurred gross **cash capital expenditure (Capex) of S$583.9 million** in FY2014 as compared to S$1,159.9 million in FY2013. Net of disposals, the cash capex was **S$206.0 million** in FY2014 as against S$1,050.6 million in FY2013.

- There was **significant improvement** in the trajectory of **cash flow generation** with FCFF and FCFE improving by S$327.0 million and S$295.8 million respectively as compared to FY2013. This was driven by increased cash flow from operations, lower capex and cash flow generated from various initiatives as outlined in the strategic plan. We also achieved working capital reduction across three of our segments. However, a sharp increase in commodity prices in H2 FY2014, particularly in the Confectionery and Beverage ingredients segment led to an overall increase in working capital as compared to the corresponding prior period.

- **Net gearing of 1.82 times** at June 30, 2014 **was lower than 1.93 times** as at June 30, 2013 and below our FY2016 target of 2.0 times.

- Subsequent to the strategic plan announcement in April 2013, we have announced 17 **strategic initiatives**, of which three were completed in FY2013 and 11 in FY2014. These 14 completed initiatives have **released cash of S$603.9 million**, generated a **P&L gain of S$94.0 million** and added **S$16.5 million directly to our capital reserves**. Three announced initiatives, which are expected to be completed within FY2015, are likely to **release further cash of approximately S$313.1 million**, generate a **P&L gain of approximately S$22.4 million** and add **approximately S$118.8 million** directly to our **capital reserves**.

**Other Highlights**

- The **Voluntary General Offer** ("VGO") launched by Breedens Investments Pte. Ltd., a wholly owned subsidiary of Temasek Holdings (Private) Limited (the "Offeror"), closed on May 23, 2014. At close, the Offeror and its concert parties owned, controlled or agreed to acquire an aggregate of 1,957,254,405 Shares, representing approximately **80.4% of the total issued share capi**tal of the Company; and 360,694,195 Warrants, representing approximately **90.7% of the total issued Warrants** of the Company. At close, **the Offeror owned 58.5%** of the issued share capital, making them the **ultimate holding company** of Olam.

- Secured a competitively priced **US$2.22 billion** 364-day **committed unsecured revolving credit facility** in Q4 FY2014. This transaction increased the proportion of our short term debt and a part of these proceeds were used to prepay higher cost debt which resulted in a net one-time cost of S$19.8 million in Q4 FY2014.

- **Post Q4 FY2014**, we issued **S$400.0 million** 5 year Notes and **US$300.0 million** 5.5 year Senior Notes under the recently updated US$5,000,000,000 Euro Medium Term Note Programme. The issuances were priced within the secondary trading levels at 4.25% and 4.50% per annum respectively. Both these financing transactions demonstrate the strength of Olam's credit position following the completion of the VGO, which is already having a favourable impact on our cost of borrowing.

- **Post Q4 FY2014,** we also announced the **sale of 25% equity interest in the Packaged Foods** business unit to Sanyo Foods at an **initial enterprise value** of approximately **S$934.9 million**. On completion, the transaction is expected to **release cash of** approximately **S$208.8 million** and add approximately **S$100.7 million** to **capital reserves**. The EV can increase further to approximately S$1,059.6 million should the Packaged Foods business achieve specific performance milestones in FY2015. We would then book a net cash inflow of approximately S$240.0 million and an addition to reserves of approximately S$131.9 million.

- The Board of Directors recommends a final ordinary dividend of 5.0 cents per share and an additional special Silver Jubilee dividend of 2.5 cents per share.

*"We are pleased with the progress made in this first full year of our revised strategic plan. There has been **disciplined execution** across multiple initiatives which have focused on the **continuing optimisation of our balance sheet** as well as **unlocking of intrinsic value** across various platforms. While a few of these initiatives have resulted in lower growth for some businesses, it has helped achieve a better **balance between delivering profitable growth and achieving free cash flow generation**. We will continue on this path of **extracting full value** from existing operations and investments while also **investing in selective growth** opportunities that can enhance shareholder value over time."*

*A. Shekhar*
*Executive Director - Finance and Business Development*

## Strategic Plan Update

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

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

**Four Key priorities:**

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

**Six pathways:**

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

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

1. **Recalibrate the pace of investments**
   We have **moderated the pace of new investments** and incurred gross **cash capital expenditure (Capex) of S$583.9 million** in FY2014 **as compared to S$1,159.9 million** in FY2013. This is a **49.7% reduction in Capex** spend over the corresponding prior period.

2. **Optimise balance sheet**
   **Several initiatives have been undertaken toward optimising working capital utilisation** across the supply chain, including a reduction in inventory levels, securing higher supplier credit and prioritisation of higher margin transactions within each business unit.

   In addition, **various initiatives to optimise the balance sheet and improve returns have also been announced**. These include the sale-and-leaseback of dairy farming land in Uruguay, almond plantation assets in the US and Australia, the repurchase of long term unsecured bonds of **US$30.0 million** issued by NZ Farming Systems Uruguay Limited ("NZFSU") and the repurchase of 7% **perpetual capital securities** and 6% **fixed rate notes** due 2022 **aggregating S$54.2 million**.

3. **Pursue opportunities for unlocking intrinsic value**

   We have **completed several initiatives**, including the sale of our basmati rice mill in India, the sale of a 25.5% interest in our instant noodles business in Nigeria to Sanyo Foods of Japan, the sale of Dirranbandi and Collymongle cotton gins in Australia, the sale of a 50% stake in our Grains origination operation - Olam Lansing Canada, the sale of 9.8% equity stake in our Dairy processing operation – Open Country Dairy (OCD), New Zealand, the sale of 20% stake in the SEZ to the Republic of Gabon and the sale of 80% stake in our Australian grains business to Mitsubishi Corporation. As a result of the reduced shareholding in the Australian grains business, our remaining 20% equity stake in the venture has been classified as a Long Term Investment of the Group.

   We **expect to conclude other announced initiatives** in FY2015, including the sale of additional equity in our upstream Palm and Rubber joint ventures in Gabon to the Republic of Gabon, and the sale of 25% stake in our Packaged Foods business to Sanyo Foods.

4. **Optimise shape of portfolio and reduce complexity**

   In addition to the **partial divestment of our Wood Products business in Gabon** which was completed during Q3 FY2014, we announced and closed the **sale of our Timber subsidiary** Compagnie Forestière des Abeilles SA ("CFA") in Gabon for **US$6.0 million** during Q4 FY2014. We also exited from the Rice distribution business in Côte d'Ivoire.

   These transactions will help bring a sharper focus to the business and are expected to reduce operating costs going forward.

5. **Improve operating efficiencies**

   We launched a **Sustained Cost Management** initiative which helped to moderate the rate of overhead growth despite consolidation of expenses from newly acquired companies and inflationary pressures. **Overhead expenses growth was contained at 5.5% to S$805.0 million** in FY2014 **from S$763.3 million** in FY2013.

6. **Enhance stakeholder communication**

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

**In summary, initiatives already completed** have **released cash of S$603.9 million,** generated a **P&L gain of S$94.0 million** and added **S$16.5 million to** our **capital reserves:**

SGD Mn

| Announced | Closed | Initiative | P & L impact | Addition to capital reserves | Cash flow released |
|---|---|---|---|---|---|
| Q2 FY13 | Q2 FY13 | Sale and Leaseback of Almond Plantation Assets, US | 17.4 | | 68.6 |
| Q3 FY13 | Q3 FY13 | Buyback of NZFSU Bonds | 6.0 | | |
| Q3 FY13 | Q4 FY13 | Sale of Basmati Rice Mill, India to Ebro Foods | 6.1 | | 17.7 |
| | | **FY 2013 Initiatives** | **29.5** | | **86.3** |
| Q4 FY13 | Q1 FY14 | Sale of 25.5% stake in Noodles business to Sanyo Foods | | 14.2 | 25.1 |
| Q2 FY14 | Q2 FY14 | Sale of Dirranbandi Cotton Gin, Australia | 6.1 | | 22.7 |
| Q2 FY14 | Q3 FY14 | Sale and Leaseback of Almond Plantation Assets, Australia | 65.4 | | 233.2 |
| Q3 FY14 | Q3 FY14 | Divestment of Olam Lansing JV, Canada | | | 6.8 |
| Q3 FY14 | Q3 FY14 | Sale of Timber Assets, Gabon | (14.6) | | 22.8 |
| Q3 FY14 | Q3 FY14 | Repurchase of Bonds and Perpetual Securities | 1.0 | 2.3 | |
| Q2 FY14 | Q4 FY14 | Sale of 9.8% stake in OCDL, New Zealand | (0.6) | | 35.1 |
| Q4 FY14 | Q4 FY14 | Australian Grains JV with Mitsubishi Corporation | 28.8 | | 79.8^ |
| Q4 FY14 | Q4 FY14 | Sale of Timber Subsidiary in Gabon | (22.6) | | 7.5^ |
| - | Q4 FY14 | Sale of Collymongle Cotton Gin, Australia | 6.0 | | 9.9 |
| Q4 FY14 | Q4 FY14 | Sale of 20% stake in SEZ to RoG, Gabon | (5.0) | | 74.8^ |
| | | **FY 2014 Initiatives** | **64.5** | **16.5** | **517.6** |
| | | **Total (Completed Initiatives)** | **94.0** | **16.5** | **603.9** |
| Q3 FY14 | Q3 FY14 | Fair Valuation of Investment in PureCircle Limited | 270.3 | | |
| | | **Total (Including PureCircle)** | **364.3** | **16.5** | **603.9** |

^ Cash to be released post FY2014.

Going forward, we expect to **release cash of approximately S$313.1 million**, generate a **P&L gain of** approximately **S$22.4 million,** and **add approximately S$118.8 million** to our **capital reserves** in FY2015 from **initiatives already announced, but pending completion**:

SGD Mn

| Announced | Expected | Initiative | P & L impact | Addition to capital reserves | Cash flow expected |
|---|---|---|---|---|---|
| Q3 FY14 | Q1 FY15 | Sale of 10%/20% stake in Palm/Rubber to RoG, Gabon | | 18.1 | 37.4 |
| Q4 FY14 | Q1 FY15 | Sale and Leaseback of Dairy Farm Land, Uruguay | 22.4 | | 66.9 |
| Q1 FY15 | Q2 FY15 | Sale of 25% stake in Packaged Foods BU to Sanyo Foods | | 100.7 | 208.8 |
| | | | | | |
| | | **Total** | **22.4** | **118.8** | **313.1** |

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

## Summary of Financial and Operating Results

### Profit and Loss Statement

| | FY2014 | FY2013 | % Change | Q4 FY2014 | Q4 FY2013 | % Change |
|---|---|---|---|---|---|---|
| Volume ('000 MT) | 14,877.3 | 15,953.5 | (6.7) | 3,498.3 | 4,298.5 | (18.6) |
| Revenue | 19,421.8 | 20,801.8 | (6.6) | 5,757.7 | 6,495.0 | (11.4) |
| **EBITDA** | **1,168.8** | **1,170.8** | **(0.2)** | **268.7** | **294.8** | **(8.8)** |
| PAT | 641.3 | 391.5 | 63.8 | 74.8 | 83.1 | (10.0) |
| **PATMI** | **608.5** | **362.6** | **67.8** | **31.8** | **56.8** | **(43.9)** |
| **Operational PATMI** | **325.4** | **348.6** | **(6.7)** | **48.5** | **47.8** | **1.5** |

The volume decline of 6.7% was against a high base of FY2013, which saw an exceptional 49.5% growth over FY2012. Lower volume, coupled with the change in business mix and lower priced commodities led to a 6.6% decline in sales revenue, even though prices for some commodities also registered a sharp increase during the period.

Despite the decline in volume, Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA), was flat at S$1,168.8 million reflecting margin expansion from upstream and midstream initiatives. The EBITDA for FY2014 includes a net loss of S$3.7 million on the fair valuation of biological assets compared to a net gain of S$92.5 million in FY2013.

Reported Profit After Taxes and Minority Interests ("PATMI") for FY2014 grew by 67.8% over FY2013 on account of exceptional gains recorded during the period arising from the successful execution of various initiatives in our strategic plan.

Operational PATMI declined by 6.7% as we recorded higher depreciation and amortisation charges on a larger fixed asset base, which increased by approximately S$0.7 billion since FY2013.

## Balance Sheet Analysis

SGD Mn

| | 30-Jun-14 | 30-Jun-13 | Change |
|---|---|---|---|
| **Uses of Capital** | | | |
| Fixed Capital | 6,143.9 | 5,453.7 | 690.2 |
| Working Capital | 5,956.0 | 5,652.0 | 304.0 |
| Cash | 1,590.1 | 1,591.0 | (0.9) |
| Others | (127.7) | (24.7) | (103.0) |
| **Total** | **13,562.3** | **12,672.0** | **890.3** |
| **Sources of Capital** | | | |
| Equity & Reserves | 4,260.4 | 3,765.0 | 495.4 |
| Non-controlling interests | 22.1 | 131.9 | (109.8) |
| Short term debt | 4,503.8 | 2,965.6 | 1,538.2 |
| Long term debt | 4,836.2 | 5,882.7 | (1,046.5) |
| Fair value reserve | (60.2) | (73.2) | 13.0 |
| **Total** | **13,562.3** | **12,672.0** | **890.3** |

Our total assets of S$13.6 billion comprised S$1.6 billion of cash, S$6.0 billion of working capital and S$6.1 billion of long term fixed assets. These were funded by S$4.3 billion of equity, S$4.5 billion of short term debt and S$4.8 billion of long term debt.

While there was a reduction in property, plant and equipment as well as intangible assets, the overall fixed capital increased by S$690.2 million compared to the prior period due to (a) an increase in long term investment from the revaluation of our stake in PureCircle Limited and the value of 20% stake in our Australian Grains joint venture, (b) incremental investments in upstream farming and plantations as well as from biological growth / harvest leading to higher biological assets, and (c) an increase in investments in jointly controlled entities and associates from the deconsolidation of the SEZ investment.

The growth in working capital was due to an increase in inventory levels, carried at higher commodity prices vis-à-vis end-June 2013, particularly in the Confectionery & Beverage Ingredients segment. The other three segments registered a net decline in working capital from a mix of lower prices and optimisation in cycle time.

The increase in the short term debt was a result of higher working capital requirements as well as prepayment of higher cost medium and long term debt from the US$2.22 billion revolving credit facility that we put in place in Q4 FY2014 which resulted in a one-time charge of S$19.8 million in FY2014.

## Cash Flow Analysis

SGD Mn

| Cash Flow Summary | FY2014 | FY2013 | Y-o-Y |
|---|---|---|---|
| Operating Cash flow (before Interest & Tax) | 1,175.5 | 1,073.8 | 101.7 |
| Changes in Working Capital | (944.5) | (339.5) | (605.0) |
| Tax paid | (53.7) | (39.5) | (14.2) |
| **Net Operating Cash flow** | **177.3** | **694.8** | **(517.5)** |
| Capex / Investments | (206.0) | (1,050.6) | 844.6 |
| **Free cash flow to firm (FCFF)** | **(28.7)** | **(355.7)** | **327.1** |
| Net interest paid | (475.9) | (444.6) | (31.3) |
| **Free cash flow to equity (FCFE)** | **(504.6)** | **(800.4)** | **295.8** |

We made significant progress towards our goal of achieving positive free cash flow during the year. We were successful in generating higher cash flows from operations, reducing the pace of new investments and releasing cash from our strategic plan initiatives. We also achieved working capital reduction across three of our segments. However, a sharp increase in commodity prices in H2 FY2014, particularly in the Confectionery and Beverage ingredients segment led to an overall increase in working capital as compared to the corresponding prior period.

## Detailed Financial Analysis

SGD Mn

| | FY2014 | FY2013 | % Change | Q4 FY2014 | Q4 FY2013 | % Change |
|---|---|---|---|---|---|---|
| **Volume ('000 MT)** | **14,877.3** | **15,953.5** | **(6.7)** | **3,498.3** | **4,298.5** | **(18.6)** |
| **Revenue** | **19,421.8** | **20,801.8** | **(6.6)** | **5,757.7** | **6,495.0** | **(11.4)** |
| Other Income (excl. exceptional items) | 53.8 | 47.9 | 12.3 | 23.0 | 24.0 | (4.2) |
| Cost of sales | (17,481.8) | (18,913.1) | (7.6) | (5,256.8) | (5,953.0) | (11.7) |
| Overhead expenses | (805.0) | (763.3) | 5.5 | (243.0) | (239.0) | 1.7 |
| Other operating expenses | (18.6) | (115.5) | (83.9) | (22.5) | (88.2) | (74.5) |
| Net changes in fair value of biological assets | (3.7) | 92.5 | n.m. | 17.1 | 42.6 | (59.9) |
| Share of results from jointly controlled entities and associates | 2.2 | 20.5 | (89.3) | (6.7) | 13.5 | n.m. |
| **EBITDA** | **1,168.8** | **1,170.8** | **(0.2)** | **268.7** | **294.8** | **(8.8)** |
| EBITDA % | 6.0% | 5.6% | | 4.7% | 4.5% | |
| Depreciation & Amortisation | (215.6) | (199.3) | 8.2 | (47.5) | (76.0) | (37.5) |
| EBIT | 953.2 | 971.5 | (1.9) | 221.2 | 218.8 | 1.1 |
| Exceptional items | 283.1 | 14.0 | n.m. | (16.7) | 9.0 | n.m. |
| Net Finance costs | (504.8) | (501.7) | 0.6 | (104.4) | (97.0) | 7.6 |
| PBT | 731.5 | 483.9 | 51.2 | 100.1 | 130.7 | (23.4) |
| Taxation | (90.2) | (92.3) | (2.3) | (25.2) | (47.6) | (47.0) |
| **PAT** | **641.3** | **391.5** | **63.8** | **74.8** | **83.1** | **(10.0)** |
| PAT % | 3.3% | 1.9% | | 1.3% | 1.3% | |
| Non-controlling interests | 32.8 | 28.9 | 13.4 | 43.0 | 26.3 | 63.4 |
| **PATMI** | **608.5** | **362.6** | **67.8** | **31.8** | **56.8** | **(43.9)** |
| PATMI % | 3.1% | 1.7% | | 0.6% | 0.9% | |
| Exceptional items | 283.1 | 14.0 | n.m. | (16.7) | 9.0 | n.m. |
| **Operational PATMI** | **325.4** | **348.6** | **(6.7)** | **48.5** | **47.8** | **1.5** |
| Operational PATMI % | 1.7% | 1.7% | | 0.8% | 0.7% | |

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

***Other Income***

Other Income (excluding exceptional items) increased by S$5.9 million due to higher commissions and claims income recorded during the period.

***Cost of Sales***

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

***Overhead Expenses***

The impact of various cost management initiatives helped moderate the rate of overhead growth despite consolidation of expenses from newly acquired companies and inflationary pressures. Overhead Expenses grew by 5.5% to S$805.0 million in FY2014 from S$763.3 million in FY2013.

***Other Operating Expenses***

Other Operating Expenses reduced by S$96.9 million, primarily on account of higher unrealised foreign exchange gains during the current period.

***Net Changes in Fair Value of Biological Assets***

There was a reduction in fair value of biological assets of S$96.2 million from a gain of S$92.5 million in FY2013 to a loss of S$3.7 million in FY2014. The reduction was primarily a result of a lower net fair value of our Australian almond plantation assets as they have achieved peak maturity in most of the estates and the impairment of our upstream coffee plantation in Laos.

***Share of Results from Jointly Controlled Entities and Associates***

Share of results from jointly controlled entities and associates declined from S$20.5 million in FY2013 to S$2.2 million in FY2014, mainly due to reduced contribution from SIFCA due to lower palm and rubber prices.

On June 27, 2014, we announced the sale of 20% equity stake in Gabon Special Economic Zone SA (SEZ) to the Republic of Gabon, which reduced our shareholding to 40%. Consequently, the SEZ subsidiary has been classified as an Associate company of the Group from that date.

***Depreciation & Amortisation***

Depreciation & Amortisation rose from S$199.3 million in FY2013 to S$215.6 million in FY2014, as invested fixed capital increased by approximately S$0.7 billion between the two periods.

### *Finance Costs*

Net Finance costs remained flat despite an increase in net debt due to a change in the borrowing mix in favour of lower cost, shorter-term debt as a part of our ongoing capital structure optimisation initiatives.

### *Taxation*

Tax charge on the base business was largely flat at S$90.2 million in FY2014 compared to S$92.3 for FY2013.

### *Non-controlling Interest*

Non-controlling Interest primarily comprised of the minority share of results from SEZ, Invenio Holdings (Commodity Financial Services), Rusmolco, Olam Palm Gabon, Olam Rubber Gabon and the Sanyo Foods (noodles) joint venture. FY2014 recorded a gain of S$32.8 million, compared to S$28.9 million in FY2013 driven by higher contribution from the SEZ business, particularly in Q4 FY2014.

### *Exceptional Items*

FY2014 results included net exceptional gains of S$283.1 million as against gains of S$14.0 million in FY2013 as shown below:

SGD Mn

| | FY2014 | FY2013 | Q4 FY2014 | Q4 FY2013 |
|---|---|---|---|---|
| Fair Valuation of Investment in PureCircle Limited | 270.3 | - | (0.7) | - |
| Sale of Collymongle Cotton Gin, Australia | 6.0 | - | 6.0 | - |
| Sale of Dirranbandi Cotton Gin, Australia | 6.1 | - | 0.2 | - |
| Sale and Leaseback of Almond Plantation Assets, Australia | 65.4 | - | 2.2 | - |
| Sale of Timber Assets, Gabon | (14.6) | - | - | - |
| Sale and Leaseback of Almond Plantation Assets, US | - | 17.4 | - | (0.7) |
| Sale of Basmati Rice Mill, India | - | 6.1 | - | 6.1 |
| Gain on Buyback of Bonds | 1.0 | 6.0 | - | - |
| Termination of Sugar Refinery Projects | - | (19.2) | - | (0.2) |
| Laos Coffee Impairment | (24.4) | - | 2.3 | - |
| Sale of Timber subsidiary (CFA), Gabon | (22.6) | - | (22.6) | - |
| Sale of additional stake in SEZ, Gabon | (5.0) | - | (5.0) | - |
| Sale of stake in OCDL, New Zealand | (0.6) | - | (0.6) | - |
| Sale of stake in Grains business in Australia | 28.8 | - | 28.8 | - |
| Non-operational Fair Valuation Gain on Biological Assets | 17.8 | 3.8 | 17.8 | 3.8 |
| Impairment of Mechanical Cashew Facility, Nigeria | (25.3) | - | (25.3) | - |
| Finance charge on prepayment of higher cost loans | (19.8) | - | (19.8) | - |
| **Exceptional Items** | **283.1** | **14.0** | **(16.7)** | **9.0** |

The reported PATMI for Q4 FY2014 was adversely impacted by a net exceptional loss of S$16.7 million in Q4 FY2014 as against a net gain of S$9.0 million in Q4 FY2013. However, Operational PATMI for Q4 FY2014 recorded a marginal increase over Q3 FY2014.

## Balance Sheet Analysis

### *Working Capital*

SGD Mn

| | 30-Jun-14 | 30-Jun-13 | Change |
|---|---|---|---|
| Stock | 4,685.7 | 4,154.3 | 531.4 |
| Advance to suppliers | 706.7 | 598.5 | 108.2 |
| Receivables | 1,613.2 | 2,372.9 | (759.7) |
| Trade creditors | (1,587.6) | (1,748.0) | 160.4 |
| Others | 538.0 | 274.3 | 263.7 |
| **Working Capital** | **5,956.0** | **5,652.0** | **304.0** |

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

The overall working capital increased by S$304.0 million compared to end-FY2013 on account of higher inventory levels compared to the prior corresponding period. A part of the increase was driven by higher Cocoa and Coffee inventories, carried at higher prices than at the previous year end. Overall receivables decreased as we improved collection cycle time and partly from the deconsolidation of the SEZ.

# of days

| | 30-Jun-14 | 30-Jun-13 | Y-o-Y |
|---|---|---|---|
| Stock | 98 | 80 | 18 |
| Advance to suppliers | 14 | 11 | 3 |
| Receivables | 30 | 41 | (11) |
| Trade creditors | (33) | (33) | 0 |
| **Total cash cycle** | **109** | **99** | **10** |

Our overall working capital cycle increased from 99 days as on June 30, 2013 to 109 days as on June 30, 2014. The change was driven by an increase in our inventory days, which was partly offset by an improvement in our receivables collection cycle time.

### *Debt, Liquidity and Gearing*

SGD Mn

| | 30-Jun-14 | 30-Jun-13 | Change vs Jun 13 |
|---|---|---|---|
| Gross debt | 9,339.9 | 8,848.2 | 491.7 |
| Less: Cash | 1,590.1 | 1,591.0 | (0.9) |
| Net debt | 7,749.8 | 7,257.2 | 492.6 |
| Less: Readily marketable inventory | 3,809.5 | 3,373.3 | 436.2 |
| Less: Secured receivables | 1,243.8 | 1,822.4 | (578.6) |
| Adjusted net debt | 2,696.5 | 2,061.5 | 635.0 |
| Equity (before FV adj reserves) | 4,260.4 | 3,765.0 | 495.4 |
| **Net debt / Equity (Basic)** | **1.82** | **1.93** | **(0.11)** |
| **Net debt / Equity (Adjusted)** | **0.63** | **0.55** | **0.08** |

Note: 81.3% of inventories were liquid, hedged and/or sold forward

Net debt increased by S$492.6 million mainly to finance the price-led incremental working capital. Net gearing of 1.82 times as on June 30, 2014 is below our FY2016 target of 2.0 times as set out in our strategic plan.

Of the S$4.7 billion inventory position, approximately 81.3%, or S$3.8 billion were readily marketable inventories (RMI) that were liquid, hedged and/or sold forward, operating as near-cash assets on our balance sheet. In addition, of the S$1.6 billion in trade receivables, approximately 77.1% were secured. Typically, at any given point, about 80-90% of inventory is hedged and/or sold forward and 60-70% of receivables are supported by letters of credit or documents through banks. Adjusting for RMI and secured receivables, our net gearing would be 0.63 times, reflecting the true indebtedness of our Company.

We maintained sufficient liquidity to meet our working capital and capital expenditure requirements, with a total of S$11.9 billion in available liquidity as on June 30, 2014, including unutilised bank lines of S$5.3 billion.

## Segmental Review and Analysis

Cumulative

SGD Mn

| | Sales Volume ('000 MT) | | Revenue | | EBITDA | | Invested Capital (IC) | | EBITDA/ Avg IC | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FY2014 | FY2013 | FY2014 | FY2013 | FY2014 | FY2013 | FY2014 | FY2013 | FY2014 | FY2013 |
| Edible Nuts, Spices and Vegetable Ingredients | 1,570.3 | 1,641.1 | 3,452.0 | 3,205.1 | 362.7 | 309.4 | 3,165.4 | 3,375.8 | 11.1% | 10.0% |
| Confectionery and Beverage Ingredients | 1,441.7 | 1,612.4 | 5,048.8 | 5,273.2 | 275.4 | 259.4 | 3,129.9 | 2,141.1 | 10.4% | 13.5% |
| Food Staples and Packaged Foods | 10,186.5 | 10,753.6 | 7,265.4 | 7,720.9 | 339.9 | 415.3 | 3,111.1 | 3,308.0 | 10.6% | 13.1% |
| **Food Category** | **13,198.5** | **14,007.1** | **15,766.2** | **16,199.2** | **978.0** | **984.1** | **9,406.4** | **8,824.9** | **10.7%** | **12.0%** |
| Industrial Raw Materials (IRM) | 1,678.9 | 1,946.3 | 3,654.8 | 4,601.1 | 215.5 | 207.1 | 1,940.9 | 2,103.2 | 10.7% | 10.2% |
| Commodity Financial Services (CFS) | N.A. | N.A. | 0.7 | 1.4 | (24.6) | (20.4) | 3.4 | 1.6 | -993.7% | -86.9% |
| **Non-Food Category** | **1,678.9** | **1,946.3** | **3,655.5** | **4,602.5** | **190.9** | **186.7** | **1,944.3** | **2,104.8** | **9.4%** | **9.1%** |
| **Total** | **14,877.3** | **15,953.5** | **19,421.8** | **20,801.8** | **1,168.8** | **1,170.8** | **11,350.7** | **10,929.6** | **10.5%** | **11.4%** |

For the Quarter

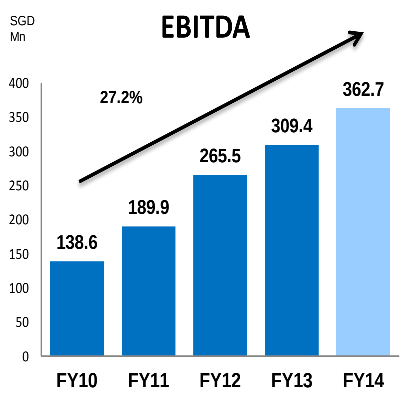
SGD Mn

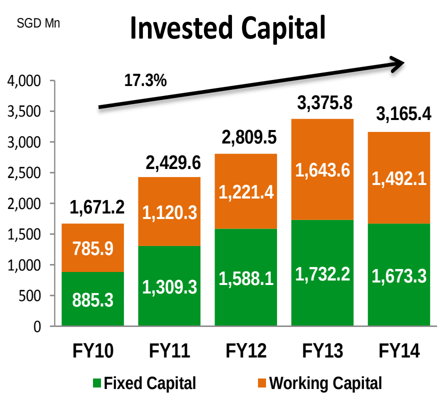
| Segment | Sales Volume ('000 MT) | | Revenue | | EBITDA | | Invested Capital (IC) | |
|---|---|---|---|---|---|---|---|---|
| | Q4 FY2014 | Q4 FY2013 | Q4 FY2014 | Q4 FY2013 | Q4 FY2014 | Q4 FY2013 | FY2014 | FY2013 |
| Edible Nuts, Spices and Vegetable Ingredients | 549.3 | 556.9 | 1,073.1 | 1,154.5 | 102.5 | 104.9 | 3,165.4 | 3,375.8 |
| Confectionery and Beverage Ingredients | 295.5 | 421.7 | 1,486.2 | 1,589.5 | 54.1 | 53.7 | 3,129.9 | 2,141.1 |
| Food Staples and Packaged Foods | 2,162.5 | 2,659.0 | 2,064.4 | 2,346.0 | 34.0 | 28.5 | 3,111.1 | 3,308.0 |
| **Food Category** | **3,007.3** | **3,637.6** | **4,623.7** | **5,090.0** | **190.6** | **187.1** | **9,406.4** | **8,824.9** |
| Industrial Raw Materials (IRM) | 491.0 | 660.9 | 1,134.3 | 1,404.7 | 89.6 | 108.1 | 1,940.9 | 2,103.2 |
| Commodity Financial Services (CFS) | N.A. | N.A. | (0.4) | 0.4 | (11.4) | (0.4) | 3.4 | 1.6 |
| **Non-Food Category** | **491.0** | **660.9** | **1,133.9** | **1,405.1** | **78.2** | **107.7** | **1,944.3** | **2,104.8** |
| **Total** | **3,498.3** | **4,298.5** | **5,757.7** | **6,495.0** | **268.7** | **294.8** | **11,350.7** | **10,929.6** |

Note: IC excludes (a) Gabon Fertiliser Project (30-Jun-14: S$184.1 million, 30-Jun-13: S$106.0 million) and (b) Long Term Investment (30-Jun-14: S$407.7 million)

## *Edible Nuts, Spices & Vegetable Ingredients*

The Edible Nuts, Spices & Vegetable Ingredients segment registered a year-on-year volume decline of 4.3%, revenue growth of 7.7% and EBITDA growth of 17.2% in FY2014.



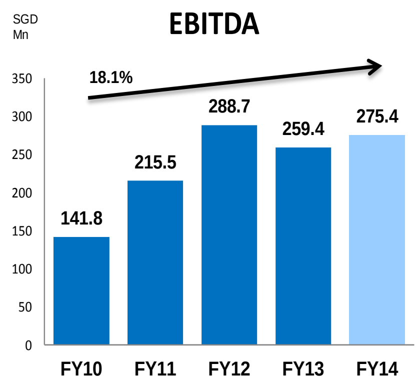

The decline in volume was primarily on account of lower cashew volumes as compared to the prior period. Due to continuing operational challenges at our mechanical cashew processing facility in Nigeria, we decided to scale down, and eventually, partially discontinue operations at the site which resulted in a one-off impairment charge of S$25.3 million in Q4 FY2014. We are evaluating alternate sites in Africa / Asia where some of the surplus equipment could be re-deployed. Despite a lower contribution from the cashew business, there was strong growth in EBITDA, led by the continuing strong performance from the upstream almond and US peanut businesses and from the dehydrated onion and garlic businesses in the Spices and Vegetable Ingredients segment.

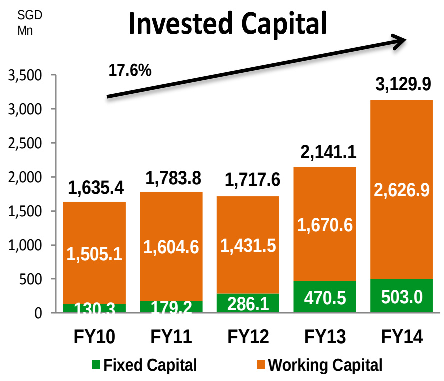
Invested capital in the segment decreased by S$210.4 million from the end of FY2013, primarily on account of lower working capital in the cashew business and lower net fixed capital from the sale-and-leaseback of our Almond plantation assets in Australia.

EBITDA to average invested capital ("EBITDA/IC") for the segment grew from 10.0% in FY2013 to 11.1% in FY2014 driven by higher segment EBITDA.

## *Confectionery & Beverage Ingredients*

The Confectionery & Beverage Ingredients segment recorded a decline in volume of 10.6% and revenue of 4.3%. Despite lower volumes, segment EBITDA grew by 6.2%, driven by favourable trading conditions in coffee as well as higher contribution from the midstream processing assets including soluble coffee in Vietnam and Spain, and the newly commissioned cocoa processing facility in Côte d'Ivoire.



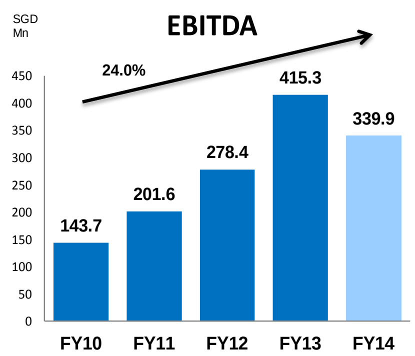



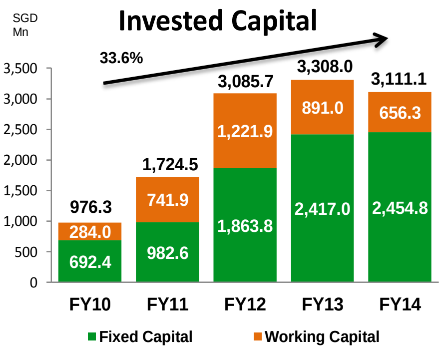

Invested capital in the segment increased by S$988.8 million, with most of the increase on account of higher working capital deployed in both the coffee and cocoa businesses. A sharp increase in commodity prices in this segment, particularly in H2 FY2014, as well as higher inventory levels during the procurement period contributed to this increase.

Segment EBITDA/IC declined from 13.5% in FY2013 to 10.4% in FY2014, despite a growth in EBITDA, due to a significant increase in working capital compared to the previous year.

### *Food Staples & Packaged Foods*

Food Staples & Packaged Foods segment volumes and revenues declined by 5.3% and 5.9% respectively, due to lower Grains and Rice volumes and prices compared to the prior year.




The flour mills in Nigeria and Senegal, Packaged Foods in Nigeria, Dairy supply chain, Palm trading and refining in Africa and the midstream Sugar businesses in Indonesia and India performed well during the year.

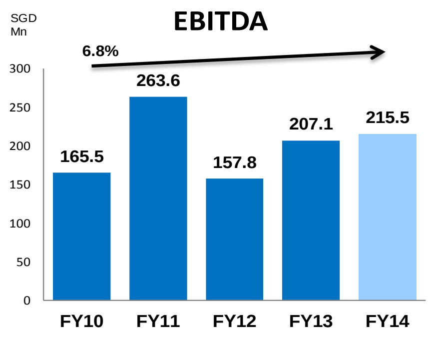
However, overall segment EBITDA declined by 18.2% due to (a) lower Grains trading margins from Australia and South Africa as we exited parts of those businesses, and lower volumes and margins from Ukraine due to geopolitical climate in Q4 FY2014, (b) lower Rice margins due to tariff changes in Nigeria and our exit from the Rice business in Côte d'Ivoire in Q4 FY2014, and (c) adverse impact on margins of Packaged Foods, Grains and Rice businesses in Ghana due to the devaluation of the local currency, (d) lower contribution from SIFCA, and (e) continued underperformance in our upstream Dairy operations in Uruguay and Russia.

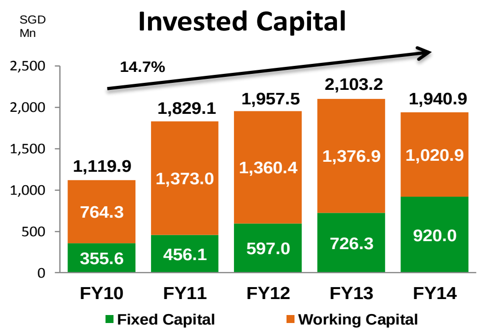
Overall invested capital decreased by S$196.9 million during the period, mainly due to a reduction in working capital by S$235.0 million from lower Grains and Rice volumes. This reduction was partly offset by higher fixed capital from investments made in the Nigerian Rice farm, flour mills in Senegal and Cameroon and the upstream Palm plantations in Gabon.

EBITDA/IC decreased from 13.1% in FY2013 to 10.6% in FY2014 due to a reduction in segment EBITDA.

***Industrial Raw Materials***

The Industrial Raw Materials segment saw lower volumes in Wood Products and Fertiliser trading, leading to a decline of 13.7%, while turnover declined by 20.6%.




Despite an adverse impact of lower volumes and backwardation in cotton futures in Q4 FY2014, overall EBITDA increased by 4.1%, supported by a higher contribution from the SEZ business compared to FY2013.

Overall invested capital declined by S$162.3 million, driven by lower working capital in our Cotton and Wood Product businesses. As part of our portfolio optimisation initiatives, we sold two cotton gins in Australia and exited from the Wood Products business in Gabon and increased focus on the teak business in Latin America and the certified timber business in Republic of Congo. Segment fixed capital increased due to investments in the SEZ and Rubber projects in Gabon.

EBITDA/IC increased from 10.2% in FY2013 to 10.7% in FY2014 due to an increase in EBITDA while average invested capital remained flat.

***Commodity Financial Services***

The CFS business registered an EBITDA loss of S$24.6 million in FY2014 versus a loss of S$20.4 million in FY2013.

## Value Chain Review and Analysis

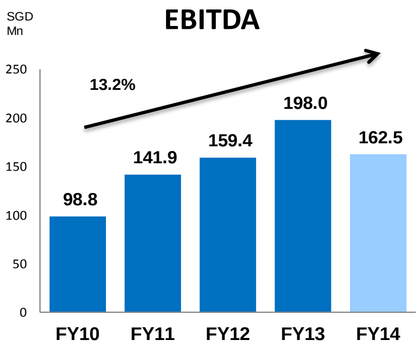
SGD Mn

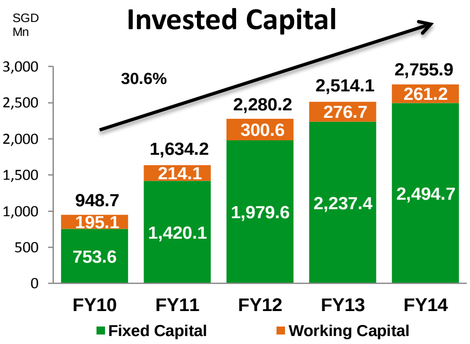
| | Sales Volume ('000 MT) | | Revenue | | EBITDA | | Invested Capital (IC) | | EBITDA/ Avg IC | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **FY2014** | **FY2013** | **FY2014** | **FY2013** | **FY2014** | **FY2013** | **FY2014** | **FY2013** | **FY2014** | **FY2013** |
| Upstream | 373.7 | 368.0 | 888.4 | 619.2 | 162.5 | 198.0 | 2,755.9 | 2,514.1 | 6.2% | 8.3% |
| Supply Chain | 12,329.5 | 14,002.2 | 14,838.6 | 17,077.1 | 654.7 | 691.9 | 5,174.0 | 4,934.3 | 13.0% | 14.9% |
| Mid/ Downstream | 2,174.1 | 1,583.2 | 3,694.8 | 3,105.5 | 351.6 | 280.9 | 3,420.8 | 3,481.2 | 10.2% | 8.8% |
| **Total** | **14,877.3** | **15,953.5** | **19,421.8** | **20,801.8** | **1,168.8** | **1,170.8** | **11,350.7** | **10,929.6** | **10.5%** | **11.4%** |

Note: IC excludes (a) Gabon Fertiliser Project (30-Jun-14: S$184.1 million, 30-Jun-13: S$106.0 million) and (b) Long Term Investment (30-Jun-14: S$407.7 million)

### *Upstream*

The Upstream segment registered a year-on-year volume growth of 1.5%, revenue growth of 43.5% and an EBITDA decline of 17.9% in FY2014.



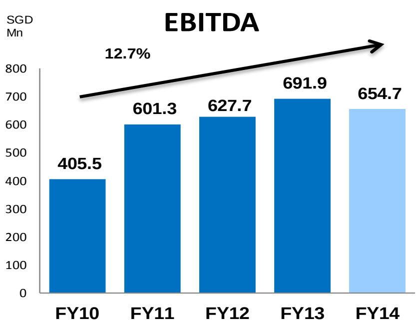



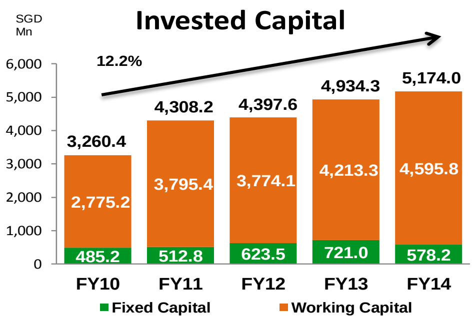

The growth in volume and revenue was driven by higher almond yields and prices. The decline in EBITDA was due to lower contribution from SIFCA on account of lower palm and rubber prices, reduction in upstream coffee volumes due to the restructuring of the Laos plantation as well underperformance in Dairy farming in Uruguay and Russia.

Invested capital in the segment has increased by S$241.8 million from the end of FY2013, mainly on account of higher fixed capital invested in various plantation, farming and dairy projects. EBITDA/IC declined from 8.3% in FY2013 to 6.2% in FY2014 due to lower EBITDA and higher average invested capital. Of the total segment IC of S$2.8 billion, S$1.5 billion was partly contributing or gestating. The fully contributing IC of S$1.3 billion generated an EBITDA/IC of 18%.

### *Supply Chain*

The Supply Chain segment recorded a decline in volume of 11.9%, and revenue of 13.1%. Lower volumes during the period resulted in segment EBITDA declining by 5.4%.

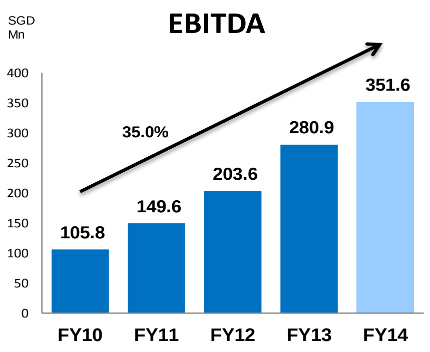


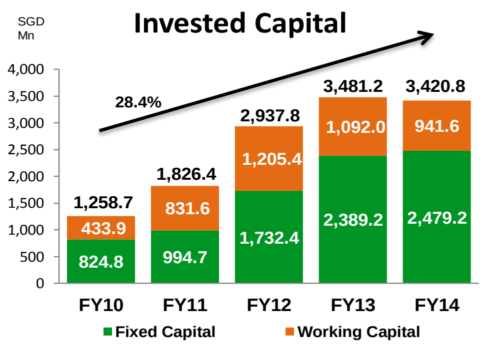



Invested capital in the segment increased by S$239.7 million, despite a reduction in fixed capital from the execution of various strategic initiatives, mainly due to higher working capital deployed in the Confectionery & Beverage Ingredients segment. EBITDA/IC declined from 14.9% in FY2013 to 13.0% in FY2014 due to lower EBITDA for the year as well as higher invested capital due to an increase in commodity prices.

***Mid/Downstream***

The Mid/Downstream segment volumes and revenue recorded a strong growth of 37.3% and 19.0% respectively as we increased capacity utilisation at existing facilities and commissioned new facilities during the year.




EBITDA grew by 25.1% as we benefited from scale economies and extracted greater operating leverage.

Invested capital increased marginally by S$60.4 million during the period, mainly due to higher fixed capital deployed in various processing facilities including flour mills in Senegal and Cameroon, palm refineries in East Africa and cocoa processing in Côte d'Ivoire. Despite an increase in volume, there was a reduction in working capital as our efforts to optimise cycle time started yielding results.

EBITDA/IC increased from 8.8% in FY2013 to 10.2% in FY2014 due to higher segment EBITDA for the year. Of the total segment IC of S$3.4 billion, S$1.7 billion was partly contributing or gestation. The fully contributing IC of S$1.7 billion generated an EBITDA/IC of 13%.

## Other Developments

### Debt optimisation

On May 19, 2014, we secured a US$2.22 billion 364-day committed unsecured revolving credit facility which was competitively priced relative to other existing bank facilities. Proceeds from this facility are being used to repay higher cost borrowings, thereby reducing our overall financing cost.

On July 16, 2014, we announced the issuance of S$400 million 5 year notes due 2019 under the recently updated US$5,000,000,000 Euro Medium Term Note Programme. The notes were issued at a fixed coupon of 4.25% which was inside the secondary trading levels of Olam's outstanding S$ notes.

On July 29, 2014, we announced a US$300 million issuance of 5.5 year Senior Notes due 2020. The notes were issued at 99.337% of the principal amount and priced at a final coupon of 4.50%. Both the issuances were well received by institutional investors and private banks and were in line with our long-term funding strategy of diversifying the debt portfolio across sources and tenors in a cost-effective manner.

These initiatives also demonstrate the strength of Olam's credit position following the completion of the VGO, which is already having a favourable impact on our cost of borrowing.

### Sale of 25.0% stake in Packaged Foods business to Sanyo Foods

On August 18, 2014, we announced the sale of 25% stake in our Packaged Foods business to Sanyo Foods Co. Ltd. ("Sanyo Foods") for a price consideration of S$233.7 million. Olam will hold a 75.0% ownership stake and will retain management control of the business.

We expect to record a net cash inflow of approximately S$208.8 million and an addition to our capital reserves of approximately S$100.7 million in Q2 FY2015 upon completion of the transaction. Our existing instant noodles joint venture with Sanyo Foods will be merged into a Singapore incorporated holding company which will house all of our Packaged Foods businesses.

The consideration for the 25% stake translates to an initial 100% enterprise value (EV) of S$934.9 million for the Packaged Foods business. The EV could increase to S$1,059.6 million upon the achievement of specific performance milestones in FY2015. In that case, we would book a net cash inflow of approximately S$240.0 million and an addition to capital reserves of approximately S$131.9 million from this transaction.

## Voluntary General Offer

On March 14, 2014, Breedens Investments Pte. Ltd., a wholly owned subsidiary of Temasek Holdings (Private) Limited (the "Offeror"), announced that it intends to make an all-cash Voluntary Conditional General Offer ("Offer") for all shares, outstanding convertible bonds and outstanding warrants issued by Olam International Limited.

The Offer closed on May 23, 2014 and, the Offeror and its concert parties owned, controlled or agreed to acquire an aggregate of 1,957,254,405 Shares, representing approximately 80.4 per cent. of the total issued share capital of the Company; and 360,694,195 Warrants, representing approximately 90.7 per cent. of the total issued Warrants of the Company.

At close, **the Offeror owned 58.5%** of the issued share capital, making them the **ultimate holding company** of Olam.

. . . .

## Annexure: Business Description

## Business Model and Strategy

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

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

**Business model evolution**

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

Building on existing and new capabilities, we have expanded upstream selectively into plantation ownership and management (perennial crops), farming (annual crops), dairy farming and forest concessions management. These opportunities, both organic and inorganic, have been pursued in countries that have a comparative advantage to produce these commodities relatively better and at relatively lower costs on a sustainable basis.

**Selective investments across the value chain**

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

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

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

In addition, Olam has diversified into three adjacent businesses which build on latent assets and capabilities developed over the last 25 years - The Commodity Financial Services business (CFS), the development of a Special Economic Zone (SEZ) and fertiliser manufacturing in Gabon.

**A responsible approach to business**

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

**A unique and entrepreneurial culture**

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

## Business Segmentation and Reporting

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

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

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

The production of agricultural products is seasonal in nature. The seasonality of the products in our global portfolio depends on the location of the producing country. The harvesting season for most of the agricultural products for countries situated in the northern hemisphere generally falls between October and March. Countries in the southern hemisphere have harvesting seasons between April and September. It is also not unusual to experience both delays, as well as early starts, to the harvesting seasons in these countries in a particular year, based on weather patterns. In addition to an early or delayed harvesting season, the precise timing and size of arrivals of these products can also vary based on the farmers' selling decisions; these are mainly a function of the farmers' view on prices and inventory holding capacity. The majority of our origins are located in the northern hemisphere. Consequently, our earnings tend to be relatively higher in the Second Half of the Financial Year (January to June) compared to the First Half of the Financial Year (July to December). Based on this seasonality, we have observed the distribution of our earnings in prior periods follow the schedule below:

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

## Key Definitions

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

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

**Revenue**: Sale of goods and services

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

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

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

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

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

**Exceptional Items**: One-off, non-recurring items, including negative goodwill and related transaction costs, gain/loss on sale of assets/business, gain/loss on buyback of bonds, impairment loss, non-operational gain/loss from changes in fair value of biological assets, finance charges on pre-payment of loans and non-recurring business restructuring expenses. Tax expenses associated with these items are also presented as Exceptional Items. These items were earlier presented under Other Income, Cost of Sales, Overhead Expenses, Other Operating Expenses lines, Finance costs and Taxation.

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

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

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

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

**Net Gearing**: Ratio of Net Debt (gross debt less cash) to Equity (before fair value adjustment reserves)

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

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

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