Olam International Limited

FY2014 Results Briefing

29 August 2014 I Singapore

TRANSCENDING BOUNDARIES
25 YEARS

Notice

This presentation should be read in conjunction with Olam International Limited’s Fourth Quarter and Full Year FY2014 Financial Results statement and Management’s Discussion and Analysis for the period ended 30 June 2014 lodged on SGXNET on 29 August 2014.

Cautionary note on forward-looking statements

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

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

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

Agenda

- Highlights – FY2014
- Financial Performance
- Key Takeaways

Highlights – FY2014

Highlights – FY2014

- **Significant progress in first full year of strategic plan execution**
  - Aggregate impact of announced initiatives – Cash release of S$917.1 mn; P&L gain of S$116.4 mn; and addition to capital reserves of S$135.3 mn
- **Strong growth in reported earnings**
  - 67.8% growth in PATMI for FY14 to S$608.5 mn (FY13: S$362.6 mn)
  - EBITDA maintained at S$1,168.8 mn (FY13: S$1,170.8 mn), despite lower volumes
  - Operational PATMI lower by 6.7% at S$325.4 mn (FY13: S$348.6 mn), on account of higher amortisation and depreciation expenses
- **Improved cash flow generation**
  - Higher operating cash flow, lower capex, release of cash from execution of strategic initiatives, offset by higher working capital due to a significant price increase in the confectionery & beverage ingredients segment

Highlights – FY2014

- **Voluntary general offer completed**
  - At close, Temasek and concert parties owned ~80.4% of the issued capital and ~90.7% of issued warrants of the Company
  - Temasek with ~58.5% ownership becomes the ultimate holding company of Olam

- **Dividend**
  - The Board of Directors recommends an ordinary dividend of 5.0 cents per share for the year (FY2013: 4.0 cents per share)
  - In celebration of Olam's 25th anniversary, the Board recommends an additional special Silver Jubilee dividend of 2.5 cents per share

Significant progress on strategic plan execution

- **49.7% reduction in cash Capex -** S$583.9 mn for FY14 (S$1,159.9 mn in FY13)
- **Net of disposals**, cash capex was S$206.0 mn in FY14 (S$1,050.6 mn in FY13)
- **Net gearing of 1.82x**, below the FY2016 target of 2.0x

SGD Mn

Summary of Stratgegic Plan Initiatives	Number of Initiatives	P & L impact	Addition to capital reserves	Cash flow impact
Closed in FY2013	3	29.5		86.3
Closed in FY2014	11	64.5	16.5	517.6
Initiatives announced, pending completion	3	22.4	118.8	313.1
Total	**17**	**116.4**	**135.3**	**917.1**

Financial Performance

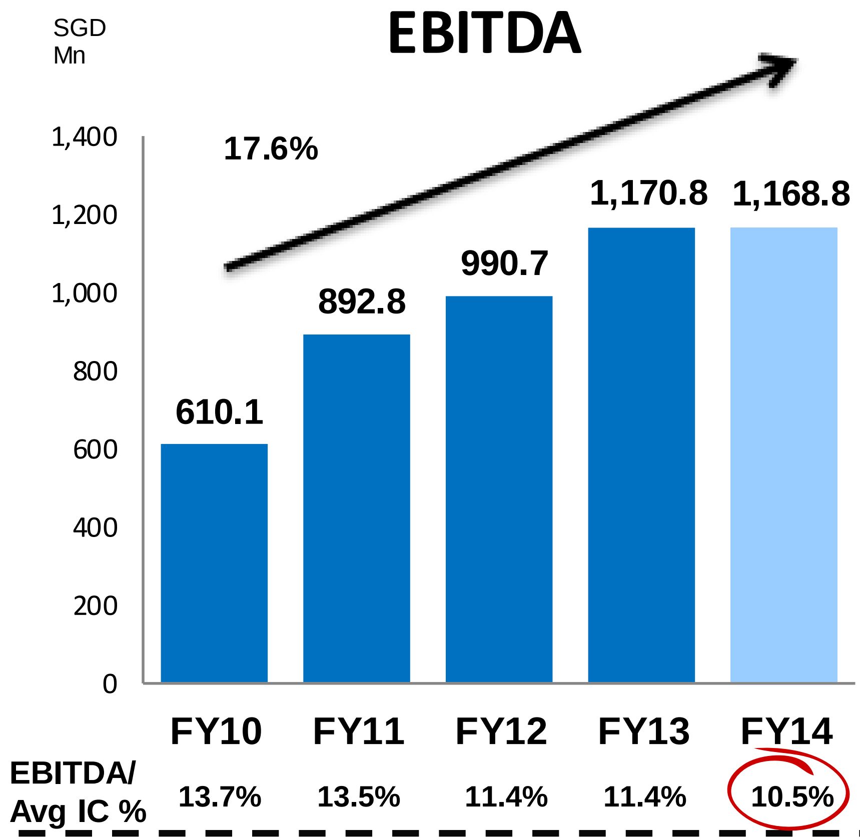
P&L Analysis

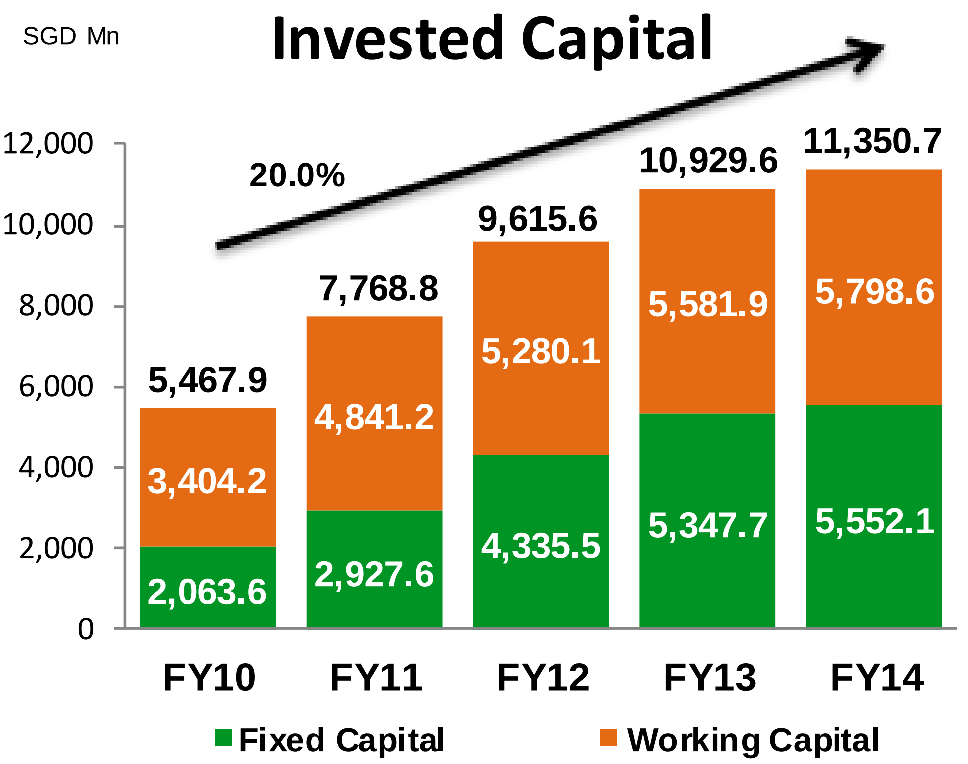
SGD Mn

	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)
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**

- **Lower volume** due to high base of FY13 (49.5% growth over FY12) and targeted volume reduction in lower margin businesses as per strategic plan
- **Lower revenues** due to lower volumes and change in product mix
- FY14 recorded a **net operational loss** on fair valuation of biological assets of S$3.7 mn compared to a gain of S$92.5 mn in FY13
- **EBITDA maintained**, despite lower volumes, from a strong midstream segment performance
- Significant growth in reported **PATMI**, including exceptional gains from the successful execution of several strategic initiatives
- Excluding exceptional items, **Operational PATMI** was lower primarily due to higher amortisation and depreciation charges

Historical EBITDA and Invested Capital



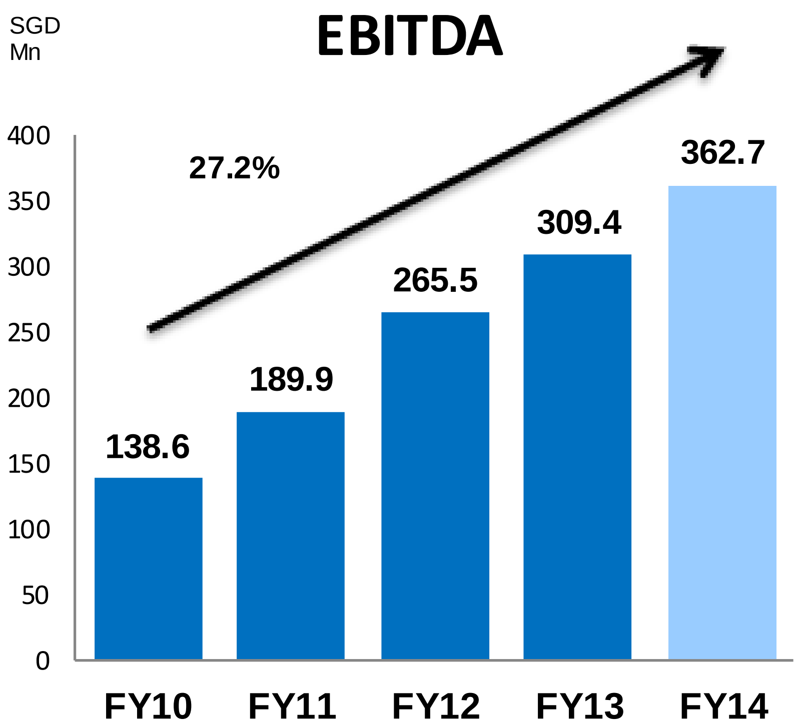


- **Steady growth in EBITDA** from upstream and midstream investments
- **Fixed capital** growth moderating post FY2013 from strategic plan implementation
- Price-led **working capital** growth in FY2014, particularly in Confectionery & Beverage Ingredients segment

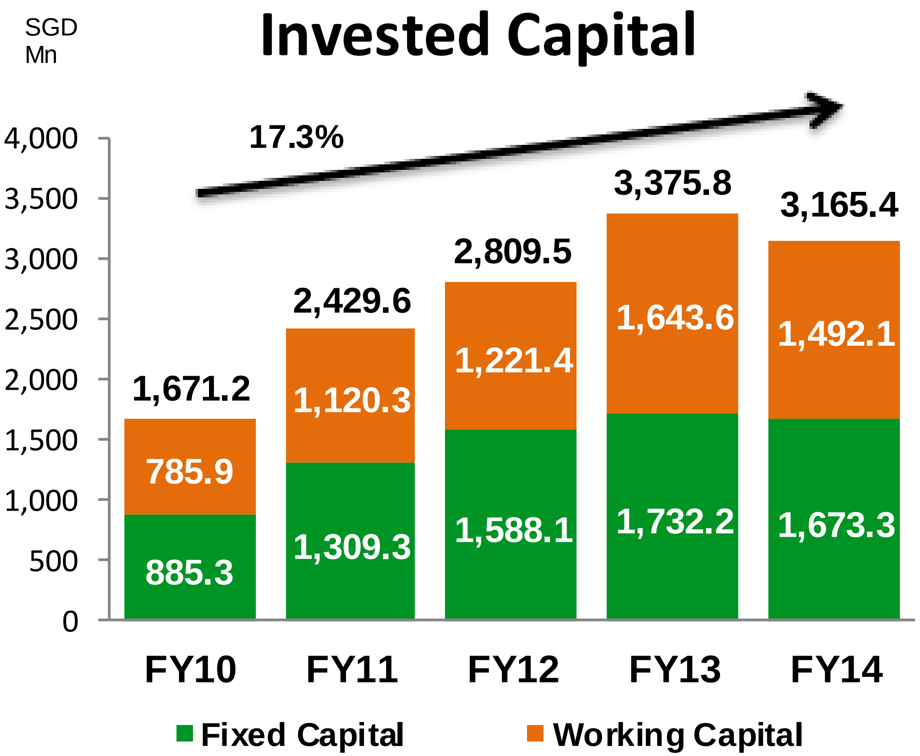
IC excludes (a) Gabon Fertiliser Project (30-Jun-14: S$184.1 million, 30-Jun-13: S$106.0 million) and (b) Long Term Investment (30-Jun-14: S$407.7 million)

Segmental Analysis

Edible Nuts, Spices & Vegetable Ingredients

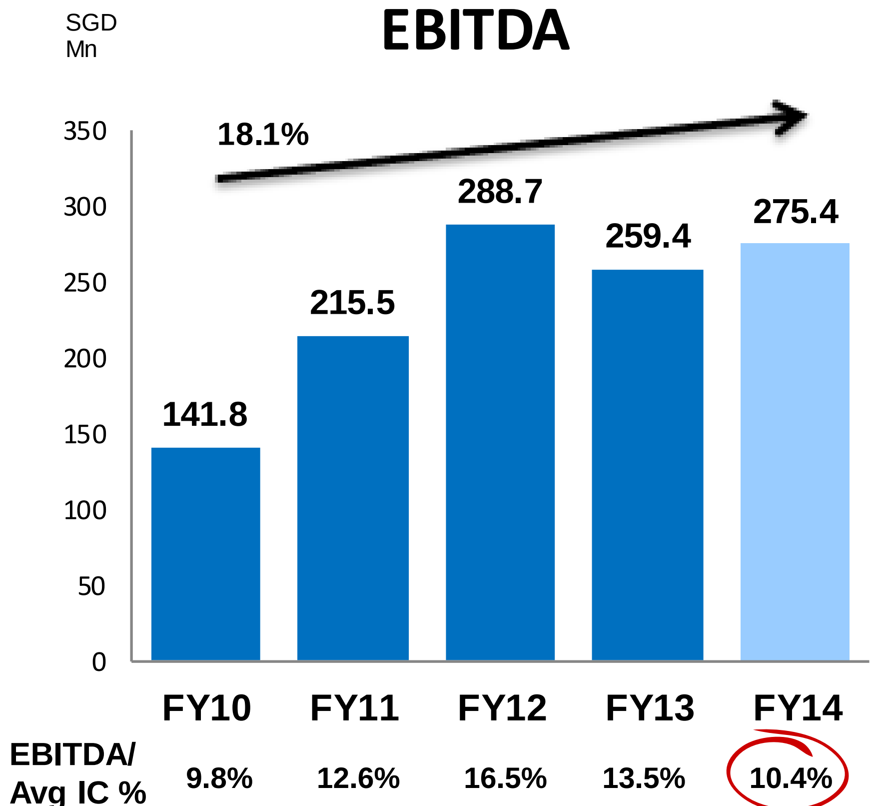


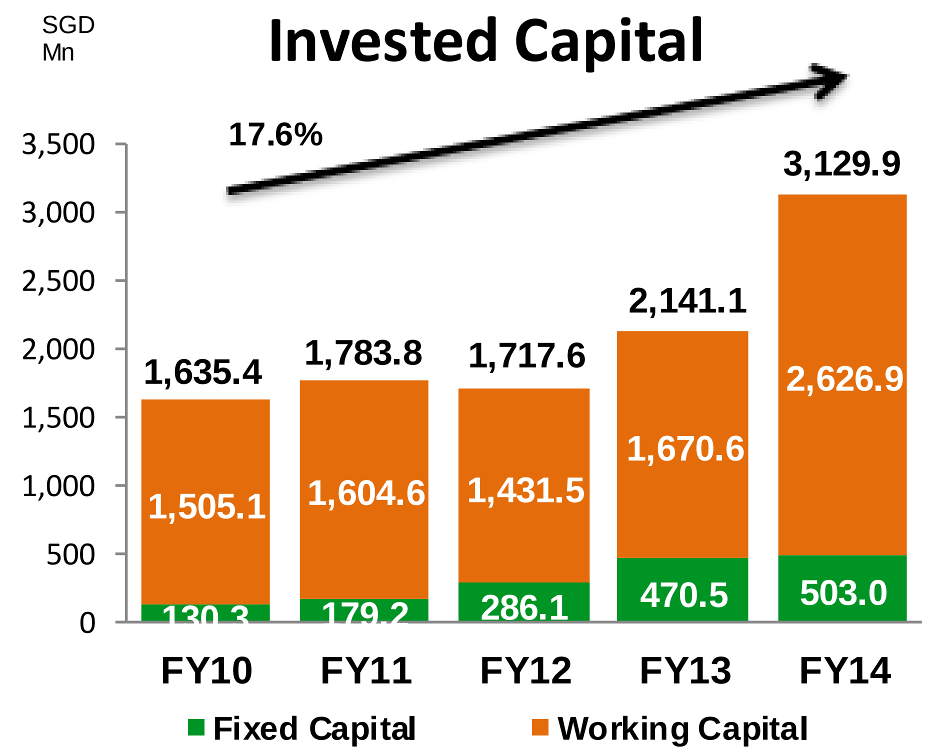
EBITDA/ Avg IC %	11.0%	9.3%	10.1%	10.0%	11.1%



- Strong performance from upstream **Almonds**, US **Peanuts** and the **dehydrated onion and garlic** businesses. Partial discontinuance of mechanical **Cashew** processing in Nigeria
- **Net reduction in invested capital** from lower cashew working capital and almond sale-and-leaseback

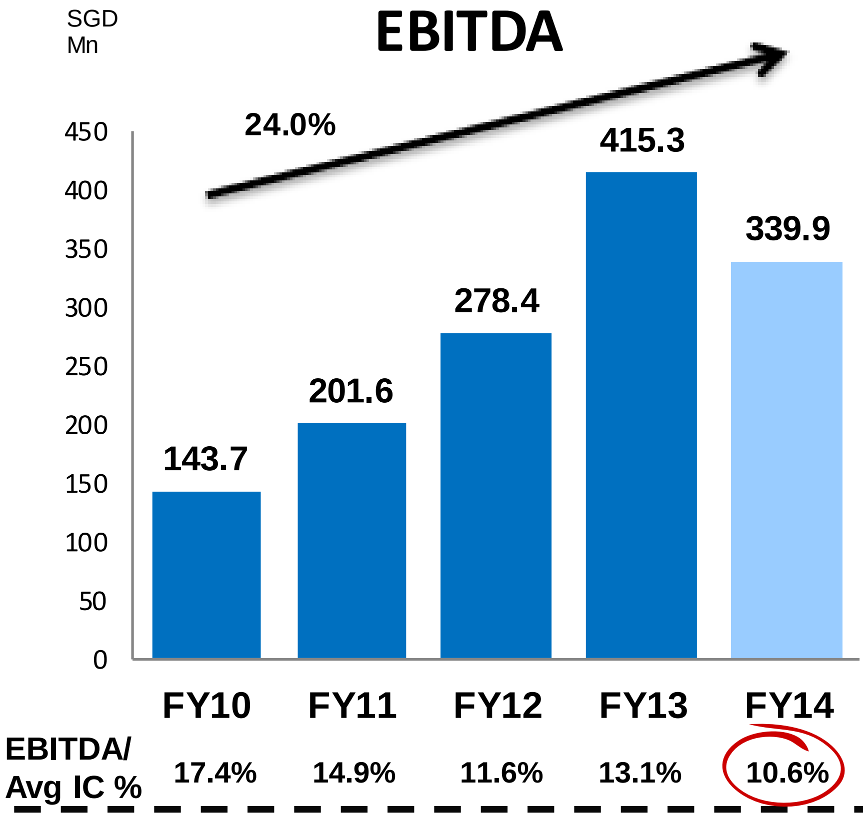
Confectionery & Beverage Ingredients

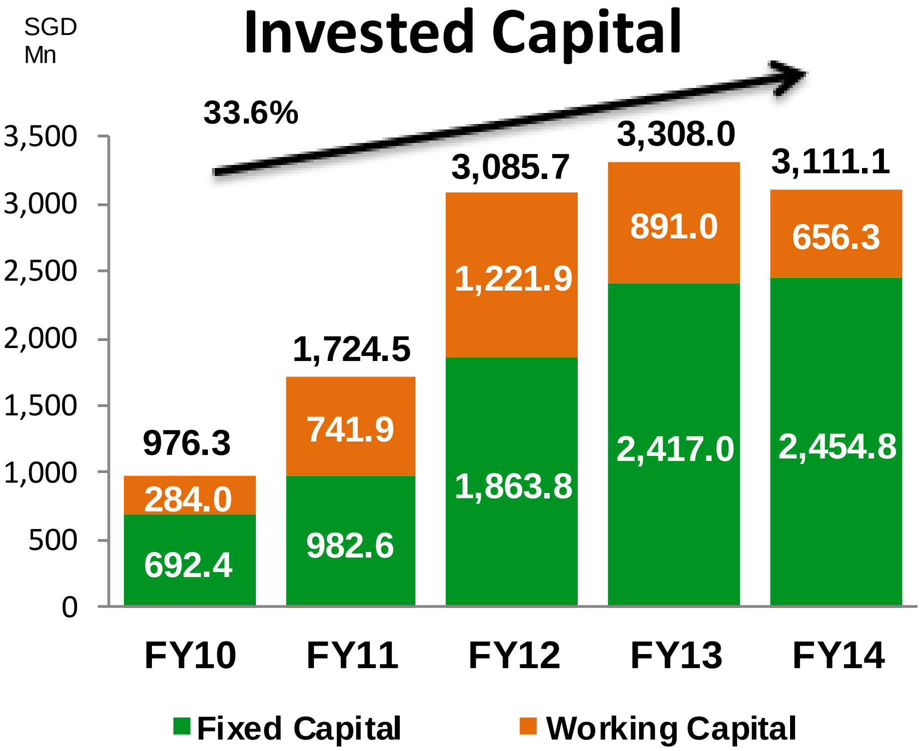




- **EBITDA** growth led by favourable coffee trading conditions, **higher contribution** from **midstream processing assets** (soluble coffee in Vietnam and Spain and cocoa processing in Côte d'Ivoire)
- **Higher invested capital** due to an **increase in inventory** carried at **significantly higher prices** vis-à-vis FY2013. **Fixed capital** increased as we invested in **upstream coffee** and **midstream cocoa** processing assets

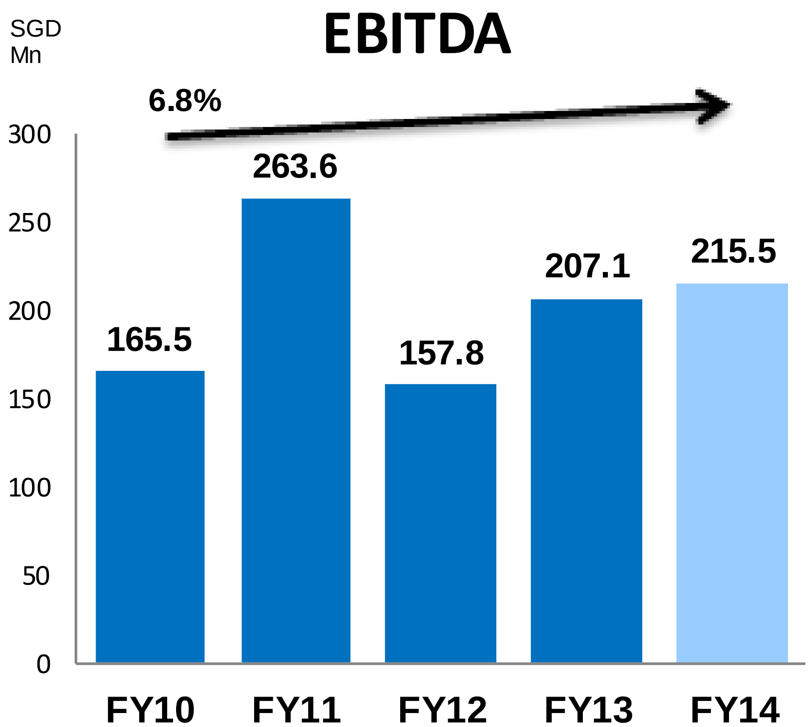
Food Staples & Packaged Foods



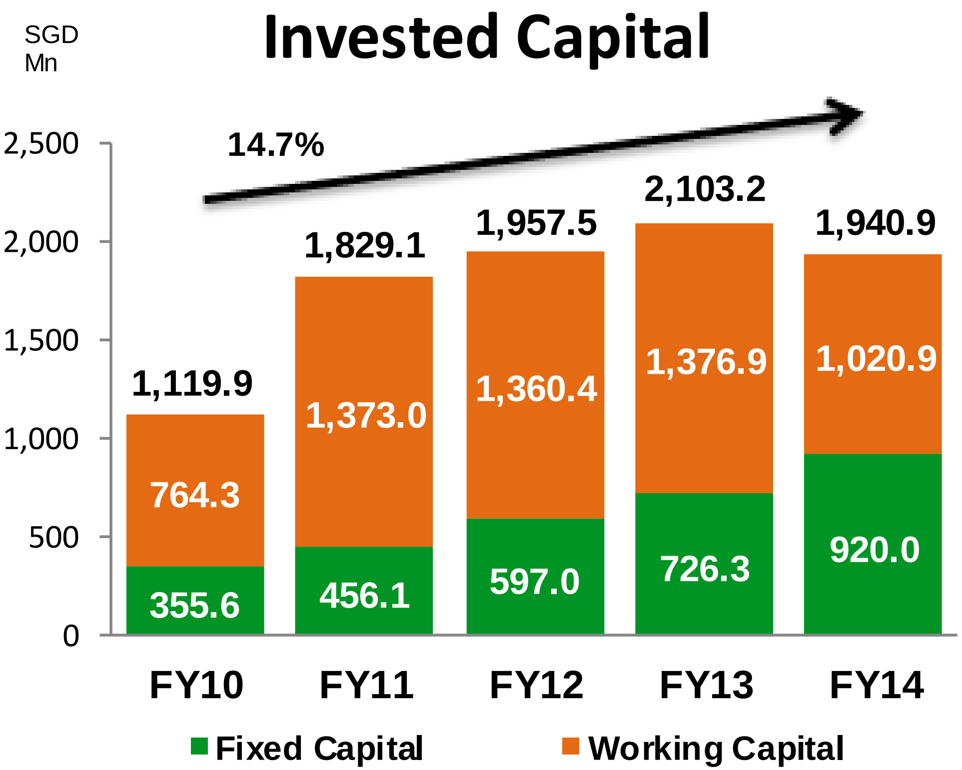


- **EBITDA** impacted by lower **Grains** and **Rice** volumes and margins, impact of **currency devaluation** in Ghana, and upstream **Dairy** underperformance. **Wheat flour mills** (Nigeria, Senegal), **Packaged Foods** (Nigeria), **Dairy** supply chain, Palm trading & refining (Africa) and the **Sugar** business performed well during the period
- **Working capital decreased** due to lower deployment in the grains and rice businesses. **Fixed capital increased** from investments in the **Rice** farm in Nigeria, **Palm** plantations in Gabon and **wheat flour mills** in Senegal and Cameroon

Industrial Raw Materials



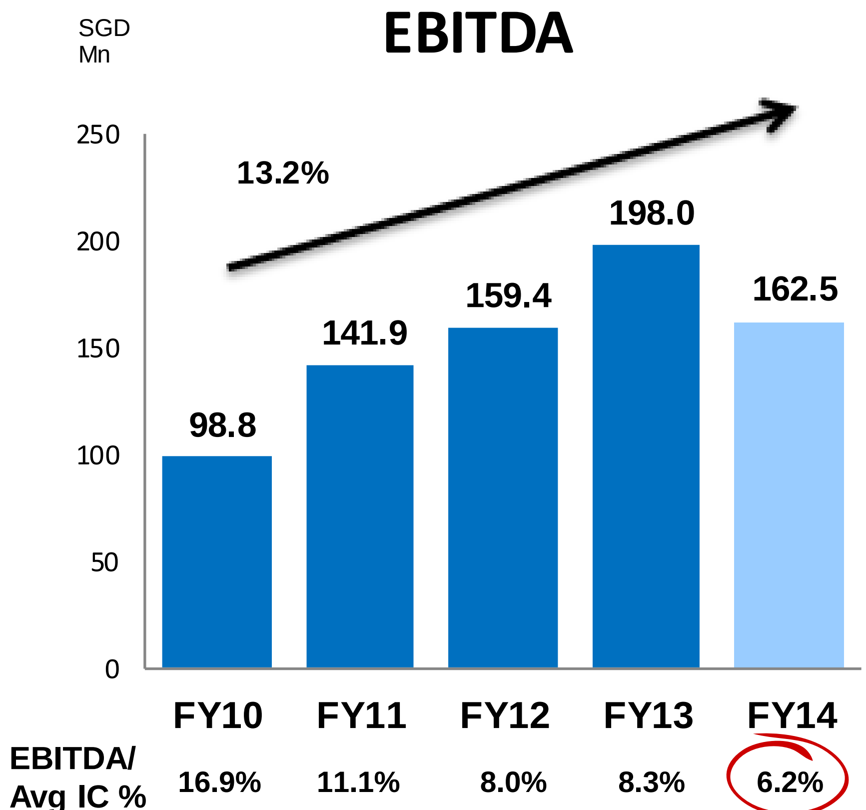
	FY10	FY11	FY12	FY13	FY14
EBITDA/ Avg IC %	18.4%	17.9%	8.3%	10.2%	10.7%

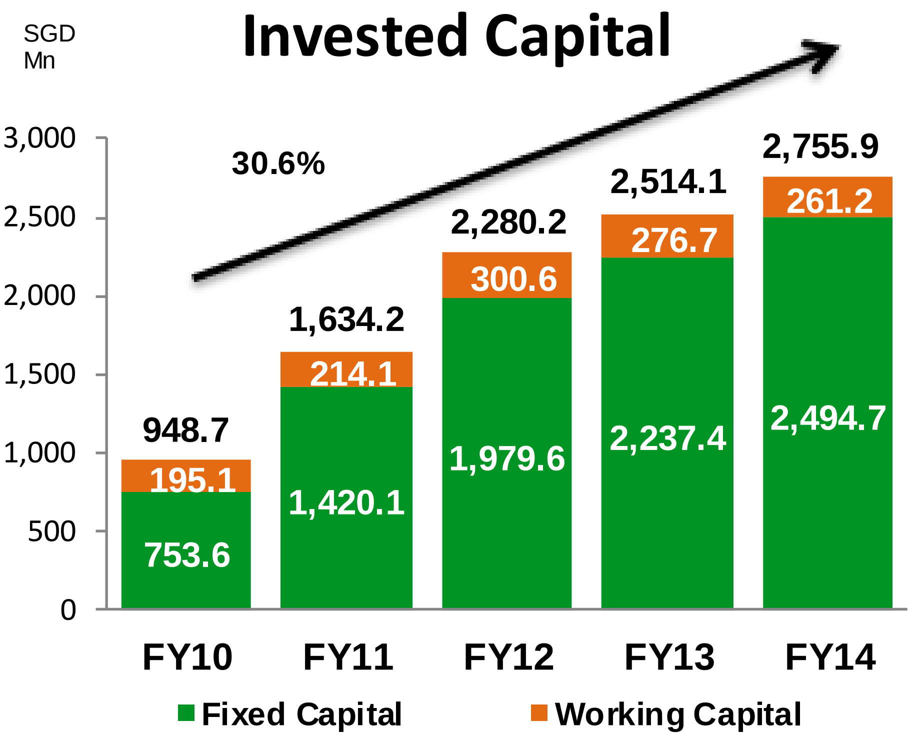


- **EBITDA** growth despite lower Cotton volumes and market backwardation in Q4. **SEZ** business performed better than in FY13
- **Working capital** decreased on account of lower Wood Products and Cotton inventories. **Fixed capital** increased due to investments in upstream **Rubber** plantations and the **SEZ** in **Gabon**

Value Chain Analysis

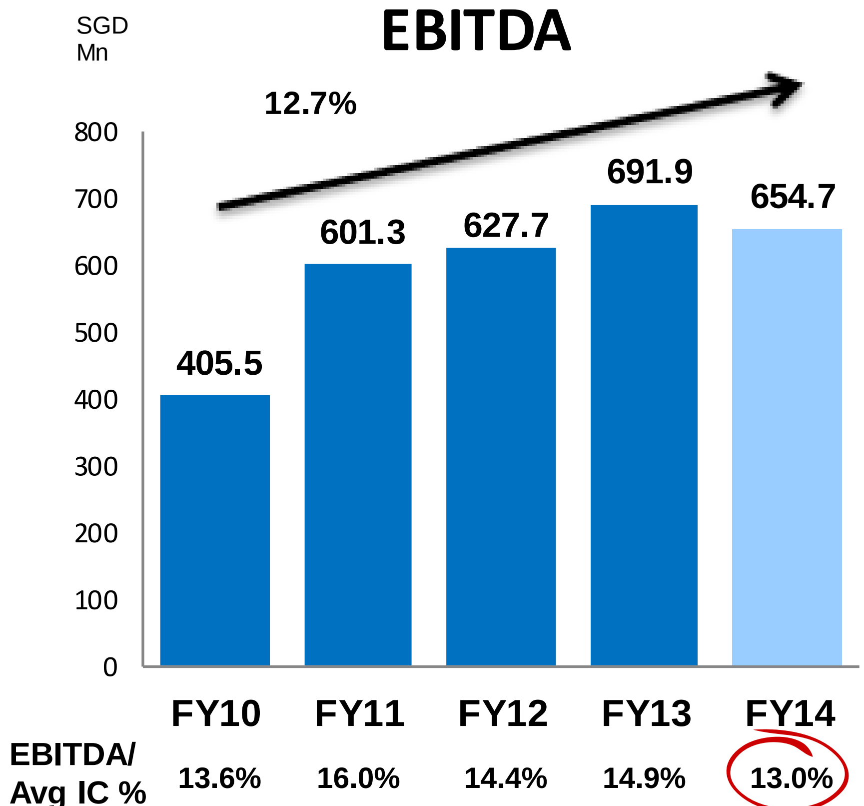
Upstream

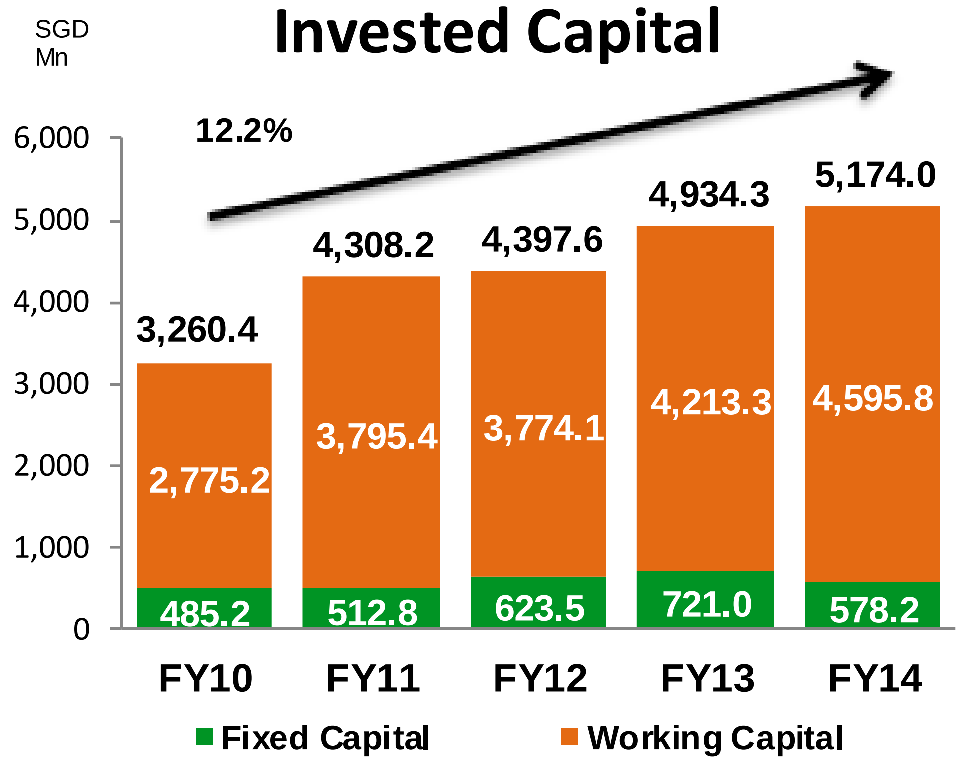




- **EBITDA** decline from lower SIFCA contribution, restructuring of upstream coffee plantation in Laos and upstream Dairy underperformance
- **Fixed capital** increased due to investments in upstream farming and plantations across Rice, Coffee, Palm, Dairy and Rubber

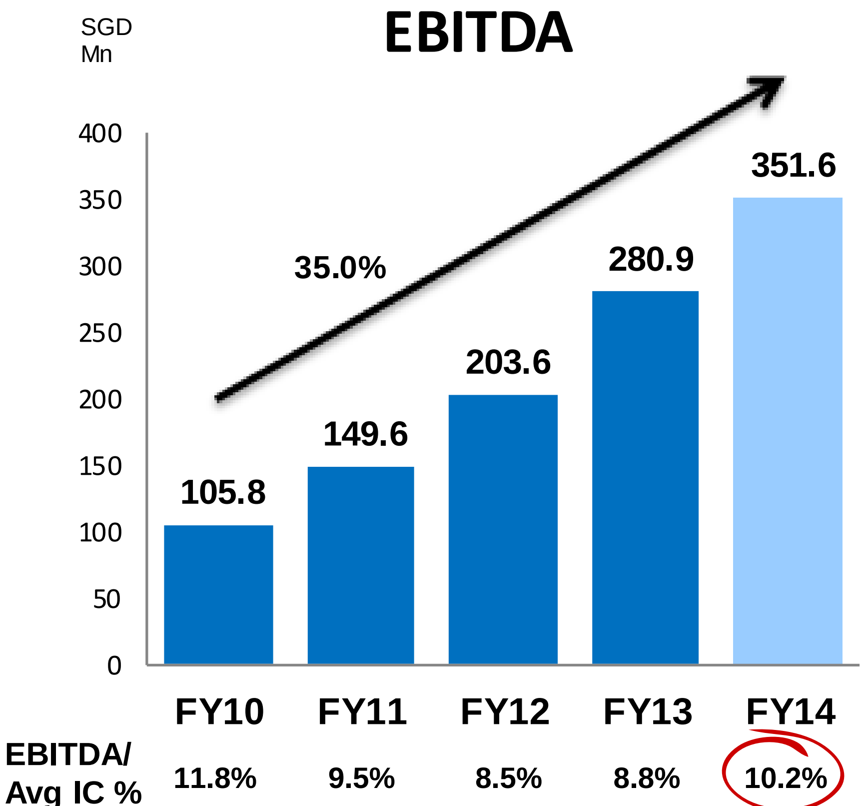
Supply Chain

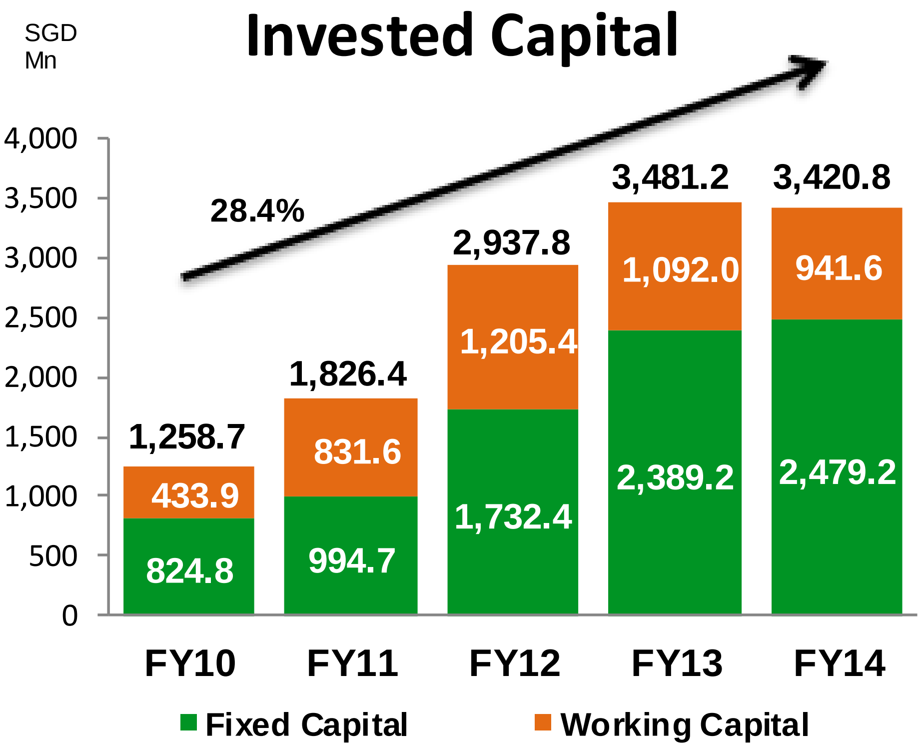




- **EBITDA** decline due to lower trading volumes and margins, particularly in grains, rice, cotton, cashews and wood products
- **Fixed capital** reduced from the execution of various strategic initiatives. **Working capital** increased primarily from higher Confectionery & Beverage Ingredients segment inventories, carried at higher prices

Mid/Downstream

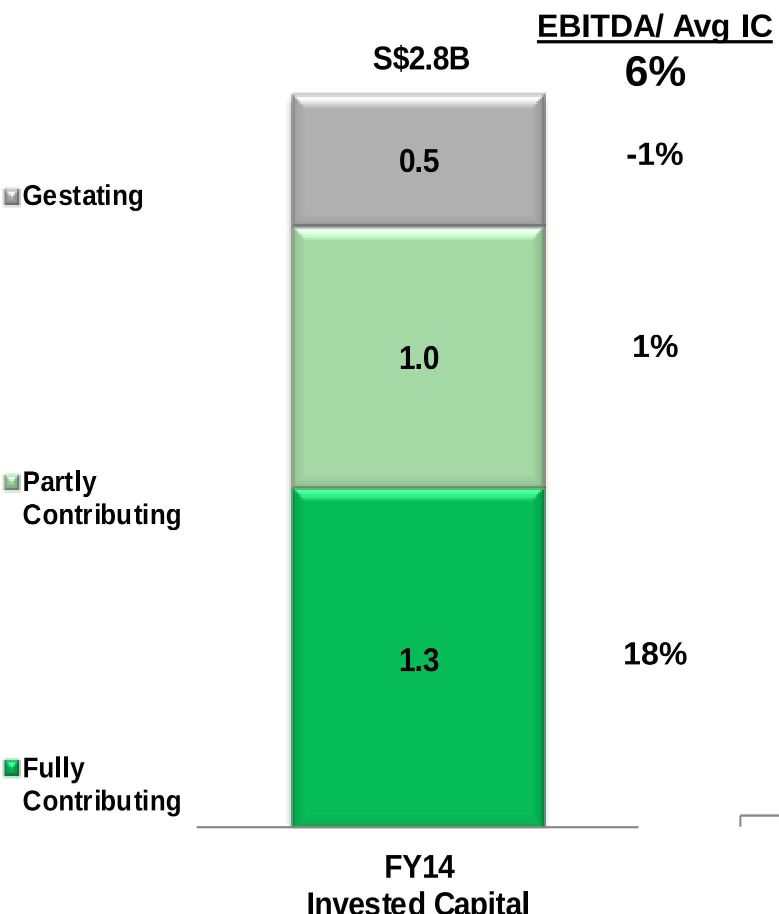




- Strong growth in **EBITDA** from the commissioning of new facilities during the year (Senegal wheat mill, Cocoa processing in Côte d'Ivoire) and improved performance from Packaged Foods (Nigeria), SVI (US), SEZ (Gabon) and soluble coffee (Vietnam, Spain)
- **Fixed capital** from investments in wheat flour mills (Senegal and Cameroon), palm refineries (East Africa) and cocoa processing (Côte d'Ivoire). **Working capital reduced** from improved cycle times as well as deconsolidation of the SEZ

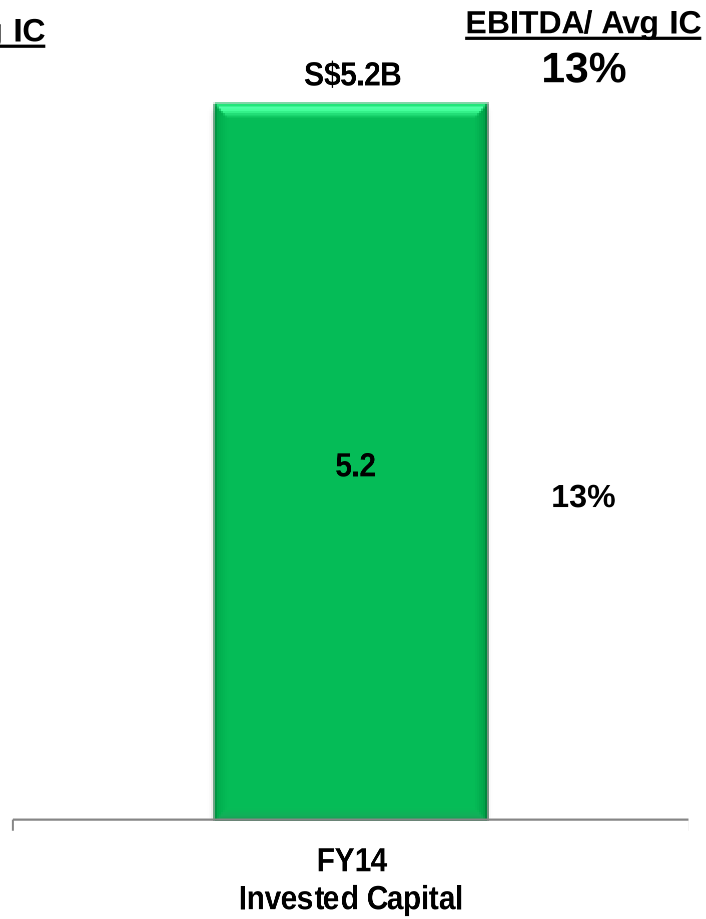
Fully contributing assets already delivering target returns

Upstream



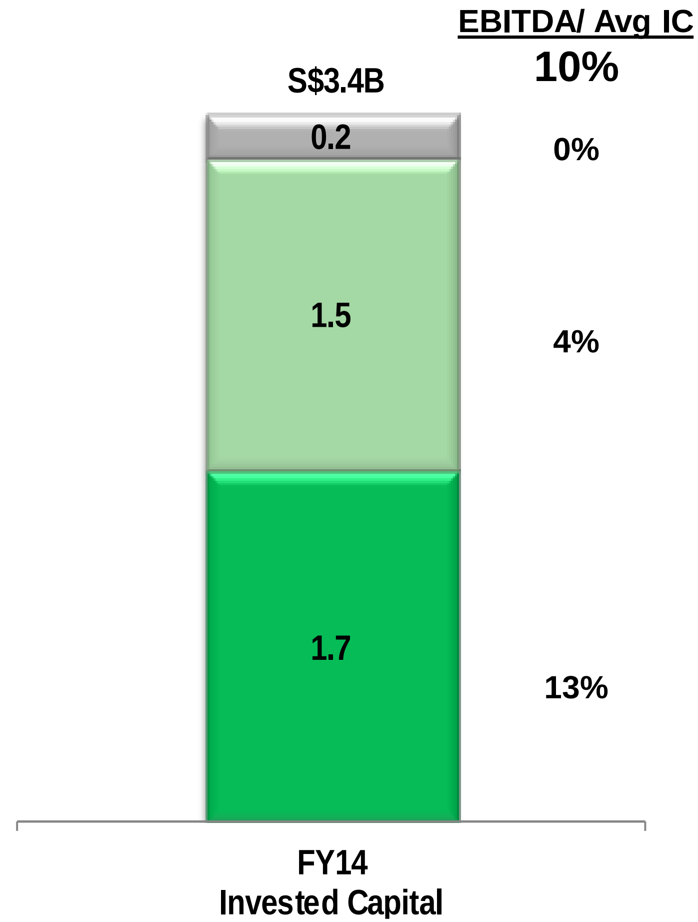
Expected EBITDA/IC in plan period: 15-18%

Supply Chain



Expected EBITDA/IC in plan period: 10-13%

Mid/Downstream



Expected EBITDA/IC in plan period: 13-16%

Gestating & Partially contributing investments to drive growth

- **Upstream**
  - Total invested capital (IC) of S$2.8 bn (FY13: S$2.5 bn)
  - S$1.5 bn IC is currently gestating / partly contributing
  - Fully contributing IC of S$1.3 bn delivered 18% EBITDA/Average IC
- **Supply chain**
  - S$5.2 bn IC (FY13: S$4.9 bn) delivered 13% EBITDA/Average IC
- **Mid/downstream**
  - Total IC of S$3.4 bn (FY13: S$3.5 bn)
  - S$1.7 bn IC is currently gestating / partly contributing
  - Fully contributing IC of S$1.7 bn delivered 13% EBITDA/Average IC

Balance Sheet and Cash Flow

FCFF improved by S$327 mn despite higher working capital

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	**177.2**	**694.8**	**(517.6)**
Capex / Investments	(206.0)	(1,050.6)	844.6
Free cash flow to firm (FCFF)	**(28.7)**	**(355.7)**	**327.0**
Net interest paid	(475.9)	(444.6)	(31.3)
Free cash flow to equity (FCFE)	**(504.6)**	**(800.4)**	**295.8**

- **Cash flow** from **operations improved** by S$101.7 mn
- Net **capex and investments** (after release of cash from execution of strategic plan initiatives) **reduced by** S$844.6 mn
- **Higher net working capital** of S$605.0 mn, despite reduction in 3 segments, due to **significant increase in commodity prices** in the Confectionery & Beverage ingredients segment

Improved gearing, below FY16 target

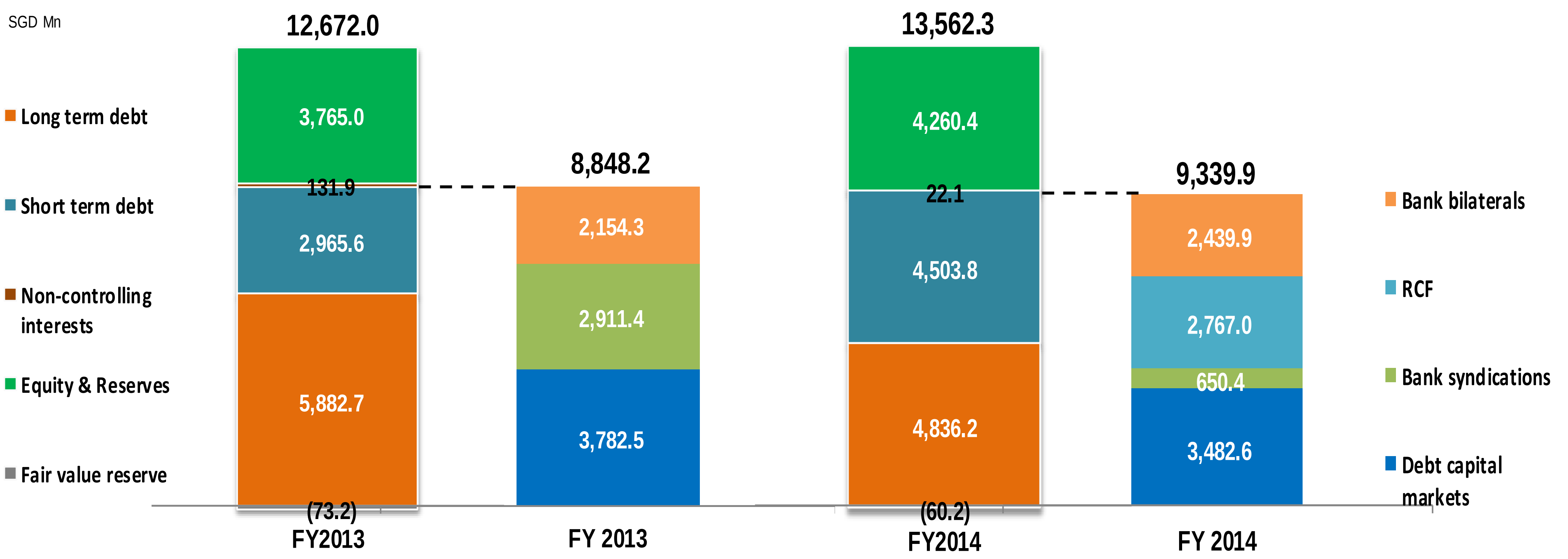
SGD Mn

	30-Jun-14	30-Jun-13	Change
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**

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

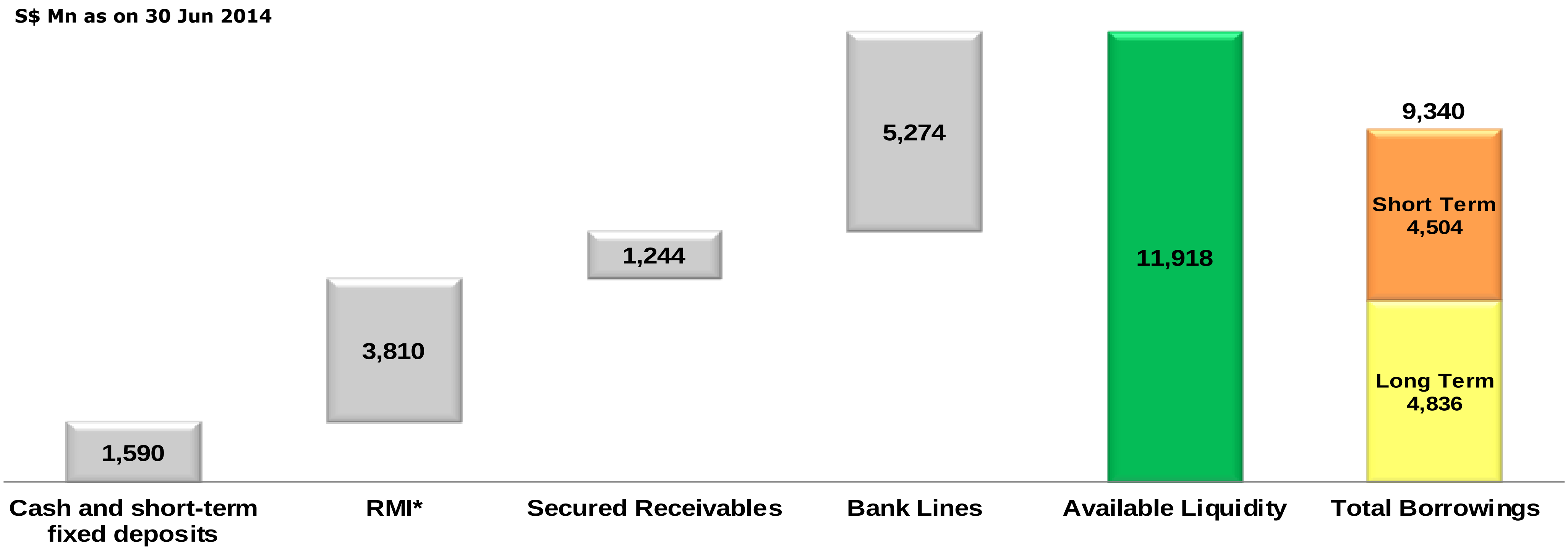
- **Net debt increased vis-à-vis end-FY2013** due to higher price-led working capital
- Gearing **lower** than **June 30, 2013**, despite higher debt, due to a higher equity base

Sources of Funds & Debt mix



- **Reduction** in bank syndications in FY14 using proceeds from the lower cost US$2.22Bn revolving credit facility (RCF), which resulted in a one-time prepayment charge in Q4 FY14
- **2 new debt issuances** made post FY2014 **inside the prevailing secondary curve**:
  - S$400Mn 5 year notes @ coupon of 4.25%
  - US$300Mn 5.5 year senior notes (issued at 99.337%) @ coupon of 4.50%

Ample liquidity



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

- **Available liquidity sufficient** to cover all repayment and Capex obligations
- **Borrowing mix** well balanced between short and long term

Key Takeaways

Key Takeaways

- **Significant progress** in the first full year of **executing** our **strategic plan**
- **Improvement** in **cash flow** generation, despite higher working capital
- **More than half** of upstream and midstream investments are **currently gestating** and are expected to make a **larger contribution in the future**
- Initiated restructuring and rebalancing of the **debt portfolio** to reduce overall financing cost
- **Focus** will be on **balancing** growth and cash flow by **extracting value** from **existing investments** and **selectively investing** in new initiatives and opportunities that maximise shareholder value over time

Thank You

Details of exceptional items

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**