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PRESENTATION

Hung Hoeng Chow - *Olam International Limited - Associate General Manager IR*

Good morning, ladies and gentlemen, a big welcome to all of you to attend our results briefing for the full year and for the fourth quarter of FY14, and thank you for the patience of those who are online.

I would like to just start off the presentation by introducing the panel speakers for this morning and on the extreme left, at the table on my side here is Sunny Verghese, our Group Managing Director and CEO of Olam International, and on his right is A. Shekhar, our Executive Director for Finance and Business Development, and on his right is N. Muthukumar, the President for Corporate Finance and Corporate Affairs in Olam International, and last but not the least, myself, Hung Hoeng from Investor Relations introducing this morning.

Just to kick off by showing the cautionary note on the forward looking statements and I will take this as read. We will go through the financial highlights of the results this morning and the financial performance and the key takeaways, and this will be presented by Shekhar. Then we will move on to question and answer. We're happy to take your questions then after the presentation is over.

So without any further delay, I will invite Shekhar to the floor here to start the presentation.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

Thank you, Hung Hoeng, and good morning, ladies and gentlemen. It gives me great pleasure to take you through the annual results for our FY14 year ended on June 30, but before I start, there is also, starting July 1, we are celebrating our 25th anniversary, it's a silver jubilee year for Olam and we hope that during the course of this year, there will be many events where we can celebrate together, many events where we can share together what we have done over the last 25, but more importantly, hopefully, set the pace and tone for the next 25 and more that we believe that this business has in terms of potential.

And so -- but this particular session is all about FY14 and what has gone behind us, and hopefully, you will see areas of opportunity that are there in front of us too.

In terms of highlights, there are really three big areas to focus on. As you all know, last year in April, we announced our revised strategic plan for FY14 to FY16, and this is the conclusion of the first year of the strategic plan and we are quite pleased with the fairly significant amount of ahead of plan progress that we made. On the four major objectives that we had, we said that will reduce our pace of capital investments and we have done that. We said that we will reduce our gearing and already are there into the first year, we are well below the target that we set out for FY2016.

We have also said that we will reduce the portfolio complexity and get out of businesses that are not making sense or where we are not the rightful owners and we have done various initiatives around that. And most importantly, also, look at various initiatives which can strengthen our balance sheet and give us the ability to participate in the productive economics of some of the assets and platforms that we have built and also seek investments from strategic partners so that we can hold a smaller part of a much larger pie.

So we have done various initiatives, there are 17 initiatives that have been executed in a disciplined form and manner. Put together, they have a potential to release over SGD900m of cash but this has not been a divestment for the sake of release of cash, there is almost SGD150m by way of either one-off P&L gains and/or addition to reserves that have come through this selective divestment that we have done of whole assets or partial divestment of stakes or sale and leaseback kind of optimization of balance sheet schemes.

So that is a fairly significant and well ahead of the plan that we had of a release of SGD1.5b over the course of the three years. So that is the first significant highlight for the year.

The second is on earnings and there is a strong reported earnings growth of 67%, it's a record year. At SGD608m, it's probably -- it's the best year for Olam in terms of reported earnings.

The overall, it has been with some one-off exceptional gains out of the various divestments that we have done but even on an overall basis, we have a slight reduction in operational PATMI for those of you who look at it with bio, and without bio, we will talk about that later. But it's a slight reduction in PATMI, a flat EBITDA but the important thing to note here is that this EBITDA is after some of the divestments which we have made and some of the conscious reductions that we have done in volume exiting from some of the profit centers, exiting from some of the lower margin businesses that we didn't want to support.

So in overall terms, the EBITDA has been maintained on lower volumes, which shows the kind of margin expansion that we have got out of some of the midstream and upstream investments that we have done over the last few years.

So again, we are quite pleased with the results. It is a lower earnings on an operational basis, but the fact that we have taken the full cost of significant investments which are still gestating or partially contributing gives us the confidence that there are significant earnings growth coming off here out of the investments that we already made and that is a good news and that is why we are pleased with these set of results.

The last part which was a very important focus for us was improved cash flow generation. So we are just shy of our target of turning free cash flow positive at the FCFF level but that is after a significant increase in working capital predominantly in the second half because of one segment. So you will see as we go through the presentation that three segments, there has been a significant reduction in working capital rather in one segment, there has been an increase which has happened in the latter part of the year.

But otherwise, on improvements in operating cash flow, on reduction and new CapEx, on the cash release from divestments, we have hit the ball on each one of those and on an overall basis, there is a good improvement both at the FCFF level and the FCFE level of almost over SGD300m in terms of cash flow.

So we didn't hit the mark on the positive free cash flow but we are just about there and all the numbers and all the lines which go behind that show to us that we are on the right path and we could only improve going from here. So those are the three significant takeaways that we want to talk about.

A couple of other highlights that obviously all of you are aware. In the Q4 of last year, there was a change based on the VGO that was announced by Temasek, Management as well as the Kewalram Chanrai family which got concluded. And at the end of that, we are pleased with the outcome in the majority ownership for Temasek at 58.5% and an overall between the three concerted parties, an overall share of 80% leaving still a free float with very strong institutional shareholder base who still believe in the business and who will still believe in the strategy, believe in the overall opportunity in the sector and believe in our capacity, hopefully to execute and deliver on the promise that this sector has and this strategy has.

So we are pleased with that outcome and that kind of provides us with a strong stable set of shareholders which will help us build on the platform that we have built so far.

And in recognition of the strides made in this year, as well as in a little bit of a celebration and commemoration of the Silver Jubilee year, the board is pleased to recommend the dividend of SGD0.05, an ordinary dividend of SGD0.05 which is about a 25% increase over last year as well as a special Silver Jubilee dividend of SGD0.025 per share and for all the continuing shareholders who believe in this business and who have stayed with us and hopefully, will stay the course in the future.

So going through some other details of this, in terms of the strategic plan execution and the impact of that, on the first objective of reducing the pace of capital investments, we are about 50% down compared to what we were last year in terms of cash CapEx of about SGD600m against the almost SGD1.2b that were spent in FY13.

Net of disposals and cash release from disposals, this number is SGD206m compared to just over SGD1b previous year. So, a significant reduction both on account of gross cash CapEx as well as net of disposals CapEx which was our first objective. The second objective was to reduce gearing and we are at about 1.82 times compared to the 1.93 of last year and well below the 2 times that we have set as a target on the ongoing business during the -- by the end of the strategic plan.

And what we talked about in terms of the strategic plan initiatives, the full details are given in the MD&A, but on a snapshot basis, we concluded three initiatives in FY13 after we announced the strategic plan. Eleven were announced and completed in FY14 and there are three initiatives that have been announced, a total of 17 initiatives which will have an increase in -- which have a one-off P&L gain of SGD116m addition to reserves of SGD135m where we are continuing to be majority owners and a cash release of SGD920m-odd.

An important thing which gets sometimes, there is a bit of misperception is that there has been a lot of divestment and we have sold off our crown jewels. I just want all of us to remember that out of this SGD920m-odd, about SGD370m of cash release is from the sale and leaseback schemes wherein we retain the full productive economics of the assets. We continue to remain the managers of those assets and continue to retain the full profit potential of those assets.

An additional SGD470m is coming from the divestment of partial stakes where we remain majority owners and operators of those assets and we have invited strategic partners to co-share risk and obviously, return, but hopefully, holding a smaller share of a much larger pie.

So out of the SGD920m, almost SGD840m-odd, SGD370m in the first bucket and SGD470m in the second bucket is coming out of places where we have been very deliberate and conscious about what we have done. It's really about unlocking value from our balance sheet, unlocking value from some of the platforms that we have created, and inviting strategic partners to share and build upon that.

And it is only about SGD77m-odd coming out of outright sale of assets and there are assets that we were not the rightful owners of but there were assets that we could not -- we didn't see sense in further investing or continuing with which is the timber assets or the Basmati Mill, or the gins in Australia and those are the assets that we've divested off and that will happen as part of our ongoing portfolio review.

So we don't want people to misconceive that this cash release has been on account of a senseless sale of whatever we could sell. It has been a very deliberate platform by platform and since it is 17 initiatives that we have executed over the last 12 months, it sometimes gives the feeling that there is a series of divestment but we just like to put that in these three buckets and evaluate -- we evaluate it on those three buckets.

So looking at the P&L, the volumes are down 6.7%, but this reduction in volumes has to be seen in the context of roughly 50% increase in volumes between FY12 and FY13. It's also got to be looked at in the context of what I mentioned earlier, that we have been fairly deliberate about targeted reduction in volumes in low-margin businesses so in places where we wanted to invest and grow, the volumes have increased. And we have seen that improvement across segments, across platforms. But where we have taken strategic conscious bets to reduce volumes and obviously, in some places where there have been significant increases in the prior year, there has been some modest reduction.

But what is more important, and what is relevant is that the EBITDA has been maintained despite the 7% reduction in volumes and that, I think, is something that we are pleased with and something that we think we can build upon going forward. In terms of the bio and with bio and without bio for all of those who kind of take it that way, this EBITDA is with a net loss of SGD3.7m-odd compared to a net gain in bio of SGD92m. So adjusted for that, there is roughly on a like-for-like basis, it's 28.5% growth in earnings compared to with that, but that is for those of you, we've always maintained our operational PATMI is with bio whether it's a profit or a loss.

So in terms of reported earnings, because of the exceptional items and most of them have been talked about in the nine months, for Q4 itself, there is an exceptional one-off loss on account of three initiatives which -- where we have taken a one-off charge, one has been the exit in timber from Gabon, the second has been the impairment in cashew and the third has been a one-off charge that we have taken in terms of prepayment of some of our bank loans -- more expensive loans which obviously have an immediate impact starting from FY15 in terms of reduced interest cost.

So those are the three one-off losses that we have taken and they are offset by a significant gain on the grains divestment in Australia. But net of that, in Q4, there is an exceptional loss but if you ignore the exceptional charge on the exceptional side, Q4 is a small gain in operational PATMI of about 1.5%. So Q4 has been more or less flat, overall, operational PATMI is slightly down on flat EBITDA and effectively, that is because of higher depreciation and amortization charges that we have taken even though some of these assets are not fully contributing, you will find that the interest cost and tax are more or less flat compared on a year-over-year basis.

So that is the broad detail on the P&L. Putting this EBITDA as well as the capital in the context of the last five years, and it is always good to kind of look back and see where we are coming from to get a good sense of what might be the future ahead. So, in the last five years that we have been investing fairly significantly in fixed capital investments and both on the upstream and the midstream side, what we need to or we want to emphasize is that we have almost doubled our EBITDA, which means that apart from creating competitive positions and choke points with the assets that we have developed, we have doubled the size of the business, the operating cash flows from the business, from about SGD600m to almost SGD1.2b.

Obviously, capital has also increased and on a CAGR of almost 20% and a significant chunk of that is in fixed capital. But you'll see that moderating down as we have signaled. And a lot of them, once they hit full capacity, there are significant still EBITDA potential to be extracted out of this. And as we go through the segments, I will try and outline where there is still significant growth and where the capital's still aren't fully performing.

But I just want us to see this year's P&L in the context of where we are coming from over the last five years, a significant chunk of the cost both in terms of the interest cost as well as depreciation and amortization that we are taking on some of the fixed capital that we have put to work is still not working fully and we just want you to look at this year's results in that context.

Moving on to the segmental analysis, and this is where you will see the differences in their segments which we have invested earlier on and are now fully contributing, the first one being the nuts and spices ingredients platform. So you'll see significant EBITDA growth last year with a reduction in both working capital because of some of the optimization areas as well as fixed capital, a significant chunk of that coming out of the almond sale and leaseback which happened in the second half of the year as well as some impairment has been taken on cashew which was not so good.

But on an overall basis, this segment has improved EBITDA by IC by almost over a percentage point with almonds, the spice vegetable ingredient business doing very well. Peanuts, hazels, maintaining their trajectory and the two underperforming or the real underperformance here was from cashew and tomatoes which was better than the previous year but still not yielding up to full potential. So the areas for focus for us are really on the cashew and tomato business to get them to full potential and all the other parts of the business that are already yielding and contributing quite well.

Also, with the platform that's now got built over these two business units, there is a significant opportunity for us to invest further and then grow this platform and grow our leadership positions platform further.

Moving on to the confectionery and beverage ingredients, again, good growth in EBITDA but there has been a fairly significant growth in working capital in this segment. And you will see almost SGD1b increase both on account of the increased prices, coffee was significant but cocoa was also there compared to last year and that has meant that the EBITDA by IC has come off. So this segment, when the prices were low, was also delivering an EBITDA by IC ahead of the curve and we have discussed that over the last couple of years. But this year, it has also gone down much more because of the working capital that we are carrying.

Part of the working capital is higher inventory so both the increase in coffee prices, we had a significant opportunity to buy more volumes. They also had good margins for some of the higher inventory that we are carrying on will flow out over the next year. And so therefore, it is not -- it is good inventory and valuable inventory that we are carrying on so you will see a Q4 reduction in volume compared to Q4 of last year but that is really on account of the higher inventory that we are carrying.

But on an overall basis, these are very strong, solid platforms and we got competitive positions in these platforms. There is in this platform, a large chunk of the fixed capital that is still not yielding in coffee plantations, certainly in soluble coffee, in the investment that we made in Spain, and as well as the new cocoa processing plant that has started in Ivory Coast and the new plant that we have now announced in Indonesia, there is a lot of fixed capital in this business which is still not fully linked and there is therefore, that EBITDA that will flow through in the coming years, maybe in the plantations, maybe not in the next year but certainly out of the midstream assets, we would see increased contribution even within the next year.

So again, two solid businesses, EBITDA by IC is slightly down, but hopefully that will correct itself. We don't see prices coming off in the near term; both products are at fairly high priced produce so we probably might even see a little bit of increased working capital but it is not a worry that we have in terms of returns from this business.

Food staples and packaged foods, there are -- it's a bit more complicated and I'd like to take a little bit more time. So there are three or four parts of this business that have done very well. And those are really the supply chain in dairy, the sugar business, the packaged food business, specifically in Nigeria and even the palm trading business have all done much better than last year.

But there are three parts of the businesses, some market led, and some because of our own choice, and some because of our underperformance which have resulted in an 18% fall in overall EBITDA for this segment.

So the first one which we have talked about in the past is dairy upstream which is -- has underperformed this year, and therefore, certainly, not yielding anywhere to potential and is something that we are focused on to ensure that in the coming year, and years, we will improve on that.

The second part is really on the grains volume and in their grains volume, there are two things, one, there were parts of the business that we have grown volumes and wanting to invest further capital to grow the trading volume in terms of elevation and port and logistics capacity, but then in the last strategic plan, we decided that we don't want to put that kind of investment -- fixed capital investment to back those trading volumes. So we have exited from, or reduced our stake in the Australian grains business, we have exited from the South African grains business so that has meant lower volumes as well as lower EBITDA in grains which is a choice that we have made.

There is also a choice which has been fostered upon us because the Ukrainian-Russian crisis and therefore, in Q4, certainly, that part of the volume has not happened which is obviously a concern that we are watching very closely but we would like to stay on in Russia, it's an important part of our business so the Russian business is still happening but the Ukraine business has completely dried out in the last four months and that is still a concern for us for the next year.

So in the grains business, there is a part -- the real gem which has really performed and performed well above our expectations is the wheat milling side and which is where we are putting in all the additional money, there has been expansion in Nigeria already, we've started a new mill in Senegal which has come up at the end of the year, as well as a new mill that we are setting up in Cameroon which is likely to come up in the second half of

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the coming year. So we are putting -- we have reduced trading volumes but we are putting all our capital to work in wheat milling where we believe we have a significant competitive position and there are returns to be made.

So for the year, there has been a reduction in grains, but there is a reorientation of the platform and the platform strategy, which we believe will put it in an even better position going forward.

On rice, it's been a little bit of a market situation and specifically Nigeria. The Nigerian government came to a standoff against the importers with a change in import duty and that standoff, believe it or not, took about six months to resolve. So from the end of November, early December, until the end of May, no imports were really allowed into the country.

So obviously, rice is a large volume and Nigeria -- Nigeria is probably a significant chunk of the volume so we could not -- there is a dip in volumes and also EBITDA in rice on that count, but that is a situation that has sorted itself out in June and starting June and July, we see sales resurrecting and we are well-positioned to get back those volumes. So that is a second play which has had an impact on FY14 but which we believe will correct itself going forward in FY15.

And the last part which was about not really -- which has impacted this segment but a significant change in currency in Ghana, cedi which is again, fairly public, between December to now, the cedi has depreciated to something like 190 to today, 370, so it's 100% depreciation of cedi.

In Ghana, we are in predominantly the import businesses, and in grain, in packaged food as well as in rice and therefore, in the initial phase, when the currency was moving one way and moving further the lead lag in terms of sales prices because of a significant change and hence, margins and volumes were hit obviously in the second half of the year, everybody corrected and everybody was equally affected by that. And market prices have now started changing almost every week and we have seen something like 12, 14, 15 price corrections over the last three or four months. So it's a matter of concern. It has hit EBITDA last year but today, all businesses, rice, packaged foods, and our -- the consumer business or bulk business are all operating at margins putting into the costing the revised exchange rates and we are able to make their base margins on that basis. So it is an impact for last year but again, it's an impact that we believe that we can cover upfront.

So since there is a significant drop in EBITDA of the segment, I think it was useful to kind of divide what is working and where we see significant growth going forward, what does not work and does it deliver a conscious choice by which we cordon out some part of the business and what are the market situation that we hope that it will correct over time. And so it is a bit complicated but that is really where this business is. This business grew EBITDA quite dramatically because of incremental grain and rice volumes from the previous year and so it has come off a bit, but there is growth going forward.

But the important thing in this segment [in order] there is a significant amount of capital which is still not yielding and is expected to yield over the next couple of years. So the palm plantations, the dairy upstream, the wheat mills, the packaged food business investments, again, all of which are significant investments that have gone into the segment, are all in -- still in the growth phase and even getting to their full potential over the next couple of years, maybe some of the plantation and upstream might take us slightly longer but the others should start yielding and so therefore, there is still a lot of growth potential out of existing investment itself in this segment.

And so we expect the segment to correct itself going forward and then moving on to the last segment, the IRM segment, which is a modest growth. Here really the cotton business had two tough years prior to that so this was a transition year, volumes have improved, margins have also improved. We had a poor quarter in Q4 because of the backwardation but that notwithstanding, the business has repositioned itself and we believe it's on very strong footing going forward.

The timber business certainly has restructured and we have taken a lot of cost both in terms of asset disposals as well as getting out of the business but again, the revised timber business is well positioned but for last year, there was a significant loss on timber and therefore a reduction in EBITDA on that count.

Rubber, of course, which has kind of always performed because the rubber prices being where they are and actually the palm and rubber prices being where they are has not performed. The rubber part has impacted this segment. So this segment has had a negative impact of rubber as well as timber, probably flat performance by quarter from last year in terms of overall volumes but improved margins. And slightly improved performance on SEZ which has really meant a slight improvement in EBITDA.

The investments have grown on the fixed capital side primarily into rubber and a little bit into SEZ. But the working capital has been tremendously reduced in this segment based on all the optimizing that happened and the exit from the timber business that has happened. So going forward, this business should be able to improve its EBITDA by IC returns from here.

So that is kind of probably the four slides that were most content -- had the most content and I plan to rush through the rest a little bit more faster.

So the upstream business, again, as you would have seen coming out of some of the points that I made, there is significant capital invested in the upstream business, almost SGD2.7b, of which SGD1.3b is working and contributing in EBITDA by IC of almost 18%. But there is SGD1.5b which is either gestating or not fully contributing and that is really where we are carrying the cost of it without the returns yet coming in and that will take us a few years. Some of it will improve over next year but some of it will take probably two to three years to get to full potential.

It's also got hit this year specifically because of the SIFCA palm and rubber that I mentioned, as well as the upstream dairy which has meant that the EBITDAs are lower this year, both of which are performance issues which hopefully will correct themselves going forward. One is a price issue and one is a performance issue which will hopefully correct itself going forward.

But that notwithstanding, there is a significant upside in this part of the value chain wherein we have invested, we still feel quite strong about that but this is going to be part dependent, this is going to take time, and we will stay focused on getting them to full potential as quickly as we can but it's not entirely in our hands.

On the other hand, I will probably just talk about midstream and then come back, the midstream investments are much less gestation and you will see that there is a significant growth out of investments that we have made over the last few years whether it's in SVI, US, various investments, packaged food, wheat milling, soluble coffee, cocoa processing, etc, all of which has yielded last year. And while there is still a large chunk of gestating assets of almost above SGD1.7b in this segment, too, in this part of the value chain too, but it is likely to yield quicker and the next one to two years, between those strategic plan period itself, you would expect them to get to full potential.

So already what is yielding is operating at the range of about 13%-odd of EBITDA by IC that we talked about as a steady state potential and we expect the balance when it starts, that should also yield.

So the upstream and midstream is where a significant chunk of assets is and put together, there is roughly about SGD3.2b of assets out of a total SGD6.2b of assets in midstream and upstream which is still not fully yielding. And that is really the drag on our earnings in the near term. Some part of it will get corrected in the next year, but it might take us the next couple of years. And that was really the focus of the strategic plan that we will get these investments to get to full potential during the course of the strategic plan, optimize the balance sheet during that course and see what we can do on the working capital as well as other parts of the fixed capital that we can get off the balance sheet and then ensure that we get to our full returns through the course of this three years.

The supply chain in itself, sorry, is the core part of our business here, any reduction is really coming out of parts of the business that we have given up all the stuff that I talked about in terms of volume reduction, grains, rice, and timber, etc. But this is really the engine that still remains half of our EBITDA and is growing and we expect this to deliver returns and so operating at about 13%-odd which is at the top end of the steady state range that we believe that it should continue. So this is the core and the upstream and midstream when they get to full potential will add to this core and make this core even more competitive going forward.

So this is the part that I mentioned and again, so out of SGD2.8b in upstream, SGD1.5b is not yielding or is partially contributing and gestating and you will see there's very limited EBITDAs here. And what is working is showing 18% and certainly on the midstream side, there is roughly about SGD3.4b invested of which SGD1.7b is still not fully yielding but what is working is delivering the returns.

So this is really the heart of where we stand in terms of our focus and extracting full value from these investments is really where we are going to spend the next couple of years which is not to say that we won't back selective investments in the platform that we already -- are already yielding but our first focus and primary focus is going to be on extracting the full margins out of this.

Moving on to the balance sheet, cash flow, we have discussed this many times and this is a slide that you will all recognize. So as I mentioned in the highlights, our operating cash flow has improved by almost SGD100m. We have made significant progress in terms of total cash release from divestments as well as reduction in new CapEx. But a lot of it has gotten eaten up by almost SGD1b change in working capital, predominantly in the confectionery and beverage ingredients segment with all other three segments reporting lower working capital.

So if it was not for this chain and also a very outlier event in coffee prices going up by 100%, almost in the last five months, we would have been comfortably free cash flow positive and we believe that that is something that we can continue to focus on.

So that's really where we are but both on free cash flow, FCFF and FCFE, you'll see almost a SGD300m improvement in trajectory which is really what we hope to sustain and better in the coming year.

Gearing, again, I already pointed this out, we are at 1.82 against a 1.93 and we were about 2 at the end of nine months, so some part of it is a normal seasonality but even compared to this year -- this time last year, we are lower and comfortably lower against our target. As well as on the adjusted basis, a big chunk, almost [SGD5b] out of this is in sold inventory or secured receivables so adjusted for that, our net debt to equity is well within our comfort zone.

I would like to spend a couple of minutes, this is a new slide that you have probably not seen and is probably what has happened in Q4, and is likely to be something that we are going to be focused on in the coming year. So we are post-VGO, we certainly believe that it is a significant possibility to improve our overall debt profile in terms of how the debt is structured as well as cost of debt so some of the bankers in the room might not like that but I hope we will continue to get their support on that. But -- and we have.

So the first big thing that we did was replacing a lot of our bank syndicated debt which was higher cost, longer-tenor with an RCF of USD2.2b that we have done so this is certainly -- shows the change between 2013 and 2014 June but even if you compare versus the nine-month number that we have shown, the RCF is one big change, RCF to bank syndication is a big change. We have taken a one-off charge because of this into Q4 but it is going to mean reduced cost going forward starting from the -- through FY15 and onwards.

The second thing we have done obviously which has happened post June, which is the two bond issuances that we have done and we have seen a significant reduction in the debt capital market's response in terms of coupons. From something like 5.75% to 6% coupons, we have now dropped to 4.25% to 4.5% so again, fairly significant. So some part of our debt will get restructured.

Some part of our medium-term debt in the debt capital markets cannot be repaid or there will be a cost of repayment so we will keep a track on that and if there is any possibilities for us to replace that with cheaper debt we will do that. So it is really about managing the short-term debt wherein we are already borrowing quite competitively, there is not probably as much reduction possible in terms of cost. But certainly, on the medium-term debt, both on the bank market as well as in the debt market, debt capital markets, we hope to get reductions. And that is something that will not all happen this year because we will have to follow the repayment calendar in some of these cases but over the next two to three years, we expect to have a fairly significant saving and interest cost coming net of the one-off charges that we might need to take in probably this year and next year.

So beyond the capital that's invested, which is not fully contributing, this is another area of focus for us wherein we believe there is efficiencies to be attracted going forward without any new investment or any new which should also contribute to earnings going forward.

Liquidity position is pretty good and strong, SGD1.6b in cash, almost SGD5b in sold inventory and secured receivables with about SGD5.3b of unutilized lines. So again, not an issue.

So that brings me to the last slide and the key takeaways again, and even if you have fallen asleep, I think if you can just wake up for just a couple of seconds. We think that we would like to put these results in perspective. This is the first year of a three-year plan and we have -- we had good progress on various strategic initiatives. It's been a bit of a consolidation year wherein we have taken some conscious calls to reduce volumes in some cases, and certainly get out of some low margin or businesses which can make sense to us. So it has been a bit of a consolidation year.

We feel good that we have maintained EBITDA despite that, despite the divestments, despite the lower volumes, and we see a lot of positivity in some of the divestments, some of the strategic partnerships that we have done which we believe has brought more -- gives us a lot more potentials in these platforms.

But last but not the least, there are significant earnings to be extracted both out of our not-fully-contributing investments, that is roughly about SGD3.2b and as well as the possibilities on the debt which has now happened because of the recent VGO.

So both this gives us very -- that puts us in a very strong footing going forward but last but not the least, we are a 25-year-old company, we believe we have built a very, very strong platform across multiple businesses in a sector that we are very bullish on and have stayed bullish on. And it's not all about this year, or even this strategic plan period. We have a task ahead for us to improve on the underperforming business, extract full value from the not-fully-contributing business, but we also stay focused on any selective opportunities that might come because of the platform that we have built wherein we would also like to invest.

So we want the right balance between ensuring we extract full value for what we have invested in but also will make targeted investments if they come because we hopefully, want to be here for the next 25 years and beyond extracting full value from the sector, from the strategy that we have embarked on and the platform that we created.

Thank you for your support and we look forward to your continued support and happy to take your questions.

QUESTIONS AND ANSWERS

Hung Hoeng Chow - *Olam International Limited - Associate General Manager IR*

Thank you, Shekhar. I will start off with the first question. But we request you to wait for the microphone to be brought to you and please tell us your name and where you come from.

Thilan Wickramasinghe - *HSBC - Analyst*

Thilan from HSBC. Just two questions. The first one, you've alluded to this in your presentation about half of your upstream and downstream and midstream assets are -- invested capital is still yet to fully contribute, can you give us a little bit more granularity over the next few years how we should be thinking about these assets contributing. Is it going to be in 2015 or should we think about it longer?

The second question is how would you look at capital deployment after 2016, after this current strategic plan, would you still continue with the new normal of low sort of CapEx or given the sort of VGO and everything, I'm assuming I can ask questions on that now, would you look to increase base there?

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

Sure, so Shekhar mentioned, and as you have reinforced about roughly SGD3.2b out of the SGD6.2b of invested capital in the upstream and midstream are partially contributing or gestating. The profile of when they will start contributing will vary from specific investments in specific assets. To give you a sense of some examples of that, so in the upstream, for example, we have two dairy farming operations, one in Uruguay and one in Russia, RUSMOLCO. Russia will get into full potential in three years' time. Uruguay will get into full potential in two years' time.

If you look at palm, palm will start first yielding next year for us in the early plantations which is Kango in Gabon. But for palm to get to full steady state will be 2021. For rubber to get into full steady state, it will be even longer. So there are different maturity profiles for the upstream investment and based on when are those planted, etc, full potential will be roughly six years to seven years from the first planting. And we are planting at different rates each year.

And so this Gabon palm plantation for example, as of the end of June, this financial year, we had planted about 15,500 hectares and we are hoping to plant another 10,000 hectares this year and therefore, if you look at the first phase of that project, which is 50,000 hectares, all of it will get planted in the next three years. So after that, they will take three years to get to the first yield and they will get six to seven years to get to full maturity.

So overall, if you look at the existing investments that have already been committed, the SGD6.2b, you will see that they will come in to almost 80% to 90% of their full potential by 2019. There will still be some investments that have already committed about of the SGD6.2b which will start really yielding after that period in time.

In the midstream, it is a little bit quicker so if you are going to invest in a dairy processing facility, the gestation is typically two years, to get to full production it will be between two and three years. So, all our milling capacities that we are writing on, whether it is wheat milling etc., from the time we announce the project to the time we commission the project, it is between 18 and 24 months. By the time we get to full capacity utilization, it is 24 to 36 months.

So the -- more of the midstream for the commitments that have already been made, will get the full potential and will contribute by 2017. If you include plantations, 70% to 80% of that will start yielding from 2019 onwards in terms of fuller contribution.

In terms of our pace of growth and everything else, that is something as I said in the last results briefing as well, obviously with Temasek being now a shareholder, it improves the resilience of our balance sheet, it allows us to grow a bit faster, it allows us to look at the opportunities in a slightly different way than we have been able to do in the past.

But as Shekhar mentioned, we are going to stay focused on the strategic plan that we announced, it doesn't mean that we are going to turn away opportunities which will be accretive, we have a capacity to do that now, and we will consider that on a case-by-case basis.

We haven't got revised strategic plan that merits a fuller discussion with our stakeholders. As you know, we announced the strategy recalibration plan in 2009 when we moved from an asset-light supply chain manager into a more integrated upstream and midstream player so a little bit more asset-medium structure. And then in 2011, we had announced a revision of that plan and then in 2013, we had announced the latest strategy recalibration.

But in all of those exercises, we said that every year we review our strategy so the strategy is not cast in stone, every year it is reviewed and if there is meaningful and material changes that we want to make going forward to the strategy, then we will make a full announcement. If we are only tweaking it, then we don't make that announcement so we won't go to the strategy recalibration exercise if there is no significant or substantial change, then we are not coming out with a new announcement on the revised strategic plan.

Thilan Wickramasinghe - *HSBC - Analyst*

Thank you.

Unidentified Audience Member

(Inaudible) from UBS. Just a couple of questions related to working capital. Maybe the first one is just in terms of edible nuts, can you maybe give some color in terms of the price outlook for those (background noise) it's not as transparent.

In terms of volume growth, growth has been down this year, but when do we expect the volume growth to resume?

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

So on the first part of your question, as edible nuts is concerned, across most of the edible nuts complex, prices are high with the exception of peanuts. So peanuts is a mass nut, common man's nut, it is under price pressure because of excess production and supply, particularly out of the US, we've had a significant growth in crop and therefore availability and supply.

All the noble nuts, the expensive nuts, like cashew and almonds and hazelnuts and walnuts and pistachios, we are seeing very high prices and elevated prices.

Just additional color on some of those individual categories, as far almonds is concerned, the subjective estimate of the US Californian crop which is roughly 80% of the world's production of almonds is now estimated at between 1.9b pounds and 1.95b pounds, which is lower than the earlier objective estimate that was out there of 2.1b pounds. That has therefore supported almond prices, so almond prices are trading at a fairly historical high at this point in time.

We have the same, cashew prices are also constructive at this point in time, trading in the range of $3.25 to $3.45 per pound for the reference grade which is white wholes 320s.

If you look at hazelnut prices, the biggest producer of hazelnuts is Turkey. Turkey had a frost situation in March. As a result, hazelnut prices have gone on a tear. Last year this time, Turkish hazelnut prices were TRY11, TRY12 a kilo; now it is about TRY21 a kilo. So it's a massive ride up in prices because of a significant short crop in Turkey as a result of the frost situation.

Pistachios are trading at elevated levels. Walnuts are trading at elevated levels. Macadamias. So the entire complex is trading at quite high levels.

And we believe that in the next few years we will see fairly strong prices because supply response in these commodities are difficult to bring on stream because of the long gestational nature of these commodities. For pistachios, it takes 11, 12 years to get to full maturity. Walnuts takes 10 years to get to full maturity. So after you plant, you have to wait for a long time to get the incremental supply.

In terms of volumes, as Shekhar mentioned in his presentation as well as in our prior results presentations, we are really not so much focused on growing volumes now anymore. We are focused on growing the profit pool, so we might do the same level of, say, almonds that we have traded, but because we are going upstream where the profit margins are significantly higher, the profit pool that we are participating on the same volume is not dramatically higher. Or you're going midstream into value-added processing, and therefore on the same volume you're expecting a much higher margin, the profit pool that you're accessing now is much higher.

So we don't expect a dramatic growth in volumes. We expect modest growth in volumes. But we would expect the addressable profit pool that we are participating in because of the selective integration of going upstream and midstream to significantly increase.

Hung Hoeng Chow - *Olam International Limited - Associate General Manager IR*

Yes, please. Question on the front.

Chanyaporn Chanjaroen - *Bloomberg - Media*

Chanyaporn Chanjaroen from Bloomberg. Can I ask you about your plans for asset sales in the financial year 2015? Which areas are you targeting? And could you share with us any ballpark figures that you plan to raise in 2015 from your asset sales?

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

Unfortunately, we cannot be specific about the assets that we might partially monetize or partially divest or fully divest. We have laid out a fairly clear strategic plan in terms of (inaudible) of which kind of assets we will look at partnering with others, which means selling down partial stakes. We still want to own the business, we still want to run the business. We also indicated which kinds of businesses we are willing to deconsolidate, which means give up majority ownership. And we've also given you some indication and you have seen from the examples of the transactions that we have done what assets we will consider non-core and therefore we're willing to divest fully. So we have divested a couple of assets fully, because we felt that going forward they are non-core to our strategy.

But we can't be specific about individual assets. Important thing is that we have announced 17 transactions, completed 14. We have generated SGD917m in terms of cash flows from those partial monetizations and those exits. We have generated a gain of roughly SGD250m. In some cases that has gone directly into our P&L, in some cases it's gone directly into our equity and capital reserves because we haven't a majority stake, we've only sold a minority position.

And if you look at the strategic plan announcement last year, we said, between all the measures that we are taking, including unlocking intrinsic value from these assets that we have built, but also through balance sheet optimization, releasing about SGD1.5b of cash, SGD1.5b of cash, over the next three years, we've already done SGD917m of that, so we are ahead of the run rate that is required to get to the SGD1.5b in three years' time. So you should watch this space and we will continue to execute on the strategy, but we can't be specific about which assets and which deals.

Hung Hoeng Chow - *Olam International Limited - Associate General Manager IR*

Yes, there's a question in the second row.

Chuck Spencer - *Morgan Stanley - Analyst*

Thanks. It's Chuck Spencer from Morgan Stanley. It's good to hear that you're, and throughout your presentation you talk about the potential earnings growth coming from investments and partially contributing and gestating assets, but SGD3.2b is a very big number. Can you help us get a little closer to that number by just identifying what are the largest projects or project that's in that SGD3.2b? And what is that amount?

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

So the largest projects in the upstream section, which is SGD1.5b out of the SGD3.2b, would include our two dairy farming operation investments in Uruguay and in Russia. The third large upstream investment will be our grain farming operations in Russia. The fourth would be the palm plantation and rubber plantation investments in Gabon. So if you were to look at the top five in the upstream, I would say these would constitute the top five.

Chuck Spencer - *Morgan Stanley - Analyst*

Okay. Thanks very much. So dairy is SGD1.5b of SGD3.2b?

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

No, no, no. I'm saying the total upstream gestating asset investments is SGD1.5b.

Chuck Spencer - *Morgan Stanley - Analyst*

Okay.

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

That SGD1.5b, if you wanted the top five, there are a whole list of upstream initiatives. It includes for example rice in Nigeria; it includes peanuts in South Africa or peanuts in Argentina, etc. But I'm not including the smaller ones. I'm talking about the top five upstream investments which are still gestating constituting that SGD1.5b. That includes two dairy farming investments, the grain farming investment in Russia, the palm plantation investment and rubber plantation investment.

Chuck Spencer - *Morgan Stanley - Analyst*

Okay.

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

Will be a big chunk of the SGD1.5b.

Chuck Spencer - *Morgan Stanley - Analyst*

Got it. Would you be willing to break down dairy specifically?

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

It's not in the public domain so I wouldn't want to break that down today, yes.

Chuck Spencer - *Morgan Stanley - Analyst*

Okay. But it's probably the biggest, right? You acquired it in 2012 --

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

No. It's not the biggest -- yes, yes.

Chuck Spencer - *Morgan Stanley - Analyst*

What is the biggest, if you don't mind?

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

These five are significant in the SGD1.5b, but I wouldn't want to break it down today.

Chuck Spencer - *Morgan Stanley - Analyst*

Okay, thanks. One other question back on working capital. It jumped nearly SGD1b year on year, and you identified the higher pricing. But just looking at the detail in your cash flow, inventory rose just SGD150m, and more significantly there was a decline in the payables of about SGD700m. So it looks to me like it was something price and also maybe something else. Can you give us some insights into what's happening on the payable side and what that might be related to?

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

So I think on the inventory, again, across segments, it's slightly different. So we have had higher inventory in the confectionery and beverage ingredients as well as higher prices in that segment. So, a big chunk of the overall working capital increase is predominantly in that segment. And in the other three segments, it's probably a reduction on an overall basis.

So if you look at the -- from the balance sheet side, if you look at it from inventory and payables, so a large part of the grains trading business, the rice business, the timber business, etc., had -- used to get a lot of supplier credit. Part of that has come off because volumes have come down considerably. And the inventory we already discussed. So if you look at inventory increase, it's probably only in the confectionery and beverage ingredients, and everywhere else it's probably a decrease.

Hung Hoeng Chow - *Olam International Limited - Associate General Manager IR*

Yes, Abhijit.

Abhijit Attavar - *Jefferies - Analyst*

You mentioned recalibration of strategy, now more flexibility given that capital is a bit more easy. Do you still stick to your SGD500m per annum kind of rough CapEx guidance you had given in the first plan?

And how can minority shareholders today look to strike a balance between returning cash, and do you have some kind of a dividend guidance, payout policy guidance for them? And really what will be the threshold returns for new investments that you're planning to make? In the past some of your investments have done really well, but it's still a mixed bag. For example, RUSMOLCO and NZFSU, if they now generate 15%, three years from now, in general the IRR I think has been terrible from where you started investing. So how can minority investors now be comfortable with the new investment plan that you're coming up with?

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

On the first question, I think roughly the guidance that up to 2016 we're going to be spending about SGD0.5b in CapEx would hold as a guidance. But what I'm saying is that if there is a very, very attractive opportunity, we will consider it now, which we might have not in the past. But as a guideline, we are still sticking to having a CapEx rate of the prior three years which was roughly SGD1b a year to roughly half of that which is SGD0.5b a year. And we said by 2016 we will have a CapEx cumulatively of SGD1.5b. And that's what Shekhar has shown here, that we had a gross CapEx this year of SGD580m and net CapEx after disposals of SGD206m.

So over the next three years, on a net CapEx basis, we should be less than SGD500m on an annual basis. But I will not rule out that, if there's a very attractive accretive opportunity, we might consider that. And that is obviously going to be a function of how attractive that opportunity is.

Coming back to your second question which is about RUSMOLCO and NZFSU and the projected potential EBITDA to IC. EBITDA to IC, you're right, if it is 15% going forward when it gets to full potential, the IRRs will be low. But the value pickup once it starts generating the positive EBITDAs and getting to 15% of the total invested capital, you will see that the valuation of those assets will dramatically increase. So if you're looking at today book or less than book because the assets are still not contributing, when it starts contributing, it'll be between 1.5 and 2 times book.

So if you then look at the total returns to the shareholder, it will be very attractive. It will meet our threshold returns that we are looking at. So we look at getting IRR roughly in the 12% to 14% range for a project. We are very confident that both the RUSMOLCO case that you alluded to and the NZFSU case that you alluded to, once they finish their gestation and start contributing, there'll be a dramatic pickup in valuation of those assets.

So, right now, people are waiting to see whether we can execute to get it to full contributing stage. Until that happens, we will be -- those assets will be valued at book or less than book. Once it starts generating those cash flows and those returns, we expect that to be very different.

Now if you look at other competing companies in our industry, so what is the industry returns? So if you look at the last five-year average, 2008 to 2013, the industry average ROE has been 8.84%. So you can say it's a lousy industry because it's got poor ROEs. But if you remove one of the outliers, this is comparing the top 10 agri companies, I won't name the outlier, if you remove the outlier company, the return on equity average for 2008 to 2013 bumps up to 10.14%.

We expect, once our gestating assets are contributing, we will have market-leading ROEs. If you have heard the recent results briefing of one of our companies based in the US and listed in the US, they talked about a weighted average cost of capital of 7% and their target to reach 9% return on invested capital, 200-basis-point spread, and they're currently at about 6.4%.

So if you are going to get EBITDA to IC of 15%, and at that time if the valuation of the assets also get capitalized, it'll be a very attractive return for those investments. So we believe that most of the investments that we are currently gestating will create enormous value for us going forward, but we ought to just be patient in delivering that value.

On the dividend, I don't think our policy has changed. It is typically 25% of our earnings as dividends. But if you look at our history, the first three years, when we're very asset-light, not investing much capital, we paid out almost 50% of our earnings as dividends. But the Board's policy is 25% of earnings as dividends given our growth plans and everything else.

But this is a decision that is assessed every year by the Board and the final determination of whether it should be 25% or 30% or 40% is the Board's call, based on a variety of factors. The first is, what is your capital structure, you want to maintain that capital structure? What is the growth rate you're planning?

So if you want to maintain the capital structure and you have x percent of growth rate that you're planning, then your dividend payout policy is really your dividend retention ratio to your return on equity. So whatever return on equity you generate, you're going to pay out -- what you want to pay out is a function of what is the growth that you're planning. So that is what really guides us.

So this year, if you look at the total dividend that is being paid, it's about 30% of our earnings. But we are not saying the dividend we are going to pay going forward in the next two years of the cycle, SGD0.075. So the ordinary dividend is SGD0.05. We are making a special reward to our continuing shareholders, because it's our Silver Jubilee year, of an additional SGD0.025.

Abhijit Attavar - *Jefferies - Analyst*

Do you think free cash flow positive (technical difficulty) very firm target for you --

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Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

No, it is. Every business is monitored in this performance management program that we have, they have to deliver three things. One is they have to become free cash flow positive. And that is the -- they might not be every business that will become free cash flow positive, but every business has a target to improve free cash flow generation, every business. Some will have positive FCF targets, some will have probably negative FCF targets, but a significant improvement over the prior year. So that is one.

The second thing that they have to deliver is absolute profit. That is derived from how much equity is in that business. So you look at the total invested capital in the business, if the capital that is invested in that business is fixed capital, then we work on a gearing ratio of 1.5 times is to 1 net debt to equity, which means equity of 40%, debt of 60%. If it is working capital, we work on an equity of 22%.

So if they've got SGD1b of capital invested, SGD500m of fixed capital and SGD500m of working capital, they're all assigned a notional equity at the beginning of the year. So under notional equity, they are to generate a minimum return on equity, which becomes the absolute profit target for the year. So, earnings target is there.

And the third target that they have is a return measure, which is EBITDA by invested capital. So they have a minimum EBITDA by invested capital that they have to generate. Now they have to do all these three things and they're equally weighted for them to earn their incentives and bonuses in terms of the short-term performance bonus.

So, yes, so, free cash flow generation is still important. But at the end of the day, all these three measures have to create value. We are not going to get a special price only for free cash flow generation if it is going to come at the cost of actually eroding shareholder value.

We, however, see that in the next three years, and this -- the ultimate -- in the ultimate analysis, we want a portfolio, we want a strategy that will allow us to create and maximize shareholder value. Free cash flow is one of the things that will allow us to do that. But there will be a period when we say that free cash flows aren't important right now, right now it is about building for future value. But in the next three years, till 2016, generating free cash flow is an important target and every business has to improve its free cash flow generation.

Abhijit Attavar - *Jefferies - Analyst*

Thank you.

Hung Hoeng Chow - *Olam International Limited - Associate General Manager IR*

Adrian?

Adrian Foulger - *Standard Chartered Bank - Analyst*

Thank you. Congratulations on being 25 years young. And yes, looking forward to the next. Just a couple of questions linking into price. First, on the working capital side, you clearly identified cocoa and coffee. Given your shares in those two markets where you're a very significant player and given clearly the amount of volume you're carrying on your balance sheet, would it be right to think 2016 should benefit from your starting positions that you have that you're carrying into the new financial year? That's the first question.

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

Yes, we are quite comfortable with our positions in cocoa and coffee, both these are, as you mentioned, important businesses for us. We are very differentiated in these two businesses, and we feel good about where we are as we begin the new financial year in these two segments.

Adrian Foulger - *Standard Chartered Bank - Analyst*

Slightly linked in to that, with your new major shareholder, is there slightly more appetite to maybe take a bit more position or risk in the business? Historically you've always emphasized the position of neutral nature about that. Is there any change in stance or strategy there?

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

There is no change of stance because there's a new shareholder in town, but there is clearly a desire from us as a company that we must extract more value from trading because we are now 25 years in the business. We have a remarkable footprint in all the key producing countries and all the key destination markets. Our research and information on balance sheets is becoming quite proprietary and creating an advantage and an edge for us. We would definitely like to use that capacity to extract that trading value.

But it won't fundamentally alter our predisposition. So, say, Competitor A derives 80% of its value from trading, and we were deriving 5% of value from trading. We'll definitely want that 5% to go up. But we're not going to become an 80% proprietary trading company.

But it'd be a shame to not use all the proprietary intelligence and information that we have and the information edge that we are now building. And also these skills, trading skills. So we believe that we have in different pockets of our business, traders with skill and capability and information that will allow them to create additional value for us. And we will do that in a very select, very disciplined and targeted way.

Adrian Foulger - *Standard Chartered Bank - Analyst*

The second question, on price, this is a slightly sort of maybe more negative question. You've got SGD1.5b of that gestating SGD3.2b sitting in upstream assets.

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

Yes.

Adrian Foulger - *Standard Chartered Bank - Analyst*

Clearly the performance of upstream assets has been part dependent on something outside of your control which is price. Is it right to think that there is some risk in those forecasts, in those guidance figures because of that price?

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

Yes. So, firstly, the lack of contribution from gestating assets is not because of price volatility, because these have not started yielding. So we've got coffee plantations in Brazil, in Laos, in Zambia, Zimbabwe, Ethiopia. None of them have come to yielding stages, or if they're yielding, it's just the first yield in year three which is a fraction of the potential yield of the crop.

And therefore, the underperformance in upstream coffee plantation, for example, is not a function of price, so too in farm and so too in rubber. So, rubber prices are low today, palm prices are low today. But we have got nothing to do -- no exposure today to that. But you are right, going forward, if you are upstream, you have a larger exposure to price because you're naturally long.

We can hedge out that price exposure for two, three years forward at a time. So, most of these commodities, including OTC as well as the futures market and forward market, we can hedge out maximum three years forward. So we will have an exposure for the balance period.

So when you go upstream, the only thing you can really ensure is that you have a cost structure that is below the marginal cost producer's cost of production at very competitive cost structure in terms of capital cost of production and cash cost of production. You can't predict prices. Then through risk management, you must try and lock that price volatility for as long or as forward as possible.

And three, you must be innovative and creative in being able to extract additional value like we do. So when we plant palm, and we know in three years we're going to produce palm and we're going to produce that palm at x dollars per ton of CPO, we can write an option because we know exactly what we're going to produce and how much we are going to produce. So, part of that production we can write an option, collect the premium, which would further reduce our cost of production.

So we can, through these two, three things that I just mentioned, make the upstream less volatile and more profitable. But the big risk when you go upstream is, in big down cycles, you will start bleeding as a producer, unless you have a cost structure which is very good, in which case, even in a deep down cycle prices typically do not go below the marginal cost producers cost of production for any material period of time. So every upstream investment that we have made, we have made with that focus.

So if you look at all the upstream investments, price volatility has not impacted performance to date. Of all the upstream investments, we feel we're executing almost every one of them very well, excepting the Uruguay farming operations where it was a steep learning curve for us. So that asset underperformed, as well as gestating. But it also underperformed. Where it should be at this point in time in its development, it has not reached that place.

So the two assets that have underperformed is RUSMOLCO and Uruguay, both of which were new to Olam areas where we're expanding dairy farming. But in the last recent period, we feel far more comfortable that we've got the right teams now, we understand all the nuances of what really drives efficient dairy production, and we are now feeling much better about those investments. But those two investments did track below our IT. But all the others, the palm and everything else, is tracking to IT, just that we have to wait patiently for it to start yielding.

Hung Hoeng Chow - *Olam International Limited - Associate General Manager IR*

Patrick , yes. Question from Patrick.

Patrick Yau - *Citi - Analyst*

Thank you for taking my question. I have -- one of the questions, with regards to your capital structure. So what I've noticed of course, that you've increased the portion of debt which is short term by about 50%, which I think comes with the benefits of having the new shareholder. But you've also made some suggestion that you may be looking at more opportunistic acquisitions or investments should the returns be good. So with those comments in mind, how would your balance between long and short-term capital be over the next two years? And I also noted that you are ahead in terms of your cash divestment plan. So you've already kind of realized two-thirds of what you want to divest. So, some color into how you're planning your treasury operations over the next two years.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

So far the treasury operation is going to be -- it's a dynamic process, so we will look at, even if there is a current business on which we have a good view on what's the fixed capital invested and what's likely over the next couple of years. So that part we will do -- be conservatively geared, and we're looking at [1.5 is to 1] (corrected by company after the call), about 40% equity, 60% debt. And that debt is likely to be all medium-term five, seven-year, depending on the nature of the cash flows from those assets. So that's the easy part of existing businesses, plus additional CapEx that we want to put up.

On the working capital side, while all of that are short-term self-liquidating and can be technically be on the short term, but we want to keep some on equity and some on a medium term. So in the past we have -- we are almost in a situation wherein we had about 65%, 70% of the working capital also on the medium-term kind of debt, especially immediately after the global financial crisis and we wanted more security. What we have now done is corrected that balance, and we believe that we'll have about 25% to 35% of our working capital covered with medium-term debt, and the balance would be purely short term. So that is the correction that we'll make.

Now in terms of incremental acquisitions, if an opportunity were to provide, there could be a variety of kinds. Some could be fixed capital intensive kind of operations and some could be working capital intensive kind of operations. If they are the kind of operation -- depending on the operation and the nature of its capital and working capital that we are acquiring, we will again apply the same principles and raise either medium-term debt or short-term debt appropriately for acquiring that asset. And if it is offered, obviously, I'm not even talking equity here because we believe that, based on the cash flow that we are raising and based on the -- for the current investment, we don't need equity, like we have said in the past. But if there's a real big acquisition, then that's a separate discussion at that point of time.

So today we don't see a problem in -- we also got to recognize that it's a lower interest rate environment right now. So we like to see -- correct the balance in terms of tenor of our debt, which is the first part that you started, and get the appropriate mix for working capital and fixed capital. Then we look at reducing cost of debt for each of these buckets, which is actually that just about started, and we will see net improvement on both. But it will be a little bit dynamic based on how the plans emerge. I don't know that I answered --

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Patrick Yau - *Citi - Analyst*

Just as a quick follow-up, and you realize the -- some of the -- bulk of the benefits of this plan you just alluded essentially in FY15.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

Not the bulk at all, because there is about SGD3.8b in the debt capital markets which we can't do anything about right now, or mostly can't do much about. So that will, over the next two, three years or whenever they are (inaudible) prepayment, unless there's a dislocated market and we can do something about buying back the debt, which we'll always keep track on. So that is a part. So out of our total gross debt of SGD9.3b-odd, almost SGD4b, is in debt capital markets that we can't immediately impact.

The rest, which is at the short end, also the savings that is likely is minimal because we're already very competitively borrowing that. So the only part that we can change is the medium-term debt which is pre-payable, part of which were done, part of which we are likely to do over the coming year.

Hung Hoeng Chow - *Olam International Limited - Associate General Manager IR*

Thank you. I've got some questions coming online. Two questions essentially. One is, what's the progress on the Gabon fertilizer project? And the second is, the current Ebola outbreak in Africa, how are we coping with that?

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

Yes. So I have not much additional news to talk to you about as far as the Gabon fertilizer project is concerned. A lot of work is going on but still nothing that's come to a state which is announceable. There are multiple parties that are doing due diligences to enable us to sell down our stake. It is making progress, but nothing coming to a state where I can really make any announcement.

So, but we are clear, as we have mentioned and repeated in the past, that we intend to sell down our stake there. We feel it's a very attractive project and we remain invested. But because of the size of the project, we want to own 100% of it. So you'll have to just work the space, and as soon as something develops which is announceable, we will share that with you.

The Ebola outbreak is a serious outbreak for us because, as you know, we are in 24 countries in Africa. The epicenter of this outbreak is in three countries, in Sierra Leone and Liberia and in Guinea Conakry. Directly we are not present in any of these three countries, but we have an investment in SIFCA, along with Wilmar, and that company has palm and rubber plantations in Liberia.

As of this moment, nobody in our plantation operations in Liberia had been impacted. We are, as most of you would have seen our advisories and website, etc., taking precautionary measures and mandatory protocols have been imposed on the whole organization about how to deal with this crisis.

In the countries that are affected or partially affected, even Nigeria, for example, where we have very significant exposure in operations, there have been about 10 cases so far, with the index case being an American Liberian doctor who came into Lagos without going through the quarantine. And then people who came in quarantine at the time, five of them died, the balance are still undergoing treatment. The incubation period for this virus is about 21 days. There were 169 people in Nigeria between the primary and secondary contacts who are under surveillance. It has spread to one other city in Nigeria, Enugu, where one of the nurses who was treating this patient traveled to Enugu despite the ban. So she broke the ban and traveled to Enugu. And there are 120 people who have come in contact with her who are also under surveillance. But nobody has so far developed Ebola as yet.

In all our locations, in all of these countries, we've installed various measures including a facility to check the temperatures, using gloves in the canteens and food halls in our factories, having invested significantly in workshops and in training and bringing everybody in the company very aware of it, very strict travel protocols and guidelines, can't travel into these countries unless it's absolutely mission-critical, but definitely not travel into Liberia, Guinea and Sierra Leone. Travel into Nigeria only if it is absolutely required. We have an Ebola crisis committee which meets every day on a global basis. And there's a crisis committee in these countries in Africa which is also meeting on a daily basis. Various other contingency plans and evacuation, etc. has also been put in place.

So I think it is a serious issue and it requires to be treated seriously. And we just hope and pray that with WHO's support in these countries, now that it has been declared an international health emergency, we can contain it. But a lot needs to be done to make sure that happens.

Hung Hoeng Chow - *Olam International Limited - Associate General Manager IR*

All right, thank you. The next question, it's -- would you like to have the question, [Jeff]? Yes. Okay. Yes, it's an online question that is pertaining to minority interest and how much of that is contributed by the Gabon SEZ in quarter four.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

In quarter four you said, right?

Hung Hoeng Chow - *Olam International Limited - Associate General Manager IR*

Yes.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

Yes. We don't break up the minority interest. The minority interest is on various stakes, including SEZ. A big chunk of that is in Q4, is traditionally -- been on account of SEZ because it's a lumpy Q4 business. So in comparison to the minority interest, last year versus this year, it's pretty much the same. But a part of -- big chunk of that for Q4 would be SEZ.

Hung Hoeng Chow - *Olam International Limited - Associate General Manager IR*

Andrea, you've got a question? You wait for the mic. Thank you.

Andrea Soh - *Business Times - Media*

I have two questions, I'll ask them one by one. The first is that I think you mentioned that there is expectation that Olam makes fuller use of its proprietary information in trading. So have there been any other expectations given by a new shareholder?

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

Clarify, that has got nothing to do with the new shareholders. It's not an expectation of the new shareholder. We have to treat all our shareholders alike. So we treat Temasek like all our other shareholders, but we recognize that they're a majority shareholder.

So these are not instructions that a majority shareholder gives us. This is the management's plan that we should leverage on the latent capabilities that we have built. And we have built a lot of latent capabilities in terms of our supply/demand research which is proprietary in terms of our risk management skills, in terms of the way we have trained and developed our traders. So we are saying that directionally we should take more advantage of it. So that has got nothing to do with new shareholder or Temasek's expectations or instructions on this matter.

Andrea Soh - *Business Times - Media*

Yes. In fact, given that they've quite a large stake in the Company now, what are some of the expectations that have been communicated across the management?

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

Yes. So we meet shareholders every day and each of them have different desires and expectations. We can't be discussing what each shareholder wants.

But typically what we do is we lay out our strategy clearly. We lay out how we are going to grow. We lay out what the risks are, how we manage those risks. And then people who like that strategy or the direction or whatever will invest in the Company. And if those shareholders don't like the way we are headed, they will make sure they find somebody who can meet their expectations or their desires.

But I would think that somebody like Temasek -- I think that's a question that you should address more to the shareholder than to us as a Company. But I would think that somebody like Temasek who has invested such a large amount of money in Olam, they did because they believe that this sector is very attractive or they believe that Olam has a differentiated position in this sector, or they believe that we can execute our strategy well, and they believe that -- in the integrity of the management team. And they feel we are headed in the right direction. And therefore they've invested.

Temasek, as you know, is an investment company. It's not a management company. So they are not investing in companies and then building management teams and structures to execute. They invest in companies they believe has a good management, a good strategy, a winning strategy, a differentiated strategy, capacity to execute the strategy.

So I'd assume that all our shareholders who are invested in Olam believe that we're headed in the right direction, are patient about us executing the strategy, and believe in our capacity to execute the strategy. And I believe and I hope that Temasek will be one such shareholder. I don't think they would have committed such a big investment if they didn't believe in these things.

But we don't take specific instructions from one shareholder. It's not right for us fiduciarily to only take specific instructions or understand expectations of one shareholder. We're trying to understand the expectations of all the shareholders.

Andrea Soh - *Business Times - Media*

My second question is on free cash flow. So Olam has stated before that you hope to be positive free cash flow from FY14, and I think you have fallen slightly short that it is under expectations even though that part of the reason might have been due to higher cocoa and coffee prices?

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

You're right. So we have fallen slightly short of our target of becoming free cash flow positive on an FCFF basis this year. But as Shekhar mentioned, we are fairly close. It is a disappointment that we haven't crossed that line. And it continues to remain an objective for us. And as I answered an earlier question from one of the participants today, every business is given a target to improve its free cash flow, and that emphasis will continue.

Hung Hoeng Chow - *Olam International Limited - Associate General Manager IR*

There's a question in the middle.

Nelson Goh - *Goldman Sachs - Analyst*

Hi. Nelson from Goldman Sachs. So, just two questions. Firstly is on the SEZ. I understand that FY14 did better than FY13, although there would be some incremental rental income, but most of the recognition would be in FY13, am I correct? So how did the growth come about? And would we expect further growth going forward?

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

So you said most of the income is?

Nelson Goh - *Goldman Sachs - Analyst*

From FY13 as the progress of the project is completed or delayed, or did I understand that --

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Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

Are you saying that contribution in FY14 was much higher than FY13? Okay.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

So basically SEZ, as we have probably talked about in the past, has development in what we call this phase 1 and phase 1a, in -- near the Libreville area. And there is a significant phase two which is there in the Port-Gentil area. So in FY13, mostly -- up to FY13, we were mostly concluding the phase 1 and phase 1a. There's a little bit of that that's flown through FY14 also. But in FY14, there is also phase 2 which has started, and there is earnings from phase 2 also because some sales have started there.

Now we realized that this was a business which was very capital hungry, and we didn't want to stay invested with a full balance sheet behind that, and hence have reduced the stake, so we are -- we realize that we have -- it's been a very good investment for us. It's slightly one step remote from our core business. So we felt that in our revised strategic plan this was one of the platforms that we want to deconsolidate.

So what we have seen this year is earnings improvement between both the phase 1 and phase 2 projects, which is what has flown through FY14. But at the end of FY14, we have now dropped our share to 40%. And going forward, our investments will be limited to our equity 40% share as well as the return which will be 40% share.

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

And the growth in earnings was only marginal, not very different from last year. It was an improvement over last year but it was not a big improvement over last year.

Nelson Goh - *Goldman Sachs - Analyst*

Okay, thank you. Sir, the second question, I understand for the food staples and packaged food, you mentioned a few contributing factors like the Nigerian rice imports affected performance. But I understand last year, fourth quarter was weak as well. Would there be some sort of seasonal aspect to this as well?

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

They're not seasonal aspects but they're all specific circumstances. So there was an import duty hike because of which we did a lot of business in rice prior to -- in the last year. And that import duty was a standout for six months because of which we didn't do business this year. So in a sense, yes, last year was good and this year has not been -- has been poor because of that circumstance of lack of clarity on import duty.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

So it's not seasonality because rice consumption, as you can understand, is not very seasonal. It continues.

Nelson Goh - *Goldman Sachs - Analyst*

I think I meant as a -- on a whole -- kind of on a whole for the business.

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

Yes. So I think most of the headwinds that Shekhar mentioned in the packaged foods business last year, firstly, on the Nigerian rice situation which is an important profit center for us in that platform, the government's duty structures are now finalized, and that has already been announced. So that uncertainty which dogged for a large part of the last financial year is removed. So we would expect price to have a normal year this year.

On the Ghana cedi for the first time after so many months and so many weeks of continuous depreciation in the last couple of weeks, it has sort of settled down and stabilized. So we hope the worst is behind us. If that is the case, then all of our import businesses in Ghana will see significant improvement compared to last year.

In the packaged foods and staples business, we also have a dairy operation in the RUSMOLCO and NZFSU in Uruguay which underperformed this year, which we hope will significantly pick up in its performance. So I think the segment will be better than last year.

The issue that you raised on SEZ one thing that we wanted to also point out is now we have deconsolidated our position from 60% ownership to 40% ownership. But because of the plans that the government has for SEZ there's a phase 2 and a phase 3. Unlike in the past where we thought after phase 1 the earnings stream from this business would be over, now in the revised participation, we'll be happy to continue at this 40% in whatever the government is doing in phase 2 and phase 3. So we believe that the SEZ will continue to generate earnings but at a reduced stake of 40% even going forward, unlike the prior guidance where we said that at the end of phase 1a we would have exited that business. That is not going to be the case.

Nelson Goh - *Goldman Sachs - Analyst*

Thank you. I think, sir, what I meant last year, I was referring to FY13. Sorry for the confusion.

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

Yes.

Nelson Goh - *Goldman Sachs - Analyst*

So as a -- 4Q as a percentage of FY13 and 2014, the lower contribution for that quarter is attributed to one-off factors, would that be correct --

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

I would say. Yes, mostly one-off factors, excepting for the daily operations which was our execution. So that was underperformance because we didn't execute as well. All the others were one-off.

Hung Hoeng Chow - *Olam International Limited - Associate General Manager IR*

Yes, Conrad?

Conrad Werner - *Macquarie - Analyst*

Thanks. This is Conrad from Macquarie. Just a quick question on the interest expense. It came down a fair bit in the fourth quarter, and we saw something similar last year and then we saw it tick up again. Is SGD105m kind of the new run rate or is it going to tick up again?

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

There will be the usual seasonality because our debt also always normally comes down in Q4.

Conrad Werner - *Macquarie - Analyst*

Right.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

So one part, and mostly that is working capital led, so that's kind of variable cost, which will come down. So from every year, Q2, Q3 will our highest debt period than Q4. So one part is that.

The second part is for about one-and-a-half-odd months, we also had an RCF which was at a lower cost. And we -- so there is a certain amount of interest cost, but that will be a marginal impact.

Conrad Werner - *Macquarie - Analyst*

Okay.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

So year on year, I don't think you should take Q4 as a basis for our run rate. Q2, Q3 would be our maximum run rate, and Q1, Q4 would normally be a lower run rate.

Conrad Werner - *Macquarie - Analyst*

Thank you.

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

It's fair to conclude, Conrad, that this is the first year that you have interest expenses sort of stabilizing. And that what Shekhar mentioned in terms of some interest cost savings that will flow through, all of that will flow through in 2015, because as you mentioned, some of the debt instruments in the debt capital markets that we have issued are not callable. If they were all callable, we'd have called everything and refinanced it. But they're callable only at certain points in time.

So over the next few years, the maturity profile of all these outstanding debt instruments, the first opportunity we get to refinance under our new credit-appraised rating, so we've definitely been re-rated from a credit point of view, and the treasury team is trying their best to try and take full advantage of that. But those savings will also directionally help us to improve our total interest costs.

Any other questions?

Hung Hoeng Chow - *Olam International Limited - Associate General Manager IR*

Any other questions?

Sunny, you have some remarks?

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

No. No remarks, except that I just want to add on to what Shekhar said about our 25th year. It's a milestone moment for us. As you know, in the commodity industry, most participants have long pedigrees. They've been around for 150, 200 years if you take the ABCDs. They've all had (inaudible). We are a young company by our industry standards, but we're very proud of what we've achieved.

And as our name signifies, Olam means transcending boundaries. And looking back to the last 25 years, we have transcended several boundaries, starting with one product, cashew, in one country, in Nigeria, we are now in 44 agricultural commodities that we organize into 16 platforms. From one country, in Nigeria, we are in 65 countries. From one employee, we are now 23,000 employees worldwide. And we have built a substantial business.

But beyond just the physical product and geographical boundaries, we also transcended other boundaries. So we started with one entrepreneur, individual entrepreneurship now to collective entrepreneurship, from managers to leaders. So we are very proud of what we have achieved. But the other aspect of the word Olam, what is signifies and what it means, is endless, everlasting. So we are really now focused on building an enduring company that will last forever.

For all our stakeholders who have participated in the first chapter of our journey, a brief short chapter, we thank you, and we look forward to working with all of you to write the next chapters of Olam. So, thank you very much.

Hung Hoeng Chow - *Olam International Limited - Associate General Manager IR*

Thank you, Sunny.

If there are no questions, this briefing, we thank you for the participation, and we hope to see you in the next quarter.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

Thank you.

Sunny Verghese - *Olam International Limited - Group Managing Director, CEO*

Thank you.