Olam International Limited

Q1 FY2015 Results Briefing

14 November 2014 I Singapore

TRANSCENDING BOUNDARIES 25 YEARS

Notice

This presentation should be read in conjunction with Olam International Limited's First Quarter FY2015 Financial Results statement and Management's Discussion and Analysis for the period ended 30 September 2014 lodged on SGXNET on 14 November 2014

Cautionary note on forward-looking statements

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

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

Potential risks and uncertainties includes such factors as general economic conditions, foreign exchange fluctuations, interest rate changes, commodity price fluctuations and regulatory developments. Such factors that may affect Olam's future financial results are detailed in our listing prospectus, listed in this presentation, or discussed in today's press release and in the management discussion and analysis section of the company's First Quarter FY2015 results report and filings with SGX. The reader and/or listener is cautioned to not unduly rely on these forward-looking statements. We do not undertake any duty to publish any update or revision of any forward looking statements.

Agenda

- Highlights – Q1 FY2015
- Financial Performance
- Key Takeaways

Highlights – Q1 FY2015

Olam's almond plantations in Australia

Highlights – Q1 FY2015

Steady start to the year, in a traditionally low quarter

- **Reported PATMI** marginally lower at **S$44.3 mn** (S$45.6 mn in Q1 FY14). Operational PATMI at S$32.2 mn (S$45.6 mn in Q1 FY14)
- **EBITDA grew** across most products and platforms, though **volume declined** as a result of restructured / discontinued lower margin operations
- Adverse price movement in the **hazelnuts and dairy businesses**, coupled with execution challenges in upstream dairy **impacted overall results**

Continued progress in strategic plan execution

- 18 announced initiatives to release cash of **S$948.5 mn against FY2016 target of S$1.5 billion**
- **15 initiatives completed**: Aggregate cash release of S$635.4 mn; P&L gain of S$106.1 mn; and addition to capital reserves of S$16.5 mn
- **3 initiatives** pending completion will release further cash of ~S$313.1 million, generate a P&L gain of ~S$22.4 million and add ~S$118.8 million directly to capital reserves in FY2015

Highlights – Q1 FY2015

- ## Free cash flow was lower, impacted by price
  - FCFF at S$(54.6) million was lower by S$100.6 million as compared to Q1 FY14. FCFE lower by S$43.1 million at S$(160.3) million, primarily on account of **price led working capital increase**
- ## Gearing in line with FY2016 objective
  - Net gearing of 1.85 times at September 30, 2014 was marginally higher than 1.82 times as at June 30, 2014, but **in line with our FY2016 objective of operating below 2.0 times**
- ## Debt optimisation
  - Issued S$400.0 million 5 year Notes and US$300.0 million 5.5 year Senior Notes at coupons of 4.25% and 4.50% respectively
  - Coupons were **significantly below past issuances of similar tenor debt** and were also **below the secondary trading levels** of outstanding bonds at the time of issuance

Update on strategic plan execution

SGD Mn

Summary of Completed Stratgegic Plan Initiatives	Number of Initiatives	P & L impact	Addition to capital reserves	Cash flow impact
Closed in FY2013	3	29.5		86.3
Closed in FY2014	11	64.5	16.5	517.6
Closed in FY2015	1	12.1		31.5
Total	**15**	**106.1**	**16.5**	**635.4**

SGD Mn

Initiatives pending completion	Completion Expected	P & L impact	Addition to capital reserves	Cash flow impact
Sale of 10%/20% stake in Palm/Rubber to RoG, Gabon	Q2 FY15		18.1	37.4
Sale and Leaseback of Dairy Farm Land, Uruguay	Q2 FY15	22.4		66.9
Sale of 25% stake in Packaged Foods BU to Sanyo Foods	Q2 FY15		100.7	208.8
Total		**22.4**	**118.8**	**313.1**

Financial Performance

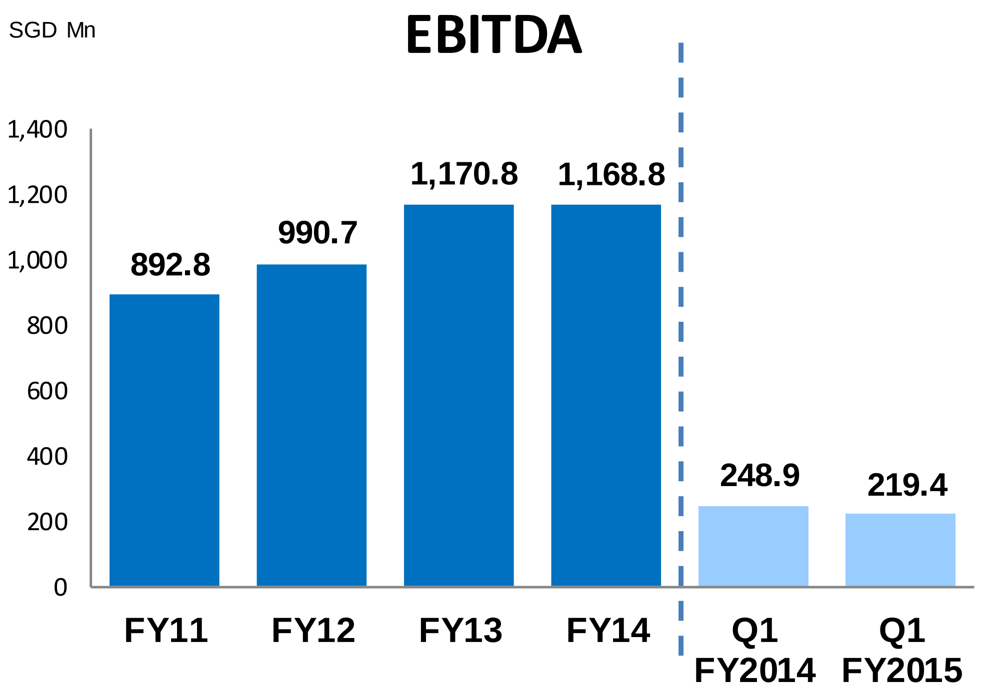
Harvesting operations at Olam's rice farm in Nigeria

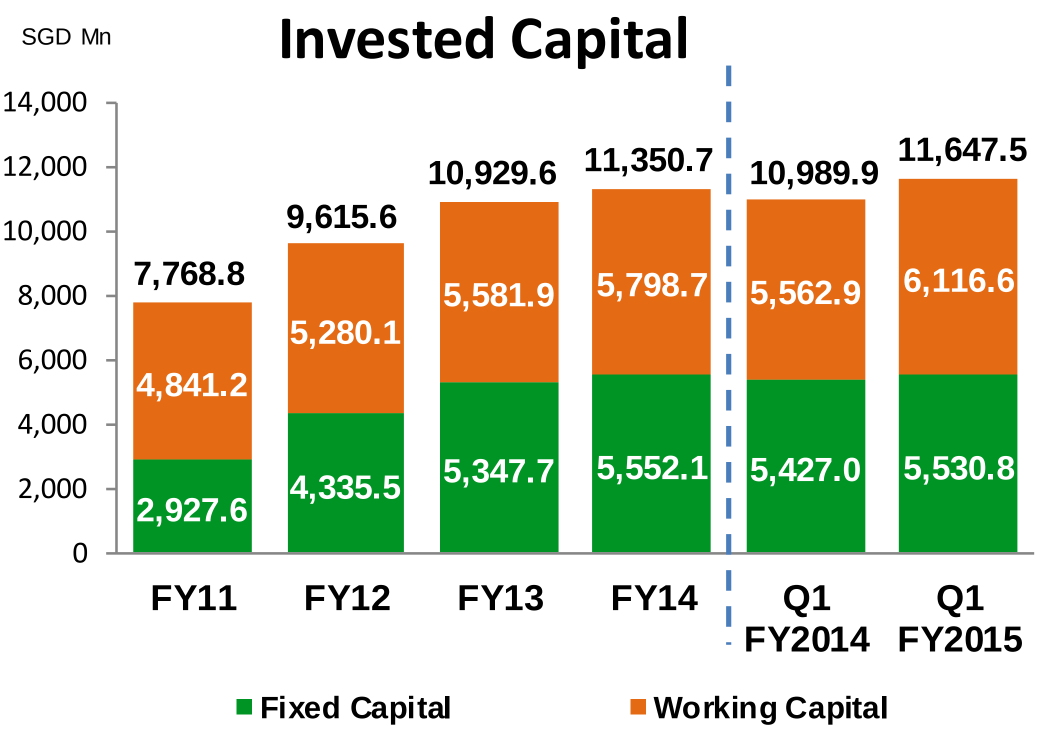
P&L Analysis

	Q1 FY2015	Q1 FY2014	% Change
Volume ('000 MT)	3,134.2	3,668.7	(14.6)
Revenue	4,298.6	4,321.0	(0.5)
EBITDA	**219.4**	**248.9**	**(11.9)**
PAT	41.9	43.2	(3.1)
PATMI	**44.3**	**45.6**	**(2.9)**
Operational PATMI	**32.2**	**45.6**	**(29.4)**

- Decline in **overall sales volume** mainly due to discontinued / restructured lower margin businesses
- **EBITDA declined**, despite growth in most platforms, due to adverse price movement in hazelnuts and dairy businesses, coupled with execution challenges in upstream dairy
- Q1 FY15 recorded a **net operational loss** on **fair valuation of biological assets** of **S$15.9 mn** compared to a **gain of S$3.3 mn** in **Q1 FY14**
- Net finance costs, Depreciation & Amortisation, and Tax were lower than Q1 FY14
- Reported **PATMI** marginally lower than the prior corresponding period. Excluding exceptional items, **Operational PATMI** was lower by 29.4%

Historical EBITDA and Invested Capital



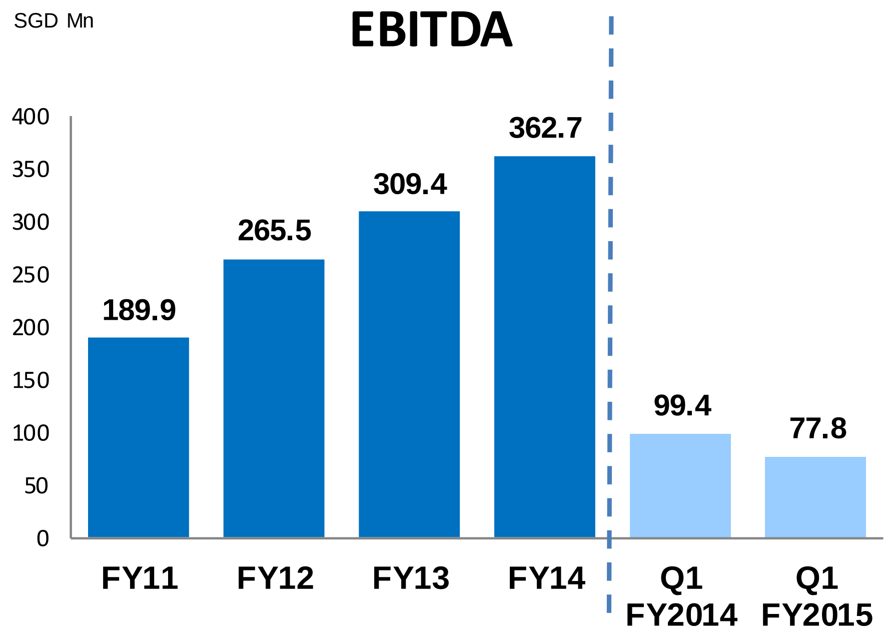


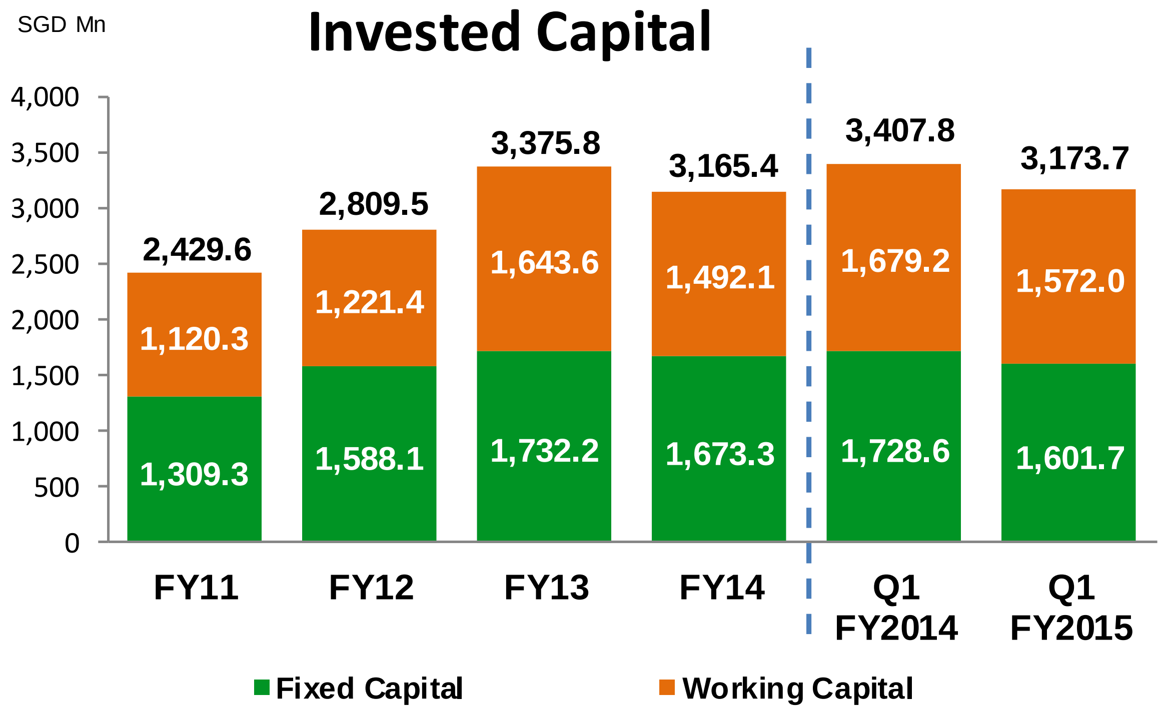
- **EBITDA** declined primarily due to underperformance in hazelnuts and upstream dairy
- **Fixed capital** growth moderating as a result of lower capex and asset disposals
- Price-led **working capital** growth, particularly in Confectionery & Beverage Ingredients and Edible Nuts, Spices & Vegetable Ingredients segments

IC excludes (a) Gabon Fertiliser Project (30-Sep-14: S$179.0 mn, 30-Jun-14: S$184.1 mn) and (b) Long Term Investment (30-Sep-14: S$394.3 mn, 30-Jun-14: S$407.7 mn)

Segmental Analysis

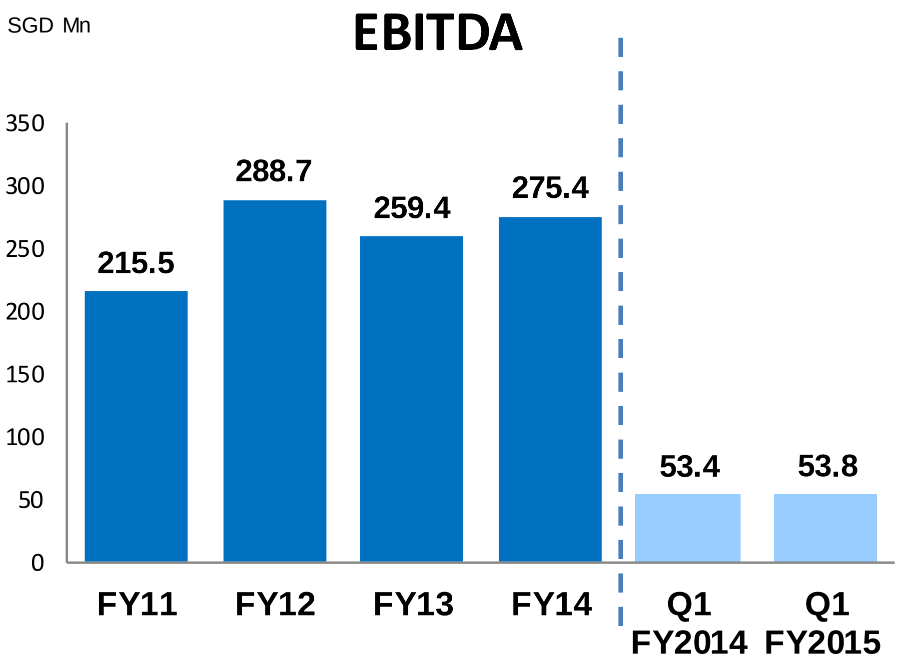
Edible Nuts, Spices & Vegetable Ingredients

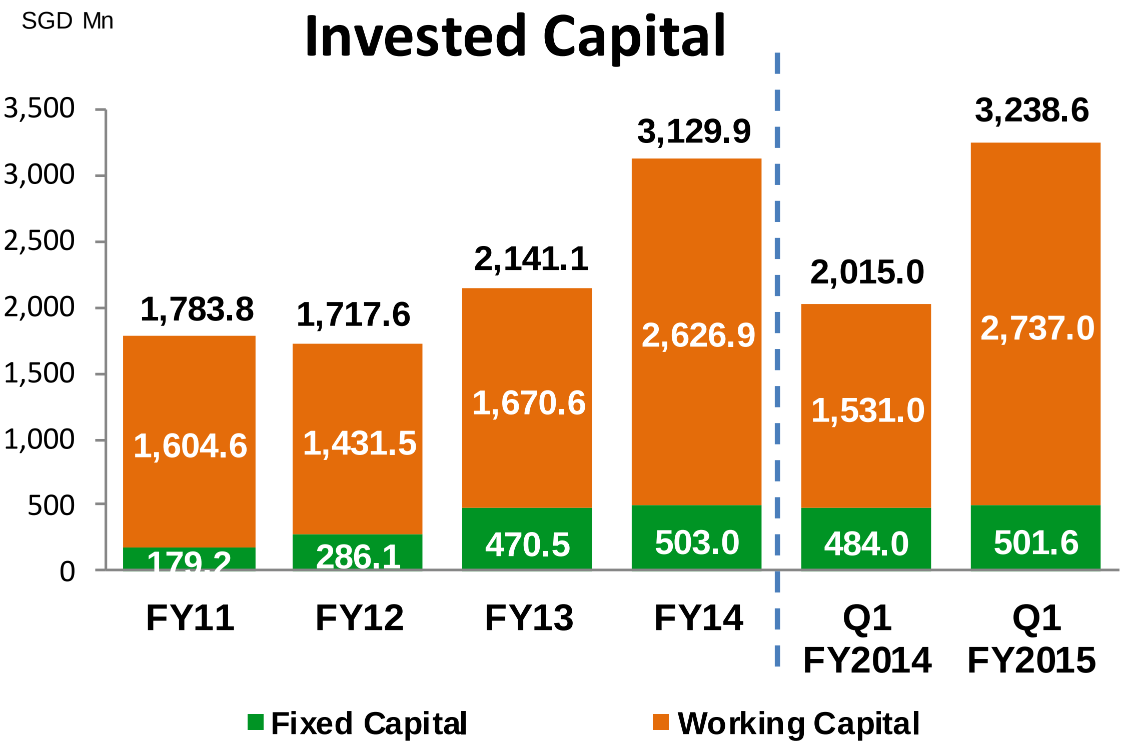




- Strong performance from upstream **Almonds**, US **Peanuts** and the **US vegetable** businesses. Cashew and tomato businesses performed better than the previous year
- Hazelnuts business impacted by weather-induced crop shortage. Impact likely to continue in Q2 FY15, but market prices have adjusted to the revised supply estimates
- **Net reduction in invested capital, both fixed and working capital** vis-à-vis Q1 FY14 as a result of asset disposals and working capital optimisation

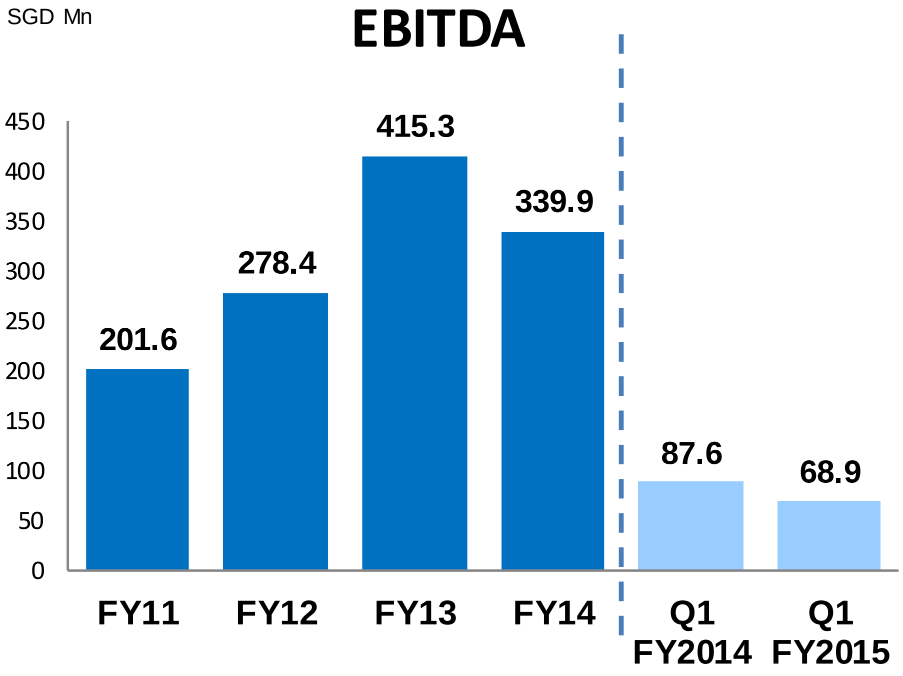
Confectionery & Beverage Ingredients

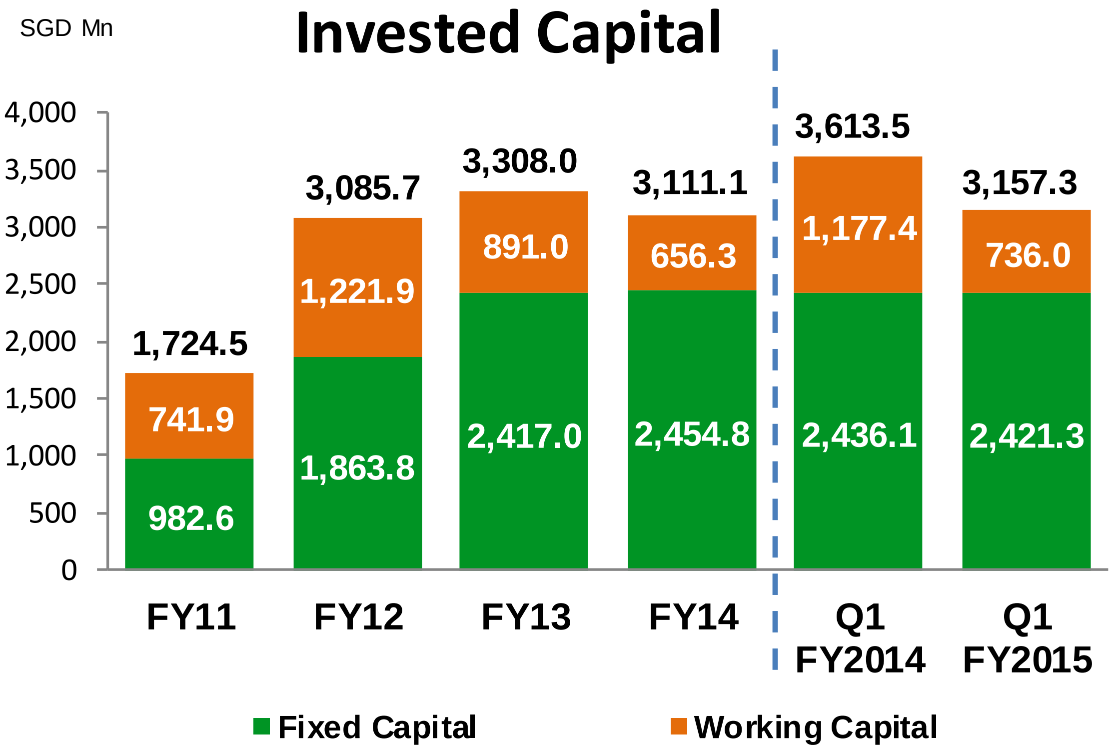




- **EBITDA** maintained, despite lower volumes, due to **higher contribution** from **midstream processing assets**
- **Significantly higher invested capital** due to an **increase in working capital** from higher cocoa and coffee prices

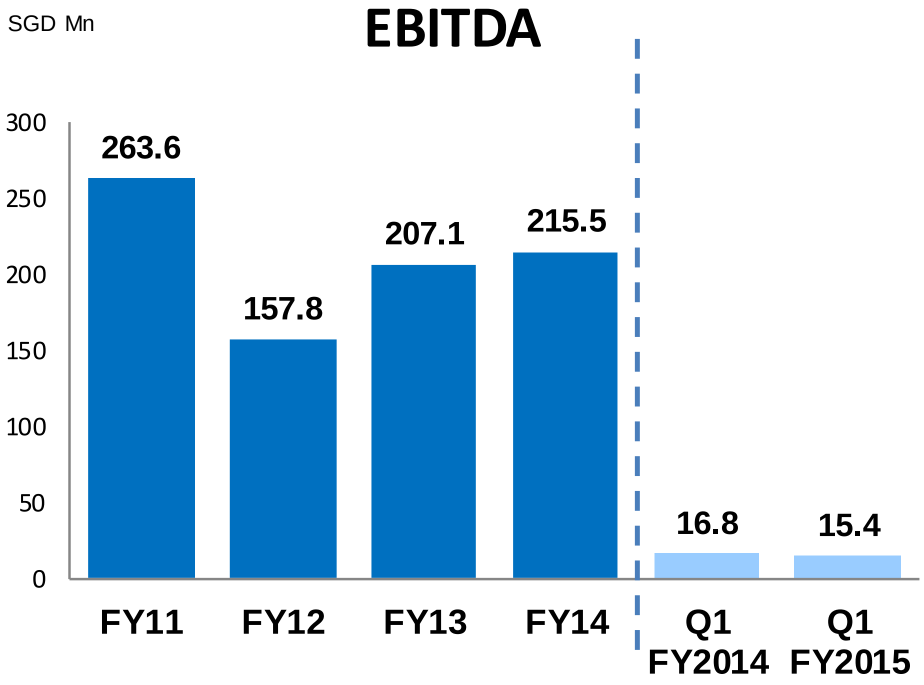
Food Staples & Packaged Foods

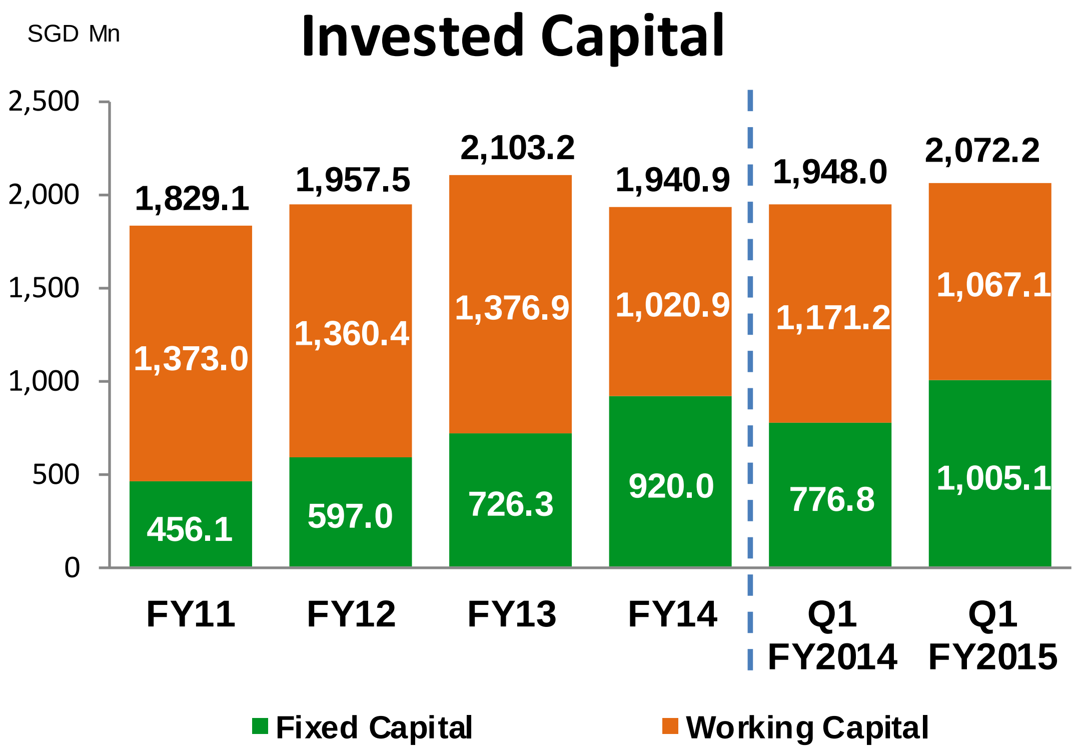




- Wheat flour mills, packaged foods, sugar and rice businesses **performed as per plan**. Overall **EBITDA** impacted by sharply lower milk prices and yields in Uruguay dairy farming. Cedi volatility in Ghana adversely impacted performance, however, currency has stabilized towards the end of Q1. Dairy supply chain and palm (SIFCA) were impacted by lower prices
- **Significant reduction in overall Invested capital** since Q1 FY14 from various divestments and working capital optimisation and restructuring efforts

Industrial Raw Materials





- **Cotton and timber businesses** performed better than last year, however, **overall EBITDA marginally declined** due to **lower contribution** from **rubber and fertiliser trading** and SIFCA
- **Invested capital up** as compared to Q1 FY14 due to incremental fixed capital investments in upstream **Rubber** plantations and the **SEZ** in **Gabon,** with **reduction in working capital** driven by both **Cotton** and **Timber**

Balance Sheet and Cash Flow

FCFF impacted by price-led working capital

SGD Mn

Cash Flow Summary	Q1 FY2015	Q1 FY2014	Y-o-Y
Operating Cash flow (before Interest & Tax)	236.6	252.8	(16.2)
Changes in Working Capital	(117.1)	(44.5)	(72.6)
Cash flow generated from operations	**119.5**	**208.3**	**(88.8)**
Tax paid	(18.6)	(2.8)	(15.8)
Capex / Investments	(155.5)	(159.5)	4.0
Free cash flow to firm (FCFF)	**(54.6)**	**46.0**	**(100.6)**
Net interest paid	(105.7)	(163.2)	57.5
Free cash flow to equity (FCFE)	**(160.3)**	**(117.2)**	**(43.1)**

- **FCFF and FCFE** were lower due to **higher net working capital** of S$72.6 mn
- Change in working capital was driven by a **significant increase in commodity prices** particularly in the Confectionery & Beverage ingredients and Edible Nuts, Spices & Vegetable Ingredients segments

Gearing in line with FY2016 objective

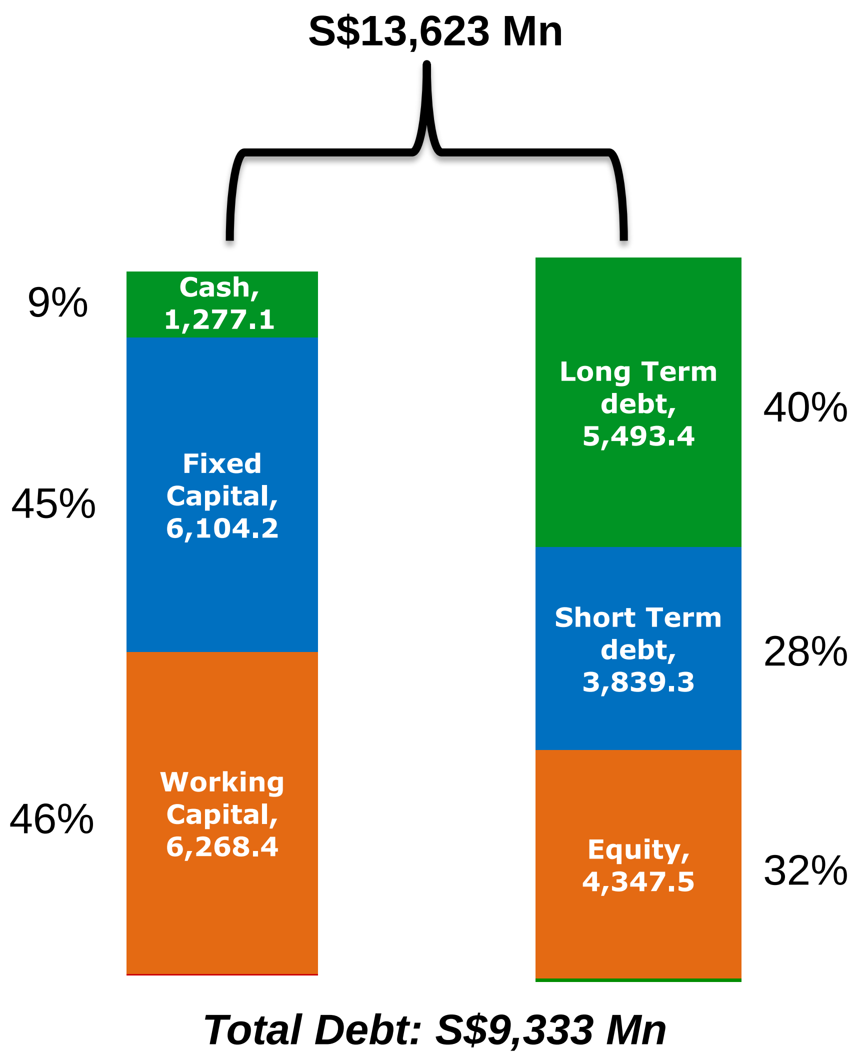
SGD Mn

	30-Sep-14	30-Jun-14	Change
Gross debt	9,332.7	9,339.9	(7.2)
Less: Cash	1,277.1	1,590.1	(313.0)
Net debt	8,055.6	7,749.8	305.8
Less: Readily marketable inventory	3,796.4	3,809.5	(13.1)
Less: Secured receivables	1,376.9	1,243.8	133.1
Adjusted net debt	2,882.3	2,696.5	185.8
Equity (before FV adj reserves)	4,347.5	4,260.4	87.1
Net debt / Equity (Basic)	**1.85**	**1.82**	**0.03**
Net debt / Equity (Adjusted)	**0.66**	**0.63**	**0.03**

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

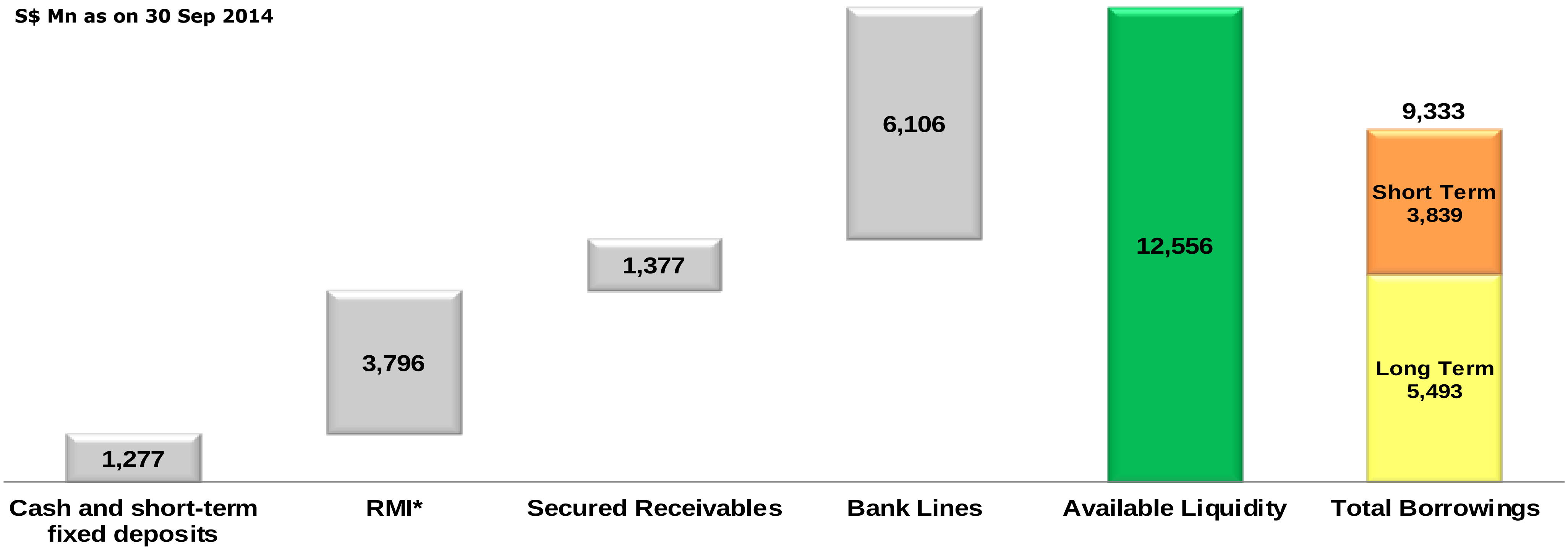
- **Gross debt remained flat** vis-à-vis June 2014
- Gearing **in line** with our **FY2016 objective** of below **2.0 times**

Sources and uses of funds



- **Conservative funding profile**
  - S$9.8bn of equity and long term debt against S$6.1bn of fixed assets
- **39%** of working capital financed using **long-term sources**

Ample liquidity



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

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

Key Takeaways

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- **Steady start** to the year for most businesses and platforms, excluding dairy and hazelnuts
- **Continued progress** on strategic plan execution
- Active **restructuring and rebalancing** of the **debt portfolio** to balance tenor and reduce finance cost
- Focus remains on **executing strategic plan initiatives** and optimising balance sheet & debt portfolio, while continuing to **selectively invest** in growth opportunities across our **prioritised platforms**

Thank You