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O32.SI - Q2 2015 Olam International Limited Results Briefing

EVENT DATE/TIME: AUGUST 14, 2015 / 2:30AM GMT

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PRESENTATION

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

Ladies and gentlemen, good morning and welcome to all of you to our results presentation for the period ended June 30, 2015. It's my pleasure to introduce our senior management team today who is with us at the presentation, although you're already very familiar with them. Our Co-Founder, Group Managing Director and CEO of Olam International, Sunny Verghese, who is seated at your extreme right at this table. Next to him is our Executive Director for Finance and Business Development, A. Shekhar. On his right is our President and Group Head of Corporate Finance, N. Muthukumar, and I'm Hung Hoeng from Investor Relations.

Before I move into the agenda, I would like to bring out the cautionary statement on forward-looking statements so that you are aware.

Also I'd like to draw your attention to our change of financial year that we had announced earlier. Our financial year-end will now be in end December instead of end June. As part of the transition to the new fiscal year, the numbers we are presenting here on the slides, press release and management discussion and analysis statement are for the second quarter and half year ended June 30, 2015 on the new financial year basis, i.e. from January to December, and are compared to the prior corresponding periods. However, for statutory reporting purposes, the results are presented as the quarter and cumulative 12 months ended June 30, 2015 as the current fiscal year is from July 1, 2014 to December 31, 2015.

Now on to our agenda. Shekhar will present the financial highlights for the first half of 2015, the January to June results and take you through the segmental analysis of the results. We will then open up for question and answer. Shekhar, we would like to invite you to the rostrum to present. Thank you.

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

Thank you Hung Hoeng and good morning ladies and gentlemen. Thanks for joining us today for our quarterly briefing and we are pleased to announce a good set of results, which you will have seen by now.

As Hung Hoeng already outlined, we are now discussing all these results based on a H1, which is a Jan-June half or April-June quarter. And we have had a fairly strong profit performance, almost 48% in terms of PATMI growth compared to the last half and almost a double PATMI for the quarter.

Must caution that our Q2 last year was a weak quarter. Notwithstanding that, it's been a very good performance. Underlying EBITDA has grown across most of our business platforms. There have been a few exceptional performances in our nuts and spices segment that I'll touch upon briefly. There have been a few not so good performances in our food and staples business, which I'll also touch upon. And last year in this quarter we had a very good performance from SEZ, which is not there for this year and that business, as you know, is a lumpy business.

But notwithstanding the usual ups and downs, the standout performances and the not so good performances, overall EBITDA has grown 2% for the half year and about 6% for the quarter compared to the corresponding period. We're quite pleased with how all the platforms are positioned for the coming six months.

As far as the reported PATMI is concerned, for the half year there is a -- it's lower by 70%. But most of this is on account of movement between exceptional items which are there in the first quarter of last year versus the first quarter of this year. Two major things that contributed to a large profit last year was the PureCircle revaluation and the gain on the sale and leaseback of orchards that we had announced in Q1 of last year. And in this year in the first quarter we had a loss on account of buyback of the bond which, was a one-time cost which we incurred to -- which will potentially have a saving of SGD55m to SGD60m per annum over the next three years.

So removing the effect of these exceptional items in the last period, in the last year same period and this year we have a reported -- we have an operational PATMI, which is the figure that we want to focus on for the rest of the presentation, which has grown about 50% for the first half of this year.

So that's on the overall earnings position. As we have always highlighted over the past few years, that there are two major balance sheet areas that we stay focused on while we deliver profitable growth.

The first is positive, ensuring that we have a positive free cash flow. I'm pleased to announce that for the first half we have a positive free cash flow of SGD135m. This is after the investment of roughly SGD235m in MMI which was not really a planned CapEx, but an opportunity that came our way. And we are very pleased with how that acquisition has been closed, integrated and it's already earnings accretive even in this period that we are, the short period that we are talking about.

As far as the gearing is concerned, it remains around the same levels of 1.82, which is below our 2 times target that we had signaled.

And so apart from the earnings growth we are also pleased with the underlying FCFF generation as well as the gearing, maintaining the gearing despite some of the investments that we continue to make.

On the financing front, obviously a lot of you are aware, we have been talking about this over the last four quarters, in terms of the series of steps we are taking to optimize both the cost and tenure mix of our overall debt portfolio. And that's already contributed a fairly significant part to our earnings growth in this period. Compared to almost SGD245m net finance cost, we have about SGD225m for this year.

One part I want to just signal that in the second quarter you'd see that we haven't seen the full cost reduction flow through. It's primarily because we have taken a lot of very high-cost local borrowing in areas which were in markets where there has been a steep devaluation, specifically calling out Nigeria, Ghana, Mozambique etc, and that's offset some part of the cost reduction. So the cost reduction still continues to flow through in terms of our overall US dollar debt cost, but has been offset somewhat in Q2 because of the higher cost of local borrowing.

The one-time charge I already mentioned, which was announced in Q1 itself.

So beyond those aspects, two other things. We'll stay focused on ensuring that we still back growth. The MMI, the McCleskey Mills transaction which was closed in January this year has been fully integrated, has gone off very well. We're very pleased to report that the earnings for this period have been slightly ahead of our plans. Most importantly, the team that we've got along with the unit is excellent and has integrated very well with our existing US peanut business, and we're very happy with the progress of this transaction so far.

There's been a lot of news in the recent past about the ADM transaction getting dramatically delayed etc. etc. I just want to set all doubts at rest on that front. We had announced when we met in the last quarter that we'll conclude this transaction, likely to conclude this transaction by the end of Q3. Probably this might flow through into the first half of Q4. But during this period we've got all the regulatory approvals and that's been secured. The Cargill transaction which was another transaction that has been quoted has also got completed. And, as far as we are concerned, we are on course to completion of this transaction in early Q4 and there is really no change in that.

Any of the actions that are being completed right now is more on account of separating the cocoa business from the larger ADM business, which has to be carved out before we can take it over. And that has both structural issues to be resolved as well as IT standards to be completed, and which are more operational in nature and should get concluded in time. So at this point in time we don't see any delays or any uncertainty about the closure of that transaction and I just want to put that at rest right upfront.

Lastly, but not the least, we are pleased to, the Board is pleased to announce that an interim dividend of SGD0.025, which will be paid out on August 31. The book closure date is on August 24 and the payment of the dividend will be made out on August 31. So that's the big picture.

Moving on to a bit of the details in terms of the P&L first, I'd like to call out first the issue on volumes. And that is a reduction and to be honest we are quite pleased with that reduction because the reduction in volume is coming out of either discontinued operation or our exiting lower margin businesses. And that's good news from our perspective. We see growth and continued growth in most of our prioritized platforms and we stay focused on extracting more margin out of our current investments rather than chasing pure volume growth.

So there is no slowdown in our prioritized platforms and the big chunk of reduction that you see in volume is primarily coming out of the food staples and packaged food business, and probably more than 80% of that is coming down because of the exiting some of the grains businesses that we announced in the first half of last year, specifically in Australia and South Africa, as well as some of the timber business closures and a bit of closure -- a bit of volume reduction because of the closure of our cashew in Nigeria.

So those were some of the discontinued operations which has had an impact in terms of like-for-like volume comparison, but we feel quite confident in terms of the underlying growth in volumes in our prioritized platforms, the platforms that we want to back.

As far as the other point to call out here is that, for those of you who look at the bio gain as a separate item, between these two periods what was a profit of SGD8.4m in the first half of 2014 is now a negative SGD33.4m, so roughly a SGD43m move, which is absorbed in our EBITDA. So our EBITDA growth on a nominal basis is 2% for the half year and 6% for the quarter, after netting off this loss.

The impact between EBITDA and PATMI is on account of really lower finance costs that I've mentioned as well as a lower minority interest for this period. A chunk of that is also explained by the SEZ, which was a profit in Q2 of last year and is not there this year. So that's broadly the overall P&L analysis.

Moving on to segmental and looking at the overall EBITDA and invested capital, which is the two metrics that we look at for each of our segments, on an overall basis EBITDA growth, we have talked about.

Invested capital has grown marginally if you compare on a June-to-June basis, much lower if you look at a December-to-June basis. The fixed capital increase is really on some of our regular maintenance CapEx, planned CapEx that had been announced earlier, as well the McCleskey acquisition, set off by the divestment of 25% share to Sanyo. So fixed capital movement was pretty marginal.

Working capital is ahead compared on a June on June basis and that's primarily because of a slightly increased cycle time mostly on account of inventory, higher inventory that we are holding, which should get shipped out. It's more a normal operating cycle issue and nothing to be worried about. Overall otherwise, with the price reduction, we expect working capital to stay well in control.

Looking at the segmental analysis, the standout performance has been really across the board across the nut, spices and vegetable ingredients business.

The almond business has done very well both in Australia and the US, obviously helped by the strong almond prices, which are at historically highs right now. It's also been helped in the recent past by the Aussie dollar devaluation and that also has obviously impacted our costs positively in this particular case. So the almond business is in good shape and looks likely to continue that performance over the next half and I guess eventually it is well ahead of our plan performance.

The peanut business in the US, as I've mentioned, is also doing well. And the cashew business as well as the hazelnut business, which was a bit of a underperformance in the second half of last year, that's also come back quite strongly.

So on an overall basis the nuts business seems quite well positioned. The only potential concern is in Argentina where a steep fall in peanut prices as well as the volatility in the currency is causing us some concern and we're looking at it closely. But otherwise the rest of the nuts business looks very solid and well-positioned even for the coming months or coming quarters.

The spice and vegetable ingredients business is also doing very well in the US. It has done much better than plan in the US, the onion and garlic business specifically. And also the tomato business is doing much better than in the past. So those businesses are well -- in very good shape. The rest of the China business, India business is probably not going as well as planned. But they are in relative comparison smaller parts of that business.

On an overall basis, we feel quite pleased with the performance on this segment which has done probably better than we planned for, some part of it because of market, specifically for the almond business, but otherwise quite well-positioned competitively.

Invested capital increase is predominantly because of the acquisition of the McCleskey Mills as well as a bit the impact from the higher prices on hazelnuts and almonds resulting in a higher, slightly higher working capital.

Moving on to the confectionery and beverage ingredients, the two businesses here, cocoa and coffee, both are pretty much contributing equally.

The coffee business has undergone, in terms of market price has undergone a lot of volatility. Last year it was on a run up. This year in the last few months it has come off quite sharply, and in the recent last week has gone up and come off.

So it's been quite volatile, led predominantly because of the LatAm currency. And there's steep devaluation in LatAm currencies. Obviously Central America and South America is a very large contributor to coffee. And that's impacted a lot of coffee pricing. We feel quite well-positioned in all our origins and while there is this volatility we are quite well positioned to manage it, have managed it quite well and look to seeing some opportunities coming out of this in the coming months.

Similarly on cocoa, the market has been quite firm and bullish. There is some amount of -- there was some amount of concern because of the Ghana cocoa shortfall, which has led up to a rise in the market. Again, we are quite well-positioned within that business.

And both these businesses have shown reasonable growth in the first half. A lot yet has to happen in the second half and we will look forward to pushing ahead. Obviously a big change to this segment will happen when ADM happens in Q4 and that will impact both EBITDA and IC quite significantly going forward.

Food staples and packaged foods has six businesses and we have quite some different performance situation across those six businesses.

To call out first, the grains business, which is quite well-positioned. The West African milling business is doing very well. The Black Sea business from Russia as well as the Middle East business is doing very well. So the restructured grain business post the exit from some of the discontinued operations is quite well-positioned and we're quite pleased with it.

The sugar trading also, which is now a much smaller niche business for us, has also performed well, and so has the rice distribution business. There is a little bit of uncertainty in Nigeria, but we feel that's within the usual course of business and the business in itself is quite well-positioned to capitalize on whatever opportunities there are in Nigeria also.

So those three businesses have done -- are at plan or slightly ahead of plan. The three businesses that have been underperforming and for different reasons are really the dairy business, primarily on account of the Uruguay upstream operation, the packaged food business, which was quite badly affected by the steep currency devaluation in Nigeria and Ghana, and the palm business which has been more recently hit with both the steep devaluation in Mozambique as well as lower palm prices, which has impacted especially our earnings from SIFCA.

But if I were to address it in the reverse order, the palm business is a cyclical situation and we believe that we'll come out of this quickly. It has had an impact for the first half, might have some continuing impact in the second half, but we believe that the business otherwise, the investment that we have made and what we have on the ground, we feel quite confident that it's a cyclical issue which will get resolved quickly.

The packaged foods business which had two very tough quarters, the fourth quarter of last year and the first quarter of this year, the trajectory has improved in Q2. Actually it's done better than what we anticipated. The currency uncertainty still remains and therefore we don't want to take that away. Both in Nigeria and in Ghana the currency has been quite volatile. The oil price impact on both these economies is quite high and therefore there is likely to be continued uncertainty. We'll watch it very closely.

But I must say that we have managed the currency volatility, specifically in Nigeria quite well because of our ability to move into a lot of local borrowings at a cost-effective manner, net of currency implications, as well as how we can manage because of the usage of our own dollar proceeds because we have a large export base in Nigeria. And that helps us manage that volatility better than most of the other participants. And hence again, while those two packaged foods business has performed below our plan, but is better positioned for the second half in our opinion.

Coming to dairy, I think there we have two issues. One is the operating performance of Uruguay that we have talked about in the past. We've been talking about that over the last few quarters. We had made various changes in terms of the operating structure, which again I highlighted in my last quarterly briefing, and we have seen improvements in May and June in our operating performance and in yield and productivity.

But in the last two months, as most of you would be aware, dairy prices have taken a hammering. They were bearish for the last over nine months, but in the last two months they have taken a further steep fall. And current dairy prices and the outlook of dairy prices remains very, very weak, so much so that even in a place like New Zealand, which is the most cost-effective producer of milk, there is large scale culling being contemplated.

So clearly we have moved up the changes we are making in Uruguay beyond the operating aspects that we were focused on. We are now taking some far deeper cuts in terms of restructuring the number of farms, bringing down the number of farms, rationalizing our herd again, both by a mix of culling as well as moving herds into more centralized farms, and also cutting out due to that some parts of the infrastructure and overhead costs that we have.

This is all happening as we speak. We believe and we want to call this out right upfront that in Q3 and Q4 there will be some one-off restructuring costs that we will have to take. It is still not something that -- we are working on it and hopefully by the next time we meet for the next quarterly briefing we'll have a better sense.

But what we want to do -- we don't see the current bearishness in milk prices. It's cyclical in some ways because of excess supply and the fall-off in demand, but we don't think this will correct in the next six to nine months. And we want to take some actions ahead of the curve, both to address the operating bleed in Uruguay as well as rationalize and position ourselves when the prices do pick up in the early part of next year.

So that's potentially had, has had a big impact for the first half as well as a continuing impact for Q3 and Q4, which we are really focused on. And I want to just assure you that the plan that we are drawing out right now, which we'll be in a better position to announce when we meet next quarter will hopefully address both the bleed as well as the long-term business model in our participation in Uruguay.

I'd also like to point out that we have in light of this current situation deferred the processing investment that we had announced previously and we have put that on hold. We have just taken; we have not spent too much and therefore it won't be a major impairment. But we have put that on hold until we resolve the basic farming structure.

So there are businesses that are doing well, but this particular segment has been rather steeply hit by these three specific profit centers. Otherwise, overall we feel quite comfortable with the other businesses. Quite comfortable that palm and PFB are structured and repositioned right to come out of this and Uruguay we will sort out before the end of this year.

Moving forward to industrial raw materials, you will see that the segment has shown an EBITDA fall, but the cotton and the restructured wood business have done quite well and have had an EBITDA growth during this period.

The fall is primarily because of what I mentioned earlier. The SEZ business is a rather lumpy business, happens when we sell the prepared land there. And that was a large contributor to Q2 of last year, which is not there this year. And that's the difference in the EBITDA. But otherwise the core businesses of cotton and wood products are doing well. Rubber is at this point in time a marginal business and is more in an investment phase in Gabon where we are investing in the rubber plantations and we have a small trading business.

Nothing much on the invested capital also, with investments really going into the rubber business only.

So with that on the segmentals, I'll move on to cash flow. Like I mentioned, we have operating cash flows which have improved. Our working capital increase -- while there is an increase, it is lower than what it was last year. Tax paid is a marginal increase. And CapEx investments after MMI is ahead of last year, but if you remove SGD235m of MMI the free cash flow would have been higher as well as the CapEx investments would have been better than where we were last year.

And so on an overall basis we are pleased with the trajectory and we will stay focused on ensuring that we stay at FCFF positive. As we had called out previously, when we do the and complete the ADM transaction, there will be obviously a short-term impact on FCFF as well as gearing. But we don't intend to change any, at this point in time, change our strategic plan guidance for 2016, where we still believe staying FCFF positive for the year in 2016 as well as maintaining the gearing below 2 is something that we can still achieve.

So this is the gearing situation. Not changed much from December or compared to June of last year and we will hopefully maintain that going forward apart from the impact of the ADM when it happens.

A good solid liquidity position, about SGD1.4b in cash. And with RMI and secured receivables of almost about SGD4.7b and a large unutilized bank line, we feel quite comfortable with our liquidity position.

Thanks to a lot of the banking partners who are represented here and those outside this room, we continue to take measured deliberate steps to optimize our debt portfolio. We have done some more steps during the first half of this year, starting with the buyback of the rights expense -- our most expensive rights bonds. As well as in more recent past, announced a few days ago, a US dollar syndication wherein again we have refinanced what was a $400m syndication, we have increased it to $800m, but at better terms.

So again, these are small measured steps. Some of it is showing up in our lower interest cost, adding to our bottom line already, and is likely to continue to do so in the coming years, coming months and years.

So overall, just want to leave you, it's a good performance. We are pleased with the first half as well as second quarter performance. It has to be put in context of the poor quarter we had last year, so some part of the comparisons have to be hopefully dialed down. But we are on plan. We feel quite comfortably positioned across most of our business platforms and are focused on sorting out some of the underperforming units, and will ensure that they don't take away what the profitable businesses are making. We'll obviously continue doing what steps we need to take on optimizing our debt mix.

And as we do all this we will back growth, but very selectively in our prioritized platforms. And taking a few large big bets, one which we have completed at the start of this year, one which we hope to complete in the second half, and we're looking at a few which hopefully will enable us to stay with a growth pipeline which is in our prioritized platforms.

And the last part I would like to say is that the world is not a very -- even the events of this week, there is a significant amount of macroeconomic uncertainty, currency volatility specifically, which has hurt us in the last few quarters and which we need to manage quite carefully. So while we are well-positioned in our businesses, we are optimistic of where we are at this stage, but there is a note of caution and there is a significant part of keeping our feet on the ground and stay focused on managing what might come out especially because of what's happening around us in the world. And we hopefully will be able to manage it on an ongoing basis.

Thank you and we will take your questions.

QUESTIONS AND ANSWERS

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

Thank you, Shekhar, for the presentation. Now we'll open the floor for question and answer. Please raise your hands and give us your name and the company you represent and the microphone will be brought to you. Yes, Chuck.

Chuck Spencer - *Morgan Stanley - Analyst*

Thanks. It's Chuck Spencer from Morgan Stanley.

A pretty impressive performance in your edible nuts business. Can you give us some further insights into the performance of your almonds business when you look into that EBITDA number?

And also you mentioned some recent acquisitions in almonds in the US. Can you give us some numbers to that?

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

So obviously I'm not going to break out the EBITDA into each of those products. All I can say is in the plantation business, both in the US as well as in Australia, we have an upliftment because of a better than anticipated performance because of the absolute almond price which is fairly public. And in Australia we also had some impact because of the Aussie dollar devaluation which has impacted our costs. But, outside of that, I don't want to break it up into an EBITDA number of the total segment.

In terms of the increased investments, it's mostly planting more land in the US. These have not been new -- we have expanded the acreage by about roughly 1,100 acres of new planting that we have currently underway. But this will take time. These are greenfield plantations and we will be expanding the plantations on a leased -- this is land that we lease back and will be planting over the coming months.

Chuck Spencer - *Morgan Stanley - Analyst*

And if I have the numbers right, it's 13,000 hectares of planted land in Australia in almonds --

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Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

Not 30,000 hectares; 30,000 acres.

Chuck Spencer - *Morgan Stanley - Analyst*

Acres.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

You said 13 or 30? 30,000 acres.

Chuck Spencer - *Morgan Stanley - Analyst*

13,000 acres.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

11,000 hectares roughly.

Chuck Spencer - *Morgan Stanley - Analyst*

11,000 hectares. And in the US?

Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

And in the US it's about 7,000.

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

So if it's hectares, it's 11,000 and 3,000. If it is acres, it's 30,000 and 8,000 roughly.

Chuck Spencer - *Morgan Stanley - Analyst*

Okay. And that's all planted.

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

Some part of the US is still under planting.

Chuck Spencer - *Morgan Stanley - Analyst*

Okay. And following on, is there any thought being given to -- one of your strategic objectives is to unlock value in some of your high-performing businesses. Can you give us some insights into what areas you see that could -- that are high performing and you can unlock value? Thanks.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

I think you're not referring to one such opportunity. So I think there are possibilities for us to look at partial equity carve-out options and some of the businesses that we're talking about could be potentially candidates for that.

It's early days for us in terms of making those calls and determinations because it comes with some upsides and some downsides. The upside could be, it could clearly be illumination in value. If you look at comparable companies in those specific sectors and their valuations, it shows that there's a lot of hidden value in some of those assets and that could be illuminated. But it'll also come with some dis-synergies when you do an equity carve-out by a public flotation as well. We are weighing all of those options. We are nowhere near making any determination as to whether in the very short-term future we will actually execute on that, but that potential clearly exists.

Chuck Spencer - *Morgan Stanley - Analyst*

Okay. Thank you.

Gurdip Singh - *Press Trust of India - Media*

Good morning. Gurdip Singh from PTI. What is it that you want to do in India? You said that Indian business is not doing very well just now. What is it that you want to do with that business now?

Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

No, I don't think he said the Indian business is not doing well; he probably referred to the peanut business in India. We have basically four activities in India.

We have a large edible nut operation. One part of that edible nut operation is we're amongst one of the largest exporters of blanched cashew kernels from India. We also import raw cashew nuts and (inaudible) to the other processors. And then we also import other edible nuts because India is a fast-growing edible nut consumption market. So we import things like almonds for distribution in India. So that's one business.

The second business for us is the coffee business. So we originate process and export both Robusta and Arabica coffees.

The third business that we have is a cotton business. And in some years, the cotton business would largely an export opportunity where Indian cotton is cheap and relatively better value than competing growths in other parts of the world, so it becomes a big exporter. Currently India is a big importer. And we also do a lot of and we also do a lot of local trading of the cotton, buying and trading and distributing the cotton to the textile mills in India. So that's our third business.

The fourth business is really a grains business, primarily focused on rice, which is mainly for export. And then there's a small wheat business which we do trade between where the wheat has grown in India, which is mainly in the Northern parts of India, and where wheat is also consumed in the southern parts of India where there's very little wheat that is grown.

So those are our main businesses, but we also do some spices business, we also do some sesame business, we do a few other things on the side as well, but the four main businesses are that.

We also originate peanuts from India and that business this year will be not doing as well, but it's a very small part of the overall peanut portfolio, as Shekhar mentioned. So within the edible nuts, peanuts is doing very well in US and not doing so well for us in Argentina and in India.

Sorry, the other big activity for us in India is sugar milling. We have two sugar mills, one in Barwani in Madhya Pradesh and one in Maharashtra. The sugar industry is going through a deep down cycle in India because India has had consecutive years of surplus crop. And because of being a partially -- not partially, almost fully regulated commodity, and the minimum support prices the government declares for sugar, it makes a processors life quite difficult in a period of excess stocks. So the mill is profitable from an EBITDA standpoint, but is still not generating a PBT at this point in time or it's about breakeven PBT levels.

Gurdip Singh - *Press Trust of India - Media*

Is there anything you want to do about --

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

Can you take the microphone, please? Thank you.

Gurdip Singh - *Press Trust of India - Media*

Are you revamping that operation or are you up, increasing? What is going to do here?

Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

Yes, so we believe that the sugar cycle in India will turn eventually. It has been a period of deep down cycle. So we continue to focus on extracting efficiencies in terms of outturn yields, production cost. We're also trying to upgrade our quality to be able to sell directly to institutional customers like Coca-Cola for example or Pepsi, both of whom are customers now, so we get a higher realization, higher margins. So change in product mix, change in -- improving production efficiencies, reducing production costs and positioning ourselves to take advantage of a potential upturn in the cycle sometime down the road.

We have also increased capacity to reduce overall production costs, particularly in Barwani, and we are now operating at almost full capacity in both these places.

Unidentified Audience Member

Hi. I'm Rafael from Bloomberg. I think you mentioned you will have -- might have some one-off restructuring cost in Uruguay in the next half. So what sort of range can we expect this cost to be?

Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

It's difficult to give you a precise range at this point in time. What Shekhar told you is that by Q3 that will get clearer. But the plan is to reduce our total farms from the current roughly 49 farms that we have to about 32. And that will include then culling of cows from the 87,000 herd population that we currently have to somewhere around 50,000 cows. That will make it a more focused and closer, tighter operation. And then we will focus in building up the productivity in terms of milk production per cow per day and also reduce our overall cost.

In that context our milk production will come down from what we had thought at full scope of 49 farms and 87,000 cows of between 200m and 225m of liters of milk, that will come down to about 150m liters of milk. So we will shrink and then we will decide whether we want to grow again at an appropriate time. That shrinking will result in some restructuring costs. Today we have not crystallized that because as we're speaking we are establishing which farms and how many and where and all that stuff. By the third quarter that will become a little bit more clearer and we will share that with you at that time.

Unidentified Audience Member

Hi. I'm Steven from Barclays. I'd like to check with you regarding your edible nuts cultivation. Understand that this is a very high water-consuming product so I was wondering how would you have any plans already or for water sources and supplies of water for cultivation going forward, given that the edible nuts contribution has been very good and significant to your results.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

Yes, so if you look at edible nuts, the only places where we have plantation interest are in Australia and in the US, and that is largely with regard to almonds. We are not upstream in any of the other crops. We are upstream in peanuts in Argentina where we farm on a leased basis, but that is rain-fit farming not irrigated farming. But almonds are fully irrigated operations in both places.

So in Australia, as you know, we own significant permanent water rights, which will cover roughly about 60% of our total water requirements in Australia. So we have got high-security permanent water rights, which is the larger part of the investment in Australia. And the balance, 40% odd of water that we need, we access that water in the temporary markets. And we are very significant players in trading water in Australia in terms of both the temporary market as well as the permanent market, and therefore we feel quite hedged.

For example, we would have covered almost all our water requirements for the next cropping season, and therefore would have very limited exposure if Australia goes into further drought and there is more water rationing.

Second, in California, as you know, we are now in the fourth, fifth year of the drought. It's a very severe drought, but if you look at the last 100 years of Californian droughts, this is not unusual; it has happened before as well.

Fortunately for us all, our almond orchard assets in the US is based on groundwater supplies, not surface water allocations. The groundwater supplies will also have issues during drought in that the water tables will recede and therefore you will find water at more deeper depths. And that would mean extra cost of pumping that water because you have to pump it a longer distance, and as you go deeper you'll get more saltish, blackish water and you need to treat that water before its fit for application for irrigation.

But despite all those costs going up and the water cost going up, it will be reflected in the prices because a drought would also signify that productivity and overall production will be lower. So the objective estimate for the next crop in the US is 1.8 billion pounds. Our own internal house views will be somewhere around 1.85 billion pounds. But following on from this year's 1.87 billion pound production, these were two pretty poor years of production. And the impact of drought will continue for a while.

However, both our plantations in Australia as well as our plantations in California, we have given the plants their full water. In fact we've increased water usage in Australia from roughly equivalent 12.5 mega liters per hectare that we were applying before to now almost 14 mega liters per hectare. And similarly, all our orchards in the US have been fully supplied with water. And in both these places we have 100% drip irrigation so we have very high water usage efficiency. We also do fertigation there, so all the fertilizers are applied through the drip irrigation systems. So it's a very supplicated and high water usage efficiency structure for us.

But at the bottom line is that 80% of the world's almonds is grown in California and California produces 99% of the US almonds. And almonds, as I mentioned the last briefing also, requires very, very specific agro climatic conditions to grow it successfully. It needs a certain number of chill hours per hour during the growing season and if you don't get those chill hours you can't grow almonds or the yields will be very poor. It need, if temperatures go below zero degrees -- well, it needs those chill hours. If it goes below zero degrees you'll have a frost attack and you'll have to uproot your almond plants.

So there are very few places in the world where you can grow almonds, four locations principally. So I think, given the growth in almond consumption, I don't see any real alternatives to grow almonds in new territories and new areas. Both Australia, which is the second largest producer of almonds, and the US, which is the number one producer of almonds, have both got water issues. But we have to manage in the way we hedge our water sources in terms of having more reliable supply in the US through groundwater, in Australia through permanent water rights, and through better water usage efficiency irrigation technologies that should help us manage the water constraints.

But all the PR, the negative PR about almonds using a lot of water, disproportionately more than other crops or it uses a big chunk of California's water, that is all now proven to be hogwash. It was initially in the news, but I think objective data on how much water in California is actually used by almonds and pistachios etc, now is there in the public domain and that controversy about almonds taking a lot of that water is now put to bed.

Miyuki Tani - *Nikkei - Media*

Hi. Miyuki Tani from Nikkei. I have three questions. One is about your takeaway on macroeconomic uncertainty and related to China. How does the economic slowdown in China affect your business? Have you seen any impact? If so, what business and to what extent? And how do you see the economy going forward and what will it affect your business in the future?

And also related to the devaluation of yuan and some following Asian currency devaluation, you have talked about some African currency devaluation, but have you seen any -- will you really have any impact on that?

Secondly, about the coffee and cocoa business, I think there was a mention about an opportunity that you are looking at. What is that? Is that an invest -- new acquisition or any investment?

Third question is about Uruguay dairy business. Is there any option of considering divesting from it? Do you have any changes --

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Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

Okay. So first on China and the impact of China on our business, firstly, as you've seen, China has had, relative basis, a slowdown in its economy. It has dramatically impacted some commodity asset classes in terms of demand originated from China.

Over the last 20, 30 years China has been a big driver for the delta in demand for industrial raw materials and that includes things like coal and iron ore and copper and steel and everything else. And you can see from the reports and results of all the mining companies and resource companies that have declared their results that they have been deeply impacted. So all the energy companies, all the mineral resource, metals companies, because China was a big driver of the demand and with China slowing down, they've all had significant impacts.

There hasn't been that kind of impact in food. So we are only in the food business. Even if you see the kind of impairments that conglomerates that are in food feed and industrial resources have taken, they've all taken big impairments on the industrial resources side, but no impairments in the food and feed side.

So food mostly is recession-resistant. Just because there is a slowdown, you don't start suddenly consuming less food. You might do it for health and other reasons, but not really because there is a recession. So we don't see a big impact in demand reduction in China in the food space. China's food consumption has really not declined in any meaningful way and therefore that has had not much of an impact.

The devaluation of the yuan, again, as most commentators have now said, while it's a surprise and I think everybody was caught by that surprise, is really very modest. And in the long run I think it will be very good because China is really signaling that it is willing to allow its currency to float more freely and for market forces to determine the true value of the currency.

So the devaluation that has occurred over the week, 3%, 4%, will impact China in two ways. Its exports will become more competitive. So we export, for example, garlic out of China and in some years peanuts out of China. That China will become more competitive going forward. But for us China is mainly a domestic market and a devaluation will increase the import prices for those imports and that can have some impact on demand, and that will be experienced by us in the products that we are selling into China.

But a 3%, 4% devaluation compared to the 50% devaluation we see in some of our other markets, it's a non-event for us. I don't think this is going to impact our business in any meaningful way as far as China is concerned.

Your second question was about coffee and cocoa, and you alluded to something that Shekhar said about a potential transaction. What he was referring to was a transaction that we announced some time ago in December of last year where we announced that we are buying ADM's cocoa business worldwide and he was just making a reference to when that transaction will complete. So it is not something that new that we're contemplating. It is something that is already announced and he mentioned that we will complete the transaction in quarter four. So that was your second question. Your third question I forget now.

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

Uruguay.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

Uruguay, yes. So, as we have mentioned before, our dairy business has got three components, three parts. One is an upstream farming part and in upstream farming we have two systems of farming. In Uruguay we do pasture-based dairy farming and in Russia we do confinement-based dairy farming.

Out of these two categories of upstream dairy farming that we do, Russia is doing very well. It is doing well operationally. It is also doing well because, while we have been impacted by falling dairy prices in Uruguay, in Russia, because of the sanctions against Russia -- Russia banned the import of dairy products -- so Russian dairy prices are very remunerative today. So that business is doing very well. Because of operationally having a solid business there, and we are very comfortable with confinement-based dairy farming, which is easier to manage; pasture-based dairy farming is more complex to manage.

Now in the pasture-based dairy farming in Uruguay, where we have forewarned you today that we are going to further restructure the business and we will share with you what that impact will be, it is a wrong time to contemplate any divestment because we are today having lifetime low, historically low dairy prices, so sentiment in the business about value of dairy assets is very low. So it does not make any sense to contemplate a divestment. Secondly, we are performing poorly in Uruguay in our dairy farming operations and it again does not make sense when you are performing poorly to consider a divestment.

So our objective and our focus is to first bring that business to health and hopefully by then the dairy cycle will also turn and then all our options whether we hold it or divest it can all become more relevant. At this point in time we're just focused on restructuring the business and restoring it to profitability, and waiting for the dairy cycle to turn.

As Shekhar mentioned, it's important to also note that at current dairy prices -- I don't know how many of you are following the strikes in the UK by dairy farmers or the strikes in France by dairy farmers, or the suicides that have been reported in New Zealand, that farmers absolutely struggling to repay their loans.

So the dairy industry -- and, as we all know in the commodity business, the cure for high prices is high prices and the cure for low prices is low prices. When prices in dairy remain below the cost of production for prolonged period of time, there will be a massive supply response. And if prices are high for a long period of time, there will be a massive supplier response, which will lead to lower prices. And therefore we see these cycles in the emerging markets. That has always been the case. It will never change going forward as well. That will be the scenario.

So we have to tide through those cycles and that is why as our strategy we are not focused on one commodity. We are in 16 platforms, 44 agricultural commodities, and that diversification allows us to be a little bit more predictable about our earnings. Where we will have some down cycles and pressures in some commodities in some years, overall as a portfolio we have proven over the last 25 years that that model has worked well for us.

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

If there are no questions from the floor, I'd like to take some questions from the webcast.

What is the estimated net adverse impact of the continuing currency devaluation during the quarter? Do you think it will be lifted by the end of this financial year?

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

For this quarter -- in the last two quarters we had talked about an adverse impact of currency. During Q2 the reason why we didn't mention anything because we managed it. A lot of the currency exposures had been brought back into balance and we had borrowed locally, paying up a higher interest cost instead. So for this quarter two there was really no adverse impact of currency. Actually there is a slight positive impact. We can't predict for the future. There is still uncertainty in most markets. What we can see is that in the markets where we are export-dependent more devaluation is unlikely to impact it.

There was an earlier question on Asian currencies. The reason why we didn't point out about Asian currency devaluation is that most of our businesses in Asia are export-linked and therefore it would be neutral to positive for our businesses. There's a lot of devaluation in LatAm again we think is going to be neutral to positive to our business. It's only in places where we are import-dependent and have a domestic distribution business which is predominantly based on imports, that's where the impact is likely and we'll have to manage it as best as we can in terms of some mix of using our export dollars, some mix of local borrowing and some mix of managing the currency more smartly.

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

Related question is, its anticipated impact on food staples and packaged foods, given the discussion on currency volatility in emerging markets in Africa as well as the continued weakness in oil, which might have helped driven some growth in the country's debt.

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

It's certainly a concern, like I highlighted, and we'll have to see how it is, how some of these countries which are oil dependent will have an impact on lower oil prices, which we think that is probably likely to continue. And the currencies could devalue but at the same time, they've also devalued quite significantly already. So we're talking about 40% to 50% in some cases devaluation that's already happened. And we'll like to see how it can't continue forever. These cycles do happen and hopefully it will settle down in the coming months and years -- within the year.

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

There are two questions in relation to the ADM cocoa. If we exclude the ADM cocoa, do you think the free cash flow to firm will be positive at end of financial year 2015?

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

Yes, that's what we are working towards and if you've seen the last four quarters, we're pretty much been maintaining our free cash flow, FCFF, positive. And notwithstanding the ADM cocoa, that will be a one-shot $1.3b so obviously it will have an impact on that quarter, but without that we expect to be positive.

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

As a result of delay in closing ADM cocoa, do you think there will be any additional cost to it?

Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

No, it's already said that there will be some -- it will be an opportunity lost that we are not going to this year be able to get the full value of that integration. So if we're going to close the transaction in quarter four, we'll have a lot of cost that we'll be writing off this year related to the transaction and we'll have very little revenues to show for it. So in that extent it will be little bit negative.

But we feel that we are buying this asset at the right time and we are very pleased with the various work-streams in terms of the people that we want to retain etc, all that being tied up. So we are looking forward to integrating the acquisition after we have completed the transaction.

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

This aside regarding ADM cocoa, will there be any additional CapEx on top of the $1.3b?

Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

There'll be the normal maintenance CapEx. In our announcement we had broken down what our estimate of the CapEx is going to be. So that will be there. We're not thinking of really investing more right now till we have integrated that business. Whatever is the normal maintenance CapEx required to maintain the productive capacity all the assets that we have bought, that will obviously be spent.

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

This is a question on general CapEx. Overall CapEx, do you have a guidance for the next three years?

Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

Yes, so I think we have mentioned that -- so firstly we had told you that we will raise SGD1.5b of cash flow by various initiatives that we are taking to divest, partially sell down etc. etc. Out of that we have done SGD966m. We are roughly SGD534m to complete before 2016. We feel that we are well on track to release that cash flow so we have no reason today to change that guidance.

The second thing that we told you is compared to our past, where we did a lot of what we can string-of-pearls, bite-sized, smaller acquisitions, we have moved our stance now, strategic orientation now to doing fewer, but bigger deals that will move the needle for us. So the two examples that you saw this year, which is the potential ADM cocoa business acquisition, as well as the peanut-sheller acquisition MMI, McCleskey Mills, is consistent with that change in tack, that we will do fewer transactions, we will do them in our prioritized platforms -- we have six prioritized platforms -- but they will be little bit more larger transactions and they will be transactions that will move the needle for us.

So that is something that will continue. We don't have a precise number to give you today, but when we complete our strategy refresh, which we do every year in November, once that is done, if there is any change and we have crystalized the next three year CapEx plan more clearly, we will communicate that to you as we have done in the past.

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

There's specific question on page 20 of the presentation on the liquidity position. How much of the unutilized bank lines is committed facility?

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

Roughly about 30% of that is committed and mostly we always keep for those bilateral lines committed or uncommitted. We like to operate at something like about 40% to 50% of our utilization, which keeps buffer for any steep price increases etc. So it's pretty much in line with what it has been in the past.

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

What is the average loan cost at the moment?

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

Sorry?

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

Average lending cost.

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

It widely differs. It's been a question that we have addressed in the past. Our short-term borrowing costs are different from our ?- or obviously anything that we issue on the debt capital market, that is actively traded so you can see the cost of five-year at somewhere between 3.8% and 4% kind of debt cost. And at the lower end it is obviously much lower; these are all self-liquidating working capital lines and that's much lower, between 50 basis points and 100 basis points, at that level.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

So cost of borrowing has definitely come down and it's come down in the five-year tenure that Shekhar has referred to by between 200 and 250 basis points. So that is dramatic re-rating of our debt.

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

But must say that there is still obviously debt that we have issued previously, which is still not rolled over, and that will take the next couple of years to rollover. So current average cost of borrowing is not -? that's what we have issued fresh in the recent past or where it is trading today, but the cost to the Company would be higher for debt which has been issued at higher coupons earlier.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

Yes, the legacy loans that we carry.

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

There's one question which I think is a very common question. T's been asked before. What is the Company's top three largest currency exposure?

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

Largest currency exposures in terms of really traded currencies, we would have a very large euro exposure, but it is very easy to hedge and a very liquid market. A large sterling exposure, especially for our cocoa business, and the large Aussie exposure amongst the, let's say, liquid traded currency markets.

In the smaller markets -- not necessarily smaller for us -- in the African currencies it is obviously naira and cedi, which are probably two large [currencies] (corrected by company after the call). The French West Africa is all linked with the euro so that's pretty much a euro exposure for us.

And in Asia, it's really the rupiah, dong and Indian rupee which would be the three big exposures. But this is a larger part of our business, but not necessarily currency exposures that we run in each of these currencies.

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

A question on weather. What is the impact of El Nino? Any update you have for us?

Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

Yes, so our view is that this is going to be a relatively mild El Nino. So the reports that you have read in the papers about this being the worst El Nino in 100 years, we think there is no evidence that backs that. So the big super El Nino years were, if you take the 1982 and 1997 El Nino years, they were what we call the real super El Nino years. And if you look at all the indicators, there is clear evidence that this is not going to be anywhere near a super El Nino and I think therefore the impact of El Nino would be quite modest. We think it will be a mild to slightly, but below even an average El Nino year.

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

We got another question on optimizing the loan portfolio. Do you have any plan to come back to the US bond market over the next 12 months?

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

We continuously evaluate this on an ongoing basis. We don't have any major financing, new financing requirement, but refinancing we'll do on opportunistic basis if we see any good opportunities. But we're not in a major new debt-raising mode and we don't need to, and so at this point of time it's open.

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

Any intention to obtain an S&P or Moody's credit rating, any timing?

Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

No.

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

All right. I think we have covered most of the questions that come from the webcast. Is there any other questions from the floor? If not, I would like to bring this briefing to a close and we thank you for your attendance today.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group MD and CEO*

Thank you very much.

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

Thank you.

Hung Hoeng Chow - *Olam International Ltd - Associate General Manager, IR*

See you next quarter.