

Olam International Limited

Management Discussion and Analysis

Results for the period ended March 31, 2016



This Management Discussion and Analysis (MD&A) should be read and understood only in conjunction with the full text of Olam International Limited's Financial Statements for the Quarter ended March 31, 2016 lodged on SGXNET on May 13, 2016.

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MANAGEMENT DISCUSSION AND ANALYSIS

Results for the period ended March 31, 2016 ("Q1 2016")

Contents

Key Highlights

Financial Performance

SGD Mn

	Q1 2016	Q1 2015 Restated	% Change
Volume ('000 MT)	2,965.5	2,682.8	10.5
Revenue	4,761.4	4,321.1	10.2
Net loss in fair value of biological assets	(5.3)	(1.9)	180.6
EBITDA	**332.8**	**342.9**	**(2.9)**
Depreciation & Amortisation	(80.5)	(58.3)	38.1
Net Finance costs	(99.4)	(123.2)	(19.3)
Taxation	(31.0)	(31.5)	(1.5)
Exceptional items	(12.5)	(97.2)	n.m.
PAT	109.4	32.7	235.0
PATMI	**113.6**	**36.3**	**212.8**
Operational PATMI	**126.1**	**133.5**	**(5.5)**

Note: *Prior period financial statements have been restated due to changes to accounting standards pertaining to Agriculture (SFRS 41) and Property, Plant and Equipment (SFRS 16) that came into effect from January 1, 2016. Please see page 5 for additional details.*

- **Profit After Tax and Minority Interests (PATMI) increased 212.8%** from S$36.3 million to **S$113.6 million in Q1 2016**. This was due to a **lower exceptional charge** in Q1 2016 compared to Q1 2015. The exceptional charges in both periods were due to the buybacks of high priced bonds, amounting to S$97.2 million in Q1 2015 and S$12.5 million in Q1 2016.

- **Operational Profit After Taxes and Minority Interests** (PATMI excluding exceptional items) **declined by 5.5% to S$126.1 million** (Q1 2015: S$133.5 million).

- **Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) declined by 2.9% to S$332.8 million in Q1 2016** compared to S$342.9 million in Q1 2015 as growth across three of our segments – **Confectionery and Beverage Ingredients** (**up 26.2% from S$83.4 million to S$105.2 million**), **Food Staples and Packaged Foods** (**up 7.1% from S$80.0 million to S$85.7 million**) and the **Industrial Raw Materials** (**up 11.5% from S$58.5 million to S$65.2 million**) segments was offset by reduced contributions from **Edible Nuts, Spices and Vegetable Ingredients** (**down** from S$109.9 million to S$80.2 million) and **Commodity Financial Services (CFS)** segments (**down** from S$11.0 million to S$3.5 million loss).

- **Sales volume increased by 10.5%** as compared to Q1 2015 with all segments recording a growth in volumes.

- These results also included a **net loss of S$5.3 million for Q1 2016** on the **fair valuation of biological assets** compared to a **net loss of S$1.9 million in Q1 2015**. Fair valuation of biological assets is now reported in accordance with amendments to Singapore Financial Reporting Standards ("SFRS") 16 – Property Plant and Equipment and SFRS 41 – Agriculture. (See page 5 for more explanation).

- **Net finance costs** (excluding the one-time charge on the buyback of bonds) **were lower at S$99.4 million in Q1 2016** compared to S$123.2 million in Q1 2015 due to various initiatives undertaken to optimise debt tenures and reduce the cost of borrowing.

- **Depreciation and amortisation** was **higher at S$80.5 million** in Q1 2016 **compared to S$58.3 million** in Q1 2015 due to a higher fixed asset base, primarily from the acquisition of ADM's cocoa processing business (Cocoa processing assets) and the wheat milling assets in Nigeria. Depreciation and amortisation is now reported in accordance with amendments to SFRS 16 and SFRS 41. (See page 5 for more explanation).

- We incurred gross **cash capital expenditure (Capex) of S$451.1 million** in Q1 2016 (Q1 2015: S$301.5 million), mainly for the acquisition of BUA Group's wheat milling assets in Nigeria (S$311.7 million). Net of disposals, we invested cash of **S$444.3 million** in Q1 2016 as compared to S$79.0 million in Q1 2015.

- **Free cash flow to firm (FCFF)** was a **negative S$156.0 million** primarily due to the acquisition of the wheat milling assets in Nigeria (S$311.7 million).

- **Net gearing stood at 1.97 times** at March 31, 2016 compared to 1.96 times as at December 31, 2015. The gearing level remains in line with our objective of at or below 2.0 times.

Impact of Changes in Accounting Standards

Amendments to SFRS 16 (Property, Plant and Equipment) and SFRS 41 (Agriculture)

With effect from January 1, 2016, SFRS 16 and SFRS 41 have been amended and now require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with SFRS 16.

Due to the change, Olam's bearer plants (which include palm oil, rubber, coffee and almond trees) after initial recognition will be measured under SFRS 16 at accumulated cost (before maturity) and at cost less accumulated depreciation (after maturity) where costs is deemed to be based on the fair value at the beginning of the earliest period presented, which is July 1, 2014.

The bearer plants will be subject to annual depreciation over their remaining economic useful lives. However, produce which grows on bearer plants will remain in the scope of SFRS 41 and will continue to be measured at fair value less costs to sell.

As a result of these amendments, Olam's balance sheets as at July 1, 2014 and December 31, 2015 have been restated. In addition, the profit and loss statements for the 18 and 12 months ended December 31, 2015 and quarter ended March 31, 2015 have been restated.

Early adoption of SFRS 109 (Financial Instruments)

The Company has elected to early adopt SFRS 109 with effect from January 1, 2016. The adoption of SFRS 109 provides better alignment between the underlying business operations and its financial and accounting impact. The new standard better reflects the risk management activities of the Company by matching the business impact with the financial and accounting impact of its hedging activities.

In addition, the standard introduces new basis of classification for financial assets that take into account the business model and cash flow characteristics of those assets.

There are no material financial effects arising from the early adoption of SFRS 109, except for the classification of quoted equity shares (PureCircle Limited). For this asset, the Company has adopted the option of recording fair value changes through OCI. As a result, upon initial adoption of SFRS 109, the impairment of S$192.6 million on this asset that was previously recorded under revenue reserves has been reclassified to fair value adjustment reserve as on January 1, 2016. From Q1 2016, all fair value changes on this asset will henceforth be recorded under OCI.

The line items of the financial statements that have been impacted by these changes have been summarised below.

Balance sheet as at December 31, 2015

	Prior Year Restatement		
	31 Dec 2015		
	(Previously stated) S$ m	Increase / (decrease) S$ m	(Restated) S$ m
Balance Sheet (Extract)			
Property, plant and equipment	3,366.4	994.7	4,361.2
Biological assets	1,386.7	(1,050.5)	336.1
Total Assets	20,792.4	(55.8)	20,736.6
Deferred tax liabilities	(318.8)	16.3	(302.5)
Total Liabilities	(15,433.3)	16.3	(15,416.9)
Net Assets	5,359.1	(39.4)	5,319.7
Revenue Reserves	1,990.7	(44.5)	1,946.1
Fair Value Adjustment Reserves	(107.9)		(107.9)
Foreign Currency Translation reserves	(375.1)	5.1	(370.0)
Total equity	**5,359.1**	**(39.4)**	**5,319.7**

Balance sheet as at March 31, 2015

	Prior Year Restatement		
	31 Mar 2015		
	(Previously stated) S$ m	Increase / (decrease) S$ m	(Restated) S$ m
Balance Sheet (Extract)			
Property, plant and equipment	2,917.9	793.5	3,711.4
Biological assets	1,076.2	(779.0)	297.2
Total Assets	16,240.0	14.5	16,254.5
Deferred tax liabilities	(264.6)	(2.8)	(267.4)
Total Liabilities	(11,853.8)	(2.8)	(11,856.5)
Net Assets	4,386.2	11.7	4,397.9
Revenue Reserves	2,159.7	11.1	2,170.8
Foreign Currency Translation reserves	(482.2)	0.6	(481.6)
Total equity	**4,386.2**	**11.7**	**4,397.9**

Balance sheet as at June 30, 2014

	Prior Year Restatement		
	30 Jun 2014		
	(Previously stated) S$ m	Increase / (decrease) S$ m	(Restated) S$ m
Balance Sheet (Extract)			
Property, plant and equipment	3,143.9	766.2	3,910.1
Biological assets	1,108.2	(766.2)	341.9
Total Assets	16,306.6	-	16,306.6
Deferred tax liabilities	(266.0)	-	(266.0)
Total Liabilities	(12,084.3)	-	(12,084.3)
Net Assets	4,222.3	-	4,222.3
Revenue Reserves	2,164.2	-	2,164.2
Foreign Currency Translation reserves	(450.1)	-	(450.1)
Total equity	**4,222.3**	**-**	**4,222.3**

Profit and Loss account for the 18-months ended December 31, 2015

	Prior Year Restatement		
	31 Dec 2015		
	(Previously stated) S$ m	Increase / (decrease) S$ m	(Restated) S$ m
Profit & Loss Account (Extract)	18 months		
Net (loss)/ gain in fair value of biological assets	(42.3)	(15.2)	(57.5)
EBITDA	**1,625.4**	**(15.2)**	**1,610.2**
Depreciation and amortisation	(342.0)	(45.1)	(387.1)
PBT	234.4	(60.3)	174.1
Taxation	(137.9)	15.8	(122.1)
PAT	**96.5**	**(44.5)**	**51.9**
PATMI	**98.7**	**(44.5)**	**54.2**
Operational PATMI	**483.5**	**(44.5)**	**439.0**

Profit and Loss account for the 12-months ended December 31, 2015 (as per MD&A)

	Prior Year Restatement		
	31 Dec 2015		
	(Previously stated) S$ m	Increase / (decrease) S$ m	(Restated) S$ m
Profit & Loss Account (Extract)	12 months		
Net (loss)/ gain in fair value of biological assets	(14.4)	(37.6)	(51.9)
EBITDA	**1,122.8**	**(37.6)**	**1,085.2**
Depreciation and amortisation	(237.1)	(29.5)	(266.6)
PBT	39.8	(67.1)	(27.3)
Taxation	(105.9)	16.5	(89.3)
PAT	**(66.0)**	**(50.6)**	**(116.6)**
PATMI	**(64.3)**	**(50.6)**	**(114.9)**
Operational PATMI	**346.2**	**(50.6)**	**295.6**

Profit and Loss account for the quarter ended March 31, 2015

	Prior Year Restatement		
	31 Mar 2015		
	(Previously stated) S$ m	Increase / (decrease) S$ m	(Restated) S$ m
Profit & Loss Account (Extract)	3 Months		
Net (loss)/ gain in fair value of biological assets	(14.7)	12.8	(1.9)
EBITDA	**330.1**	**12.8**	**342.9**
Depreciation and amortisation	(52.4)	(5.9)	(58.3)
PBT	57.2	6.9	64.1
Taxation	(29.6)	(1.8)	(31.4)
PAT	**27.6**	**5.1**	**32.7**
PATMI	**31.3**	**5.1**	**36.3**
Operational PATMI	**128.5**	**5.1**	**133.6**

Cash flow for the quarter ended March 31, 2015

	Prior Year Restatement		
	31 Mar 2015		
	(Previously stated) S$ m	Increase / (decrease) S$ m	(Restated) S$ m
Cash Flow (Extract)	3 Months		
Profit before taxation	57.3	6.9	64.2
Amortisation of intangible assets and depreciation of property, plant and equipment	52.4	5.9	58.3
Fair value of biological assets	14.7	(12.8)	1.9
Operating cash flow before reinvestment in working capital	372.1	-	372.1

Update on the Strategic Partnership with Mitsubishi Corporation

In April 2016, the Company announced that it has formed a 30/70 joint venture with Mitsubishi Corporation (MC) in Japan. The new joint venture MC Agri Alliance Ltd (MCAA) will import and distribute coffee, cocoa, sesame, edible nuts, spices, vegetable ingredients and tomato products for the Japanese market. The joint venture draws on the combined strengths of both companies: Olam, for its global supply chain networks for sustainable agricultural products and food ingredients, and MC, for its extensive distribution and sales network in Japan. The formation of MCAA also enables both companies to expand their network for responsibly sourced raw materials and improves their system of distributing agricultural and food products in Japan and around the world.

M&A / Investments

- In January 2016, the Company announced that it had **acquired Amber Foods Limited**, which owns the **wheat milling and pasta manufacturing assets of the BUA Group** in Nigeria, for a total enterprise value of **US$275.0 million** (S$311.7 million). The acquisition was completed in Q1 2016.

- In April 2016, Olam announced that it will invest **US$150.0 million** to set up two state-of-the-art **animal feed mills, poultry breeding farms and a hatchery** in **Nigeria**.

Financing

- In December 2015, the Company announced its intention to **repurchase the US$500.0 million 6.0% Convertible Bonds due 2016** (Bonds) for cash by way of an invitation to holders of Bonds to offer to tender their Bonds for repurchase. US$269.5 million of Bonds were repurchased at a price of 102.5% of their principal amount during the month. In January 2016, the Company announced that it had further received and accepted **US$175.9 million** of Bonds for repurchase at a price of **102.5% of their principal amount**. The Company also repurchased and cancelled **US$10.3 million** of Bonds through open market purchases and redeemed the outstanding balance of **US$44.3 million** at **100.0% of their principal amount**. As a result, a one-time charge of **S$12.5** million was recorded in **Q1 2016**.

- On April 5, 2016, the Company issued US$300.0 million 5-year Senior Notes due 2021 under its US$5.0 billion Euro Medium Term Note Programme. The Notes were priced at a fixed coupon of 4.5%.

- On April 14, 2016, the Company signed a **US$650.0 million Revolving Credit Facility** agreement, consisting of two tranches of US$325 million each, a 364-day revolving credit facility and a 2-year revolving credit facility. Proceeds from the Facility are applied towards refinancing of existing debt and meeting working capital and general corporate funding requirements of the Company.

- On April 19, 2016, the Company announced that it had signed a **5-year US$175.0 million loan agreement with IFC**, a member of the World Bank Group, to finance its permanent working capital and capital expenditure requirements for four food processing facilities in Nigeria and India – the Hemarus sugar mill and spice processing facilities in India, as well as the sesame hulling and Crown Flour Mill facilities in Nigeria.

Strategic Plan Update

Initiatives already completed have **released cash of S$1,150.5 million,** generated a **P&L gain of S$150.3 million** and added **S$154.6 million to** our **capital reserves:**

SGD Mn

Summary of Completed Strategic Plan Initiatives	Number of Initiatives	P & L impact	Addition to capital reserves	Cash flow impact
Closed in 2012	**1**	**17.4**		**68.6**
Closed in 2013	**4**	**18.2**	**14.2**	**65.5**
Sale and Leaseback of Almond Plantation Assets, Australia		65.4		233.2
Divestment of Olam Lansing JV, Canada				6.8
Sale of Timber Assets, Gabon		(14.6)		22.8
Repurchase of Bonds and Perpetual Securities		1.0	2.3	
Sale of 9.8% stake in OCDL, New Zealand		(0.6)		35.1
Australian Grains JV with Mitsubishi Corporation		28.8		79.8
Sale of Timber Subsidiary in Gabon		(22.6)		7.5
Sale of Collymongle Cotton Gin, Australia		6.0		9.9
Sale of 20% stake in SEZ to RoG, Gabon				74.8
Sale of Dairy Processing Plant, Cote d'Ivoire		17.7		32.7
Sale of 10%/20% stake in Palm/Rubber to RoG, Gabon			31.9	40.0
Sale and Leaseback of Dairy Farm Land, Uruguay		21.0		70.4
Sale of Australian Wool Business		(2.7)		
Closure of SVI dehydrates facility, US		(4.9)		
Closed in 2014	**14**	**94.5**	**34.2**	**612.9**
Sale of 25% stake in Packaged Foods BU to Sanyo Foods			106.2	219.1
Sale and Leaseback of Palm Plantations, Gabon		20.2		184.4
Closed in 2015	**2**	**20.2**	**106.2**	**403.5**
Total	**21**	**150.3**	**154.6**	**1,150.5**

Note 1: Cash proceeds for some initiatives will be received in 2016.

Note 2: Figures in the table above may change to reflect the closing balance sheet position and changes in the closing exchange rates from the date of completion till the date of reporting.

Summary of Financial and Operating Results

Profit and Loss Analysis

SGD Mn

	Q1 2016	Q1 2015 Restated	% Change
Volume ('000 MT)	**2,965.5**	**2,682.8**	**10.5**
Revenue	**4,761.4**	**4,321.1**	**10.2**
Other Income^	11.1	12.3	(9.9)
Cost of sales^	(4,155.3)	(3,726.6)	11.5
Overhead expenses^	(256.0)	(216.0)	18.6
Other operating expenses	(22.5)	(37.2)	(39.5)
Net (loss)/ gain in fair value of biological assets	(5.3)	(1.9)	180.6
Share of results from jointly controlled entities and associates	(0.6)	(8.9)	(93.7)
EBITDA	**332.8**	**342.9**	**(2.9)**
EBITDA %	7.0%	7.9%	
Depreciation & Amortisation	(80.5)	(58.3)	38.1
EBIT	252.3	284.6	(11.3)
Exceptional items	(12.5)	(97.2)	n.m.
Net Finance costs^	(99.4)	(123.2)	(19.3)
PBT	140.4	64.1	118.9
Taxation^	(31.0)	(31.5)	(1.5)
PAT	**109.4**	**32.7**	**235.0**
PAT %	2.3%	0.8%	
Non-controlling interests	(4.2)	(3.7)	15.3
PATMI	**113.6**	**36.3**	**212.8**
PATMI %	2.4%	0.8%	
Operational PATMI	**126.1**	**133.5**	**(5.5)**
Operational PATMI %	2.6%	3.1%	

^Excluding exceptional items

Sales Volume

Volume grew 10.5% as all segments reported growth in sales volume.

Revenue

Revenue increased by 10.2% mainly on higher volumes, with price increases in some commodities being offset by lower prices across other commodities in the portfolio.

Other Income

Other income (excluding exceptional items) was lower by S$1.2 million due to lower miscellaneous income as compared to the prior corresponding period.

Cost of Sales

Cost of Sales rose in line with higher revenue during the period.

Overhead Expenses

Overhead expenses increased by 18.6% to S$256.0 million in Q1 2016 from S$216.0 million in Q1 2015 primarily due to the acquisition of Cocoa processing and wheat milling assets.

Other Operating Expenses

Other operating expenses fell by 39.5% or S$14.7 million, primarily due to lower unrealised foreign exchange losses during the current period.

Net Changes in Fair Value of Biological Assets

There was an increase in net loss from fair valuation of biological assets from S$1.9 million in Q1 2015 to S$5.3 million in Q1 2016. The fair valuation of biological assets for the prior period was restated in accordance with amendments to SFRS 16 and SFRS 41, which require only the produce (and not the bearer plants) to be measured at fair value (see page 5 for additional explanation).

Share of Results from Jointly Controlled Entities and Associates

Share of results from jointly controlled entities and associates improved through lower losses of S$0.6 million in Q1 2016 compared to S$8.9 million loss in Q1 2015. This was mainly due to improvement in contribution from Acacia Investments in Mozambique, OCD in New Zealand and SIFCA, which was partly offset by lower contribution from the SEZ in Gabon.

EBITDA

EBITDA for Q1 2016 declined by 2.9% to S$332.8 million. Three of the five segments, namely Confectionery and Beverage Ingredients, Food Staples and Packaged Foods and Industrial Raw Materials recorded an increase in EBITDA, which was offset by a decline in contribution from Edible Nuts, Spices and Vegetable Ingredients and CFS.

Depreciation and Amortisation

Depreciation and amortisation expenses increased from S$58.3 million in Q1 2015 to S$80.5 million in Q1 2016 due to a higher fixed asset base following the acquisition of the Cocoa processing and wheat milling assets. Depreciation and amortisation for the prior period was restated in accordance with amendments to SFRS 16 and SFRS 41. The changes to these accounting standards require bearer plants to be measured at cost (instead of fair value) and classified under property, plant and equipment. Depreciation on bearer plants is charged over the bearer plants' remaining economic useful lives. (See additional explanation on page 5).

Finance Costs

Net finance costs declined from S$123.2 million in Q1 2015 to S$99.4 million in Q1 2016 due to a reduction in the overall cost of borrowing arising from the change in borrowing mix and the buyback of high cost debt in 2015.

Taxation

Tax expenses declined marginally from S$31.5 in Q1 2015 to S$31.0 million in Q1 2016.

Non-controlling Interest

Non-controlling interest primarily comprised the minority share of results from Rusmolco, Olam Palm Gabon, Olam Rubber Gabon, Olam Algodao do Vale do Zambeze Limitada, Mozambique (Olam AVZ) and Caraway (Packaged Foods). Q1 2016 recorded a larger loss of S$4.2 million, compared to a loss of S$3.7 million in Q1 2015 due to reduced contributions from Caraway, Rusmolco and Olam AVZ.

Exceptional Items

The Q1 2016 results included a net exceptional loss of S$12.5 million while the Q1 2015 results had S$97.2 million in net exceptional losses.

SGD Mn

	Q1 2016	Q1 2015
Sale of Dairy Processing Plant, Cote d'Ivoire		0.3
Sale and Leaseback of Dairy Farm Land, Uruguay		0.4
Sale of Wool Business, Australia		(0.1)
Closure of SVI dehydrates facility, US		(0.1)
Loss on Bonds Redemption 2015 - Interest portion		(79.7)
Loss on Bonds Redemption 2015 - FV portion		(18.1)
Loss on buyback of Convertible bonds	(12.5)	
Exceptional Items	**(12.5)**	**(97.2)**

PATMI

PATMI increased 212.8% from S$36.3 million in Q1 2015 to S$113.6 million in Q1 2016. This was largely due to a lower exceptional loss of S$12.5 million recorded in Q1 2016 compared to S$97.2 million loss in Q1 2015.

Operational PATMI

Operational PATMI (excluding exceptional items) decreased by 5.5% over the prior corresponding period due to lower EBITDA and higher depreciation and amortisation, which was partly offset by lower finance costs.

Balance Sheet Analysis

SGD Mn

	31-Mar-16	31-Dec-15 Restated	Change vs Dec 15	31-Mar-15 Restated	Change vs Mar 15
Uses of Capital					
Fixed Capital	6,680.0	6,674.7	5.3	5,825.6	854.4
Working Capital	8,397.7	8,317.2	80.5	6,321.5	2,076.2
Cash	1,600.5	2,143.2	(542.7)	1,272.6	327.9
Others	580.8	478.4	102.4	256.0	324.8
Total	**17,259.0**	**17,613.5**	**(354.5)**	**13,675.7**	**3,583.3**
Sources of Capital					
Equity & Reserves	5,275.5	5,187.0	88.5	4,375.1	900.4
Non-controlling interests	231.2	240.6	(9.4)	232.6	(1.4)
Short term debt	5,564.6	5,512.2	52.4	2,725.0	2,839.6
Long term debt	6,412.7	6,781.7	(369.0)	6,552.8	(140.1)
Fair value reserve	(225.0)	(107.9)	(117.1)	(209.8)	(15.2)
Total	**17,259.0**	**17,613.5**	**(354.5)**	**13,675.7**	**3,583.3**

Our total assets of S$17.3 billion comprised S$6.7 billion of fixed assets, S$8.4 billion of working capital and S$1.6 billion of cash. These were funded by S$5.3 billion of equity, S$5.6 billion of short term debt and S$6.4 billion of long term debt.

The S$3,583.3 million increase in overall balance sheet size as compared to end-March 2015 was primarily due to the acquisition and incremental working capital for the Cocoa processing and wheat milling assets.

Working Capital

	31-Mar-16	31-Dec-15 Restated	Change vs Dec 15	31-Mar-15	Change vs Mar 15
Stock	6,672.5	6,691.7	(19.2)	4,890.9	1,781.6
Advance to suppliers	767.5	715.0	52.5	920.2	(152.7)
Receivables	1,454.3	1,495.2	(40.9)	1,517.4	(63.1)
Trade creditors	(1,745.1)	(1,753.7)	8.6	(1,282.5)	(462.6)
Others	1,248.5	1,169.0	79.5	275.5	973.0
Working Capital	**8,397.7**	**8,317.2**	**80.5**	**6,321.5**	**2,076.2**

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

The overall working capital increased by S$80.5 million compared to end-December 2015. However, compared to end-March 2015, working capital rose by S$2,076.2 million, mainly because of the acquisition and incremental working capital for the Cocoa processing and wheat milling assets.

# of days

	31-Mar-16	31-Dec-15	Change vs Dec 15	31-Mar-15	Change vs Mar 15
Stock	145	143	2	118	27
Advance to suppliers	16	15	1	22	(6)
Receivables	27	28	(1)	32	(5)
Trade creditors	(38)	(37)	(1)	(31)	(7)
Total cash cycle	**150**	**149**	**1**	**141**	**9**

Our overall working capital cycle increased from 141 days as at end-March 2015 to 150 days as at end-March 2016. This was primarily due to higher inventory days from the Cocoa processing assets which were partly offset by reduced supplier advances and receivables as well as higher trade creditor days.

Cash Flow Analysis

SGD Mn

Cash Flow Summary	Q1 2016	Q1 2015	Y-o-Y
Operating Cash flow (before Interest & Tax)	345.4	372.1	(26.7)
Changes in Working Capital	(35.5)	(162.7)	127.2
Net Operating Cash Flow	**309.9**	**209.4**	**100.5**
Tax paid	(21.6)	(10.2)	(11.4)
Capex/ Investments	(444.3)	(79.0)	(365.3)
Free cash flow to firm (FCFF)	**(156.0)**	**120.2**	**(276.2)**
Net interest paid	(127.8)	(177.6)	49.8
Free cash flow to equity (FCFE)	**(283.8)**	**(57.4)**	**(226.4)**

Free Cash Flow to Firm (FCFF) was negative S$156.0 million primarily due to the acquisition of wheat milling assets in Nigeria for S$311.7 million.

Debt, Liquidity and Gearing

SGD Mn

	31-Mar-16	31-Dec-15 Restated	Change vs Dec 15	31-Mar-15 Restated	Change vs Mar 15
Gross debt	11,977.4	12,293.9	(316.5)	9,277.8	2,699.6
Less: Cash	1,600.5	2,143.2	(542.7)	1,272.6	327.9
Net debt	10,376.9	10,150.7	226.2	8,005.2	2,371.7
Less: Readily marketable inventory	5,097.8	5,232.9	(135.1)	3,673.1	1,424.7
Less: Secured receivables	1,102.4	1,155.8	(53.4)	1,062.2	40.2
Adjusted net debt	4,176.7	3,762.0	414.7	3,269.9	906.8
Equity (before FV adj reserves)	5,275.5	5,187.0	88.5	4,375.1	900.4
Net debt / Equity (Basic)	**1.97**	**1.96**	**0.01**	**1.83**	**0.14**
Net debt / Equity (Adjusted)	**0.79**	**0.73**	**0.06**	**0.75**	**0.04**

Net debt increased by S$226.2 million as compared to end-December 2015 primarily due to the acquisition of wheat milling assets in Nigeria. Net gearing of 1.97 times as at March 31, 2016 was marginally higher than the 1.96 times as at December 31, 2015, and remains within our strategic plan target of at or below 2.0 times.

Of the S$6.7 billion inventory position, approximately 76.4% or S$5.1 billion were readily marketable inventories (RMI) that were liquid, hedged and/or sold forward, operating as near-cash assets on our balance sheet. In addition, of the S$1.5 billion in trade receivables, approximately 75.8% were secured. Typically, at any given point, about 75-85% of inventory is hedged and/or sold forward and 60-70% of receivables are supported by letters of credit or documents through banks. Adjusting for RMI and secured receivables, our net gearing would be 0.79 times, reflecting the true indebtedness of our Company.

We maintained sufficient liquidity to meet our working capital and capital expenditure requirements, with a total of S$13.7 billion in available liquidity as at March 31, 2016, including unutilised bank lines of S$5.9 billion.

Segmental Review and Analysis

For the Quarter

SGD Mn

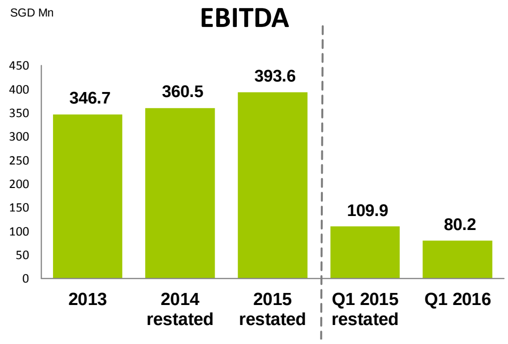
Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		
	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015 Restated	31-Mar-16	31-Dec-15 Restated	31-Mar-15 Restated
Edible Nuts, Spices and Vegetable Ingredients	300.4	234.7	766.8	875.7	80.2	109.9	3,237.3	3,463.0	3,441.5
Confectionery and Beverage Ingredients	533.1	479.6	2,250.7	1,710.7	105.2	83.4	5,785.4	5,680.9	3,220.4
Food Staples and Packaged Foods	1,792.4	1,657.8	1,201.4	1,139.0	85.7	80.0	3,313.9	3,230.6	3,136.4
Food Category	**2,625.9**	**2,372.1**	**4,218.9**	**3,725.4**	**271.1**	**273.3**	**12,336.6**	**12,374.5**	**9,798.3**
Industrial Raw Materials (IRM)	339.7	310.6	542.6	595.7	65.2	58.5	1,844.9	1,917.5	1,998.7
Commodity Financial Services (CFS)	N.A.	N.A.	-	-	(3.5)	11.0	60.2	82.6	17.5
Non-Food Category	**339.7**	**310.6**	**542.6**	**595.7**	**61.7**	**69.5**	**1,905.1**	**2,000.1**	**2,016.2**
Total	**2,965.5**	**2,682.8**	**4,761.4**	**4,321.1**	**332.8**	**342.9**	**14,241.6**	**14,374.6**	**11,814.4**

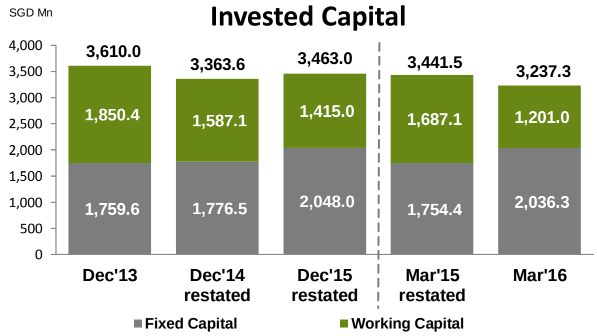
Note: IC excludes:

(a) Gabon Fertiliser Project (31-Mar-16: S$211.6 million, 31-Dec-15: S$ 209.8 million, 31-Mar-15: S$ 173.7), and

(b) Long Term Investment (31-Mar-16: S$ 236.4 million, 31-Dec-15: S$ 269.2 million, 31-Mar-15: S$ 333.9 million)

Edible Nuts, Spices & Vegetable Ingredients





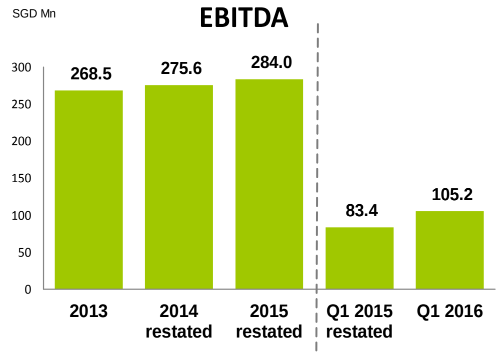
The Edible Nuts, Spices & Vegetable Ingredients segment registered a year-on-year volume growth of 28.0% in Q1 2016. Most products within this segment reported a growth in volume leading to the increase in overall volume, with marked increase in the peanut business due to the full consolidation of the volumes from MMI during the current quarter.

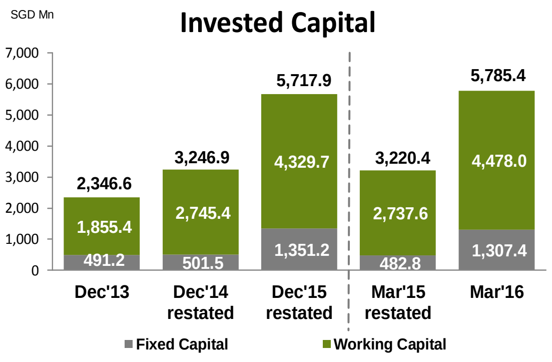
Despite higher volumes, segment revenues declined 12.4% as commodity prices fell across most products.

The cashew, sesame, spices and vegetable ingredients performed well during the quarter. However, the almond business was impacted by lower almond prices and the tomato processing business experienced a decline in market prices and margins which caused the segment EBITDA to decline by 27.0%.

Invested capital in the segment reduced by S$204.2 million as compared to end-March 2015 as investment in increased acreage of almond, pistachio and walnut plantations in the US was offset by a reduction in working capital due to lower prices of almonds and hazelnuts.

Confectionery & Beverage Ingredients





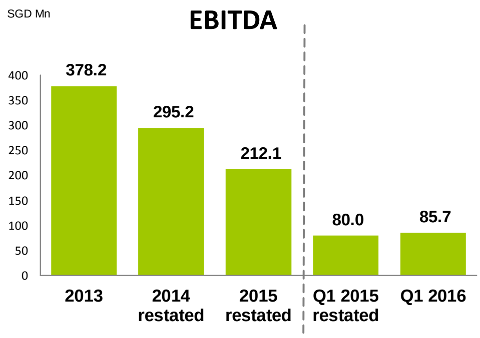
The Confectionery & Beverage Ingredients segment recorded a 11.2% increase in volumes. The increase came mainly from the consolidation of the results of the acquired Cocoa processing assets, although part of the increase was offset by lower trading volumes in the supply chain business given the impact of El Nino and the Harmattan on cocoa bean supply.

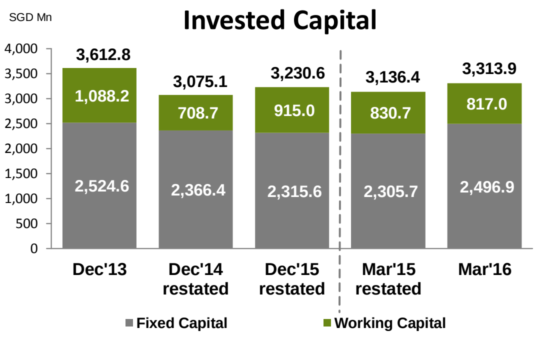
Segment revenues increased by 31.6% compared to the prior corresponding period due to higher volumes as well as higher Cocoa prices realisation post the consolidation of results from the acquired Cocoa processing assets.

Segment EBITDA grew by 26.2% with increased contribution from the acquired Cocoa processing assets as well as improved performance from the Coffee platform. However, part of this improvement was offset by lower volumes and margins in the Cocoa supply chain business which was impacted by volatile prices during the quarter.

Invested capital in this segment increased by S$2,565.0 million as compared to end-March 2015 primarily due to the acquisition of Cocoa processing assets as well as higher inventory levels and prices of Cocoa.

Food Staples & Packaged Foods





Food Staples & Packaged Foods segment volumes increased by 8.1% as volumes from wheat milling in West Africa as well as Dairy, Rice, Palm and Sugar supply chain businesses showed steady growth.

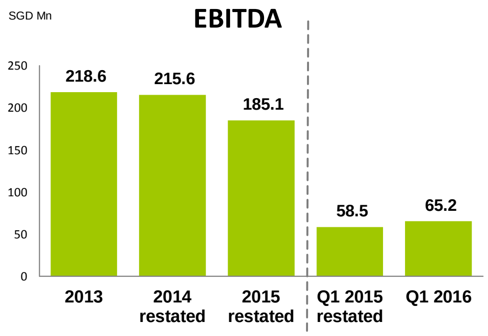
As a result of the volume growth, revenue grew by 5.5% despite lower prices for most commodities within the segment.

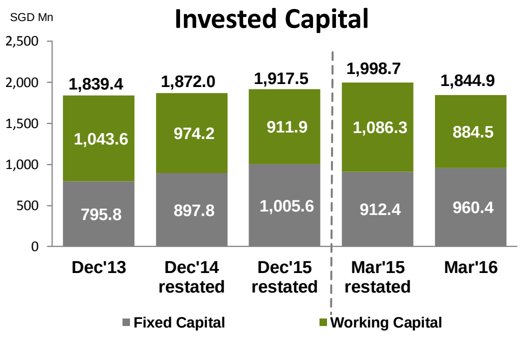
Overall segment EBITDA rose 7.1% with growth across most platforms within this segment. Dairy, Rice and Palm supply chain businesses recorded an improvement in EBITDA over the prior period. The wheat milling business in West Africa, including those of the acquired wheat milling assets performed well, despite pressures on foreign exchange availability in Nigeria. The Packaged Foods and Sugar supply chain businesses remained largely flat as compared to the prior corresponding period. Dairy and agriculture farming businesses in Russia performed well with improvements in operating parameters, supported by higher local prices vis-à-vis international markets. The Uruguay dairy farming operations performed better on various operational parameters post restructuring, including milk production per cow, cost per litre, milk quality and herd propagation. However, the improved cost position was offset by lower milk prices as compared to the prior corresponding period.

In April 2016, the Packaged Foods business reported a fire incident at its Ranona dairy and juices factory which damaged a significant part of the manufacturing complex. While the business is fully covered by insurance, production at the site is likely to be impacted for the rest of the year. Arrangements are being made for contract manufacturing in other locations to keep the markets supplied in the interim.

Overall invested capital increased by S$177.5 million vis-à-vis end-March 2015 mainly due to the acquisition of wheat milling assets in Nigeria.

__Industrial Raw Materials__





The Industrial Raw Materials volumes grew by 9.4% as all products within this segment reported higher volumes during the quarter.

Segment revenue however declined by 8.9% as lower prices across all commodities within the segment more than offset the growth in volumes.

Despite a lower revenue, overall segment EBITDA grew by 11.5% as compared to the prior corresponding period with the Cotton and Wood Products businesses recording a growth in EBITDA.

Overall invested capital came down by S$153.8 million compared to end-March 2015 due to a reduction in working capital due to lower prices, which was partly offset by continued fixed capital investments in upstream Rubber plantations in Gabon.

__Commodity Financial Services__

The CFS business registered an EBITDA loss of S$3.5 million in Q1 2016 versus a positive S$11.0 million in Q1 2015.

Compared to end-March 2015, invested capital in this segment increased by S$42.7 million due to increased investments in the funds business.

SGXNET Financial Statements and MD&A Reconciliation

The table below summarises the differences between the financial statements on SGXNET and MD&A due to adjustments for exceptional items.

SGD Mn

	Q1 2016	Q1 2015
Other Income^	**11.1**	**12.3**
Other Income	11.1	13.1
Less: Exceptional items	-	0.8
Cost of sales^	**(4,155.3)**	**(3,726.6)**
Cost of sales	(4,155.3)	(3,744.6)
Less: Exceptional items	-	(18.1)
Overhead expenses^	**(256.0)**	**(216.0)**
Other operating expenses^	**(22.5)**	**(37.2)**
Other expenses	(278.6)	(253.4)
Less: Exceptional items	-	(0.2)
Net Finance costs^	**(99.4)**	**(123.2)**
Finance income	8.5	3.1
Finance costs	(120.4)	(206.0)
Less: Exceptional items	(12.5)	(79.7)
Taxation^	**(31.0)**	**(31.5)**
Income tax expense	(31.0)	(31.5)
Less: Exceptional items	-	-

^ as stated in MD&A

Annexure: Business Description

Business Model and Strategy

Olam's business is built on a strong foundation as a fully integrated supply chain manager and processor of agricultural products and food ingredients, with operations across 16 platforms in 70 countries. As a supply chain manager, Olam is engaged in the sourcing of a wide range of agricultural commodities from the producing countries and the processing, warehousing, transporting, shipping, distributing and marketing of these products right up to the factory gate of our customers in the destination markets. We also manage risk at each stage of the supply chain. From our inception in 1989, we have evolved from a single country, single product trader to a multi-country, multi-product supply chain manager.

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

Business model evolution

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

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

Selective investments across the value chain

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

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

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

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

A responsible approach to business

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

A unique and entrepreneurial culture

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

Business Segmentation and Reporting

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

5 Business Segments	16 Platforms
Edible Nuts, Spices and Vegetable Ingredients	1) Edible Nuts (cashew, peanuts, almonds, hazelnuts and sesame) 2) Spices & Vegetable Ingredients (including pepper, onion, garlic and tomato)
Confectionery and Beverage Ingredients	3) Cocoa 4) Coffee
Food Staples and Packaged Foods	5) Rice 6) Sugar and Natural Sweeteners 7) Grains and Animal Feed 8) Palm 9) Dairy 10) Packaged Foods
Industrial Raw Materials (IRM)	11) Natural Fibers (Cotton) 12) Wood Products 13) Rubber 14) Fertiliser 15) Ag Logistics and Infrastructure (including Special Economic Zone or SEZ)
Commodity Financial Services (CFS)	16) Commodity Financial Services (Market-making, risk management solutions and commodity funds management)

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

The production of agricultural products is seasonal in nature. The seasonality of the products in our global portfolio depends on the location of the producing country. The harvesting season for most of the agricultural products for countries situated in the northern hemisphere generally falls between October and March. Countries in the southern hemisphere have harvesting seasons between April and

September. It is also not unusual to experience both delays, as well as early starts, to the harvesting seasons in these countries in a particular year, based on weather patterns. In addition to an early or delayed harvesting season, the precise timing and size of arrivals of these products can also vary based on the farmers' selling decisions; these are mainly a function of the farmers' view on prices and inventory holding capacity. The majority of our origins are located in the northern hemisphere. Consequently, our earnings tend to be relatively higher in the first half of the year (January to June) compared to the second half of the year (July to December). Based on this seasonality, we have observed the distribution of our earnings in prior periods follow the schedule below:

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

Key Definitions

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

Sales Volume: There are no associated volumes for CFS and SEZ platforms

Revenue: Sale of goods and services

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

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

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

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

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

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

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

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

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

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

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

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

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

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