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PRESENTATION

Aditya Renjen - *Olam International - Vice-President,Treasury & Investor Relations*

Good morning ladies and gentlemen, and welcome to Olam International's results briefing for the quarter and half-year ended 30 June 2016. Let me start by introducing the management team from Olam here today. To my right is Sunny Verghese, Co-Founder and Group CEO of Olam. To his right is Shekhar, Executive Director and Group COO. To the far right is Muthu, who is President and Group CFO.

In terms of format, we'll start with an overview of the financial and operating performance, which will be done by Muthu, after which we'll open the floor to questions. To those joining via the webcast, you can post your questions at any time via the online link provided.

Thank you, and over to you Muthu.

Neelamani Muthukumar - *Olam International Ltd - President and Group CFO*

Good morning ladies and gentlemen. Welcome once again to this first half-year results briefing of Olam International. I am particularly pleased to announce a very steady and consistent second quarter and first half financial and operating result for Olam, especially amidst a very volatile macroeconomic situation, as well as a very challenging agri-commodity industry situation.

We have -- on the first year we had a PATMI that grew 73% year-on-year, primarily on lower exceptional losses. More importantly I would like to draw your attention that on the Q2 operations PATMI grew 19% year-on-year, and with EBITDA growing 8% on second quarter, and overall in the first half growing 2% year-on-year at SGD641 million.

We had a -- this was primarily backed up by steady growth both from Confectionery and Beverage Ingredients, as well as from our Food Staples and Packaged Food segments, largely backed by the acquisition of the ADM Cocoa business, which we completed last year -- in the last quarter of the last year, as well as the acquisition of the wheat milling and pasta manufacturing assets in Nigeria that we acquired early this year.

Our various debt optimization initiatives that we have done over the last 15 to 18 months has shown results, and that has resulted in a net finance cost reduction to SGD191 million, as compared to SGD224 million in the first half of last year. We completed the repurchase and cancellation of the entire $500 million of Convertible Bonds, which was a high cost debt of 6%. Overall it has been a very good, steady and consistent performance for the first half year.

On the balance sheet, net gearing is still at the targeted 2 or below at 1.98 times. More importantly, as most of you know we have successfully issued a benchmark $500 million perpetual securities in early July, and that on a like to like basis if you see would be a pro forma net debt equity at 1.62 times. We have also generated a very high free cash flow to firm at SGD191 million as compared to SGD135 million of last year.

We have continued to execute on our 2013 strategic plan. We have completed 22 initiatives to date, releasing cash of SGD1.2 billion, resulting in a P&L gain of SGD150 million, and also the addition of another SGD150 million to capital reserves. Our JV that we have announced along with Mitsubishi to import and distribute various commodities in Japan is on track, and is expected to commence operations on October 1 this year.

More importantly we have continued to invest mainly in our prioritized platforms. We had announced setting up of an organic animal feed, poultry breeding farms and hatchery plant in Nigeria for $150 million. We have acquired Brooks Peanut Company, a US shelling company in Alabama, US, along with our Universal Blanchers and the McCleskey Mills that we acquired in Georgia State last year, and combined with the Brooks Peanut Company we will now become the third largest peanut shelling company in the US.

We have done a bolt-on acquisition of an existing palm plantation and palm milling assets in Gabon from SIAT Gabon, for $25 million, that we believe will help us in utilizing our initial produce from our Awala plantation on the fresh food bunches which will be milled and refined and sold locally in Gabon. We have also stepped up our acquisition in the joint venture in Mozambique, which is primarily doing palm and sunflower refining in the Southern part of Mozambique in Maputo. With the 100% acquisition we are now well positioned to enhance and expand our palm milling operations, and refining and distribution operations, along with our organic plant that we have set up in central Mozambique, in Beira.

As you all know, we have complied fully with the changes to accounting standards effective January 1, which was a mandatory change from SFRS 41 to SFRS 16, mainly in account of bearer plants. The impact of it has been incorporated from first quarter. Some of the impacts have also been reflected in our financial statements for the first six months for last year, and those have been put up in the MD&A as an annexure for all of you to read. We have also early adopted SRFS109, which is primarily in synch with what we do as a business, and better reflects our business positions, more importantly for the derivative traded products.

Moving on to the financial performance, we had a healthy 15% growth on volumes year-on-year, coupled with 6.7% growth on revenue. Primarily this is on account of low commodity prices in most of our portfolio, excluding cocoa, which continues to be remaining high. We had a lower net loss on biological assets. As you all know, after the moving of SFRS 41 to SFRS 16 on bearer plants, the main asset class that is in biological assets is the dairy upstream assets, and the loss that you see, which is a lower loss for the first six months as compared to last year, is primarily coming from the dairy upstream operations in Uruguay post restructuring of the operations that has resulted in a reduced herd population.

The EBITDA is consistently growing. We are at SGD648 million as compared to SGD634 million in growth of 2% on a half-year basis. More importantly it's an 8% on the second quarter. The depreciation and amortization predictably has gone up by 31% on year-on-year, primarily because of the acquisitions that we have done on the ADM Cocoa assets, and the wheat milling assets and pasta manufacturing assets in Nigeria, plus the additional depreciation that we have on the biological assets on the bearer plants that we have moved from to PPE.

The net finance cost is down 15% on the first six months, resulting from the various debt optimization initiatives that we have done in the last 15 to 18 months, and that continues to bear fruit for us in the next six months to come. Taxation is steady. Even though the reported profit is higher at 77%, the operational profit that was taxable even in the last year was like for like and hence the taxation provision remains constant between last year and this year.

Overall the operational PATMI is up about 5%, a combination of Confectionery, Beverage and Food Staples doing well, but resulting in a lower contribution from the other three segments, which I'll take you through shortly.

On the invested capital you can see that we are at SGD13.5 billion on the period ending June 2016, which is SGD1.6 billion higher than June 2015. The fixed capital increase was due to the acquisition of the cocoa processing and the wheat milling assets that I had explained earlier, and primarily from the working capital also due to higher inventory levels which was post-acquisition of these assets.

Compared to end December however, the fixed capital has come down due to higher depreciation and amortization, as well as the impact of depreciation of the Nigerian Naira currency. The Central Bank of Nigeria had long held the currency at NGN199 to $1, but during the last quarter they had kind of deregulated it, and the Naira is now more reflective of what is its true value. It ended at NGN284 by end of June, but currently it's trading at NGN320 to $1. We expect this is going to be somewhere in that range for the rest of the year.

Moving on to the segmental analysis on Edible Nuts, Spices and Vegetable Ingredients, we had called out earlier in the first quarter that the almond prices are low, and it continues to remain low at $6.15 per kilo. At these prices we are very profitable, however on a year-on-year basis, compared to the extraordinarily high prices that we had looked at in the last year, the contribution from almonds this year on a comparative basis is lower. The tomato paste business has also faced some headwinds because of higher supply in the US, which has put an overhang on the tomato prices, and that we expect to continue the rest of the year. But barring almonds and tomato paste, all our businesses, cashew, peanuts, sesame, US dehydrated businesses all have done extremely well in this segment. The invested capital declined by SGD432 million, primarily due to lower working capital utilization, predictably because of very low almond prices and tomato paste prices.

On the Confectionery and Beverage Ingredients business, both coffee and cocoa have done really well. The cocoa processing asset, the ADM Cocoa acquisition, the integration has gone on well. It is on plan. The operations are also well integrated with the erstwhile Olam cocoa business, but it was partially offset by some headwinds on the lowered contribution from the cocoa supply chain business, which has faced some headwinds due to a volatility in cocoa prices in the first six months.

However, coffee has had probably its best start in the last few years, both on the green coffee business as well as in the soluble coffee business, and we expect coffee business to be doing well in the rest of the year as well.

Invested capital, as I had explained earlier, is up by SGD2.3 billion as compared to end June 2015, primarily because of the acquisition of the ADM Cocoa asset, and more importantly higher inventory levels, impacted by higher cocoa prices so far.

Food Staples and Packaged Foods business, which has been a mixed story last year when we had faced some headwinds in several platforms in this segment, has turned around largely, barring the Packaged Food business. So wheat milling along with the BUA wheat milling and pasta manufacturing asset that we acquired, along with Ghana, Cameroon and Senegal, all are performing very well in the wheat milling business.

The grains trading business is also doing well. Palm, rice, sugar, all businesses have turned around as compared to the last year, and have been contributing at or above plan. Packaged Food business unfortunately has continued to be impacted by the currency volatility in Naira, and also partially impacted by the disruption in its dairy and juices factory that caught fire in early April. So that is also a partial impact on the lower contribution from the Packaged Food business.

But overall the Food Staples segment has done very well, and it has contributed more than 24.7% increase on EBITDA in a year-on-year basis. The invested capital has been marginally flat, and while the fixed assets has been increased due to the acquisition of the BUA assets in early January, but that has been more than offset in dollar terms because of the depreciation of the Nigerian currency, Naira, as against US dollar in the last quarter.

On the Industrial Raw Materials, the EBITDA dropped 7.3%. Primarily the cotton is the big business in this segment, and cotton had lower margins during the -- especially in the second quarter. Some of the trading business in the US has faced some headwinds, and we expect the margins to be remaining under pressure for cotton the rest of the year.

But wood products business has been steady, and that has been delivering well, especially our RoC Republic of Congo, processing businesses, hardwood businesses are doing well. Rubber and fertilizer trading are marginal businesses, but they are delivering at or above plan.

Overall the invested capital declined by SGD290 million as compared to the previous period, primarily because of lower working capital utilization in cotton, and also some lower fixed capital in Gabon SEZ.

Moving on, on balance sheet. At a SGD16.82 billion closing position on 30 June, we wanted to highlight certain debt measures that we have taken. We have secured $650 million of revolving credit facility. We signed a five-year, $175 million loan agreement with IFC to refinance some of our CapEx operations. We are continuing to focus on private placement of bonds, particularly in the Japanese market, which we did at a fixed yen coupon rate of 1.427%. More importantly, in July we issued a $500 million benchmark perpetual securities, the first ever in Singapore market, at a very tight distribution rate of 5.35%. That obviously has, as I highlighted earlier, impacted our net gearing in a pro forma basis at 1.62 times, well below our targeted 2 times for the Company.

Last quarter we had talked about changing the way we are looking at the cash flow analysis. We have provided you with trend analysis of how we have been consistently generating cash over the last few years. If you can see from 2012, and right up to the first half of 2016 -- barring the 2015 where we had a negative free cash flow before CapEx and investments that as you all know was because of the acquisition of the ADM Cocoa assets, which we did in the last quarter of last year, we have been consistently generating free cash flow, positive free cash flow over the last several years.

Of particular importance, we can see that the FCFE -- the closing FCFE as of June has come down considerably, and improved year-on-year more than SGD100 million.

The gearing remains in line with our 2016 objective. It is at 1.98 times net debt equity, but post adjusting for the perpetual securities of $500 million, the pro forma net gearing stands at 1.62 times, and that we believe is very comfortable for us to look at any further growth opportunities that may present itself in the current volatile and challenging agri-commodity industry situation.

Our liquidity position continues to be very strong, and it is sufficient to cover all our repayment and CapEx obligations. We continue to optimize our debt tenure and cost to rebalance our borrowing mix. We are currently at 38% of short-term debt and 62% of long-term debt. We are continuing to look at rebalancing this debt mixture, which will optimize our debt portfolio and derive the targeted reduction in finance costs as we go along.

Finally, just to wrap up, very pleased again to report a very consistent and steady operational and financial performance for the first half for Olam amidst very challenging market conditions, and more importantly a very volatile agri-commodity industry. This is clearly a vindication of our uniquely shaped and diversified portfolio in among the single asset class of agri-commodity industry.

All our debt optimization initiatives, as I highlighted earlier, in the last 15 to 18 months, have borne fruit. This has resulted in a 15% reduction, absolute reduction in financing cost, notwithstanding an absolute increase of more than SGD2 billon in overall debt.

We have a very strong balance sheet and liquidity position to pursue our profitable growth objectives in line with our strategic plan, and we remain on track to selectively invest in prioritized platforms, clearly unlock value where we are looking at opportunities, and more importantly focus on releasing cash in line with the strategic plan.

Thank you.

QUESTIONS AND ANSWERS

Aditya Renjen - *Olam International - Vice-President,Treasury & Investor Relations*

Thanks Muthu. We will now open the floor for questions. If you have a question, please raise your hand and a mic will be brought to you. Please state your name and organization before asking your question. Thank you.

Aradhana Aravindan - *Reuters - Journalist*

Hi, Aradhana from Reuters. First question is on cocoa. I was just wondering, are you seeing any impact of the cocoa prices which have been rising on demand? The second question is on the Mitsubishi JV. Do you see an opportunity to expand the JV outside of Japan? If yes, where? The third question is in terms of your investment plans and deal activity for the rest of the year; any specific areas that you're looking at? Any deals that we could expect for this year?

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

First question about cocoa prices and the impact of it on chocolate demand. Clearly very high cocoa prices has restricted or to some extent impacted the demand for chocolate consumption. However cocoa demand is not only arising from chocolate -- used in chocolates. It is also in various other applications, particularly the cocoa byproducts in terms of cocoa solids, in terms of cocoa cake and powder. The consumption of that is growing quite fast. So overall if you look at cocoa consumption, it is still growing, but chocolate consumption because of very high prices is lower, and has been impacted.

We continue to believe that the cocoa supply/demand fundamentals will lead this year to almost a 320,000 tonne deficit, which is one of the largest deficits we have seen for some time. That clearly is bringing down end use ratios around -- to quite historically quite low levels. But more importantly, in addition to the actual quantum of deficit, the quality of good quality cocoa with the right FFAs is in very short supply. So while you have cocoa, the quality of the cocoa in terms of bean count and high FFA is amongst the worst that we have seen in several seasons. So usable cocoa is actually even in greater deficit.

Your second question was about Mitsubishi and the JV. The JV in Japan, which will be operational in October, is on track. So that is one part. The second part is your question about whether -- what we are planning to do with Mitsubishi elsewhere. As we mentioned in the past, there are seven or eight initiatives that we are working on. Between Mitsubishi and Olam we have set up a partnership committee. This committee is prioritizing which of these initiatives we should collaborate, and it extends across regions and across products and platforms. So we feel quite good about the potential and prospect of collaborating with Mitsubishi on some of these identified initiatives.

What was the third question? I forgot.

Aditya Renjen - *Olam International - Vice-President,Treasury & Investor Relations*

M&A activities.

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

For us? Obviously we can't completely speculate about M&A. As you know we have a strategic plan, which is 2016 to 2018, and then a second three-year plan between 2019 and 2021. The initiatives for growing the business profitably, some of that we will execute inorganically through acquisitions, and some organically. So we continue to have an interesting organic pipeline, as well as an inorganic pipeline. Which platforms, when, et cetera, obviously I can't publicly speculate about that.

Joan Ng - *Edge - Journalist*

I am Joan from The Edge. The minority interest that turned profitable this quarter, it's within Mozambique -- sorry, I can't remember where it is. But there are two things. Can you elaborate a little bit on that, and whether that is sustainable going forward?

Neelamani Muthukumar - *Olam International Ltd - President and Group CFO*

The non-controlling interest and the minority interest positions are primarily in two -- as you rightly called out one is in the 70/30 joint venture that we have with the public sector company in cotton in Mozambique, and the second minority we have is in the dairy upstream business in Russia, RUSMOLCO. So both of these have performed relatively well compared to the last year, and we believe that this position will continue going forward.

Patrick Yau - *Citigroup - Analyst*

Thank you. Patrick here from Citi. Just a question on the EBITDA to invested capital return ratios. So if I look at slide 15, which is where your confectionery slides are, when I compute the ratio, right, that has come down quite a lot from 11% to now 3.5%.

So I want to understand, in terms of the target, what kind of return ratios should we be expecting in this segment, because there's actually been, not just a sharp rise in fixed capital, but also a sharp rise in working capital. Is this just a seasonal number which we will recover, or is there something that is actually dragging down returns in this sector?

A Shekhar - *Olam International Ltd - Executive Director & Group COO*

So in this sector, in this segment, firstly there is obviously a big change when you compare it to the last year, because of the ADM acquisition, the acquisition of ADM assets. So we are, at this time, in a low point in the cocoa season. And cocoa season is really going to be there in the second half. So we believe that in terms of annualized EBITDA, when you look at the annualized EBITDA, it will obviously kick in in the second half, both for cocoa as well as for coffee. And that's likely to be more in the second half as we go along.

More importantly, in terms of invested capital, we are seeing a particular spike in terms of higher inventory that we're carrying, some because of the current market situation itself, beyond the fact that the acquired company also came with incremental inventory. And with the current market situation, that Sunny was outlining, we're carrying a much higher inventory, to cover us for the second half, or probably up to the first quarter of next year.

So the higher inventory, annualized EBITDA has still not fully kicked in for this period. And when you compare it, especially with last year, the whole business has changed quite dramatically. And then finally, of course, the higher outright prices of cocoa, all three combined together.

But we would expect, going forward, when this settles down, both in terms of acquisition as well as in terms of pricing, we would expect, for this segment, the EBITDA by IC to improve because, with the processing assets that have been acquired, we would expect the manufacturing EBITDA to improve compared to, let's say, the pure supply chain trading that we had.

So this will be headed overall in the 13% to 15% EBITDA by IC once the current situation stabilizes, which we would expect to happen before -- in 2017-2018.

Ezien Hoo - *OCBC - Analyst*

Hi Ezien, OCBC. Can you please give us some color on your share buyback program and the impact on cash dividends going forward? Thank you.

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

Yes, as you know, we have explained this in the past that we follow the golden rule in terms of share buyback. We only consider buying back our shares if we believe that our share prices are trading at a discount to fair value. And buying back shares will transfer value from exiting shareholders to continuing shareholders.

And, secondly, the second part of the rule is that there are probably not many better investment opportunities that will give us a better return than buying back shares. So if you look at -- and you all can make your own determination about what Olam's fair value is and how it relates to current share price -- but we believe that because we've met the condition of our prices being at a significant discount to our fair value, that makes sense for us to buy. So that's the first reason.

The second reason that we buy back shares is, if we have obligations to settle outstanding share options or under the share grant plan, performance share awards or restricted share awards, so we are roughly about 101.6 million share options outstanding, restricted shares and performance share awards. And we have roughly about 80 million in shares in the treasury including the 28.6 million shares that we bought in this round.

So if you look at our history, we've been listed 11 years. We've done two share buybacks; once is in 2012 and the second time that we're doing a share buyback is now. So we have about 101.6 million outstanding obligations. We're got roughly 80 million odd in treasury shares. So it gives us a little bit more room to buy shares as long as we meet that golden rule that our share prices are still trading at a significant discount to fair value. So that is the reason why -- the two reasons why we have bought some shares.

But because there's very little liquidity, there's very little shares we can buy back. So we bought shares over the last 53 days before the closed period started. Then we were only able to get about roughly 1% of the Company. So it's -- under the current market, liquidity issues for Olam shares, because there's a limited free float, our ability to buy back is also going to be limited.

Aditya Renjen - *Olam International - Vice-President,Treasury & Investor Relations*

The second question was on cash dividends. (Inaudible).

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

Yes cash dividends is a function of what our growth is. So sustainable growth rate formula is really we can grow to the extent of the changes in our equity position, assuming the same gearing. And, based on what our planned growth rate is, dividend will be a function of that. So if you're going to generate a 20% return on equity, and you want to grow the business by 20%, then you know how much dividends you can pay.

So we have a rough guideline that we will look at paying out between 25 -- 25% and a third of our after-tax earnings as dividends. But that will be adjusted, based on what our growth prospects are and what the returns are.

So, as you know, we've declared an interim dividend of SGD0.03 for the first half.

A Shekhar - *Olam International Ltd - Executive Director & Group COO*

Cash flow for that is likely to be about SGD82 million in terms of based on current outstanding shares.

Aradhana Aravindan - *Reuters - Journalist*

I just had -- I just wanted to clarify something. The cocoa deficit of 320,000 tonnes, that's for 2016/2017 or --

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

No, 2015/2016.

Aradhana Aravindan - *Reuters - Journalist*

So is that wider than what you had previously anticipated, because I remember a number of 308,000?

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

Yes, so slightly higher than what we had anticipated. But I think the situation will get worse.

Aradhana Aravindan - *Reuters - Journalist*

Okay.

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

This is our current number.

Aradhana Aravindan - *Reuters - Journalist*

Okay. Also maybe some more color on where you're seeing that cocoa demand coming from, which is offsetting the falling chocolate demand, if it's possible.

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

A whole host of confectionery applications, whether it is chocolate drinks or whether it is health drinks, whether it is pastries, cakes, cookies, biscuits; a whole variety -- ice-creams, a whole variety of applications. In the emerging market demand for these confectionery goods, beyond chocolate, is growing quite impressively.

Aradhana Aravindan - *Reuters - Journalist*

So is the chocolate demand falling more in the developed markets, or are you seeing --

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

No, chocolate demand is not collapsing, but chocolate demand with high prices is rationing demand. So that always happens in commodities.

So what Shekhar was mentioning or what Muthu was mentioning, last year we had really high almond prices. The impact of those almond prices have actually depressed demand. So if you see now, Costco which was selling its Kirkland Signature of almonds in its outlets last year at about $18, has reduced prices to $11.5. So you will now see again a pick-up in demand; that's a huge adjustment of prices.

So very high prices, the cure for high prices is high prices. High prices will ration demand. So we've seen that impact in chocolate consumption a little. But overall demand for cocoa and cocoa ingredients is still quite solid.

Joan Ng - *Edge - Journalist*

On the tax you mentioned just now that although the profit is higher, the tax that you need to pay is the same as last year. Can you explain that a little bit more?

The other thing is, on your -- you have some derivative financial instruments that, relative to December, have gone up quite a bit on both the assets side and the liabilities side. I assume there's some matching here, but is there some reason why the number has jumped?

Neelamani Muthukumar - *Olam International Ltd - President and Group CFO*

Okay. So the first question on income tax. So what I was trying to clarify is, even though on the profit before tax for the first six months at SGD280 million, as compared to SGD188 million of the first six months of last year, the taxation provision is similar.

That is, last year the taxable profit was almost similar to the current year, because the profit before tax last year was lower because of the exceptional charge that we took, SGD 98 million exceptional charge that we took on buyback on the high-priced bonds. And that is not a taxable charge. So the taxable income that is subject to income tax provision is, on a like-to-like basis, similar between current year and last year. That is one.

Yes you're right; on the derivative financial instruments, yes, it is matching. It's a matching principle, both assets and liabilities have gone up. It's primarily -- as you know, we are dealing in more than 47 agricultural commodities. And a majority of that is in derivative traded commodities as well. And, with the volatility in commodity prices, wherever our positions are, in terms of our procurement, which -- and we use as derivative instruments for hedging, the fair value of these financial instruments will go up or down.

But as long as you see the trend in terms of absolute increase, both in assets and liabilities are in sync, and the net position is what we should really watch out for. And that is more or less in line with what we have seen in December.

Mervin Song - *DBS - Analyst*

Hi. I'm Mervin from DBS. Just a question on the currency volatility. I think last year you had a depreciation of West African currencies which dramatically hit your food staples division. Given the depreciation on naira recently, do you expect the similar impact or have you been able to mitigate based on the experience you had last year? Thanks.

A Shekhar - *Olam International Ltd - Executive Director & Group COO*

So, yes, the naira continues to be very volatile and has taken a major devaluation in its official rate, which was being otherwise held constant. So there are two impacts; one is on the transaction side which, if you look at the Nigerian businesses, we have a portfolio of export businesses where this devaluation is actually in our favor. And all those businesses are well in control and, actually, probably a bit more profitable, because of the devaluing naira.

On the domestic businesses, we have two categories of businesses; one where the pricing moves in tandem with the increased devaluation which is probably more in the case for our wheat flour business, partially to the rice business, but currently there is a rice import ban so therefore that's not probably relevant. But these commodities move in tandem with the devaluation impact. There's not much lead lag. There might be some lead lag, but not much lead lag. So the pricing is able -- we can transfer the full impact of the naira on the sales pricing.

But in packaged food business, where the consumer packs are limited by unit prices of NGN5, NGN10, NGN20 pack, and you can't move prices up to a NGN21 or a NGN22, and you have to go from NGN20 to NGN30 in some step ups, you always find a much longer lead lag.

So from a transactional perspective, the only place where the steady devaluation is -- if it finally devalues once and then catches up, life turns back to normal. But this has been a case wherein, over an 18-month period, you've had a steady devaluation and still continuing. So that's impacted the packaged food business the most. But all other businesses we feel quite comfortable.

We have also done various things, which I think we have discussed in the previous quarters, about taking a lot of local borrowing to offset that. So we are in a much better position compared to most of the businesses.

We have internal dollar-generation capacity because of our export businesses which can be utilized. So we have a much better access to US dollars. We've also got much better access to local borrowing, even though, albeit, it's at higher interest rates.

So a mix of all that is enabling us to handle this much better than competition. And we've maintained our market shares during this significant period of volatility, whether it's the export business or the import business. So that's on the transaction.

The other part, that Muthu briefly mentioned, obviously because of the change in devaluation, on the fixed assets and equities obviously there is a translational impact, which there is not much way to hedge it. And that is flowing through -- the impact is flowing through our results.

It's not cash flow and -- it's not cash flow. And that's something that obviously we keep looking at, but there's not many ways to hedge it beyond converting a lot of the fixed assets into local borrowing again, which we do, depending on our view on the interest rates versus the exchange rate.

So that -- so we feel quite comfortable that -- it's a bad situation, but we feel quite comfortable that the way we are positioned to handle it, vis a vis competition will eventually throw up opportunities and consolidation in the marketplace. So we are tracking it closely. We are concerned, but we feel that we are quite well positioned to manage it.

Suraj Aggarwal - *Societe Generale - Analyst*

Hi. This is Suraj from Societe Generale Bank. Two questions; number one, your Gabon fertilizer project, if you can give some status update and the outlook.

And for the free cash flow to equity, when do you expect it to turn positive; is there any target? If you can throw some light there, thank you.

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

So on the Gabon fertilizer project, unfortunately there is nothing more to report in terms of an update. We still continue to discuss with potential investors. Gabon is going to have an election on the twenty-seventh of this month. We don't expect any investors to put any kind of offer on the table until they see the outcome of those elections.

We would expect the results of those elections to be declared by the end of the month.

The presidential elections in Gabon is seven-year terms. So once the election results are decided, then you will have more -- less uncertainty about the political situation as far as Gabon is concerned.

So we will have to wait to see how the potential strategic investors that we are in discussions with assess this situation post the pending elections. And we will keep you updated if there is any material progress.

But I think in the last briefing we mentioned that the value of the assets that we have there, and the developed value of those assets that we have there, we believe will be still maintaining most of the value of the investments that we have already made.

And, as all of you know, we have put a freeze on any additional investments in the Gabon fertilizer project until we find a resolution in terms of bringing in a strategic partner into that project. So there will be no incremental CapEx spend on the project until we find a partner.

The second question --

A Shekhar - *Olam International Ltd - Executive Director & Group COO*

So I think the target that we have talked about in the past is that we will be free cash-flow positive to firm, on a FCFE basis, by 2016. We think we're well on course for that. The only stipulation that is always there is that this is sans any significant price impact that can be positive or negative, which can take up working capital, which is a little bit outside our control.

But, based on our current plans, we feel quite comfortable that the targets for 2016 on cash flows are met. And at this point of time, the way we are headed, we are quite close to breakeven on an FCFE basis also.

But we will retain optionalities to make any investments in our prioritized platforms, if we see value-accretive investments which, like we had signaled at the time we did the ADM transaction also, might impact the year. But if that is really value-accreting, and it's available at a good value at a certain point of time, we might decide to do that.

So we are keeping our powders dry. We are focused on what we can manage: which is operational cash flow, which is improving year on year; managing our balance sheet from a working capital, tax, interest standpoint, which again we are fairly focused on; and we'll keep some powder dry for any value-accretive investments if they come along.

But I think the business in itself, based on investments already made, is quite capable of being free cash flow positive going forward, notwithstanding any working capital or actual fixed capital investment that we may decide to make.

Mayoko Tani - *Nikkei - Journalist*

Mayoko from Nikkei. Just a follow-up question to the earlier question about Japan. You were talking about the committee discussing the platform and you're comfortable about it. Do you think you can share a little bit more on what sort of the products and platform that you're starting in October and whether we can expect the income and profits to be contributing in the third quarter, fourth quarter?

And also, I believe that the joint venture is focusing on the import and distribution in Japan, but is there scope of tapping into sourcing business together with a partner, with Mitsubishi?

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

The Olam Japan JV that you're referring to is owned 70% by Mitsubishi and 30% by Olam. And the focus of that JV is to increase our penetration into the Japanese markets for the various agricultural raw materials and ingredients that we supply. So whether it's cocoa, whether it's coffee, whether it's edible nuts, we hope, through this JV, we will be able to significantly increase our market share.

But this JV will make other investments in Japan, to participating in Japan domestic food story. And that might involve manufacturing investments etc., but that will all be to tap into the Japanese food story and the Japanese willingness to pay a premium for sustainable, traceable food products; value-added food products. So the scope of the JV will be these two things.

From Olam's perspective, our first target is to try and increase our market share in the Japanese market, for all the ingredients and raw materials that we supply. And secondly, to participate in the value-added potential for making food products that are sustainable, traceable, differentiated and value-added in the Japanese market.

Outside of Japan we have, when we announced the transaction, identified various collaboration opportunities. And, for example, one is in Africa. Mitsubishi has an interest to increase its exposure and investments in Africa. And, since we are in 24 countries and have significant capabilities and assets in Africa, we believe there are opportunities for us to look at the potential opportunities to grow in Africa.

Another one is, Mitsubishi, for example, owns 100% of Princes Foods which is a large, packaged-branded food manufacturer. We have a packaged foods business in Africa. We would like to explore whether we can increase and supply some of the branded foods that Princes makes in Africa through our PFB structure. So that is another example of a potential cooperation or collaboration with Mitsubishi.

Mitsubishi has got a very successful brand that is sold -- coffee brand that is sold, for example, in their Lawson supermarket chain in Japan, which requires high-quality, single-origin, traceable, premium Arabica coffees from various parts of South America. And we are in all of the key producing countries in South America. We have a very leading position in being able to offer these traceable, sustainable coffees for that brand. That's another example.

Mitsubishi has a good origination footprint in both South America and North America in the grains business. We would like to see how we can partner with them, to try and see how we can take advantage of their strengths in South and North America in grain origination, with our strengths in grain origination in, for example, the Black Sea, from Black Sea, and see how we can collaborate in taking advantage of the market opportunities that exist there. So that's another example.

You've heard from Muthu that we have committed $150 million investment in getting an animal feeds business in Nigeria, to start with, where we're going to be making both poultry feed and fish feed for the poultry and fish industry. One of the largest animal feed manufacturers in Japan is Mitsubishi. So therefore we've gone and visited their facilities and we're taking help from them in -- as we expand into animal feed manufacturing in Africa.

So there are lots of such opportunities. I'm just giving you a few which the partnership committee is looking at. So they will look at all these potential areas of collaboration, cooperation. They will prioritize this. And then, over the next three years, of the first three-year plan that we have, we will see what we can jointly invest in developing.

Yes, so we -- in the JV in Japan, which was started in October, we don't expect much contribution from a bottom line for this year. And more than the bottom line contribution next year, what we expect is to increase our market share in Japan, from Olam's point of view. Once our full, detailed strategic plan for the JV is crystallized and approved by the JV's Board, we will have a much better sense of what investments that JV will make, to tap into the growing consumer demand for high-quality, differentiated, clean food products.

Aditya Renjen - *Olam International - Vice-President,Treasury & Investor Relations*

I think we'll take some questions from the web. This is from Anuradha of Bloomberg. What's Olam's price outlook for Malaysian CPO prices for the rest of 2016? Where do you see the prices trading and why?

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

So as you saw, from the end of May to the beginning of July, palm prices were under pressure. They lost about $100 a tonne. Prices fell to about $550 a tonne. In the last couple of weeks we've seen palm prices go up again from $550 to $615. So we've had a $60, roughly, pick up in palm prices in the last couple of weeks.

Near term we're a little bit friendly to palm prices; and near term I'm meaning very near term, in the next month and two months, largely on account of the fact that port stocks in China have been run down very significantly. We estimate port stocks to be about 300,000 tonnes against a monthly consumption of 400,000 tonnes.

We also see a significant drawdown in palm stocks port stocks in India, from 780,000 tonnes -- or 700,000 tonnes to 380,000 tonnes. So nearby, both China and India were drawing down on the pipeline stocks of palm and olein that they had. They now have to replenish it in the near term. So the near term we expect some price pressures.

But we have revised our balance sheet from May. In May we said that we expected Malaysian production to be about 18.8 million tonnes. We've revised that down to now 18.25 million tonnes. And we have, however, increased Indonesian production from about -- by about 0.5 million tonnes. So our estimate, in terms of Indonesian production, is now a little bit higher, to 32.6 million tonnes compared to the 32.1 million tonnes that we had in May.

So near term, friendly to palm prices; medium, long term, based on what we anticipate supply/demand to be, we expect prices to weaken as palm was concerned. Also on account of very large soybean supplies and soybean oil production, the soft oils will keep prices capped, I think, at least for the next 6 months to 12 months probably.

Aditya Renjen - *Olam International - Vice-President,Treasury & Investor Relations*

This is a follow-up on that. What's the outlook on La Nina affecting supplies of cocoa, palm oil, other commodities, and will the supplies be tighter than expected earlier this year?

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

So our current view is that there is a very, very low probability for La Nina event happening. So all the leading indicators -- and we do some very proprietary research on weather patterns. So we are almost ruling out potential La Nina events. So I don't think La Nina will be a factor in potential disruptions or enhancements of supplies in different parts of the world. We put the probability at a very low probability.

Aradhana Aravindan - *Reuters - Journalist*

18.25 million tonnes is for Malaysia for this year 2016?

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

Yes.

Aradhana Aravindan - *Reuters - Journalist*

And 32.6 million tonnes for Indonesia, same, for this year.

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

That's right, yes.

Aradhana Aravindan - *Reuters - Journalist*

And palm oil prices to weaken longer term, not so much (inaudible).

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

So our estimate of palm oil prices is $550 to $650 range; it's the range that we trade at now. But in the next month or so we expect some firmness in palm oil prices to continue. $550 to $650 is our range, yes.

Aditya Renjen - *Olam International - Vice-President,Treasury & Investor Relations*

There is a question from Lucy of Wall Street Journal. Do you expect prices from black pepper to continue to rise and are there any difficulties with supply in the market at the moment?

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

Yes. Fundamentally, structurally, as you know, in the past, India was a big exporter of pepper and a big producer of pepper. But India has now turned a net importer because of its growing consumption of pepper and lack of growth in supply. The big change has happened in Vietnam. So Vietnam, from being a distant third producer/supplier, is now becoming one of the largest suppliers, and more importantly, the biggest exporter in the world. So they have taken up some of the tightness that we saw in the supply/demand situation in India.

Structurally we expect that to continue for a while. It is difficult to find good quality land to grow pepper. And it is also a gestating crop; it requires significant investment.

So medium, long term, we are structurally friendly to pepper dynamics in terms of supply and demand. Near-term impact will really depend on weather and other factors. So at this point in time, we are neutral to friendly on pepper prices, black pepper prices.

Aditya Renjen - *Olam International - Vice-President,Treasury & Investor Relations*

Thank you. Any other questions from the floor?

Joan Ng - *Edge - Journalist*

What's the average cost of your borrowings today versus what it was a year ago? And then you've got a very good set of numbers this year, after a couple of rough quarters in the last few quarters. What are some of the headwinds that you see that might impact your -- the next two quarters of your financial year?

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

Maybe you can take the first part?

Neelamani Muthukumar - *Olam International Ltd - President and Group CFO*

Okay. So as I had, during my presentation, talked about the absolute rate of borrowings have come down due to the various debt optimization initiatives we had taken, particularly buying back our more expensive, the bonds that we issued before the VGO in early 2014 and also -- in early 2013 and also buying back the convertible bond which was at 6%.

So the overall absolute cost has come down. But, to answer your question more specifically, it's a combination of, as you know, 38% of our debt portfolio is short-term debt and 62% is more long-term debt. And again that's a combination of syndications, revolving credit facilities, senior bonds and now perpetual securities. So it's a combination.

So if you look at the portfolio, it's -- trying to give you an absolute rate would be difficult. And we would probably not give you a number specifically, but if you have to look at directionally from where we were and where we are, we should be anywhere between lower by 200 bps on a comparative basis.

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

So as far as headwinds are concerned, going forward, clearly we are in the camp that global growth is slowing down. And we are going to face a fairly prolonged period of sub-par growth. So there's not a one year, two year scenario, but trend -- we will find it very difficult then. We operate in 70 countries. And we don't know of one out of the 70 where growth is above trend. So every one of these countries we are seeing growth challenges.

So I think the biggest challenge globally, as far as the macroeconomic situation is concerned is, where do you find growth from? So if IMF keeps revising every forecasted growth prospects, and if growth has come down from trend-line growth of 4.2%-4.5% to now 2.8%-3%, that has a major impact on global economies. So I think that will have some impact on demand for resources sector; less so for food, but it will have some impact for resources sector.

Olam, as you know, is very diversified. So I think we will be in a relatively better position to manage some of this volatility, but we will not be immune to some of these headwinds. Our industrial raw materials businesses will under-perform. And that will include our cotton business, our rubber business. So that would be something that will under-perform for the rest of the year.

But the foods side of the business I think will pick up. It will remain stable; not pick up, I think it will remain stable. We have obviously not a very homogenous asset class. So while we're very friendly to cocoa prices, in coffee we're very friendly to Robusta prices, we're less friendly to Arabica prices. So every commodity in our portfolio will be having a very different and very specific dynamic in terms of price direction in those commodities.

But we remain confident that we have built a diversified, well-balanced business. And under most circumstances, we would perform reasonably well.

Aditya Renjen - *Olam International - Vice-President,Treasury & Investor Relations*

Thank you. If there are no further questions, on that very happy note, thank you for attending.

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

Thank you.

Aditya Renjen - *Olam International - Vice-President,Treasury & Investor Relations*

See you next quarter.

Neelamani Muthukumar - *Olam International Ltd - President and Group CFO*

Thank you.