

Olam International Limited

Management Discussion and Analysis

Results for the year ended December 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 Fourth Quarter and 12 Months ended December 31, 2016 lodged on SGXNET on February 28, 2017.

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MANAGEMENT DISCUSSION AND ANALYSIS

Results for the Fourth Quarter ("Q4 2016") and 12 Months ended December 31, 2016 ("2016" or "12M 2016")

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Key Highlights

Financial Performance

SGD Mn

	12M 2016	12M 2015 Restated	% Change	Q4 2016	Q4 2015 Restated	% Change
Volume ('000 MT)	14,415.8	12,506.7	15.3	4,210.4	3,692.4	14.0
Revenue	20,587.0	19,052.6	8.1	6,106.3	5,448.4	12.1
Net gain/(loss) in fair value of biological assets	14.1	(51.9)	n.m.	17.8	(36.3)	n.m.
EBITDA	**1,202.8**	**1,085.2**	**10.8**	**349.0**	**259.7**	**34.4**
Depreciation & Amortisation	(353.5)	(266.6)	32.6	(106.7)	(84.3)	26.6
Net Finance costs	(403.5)	(448.9)	(10.1)	(112.0)	(121.3)	(7.7)
Taxation	(94.3)	(89.3)	5.6	(27.1)	(15.0)	80.7
Exceptional items	(12.5)	(397.0)	n.m.	(0.2)	(296.1)	n.m.
PAT	339.1	(116.6)	n.m.	103.1	(257.0)	n.m.
PATMI	**351.3**	**(114.9)**	**n.m.**	**102.2**	**(269.4)**	**n.m.**
Operational PATMI	**363.8**	**295.6**	**23.1**	**102.3**	**40.1**	**155.1**

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 20 for additional details.*

- **Profit After Tax and Minority Interests (PATMI)** was **S$351.3 million in 2016** compared to a loss of S$114.9 million in 2015. This was mainly due to s**ignificantly lower exceptional losses** of S$12.5 million in 2016 compared to S$397.0 million in the prior year.

- **Operational Profit After Taxes and Minority Interests** (PATMI excluding exceptional items) **increased by 23.1% to S$363.8 million** (2015: S$295.6 million) as improved EBITDA and lower net finance costs offset higher depreciation and amortisation.

- **Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) improved by 10.8% to S$1,202.8 million in 2016** compared to S$1,085.2 million in 2015 with growth in **Confectionery & Beverage Ingredients** (**up 43.4%** from S$284.0 million **to S$407.3 million**) and **Food Staples & Packaged Foods** (**up 55.7%** from S$212.1 million **to S$330.2 million**) segments offset by lower contribution from **Edible Nuts, Spices & Vegetable Ingredients** (**down 15.7%** from S$393.5 million **to S$331.8 million**), **Industrial Raw Materials, Ag Logistics & Infrastructure** (**down 27.0%** from S$185.1 million **to S$135.2 million**) and **Commodity Financial Services (CFS)** (**down** from S$10.6 million to a **loss of S$1.6 million**) segments.

- **Sales volume grew by 15.3%** as compared to 2015 with most segments reporting growth in volumes.

- Despite higher overall debt, **net finance costs** (excluding the one-time charge on the buyback of bonds) declined from S$448.9 million in 2015 to **S$403.5 million in 2016** as a result of the various initiatives undertaken to optimise debt tenures and reduce cost of borrowing.

- **Depreciation and amortisation**[1] rose to **S$353.5 million** in 2016 compared to S$266.6 million in 2015 due to a higher fixed asset base after acquiring ADM's cocoa processing business (Cocoa Processing assets) and BUA Group's wheat milling assets in Nigeria.

- These results included a **net gain of S$14.1 million for 2016** on the **fair valuation of biological assets**[2] compared to a **net loss of S$51.9 million in 2015**.

- We incurred gross **cash capital expenditure (Capex) of S$1,417.4 million** in 2016 (2015: S$2,339.5 million), mainly for the acquisition of the wheat milling assets in Nigeria and Brooks Peanut Company (Brooks) and continued investments in upstream and midstream assets. **Net of disposals**, we invested cash of **S$1,385.5 million** in 2016 as compared to S$2,089.8 million in 2015.

- **Net operating cash flow of S$1,015.8 million** (2015: S$154.9 million); **Free Cash Flow to Firm (FCFF) improved by S$1,644.5 million** to a **lower negative S$418.1 million**.

- **Net gearing stood at 1.99 times** as at December 31, 2016 compared to 1.96 times as at December 31, 2015.

- The Board of Directors has recommended a **final ordinary dividend of 3.0 cents** per share, bringing **total dividend to 6.0 cents** per share for 2016 (18M FY2015[3]: 6.0 cents).

[1] Depreciation and amortisation is now reported in accordance with amendments to SFRS 16 and SFRS 41. See page 23 for more explanation. Depreciation and amortisation for the prior period has also been restated accordingly.

[2] 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. Fair valuation of biological assets for the prior period has also been restated accordingly. See page 23 for more explanation.

[3] The Company's financial year has been changed to start on January 1 and end on December 31 with effect from 2016. The prior financial year 2015 was an 18-month financial period from July 1, 2014 to December 31, 2015.

Strategic Partnerships / M&A / Investments

- In April 2016, the Company formed a **30/70 joint venture with Mitsubishi Corporation (MC) in Japan**. The new joint venture MC Agri Alliance Ltd (MCAA), which imports and distributes coffee, cocoa, sesame, edible nuts, spices, vegetable ingredients and tomato products for the Japanese market, **commenced operations on October 1, 2016**.

- In the same month, 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**.

- During the year, the Company completed the following acquisitions:
  - **100.0% interest in Amber Foods**, which owns the **wheat milling and pasta manufacturing assets of the BUA Group** in Nigeria, for **US$275.0 million**;
  - **100.0% interest in Brooks** at an enterprise value of **US$102.1 million (**post working capital adjustments on closing);
  - **palm and palm oil assets from SIAT Gabon** for approximately **US$24.6 million** through Olam Palm Gabon (OPG), the 60:40 joint venture between Olam and the Republic of Gabon;
  - **remaining 50.0% interest in Acacia Investments** (Acacia) from its joint venture partner for **US$24.0 million**; and
  - **100.0% interest** in East African coffee specialist **Schluter S.A. for US$7.5 million**.

Financing

- In January 2016, the Company completed the repurchase and cancellation of the **US$500.0 million 6.0% Convertible Bonds due 2016**. A **one-time charge of S$12.5 million** was recorded during the first quarter of 2016.

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

- On April 14, 2016, the Company secured a **US$650.0 million Revolving Credit Facility** agreement, consisting of a 364-day and a 2-year revolving credit facility of US$325.0 million each.

- On April 19, 2016, the Company 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 the sugar milling and spice processing facilities in India, as well as the sesame hulling and Crown Flour Mill facilities in Nigeria.

- In May 2016, the Company announced the issuance of **¥5.5 billion (US$50.0 million) 5-year fixed rate senior unsecured notes** due 2021 at a fixed yen coupon rate of 1.427%.

- In July 2016, Olam issued **US$500.0 million Perpetual Capital Securities**[4] under its US$5.0 billion Euro Medium Term Note Programme. Priced at par, the perpetuals bear a distribution rate of 5.35% for the first five years, which will then be reset at the end of five years.

- In September 2016, Olam tapped the **5-year Senior Unsecured Notes** issued in April 2016 by an **additional US$150.0 million** priced at 101.651% of the principal sum.

- In October 2016, Olam completed a **US$2.0 billion debt refinancing programme** consisting of a 364-day revolving credit facility of US$400.0 million, a 2-year revolving credit facility of US$800.0 million and a 3-year revolving credit facility of US$800.0 million.

- In December 2016, the Company's wholly-owned subsidiary Olam Americas Inc. issued **US$175.0 million of 5-year fixed rate notes** at a coupon rate of 3.9% in a private placement.

- Post 2016, Olam announced its intention to **call back the outstanding 7.0% Perpetual Capital Securities of S$235.8 million** in the open market between March 1, 2017 and March 7, 2017 at par value including accrued distributions. It also announced its intention to exercise its option to redeem any outstanding Securities as of September 1, 2017 at par including accrued distributions.

Outlook and Prospects

The long-term trends in the agri-commodity sector remain attractive, and Olam is well positioned to benefit from this as a core global supply chain business with selective integration into higher value upstream and mid/downstream segments. Olam believes its diversified and well-balanced portfolio with leadership positions in many segments provides a resilient platform to navigate current uncertainties in global commodity markets, and continues to execute on its 2016-2018 strategic plan to invest in prioritised platforms.

[4] The US$500.0 million Perpetual Capital Securities are treated as equity under capital securities.

Summary of Financial and Operating Results

Profit and Loss Analysis

SGD Mn

	12M 2016	12M 2015 Restated	% Change	Q4 2016	Q4 2015 Restated	% Change
Volume ('000 MT)	**14,415.8**	**12,506.7**	**15.3**	**4,210.4**	**3,692.4**	**14.0**
Revenue	**20,587.0**	**19,052.6**	**8.1**	**6,106.3**	**5,448.4**	**12.1**
Other Income^	47.3	45.7	3.5	18.3	4.6	297.8
Cost of sales^	(18,363.8)	(16,974.2)	8.2	(5,510.1)	(4,959.9)	11.1
Overhead expenses^	(1,068.0)	(961.2)	11.1	(325.1)	(299.3)	8.6
Other operating expenses	(36.0)	(31.0)	16.1	29.8	87.3	(65.9)
Net gain/(loss) in fair value of biological assets	14.1	(51.9)	n.m.	17.8	(36.3)	n.m.
Share of results from jointly controlled entities and associates	22.2	5.2	326.9	12.0	14.9	(19.5)
EBITDA^	**1,202.8**	**1,085.2**	**10.8**	**349.0**	**259.7**	**34.4**
EBITDA %	5.8%	5.7%		5.7%	4.8%	
Depreciation & Amortisation	(353.5)	(266.6)	32.6	(106.7)	(84.3)	26.6
EBIT	849.3	818.6	3.8	242.3	175.4	38.1
Exceptional items	(12.5)	(397.0)	n.m.	(0.2)	(296.1)	n.m.
Net Finance costs^	(403.5)	(448.9)	(10.1)	(112.0)	(121.3)	(7.7)
PBT	433.4	(27.3)	n.m.	130.2	(242.0)	n.m.
Taxation^	(94.3)	(89.3)	5.6	(27.1)	(15.0)	80.7
PAT	**339.1**	**(116.6)**	**n.m.**	**103.1**	**(257.0)**	**n.m.**
PAT %	1.6%	-0.6%		1.7%	-4.7%	
Non-controlling interests	(12.2)	(1.7)	617.6	0.9	12.4	(92.7)
PATMI	**351.3**	**(114.9)**	**n.m.**	**102.2**	**(269.4)**	**n.m.**
PATMI %	1.7%	-0.6%		1.7%	-4.9%	
Operational PAT	**351.6**	**280.4**	**25.4**	**103.3**	**39.1**	**164.2**
Operational PAT %	1.7%	1.5%		1.7%	0.7%	
Non-controlling interests^	(12.2)	(15.2)	(19.7)	0.9	(1.0)	n.m.
Operational PATMI	**363.8**	**295.6**	**23.1**	**102.3**	**40.1**	**155.1**
Operational PATMI %	1.8%	1.6%		1.7%	0.7%	

^Excluding exceptional items

Sales Volume

Volume grew 15.3% as most segments reported growth in sales volume.

Revenue

Revenue increased by 8.1% mainly on higher volumes, with lower prices of some commodities, including almonds and tomato paste, offsetting price increases in garlic, coffee, cocoa, palm, dairy, sugar and cotton during the year.

Other Income

Other income (excluding exceptional items) was up S$1.6 million due to higher miscellaneous income as compared to the previous year.

Cost of Sales

Cost of Sales rose 8.2 %, broadly in line with revenue increase during the year.

Overhead Expenses

Overhead expenses increased by 11.1% to S$1,068.0 million in 2016 from S$961.2 million in 2015 primarily due to the acquisition of the Cocoa Processing and wheat milling assets, and Brooks.

Other Operating Expenses

Other operating expenses went up by S$5.0 million in 2016 due to higher unrealised foreign exchange losses compared to 2015.

Net Changes in Fair Value of Biological Assets

In accordance with amendments to Singapore Financial Reporting Standards ("SFRS") 41 pertaining to Agriculture, the Company records changes in the fair value of agricultural produce growing on bearer plants in the profit or loss statement. The determination of changes in fair value is conducted annually and reported in the Company's fourth quarter and full year results announcement starting from Q4 2016.

Net changes in fair valuation of biological assets in 2016 moved from a net loss of S$51.9 million in 2015 to a net gain of S$14.1 million in 2016. The loss in 2015 included the impact of reduced milk herd size after the restructuring of dairy farming operations in Uruguay, whilst the gain in 2016 included the net change in the fair valuation of the almond fruits on trees in Australia.

Share of Results from Jointly Controlled Entities and Associates

Share of results from jointly controlled entities and associates jumped from S$5.2 million in 2015 to S$22.2 million in 2016. This was mainly due to the higher contribution from Open Country Dairy, Gabon Special Economic Zone (GSEZ) and Acacia (prior to its results being consolidated from the second half of 2016).

EBITDA

EBITDA for 2016 improved by 10.8% to S$1,202.8 million as Confectionery & Beverage Ingredients and Food Staples & Packaged Foods segments reported a strong growth in EBITDA, offsetting the decline in contribution from the remaining three segments.

Depreciation and Amortisation

Depreciation and amortisation expenses increased from S$266.6 million in 2015 to S$353.5 million in 2016 due to a higher fixed asset base following the acquisition of the Cocoa Processing, wheat milling assets and Brooks.

Finance Costs

Net finance costs fell from S$448.9 million in 2015 to S$403.5 million in 2016 as overall cost of borrowing came down with the change in borrowing mix and the buyback of high cost debt in 2015.

Taxation

Overall tax expenses increased marginally from S$89.3 million in 2015 to S$94.3 million in 2016.

Non-controlling Interest

Non-controlling interest, which is primarily comprised of the minority share of results from Rusmolco, OPG, Olam Rubber Gabon and Caraway (Packaged Foods), was a loss of S$12.2 million in 2016 against a loss of S$15.2 million in the prior year. The result was due to Rusmolco reporting operating profits in 2016 (versus a loss position in 2015), which offset the higher operating losses from Caraway and OPG.

Exceptional Items

The 2016 results included a net exceptional loss of S$12.5 million while the 2015 results had S$397.0 million in net exceptional losses, which included fair value loss of the Company's equity investment in PureCircle and dairy farming restructuring expenses, amongst other one-off losses.

SGD Mn

	12M 2016	12M 2015 Restated	Q4 2016	Q4 2015 Restated
Sale of Dairy Processing Plant, Cote d'Ivoire		0.6		0.1
Sale and Leaseback of Dairy Farm Land, Uruguay		0.9		0.2
Sale and Leaseback of Palm Plantations, Gabon		33.6		33.6
Sale of Wool Business, Australia		(0.1)		-
Fair Valuation of investment in PureCircle Limited		(192.6)		(192.6)
US loan prepayment		-		-
Closure of SVI dehydrates facility, US		(0.3)		(0.1)
NZFSU Dairy restructuring & herd revaluation gain/loss, Uruguay		(76.9)		(76.9)
Impairment of Cotton gins, US		(1.7)		(1.7)
ADM Cocoa acquisition expenses		(34.1)		(34.1)
Expenses on prepayment of higher cost loans, US		(2.4)		-
Loss on Bonds Redemption 2015 - Interest portion		(82.0)		(0.9)
Loss on Bonds Redemption 2015 - FV portion		(18.6)		(0.2)
Loss on buyback of Convertible bonds	(12.5)	(23.5)	(0.2)	(23.5)
				-
Exceptional Items	**(12.5)**	**(397.0)**	**(0.2)**	**(296.1)**

PATMI

PATMI was S$351.3 million in 2016 versus a loss of S$114.9 million in 2015. This was largely due to a lower exceptional loss of S$12.5 million in 2016 compared to S$397.0 million loss in 2015.

Operational PATMI

Operational PATMI (PATMI excluding exceptional items) grew by 23.1% over the prior year due to higher EBITDA and lower net finance costs, which offset higher depreciation and amortisation charges.

Balance Sheet Analysis

SGD Mn

	31-Dec-16	31-Dec-15 Restated	Change vs Dec 15
Uses of Capital			
Fixed Capital	8,169.5	7,340.5	829.0
Working Capital	8,517.7	8,295.6	222.1
Cash	2,144.0	2,143.1	0.9
Others	473.5	(165.8)	639.3
Total	**19,304.7**	**17,613.4**	**1,691.3**
Sources of Capital			
Equity & Reserves	5,797.1	5,187.0	610.1
Non-controlling interests	235.9	240.5	(4.6)
Short term debt	5,983.0	5,512.1	470.9
Long term debt	7,687.5	6,781.7	905.8
Fair value reserve	(398.8)	(107.9)	(290.9)
Total	**19,304.7**	**17,613.4**	**1,691.3**

As of end-December 2016, our total assets of S$19.3 billion comprised S$8.2 billion of fixed assets, S$8.5 billion of working capital and S$2.1 billion of cash. These were funded by S$5.8 billion of equity, S$6.0 billion of short term debt and S$7.7 billion of long term debt.

Compared to end-December 2015, the overall balance sheet grew by S$1.7 billion due to the acquisition of the wheat milling assets and Brooks, working capital increase post these acquisitions, as well as other Capex investments.

Working Capital

SGD Mn

	31-Dec-16	31-Dec-15 Restated	Change vs Dec 15
Stock	7,414.3	6,691.7	722.6
Advance to suppliers	880.6	715.0	165.6
Receivables	1,656.4	1,495.2	161.2
Trade creditors	(2,201.4)	(1,753.7)	(447.7)
Others	767.8	1,147.4	(379.6)
Working Capital	**8,517.7**	**8,295.6**	**222.1**

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

The overall working capital rose by S$222.1 million compared to end-December 2015. This was a result of the increase in volumes after the acquisition of the Cocoa Processing and wheat milling assets, and Brooks, as well as higher cocoa and coffee prices.

days

	31-Dec-16	31-Dec-15	Change vs Dec 15
Stock	147	143	4
Advance to suppliers	17	15	2
Receivables	29	28	1
Trade creditors	(43)	(37)	(6)
Total cash cycle	**150**	**149**	**1**

Our overall working capital cycle stayed largely flat at 150 days as at end-December 2016 as higher inventory days, advances to suppliers and receivable days were compensated by longer trade creditor days.

Cash Flow Analysis

SGD Mn

Cash Flow Summary	12M 2016	12M 2015 Restated	Y-o-Y
Operating Cash flow (before Interest & Tax)	1,243.5	1,150.8	92.7
Changes in Working Capital	(227.7)	(995.9)	768.2
Net Operating Cash Flow	**1,015.8**	**154.9**	**860.9**
Tax paid	(48.4)	(127.8)	79.4
Capex/ Investments	(1,385.5)	(2,089.7)	704.2
Free cash flow to firm (FCFF)	**(418.1)**	**(2,062.6)**	**1,644.5**
Net interest paid	(347.7)	(478.4)	130.7
Free cash flow to equity (FCFE)	**(765.8)**	**(2,540.9)**	**1,775.1**

Free Cash Flow to Firm (FCFF) improved significantly from negative S$2,062.6 million in 2015 to a negative S$418.1 million in 2016 as improved net operating cash flows were met by a significant reduction in net Capex. Net Capex was S$1,385.5 million as a result of the acquisition of the wheat milling assets, Brooks and continued investments in upstream and midstream assets. Similarly, Free Cash Flow to Equity (FCFE) also improved from negative S$2,540.9 million a year ago to a lower negative of S$765.8 million in 2016.

Debt, Liquidity and Gearing

SGD Mn

	31-Dec-16	31-Dec-15 Restated	Change vs Dec 15
Gross debt	13,670.5	12,293.9	1,376.6
Less: Cash	2,144.0	2,143.2	0.8
Net debt	11,526.5	10,150.7	1,375.8
Less: Readily marketable inventory	5,909.2	5,232.9	676.3
Less: Secured receivables	1,381.4	1,155.8	225.6
Adjusted net debt	4,235.9	3,762.0	473.9
Equity (before FV adj reserves)	5,797.1	5,187.0	610.1
Net debt / Equity (Basic)	**1.99**	**1.96**	**0.03**
Net debt / Equity (Adjusted)	**0.73**	**0.73**	**-**

Net debt increased by S$1,375.8 million as compared to end-December 2015 while our equity position (before fair value adjustment reserves) grew by S$610.1 million to S$5,797.1 million after we issued the US$500.0 million Perpetual Capital Securities in July 2016. As a result, net gearing increased to 1.99 times from 1.96 times as at December 31, 2015.

Of the S$7.4 billion inventory position, approximately 79.7% or S$5.9 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$1.7 billion in trade receivables, approximately 83.4% 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 0.73 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$16.8 billion in available liquidity as at December 31, 2016, including unutilised bank lines of S$7.4 billion.

Segmental Review and Analysis

For Q4 2016

SGD Mn

Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)	
	Q4 2016	Q4 2015 Restated	Q4 2016	Q4 2015 Restated	Q4 2016	Q4 2015 Restated	31-Dec-16	31-Dec-15 Restated
Edible Nuts, Spices and Vegetable Ingredients	421.1	463.7	1,224.1	1,120.6	87.6	66.1	3,642.7	3,463.0
Confectionery and Beverage Ingredients	379.5	473.2	2,217.8	1,956.6	141.2	98.5	6,109.5	5,680.9
Food Staples and Packaged Foods	3,035.1	2,423.5	2,028.2	1,743.5	104.6	48.2	4,522.1	3,230.6
Food Category	**3,835.7**	**3,360.4**	**5,470.1**	**4,820.7**	**333.4**	**212.8**	**14,274.3**	**12,374.5**
Industrial Raw Materials, Ag Logistics & Infrastructure	374.6	332.1	636.1	628.1	18.1	55.4	2,220.9	1,917.5
Commodity Financial Services (CFS)	N.A.	N.A.	0.0	(0.3)	(2.6)	(8.5)	153.8	82.6
Non-Food Category	**374.6**	**332.1**	**636.1**	**627.8**	**15.5**	**46.9**	**2,374.7**	**2,000.1**
Total	**4,210.4**	**3,692.4**	**6,106.3**	**5,448.4**	**349.0**	**259.7**	**16,649.0**	**14,374.7**

Note: IC excludes:

(a) Gabon Fertiliser Project (31-Dec-16: S$224.8 million, 31-Dec-15: S$ 209.8 million); and

(b) Long Term Investment (31-Dec-16: S$ 148.4 million, 31-Dec-15: S$ 269.2 million)

For 12M 2016

SGD Mn

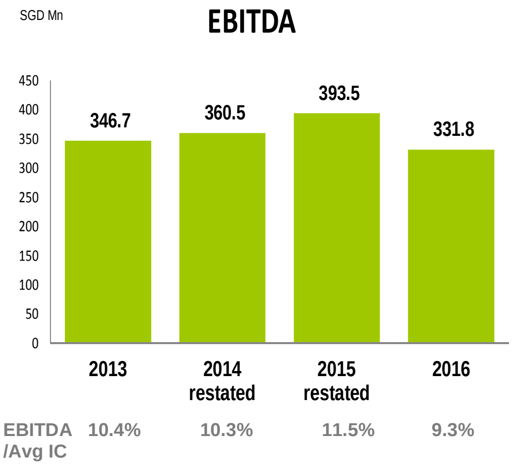
Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		EBITDA/ Avg IC	
	12M 2016	12M 2015 Restated	12M 2016	12M 2015 Restated	12M 2016	12M 2015 Restated	31-Dec-16	31-Dec-15 Restated	12M 2016	12M 2015 Restated
Edible Nuts, Spices and Vegetable Ingredients	1,569.7	1,549.2	3,981.1	4,227.2	331.8	393.5	3,642.7	3,463.0	9.3%	11.5%
Confectionery and Beverage Ingredients	1,687.5	1,689.5	7,711.0	6,859.6	407.2	284.0	6,109.5	5,680.9	6.9%	6.4%
Food Staples and Packaged Foods	9,496.1	7,904.9	6,110.8	5,391.2	330.2	212.1	4,522.1	3,230.6	8.5%	6.7%
Food Category	**12,753.3**	**11,143.6**	**17,802.9**	**16,478.0**	**1,069.2**	**889.6**	**14,274.3**	**12,374.5**	**8.0%**	**13.2%**
Industrial Raw Materials, Ag Logistics & Infrastructure	1,662.5	1,363.1	2,784.1	2,574.6	135.2	185.1	2,220.9	1,917.5	6.5%	9.8%
Commodity Financial Services (CFS)	N.A.	N.A.	-	-	(1.6)	10.6	153.8	82.6	-1.4%	24.7%
Non-Food Category	**1,662.5**	**1,363.1**	**2,784.1**	**2,574.6**	**133.6**	**195.7**	**2,374.7**	**2,000.1**	**6.1%**	**18.3%**
Total	**14,415.8**	**12,506.7**	**20,587.0**	**19,052.6**	**1,202.8**	**1,085.2**	**16,649.0**	**14,374.7**	**7.8%**	**8.4%**

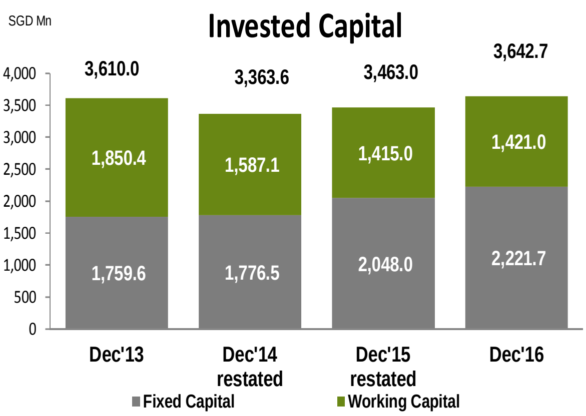
Note: IC excludes:

(a) Gabon Fertiliser Project (31-Dec-16: S$224.8 million, 31-Dec-15: S$ 209.8 million); and

(b) Long Term Investment (31-Dec-16: S$ 148.4 million, 31-Dec-15: S$ 269.2 million)

Edible Nuts, Spices & Vegetable Ingredients





Sales volumes increase in the Edible Nuts, Spices & Vegetable Ingredients segment was marginal at 1.3% in 2016 as improved volumes from the Edible Nuts platform, particularly peanut volumes, which increased due to results from Brooks, and cashew volumes, were offset by reduced tomato paste volume.

Segment revenues however fell by 5.8% mainly because of lower almond and tomato paste prices.

Segment EBITDA declined by 15.7% in 2016 mainly due to a lower contribution from the almond and tomato processing businesses. All other businesses in the segment performed better than 2015.

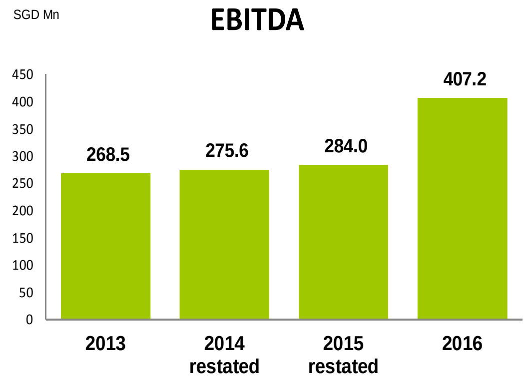
The almond business, which mainly comprises upstream operations, was impacted by overall lower prices in 2016. Almond prices, however, were higher in the second half of 2016 compared to those during the first half of the year.

The tomato processing business continued to experience margin pressures arising from weak demand, depressed market prices and higher raw material cost compared to 2015. The impact is expected to continue into the first half of 2017.

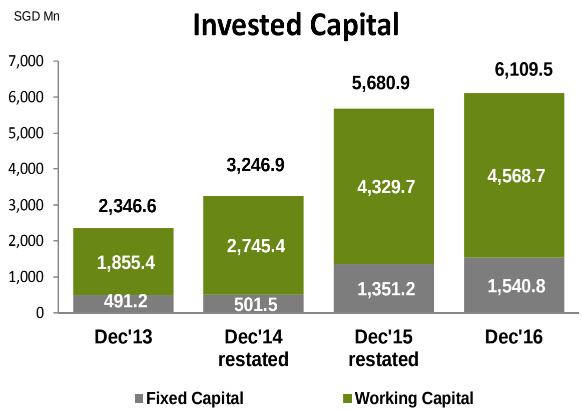
Compared to end-December 2015, invested capital in the segment increased by S$179.7 million. The increase in fixed capital came from the acquisition of Brooks. Overall working capital increased slightly due to higher inventory in peanuts and tomatoes, offset by lower working capital in almonds due to lower prices.

As a result, EBITDA to average invested capital (EBITDA/IC) for the segment declined from 11.5% in 2015 to 9.3% in 2016.

Confectionery & Beverage Ingredients



EBITDA /Avg IC	12.6%	9.9%	6.4%	6.9%



Sales volumes in the Confectionery & Beverage Ingredients segment remained largely flat during the year. Although Coffee volumes were up and the Cocoa processing volumes were higher year-on-year due to a full year consolidation of volumes recorded from the acquired Cocoa Processing assets, supply chain volumes declined as most of the volumes became captive feedstock for processing. Supply chain volumes were also affected by reduced cocoa bean supply and quality for most of the year due to adverse weather conditions in West Africa.

Segment revenues were 12.4% higher than 2015 due to the increase in the sales of value-added cocoa products (cocoa cake, powder, liquor and butter) as well as the increase in prices and sales volume in Coffee.

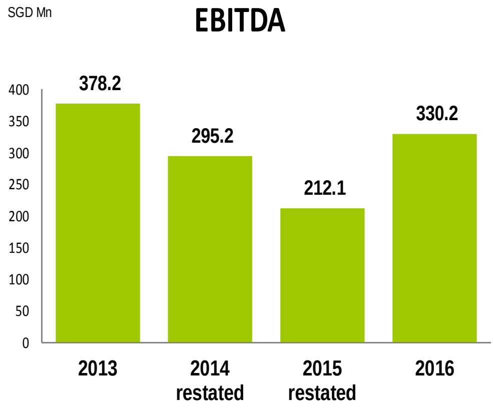
Segment EBITDA grew by 43.4% as both Cocoa and Coffee had stronger contributions. Cocoa's increase in EBITDA was due to the consolidation of the results of the acquired Cocoa Processing assets, which performed better than expectations due to improved product ratios. However, these results were offset by the lower contribution from the supply chain business.

Coffee achieved higher EBITDA in 2016 from the green coffee supply chain and soluble coffee business in Vietnam and Spain.

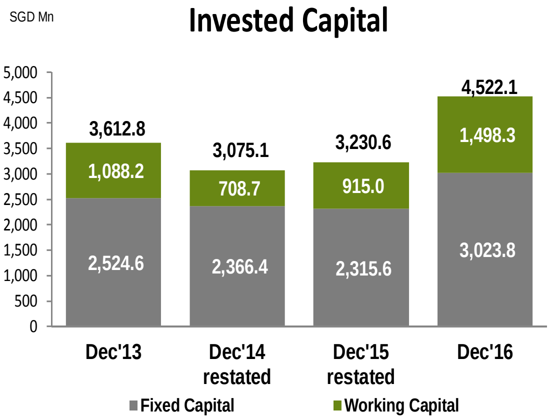
Compared to end-December 2015, the segment recorded an increase in invested capital of S$428.6 million, in particular the working capital requirements as a result of higher coffee and cocoa prices. Fixed capital increased in line with the expansion in upstream activities in Tanzania and Brazil and soluble coffee capacities in Vietnam and Spain.

EBITDA/IC for the segment improved marginally from 6.4% in 2015 to 6.9% in 2016.

Food Staples & Packaged Foods



EBITDA /Avg IC 10.4% 8.8% 6.7% 8.5%



Food Staples & Packaged Foods segment volumes increased by 20.1% mainly due to higher volumes from Grains' origination and export operations as well as the wheat milling operations post the acquisition of BUA Group's wheat milling assets in Nigeria. The Rice, Sugar and Dairy businesses also recorded an increase in volumes as compared to the previous year.

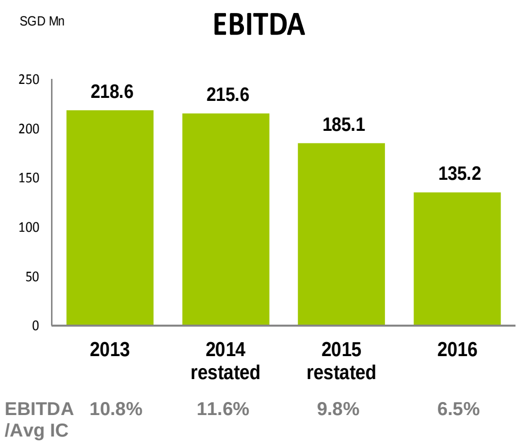
Segment revenue grew by 13.3% in 2016 mainly due to volume growth and higher dairy, rice and sugar prices, part of which were offset by the adverse currency impact on Packaged Foods' revenues.

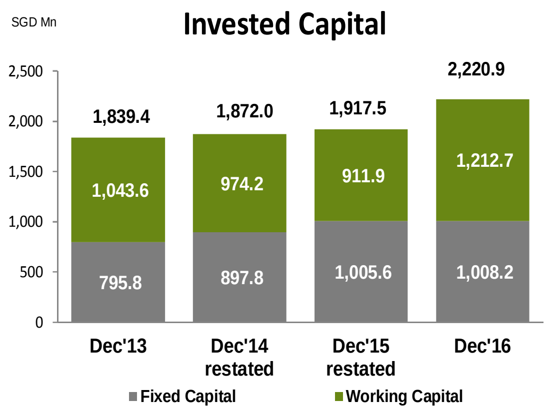
The segment reported a robust 55.7% growth in EBITDA as all platforms recorded an improvement in EBITDA over the prior year. Operations which underperformed during the prior year showed strong improvements in 2016. The edible oil refining and distribution operations in Mozambique including those of Acacia performed better than 2015. Rusmolco was profitable for the year while the dairy farming operation in Uruguay recorded significantly improved operating metrics and hence better results compared to 2015. Packaged Foods posted improved performance despite facing headwinds during the year from currency volatility as well as the disruption of dairy and beverage juices production in Nigeria after a plant fire in April 2016.

Overall invested capital increased by S$1,291.5 million compared to end-December 2015. Fixed capital went up mainly due to the acquisition of wheat milling assets and construction of animal feed mills in Nigeria, expansion of wheat milling capacity in Ghana, and continued investments in Palm plantations in Gabon. Working capital also moved up with higher volumes in Grains and Sugar.

As a result of the strong performance in EBITDA, EBITDA/IC for the segment improved markedly from 6.7% in 2015 to 8.5% in 2016.

Industrial Raw Materials, Ag Logistics & Infrastructure





The Industrial Raw Materials, Ag Logistics & Infrastructure volumes grew by 22.0% as a result of larger Cotton volumes in 2016.

Revenues were up 8.1% compared to 2015 as lower sales of Wood Products moderated the growth in revenue in this segment.

However, despite increased GSEZ contribution, overall segment EBITDA for the year declined by 27.0% due to margin pressures in Cotton and Wood Products.

Overall invested capital grew by S$303.4 million compared to end-December 2015 due to increased working capital in Cotton from higher volumes and prices. Fixed capital remained unchanged as reduced fixed capital in GSEZ offset the increase in investments in Rubber plantations in Gabon.

As a result of reduced EBITDA and higher invested capital, EBITDA/IC declined from 9.8% in 2015 to 6.5% in 2016.

Commodity Financial Services

The CFS business registered an EBITDA loss of S$1.6 million in 2016 versus S$10.6 million in 2015.

Compared to end-December 2015, invested capital in this segment rose by S$71.2 million with most of it deployed in the funds business.

Value Chain Review and Analysis

SGD Mn

	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		EBITDA/ Avg IC	
	12M 2016	12M 2015	12M 2016	12M 2015	12M 2016	12M 2015	12M 2016	12M 2015	12M 2016	12M 2015
Upstream	455.6	433.2	798.4	1,167.2	79.2	154.9	3,764.2	3,074.8	2.3%	5.2%
Supply Chain	9,863.1	9,370.2	10,496.2	13,080.4	503.5	599.9	6,537.7	4,851.9	8.8%	12.3%
Mid/ Downstream	4,097.1	2,703.3	9,292.4	4,805.0	620.1	330.4	6,347.1	6,448.0	9.7%	6.5%
Total	**14,415.8**	**12,506.7**	**20,587.0**	**19,052.6**	**1,202.8**	**1,085.2**	**16,649.0**	**14,374.7**	**7.8%**	**8.4%**

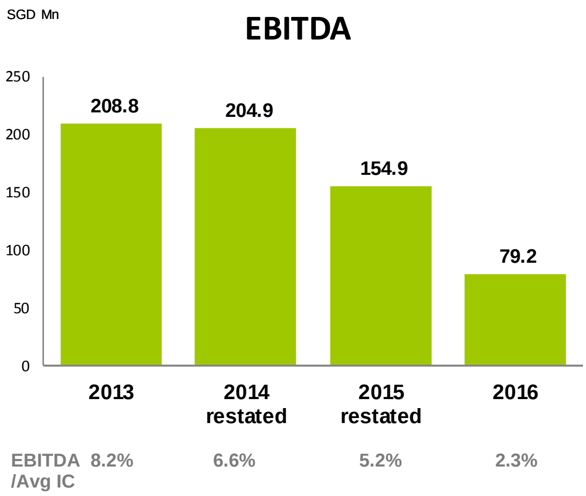
Note: IC excludes:

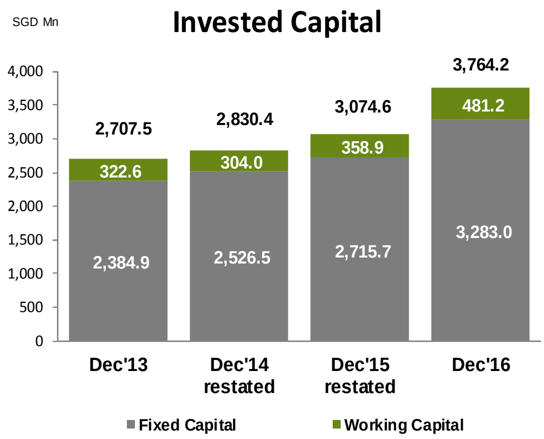
(a) Gabon Fertiliser Project (31-Dec-16: S$224.8 million, 31-Dec-15: S$ 209.8 million); and

(b) Long Term Investment (31-Dec-16: S$ 148.4 million, 31-Dec-15: S$ 269.2 million)

Upstream

The Upstream segment registered a year-on-year volume growth of 5.2% mainly coming from almonds and Coffee. Revenue and EBITDA declined by 31.6% and 48.9% respectively in 2016.





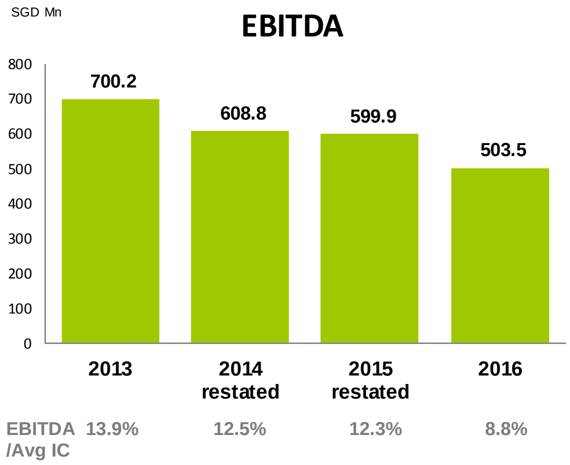
The revenue decline was primarily on account of lower almond prices. EBITDA was dragged down by reduced contribution from almond plantations in Australia and the US as well as Wood Products, although this was partly offset by improved performance in NZFSU.

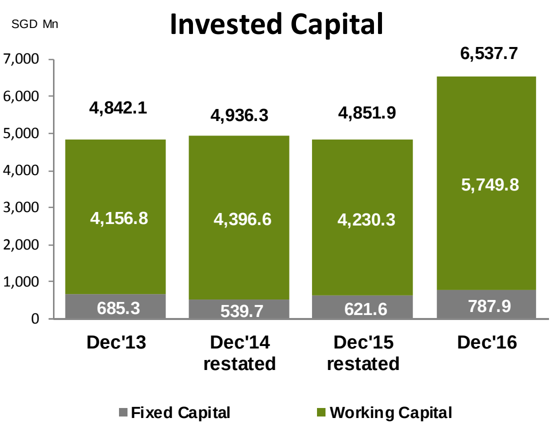
Invested capital in the segment increased by S$689.6 million from end-December 2015, mainly on account of higher fixed capital invested in almond, Coffee, Palm and Rubber plantations.

EBITDA/IC declined from 5.2% in 2015 to 2.3% in 2016 on higher average invested capital but lower EBITDA.

Supply Chain

The Supply Chain segment recorded a 5.3% increase in volume due to growth from Grains, Rice, Dairy and Sugar trading, offsetting the reduction in Cocoa as much of its volumes were channelled for cocoa processing. As a result of lower Cocoa volumes, revenue declined by 19.8%.

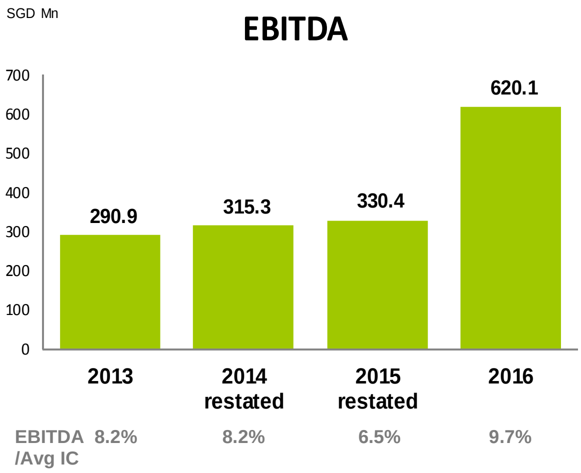


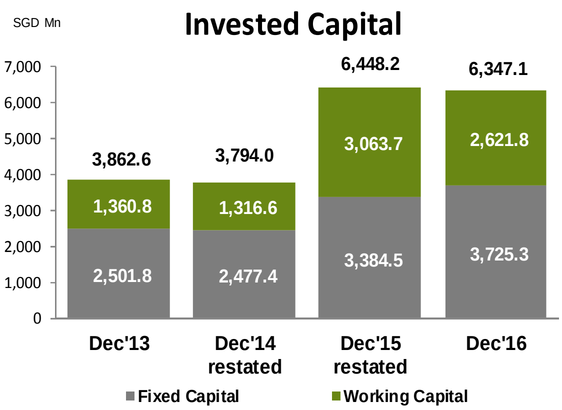


EBITDA declined by 16.1% arising from lower contribution from Cotton, CFS and Cocoa supply chain due to the shift in bean volumes to captive processing. However, invested capital in the segment rose by S$1,685.8 million owing to larger working capital in Coffee, Cotton and Cocoa beans carried as feedstock for processing. As a result, EBITDA/IC dropped from 12.3% in 2015 to 8.8% in 2016.

Mid/Downstream

The Mid/Downstream segment recorded a strong growth of 51.6% and 93.4% in volumes and revenues respectively. The growth in volumes was driven by larger volumes of processed Cocoa products and flour from wheat milling. Revenues were up as a result of these higher volumes.





EBITDA surged by 87.7% due to strong contribution from the Cocoa processing, wheat milling in West Africa, soluble Coffee processing, Peanut shelling as well as Sugar and Palm refining. This was partly offset by the drop in contribution from tomato processing.

Invested capital was lower by S$101.1 million for the year on account of higher fixed capital investments being offset by lower working capital.

The increase in EBITDA lifted EBITDA/IC from 6.5% in 2015 to 9.7% in 2016.

Annexure

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. Accordingly, Olam records changes in the fair value of agricultural produce growing on bearer plants in the profit or loss statement. The determination of changes in fair value is conducted annually and reported in the Company's fourth quarter and full year results announcement starting from Q4 2016.

As a result of these amendments, Olam's balance sheets as at July 1, 2014, March 31, 2015, June 30, 2015, September 30, 2015 and December 31, 2015 have been restated. In addition, the profit and loss statements for the 12 months and 18 months ended December 31, 2015 and quarters ended March 31, June 30, September 30 and December 31 in 2015 have been restated. Cash flow statements for the quarters ended March 31, June 30, September 30, and December 31 in 2015 have also been restated.

Historical profit and loss statements (based on the MD&A format) and balance sheets for the financial years 2012 to 2015, with 2014 and 2015 financial statements restated in accordance with the amendments to accounting standards SFRS 16 and SFRS 41, were posted on the SGXNET on June 30, 2016. Historical EBITDA, Average Invested Capital (IC) and EBITDA/IC by business and value chain segments for the financial years 2012 to 2015 as well as EBITDA and IC by business segment for the four quarters of 2015 were also provided in the same announcement.

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 9M 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	FRS 41 & 16 - Increase / (decrease) S$ m	ADM Cocoa - Increase / (decrease) S$ m	(Restated) S$ m
Balance Sheet (Extract)				
Property, plant and equipment	3,366.4	994.7	360.8	4,721.9
Intangible assets	809.3	-	305.0	1,114.3
Biological assets	1,386.7	(1,050.5)	-	336.2
Other non-current assets	557.0	-	(526.0)	31.0
Other current assets	1,424.0	-	(21.5)	1,402.5
Total Assets	20,792.4	(55.8)	118.3	20,854.9
Deferred tax liabilities	(318.8)	16.3	(118.3)	(420.8)
Total Liabilities	(15,433.3)	16.3	(118.3)	(15,535.3)
Net Assets	**5,359.1**	**(39.4)**	**-**	**5,319.7**
Revenue Reserves	1,990.7	(44.5)	-	1,946.2
Foreign Currency Translation reserves	(375.1)	5.1	-	(370.0)
Total equity	**5,359.1**	**(39.4)**	**-**	**5,319.7**

In addition to the restatements arising from amendments to SFRS 16 and SFRS 41 and early adoption of SFRS 109, the purchase price allocation (PPA) for the acquisition of the Cocoa Processing assets (ADM Cocoa) was completed in Q4 2016. Therefore the purchase consideration and subsequent investments made in the acquired business have been included in the restated balance sheet as of December 31, 2015 as indicated above.

Profit and Loss account for the Fourth Quarter 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)	3 Months		
Net (loss)/ gain in fair value of biological assets	(27.4)	(53.4)	(80.8)
EBITDA	**313.1**	**(53.4)**	**259.7**
Depreciation and amortisation	(76.6)	(7.7)	(84.3)
PBT	(180.9)	(61.1)	(242.0)
Taxation	(28.0)	13.0	(15.0)
PAT	**(208.9)**	(48.1)	**(257.0)**
PATMI	**(221.3)**	**(48.1)**	**(269.4)**
Operational PATMI	**88.2**	**(48.1)**	**40.1**

Profit and Loss account for the 12 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)	12 months		
Net (loss)/ gain in fair value of biological assets	(58.9)	(37.6)	(96.4)
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)	16.6	(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 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	(86.8)	(15.2)	(102.0)
EBITDA	**1,625.4**	**(15.2)**	**1,610.2**
Depreciation and amortisation	(342.0)	(45.1)	(387.1)
PBT	238.0	(60.3)	177.7
Taxation	(141.6)	15.8	(125.8)
PAT	**96.5**	**(44.5)**	**51.9**
PATMI	**98.7**	**(44.5)**	**54.2**
Operational PATMI	**483.5**	**(44.5)**	**439.0**

Cash flow for the Fourth Quarter ended December 31, 2015

	Prior Year Restatement		
	31 Dec 2015		
	(Previously stated) S$ m	Increase / (decrease) S$ m	(Restated) S$ m
Cash Flow (Extract)	3 Months		
Profit before taxation	(180.9)	(61.1)	(242.0)
Amortisation of intangible assets and depreciation of property, plant and equipment	76.6	7.7	84.3
Fair value of biological assets	27.4	53.4	80.8
Operating cash flow before reinvestment in working capital	301.0	-	301.0

Cash flow for the 12 Months ended December 31, 2015

	Prior Year Restatement		
	31 Dec 2015		
	(Previously stated) S$ m	Increase / (decrease) S$ m	(Restated) S$ m
Cash Flow (Extract)	12 Months		
Profit before taxation	39.8	(67.1)	(27.3)
Amortisation of intangible assets and depreciation of property, plant and equipment	237.1	29.5	266.6
Fair value of biological assets	58.9	37.5	96.4
Operating cash flow before reinvestment in working capital	1,705.9	-	1,705.9

Cash flow 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
Cash Flow (Extract)	18 Months		
Profit before taxation	238.0	(60.3)	177.7
Amortisation of intangible assets and depreciation of property, plant and equipment	342.0	45.1	387.1
Fair value of biological assets	86.8	15.2	102.0
Operating cash flow before reinvestment in working capital	1,705.9	-	1,705.9

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

	12M 2016	18M 2015 Restated	Q4 2016	Q4 2015
Other Income^	**47.3**	**66.2**	**18.3**	**4.6**
Other Income	47.3	142.2	18.3	38.6
Less: Exceptional items	-	76.0	-	34.0
Cost of sales^	**(18,363.8)**	**(25,026.5)**	**(5,510.1)**	**(4,959.9)**
Cost of sales	(18,363.8)	(25,045.1)	(5,510.1)	(4,960.1)
Less: Exceptional items	-	(18.6)	-	(0.2)
Overhead expenses^	**(1,068.0)**	**(1,375.1)**	**(325.1)**	**(299.3)**
Other operating expenses^	**(36.0)**	**(229.8)**	**29.8**	**87.3**
Other expenses	(1,104.0)	(1,877.4)	(295.3)	(473.0)
Less: Exceptional items	-	(272.5)	-	(261.0)
Net Finance costs^	**(403.5)**	**(677.8)**	**(112.0)**	**(121.3)**
Finance income	30.2	50.0	9.5	14.1
Finance costs	(446.2)	(835.7)	(121.6)	(159.8)
Less: Exceptional items	(12.500)	(107.9)	(0.1)	(24.4)
Taxation^	**(94.3)**	**(122.1)**	**(27.1)**	**(15.0)**
Income tax expense	(94.3)	(125.8)	(27.1)	(15.0)
Less: Exceptional items	-	(3.7)	-	-

^ as stated in MD&A

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 and walnut orchards in the US, peanut farming in Argentina, Coffee plantations in Laos, Tanzania, Zambia and Brazil, Cocoa plantation in Indonesia, 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 and Georgia, 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), fertiliser manufacturing and the development of agricultural logistics and infrastructure, such as special economic zones, warehouses, silos and ports.

2016-2018 Strategic Plan

For the 2016-2018 Strategic Plan, Olam used six criteria to inform its judgement on how to prioritise its portfolio and the basis for making key investment choices and capital allocation decisions between the various businesses:

1) Address areas where performance has been inconsistent or has not met expectations;
2) Double down on strong businesses to scale up and strengthen leadership positions;
3) Focus new investments on areas where we have the highest winnability and returns;
4) Streamline business portfolio and release cash from divestments;
5) Find the right investment balance between contributing and gestating businesses; and
6) Assess and manage portfolio risks.

Based on this approach, Olam has prioritised its portfolio into five clusters as described below. Each platform in the five clusters has mapped out specific strategic pathways that it intends to execute over the next two three-year cycles.

1) Cluster 1 contains the six prioritised platforms – Edible Nuts, Cocoa, Grains, Coffee, Cotton and Spices and Vegetable Ingredients, all of which are in attractive markets where the Group has a strong competitive position. It intends to accelerate its investments in these six platforms to build global leadership.

2) Cluster 2 consists of seven platforms – Packaged Foods, Edible Oils, Rubber, Dairy, Risk Management Solutions, Market-making, Volatility Trading and Asset Management, Trade and Structured Finance – all of which are in attractive markets, but the Group's investments in these platforms are still gestating and therefore the model is still to be proven. The Group intends to scale up these platforms once it has more proof of concept.

3) Cluster 3 consists of three platforms – Rice, Wood, Sugar and Sweeteners which are smaller businesses (in terms of size of profit) for the Group, but with very high returns.

4) Cluster 4 consists of two platforms – Fertiliser and GSEZ that are non-core, and therefore the Group intends to deconsolidate these businesses and partially monetise these investments at the appropriate time.

5) Cluster 5 – prioritise and focus on Africa as a separate vertical, by leveraging the region as a globally competitive supply source, supplying food staples and ingredients into Africa, participating in its consumer story and investing in Africa's agricultural logistics and infrastructure.

Growing responsibly

'Growing Responsibly' describes how we do business. It is embedded within our entire business framework and we believe that it is only by doing business 'the right way' that we can create long-term sustainable value for us and all our stakeholders. We are working towards achieving end-to-end sustainable supply chains by 2020. This means ensuring our staff are equipped to make the right choices, respecting people and natural resources. Small-scale farmers sit at the heart of what we do – we source from four million smallholders. In 2010, The Olam Livelihood Charter (OLC) was launched to set a benchmark for projects that incorporate all of our eight Charter principles of Finance, Improved Yield, Labour Practices, Market Access, Quality, Traceability, Social Investment and Environmental Impact.

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 18 platforms across the business segments and the activities across the value chain segments are given below:

5 Business Segments	18 Platforms
Edible Nuts, Spices and Vegetable Ingredients	1) Edible Nuts (cashew, peanuts, almonds, hazelnuts, pistachios, walnuts and sesame) 2) Spices and Vegetable Ingredients (including pepper, onion, garlic, capsicums and tomato)
Confectionery and Beverage Ingredients	3) Cocoa 4) Coffee
Food Staples and Packaged Foods	5) Rice 6) Sugar and Sweeteners 7) Grains and Animal Feed 8) Edible Oils 9) Dairy 10) Packaged Foods
Industrial Raw Materials, Ag Logistics & Infrastructure (formerly known as Industrial Raw Materials)	11) Cotton 12) Wood Products 13) Rubber 14) Fertiliser 15) Gabon Special Economic Zone (GSEZ including ports and infrastructure)
Commodity Financial Services (CFS)	16) Risk Management Solutions 17) Market-making, Volatility Trading and Asset Management 18) Trade and Structured Finance

Note: The 2015 and 2016 results for the CFS segment do not include those of Trade and Structured Finance.

3 Value Chain Segments	Value Chain Activity
Supply Chain	Includes all activities connected with origination, sourcing, primary processing, logistics, trading, marketing (including value-added services) and risk management of agricultural products and the CFS segment
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

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: Sale of goods in metric tonne equivalent. There are no associated volumes for CFS and GSEZ 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.