

Olam International Limited

Management Discussion and Analysis

Results for the period ended June 30, 2017



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 Second Quarter and Six Months ended June 30, 2017 lodged on SGXNET on August 14, 2017

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MANAGEMENT DISCUSSION AND ANALYSIS

Results for the Second Quarter ("Q2 2017") and Six Months ended June 30, 2017 ("H1 2017")

Contents

Key Highlights

Financial Performance

SGD Mn

	H1 2017	H1 2016	% Change	Q2 2017	Q2 2016	% Change
Volume ('000 MT)	8,939.8	6,447.5	38.7	4,478.1	3,482.0	28.6
Revenue	12,324.7	9,742.8	26.5	6,520.5	4,981.3	30.9
Net gain/(loss) in fair value of biological assets	(1.6)	(6.5)	(75.2)	0.4	(1.2)	n.m.
EBITDA	**772.3**	**648.4**	**19.1**	**373.7**	**315.6**	**18.4**
Depreciation & Amortisation	(183.7)	(164.3)	11.8	(95.1)	(83.8)	13.5
Net Finance costs	(258.0)	(191.1)	35.0	(118.4)	(91.7)	29.1
Taxation	(54.1)	(59.8)	(9.4)	(20.2)	(28.8)	(29.8)
Exceptional items	(6.3)	(12.4)	n.m.	(6.3)	0.1	n.m.
PAT	270.1	220.9	22.3	133.6	111.5	19.8
PATMI	**291.5**	**228.6**	**27.5**	**147.7**	**114.9**	**28.5**
Operational PATMI	**297.8**	**241.0**	**23.6**	**154.0**	**114.8**	**34.1**

- **Profit After Tax and Minority Interests (PATMI) grew 27.5 %** to **S$291.5 million in H1 2017** (H1 2016: S$228.6 million) as improved Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) offset higher depreciation and amortisation, and net finance charges.

- **Operational Profit After Taxes and Minority Interests** (PATMI excluding exceptional items) **increased by 23.6% to S$297.8 million** (H1 2016: S$241.0 million).

- **EBITDA improved by 19.1% to S$772.3 million in H1 2017** (H1 2016: S$648.4 million) with growth coming from most segments. Contributing to the growth was **Edible Nuts, Spices & Vegetable Ingredients (up 42.4% from S$179.2 million to S$255.1 million**), **Food Staples & Packaged Foods** (**up 31.5% from S$165.6 million to S$217.7 million**), **Commodity Financial Services (CFS) (up from S$0.9 million to S$6.3 million**) and **Industrial Raw Materials (up 1.2% from S$105.2 million to S$106.5 million**) segments, which helped offset lower contribution from the **Confectionery & Beverage Ingredients segment (down 5.5% from S$197.5 million to S$186.7 million)**.

- **Sales volume increased by 38.7%** as compared to H1 2016 with higher contribution from all segments, led by enhanced trading volumes in Grains and Edible Oils during H1 2017.

- **Net finance costs** rose from S$191.1 million in H1 2016 to **S$258.0 million in H1 2017** due to a larger invested capital base, an increase in benchmark interest rates as well as an increase in higher-cost local currency borrowings to mitigate the impact of currency devaluation in certain geographies.

- **Depreciation and amortisation** was **higher at S$183.7 million in H1 2017** (H1 2016: S$164.3 million) on an enlarged fixed asset base after the completion of various acquisitions made in 2016.

- These results also included a **net loss of S$1.6 million for H1 2017** on the **fair valuation of upstream dairy assets** compared to a net loss of S$6.5 million in H1 2016.

- We incurred **gross cash capital expenditure (Capex) of S$479.3 million in H1 2017** (H1 2016: S$621.4 million), mainly for meeting ongoing Capex commitments during this period. **Net of disposals**, we invested cash of **S$436.7 million in H1 2017** (H1 2016: S$555.4 million).

- We generated **higher positive Free Cash Flow to Firm (FCFF)** of **S$239.4 million in H1 2017** (H1 2016: S$191.2 million).

- **Net gearing stood at 1.97 times** at June 30, 2017 compared to 1.99 times as at December 31, 2016.

- The Board of Directors has declared an **interim (one-tier tax exempt) ordinary dividend of 3.5 cents per share**.

Financing

- In March 2017, Olam announced that it has issued **US$300.0 million of 5 years and 10 months senior unsecured notes due 2023** under its US$5.0 billion Euro Medium Term Note Programme at 99.37 of their principal amount and priced at a fixed coupon of 4.375%.

- In late March 2017, Olam issued **¥5.7 billion (approximately US$50.0 million) senior unsecured notes due 2022** at 98.0% of their principal amount and priced at a fixed yen coupon of 0.47%.

- In May 2017, the Company issued **¥6.0 billion of 5-year senior unsecured notes due 2022** at a fixed coupon of 0.9725% under US$5.0 billion Euro Medium Term Note Programme.

- In June 2017, wholly-owned subsidiary Olam Americas Inc. undertook a **private placement** to issue **US$170.0 million of fixed rate notes** at a fixed coupon of 3.73% for five years.

- In early July 2017, Olam priced a benchmark **S$300.0 million of Subordinated Perpetual Securities** under its US$5.0 billion Euro Medium Term Note Programme which bear a distribution rate of 5.5% for the first five years. Towards the end of the month, we tapped on these perpetual securities and issued an **additional S$50.0 million at 100.25%** of the principal amount.

- During the same month, Olam also issued the following debt facilities:
  - Secured its first **revolving credit facility in Europe aggregating US$1.0 billion**. The facility consists of three tranches – a one-year facility of US$400.0 million, a 2-year facility of US$300.0 million and a 3-year of US$300.0 million;
  - Secured a **3-year term loan facility of ¥25.0 billion** (approximately US$222.0 million) in the Japanese loan market through subsidiary Olam Treasury Pte. Ltd; and
  - Completed a **US$400.0 million revolving credit facility** made up of three tranches – one-year of US$160.0 million, 2-year of US$120.0 million and a 3-year of US$120.0 million.
- Olam also issued a redemption notice to exercise its call back option and **redeem** the **outstanding 7.0% Perpetual Capital Securities of S$235.8 million** on September 1, 2017.

Outlook and Prospects

While expecting macro-economic uncertainties to continue through the year, Olam believes its diversified and well-balanced portfolio provides a resilient platform to navigate the challenges in both the global economy and commodity markets. Olam will continue to execute on its strategic plan and pursue growth in its prioritised platforms. It remains focused on turning around underperforming businesses, ensuring gestating businesses reach full potential and delivering positive free cash flow.

Summary of Financial and Operating Results

Profit and Loss Analysis

SGD Mn

	H1 2017	H1 2016	% Change	Q2 2017	Q2 2016	% Change
Volume ('000 MT)	**8,939.8**	**6,447.5**	**38.7**	**4,478.1**	**3,482.0**	**28.6**
Revenue	**12,324.7**	**9,742.8**	**26.5**	**6,520.5**	**4,981.3**	**30.9**
Other Income^	23.0	21.6	6.5	11.1	10.5	5.9
Cost of sales^	(11,023.5)	(8,597.2)	28.2	(5,815.3)	(4,441.9)	30.9
Overhead expenses^	(545.5)	(475.3)	14.8	(280.5)	(219.3)	27.9
Other operating expenses	(24.3)	(41.1)	(40.9)	(79.0)	(18.6)	324.7
Net gain/(loss) in fair value of biological assets	(1.6)	(6.5)	(75.2)	0.4	(1.2)	n.m.
Share of results from jointly controlled entities and associates	19.5	4.1	372.9	16.5	4.7	251.8
EBITDA^	**772.3**	**648.4**	**19.1**	**373.7**	**315.6**	**18.4**
EBITDA %	6.3%	6.7%		5.7%	6.3%	
Depreciation & Amortisation	(183.7)	(164.3)	11.8	(95.1)	(83.8)	13.5
EBIT	588.6	484.1	21.6	278.6	231.8	20.2
Exceptional items	(6.3)	(12.4)	n.m.	(6.3)	0.1	n.m.
Net Finance costs^	(258.0)	(191.1)	35.0	(118.4)	(91.7)	29.1
PBT	324.2	280.7	15.5	153.8	140.3	9.7
Taxation^	(54.1)	(59.8)	(9.4)	(20.2)	(28.8)	(29.8)
PAT	**270.1**	**220.9**	**22.3**	**133.6**	**111.5**	**19.8**
PAT %	2.2%	2.3%		2.0%	2.2%	
Non-controlling interests	(21.4)	(7.6)	180.1	(14.1)	(3.4)	311.5
PATMI	**291.5**	**228.6**	**27.5**	**147.7**	**114.9**	**28.5**
PATMI %	2.4%	2.3%		2.3%	2.3%	
Operational PATMI	**297.8**	**241.0**	**23.6**	**154.0**	**114.8**	**34.1**
Operational PATMI %	2.4%	2.5%		2.4%	2.3%	

Sales Volume

Volume grew 38.7% with higher contribution from all segments, led by enhanced trading volumes in Grains and Edible Oils during H1 2017.

Revenue

Revenue increased by 26.5% in H1 2017 mainly on higher sales volumes.

Other Income

Other income (excluding exceptional items) was slightly higher by S$1.4 million in H1 2017.

Cost of Sales

The change in cost of sales normally follows the corresponding change in revenue for a given period. In H1 2017, while revenue increased by 26.5%, cost of sales increased by 28.2 % due to currency appreciation in some countries, such as Brazil, against the US dollar. This increase in cost of sales should be seen together with a corresponding reduction in unrealised foreign exchange losses which were recorded under Other Operating Expenses.

Overhead Expenses

Overhead expenses increased by 14.8% to S$545.5 million in H1 2017 (H1 2016: S$475.3 million) after the completion of various acquisitions during 2016, including the Brooks Peanut Company (Brooks) in Q3 2016.

Other Operating Expenses

Other operating expenses came down to S$24.3 million in H1 2017 (H1 2016: S$41.1 million), primarily due to lower unrealised foreign exchange losses arising from currency appreciation in some countries against the US dollar. This offset the corresponding negative impact on Cost of Sales.

Net Changes in Fair Value of Biological Assets

There was a reduction in net loss from fair valuation of upstream dairy assets from S$6.5 million in H1 2016 to S$1.6 million in H1 2017.

Share of Results from Jointly Controlled Entities and Associates

Share of results from jointly controlled entities and associates improved significantly from S$4.1 million in H1 2016 to S$19.5 million in H1 2017. This was mainly due to increased contribution from SIFCA and GSEZ.

EBITDA

EBITDA improved by a healthy 19.1% to S$772.3 million in H1 2017. The growth came from Edible Nuts, Spices & Vegetable Ingredients, Food Staples & Packaged Foods, CFS and Industrial Raw Materials, Ag Logistics & Infrastructure segments, which offset reduced contribution from the Confectionery & Beverage Ingredients segment.

Depreciation and Amortisation

Depreciation and amortisation expenses increased from S$164.3 million in H1 2016 to S$183.7 million in H1 2017 due to an enlarged fixed asset base following the completion of various acquisitions during 2016, including Brooks.

Finance Costs

Net finance costs increased from S$191.1 million in H1 2016 to S$258.0 million in H1 2017. This was a result of a higher invested capital base, an increase in benchmark interest rates as well as an increase in higher-cost local currency borrowings to mitigate the impact of currency devaluation in certain geographies.

Taxation

Tax expenses eased from S$59.8 million in H1 2016 to S$54.1 million in H1 2017 as the earnings mix shifted in favour of those with lower tax jurisdictions.

Non-controlling Interest

Non-controlling interest primarily comprised the minority share of results from Olam Palm Gabon (OPG), Olam Rubber Gabon and Caraway (Packaged Foods). H1 2017 recorded a larger loss of S$21.4 million (H1 2016: S$7.6 million loss) mainly due to OPG incurring overheads on partially yielding plantations.

Exceptional Items

A net exceptional loss of S$6.3 million was booked in H1 2017 as a provision in anticipation of a wage agreement settlement in the US. For H1 2016, the net exceptional loss of S$12.4 million was due to the buyback of high coupon bonds.

PATMI

PATMI increased 27.5% from S$228.6 million in H1 2016 to S$291.5 million in H1 2017 as a result of improved EBITDA, which offset the higher depreciation and amortisation, and net finance charges.

Operational PATMI

Operational PATMI (excluding exceptional items) grew by 23.6% over the prior year period to S$297.8 million.

Balance Sheet Analysis

SGD Mn

	30-Jun-17	31-Dec-16	Change vs Dec 16	30-Jun-16	Change vs Jun 16	30-Jun-2016 (assuming PPA exercise completed)	Change vs Jun 16 (assuming PPA exercise completed)
Uses of Capital							
Fixed Capital	8,280.6	8,169.5	111.1	6,245.4	2,035.2	6,911.2	1,369.4
Working Capital	8,851.8	8,517.7	334.1	7,693.6	1,158.2	7,672.1	1,179.7
Cash	2,038.0	2,144.0	(106.0)	2,152.0	(114.0)	2,152.0	(114.0)
Others	226.9	473.5	(246.6)	738.4	(511.5)	94.1	132.8
Total	**19,397.3**	**19,304.7**	**92.6**	**16,829.4**	**2,567.9**	**16,829.4**	**2,567.9**
Sources of Capital							
Equity & Reserves	5,856.5	5,797.1	59.4	4,941.0	915.5	4,941.0	915.5
Non-controlling interests	211.2	235.9	(24.7)	224.7	(13.5)	224.7	(13.5)
Short term debt	5,686.5	5,983.0	(296.5)	4,542.6	1,143.9	4,542.6	1,143.9
Long term debt	7,883.3	7,687.5	195.8	7,399.6	483.7	7,399.6	483.7
Fair value reserve	(240.2)	(398.8)	158.6	(278.5)	38.3	(278.5)	38.3
Total	**19,397.3**	**19,304.7**	**92.6**	**16,829.4**	**2,567.9**	**16,829.4**	**2,567.9**

Others are deferred tax assets and liabilities, other non-current assets, derivative financial instruments (assets and liabilities) and provision for taxation.

As of June 30, 2017, our total assets[1] of S$19.4 billion comprised S$8.3 billion of fixed assets, S$8.9 billion of working capital and S$2.0 billion of cash. These were funded by S$5.9 billion of equity, S$5.7 billion of short-term debt and S$7.9 billion of long-term debt.

Compared with June 30, 2016, the S$2.6 billion increase in overall balance sheet size was primarily due to the completion of various acquisitions and Capex investments made over the past year. Adjusting for the impact of the Purchase Price Allocation (PPA) exercise completed in Q4 2016 for the acquisitions made during 2015 and 2016, the net increase in fixed capital would be S$1.4 billion instead of S$2.0 billion.

Compared with December 31, 2016, overall balance sheet grew by S$92.6 million with committed Capex investments made in H1 2017 and increased working capital.

Working Capital

SGD Mn

	30-Jun-17	31-Dec-16	Change vs Dec 16	30-Jun-16	Change vs Jun 16	30-Jun-2016 (assuming PPA exercise completed)	Change vs Jun 16 (assuming PPA exercise completed)
Stock	7,457.8	7,414.3	43.5	6,197.6	1,260.2	6,197.6	1,260.2
Advance to suppliers	555.0	880.6	(325.6)	750.9	(195.9)	750.9	(195.9)
Receivables	1,862.0	1,656.4	205.6	1,501.0	361.0	1,501.0	361.0
Trade creditors	(1,863.6)	(2,201.4)	337.8	(1,998.8)	135.2	(1,998.8)	135.2
Others	840.6	767.8	72.8	1,242.9	(402.3)	1,221.4	(380.8)
Working Capital	**8,851.8**	**8,517.7**	**334.1**	**7,693.6**	**1,158.2**	**7,672.1**	**1,179.7**

Others include other current assets, changes to margin accounts with brokers and other current liabilities.

[1] Total assets are net of trade payables and accruals, derivative financial instruments (current liabilities), provision for taxation, other current liabilities and deferred tax liabilities.

The overall working capital increased by S$334.1 million compared with end-December 2016. However, compared with June 30, 2016 and adjusting for the impact of the PPA exercise, the net increase in working capital would be S$1,179.7 million instead of S$1,158.2 million.

days

	30-Jun-17	31-Dec-16	Change vs Dec 16	30-Jun-16	Change vs Jun 16
Stock	123	147	(24)	131	(8)
Advance to suppliers	9	17	(8)	15	(6)
Receivables	27	29	(2)	28	(1)
Trade creditors	(30)	(43)	13	(42)	12
Total cash cycle	**129**	**150**	**(21)**	**132**	**(3)**

Our overall working capital cycle came down from 132 days as at June 30, 2016 and 150 days as at December 31, 2016 to 129 days as at June 30, 2017. This was a result of lower inventory days, reduced supplier advances and receivables offset by shorter trade creditor days. Initiatives taken to improve inventory management have helped reduce inventory days.

Cash Flow Analysis

SGD Mn

Cash Flow Summary	H1 2017	H1 2016	Y-o-Y
Operating Cash flow (before Interest & Tax)	756.3	661.3	95.0
Changes in Working Capital	(35.1)	130.0	(165.1)
Net Operating Cash Flow	**721.2**	**791.3**	**(70.1)**
Tax paid	(45.1)	(44.7)	(0.4)
Capex/ Investments	(436.7)	(555.4)	118.7
Free cash flow to firm (FCFF)	**239.4**	**191.2**	**48.2**
Net interest paid	(252.2)	(196.2)	(56.0)
Free cash flow to equity (FCFE)	**(12.8)**	**(5.0)**	**(7.8)**

Although net operating cash flow in H1 2017 was lower at S$721.2 million versus S$791.3 million in H1 2016, net Capex came down by S$118.7 million to S$436.7 million which comprised mainly continued investments in upstream and midstream assets as committed earlier. Free Cash Flow to Firm (FCFF) improved to S$239.4 million in H1 2017 primarily due to reduced Capex during the first-half. Free Cash Flow to Equity (FCFE) was down by S$7.8 million from a year ago to a negative S$12.8 million in H1 2017.

Debt, Liquidity and Gearing

SGD Mn

	30-Jun-17	31-Dec-16	Change vs Dec 16	30-Jun-16	Change vs Jun 16
Gross debt	13,569.8	13,670.5	(100.7)	11,942.2	1,627.6
Less: Cash	2,038.0	2,144.0	(106.0)	2,152.0	(114.0)
Net debt	11,531.8	11,526.5	5.3	9,790.2	1,741.6
Less: Readily marketable inventory	5,451.7	5,909.2	(457.5)	4,815.5	636.2
Less: Secured receivables	1,309.7	1,381.4	(71.7)	1,134.7	175.0
Adjusted net debt	4,770.4	4,235.9	534.5	3,840.0	930.4
Equity (before FV adj reserves)	5,856.5	5,797.1	59.4	4,941.0	915.5
Net debt / Equity (Basic)	**1.97**	**1.99**	**(0.02)**	**1.98**	**(0.01)**
Net debt / Equity (Adjusted)	**0.81**	**0.73**	**0.08**	**0.78**	**0.04**

Compared with December 31, 2016, net debt remained relatively flat at S$11.5 billion in H1 2017 as gross debt came down by S$100.7 million. However, compared with June 30, 2016, net debt increased by S$1.7 billion primarily due to the completion of various acquisitions and Capex investments made over the past year.

Net gearing as at June 30, 2017 of 1.97 times remained unchanged from the gearing levels as at June 30, 2016 and December 31, 2016.

Of the S$7.5 billion inventory position, approximately 73.1% or S$5.5 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$1.9 billion in trade receivables, approximately 70.3% 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 0.81 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$16.2 billion in available liquidity as at June 30, 2017, including unutilised bank lines of S$7.4 billion.

Segmental Review and Analysis

For Q2 2017

SGD Mn

Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		
	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	30-Jun-17	31-Dec-16	30-Jun-16
Edible Nuts, Spices and Vegetable Ingredients	398.3	431.6	1,142.9	1,004.5	117.0	99.0	3,425.0	3,642.7	3,021.8
Confectionery and Beverage Ingredients	552.7	450.3	2,241.0	1,806.6	111.6	92.3	6,434.7	6,109.5	5,564.6
Food Staples and Packaged Foods	2,981.7	2,110.2	1,971.5	1,383.6	99.4	79.9	4,839.3	4,522.1	3,184.4
Food Category	**3,932.7**	**2,992.1**	**5,355.4**	**4,194.7**	**328.0**	**271.2**	**14,699.0**	**14,274.3**	**11,770.8**
Industrial Raw Materials, Ag Logistics & Infrastructure	545.4	490.0	1,165.1	786.6	44.3	40.0	2,129.7	2,220.9	1,712.7
Commodity Financial Services (CFS)	N.A.	N.A.	0.0	0.0	1.2	4.4	91.1	153.8	64.1
Non-Food Category	**545.4**	**490.0**	**1,165.1**	**786.6**	**45.5**	**44.4**	**2,220.8**	**2,374.7**	**1,776.8**
Total	**4,478.1**	**3,482.0**	**6,520.5**	**4,981.3**	**373.7**	**315.6**	**16,919.8**	**16,649.0**	**13,547.6**

Note: IC excludes:

(a) Gabon Fertiliser Project (30-Jun-17: S$237.1 million, 31-Dec-16: S$ 224.8 million, 30-Jun-16: S$ 212.1 million), and

(b) Long Term Investment (30-Jun-17: S$ 220.4 million, 31-Dec-16: S$ 148.4 million, 30-Jun-16: S$ 172.5 million)

For H1 2017

SGD Mn

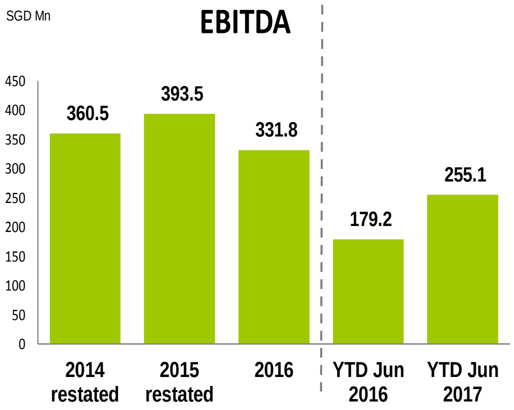
Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		
	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	30-Jun-17	31-Dec-16	30-Jun-16
Edible Nuts, Spices and Vegetable Ingredients	768.5	731.9	2,054.2	1,771.4	255.1	179.2	3,425.0	3,642.7	3,021.8
Confectionery and Beverage Ingredients	1,058.9	983.4	4,330.3	4,057.3	186.7	197.5	6,434.7	6,109.5	5,564.6
Food Staples and Packaged Foods	6,128.3	3,902.5	3,947.3	2,585.0	217.7	165.6	4,839.3	4,522.1	3,184.4
Food Category	**7,955.7**	**5,617.8**	**10,331.8**	**8,413.7**	**659.5**	**542.3**	**14,699.0**	**14,274.3**	**11,770.8**
Industrial Raw Materials, Ag Logistics & Infrastructure	984.1	829.7	1,992.9	1,329.1	106.5	105.2	2,129.7	2,220.9	1,712.7
Commodity Financial Services (CFS)	N.A.	N.A.	0.0	0.0	6.3	0.9	91.1	153.8	64.1
Non-Food Category	**984.1**	**829.7**	**1,992.9**	**1,329.1**	**112.8**	**106.1**	**2,220.8**	**2,374.7**	**1,776.8**
Total	**8,939.8**	**6,447.5**	**12,324.7**	**9,742.8**	**772.3**	**648.4**	**16,919.8**	**16,649.0**	**13,547.6**

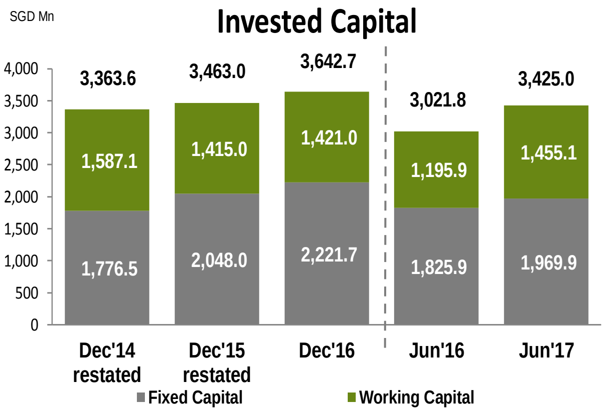
Note: IC excludes:

(a) Gabon Fertiliser Project (30-Jun-17: S$237.1 million, 31-Dec-16: S$ 224.8 million, 30-Jun-16: S$ 212.1 million), and

(b) Long Term Investment (30-Jun-17: S$ 220.4 million, 31-Dec-16: S$ 148.4 million, 30-Jun-16: S$ 172.5 million)

Edible Nuts, Spices & Vegetable Ingredients





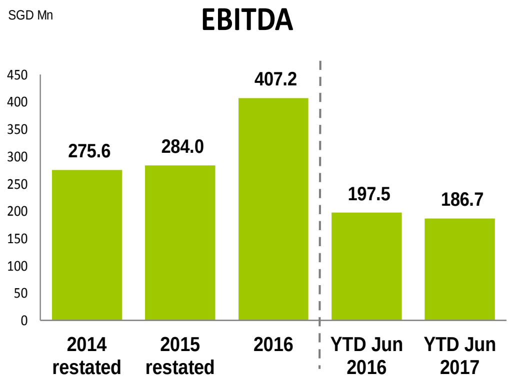
The Edible Nuts, Spices & Vegetable Ingredients segment recorded a year-on-year volume growth of 5.0% in H1 2017. The increase came mainly from Edible Nuts, which had the benefit of the results from Brooks, as well as growth in cashew and almonds. This increase was partly offset by lower volumes from Spices & Vegetable Ingredients platform as its tomato processing business, as guided previously, continued to experience the negative impact from weak demand and over-supply conditions from the previous season.

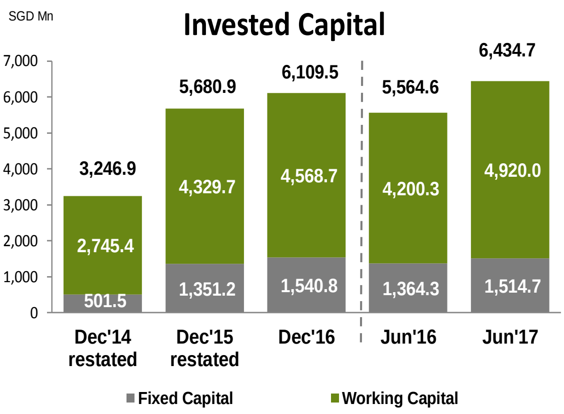
Revenues increased 16.0% mainly on account of higher volumes and higher prices of cashew and peanuts compared with H1 2016.

EBITDA grew by a robust 42.4% in H1 2017, supported by improved earnings from cashew, peanuts, almonds and sesame. Buoyed by continued favourable market conditions during the second quarter, the cashew business reported improved volumes and margins. These conditions, however, are not expected to last into the second half of the year. Almonds performed better as prices recovered from those seen in the prior first-half, although they had not recovered to the levels seen in 2015.

Invested capital in the segment rose by S$403.2 million as compared with June 30, 2016, with increases in both working and fixed capital. While the increase in fixed capital resulted mainly from the acquisition of Brooks, working capital growth was caused by higher volumes and prices of cashew.

Confectionery & Beverage Ingredients





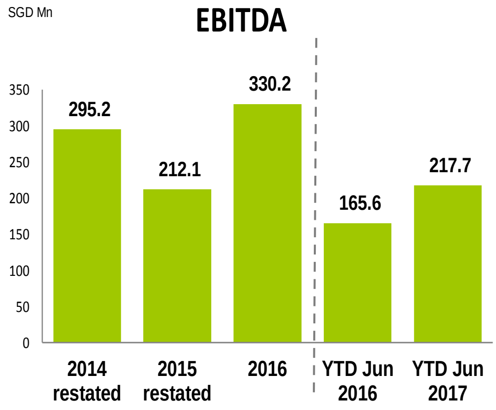
The Confectionery & Beverage Ingredients segment saw volumes increase by 7.7% contributed by both Coffee and Cocoa.

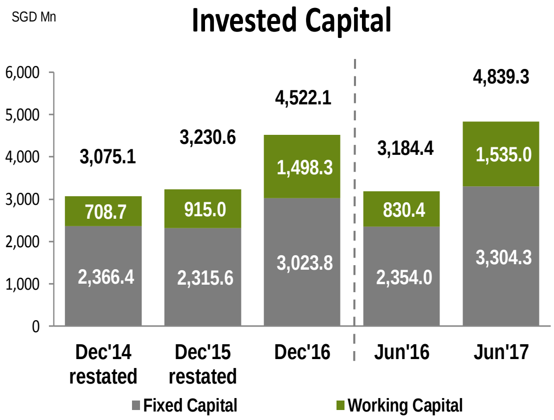
Revenues grew by 6.7% mainly because of higher volumes and coffee prices, which were partly offset by the reduction of cocoa prices in H1 2017.

Although the Coffee platform delivered higher EBITDA, overall segment EBITDA fell by 5.5% in H1 2017 as the Cocoa supply chain and trading business experienced significant headwinds and margin pressures during this period, resulting in a lower contribution from the Cocoa platform.

Invested capital in this segment rose by S$870.1 million as compared with June 30, 2016. This was primarily due to higher working capital from higher Coffee volumes and prices, accompanied by the increase in fixed capital from the expansion of our soluble coffee capacity in Vietnam and Spain, and coffee plantations.

Food Staples & Packaged Foods



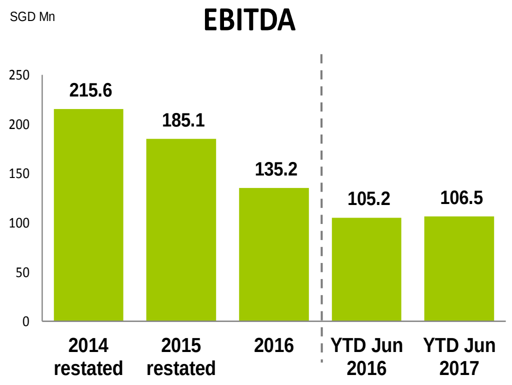


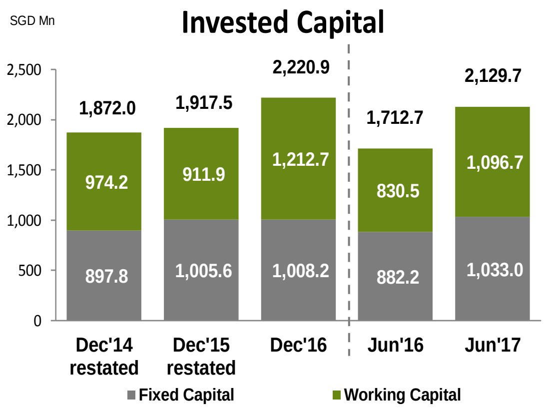
The Food Staples & Packaged Foods segment reported a volume growth of 57.0% in H1 2017, led by strong trading volumes in Grains and Edible Oils. This in turn caused revenues to increase 52.7% during the period.

EBITDA grew 31.5% as most platforms within the segment saw an improvement in EBITDA over the prior first-half. Grains led the growth as both the origination and trading operation as well as its wheat milling business in West Africa continued to perform well. Edible Oils also reported better results from its investment in SIFCA as well as from its trading and refining operations, although OPG recorded losses from overheads booked on partially yielding plantations. While the Dairy farming operation in Uruguay continued to narrow its losses during this period, Rusmolco and the supply chain business performed well. The Rice business also performed steadily and the Packaged Foods business positioned itself for a better second-half as the local currency in Nigeria stabilised.

Compared with June 30, 2016, overall invested capital increased by S$1.7 billion driven by higher working capital and fixed capital. Working capital rose as more volumes were traded while the increase in fixed capital came with the construction of animal feed mills and hatchery in Nigeria, expansion of wheat milling capacity in Ghana and Nigeria, and continued investments in palm plantations and milling in Gabon.

Industrial Raw Materials, Ag Logistics & Infrastructure





The Industrial Raw Materials, Ag Logistics & Infrastructure volumes grew by 18.6% as a result of larger Cotton volumes in H1 2017.

Revenues increased by 49.9% on the back of higher Cotton volumes during this period.

EBITDA increased 1.2%, helped by improved contribution from GSEZ. Cotton's performance was steady while Wood Products continued to struggle with weak demand in India.

Overall invested capital went up by S$417.0 million from a year ago as a result of increased working capital from higher Cotton volumes and prices. Fixed capital also increased with continued investments in upstream Rubber plantations in Gabon.

Commodity Financial Services

The CFS business had a good start in H1 2017 with S$6.3 million in EBITDA versus S$0.9 million a year ago.

Compared with June 30, 2016, invested capital in this segment increased by S$27.0 million with most of it deployed in the funds business.

Annexure

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

	H1 2017	H1 2016	Q2 2017	Q2 2016
Other Income^	**23.0**	**21.6**	**11.1**	**10.5**
Other Income	23.0	21.6	11.1	10.5
Less: Exceptional items	-	-	-	-
Cost of sales^	**(11,023.5)**	**(8,597.2)**	**(5,815.3)**	**(4,441.9)**
Cost of sales	(11,023.5)	(8,597.2)	(5,815.2)	(4,441.9)
Less: Exceptional items	-	-	0.1	-
Overhead expenses^	**(545.5)**	**(475.3)**	**(280.5)**	**(219.3)**
Other operating expenses^	**(24.3)**	**(41.1)**	**(79.0)**	**(18.6)**
Other expenses	(576.1)	(516.4)	(365.8)	(237.9)
Less: Exceptional items	(6.0)	-	(6.3)	-
Net Finance costs^	**(258.0)**	**(191.1)**	**(118.4)**	**(91.7)**
Finance income	21.5	15.3	14.6	6.8
Finance costs	(279.6)	(218.8)	(132.9)	(98.3)
Less: Exceptional items	(0.054)	(12.4)	0.1	0.1
Taxation^	**(54.1)**	**(59.8)**	**(20.2)**	**(28.8)**
Income tax expense	(54.1)	(59.8)	(20.2)	(28.8)
Less: Exceptional items	-	-	-	-

^ 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, pepper plantations in Vietnam and Brazil, 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 27 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, sesame and beans including pulses, lentils and peas) 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 H1 2016 and H1 2017 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

Sales Volume: Sale of goods in metric tonne (MT) 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 are part of Other Income in the Profit & Loss statement on SGXNET are classified as Exceptional Items in the MD&A.

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: Records changes in the fair value of agricultural produce growing on bearer plants and livestock

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, 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.

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

PAT: Net profit after tax

PATMI: PAT less minority interest

Operational PATMI: PATMI excluding Exceptional Items

Total Assets: Total assets are net of trade payables and accruals, derivative financial instruments (current liabilities), provision for taxation, other current liabilities and deferred tax liabilities.

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)

Net Gearing (adjusted): Net gearing adjusted for readily marketable inventories that are liquid, hedged and/or sold forward, operating as near-cash assets on the balance sheet, and secured receivables are supported by letters of credit or documents through banks

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.*