

Olam International Limited

Management Discussion and Analysis

Results for the year ended December 31, 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 Fourth Quarter and Full Year ended December 31, 2017 lodged on SGXNet on February 27, 2017.

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MANAGEMENT DISCUSSION AND ANALYSIS

Results for the Fourth Quarter ("Q4 2017") and Full Year ended December 31, 2017 ("2017")

Contents

Key Highlights

Financial Performance

S$ million	2017	2016	% Change	Q4 2017	Q4 2016	% Change
Volume ('000 MT)	22,534.6	14,415.8	56.3	7,796.0	4,210.4	85.2
Revenue	26,272.5	20,587.0	27.6	7,235.2	6,106.3	18.5
Net gain/(loss) in fair value of biological assets	(15.3)	14.1	n.m.	(14.2)	17.8	n.m.
EBITDA	**1,327.9**	**1,202.8**	**10.4**	**312.8**	**349.0**	**(10.4)**
Depreciation & Amortisation	(380.7)	(353.5)	7.7	(93.6)	(106.7)	(12.2)
Net Finance costs	(465.6)	(403.5)	15.4	(92.1)	(112.0)	(17.8)
Taxation	(79.2)	(94.3)	(16.0)	(26.3)	(27.1)	(2.9)
Exceptional items	149.2	(12.5)	n.m.	155.4	(0.2)	n.m.
PAT	551.6	339.1	62.7	256.1	103.1	148.4
PATMI	**580.7**	**351.3**	**65.3**	**265.1**	**102.2**	**159.3**
Operational PATMI	**431.5**	**363.8**	**18.6**	**109.7**	**102.3**	**7.2**

- **Profit After Tax and Minority Interests (PATMI) grew 65.3%** to **S$580.7 million in 2017** (2016: S$351.3 million) driven by improved Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) and lower taxes after adjusting for higher depreciation and amortisation, and net finance charges. This includes an exceptional gain of S$121.2 million from the partial divestment of 50% interest in Far East Agri Pte. Ltd. (FEA), the sugar refinery business in Indonesia, as well as S$34.2 million from the sale of farmland assets in the US.

- **Operational Profit After Taxes and Minority Interests** (PATMI excluding exceptional items) **increased by 18.6 % to S$431.5 million** (2016: S$363.8 million).

- **EBITDA improved by 10.4% to S$1,327.9 million** in 2017 (2016: S$1,202.8 million) with growth coming from most segments. The growth in contribution was led by **Edible Nuts, Spices & Vegetable Ingredients** (**up 32.1%** from S$331.8 million to **S$438.4 million**) followed by **Industrial Raw Materials, Ag Logistics & Infrastructure** (**up 45.9%** from S$135.2 million to **S$197.3 million**), **Food Staples & Packaged Foods** (**up 8.9%** from S$330.2 million to **S$359.7 million**) and **Commodity Financial Services (CFS)** (**of S$4.8 million,** up from a loss of S$1.6 million), which offset lower contribution from **Confectionery & Beverage Ingredients segment** (**down 19.5%** from S$407.2 million to **S$327.7 million**).

- **Sales volume increased by 56.3%** as compared to 2016 with volume growth across all segments, where the Grains and Edible Oils platforms were the most significant contributors to volume growth during 2017. Revenue growth was more modest at 27.6%, due to changes in product mix as well as lower commodity prices.

- **Net finance costs** rose from S$403.5 million in 2016 to **S$465.6 million in 2017** which was due to higher benchmark interest rates, partially offset by higher interest income on deposits.

- **Depreciation and amortisation** was **higher at S$380.7 million in 2017** (2016: S$353.5 million) on an enlarged fixed asset base after the completion of various acquisitions made in 2016 and ongoing organic capital expenditure (Capex) investments.

- These results included a **net loss of S$15.3 million** on the **fair valuation of upstream assets in 2017** compared to a net gain of S$14.1 million in 2016.

- We incurred **gross cash Capex of S$970.6 million in 2017** (2016: S$1,417.4 million), mainly for meeting ongoing Capex commitments during this period. **Net of disposals/divestments**, we **invested cash of S$637.4 million in 2017** (2016: S$1,385.5 million).

- We generated **record positive Free Cash Flow to Firm (FCFF)** of **S$1,484.4 million in 2017** against a negative S$418.1 million in 2016. **Free Cash Flow to Equity (FCFE)** was also **record positive at S$1,020.4 million** (2016: negative S$765.8 million).

- **Net gearing was lower at 1.46 times** at December 31, 2017 compared to 1.99 times as at December 31, 2016.

- The Board of Directors recommends a **final ordinary dividend of 4.0 cents** per share, **raising total dividend to 7.5 cents** per share for 2017, compared to 6.0 cents for the previous year.

Financing

Debt

- 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.

- In August 2017, Olam issued two private placements: **US$50.0 million senior unsecured notes due 2022** at a fixed rate of 3.65% under its US$5.0 billion Euro Medium Term Note Programme; and **¥8.0 billion senior notes** due 2022 at fixed yen coupon of 0.9825%.

- In September 2017, Olam exercised its call back option and **redeemed** the **outstanding 7.0% Perpetual Capital Securities of S$235.8 million**.

- In October 2017, the Company secured a **revolving credit facility of US$1,750.0 million**, consisting of three equal tranches of US$583.3 million over 1-year, 2-year and 3-year tenors.

Equity and public float

- On October 6, 2017, Temasek Holdings exercised all of its outstanding 281,944,637 warrants at US$1.09 each, committing US$307.3 million (approximately S$418.0 million) of additional equity into Olam.

- Post the expiry of these warrants on January 29, 2018, Temasek holds approximately 53.8% of issued share capital of Olam (excluding treasury shares). Second largest shareholder Mitsubishi Corporation now holds 17.5% of the enlarged capital base while Kewalram Chanrai Group holds 7.1% after it exercised all of its warrants.

- The public float of the Company presently stands at 9.95%. The Company has asked the SGX-ST for an extension of time to restore the public float to 10%. The Company expects the public float to cross 10% following the vesting of Shares in April 2018 under the Company's Restricted Share Awards (assuming there is no increase in the shareholding of substantial shareholders and Directors in the meantime).

Strategic Plan Progress

Olam met its strategic priorities set for 2017 as part of its 2016-2018 Strategic Plan:

- Delivered profit growth (Operational PATMI) of 18.6% and improved returns in EBITDA/IC of 8.2% (2016:7.7%) for 2017.

- Delivered positive FCFF of S$1,484.4 million and Free Cash Flow to Equity (FCFE) of S$1,020.4 million by end-2017. Olam executed on the following initiatives to release cash and improve cash flow generation:

  - Repayment of shareholder loan of €66.0 million (approximately S$104.0 million) by associate GSEZ following its sale of 25.0% stake in GSEZ Mineral Port to Meridiam in September 2017 and its sale of concession rights to operate the new Owendo International Port in Gabon to Bolloré Group in October 2017.

  - Sold 5,100 acres (approximately 2,100 hectares) of edible nuts orchards in California, US, to Farmland Partners Inc. for a cash consideration of US$110.0 million in December 2017. As a result of this transaction, a net gain of US$25.0 million (S$34.2 million) was booked as exceptional income in 2017.

  - Partial divestment of 50.0% FEA, which owns sugar refining company PT Dharmapala Usaha Sukses, to Mitr Phol for US$100.0 million. The transaction resulted in a one-time gain of US$88.5 million (S$121.2 million) based on the written down carrying value of the assets for 2017.

  - Set up two task forces to improve cost and capital efficiency: While Olam has focused on making investments in prioritised platforms, it has been looking at working capital optimisation initiatives to extract more cost and capital efficiencies across operations.

- Made significant progress in turning around underperforming businesses and ensuring gestating businesses reach full potential:

  - Dairy farming in Uruguay continued to report improved financial and operating results year-on-year;

- ❖ The Rice farming business in Nigeria has completed its restructuring and started to report better results from the second half of 2017;
- ❖ Restructuring is underway to address cost structures and product mix strategies at Olam Tomato Processors in the US; and
- ❖ Packaged Foods restarted production of juices and beverages in Q3 2017 in its new factory. (Production of juices and beverages had ceased in April 2016 following a fire incident.) A refreshed strategy which addresses issues such as product differentiation, branding, distribution and cost was implemented during the year.

❖ Pursue growth in prioritised platforms, including:

❖ Investment in upstream pepper farming in Vietnam and Brazil;

❖ Expansion of soluble coffee capacity in Vietnam and Spain;

❖ Continued investments in coffee plantations in Laos, Zambia, Tanzania and Brazil;

❖ Expansion of wheat milling capacity in Ghana and Nigeria;

❖ Construction of animal feed mills and hatchery in Nigeria; and

❖ Continued investments in integrated cotton ginning in Africa.

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 while putting sustainability at the heart of its business. 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

S$ million	2017	2016	% Change	Q4 2017	Q4 2016	% Change
Volume ('000 MT)	**22,534.6**	**14,415.8**	**56.3**	**7,796.0**	**4,210.4**	**85.2**
Revenue	**26,272.5**	**20,587.0**	**27.6**	**7,235.2**	**6,106.3**	**18.5**
Other income^	52.2	47.3	10.4	20.7	18.3	13.1
Cost of sales^	(23,757.7)	(18,363.8)	29.4	(6,520.7)	(5,510.1)	18.3
Overhead expenses^	(1,248.5)	(1,068.0)	16.9	(380.6)	(325.1)	17.1
Other operating expenses	(42.9)	(36.0)	19.2	(74.1)	29.8	n.m.
Net gain/(loss) in fair value of biological assets	(15.3)	14.1	n.m.	(14.2)	17.8	n.m.
Share of results from jointly controlled entities and associates	67.6	22.2	205.2	46.5	12.0	287.7
EBITDA^	**1,327.9**	**1,202.8**	**10.4**	**312.8**	**349.0**	**(10.4)**
EBITDA %	5.1%	5.8%		4.3%	5.7%	
Depreciation & amortisation	(380.7)	(353.5)	7.7	(93.6)	(106.7)	(12.2)
EBIT	**947.2**	**849.3**	**11.5**	**219.2**	**242.3**	**(9.5)**
Exceptional items	149.2	(12.5)	n.m.	155.4	(0.2)	**n.m.**
Net Finance costs^	(465.6)	(403.5)	15.4	(92.1)	(112.0)	(17.8)
PBT	**630.8**	**433.4**	**45.6**	**282.4**	**130.2**	**116.9**
Taxation^	(79.2)	(94.3)	(16.0)	(26.3)	(27.1)	(2.9)
PAT	**551.6**	**339.1**	**62.7**	**256.1**	**103.1**	**148.4**
PAT %	2.1%	1.6%		3.5%	1.7%	
Non-controlling interests	(29.1)	(12.2)	138.0	(9.0)	0.9	n.m.
PATMI	**580.7**	**351.3**	**65.3**	**265.1**	**102.2**	**159.3**
PATMI %	2.2%	1.7%		3.7%	1.7%	
Operational PATMI	**431.5**	**363.8**	**18.6**	**109.7**	**102.3**	**7.2**
Operational PATMI %	1.6%	1.7%		1.5%	1.7%	

^Excluding exceptional items

Sales Volume

Volume grew 56.3% with higher contribution from all segments, led by enhanced trading volumes in Grains and Edible Oils during 2017.

Revenue

Revenue increased by 27.6% in 2017 mainly due to changes in product mix and lower commodity prices.

Other Income

Other income (excluding exceptional items) was slightly higher by S$4.9 million in 2017.

Cost of Sales

The change in Cost of Sales normally follows the corresponding change in revenue for a given period. In 2017, while revenue increased by 27.6%, cost of sales increased by 29.4 %.

Overhead Expenses

Overhead expenses increased by 16.9% to S$1,248.5 million in 2017 (2016: S$1,068.0 million) on a full-year consolidation of costs post the completion of various acquisitions and investments made in 2016.

Other Operating Expenses

Other operating expenses were S$42.9 million in 2017 versus S$36.0 million in 2016 despite an unrealised foreign exchange loss in Q4 2017, which had a corresponding impact on Cost of Sales for the quarter.

Net Changes in Fair Value of Biological Assets

Net changes in fair valuation of biological assets amounted to a loss of S$15.3 million in 2017 compared to a gain of S$14.1 million in 2016, primarily reflecting 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 trebled from S$22.2 million in 2016 to S$67.6 million in 2017. This was mainly due to the increase in the share of results from GSEZ arising from the commissioning of two new ports and the partial sale of port concession rights.

EBITDA

EBITDA improved by a healthy 10.4% to S$1,327.9 million in 2017. The growth came from Edible Nuts, Spices & Vegetable Ingredients, Industrial Raw Materials, Ag Logistics & Infrastructure, Food Staples & Packaged Foods and CFS segments, which offset reduced contribution from the Confectionery & Beverage Ingredients segment.

Depreciation and Amortisation

Depreciation and amortisation expenses increased from S$353.5 million in 2016 to S$380.7 million in 2017 due to an enlarged fixed asset base following investments made over the past year.

Finance Costs

Net finance costs increased from S$403.5 million in 2016 to S$465.6 million in 2017. This was due to higher benchmark interest rates, partially offset by higher interest income on deposits.

Taxation

Tax expenses were down from S$94.3 million in 2016 to S$79.2 million in 2017. The reduction was primarily driven by the recent change in the US corporate tax rate.

Non-controlling Interest

Non-controlling interest primarily comprised the minority share of results from Caraway (Packaged Foods), Olam Palm Gabon (OPG) and Olam Rubber Gabon. 2017 recorded a larger loss of S$29.1 million (2016: S$12.2 million loss) mainly from OPG and the Packaged Foods business in Nigeria.

Exceptional Items

A net exceptional gain of S$149.2 million was recorded in 2017 mainly from the S$121.2 million gain from the partial divestment of 50.0% interest in FEA, the S$34.2 million gain from the sale of farmland assets by Olam Farming Inc. (OFI) and the S$6.2 million cost provision made for the wage settlement agreement in the US for the Spices & Vegetable Ingredients (SVI) platform. For 2016, the net exceptional loss of S$12.5 million was due to the buyback of high coupon bonds.

S$ million	2017	2016	Q4 2017	Q4 2016
Profit on sale of 50% stake in FEA	121.2	-	121.2	-
Profit on sale of land in OFI USA	34.2	-	34.2	-
SVI Wage agreement settlement	(6.2)	-	-	-
Loss on buyback of Convertible bonds	-	(12.5)	-	(0.2)
Exceptional Items	**149.2**	**(12.5)**	**155.4**	**(0.2)**

PATMI

PATMI increased 65.3% from S$351.3 million in 2016 to S$580.7 million in 2017 as a result of improved EBITDA, exceptional gains and lower taxes, which offset the higher depreciation and amortisation, and net finance charges.

Operational PATMI

Operational PATMI (excluding exceptional items) grew by 18.6 % over the prior year period to S$431.5 million.

Balance Sheet Analysis

S$ million	31-Dec-17	31-Dec-16	Change
Uses of Capital			
Fixed Capital	8,633.2	8,169.5	463.7
Working Capital	7,280.3	8,517.7	(1,237.4)
Cash	1,986.4	2,144.0	(157.6)
Others	309.0	473.5	(164.5)
Total	**18,208.9**	**19,304.7**	**(1,095.8)**
Sources of Capital			
Equity & Reserves	6,574.4	5,797.1	777.3
Non-controlling interests	177.4	235.9	(58.5)
Short term debt	4,660.2	5,983.0	(1,322.8)
Long term debt	6,927.7	7,687.5	(759.8)
Fair value reserve	(130.8)	(398.8)	268.0
Total	**18,208.9**	**19,304.7**	**(1,095.8)**

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

As of December 31, 2017, our total assets[1] of S$18.2 billion comprised S$8.6 billion of fixed assets, S$7.3 billion of working capital and S$2.0 billion of cash. These were funded by S$6.6 billion of equity, S$4.7 billion of short-term debt and S$6.9 billion of long-term debt. Our equity position improved by S$777.3 million mainly due to the exercise of warrants and higher retained earnings.

Compared with December 31, 2016, overall balance sheet shrank by S$1.1 billion as working capital fell with lower inventory levels and lower commodity prices during 2017. Fixed capital went up by S$463.7 million primarily due to Capex made over the past year.

[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.

Working Capital

S$ million	31-Dec-17	31-Dec-16	Change
Stock	6,044.7	7,414.3	(1,369.6)
Advance to suppliers	743.5	880.6	(137.1)
Receivables	1,901.9	1,656.4	245.5
Trade creditors	(2,184.4)	(2,201.4)	17.0
Others	774.6	767.8	6.8
Working Capital	**7,280.3**	**8,517.7**	**(1,237.4)**

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

Compared with December 31, 2016, working capital came down significantly with reduced stock levels and lower commodity prices. Overall cycle time came down from 150 days as at December 31, 2016 to 96 days as at December 31, 2017. There was a significant reduction in inventory days arising from a change in product mix, lower commodity prices and working capital optimisation initiatives taken to improve inventory management. Reduced supplier advances and receivables days also contributed to a shorter cash conversion cycle.

Days	31-Dec-17	31-Dec-16	Change
Stock	93	147	(54)
Advance to suppliers	11	17	(6)
Receivables	26	29	(3)
Trade creditors	(33)	(43)	10
Total cash cycle	**97**	**150**	**(53)**

Cash Flow Analysis

S$ million	2017	2016	YoY
Operating Cash flow (before Interest & Tax)	1,369.2	1,243.5	125.7
Changes in Working Capital	834.7	(227.7)	1,062.4
Net Operating Cash Flow	**2,203.9**	**1,015.8**	**1,188.1**
Tax paid	(82.1)	(48.4)	(33.7)
Capex/ Investments	(637.4)	(1,385.5)	748.1
Free cash flow to firm (FCFF)	**1,484.4**	**(418.1)**	**1,902.5**
Net interest paid	(464.0)	(347.7)	(116.3)
Free cash flow to equity (FCFE)	**1,020.4**	**(765.8)**	**1,786.2**

Net operating cash flow in 2017 rose by a strong S$1,188.1 million to S$2,203.9 million versus S$1,015.8 million in 2016 on account of increased operating cash flow and a significant reduction in working capital. Gross Capex came down to S$970.6 million in 2017. With the divestments of non-core assets, net Capex amounted to S$637.4 million, or S$748.1 million lower than in 2016. As a result, both FCFF and FCFE turned record positive to S$1,484.4 million and S$1,020.4 million respectively.

Debt, Liquidity and Gearing

S$ million	31-Dec-17	31-Dec-16	Change
Gross debt	11,587.9	13,670.5	(2,082.6)
Less: Cash	1,986.4	2,144.0	(157.6)
Net debt	9,601.5	11,526.5	(1,925.0)
Less: Readily marketable inventory	4,539.6	5,909.2	(1,369.6)
Less: Secured receivables	1,714.8	1,381.4	333.4
Adjusted net debt	3,347.1	4,235.9	(888.8)
Equity (before FV adj reserves)	6,574.4	5,797.1	777.3
Net debt / Equity (Basic)	**1.46**	**1.99**	**(0.53)**
Net debt / Equity (Adjusted)	**0.51**	**0.73**	**(0.22)**

Compared to a year ago, we reduced net debt by S$1,925.0 million as a result of significantly lower working capital, lower gross capex, cash from divestments and the conversion of warrants into equity. As a result, net gearing as at December 31, 2017 came down to 1.46 times as compared to 1.99 times at the end of 2016.

Of the S$6.0 billion inventory position, approximately 76.0% or S$4.6 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 90.2% or S$1.7 billion 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 0.50 times, reflecting the true indebtedness of our Company.

We maintained sufficient liquidity to meet our working capital and Capex requirements, with a total of S$16.8 billion in available liquidity as at December 31, 2017, including unutilised bank lines of S$8.5 billion.

Segmental Review and Analysis

For Q4 2017

Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)	
S$ million	**Q4 2017**	**Q4 2016**	**Q4 2017**	**Q4 2016**	**Q4 2017**	**Q4 2016**	**31-Dec-17**	**31-Dec-16**
Edible Nuts, Spices and Vegetable Ingredients	436.4	421.1	1,201.4	1,224.1	99.1	87.6	3,603.9	3,642.7
Confectionery and Beverage Ingredients	534.7	379.5	1,960.7	2,217.8	78.9	141.2	5,347.0	6,109.5
Food Staples and Packaged Foods	6,488.9	3,035.1	3,399.4	2,028.2	68.6	104.6	4,678.3	4,522.1
Food Category	**7,460.0**	**3,835.7**	**6,561.5**	**5,470.1**	**246.6**	**333.4**	**13,629.2**	**14,274.3**
Industrial Raw Materials, Ag Logistics & Infrastructure	336.0	374.6	673.7	636.1	58.2	18.1	2,104.9	2,220.9
Commodity Financial Services (CFS)	N.A.	N.A.	-	0.0	8.0	(2.6)	98.3	153.8
Non-Food Category	**336.0**	**374.6**	**673.7**	**636.1**	**66.2**	**15.5**	**2,203.2**	**2,374.7**
Total	**7,796.0**	**4,210.4**	**7,235.2**	**6,106.3**	**312.8**	**349.0**	**15,832.4**	**16,649.0**

Note: IC excludes:

(a) Gabon Fertiliser Project (31-Dec-17: S$248.0 million, 31-Dec-16: S$224.8 million); and

(b) Long Term Investment (31-Dec-17: S$257.5 million, 31-Dec-16: S$148.4 million)

For 2017

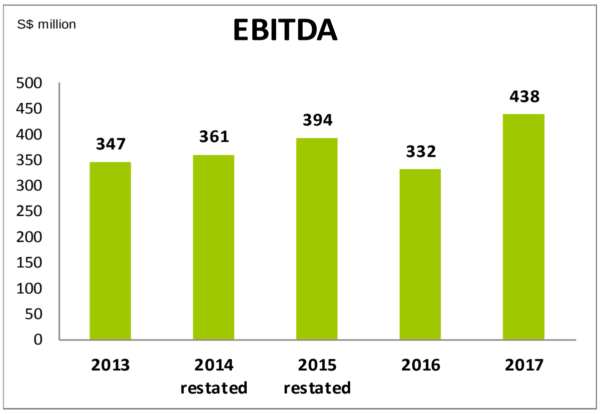
Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		EBITDA/ Avg IC	
S$ million	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**31-Dec-17**	**31-Dec-16**	**2017**	**2016**
Edible Nuts, Spices and Vegetable Ingredients	1,691.5	1,569.7	4,492.0	3,981.1	438.4	331.8	3,603.9	3,642.7	12.1%	9.3%
Confectionery and Beverage Ingredients	2,063.6	1,687.5	8,136.8	7,711.0	327.7	407.2	5,347.0	6,109.5	5.7%	6.9%
Food Staples and Packaged Foods	16,909.3	9,496.1	9,767.1	6,110.8	359.7	330.2	4,678.3	4,522.1	7.8%	8.5%
Food Category	**20,664.4**	**12,753.3**	**22,395.9**	**17,802.9**	**1,125.8**	**1,069.2**	**13,629.2**	**14,274.3**	**8.1%**	7.5%
Industrial Raw Materials, Ag Logistics & Infrastructure	1,870.2	1,662.5	3,876.6	2,784.1	197.3	135.2	2,104.9	2,220.9	9.1%	6.5%
Commodity Financial Services (CFS)	N.A.	N.A.	-	-	4.8	(1.6)	98.3	153.8	3.8%	-1.4%
Non-Food Category	**1,870.2**	**1,662.50**	**3,876.6**	**2,784.1**	**202.1**	**133.6**	**2,203.2**	**2,374.7**	**8.8%**	5.6%
Total	**22,534.6**	**14,415.8**	**26,272.5**	**20,587.0**	**1,327.9**	**1,202.8**	**15,832.4**	**16,649.0**	**8.2%**	7.7%

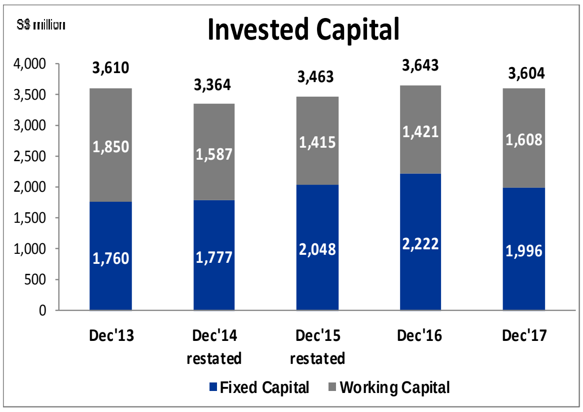
Note: IC excludes:

(a) Gabon Fertiliser Project (31-Dec-17: S$248.0 million, 31-Dec-16: S$224.8 million); and

(b) Long Term Investment (31-Dec-17: S$257.5 million, 31-Dec-16: S$148.4 million)

Edible Nuts, Spices & Vegetable Ingredients





EBITDA /Avg IC	**10.4%**	**10.3%**	**11.5%**	**9.3%**	**12.1%**

The Edible Nuts, Spices & Vegetable Ingredients segment achieved a year-on-year volume growth of 7.8% in 2017. The increase came mainly from higher volumes in Edible Nuts, particularly cashew, almonds and sesame, as well as spices. The tomato processing industry in the US continued to suffer from the global supply glut and weak demand necessitating restructuring measures to address cost and product mix issues.

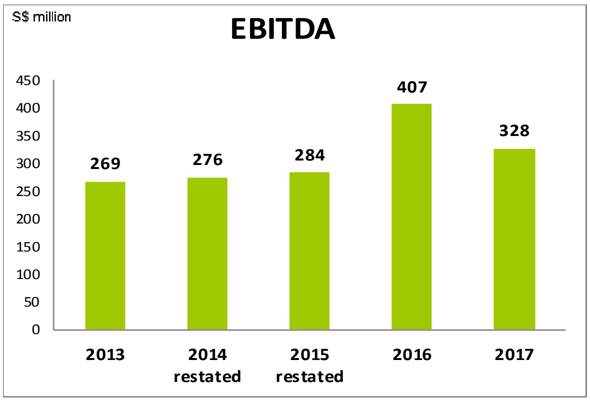
Revenues grew 12.8% mainly on higher volumes as well as higher almond and cashew prices compared with 2016.

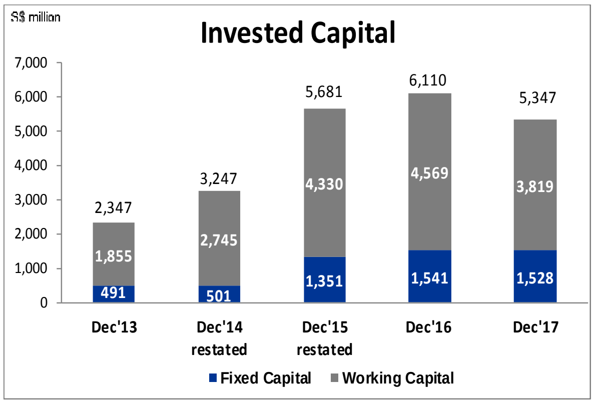
EBITDA grew by 32.1% as Edible Nuts performed strongly in 2017 as compared with 2016 when its contribution was impacted by depressed almond prices.

Invested capital in the segment declined slightly by S$38.8 million as compared with December 31, 2016. This was a combination of a decrease in fixed capital on account of the sale of edible nuts farmland assets in the US and an increase in working capital due to higher prices, especially in cashew and almonds.

EBITDA to average invested capital (EBITDA/IC) for the segment therefore improved from 9.3% in 2016 to 12.1% in 2017.

Confectionery & Beverage Ingredients





EBITDA /Avg IC	**12.6%**	**9.9%**	**6.4%**	**6.9%**	**5.7%**

The Confectionery & Beverage Ingredients segment posted a healthy volume growth of 22.3% with contributions from Cocoa and Coffee.

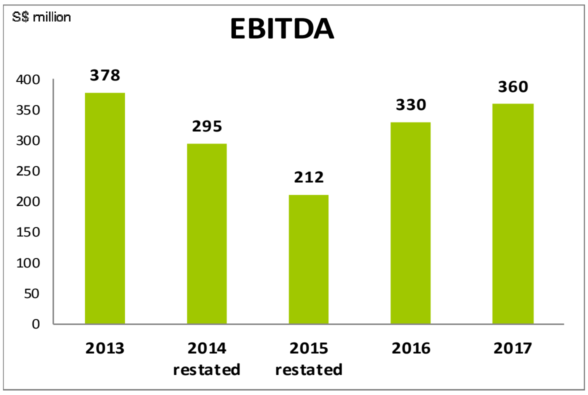
However, revenue growth was modest at 5.5% as the volume growth was mostly offset by lower prices for both Coffee and Cocoa.

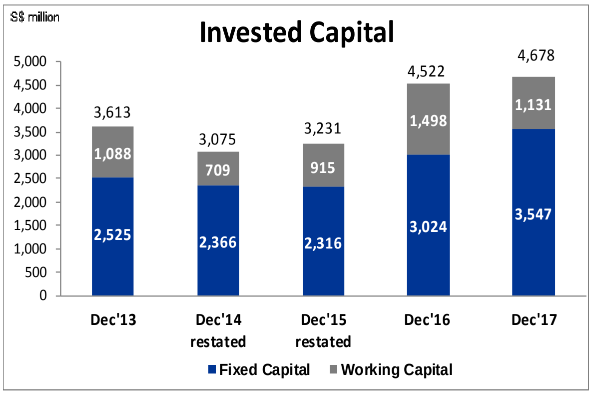
EBITDA declined 19.5% in 2017 due to a significantly lower contribution from Coffee. While it had a good first half, tougher market conditions and short crop across major origins in the latter half of the year adversely impacted its overall EBITDA in 2017. In Cocoa, the processing business performed well throughout the year, while the supply chain and products trading businesses, which faced margin compression in the first nine months of the year, saw margins stabilise in Q4 2017.

Invested capital in this segment fell by a substantial S$762.5 million as compared with December 31, 2016. This was mainly on account of lower working capital following targeted optimisation initiatives as well as lower cocoa and coffee prices from a year ago.

EBITDA/IC for the segment declined marginally from 6.9% in 2016 to 5.7% in 2017.

Food Staples & Packaged Foods





EBITDA /Avg IC	**10.4%**	**8.8%**	**6.7%**	**8.5%**	**7.8%**

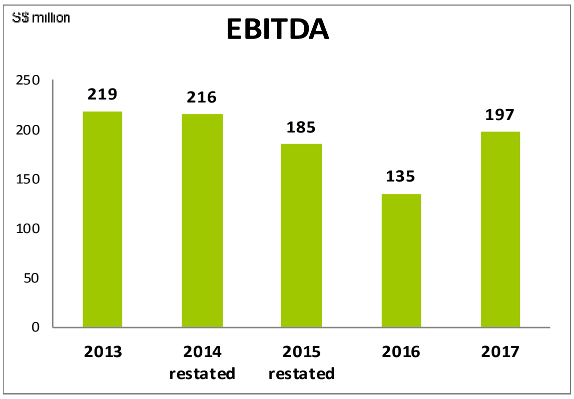
The Food Staples & Packaged Foods segment delivered a volume growth of 78.1% in 2017, led by a significant increase in trading volumes for Grains and also supported by an increase in Edible Oils, Rice and Dairy trading volumes. Driven by the higher volumes, revenues increased by 59.8% during the period.

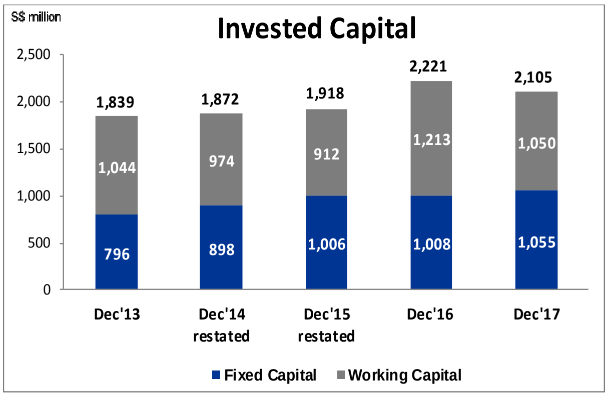
EBITDA grew 8.9% in 2017 as compared with 2016. The Grains & Animal Feed platform benefitted from the increase in wheat milling volumes and margins in West Africa, and the commencement of the animal feed business in Nigeria. This was partially offset by the lower contribution from the trading business which faced strong headwinds especially in the last quarter of 2017. The Rice origination, distribution and trading business continued to perform well and farming operations in Nigeria turned positive. Dairy supply chain continued to perform well while upstream farming operating results in Russia and Uruguay recorded a strong improvement. In Edible Oils, while the refining business did better this year, its overall EBITDA came down due to lower trading margins. The contribution from Sugar trading was also lower. Notwithstanding the stabilisation of the Naira, the Packaged Foods business did not see a commensurate pick up in margins.

Compared with December 31, 2016, overall invested capital went up by S$156.2 million owing to the growth in fixed capital. Fixed capital increased due to 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. Working capital was reduced due to the optimisation initiatives undertaken and lower commodity prices.

Given the increase in invested capital, EBITDA/IC for the segment came down from 8.5% in 2016 to 7.8% in 2017.

Industrial Raw Materials, Ag Logistics & Infrastructure





EBITDA /Avg IC	**10.8%**	**11.6%**	**9.8%**	**6.5%**	**9.1%**

The Industrial Raw Materials, Ag Logistics & Infrastructure volumes grew 12.5% in 2017 with growth mainly from Cotton. Revenues increased by 39.2% on the back of higher sales volumes.

The segment achieved a strong EBITDA growth of 45.9% with higher contribution from Cotton and GSEZ following the commissioning of new ports and the partial sale of port concession rights in Gabon in Q4 2017. This was partly offset by lower contribution from Wood Products, which was impacted by weak demand and lower margins.

Invested capital declined by S$116.0 million compared with a year ago, as inventory optimisation initiatives brought down working capital. Fixed capital was up slightly with investments in upstream Rubber plantations in Gabon and integrated ginning operations in Cote d'Ivoire.

As a result of the strong EBITDA growth on reduced invested capital, EBITDA/IC margin expanded from 6.5% in 2016 to 9.1% in 2017.

Commodity Financial Services

The CFS business reported an EBITDA of S$4.8 million in 2017 compared to a loss of S$1.6 million previously. This improvement in earnings came largely from the funds business and from the Trade & Structured Finance business that generated incremental yield by utilising Olam's underlying agri-business trade flows.

Invested capital in this segment eased by S$55.5 million to S$98.3 million; most of it was deployed in the funds business.

Value Chain Review and Analysis

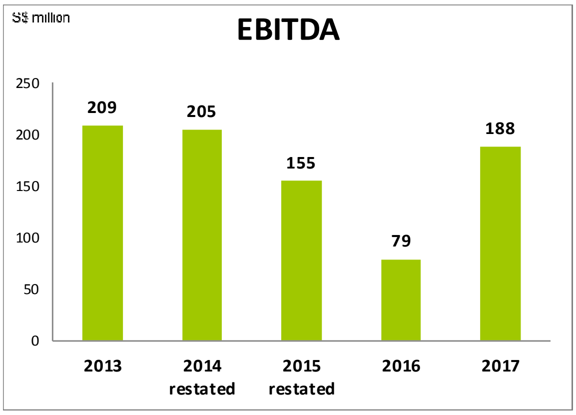
	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		EBITDA/ Avg IC	
S$ million	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Upstream	**584.6**	455.6	**1,707.2**	798.4	**188.3**	79.2	**3,915.4**	3,764.4	**4.9%**	2.3%
Supply Chain	**17,089.3**	9,863.1	**15,208.7**	10,496.2	**450.9**	503.5	**5,803.8**	6,537.5	**7.3%**	8.8%
Mid/ Downstream	**4,860.7**	4,097.1	**9,356.6**	9,292.4	**688.7**	620.1	**6,113.2**	6,347.1	**11.1%**	9.7%
Total	**22,534.6**	**14,415.8**	**26,272.5**	**20,587.0**	**1,327.9**	**1,202.8**	**15,832.4**	**16,649.0**	**8.2%**	**7.7%**

Note: IC excludes:

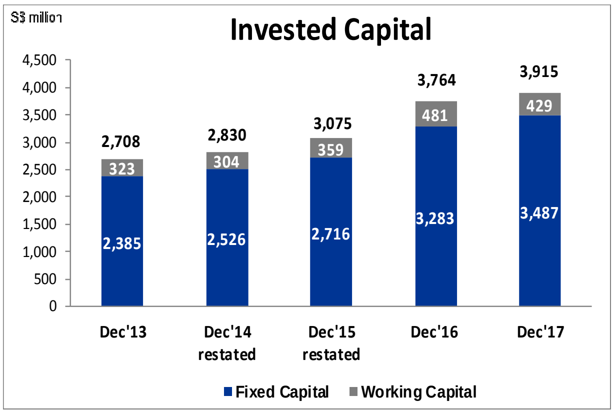
(a) Gabon Fertiliser Project (31-Dec-17: S$248.0 million, 31-Dec-16: S$224.8 million); and

(b) Long Term Investment (31-Dec-17: S$257.5 million, 31-Dec-16: S$148.4 million)

Upstream



EBITDA /Avg IC	8.2%	6.6%	5.2%	2.3%	4.9%



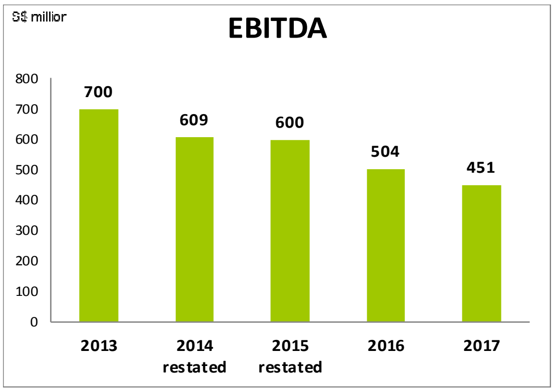
The Upstream segment registered a year-on-year volume growth of 28.3% in 2017 mainly coming from almonds with increased acreage and better yields achieved in Dairy and grains farming in Russia as well as in Rice farming in Nigeria.

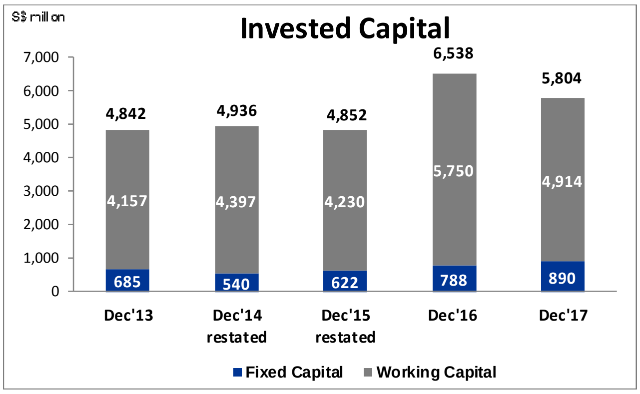
Revenue grew by a significant 113.8% on higher volumes and higher almond prices. EBITDA also showed a substantial growth of 137.8% on account of stronger almond performance, backed by a positive EBITDA achieved by Rusmolco for its Dairy and grains farming operations, and by Rice farming in Nigeria.

Invested capital in the segment was up by S$151.0 million from the end of last year, mainly on the net increase in fixed capital, which grew as continued investments in Palm and Rubber plantations was offset by the sale of edible nuts farmland assets in the US. Meanwhile, the working capital optimisation initiatives helped reduce working capital deployed.

As a result of a strong improvement in EBITDA, EBITDA/IC increased from 2.3% in 2016 to 4.9% in 2017.

Supply Chain





EBITDA /Avg IC	**13.9%**	**12.5%**	**12.3%**	**8.8%**	**7.3%**

The Supply Chain segment recorded a 73.3% volume increase in 2017 as the year saw trading volumes in Grains, Edible Oils, Rice, Dairy, Cotton and cashew grew significantly compared with 2016.

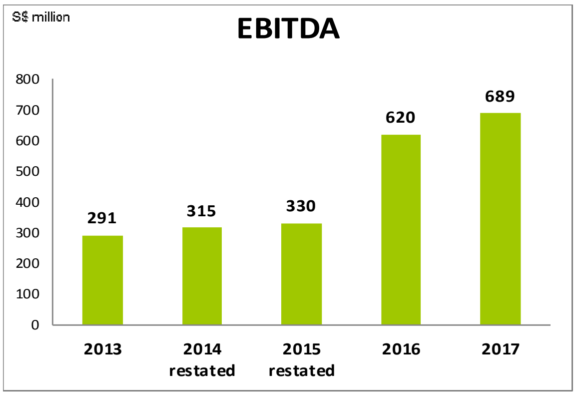
Revenue was up 44.9% on higher volumes, moderated by lower commodity prices.

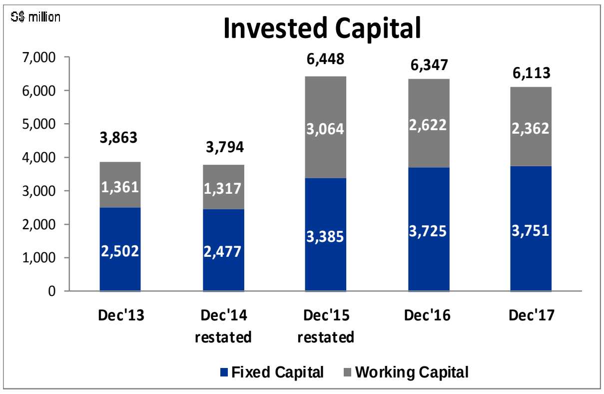
EBITDA however declined 10.4% largely because of reduced contribution from Coffee supply chain. Cocoa bean trading and Sugar trading, which did not perform as well as 2016, also contributed to the decline.

Invested capital in the segment was off 2016 levels by a significant S$733.7 million due to positive effects from the working capital optimisation programme and lower prices.

This resulted in an overall lower EBITDA/IC of 7.3% in 2017 compared with 8.8% in 2016.

Mid/Downstream





EBITDA /Avg IC	**8.2%**	**8.2%**	**6.5%**	**9.7%**	**11.1%**

The Mid/Downstream segment had a healthy volume growth of 18.6% in 2017. The growth in volumes was mainly coming from the Grains & Animal Feed platform, the peanut business in the US and cashew processing operations in Vietnam. Wheat milling capacity in Nigeria and Ghana increased during the year which led to higher milling volumes. The animal feed business in Nigeria also started contributing in 2017. Peanut volumes in the US were higher on full-year consolidation of volumes from Brooks Peanut Company.

Despite larger sales volumes, revenues were flat due to lower prices across most products, including cocoa, tomatoes, dehydrates and sugar.

EBITDA was higher by 11.1% in 2017 compared with 2016. This was primarily on account of the improvement in wheat milling in West Africa, full-year consolidation of results from Brooks and strong contribution from GSEZ after its commissioning of new ports and partial sale of port concession rights. These improvements were offset by lower results from tomato processing and the Packaged Foods business in Nigeria.

Invested capital was lower by S$233.9 million in 2017, largely arising from the reduction in working capital. This was due to optimisation initiatives for Cocoa as well as the lower prices of tomatoes and dehydrates.

The increase in EBITDA on lower invested capital lifted EBITDA/IC from 9.7% in 2016 to 11.1% in 2017.

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.

S$ million	2017	2016	Q4 2017	Q4 2016
Other Income^	52.2	47.3	20.7	18.3
Other Income	207.6	47.3	176.1	18.3
Less: Exceptional items	155.4	-	155.4	-
Cost of sales^	(23,757.7)	(18,363.8)	(6,520.7)	(5,510.1)
Cost of sales	(23,757.7)	(18,363.8)	(6,520.7)	(5,510.1)
Less: Exceptional items	-	-	-	-
Overhead expenses^	(1,248.5)	(1,068.0)	(380.6)	(325.1)
Other operating expenses^	(42.9)	(36.0)	(74.1)	29.8
Other expenses	(1,297.6)	(1,104.0)	(454.7)	(295.3)
Less: Exceptional items	(6.2)	-	-	-
Net Finance costs^	(465.6)	(403.5)	(92.1)	(112.0)
Finance income	65.6	30.2	32.0	9.5
Finance costs	(531.2)	(446.2)	(124.1)	(121.6)
Less: Exceptional items	-	(12.5)	-	(0.1)
Taxation^	(79.2)	(94.3)	(26.3)	(27.1)
Income tax expense	(79.2)	(94.3)	(26.3)	(27.1)
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 28 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 Ag Logistics & Infrastructure 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 4.3 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.

Our values

Our six values and everyday behaviours build a distinctive culture, shaping how we work and set the standard.

Entrepreneurship	Stretch & Ambition	Mutual Respect & Teamwork	Ownership	Integrity	Partnerships
"We dare to dream."	*"Our passion for doing more."*	*"We treat each other the way we want to be treated."*	*" We take responsibility as if we were the founders of the business."*	*"We stay true to what we believe, say and do."*	*"We strive to develop positive and long-term relationships with our partners."*

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) Ag Logistics and Infrastructure (including Gabon Special Economic Zone or GSEZ)
Commodity Financial Services (CFS)	16) Risk Management Solutions 17) Market-making, Volatility Trading and Asset Management 18) Trade and Structured Finance

Note: The 2016 results for the CFS segment did 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	**First Half Jan-June**	Q3 Jul-Sep	Q4 Oct-Dec	**Second Half Jul-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 Ag Logistics & Infrastructure 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.*