Management Discussion and Analysis

August 14, 2019

Results for the period ended June 30, 2019

Crown Flour Mills, Nigeria

MANAGEMENT DISCUSSION AND ANALYSIS

Results for the Second Quarter (“Q2 2019”) and Six Months ended June 30, 2019 (“H1 2019”)

Contents

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, 2019 lodged on SGXNET on August 14, 2019.

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Key Highlights

Financial Performance

S$ million	H1 2019	H1 2018	% Change	Q2 2019	Q2 2018	% Change
Volume ('000 MT)	19,100.2	13,606.6	40.4	10,639.6	6,641.4	60.2
Revenue	15,943.9	13,724.6	16.2	8,596.0	7,429.2	15.7
Net loss in fair value of biological assets	(4.0)	(9.8)	(59.3)	(3.0)	(5.7)	(48.2)
EBITDA	**771.5**	**676.0**	**14.1**	**351.2**	**307.9**	**14.1**
Depreciation & Amortisation	(249.5)	(188.7)	32.2	(124.8)	(93.0)	34.2
Net Finance costs	(264.9)	(201.7)	31.3	(161.2)	(114.4)	40.9
Taxation	(31.7)	(47.1)	(32.7)	(10.8)	(17.1)	(36.8)
Exceptional items	(17.7)	(2.1)	742.9	(5.5)	2.6	n.m.
PAT	207.7	236.4	(12.1)	48.9	86.0	(43.2)
PATMI	**230.3**	**251.9**	**(8.5)**	**61.5**	**94.0**	**(34.5)**
Operational PATMI	**248.0**	**254.0**	**(2.4)**	**67.0**	**91.4**	**(26.7)**

- **Profit After Tax and Minority Interests (PATMI) declined 8.5% to S$230.3 million in H1 2019** from S$251.9 million in H1 2018 on higher depreciation and amortisation, net finance costs and exceptional losses, despite growth in EBITDA. Excluding the impact of SFRS(I) 16 (see additional notes on page 4), PATMI would have declined by 3.4% to S$243.3 million.

- **Operational PATMI** (PATMI excluding exceptional items) **was marginally lower by 2.4% at S$248.0 million** compared with S$254.0 million in H1 2018 due to higher depreciation and net finance charges. Excluding the impact of SFRS(I) 16, Operational PATMI would have been grown by 2.8% to S$261.0 million.

- **Sales volume rose by 40.4% in H1 2019** mainly on account of the increase in Grains trading volumes.

- **EBITDA grew by 14.1% to S$771.5 million in H1 2019** (H1 2018: S$676.0 million) mainly due to improved EBITDA from all segments except Industrial Raw Materials, Infrastructure and Logistics. The adoption of SFRS(I) 16 from January 1, 2019 had a positive impact of S$49.5 million during the period.

- **Depreciation and amortisation charges were higher by 32.2% at S$249.5 million** (H1 2018: S$188.7 million) mainly due to a S$47.4 million increase from a larger fixed capital base on right-of-use assets following the adoption of SFRS(I) 16 from January 1, 2019.

- **Net finance costs increased by 31.3% to S$264.9 million** (H1 2018: S$201.7 million) due to the impact of higher interest rates and the increase in finance charges of S$15.0 million arising from the adoption of SFRS(I) 16 from January 1, 2019. The increase was partly offset by higher finance income.

- **Gross Capex of S$365.7 million** (H1 2018: S$439.4 million) was incurred during H1 2019 for investments, including the acquisition of 85.0% in BT Cocoa, as well as ongoing Capex commitments during this period. **Net Capex after disposals and divestments was S$355.0 million** in H1 2019 compared with S$170.5 million in H1 2018.

- **Free Cash Flow to Equity (FCFE) was positive at S$864.2 million in H1 2019** (H1 2018: -S$167.0 million).

- **Net gearing improved to 1.28 times as at June 30, 2019** compared with 1.46 times as at June 30, 2018. **Excluding the impact of SFRS(I) 16, net gearing would have been at 1.19 times.**

- The Board of Directors has declared **an interim dividend of 3.5 cents per share for H1 2019** (H1 2018: 3.5 cents).

Adoption of SFRS(I) 16

SFRS(I) 16 is effective from January 1, 2019, and the Group has adopted modified retrospective approach which does not require any restatement of prior period financial statements.

Adoption of this new standard has resulted in most leases being recognised on balance sheet, with exemption of short-term and low value assets' leases. Under this new standard, at the commencement of a lease, a "right-of-use asset" and a "lease liability" for lease payments are recognised on the balance sheet. Total borrowings or net debt will increase to the extent of the lease liability. This new standard also requires separate recognition of finance charge on the lease liability and depreciation on the right-of-use asset in the profit and loss account.

As at January 1, 2019, the adoption of SFRS(I) 16 resulted in the following key effects to the balance sheet of the Group:

S$ million	**1-Jan-19**
Assets	
Property, plant and equipment	(76.8)
Right-of-use assets	706.8
Other current assets	(24.2)
Total Assets	**605.8**
Liabilities	
Lease liabilities	699.9
Finance lease liabilities	(94.1)
Total Liabilities	**605.8**

The right-of-use assets and lease liabilities that were recognised on January 1, 2019 resulted in an increase in EBITDA by S$49.5 million in H1 2019. This also raised depreciation and finance charges by S$47.4 million and S$15.0 million respectively in H1 2019. PATMI and Operational PATMI were lower by S$13.0 million for the first-half. The Profit and Loss items with and without the impact of SFRS(I) 16 are summarised in the table that follows:

S$ million	H1 2019			Q2 2019		
Profit & Loss Statement	**Reported**	**SFRS(I) 16 Impact**	**Excluding SFRS(I) 16**	**Reported**	**SFRS(I) 16 Impact**	**Excluding SFRS(I) 16**
EBITDA	**771.5**	**49.5**	**722.0**	**351.2**	**24.9**	**326.3**
Depreciation & Amortisation	(249.5)	(47.4)	(202.1)	(124.8)	**(23.8)**	(101.0)
Net Finance costs	(264.9)	(15.0)	(249.9)	(161.2)	**(7.5)**	(153.7)
PATMI	**230.3**	**(13.0)**	**243.3**	**61.5**	**(6.6)**	**68.1**
Operational PATMI	**248.0**	**(13.0)**	**261.0**	**67.0**	**(6.6)**	**73.6**

Financing

- In April 2019, Olam and its wholly owned subsidiary, Olam Treasury (OTPL) secured the world's first "Digital Loan", a three-year digital-linked revolving credit facility aggregating US$350.0 million. The pricing of the facility is linked to Olam's digital maturity score, which is determined by the Boston Consulting Group using their proprietary "Digital Acceleration Index" methodology that assesses Olam across four digital building blocks: (1) business strategy driven by digital; (2) digitising the core; (3) new digital growth; and (4) enablers. Olam and the participating banks have agreed on annual improvement targets over the course of the facility which, if achieved, would trigger a reduction in the interest rate.

- In May 2019, Olam's wholly-owned subsidiary Olam Americas Inc. successfully priced a US$120.0 million issuance of five-year fixed rate notes via a private placement to nine investors at a fixed coupon of 3.89% for five years.

- In July 2019, Olam's wholly owned subsidiary, Olam Holdings B.V. secured a revolving credit facility aggregating US$375.0 million. The facility has a 364-day tenor with an option to extend for a further 364 days.

Strategic Plan Update

On January 25, 2019, we announced our 2019-2024 Strategic Plan that capitalises on key trends shaping the sector. Driven by consumers and advances in technology, these trends include increasing demand for healthier foods, traceable and sustainable sourcing, e-commerce and the rise of "purpose" brands. Olam plans to invest US$3.5 billion (including maintenance Capex) to strengthen businesses with high growth potential, while releasing US$1.6 billion by responsibly divesting certain businesses and assets lying outside the strategic priorities over the course of this plan. Read the Annexure "Business Model and Strategy" for more details.

Further to the announcement of our new Strategic Plan, we have appointed Credit Suisse (Singapore) Limited and Rothschild & Co Singapore Limited as Joint Financial Advisors to explore various options to maximise long term value for shareholders. This exercise is expected to be completed by the end of 2019.

During H1 2019, the Company closed the Sugar, Rubber and Fertiliser trading desks, the Fundamental Fund and the Wood Products business in Latin America. It also completed the following transactions:

❖ Indirect wholly-owned subsidiary Queensland Cotton Corporation Pty Ltd (QCC) disposed of its entire 51.0% shareholding in Collymongle Ginning Pty Ltd, a company incorporated in Australia, to PJ & PM Harris Pty Ltd (Harris) following an exercise of option, for a total cash consideration of A$4.08 million. (QCC had in 2014 sold 49.0% stake in CGPL to Harris, reducing its shareholding from 100.0% to 51.0%.)

❖ Wholly owned subsidiary Olam Argentina S.A. disposed of its entire 100.0% equity interest in Olam Alimentos S.A., which was incorporated in Argentina with principal activity in peanut shelling and blanching, to Adecoagro, for a cash consideration of US$10.0 million. This is in line with the new Strategic Plan of divesting select businesses and redeploying capital into proven businesses which have performed consistently and have market leading positions, such as the peanut shelling, blanching and ingredients business in the US.

❖ Olam acquired 85.0% equity interest in YTS Holdings Pte Ltd, which owns 100.0% of Indonesia's largest cocoa processor PT Bumitangerang Mesindotama (BT Cocoa), from its founding members, Piter Jasman and family, for a total cash consideration of US$90.0 million. The transaction is part of the new Strategic Plan to grow its cocoa ingredients business by expanding its platform in Asia and enhancing its product offering in the region.

❖ Olam completed the acquisition of 60.0% interest in Cotonchad SN, the state-owned company with exclusive rights to procure, process and sell Chadian cotton and by-products, for US$16.0 million.

- Olam, through wholly owned subsidiary Outspan Cyprus Limited, acquired the remaining minority shareholding of 6.98% in Milky Projects Limited, which directly holds equity in Russian Dairy Company ("Rusmolco"), from its founding shareholder. Following the acquisition, Rusmolco becomes a wholly-owned subsidiary of Olam.

In April 2019, Olam made a binding offer to acquire 100.0% of Dangote Flour Mills (DFM), a leading flour and pasta manufacturer in Nigeria, for an enterprise value of NGN 130.0 billion (approximately US$361.0 million). On August 5, 2019, following the adjustment for the net working capital and net debt of DFM as at 31 March 2019, Olam submitted an addendum to the offer with a revised consideration of NGN 120.0 billion (approximately US$331.4 million) for all outstanding shares in DFM that it does not currently own. The proposed acquisition of DFM supports the strategy of the Grain and Animal Feed business to expand its wheat milling capacity in high-growth markets, such as Nigeria. Olam and DFM combined would provide enhanced manufacturing capacity and create synergies with the Group's existing business. The transaction is subject to, amongst others, the approval of DFM's shareholders, regulatory approvals, the sanction of the Federal High Court of Nigeria, as well as the absence of a material adverse change in DFM. If approved, the transaction is expected to be completed during Q4 2019.

Outlook and Prospects

Even as political and economic uncertainties are likely to affect global trading conditions in 2019, 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 is executing on the four strategic pathways for growth as set out in the 2019-2024 Strategic Plan. It will strengthen, streamline and focus its business portfolio, drive margin improvement by enhancing cost and capital efficiency, generate additional revenue streams by offering differentiated products and services, and explore partnerships and investments in select new engines for growth.

Summary of Financial and Operating Results

Profit and Loss Analysis

S$ million	H1 2019	H1 2018	% Change	Q2 2019	Q2 2018	% Change
Volume ('000 MT)	**19,100.2**	**13,606.6**	**40.4**	**10,639.6**	**6,641.4**	**60.2**
Revenue	**15,943.9**	**13,724.6**	**16.2**	**8,596.0**	**7,429.2**	**15.7**
Other income^	20.3	12.7	59.8	10.4	5.6	85.7
Cost of sales	(14,479.9)	(12,293.9)	17.8	(7,924.9)	(6,659.9)	19.0
Selling, general and administrative expenses^	(668.0)	(640.6)	4.3	(342.3)	(333.8)	2.5
Other operating expenses	(63.9)	(144.3)	(55.7)	(2.9)	(142.5)	(98.0)
Net loss in fair value of biological assets	(4.0)	(9.8)	(59.3)	(3.0)	(5.7)	(48.2)
Share of results from jointly controlled entities and associates	23.1	27.3	(15.4)	17.9	15.0	19.3
EBITDA^	**771.5**	**676.0**	**14.1**	**351.2**	**307.9**	**14.1**
EBITDA %	4.8%	4.9%		4.1%	4.1%	
Depreciation & amortisation	(249.5)	(188.7)	32.2	(124.8)	(93.0)	34.2
EBIT^	**522.0**	**487.3**	**7.1**	**226.4**	**214.9**	**5.4**
Exceptional items	(17.7)	(2.1)	742.9	(5.5)	2.6	**n.m.**
Net Finance costs	(264.9)	(201.7)	31.3	(161.2)	(114.4)	40.9
PBT^	**239.4**	**283.5**	**(15.6)**	**59.7**	**103.1**	**(42.1)**
Taxation^	(31.7)	(47.1)	(32.7)	(10.8)	(17.1)	(36.8)
PAT	**207.7**	**236.4**	**(12.1)**	**48.9**	**86.0**	**(43.2)**
PAT %	1.3%	1.7%		0.6%	1.2%	
Non-controlling interests	(22.6)	(15.5)	46.0	(12.6)	(8.0)	58.8
PATMI	**230.3**	**251.9**	**(8.5)**	**61.5**	**94.0**	**(34.5)**
PATMI %	1.4%	1.8%		0.7%	1.3%	
Operational PATMI	**248.0**	**254.0**	**(2.4)**	**67.0**	**91.4**	**(26.7)**
Operational PATMI %	1.6%	1.9%		0.8%	1.2%	

^Excluding exceptional items

Sales Volume

Sales volume grew 40.4% mainly due to higher trading volumes in Grains during H1 2019.

Revenue

Revenue growth on the other hand was lower at 16.2%, as the increased trading volumes from Grains have a lower selling price than that of other products in the portfolio.

Other Income

Other income was higher at S$20.3 million (H1 2018: S$12.7 million).

Cost of Sales

The change in cost of sales normally follows the corresponding change in revenue for a given period. In H1 2019, cost of sales increased by 17.8%, largely in tandem with the growth in revenue.

Selling, General & Administrative Expenses

Selling, General & Administrative Expenses increased by 4.3% to S$668.0 million in H1 2019 (H1 2018: S$640.6 million) on account of investments in new corporate growth initiatives, such as digitalisation, co-manufacturing for food service, e-commerce and sustainability-based solutions, including AtSource.

Other Operating Expenses

Other operating expenses decreased from S$144.3 million in H1 2018 to S$63.9 million in H1 2019 due to lower unrealised foreign exchange losses recorded on the devaluation of local currencies against the US dollar compared to the prior corresponding period.

Net Changes in Fair Value of Biological Assets

There was a reduction in net loss from fair valuation of upstream dairy assets in Uruguay and Russia from S$9.8 million in H1 2018 to S$4.0 million in H1 2019.

Share of Results from Jointly Controlled Entities and Associates

The share of results from jointly controlled entities and associates declined from S$27.3 million in H1 2018 to S$23.1 million in H1 2019 mainly due to lower contribution from our investment in Long Son.

EBITDA

EBITDA increased by 14.1% to S$771.5 million in H1 2019 mainly due to improved performance from all segments except Industrial Raw Materials, Infrastructure and Logistics. The adoption of SFRS(I) 16 from January 1, 2019 had a positive impact of S$49.5 million.

Depreciation and Amortisation

Depreciation and amortisation expenses increased 32.2% to S$249.5 million (H1 2018: S$188.7 million) mainly due to the S$47.4 million increase from a larger fixed capital base on right-of-use assets following the adoption of SFRS(I) 16 from January 1, 2019.

Finance Costs

Net finance costs increased by 31.3% to S$264.9 million (H1 2018: S$201.7 million) due to the impact of higher interest rates and the increase in finance charges of S$15.0 million arising from the adoption of SFRS(I) 16 from January 1, 2019. The increase was partly offset by higher finance income.

Taxation

Tax expenses were lower from S$47.1 million in the prior first-half to S$31.7 million in H1 2019 primarily due to the change in the earnings composition in terms of business mix and geographical spread.

Non-controlling Interest

Non-controlling interest, which comprises mainly the minority share of results from Olam Palm Gabon (OPG), Olam Rubber Gabon (ORG) and Caraway (Packaged Foods), was a loss of S$22.6 million in H1 2019 (H1 2018: -S$15.5 million) arising from higher period costs incurred by OPG and ORG on partially yielding plantations.

Exceptional Items

The H1 2019 results included a net exceptional loss of S$17.7 million (H1 2018: -S$2.1 million) due to one-off costs incurred during the first-half following the closure of the Sugar, Rubber and Fertiliser trading desks, Fundamental Fund, Wood Products business in Latin America, as well as the sale of the peanut shelling and farming business in Argentina and the remaining stake in Collymongle gin in Australia.

S$ million	**H1 2019**	**H1 2018**	**Q2 2019**	**Q2 2018**
Profit on sale of land in US	-	13.7	-	0.1
Profit on sale of Subsidiary	0.6	5.7	-	0.1
Sale of Café Enrista brand	-	2.6	-	2.6
Loss on sale of JV/Associate	(1.1)	(24.1)	-	(0.2)
Exit/Closure costs	(17.2)	-	(5.5)	-
Exceptional Items	**(17.7)**	**(2.1)**	**(5.5)**	**2.6**

PATMI

PATMI declined 8.5% to S$230.3 million in H1 2019 compared with S$251.9 million in H1 2018 mainly due to higher depreciation and amortisation, net finance costs and exceptional losses, offsetting the growth in EBITDA. The result includes a net negative impact of S$13.0 million on the adoption of SFRS(I) 16.

Operational PATMI

Operational PATMI (PATMI excluding exceptional items) was marginally lower by 2.4% at S$248.0 million in H1 2019 (H1 2018: S$254.0 million), which includes the net negative impact of S$13.0 million on the adoption of SFRS(I) 16.

Balance Sheet Analysis[1]

S$ million	30-Jun-2019	31-Dec-2018	Change vs Dec 18	30-Jun-2018	Change vs Jun 18
Uses of Capital					
Fixed Capital	8,337.8	8,349.3	(11.5)	8,388.5	(50.7)
Right-of-use assets	656.4	-	656.4	-	656.4
Working Capital	5,757.2	6,376.4	(619.2)	7,646.4	(1,889.2)
Cash	3,697.2	2,480.4	1,216.8	2,426.3	1,270.9
Others	280.9	526.2	(245.3)	559.9	(279.0)
Total	**18,729.5**	**17,732.3**	**997.2**	**19,021.1**	**(291.6)**
Sources of Capital					
Equity & Reserves	6,703.7	6,652.9	50.8	6,801.1	(97.4)
Non-controlling interests	126.7	138.7	(12.0)	163.2	(36.5)
Short term debt	5,043.8	4,766.4	277.4	4,130.3	913.5
Long term debt	6,565.9	6,407.7	158.2	8,141.4	(1,575.5)
Short term lease liabilities	81.5	10.7	70.8	10.0	71.5
Long term lease liabilities	581.4	83.4	498.0	78.5	502.9
Fair value reserve	(373.5)	(327.5)	(46.0)	(303.4)	(70.1)
Total	**18,729.5**	**17,732.3**	**997.2**	**19,021.1**	**(291.6)**

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

The Group's total assets[2] as at June 30, 2019 were S$18.7 billion, comprising S$8.3 billion of fixed capital, S$656.4 million of right-of-use assets[3], S$5.8 billion of working capital and S$3.7 billion of cash. The right-of-use assets were largely made up of land and building assets, while plant and machinery was a small component.

The total assets were funded by S$6.7 billion of equity, S$5.0 billion of short term debt, S$6.6 billion of long term debt, as well as short term and long term lease liabilities of S$81.5 million and S$581.4 million respectively, which came about with the adoption of SFRS(I) 16.

Compared with December 31, 2018, the overall balance sheet as at June 30, 2019 increased by S$997.2 million mainly on account of the increase in the cash position and the adoption of SFRS(I) 16.

However, compared with June 30, 2018, the overall balance sheet shrank by S$291.6 million as the significant decline in working capital offset the increase in fixed assets caused by the addition of the right-of-use assets.

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1 The Company's balance sheet includes reserves created on account of the restructuring of the US business earlier held by Queensland Cotton Australia, which have been reversed at the Group level (to be read in conjunction with Page 3 of SGXNET Financial Statements for H1 2019).

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

3 Please refer to page 15 of the SGXNET Financial Statements for further explanation.

Working Capital

S$ million	30-Jun-2019	31-Dec-2018	Change	30-Jun-2018	Change vs Jun 18
Stock	6,682.4	6,468.2	214.2	6,739.5	(57.1)
Advance to suppliers	875.3	805.5	69.8	789.8	85.5
Receivables	2,009.3	2,435.2	(425.9)	2,031.2	(21.9)
Trade creditors	(4,465.2)	(3,633.9)	(831.3)	(2,556.6)	(1,908.6)
Others	655.4	301.4	354.0	642.5	12.9
Working Capital	**5,757.2**	**6,376.4**	**(619.2)**	**7,646.4**	**(1,889.2)**

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

Compared with December 31, 2018, working capital decreased by S$619.2 million with the change in product mix towards bulk trading volumes, improved access to supplier credit and the reduction in receivables. This led to a reduction in overall working capital cycle from 76 days as at December 31, 2018 to 61 days as at June 30, 2019.

Against June 30, 2018, working capital was reduced by S$1.9 billion with improved supplier terms on enhanced bulk volumes, causing overall working capital cycle to shorten from 100 to 61 days.

Days	30-Jun-2019	31-Dec-2018	Change vs Dec 18	30-Jun-2018	Change vs Jun 18
Stock	84	84	-	99	(15)
Advance to suppliers	11	10	1	11	-
Receivables	22	29	(7)	27	(5)
Trade creditors	(56)	(47)	(9)	(37)	(19)
Total cash cycle	**61**	**76**	**(15)**	**100**	**(39)**

Debt, Liquidity and Gearing

S$ million	30-Jun-2019	31-Dec-2018	Change vs Dec 18	30-Jun-2018	Change vs Jun 18
Gross debt	12,272.6	11,268.2	1,004.4	12,360.3	(87.7)
Less: Cash	3,697.2	2,480.4	1,216.8	2,426.3	1,270.9
Net debt	8,575.4	8,787.8	(212.4)	9,934.0	(1,358.6)
Less: Readily marketable inventory	5,037.9	4,754.1	283.8	5,816.2	(778.3)
Less: Secured receivables	1,762.8	2,103.5	(340.7)	1,595.3	167.5
Adjusted net debt	1,774.7	1,930.2	(155.5)	2,522.5	(747.8)
Equity (before FV adj reserves)	6,703.7	6,652.9	50.8	6,801.1	(97.4)
Net debt / Equity (Basic)	**1.28**	**1.32**	**(0.04)**	**1.46**	**(0.18)**
Net debt / Equity (without SFRS(I) 16)	**1.19**	**1.32**	**(0.13)**	**1.46**	**(0.27)**
Net debt / Equity (Adjusted)	**0.26**	**0.29**	**(0.03)**	**0.37**	**(0.11)**

Compared with June 30, 2018, despite the addition of S$574.4 million of lease liabilities on the adoption of SFRS(I) 16, net debt as at June 30, 2019 was lower by S$1.4 billion on reduced working capital. Net gearing improved from 1.46 to 1.28 times.

Compared with December 31, 2018, net debt also decreased by S$212.4 million on similar count. This resulted in reduced net gearing of 1.28 times as against 1.32 times as at December 31, 2018. In addition, if not for the impact of SFRS(I) 16 on liabilities, our net gearing would have been at 1.19 times.

Of the S$6.7 billion inventory position, approximately 75.4% or S$5.0 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, approximately 87.7% of the S$2.0 billion in trade receivables 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 0.26 times, reflecting the true indebtedness of our Company.

Compared with December 31, 2018 and June 30, 2018, cash balance as at June 30, 2019 was higher at S$3.7 billion to take care of near-term repayment obligations on borrowings.

We maintained sufficient liquidity to meet our working capital and capital expenditure requirements, with a total of S$19.3 billion in available liquidity as at June 30, 2019, including unutilised bank lines of S$8.8 billion.

Cash Flow Analysis

S$ million	H1 2019	H1 2018	YoY
Operating Cash flow (before Interest & Tax)	770.0	685.7	84.3
Changes in Working Capital	765.3	(388.1)	1,153.4
Net Operating Cash Flow	**1,535.3**	**297.6**	**1,237.7**
Tax paid	(51.8)	(90.5)	38.7
Capex/ Investments	(355.0)	(170.5)	(184.5)
Free cash flow to firm (FCFF)	**1,128.5**	**36.6**	**1,091.9**
Net interest paid	(264.3)	(203.6)	(60.7)
Free cash flow to equity (FCFE)	**864.2**	**(167.0)**	**1,031.2**

Net operating cash flow for H1 2019 increased significantly by S$1.2 billion to S$1.5 billion due to lower deployment of working capital during the first-half. Net of Capex and divestments, Free Cash Flow to Firm (FCFF) and FCFE improved to a positive S$1.1 billion (H1 2018: S$36.6 million) and S$864.2 million (H1 2018: -S$167.0 million) respectively.

We expect significant investments to be undertaken during the year, including our proposed acquisition of DFM and more working capital to be deployed during the second half of 2019 as we approach the peak of the procurement season for several of our leading commodities, such as Cocoa and Coffee.

Segmental Review and Analysis

For Q2 2019

Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		
S$ million	**Q2 2019**	**Q2 2018**	**Q2 2019**	**Q2 2018**	**Q2 2019**	**Q2 2018**	**30-Jun-2019**	**31-Dec-2018**	**30-Jun-2018**
Edible Nuts and Spices	420.2	428.7	1,074.4	1,183.4	99.5	100.9	4,127.9	3,609.9	4,090.5
Confectionery and Beverage Ingredients	412.2	437.5	1,520.6	1,684.8	106.6	117.1	4,416.0	4,935.1	4,763.3
Food Staples and Packaged Foods	9,218.3	5,172.8	4,697.5	3,299.4	93.8	66.9	4,391.9	4,577.9	5,035.2
Food Category	**10,050.7**	**6,039.0**	**7,292.5**	**6,167.6**	**299.9**	**284.9**	**12,935.8**	**13,122.9**	**13,889.0**
Industrial Raw Materials, Infrastructure and Logistics	588.9	602.4	1,303.5	1,261.6	46.3	27.9	1,494.6	1,571.7	1,933.8
Commodity Financial Services (CFS)	N.A.	N.A.	-	-	5.0	(4.9)	96.5	117.6	173.7
Non-Food Category	**588.9**	**602.4**	**1,303.5**	**1,261.6**	**51.3**	**23.0**	**1,591.1**	**1,689.3**	**2,107.5**
Total	**10,639.6**	**6,641.4**	**8,596.0**	**7,429.2**	**351.2**	**307.9**	**14,526.9**	**14,812.2**	**15,996.5**

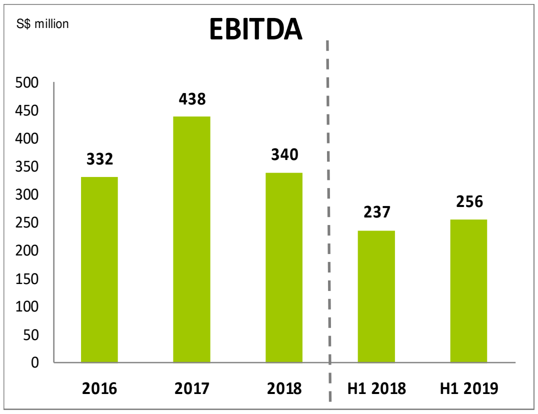
Notes:
IC excludes:
(a) Gabon Fertiliser Project (30-Jun-19: S$243.4 million, 31-Dec-18: S$245.4 million, 30-Jun-18: S$248.1 million), and
(b) Long Term Investment (30-Jun-19: S$123.8 million, 31-Dec-18: S$135.8 million, 30-Jun-18: S$214.1 million)

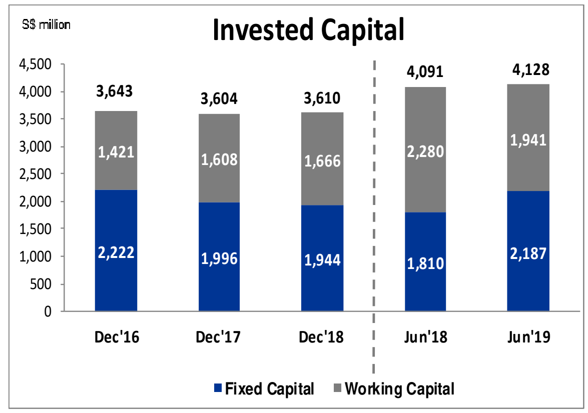
For H1 2019

Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		
S$ million	**H1 2019**	**H1 2018**	**H1 2019**	**H1 2018**	**H1 2019**	**H1 2018**	**30-Jun-2019**	**31-Dec-2018**	**30-Jun-2018**
Edible Nuts and Spices	790.4	774.3	2,036.5	2,057.9	255.6	236.7	4,127.9	3,609.9	4,090.5
Confectionery and Beverage Ingredients	867.1	933.7	3,215.5	3,554.7	240.2	178.3	4,416.0	4,935.1	4,763.3
Food Staples and Packaged Foods	16,291.6	10,818.2	8,205.0	5,947.1	176.0	167.3	4,391.9	4,577.9	5,035.2
Food Category	**17,949.1**	**12,526.2**	**13,457.0**	**11,559.7**	**671.8**	**582.3**	**12,935.8**	**13,122.9**	**13,889.0**
Industrial Raw Materials, Infrastructure and Logistics	1,151.1	1,080.4	2,486.9	2,164.9	84.5	94.1	1,494.6	1,571.7	1,933.8
Commodity Financial Services (CFS)	N.A.	N.A.	-	-	15.2	(0.4)	96.5	117.6	173.7
Non-Food Category	**1,151.1**	**1,080.4**	**2,486.9**	**2,164.9**	**99.7**	**93.7**	**1,591.1**	**1,689.3**	**2,107.5**
Total	**19,100.2**	**13,606.6**	**15,943.9**	**13,724.6**	**771.5**	**676.0**	**14,526.9**	**14,812.2**	**15,996.5**

Notes:
IC excludes:
(a) Gabon Fertiliser Project (30-Jun-19: S$243.4 million, 31-Dec-18: S$245.4 million, 30-Jun-18: S$248.1 million), and
(b) Long Term Investment (30-Jun-19: S$123.8 million, 31-Dec-18: S$135.8 million, 30-Jun-18: S$214.1 million)

Edible Nuts and Spices[4]





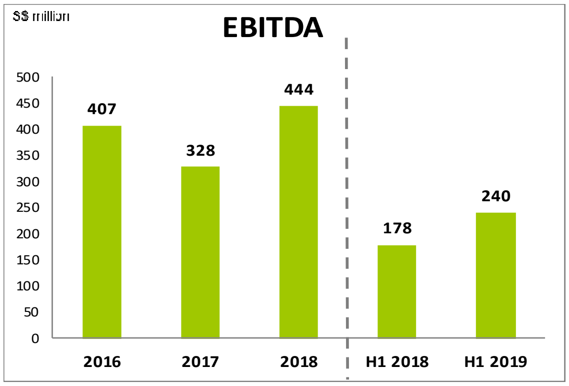
The Edible Nuts and Spices segment had a 2.1% growth in sales volumes mainly from Edible Nuts in H1 2019 while its revenues dipped 1.0% in H1 2019 on lower peanut prices.

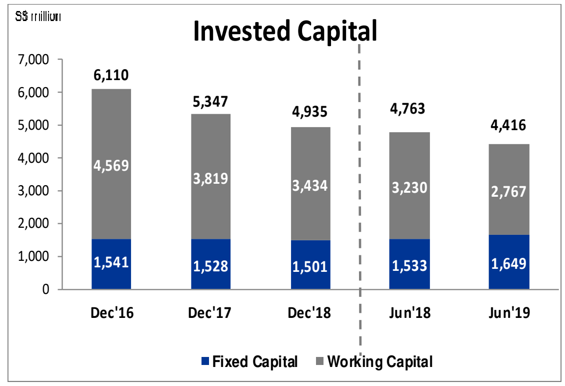
EBITDA rose 8.0% on improved contribution from Cashew, Almonds, Hazelnuts and Spices businesses, which included a positive impact from the adoption of SFRS(I) 16. The Peanut business recorded a lower EBITDA during the first-half with the cessation of peanut farming and shelling operations in Argentina as well as lower shelling volumes in the US and reduced margins amid an oversupplied market.

Invested capital in the segment increased by S$37.4 million compared with June 30, 2018. Fixed capital increased on account of the adoption of SFRS(I) 16 with the addition of right-of-use assets to the segment. This was partly offset by a reduction in working capital due to lower inventory, particularly across the Spices and Almonds businesses.

4 Renamed from Edible Nuts, Spices and Vegetable Ingredients; Spices and Vegetable Ingredients has been renamed Spices.

Confectionery and Beverage Ingredients





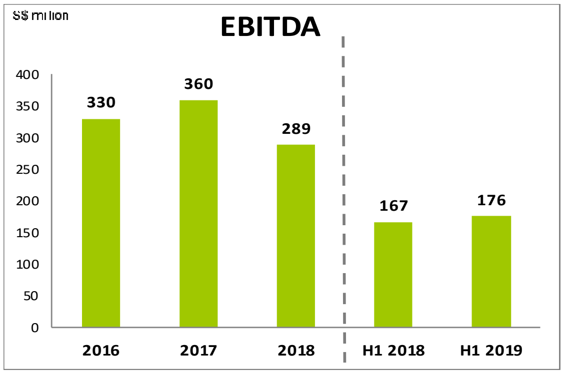
Sales volume in the Confectionery and Beverage Ingredients segment declined 7.1% on lower volumes from Cocoa and Coffee.

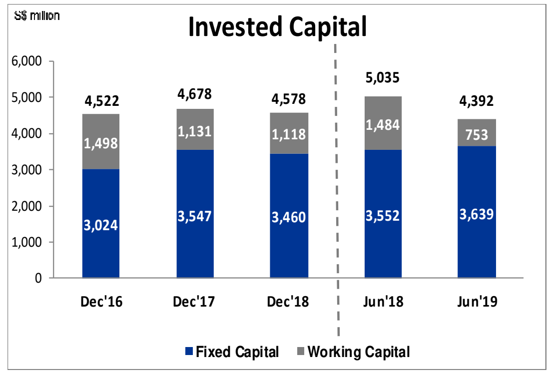
The segment also recorded a reduction in revenues of 9.5% on lower coffee prices and reduced volumes.

Notwithstanding lower volumes and revenues, EBITDA rose by a strong 34.7% during H1 2019. The Cocoa business sustained its growth momentum with improved margins in both supply chain and processing operations. Despite the continued downcycle in coffee, the business performed better during this first-half compared to H1 2018. The results included the positive impact from the adoption of SFRS(I) 16.

Invested capital in this segment was reduced by a further S$347.3 million from a year ago. While fixed capital increased with the acquisition of BT Cocoa and the addition of right-of-use assets on the adoption of SFRS(I) 16, working capital eased with lower coffee prices and improved working capital management in both Cocoa and Coffee.

Food Staples and Packaged Foods





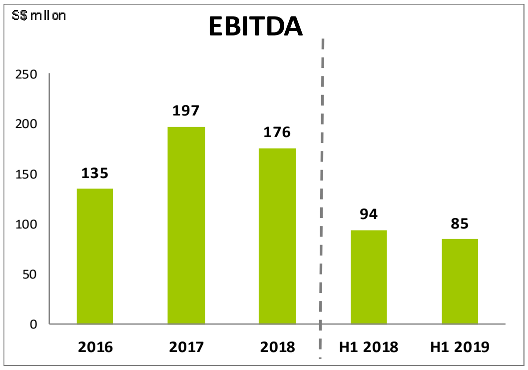
Food Staples and Packaged Foods segment recorded a strong volume and revenue growth of 50.6% and 38.0% respectively in H1 2019, primarily driven by the growth in Grains trading volumes.

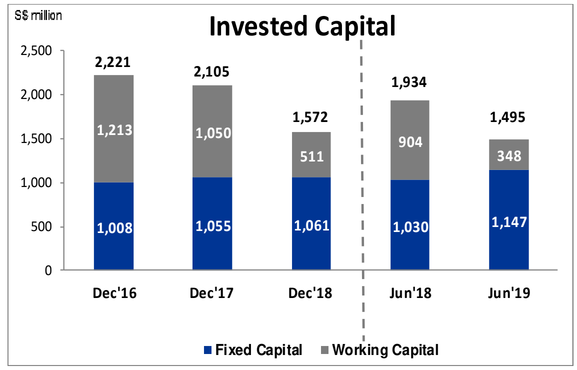
EBITDA grew by 5.2% mainly led by Grains, Dairy and Edible Oil supply chain businesses, Packaged Foods and the positive impact from the adoption of SFRS(I) 16 from H1 2019. The impact was partly offset by a reduction in contribution from Rice and Sugar businesses. The Rice business had lower earnings on reduced merchandising volumes into Africa while the Sugar business closed its trading desk in Q1 2019.

While the Dairy supply chain and upstream farming in Russia performed well, farming operations in Uruguay continued to face headwinds on account of the drought and consequently higher feed costs which were partially offset by higher milk prices. Edible Oils supply chain and trading did well during H1 2019, compensating for the impact of the tropical cyclone on its refinery in Mozambique and higher period costs in OPG.

Invested capital was reduced by S$643.3 million compared with June 30, 2018 mainly due to the optimisation efforts in the deployment of working capital. While fixed capital increased with continued investments in OPG during H1 2019, working capital was pared down by nearly half following the closure of the Sugar trading desk and the availability of supplier credit for the bulk commodities volumes.

Industrial Raw Materials, Infrastructure and Logistics[5]





Sales volumes and revenues in the Industrial Raw Materials, Infrastructure and Logistics segment rose 6.5% and 14.9% respectively in H1 2019 mainly on higher sales volumes from Cotton and Rubber.

However, EBITDA declined 10.2% on lower contribution from Cotton and the closure of the Rubber and Fertiliser trading desks, which offset growth from Wood Products in H1 2019. Contribution from Rubber and GSEZ was consistent as compared with H1 2018.

Compared with June 30, 2018, invested capital decreased by S$439.2 million. Although fixed capital rose with the investment in Cotontchad and the addition of right-of-use assets, working capital was reduced significantly as a result of lower inventory levels and increased access to supplier credit in the Cotton business.

Commodity Financial Services

Commodity Financial Services posted an EBITDA of S$15.2 million in H1 2019, a strong rebound from a year ago (H1 2018: -S$0.4 million). This was mainly due to better performance in the Quantitative Fund.

Compared with June 30, 2018, invested capital decreased by S$77.2 million with the closure of the Fundamental Fund in Q1 2019.

5 Renamed from Industrial Raw Materials, Ag Logistics and Infrastructure

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	H1 2019	H1 2018	Q2 2019	Q2 2018
Other Income^	20.3	12.7	10.4	5.6
Other Income	20.9	38.5	10.4	8.5
Less: Exceptional items	0.6	25.8	-	2.9
Overhead expenses^	(668.0)	(640.6)	(342.3)	(333.8)
Other operating expenses^	(63.9)	(144.3)	(2.9)	(142.5)
Other expenses	(750.2)	(809.1)	(350.7)	(476.5)
Less: Exceptional items	(18.3)	(24.2)	(5.5)	(0.2)
Taxation^	(31.7)	(47.1)	(10.8)	(17.1)
Income tax expense	(31.7)	(50.8)	(10.8)	(17.2)
Less: Exceptional items	-	(3.7)	-	(0.1)

^ 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 businesses in over 60 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 had grown both in depth as well as breadth, pursuing selected value chain adjacencies which both complement and enhance our core supply chain model. We have developed 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, 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, Indonesia, Singapore, 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, wheat and Dairy) in West Africa.

In addition, Olam has diversified into other related businesses which build on its latent assets and capabilities developed over the last 29 years – the Commodity Financial Services business (CFS) and the development of infrastructure and logistics in Africa.

Evolution of Olam's Business Model: Olam 2.0

Olam now has an extensive upstream farming and plantation footprint and our midstream manufacturing footprint has grown 10-fold since we began on the journey to integrate our value chain participation into upstream and midstream expansion. We are recognised as being leaders in sustainability, and our farmer/supplier and customer networks/engagement have given us a global edge in many of our products. All these initiatives and changes combined had resulted in Olam 1.0 – The Olam Way that forms the basis for the way we lead, organise, compete, grow and succeed in the marketplace – evolving into Olam 2.0.

We have identified six key priorities in Olam 2.0 that will help us stay ahead and make Olam future ready:

1. Focus on drivers of long-term value;
2. Put sustainability at the heart of our business;
3. Build operational excellence as a core competency;
4. Lead industry's digital disruption and transformation;
5. Enhance our culture, values and spirit;
6. Realign and renew our organisation to execute our strategy.

2019-2024 Strategic Plan

The 2019-2024 Strategic Plan aims to capitalise on key trends shaping the sector. Driven by consumers and advances in technology, these trends include increasing demand for healthier foods, traceable and sustainable sourcing, e-commerce and the rise of "purpose" brands. This new strategy builds on the current business model which has yielded strong results and growth across Olam's diversified portfolio. It sets out four pathways for growth:

1. Strengthen, streamline and focus the business portfolio with a planned investment of US$3.5 billion (including US$1 billion maintenance capex) in 12 prioritised high potential growth businesses[6] and releasing US$1.6 billion from de-prioritising and divesting four businesses – Sugar, Rubber, Wood Products, Fertiliser – and other assets that no longer fit with Olam's strategic priorities. The divestments will be completed in a responsible and orderly manner during this plan period.

2. Drive margin improvement by enhancing cost and capital efficiency.

3. Generate additional revenue streams by offering differentiated products/services such as AtSource, risk management solutions, value-added services, ingredients and product innovation; and from both existing and new channels such as co-manufacturing, the food service sector and e-commerce for small and medium sized customers.

4. Explore partnerships and investments in new engines for growth by assessing opportunities to deliver to the consumers and farmers of tomorrow.

Olam has identified four enablers to execute these strategic pathways:

[6] Edible Nuts, Cocoa, Grains & Animal Feed, Coffee, Cotton, Spices, Edible Oils, Infrastructure and Logistics, Dairy, Rice, Packaged Foods and Commodity Financial Services

1. Achieve operational excellence through tracking metrics that matter, digital dashboards and performance scorecards, execution discipline and continuous improvement.
2. Continue to keep sustainability at the heart of the business and re-generate food and farming landscapes while capitalising on changing consumer preferences ('right-for-me', 'right-for-the-planet', 'right-for-the-producer').

3. Lead the industry's digital transformation and disruption by identifying, validating and deploying initiatives to capture and create value.

4. Attract, retain and inspire top talent by embedding Olam's Purpose and investing in people development programmes.

Business Segmentation and Reporting

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

5 Business Segments	16 Businesses[7]
Edible Nuts and Spices (formerly Edible Nuts, Spices and Vegetable Ingredients)	1) Edible Nuts (cashew, peanuts, almonds, hazelnuts, pistachios, walnuts, sesame, quinoa, chia seeds and beans) 2) Spices (formerly Spices and Vegetable Ingredients. These include 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, Infrastructure and Logistics (formerly Industrial Raw Materials, Ag Logistics and Infrastructure)	11) Cotton 12) Wood Products 13) Rubber 14) Fertiliser 15) Infrastructure and Logistics (including Gabon Special Economic Zone or GSEZ)
Commodity Financial Services (CFS)	16) Funds Management

7 Risk Management Solutions and Trade and Structured Finance, which were previously two separate businesses under Commodity Financial Services, have been reclassified as embedded services for the businesses. Market-making and volatility trading activities were discontinued in 2018.

3 Value Chain Segments	Value Chain Activity
Upstream	Includes all activities relating to farming (annual row crops), plantations (perennial tree crops), Dairy farming and forest concessions
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
Midstream & Downstream	Includes all activities relating to secondary processing, contract manufacturing, branded distribution, private label activities and Ag logistics and Infrastructure

Key Definitions

Sales Volume: Sale of goods in metric tonne (MT) equivalent. There are no associated volumes for CFS and Infrastructure and Logistics businesses.

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 (Selling, General & Administrative) 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

PATMI: Net Profit After Tax (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.*