Management Discussion and Analysis

February 28, 2020

Results for the year ended December 31, 2019

Olam Cocoa innovation centre, Brazil

MANAGEMENT DISCUSSION AND ANALYSIS

Results for the Fourth Quarter ("Q4 2019") and Full Year ended December 31, 2019 ("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 Fourth Quarter and Full Year ended December 31, 2019 lodged on SGXNET on February 28, 2020.

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Key Highlights

Financial Performance

S$ million	2019	2018	% Change	Q4 2019	Q4 2018	% Change
Volume ('000 MT)	39,751.8	32,867.6	20.9	10,714.9	9,610.9	11.5
Revenue	32,992.7	30,479.0	8.2	8,737.5	8,460.4	3.3
Net gain in fair value of biological assets	19.0	61.3	(69.0)	24.2	70.9	(65.9)
EBITDA	**1,551.7**	**1,235.8**	**25.6**	**493.3**	**330.7**	**49.2**
Depreciation & Amortisation	(495.5)	(392.8)	26.1	(117.5)	(102.1)	15.1
Net Finance costs	(538.5)	(468.8)	14.9	(125.9)	(158.3)	(20.5)
Taxation	(58.5)	(52.3)	11.9	(25.1)	(1.6)	n.m.
Exceptional items	65.9	1.2	n.m.	83.7	3.3	n.m.
PAT	525.1	323.1	62.5	308.5	72.2	327.6
PATMI	**564.1**	**347.8**	**62.2**	**313.4**	**75.3**	**316.2**
Operational PATMI	**498.2**	**346.6**	**43.7**	**229.7**	**72.0**	**219.0**

- **Profit After Tax and Minority Interests (PATMI) increased by 62.2% to S$564.1 million in 2019** from S$347.8 million in 2018 on higher EBITDA and net exceptional gains. Excluding the impact of SFRS(I) 16 (see additional notes on page 4), PATMI would have increased by 69.7% to S$590.1 million.

- **Net exceptional gains for 2019** amounted to **S$65.9 million.** This was a result of one-off gains from the divestments of de-prioritised assets, partly offset by the one-off exit costs, losses on potential disposal/sale and/or impairment of other de-prioritised assets.

- **Operational PATMI** (PATMI excluding exceptional items) **increased by 43.7% to S$498.2 million** from S$346.6 million in 2018 due to the growth in EBITDA. Excluding the impact of SFRS(I) 16, Operational PATMI would have been grown by 51.2% to S$524.2 million.

- **Sales volume rose by 20.9% in 2019** mainly on account of the increase in Grains trading volumes.

- **EBITDA grew by 25.6% to S$1,551.7 million in 2019** (2018: S$1,235.8 million) mainly due to improvement across all segments except Industrial Raw Materials, Infrastructure and Logistics. Most of the increase in EBITDA came from the Confectionery and Beverages, and Food Staples and Packaged Foods segments, notably Cocoa and Grains and Animal Feed businesses.

- **Depreciation and amortisation charges were higher by 26.1 % at S$495.5 million** (2018: S$392.8 million) mainly due to a S$95.1 million increase from a larger fixed capital base due to right-of-use assets following the adoption of SFRS(I) 16 from January 1, 2019.

- **Net finance costs increased by 14.9 % to S$538.5 million** (2018: S$468.8 million) due to the impact of higher interest rates and the increase in finance charges of S$30.2 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$1,065.6 million** (2018: S$852.8 million) was incurred during 2019 for investments, acquisitions, as well as ongoing Capex commitments. **Net Capex after disposals and divestments was S$562.7 million** in 2019 (2018: S$417.0 million).

- **Free Cash Flow to Equity (FCFE**) was positive at **S$134.6 million** in 2019.

- **Net gearing** as at December 31, 2019 stood at **1.38 times** (December 31, 2018: 1.32 times). **Excluding the impact of SFRS(I) 16, net gearing would have been at** 1.32 **times.**

- The Board of Directors recommends a **final dividend of 4.5 cents per share**. Total dividend for 2019 would be 8.0 cents per share (2018: 7.5 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$99.3 million in 2019. This also raised depreciation and finance charges by S$95.1 million and S$30.2 million respectively in 2019. PATMI and Operational PATMI were lower by S$26.0 million during this period. The Profit and Loss items with and without the impact of SFRS(I) 16 are summarised in the table that follows:

S$ million	**2019**			**Q4 2019**		
Profit & Loss Statement	**Reported**	**SFRS(I) 16 Impact**	**Excluding SFRS(I) 16**	**Reported**	**SFRS(I) 16 Impact**	**Excluding SFRS(I) 16**
EBITDA	**1,551.7**	**99.3**	**1,452.4**	**493.3**	**24.7**	**468.6**
Depreciation & Amortisation	(495.5)	(95.1)	(400.4)	(117.5)	**(23.6)**	(93.9)
Net Finance costs	(538.5)	(30.2)	(508.3)	(125.9)	**(7.5)**	(118.4)
PATMI	**564.1**	**(26.0)**	**590.1**	**313.4**	**(6.5)**	**319.9**
Operational PATMI	**498.2**	**(26.0)**	**524.2**	**229.7**	**(6.5)**	**236.2**

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 (RCF) 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 RCF 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 an RCF aggregating US$375.0 million. The facility has a 364-day tenor with an option to extend for a further 364 days.

- In September 2019, Olam and OTPL secured an RCF of US$525.0 million, consisting of three tranches – a one-year RCF of US$315.0 million, a two-year RCF of US$105.0 million and a three-year RCF of US$105.0 million. The interest margin of the RCF is linked to meeting sustainability Key Performance Indicators (KPIs) which are aligned with the Company's three purpose outcomes of Prosperous Farmers and Food Systems, Thriving Communities, and Regeneration of the Living World. The KPIs will be tracked and reported by Olam's Corporate Responsibility & Sustainability team and independently assessed by Ernst & Young based on agreed-upon procedures approved by the banks.

- In October 2019, Olam and OTPL secured a multi-tranche RCF aggregating US$1,525.0 million, consisting of a 364-day RCF of US$610.0 million, a two-year RCF of US$457.5 million and a three-year RCF of US$457.5 million for refinancing of existing loans.

Strategic Plan Update

On January 25, 2019, the Company announced its 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.

Divestment of de-prioritised assets

During the year, 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 U.S.

- In December 2019, the Company completed the sale of the real estate assets of its onion and garlic processing facility in Gilroy, California to Chicago-based investment management firm Mesirow Financial (Mesirow) for a total consideration of US$110.3 million. It also entered into a tiered revenue sharing arrangement with Mesirow with whom it will share a part of the annual revenue from operating the assets for a period of 25 years. The transaction resulted in a one-time post-tax capital gain of S$101.9 million.

- Olam through Olam Orchards Australia ("OOA") sold 89,085 megalitres of its permanent water rights in Australia to a related entity of the Public Sector Pension Investment Board ("PSP Investments"), one of Canada's largest pension investment managers, for a total consideration of A$490.0 million. PSP Investments acquired approximately 12,000 hectares of almond orchards and related assets in Victoria, Australia, which were previously leased to OOA. Both the almond orchards and the associated water rights will continue to be operated by OOA. The transaction resulted in a one-time post-tax gain of S$232.0 million.

- Olam also divested 10.0% of its 40.5% stake in ARISE Integrated Industrial Platforms ("ARISE IIP") to Africa Finance Corporation for a consideration of US$59.0 million as part of the re-organisation of its associated company, Gabon Special Economic Zone ("GSEZ"). GSEZ has re-organised its business into three separate verticals – ARISE Port & Logistics ("ARISE P&L"), ARISE IIP and ARISE Infrastructure Services ("ARISE IS"). The transaction resulted in a one-time post-tax gain of S$40.4 million.

All the above divestments reduced invested capital by S$437.6 million and generated a one-time post-tax capital gain of approximately S$373.7 million for 2019.

On February 10, 2020, the Company announced that the Board had completed its review of restructuring and/or divestment actions for some of the other de-prioritised assets identified in the Strategic Plan, including NZFSU (Uruguay), Olam Tomato Processing (U.S.), Coffee plantations (Zambia, Brazil, Tanzania and Laos) and Edible Oils processing (Mozambique). Following the review and as a result of the periodic assessment of the recoverable amounts of its assets, the Company recognised one-off exit costs, losses on potential disposal/sale and/or impairment of these assets of S$300.0 million in Q4 2019.

The Company continues to engage in multiple discussions for divesting and/or restructuring other assets and businesses as identified in the Strategic Plan, some of which may be concluded in 2020. The Board also continues to review the restructuring and/or divestment actions. The outcome, timing and the range of financial impact (viz. one-off exit costs, gains/losses on sale and/or potential impairment of these assets/businesses) is uncertain and subject to multiple factors outside the Company's control. The Company will make appropriate disclosures as and when there are material developments in this regard.

Strategic investments

During the year, Olam made the following investments:

- 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 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.

- Olam acquired 100.0% of Dangote Flour Mills (DFM), a leading flour and pasta manufacturer in Nigeria, for an enterprise value of NGN 120.0 billion (approximately US$331.4 million). The 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.

- Olam completed the acquisition of 100.0% interest in leading Californian almond processor and ingredient manufacturer Hughson Nut Inc (HNI) and associated real estate assets from APB Partners, LLC at a total enterprise value of US$54.0 million. The acquisition of HNI is consistent with Olam's Strategic Plan to offer differentiated solutions, such as ingredients and product innovation, and to target new customer segments in co-manufacturing, food service and e-commerce. Given HNI's extensive processing capabilities, Olam can now offer a fully integrated solution across the almond value chain from the U.S., including processed whole nuts and value-added ingredients, complementing similar capabilities in Australia and Vietnam.

Re-organisation of Olam: Unlocking long term value

Building on the Strategic Plan, the Company completed the exercise with independent financial advisors to explore options to unlock and maximise the Company's long-term value. On January 20, 2020, the Company announced that Olam will re-organise its diverse business portfolio to create **two new coherent operating groups** – Olam Food Ingredients ("OFI") and Olam Global Agri ("OGA") – that are well-positioned for further growth in line with key consumer trends and market opportunities.

Comprising Cocoa, Coffee, Edible Nuts, Spices and Dairy, OFI offers sustainable, natural, value-added food products and ingredients so that consumers can enjoy the healthy and indulgent products they love. OFI has built a unique global value chain presence including its own farms, farm-gate origination, manufacturing facilities and innovation centres. It partners with customers, leveraging its complementary and differentiated portfolio of "on-trend" food products, to co-create solutions that anticipate and meet changing consumer preferences as demand increases for healthier food that is traceable and sustainable.

Comprising Grains and Animal Feed, Edible Oils, Rice, Cotton and Commodity Financial Services, OGA is a leading player in high-growth Asian and African countries supplying food, feed and fibre to meet rising demand and a shift to protein-based diets. It has built proprietary operating capabilities including significant strengths in global origination, processing, trading, logistics, distribution, farming and risk management, and a deep understanding of the market via its on-the-ground presence in these emerging markets over 30 years.

As the parent company of OFI and OGA, Olam International ("OIL") provides stewardship to the operating groups and ensures continuity of the "Olam Way", including the Group's unique entrepreneurial culture. It implements cross-cutting initiatives, such as AtSource; drives key enablers such as sustainability and digital transformation; and offers shared services to optimise synergies across its operating groups. It is responsible for the divestment of non-core assets and businesses identified in the Strategic Plan and redeploying capital for further growth, as well as for nurturing gestating businesses in the Group to full potential. OIL will also incubate new engines for future growth, such as the B2C initiative, Farmer Services Platform and Controlled Environment Agriculture.

By simplifying the businesses across two distinct and coherent groups, each with a clear vision for profitable growth, the re-organisation sharpens Olam's focus and provides opportunities to capitalise on key market trends, while continuing to leverage the benefits of the Olam Group. This will enable Olam to explore potential carve-outs and IPOs in a sequential manner and attract additional investors who are aligned with the vision of these two new groups in order to maximise the value of our business.

As the re-organisation progresses, the Company will provide periodic updates to stakeholders on the process and related developments and will report financials and key performance metrics for each operating group from H1 2020.

Cessation of Mandatory Quarterly Reporting

Following the amendments to the Singapore Exchange Securities Trading Limited Listing Rules (Mainboard) which are effective from February 7, 2020, Olam will no longer be required to release its financial statements on a quarterly basis. It will now report its financial results half-yearly. The Company will continue to provide relevant disclosures of its strategy, operating and financial conditions as appropriate.

Outlook and Prospects

Olam is monitoring the COVID-19 outbreak closely and adhering to guidelines from all relevant international organisations and national authorities in affected areas. The Company's business continuity plans are currently in effect in response to this outbreak. While it does not have a material exposure to China, the spread of COVID-19 may impact and delay exports out of China, and extended delays may result in a disruption to supply. The Company is currently evaluating the potential impact this may have on supply chains in China and globally. As a global agri-business with presence across multiple origins for its products, Olam is working with customers on contingency planning to minimise disruptions to their supply. The Company will continue to monitor developments and impacts on supply chains, and to take proactive measures to support market needs while protecting public health.

While the evolving COVID-19 situation as well as continuing political and economic uncertainties will affect global operating conditions in 2020, prices across a broad range of commodities have fallen post the outbreak of COVID-19, including grains, cotton, coffee, almonds, pepper and dairy, with heightened volatility in these prices and potential for increased counterparty risks from customers in China, as well as disruptions in many commodity supply chains originating from China.

Even as Olam moves ahead with the re-organisation to unlock long term value, it continues to execute 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	2019	2018	% Change	Q4 2019	Q4 2018	% Change
Volume ('000 MT)	**39,751.8**	**32,867.6**	**20.9**	**10,714.9**	**9,610.9**	**11.5**
Revenue	**32,992.7**	**30,479.0**	**8.2**	**8,737.5**	**8,460.4**	**3.3**
Other income^	56.4	55.5	1.6	29.8	34.9	(14.6)
Cost of sales^	(29,986.5)	(27,985.8)	7.1	(7,883.4)	(7,978.9)	(1.2)
Selling, general and administrative expenses^	(1,455.2)	(1,317.6)	10.4	(492.1)	(375.7)	31.0
Other operating expenses	(142.5)	(119.1)	19.6	48.2	89.8	(46.3)
Net gain in fair value of biological assets^	19.0	61.3	(69.0)	24.2	70.9	(65.9)
Share of results from jointly controlled entities and associates	67.8	62.5	8.6	29.1	29.3	(0.6)
EBITDA^	**1,551.7**	**1,235.8**	**25.6**	**493.3**	**330.7**	**49.2**
EBITDA %	4.7%	4.1%		5.6%	3.9%	
Depreciation & amortisation^	(495.5)	(392.8)	26.1	(117.5)	(102.1)	15.1
EBIT^	**1,056.2**	**843.0**	**25.3**	**375.8**	**228.6**	**64.4**
Exceptional items	65.9	1.2	n.m.	83.7	3.3	n.m.
Net Finance costs	(538.5)	(468.8)	14.9	(125.9)	(158.3)	(20.5)
PBT^	**583.6**	**375.4**	**55.5**	**333.6**	**73.6**	**353.3**
Taxation^	(58.5)	(52.3)	11.9	(25.1)	(1.6)	n.m.
PAT	**525.1**	**323.1**	**62.5**	**308.5**	**72.2**	**327.6**
PAT %	1.6%	1.1%		3.5%	0.9%	
Non-controlling interests	(39.0)	(24.7)	58.0	(4.9)	(3.1)	55.3
PATMI	**564.1**	**347.8**	**62.2**	**313.4**	**75.3**	**316.2**
PATMI %	1.7%	1.1%		3.6%	0.9%	
Operational PATMI	**498.2**	**346.6**	**43.7**	**229.7**	**72.0**	**219.0**
Operational PATMI %	1.5%	1.1%		2.6%	0.9%	

^Excluding exceptional items

Sales Volume

Sales volume grew 20.9% mainly due to higher trading volumes in Grains during 2019.

Revenue

Revenue on the other hand grew by 8.2% 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 marginally higher at S$56.4 million (2018: S$55.5 million).

Cost of Sales

The change in cost of sales normally follows the corresponding change in revenue for a given period. In 2019, cost of sales increased by 7.1%, mostly in tune with the growth in revenue.

Selling, General & Administrative Expenses

Selling, General & Administrative Expenses increased by 10.4% or S$137.6 million to S$1,455.2 million in 2019 (2018: S$1,317.6 million) mainly on 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 rose from S$119.1 million in 2018 to S$142.5 million in 2019 as we recorded overall higher unrealised foreign exchange losses on the devaluation of local currencies against the US dollar compared to the prior year.

Net Changes in Fair Value of Biological Assets

Net changes in the fair value of biological assets amounted to a gain of S$19.0 million in 2019 compared with a net gain of S$61.3 million in 2018. This was largely due to lower gains from the fair valuation of almond produce in Australia, as well as those of upstream dairy assets in Russia and Uruguay.

Share of Results from Jointly Controlled Entities and Associates

Jointly controlled entities and associates include PT DUS, Long Son, Guzman Coffee & Nuts, MC Agri Alliance (MCAA), ARISE P&L, ARISE IIP, ARISE IS and Open Country Dairy. The share of results from jointly controlled entities and associates rose from S$62.5 million in 2018 to S$67.8 million in 2019 mainly due to higher contribution from the ARISE associates and MCAA.

EBITDA

EBITDA grew 25.6% to S$1,551.7 million in 2019 mainly due to improved performance from all segments except Industrial Raw Materials, Infrastructure and Logistics. Most of the increase in EBITDA came from the Confectionery and Beverages, and Foods Staples and Packaged Foods segments, notably Cocoa and Grains and Animal Feed businesses. The adoption of SFRS(I) 16 from January 1, 2019 had a positive impact of S$99.3 million.

Depreciation and Amortisation

Depreciation and amortisation expenses increased 26.1% to S$495.5 million (2018: S$392.8 million) mainly on account of the S$95.1 million due to 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 14.9% to S$538.5 million (2018: S$468.8 million) due to the impact of higher interest rates and the increase in finance charges of S$30.2 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 higher at S$58.5 million in 2019 (2018: S$52.3 million) in 2019 on higher pre-tax income moderated by the earnings composition in terms of business mix and geographical distribution.

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 negative S$39.0 million in 2019 (2018: -S$24.7 million). This was a result of higher period costs incurred by OPG and ORG on partially yielding plantations.

Exceptional Items

The 2019 results included a net exceptional gain of S$65.9 million (2018: S$1.2 million). This came mainly from one-off gains on the divestments of de-prioritised assets, partly offset by the one-off exit costs, losses on potential disposal/sale and/or impairment of other de-prioritised assets. The gains and losses on the divestments taken during the year are listed below:

S$ million	2019	2018	Q4 2019	Q4 2018
Sale of permanent water rights, Australia	232.0	-	232.0	-
Sale and tiered revenue sharing arrangements, US	101.9	-	101.9	-
Sale of 10% stake in ARISE IZ to AFC	40.4	-	40.4	-
Negative goodwill arising on acquisition	7.9	-	7.9	-
Impairments/Exit/Closure costs	(315.8)	-	(298.5)	-
Profit on sale of land in US	-	18.6	-	4.8
Profit on sale of Subsidiary	0.6	5.8	-	(0.1)
Sale of Café Enrista brand	-	2.7	-	-
Loss on sale of JV/Associate	(1.1)	(25.9)	-	(1.4)
Exceptional Items	**65.9**	**1.2**	**83.7**	**3.3**

Note: Impairments/Exit/Closure costs of S$315.8 million includes other assets in addition to those assets which were announced on February 10, 2020.

PATMI

PATMI grew by 62.2% to S$564.1 million in 2019 compared with S$347.8 million in 2018 on higher EBITDA and net exceptional gains. This result includes a net negative impact of S$26.0 million on the adoption of SFRS(I) 16.

Operational PATMI

Operational PATMI (PATMI excluding exceptional items) was higher by 43.7% at S$498.2 million in 2019 (2018: S$346.6 million), which includes the net negative impact of S$26.0 million on the adoption of SFRS(I) 16.

Balance Sheet Analysis[1]

S$ million	31-Dec 2019	31-Dec-2018	Change vs Dec 18
Uses of Capital			
Fixed Capital	8,616.0	8,349.3	266.7
Right-of-use assets	577.6	-	577.6
Working Capital	6,627.8	6,376.4	251.4
Cash	3,179.6	2,480.4	699.2
Others	135.1	526.2	(391.1)
Total	**19,136.1**	**17,732.3**	**1,403.8**
Sources of Capital			
Equity & Reserves	6,836.1	6,652.9	183.2
Non-controlling interests	108.1	138.7	(30.6)
Short term debt	6,675.5	4,766.4	1,909.1
Long term debt	5,403.4	6,407.7	(1,004.3)
Short term lease liabilities	82.0	10.7	71.3
Long term lease liabilities	435.1	83.4	351.7
Fair value reserve	(404.1)	(327.5)	(76.6)
Total	**19,136.1**	**17,732.3**	**1,403.8**

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

The Group's total assets[2] as at December 31, 2019 were S$19.1 billion, comprising S$8.6 billion of fixed capital, S$577.6 million of right-of-use assets[3], S$6.6 billion of working capital and S$3.2 billion of cash. The right-of-use assets were largely made up of land and building assets; plant and machinery was a small component.

The total assets were funded by S$6.8 billion of equity, S$6.7 billion of short term debt, S$5.4 billion of long term debt, as well as short term and long term lease liabilities of S$82.0 million and S$435.1 million respectively, which came along with the adoption of SFRS(I) 16.

Compared with December 31, 2018, the overall balance sheet as at December 31, 2019 increased by S$1,403.8 million mainly on account of the adoption of SFRS(I) 16 and the increase in cash position. Cash balance as at December 31, 2019 was higher at S$3.2 billion compared with the end of 2018 to manage near-term repayment obligations on borrowings.

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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 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.

Long Term Investment

The long term investment of S$71.5 million relates to our 30,544,609 shares in PureCircle Limited, valued at its last traded price of £1.312 each as at October 28, 2019, after which shares were suspended for trading pending the release of its audited results for the full year ended June 30, 2019. The announcements by PureCircle can be found at https://purecircle.com/regulatory-news/.

Working Capital

S$ million	31-Dec 2019	31-Dec-2018	Change vs Dec 18
Stock	7,211.5	6,468.2	743.3
Advance to suppliers	563.5	805.5	(242.0)
Receivables	2,316.5	2,435.2	(118.7)
Trade creditors	(3,983.5)	(3,633.9)	(349.6)
Others	519.8	301.4	218.4
Working Capital	**6,627.8**	**6,376.4**	**251.4**

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

Compared with the same time last year, working capital as of December 31, 2019 grew by S$251.4 million. However, due to the change in product mix with the increase in bulk trading volumes as well as better access to supplier credit, working capital cycle improved from 76 days as at December 31, 2018 to 70 days as at December 31, 2019.

Days	31-Dec 2019	31-Dec-2018	Change vs Dec 18
Stock	87	84	3
Advance to suppliers	6	10	(4)
Receivables	25	29	(4)
Trade creditors	(48)	(47)	(1)
Total cash cycle	**70**	**76**	**(6)**

Debt, Liquidity and Gearing

S$ million	31-Dec 2019	31-Dec-2018	Change vs Dec 18
Gross debt	12,596.0	11,268.2	1,327.8
Less: Cash	3,179.6	2,480.4	699.2
Net debt	9,416.4	8,787.8	628.6
Less: Readily marketable inventory	5,733.1	4,754.1	979.0
Less: Secured receivables	1,672.1	2,103.5	(431.4)
Adjusted net debt	2,011.2	1,930.2	81.0
Equity (before FV adj reserves)	6,836.1	6,652.9	183.2
Net debt / Equity (Basic)	**1.38**	**1.32**	**0.06**
Net debt / Equity (without SFRS(I) 16)	**1.32**	**1.32**	**-**
Net debt / Equity (Adjusted)	**0.29**	**0.29**	**-**

Compared with December 31, 2018, net debt increased by S$628.6 million on the adoption of SFRS(I) 16 and higher working capital deployed. This resulted in a higher net gearing of 1.38 times as against 1.32 times as at December 31, 2018. However, without the impact of SFRS(I) 16 on liabilities, our net gearing would have remained at the same level as the previous year at 1.32 times.

Of the S$7.2 billion inventory position, approximately 79.5% or S$5.7 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 72.2% of the S$2.3 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 0.29 times, reflecting the true indebtedness of our Company.

We maintained sufficient liquidity to meet our working capital and capital expenditure requirements, with a total of S$20.0 billion in available liquidity as at December 31, 2019, including unutilised bank lines of S$9.4 billion.

Cash Flow Analysis

S$ million	**2019**	**2018**	**YoY**
Operating Cash flow (before Interest & Tax)	1,454.4	1,154.7	299.7
Changes in Working Capital	(95.6)	930.6	(1,026.2)
Net Operating Cash Flow	**1,358.8**	**2,085.3**	**(726.5)**
Tax paid	(106.8)	(137.9)	31.1
Capex/ Investments	(562.7)	(417.0)	(145.7)
Free cash flow to firm (FCFF)	**689.3**	**1,530.4**	**(841.1)**
Net interest paid	(554.7)	(464.1)	(90.6)
Free cash flow to equity (FCFE)	**134.6**	**1,066.3**	**(931.7)**

Despite higher operating cash flow, net operating cash flow for 2019 was reduced significantly by S$726.5 million to S$1.4 billion in 2019 due to higher deployment of working capital, particularly in Q4 2019 as the procurement season for several of our leading products such as Cocoa and Coffee peaked.

Net of Capex and divestments and tax, Free Cash Flow to Firm (FCFF) was S$689.3 million (2018: S$1,530.4 million) while FCFE remained positive at S$134.6 million (2018: S$1,066.3 million).

Segmental Review and Analysis

For Q4 2019

Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)	
S$ million	**Q4 2019**	**Q4 2018**	**Q4 2019**	**Q4 2018**	**Q4 2019**	**Q4 2018**	**31-Dec 2019**	**31-Dec-2018**
Edible Nuts and Spices	435.1	483.9	1,200.3	1,158.9	31.1	62.9	3,344.7	3,609.9
Confectionery and Beverage Ingredients	509.9	516.2	1,844.4	1,907.8	220.3	165.1	5,091.9	4,935.1
Food Staples and Packaged Foods	9,360.0	8,037.8	4,933.5	4,259.2	182.8	40.2	5,227.1	4,577.9
Food Category	**10,305.0**	**9,037.9**	**7,978.2**	**7,325.9**	**434.2**	**268.2**	**13,663.7**	**13,122.9**
Industrial Raw Materials, Infrastructure and Logistics	409.9	573.0	759.3	1,134.5	57.1	43.7	1,854.9	1,571.7
Commodity Financial Services (CFS)	N.A.	N.A.	-	-	2.0	18.8	129.0	117.6
Non-Food Category	**409.9**	**573.0**	**759.3**	**1,134.5**	**59.1**	**62.5**	**1,983.9**	**1,689.3**
Total	**10,714.9**	**9,610.9**	**8,737.5**	**8,460.4**	**493.3**	**330.7**	**15,647.6**	**14,812.2**

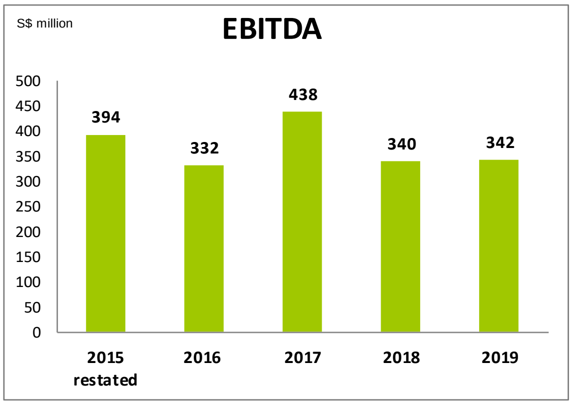
Notes:
IC excludes:
(a) Gabon Fertiliser Project (31-Dec-19: S$240.7 million, 31-Dec-18: S$245.4 million), and
(b) Long Term Investment (31-Dec-19: S$71.5 million, 31-Dec-18: S$135.8 million)

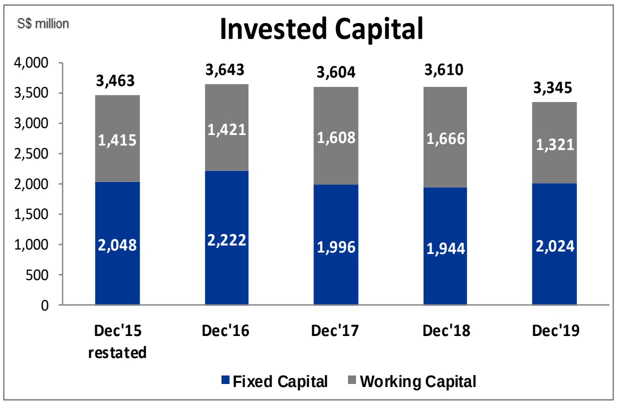
For 2019

Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		EBITDA/ Avg IC	
S$ million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**31-Dec 2019**	**31-Dec-2018**	**2019**	**2018**
Edible Nuts and Spices	1,667.7	1,690.5	4,436.4	4,312.0	342.4	339.9	3,344.7	3,609.9	9.8%	9.4%
Confectionery and Beverage Ingredients	1,774.4	1,836.3	6,686.2	7,129.8	562.1	444.0	5,091.9	4,935.1	11.2%	8.6%
Food Staples and Packaged Foods	34,287.0	27,104.3	17,623.4	14,506.3	454.6	288.8	5,227.1	4,577.9	9.3%	6.2%
Food Category	**37,729.1**	**30,631.1**	**28,746.0**	**25,948.1**	**1,359.1**	**1,072.7**	**13,663.7**	**13,122.9**	**10.1%**	8.0%
Industrial Raw Materials, Infrastructure and Logistics	2,022.7	2,236.5	4,246.7	4,530.9	173.6	176.2	1,854.9	1,571.7	10.1%	9.6%
Commodity Financial Services (CFS)	N.A.	N.A.	-	-	19.0	(13.1)	129.0	117.6	15.4%	-12.1%
Non-Food Category	**2,022.7**	**2,236.5**	**4,246.7**	**4,530.9**	**192.6**	**163.1**	**1,983.9**	**1,689.3**	**10.5%**	8.4%
Total	**39,751.8**	**32,867.6**	**32,992.7**	**30,479.0**	**1,551.7**	**1,235.8**	**15,647.6**	**14,812.2**	**10.2%**	8.1%

Notes:
IC excludes:
(a) Gabon Fertiliser Project (31-Dec-19: S$240.7 million, 31-Dec-18: S$245.4 million), and
(b) Long Term Investment (31-Dec-19: S$71.5 million, 31-Dec-18: S$135.8 million)

Edible Nuts and Spices





EBITDA /Avg IC	**11.5%**	**9.3%**	**12.1%**	**9.4%**	**9.8%**

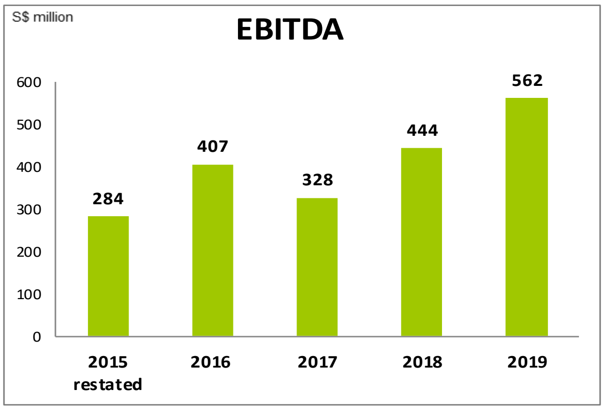
The Edible Nuts and Spices segment reported a marginal drop in sales of volume of 1.3% but a slight increase in revenue of 2.9% in 2019. This came as sales volumes of Spices declined with reduced tomato, onion and garlic volumes while revenues were higher due to improved sales realisation for Edible Nuts.

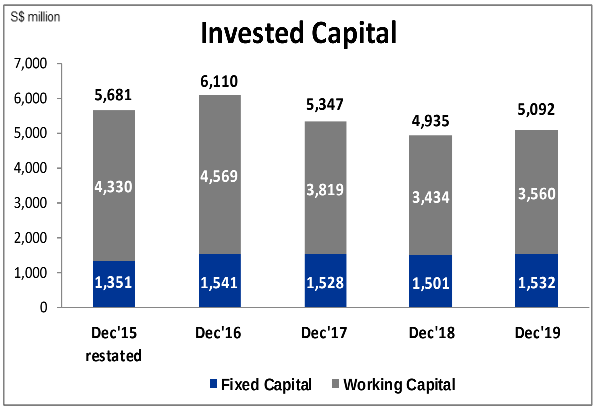
EBITDA was marginally higher by 0.7% despite the positive impact from the adoption of SFRS(I) 16. Edible Nuts did better in 2019 on improved performance in cashew, while almonds, peanut shelling and hazelnut businesses performed less favourably. The peanut business had a lower contribution in 2019 due to the cessation of peanut farming and shelling operations in Argentina as well as lower shelling volumes and reduced margins amid an oversupplied market in the U.S. The hazelnut business also reported lower EBITDA given the tight and adverse trading conditions in Turkey during the second half of the year, which are expected to continue into 2020.

Spices however reported a lower EBITDA than the previous year on reduced contribution from onion and garlic. The business did well for most of the year until Q4 2019 as sales of onion and garlic came down on lower contracted volumes and prices. The tomato processing operations in the U.S. had been facing cost pressures amid a short crop and a highly competitive marketplace in 2019. The Group has decided to close its industrial tomato and canning operations at the end of the crop year and steadily ramp down operations in both its Lemoore and Williams facilities as pending shipments are fully executed by mid-2020. One-off closure costs were booked in Q4 2019. The Group is now reviewing various options to divest the individual assets and/or business.

Invested capital in the segment eased by S$265.2 million compared with December 31, 2018 as working capital was lower on reduced inventory value in tomatoes and other spices. While the adoption of SFRS(I) 16 with the addition of right-of-use assets and the acquisition of HNI increased fixed capital, this was partly offset by the sale of permanent water rights in Australia and the real estate assets in California. As a result, EBITDA to average invested capital (EBITDA/IC) for the segment improved from 9.4% in 2018 to 9.8% in 2019.

Confectionery and Beverage Ingredients





EBITDA /Avg IC	**6.4%**	**6.9%**	**5.7%**	**8.6%**	**11.2%**

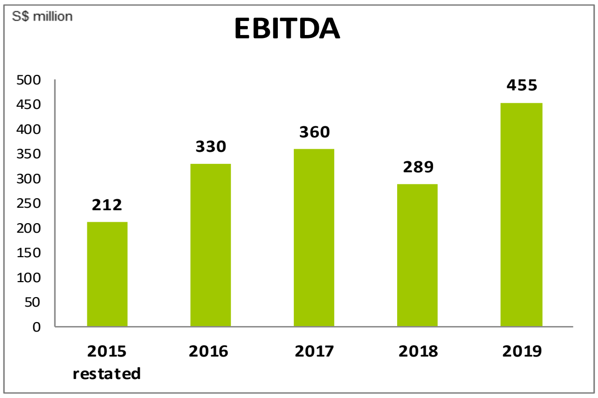
Sales volume in the Confectionery and Beverage Ingredients segment declined by 3.4% on reduced Cocoa volumes, partially offset by higher Coffee volumes. Lower sales volume coupled with lower coffee prices led to a reduction in revenues by 6.2%.

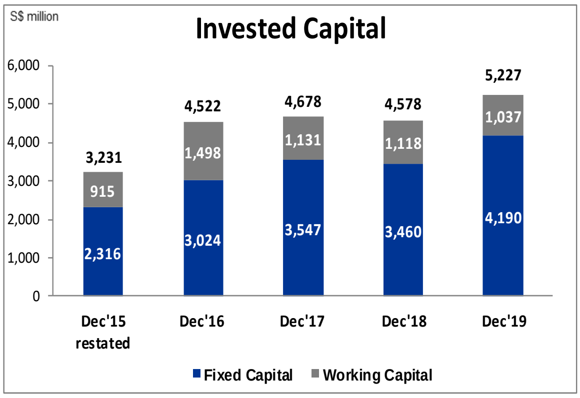
Notwithstanding lower volumes and revenues, EBITDA grew by a strong 26.6% during 2019, supported by the positive impact from the adoption of SFRS(I) 16. The Cocoa business had a stellar year in 2019 in both supply chain trading and processing operations with improved margins. EBITDA from Coffee improved as the green coffee supply chain did much better than the prior year. The soluble coffee business continued with its steady performance trajectory. However, the persistent low prices have hurt our coffee plantation operations, which underperformed against the prior year. As a result, the Group took a one-off impairment charge on these plantation assets in Q4 2019.

Invested capital increased by S$156.8 million on both fixed and working capital. 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 was also higher due to increased inventory in both Cocoa and Coffee beans.

Due to the significant growth in EBITDA, EBITDA/IC for the segment increased from 8.6% in 2018 to 11.2% in 2019.

Food Staples and Packaged Foods





EBITDA /Avg IC	**6.7%**	**8.5%**	**7.8%**	**6.2%**	**9.3%**

Food Staples and Packaged Foods segment recorded a strong volume and revenue growth of 26.5% and 21.5% respectively in 2019, primarily driven by the growth in Grains trading volumes and sales from Packaged Foods.

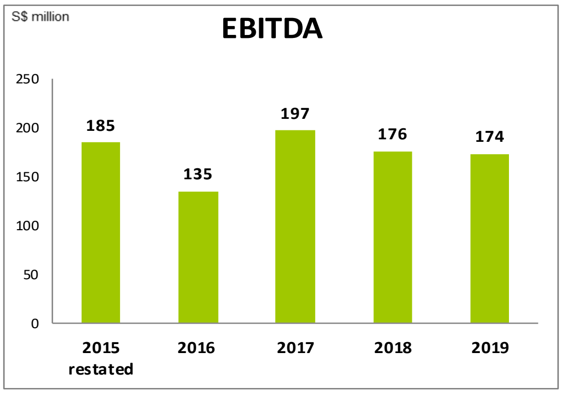
EBITDA grew by a robust 57.4% led mainly by the Grains and Animal Feed business and improved contribution from Packaged Foods, Dairy and Edible Oil supply chain businesses, as well as the positive impact from the adoption of SFRS(I) 16 from 2019.

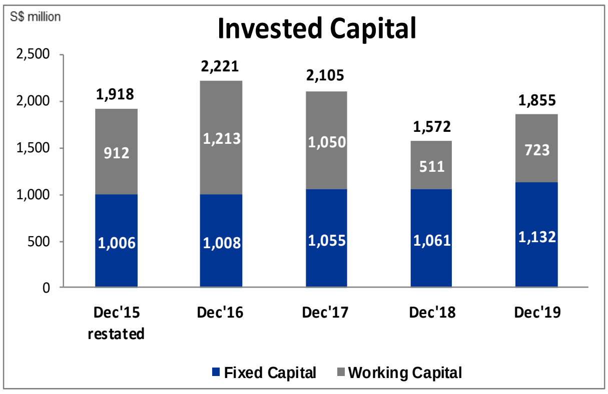
The Rice business underperformed on lower merchandising volumes into Africa. The Sugar business closed its trading desk in Q1 2019, leading to a reduced contribution. While our upstream dairy farming in Russia performed well, farming operations in Uruguay continued to experience very difficult operating conditions due to the adverse weather, lower milk production and higher feed costs. As a result, the Group restructured the farms and recorded a one-off impairment and restructuring charge on the assets in Uruguay.

In Edible Oils, although our supply chain trading business did well during 2019, the refining and distribution operations in Mozambique were impacted by the tropical cyclone earlier the year, with volumes and margins under pressure. The Group therefore recorded a one-off impairment charge on the refining assets in Mozambique. Although palm prices picked up in Q4 2019, the overall low palm oil prices and lower than anticipated yields throughout the year adversely impacted the performance in OPG for the partially yielding hectarage.

Invested capital increased by S$649.2 million compared with December 31, 2018 mainly due to higher fixed capital which increased on the acquisition of DFM, continued investments in OPG, addition of right-of-use assets on the adoption of SFRS(I) 16, and expansionary efforts by Rusmolco during 2019. Working capital ended lower on the closure of the Sugar trading desk and improved supplier credit for the bulk commodity volumes. Due to a stronger EBITDA, EBITDA/IC improved significantly from 6.2% in 2018 to 9.3% in 2019.

Industrial Raw Materials, Infrastructure and Logistics





EBITDA /Avg IC	9.8%	6.5%	9.1%	9.6%	10.1%

Sales volumes in the Industrial Raw Materials, Infrastructure and Logistics segment declined by 9.6% due to closure of the Fertiliser desk and the Latin American Wood Products business, which was partially offset by increased Wood Products volumes in the Republic of Congo. Lower sales volume along with reduced cotton prices resulted in revenues declining by 6.3% in 2019.

EBITDA fell marginally by 1.5% mainly due to the closure of Wood Products' Latin American operations. Although the Cotton business was affected by the sharp fall in cotton prices and adverse trading conditions particularly during the second half of the year, the reduction in EBITDA from Cotton was partly offset by improved contribution from Infrastructure and Logistics, and the Wood Products business in Congo.

Compared with December 31, 2018, invested capital was higher by S$283.2 million on both fixed and working capital. Fixed capital increased with the investment in Cotontchad, continued investments in ORG and the addition of right-of-use assets in the segment. Working capital increased due to higher closing inventory for Cotton. Nevertheless, EBITDA/IC was higher at 10.1% compared with 2018 at 9.6%.

Commodity Financial Services

Commodity Financial Services posted an EBITDA of S$19.0 million in 2019 (2018: -S$13.1 million). This was mainly due to the better performance in the Quantitative Fund and the closure of the Fundamental Fund in Q1 2019.

Compared with December 31, 2018, invested capital increased by S$11.4 million and EBITDA/IC improved from negative 12.1% to 15.4%.

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	2019	2018	Q4 2019	Q4 2018
Other Income^	56.4	55.5	29.8	34.9
Other Income	531.5	87.7	504.3	41.1
Less: Exceptional items	475.1	32.2	474.5	6.2
Cost of sales^	(29,986.5)	(27,985.8)	(7,883.4)	(7,978.9)
Cost of sales	(30,055.1)	(27,985.8)	(7,952.0)	(7,978.9)
Less: Exceptional items	(68.6)	-	(68.6)	-
Selling, general and administrative expenses^	(1,455.2)	(1,317.6)	(492.1)	(375.7)
Other operating expenses^	(142.5)	(119.1)	48.2	89.8
Other expenses	(1,822.6)	(1,462.6)	(650.4)	(287.4)
Less: Exceptional items	(224.9)	(25.9)	(206.5)	(1.5)
Net gain in fair value of biological assets^	19.0	61.3	24.2	70.9
Net gain in fair value of biological assets	1.8	61.3	7.0	70.9
Less: Exceptional items	(17.2)	-	(17.2)	-
Depreciation & amortisation^	(495.5)	(392.8)	(117.5)	(102.1)
Depreciation & amortisation	(500.3)	(392.8)	(122.3)	(102.1)
Less: Exceptional items	(4.8)	-	(4.8)	-
Net Finance costs^	(538.5)	(468.8)	(125.9)	(158.3)
Finance income	88.6	79.7	7.0	1.0
Finance costs	(628.3)	(548.5)	(134.1)	(159.3)
Less: Exceptional items	(1.2)	-	(1.2)	-
Taxation^	(58.5)	(52.3)	(25.1)	(1.6)
Income tax expense	(151.0)	(57.4)	(117.6)	(3.0)
Less: Exceptional items	(92.5)	(5.1)	(92.5)	(1.4)

^ 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 30 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[4] 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:

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.

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

Business Segmentation and Reporting

Olam's operations have been organised 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[5]	
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

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

[5] 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.

With the re-organisation of Olam's business from January 2020, there will be changes in operational and financial reporting in line with the new structure. Details of the new reporting format will be given along with the results for the six months ending June 30, 2020 in August 2020.

Seasonality

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 EBITDA 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 EBITDA in prior periods to follow the schedule below, which can change subject to many factors, such as crop seasonality and actual sales and shipments:

Q1 Jan-March	Q2 Apr-June	**First Half Jan-June**	Q3 Jul-Sep	Q4 Oct-Dec	**Second Half Jul-Dec**
30 – 35%	25 – 30%	**55 – 65%**	15 – 20%	20 – 25%	**35 – 45%**

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.*