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Full Year 2021 Olam International Ltd Earnings Presentation

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PRESENTATION

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Good morning, ladies and gentlemen to all who are present today with us right here in Singapore in person, to all who are on the conference line and on the live webcast right now, thank you all for being here and for tuning in to our first results briefing that is run on the hybrid format since COVID-19. I'm Hung Hoeng of Olam's Investor Relations.

Our senior management team represented here by Olam's Co-Founder and Group CEO, Sunny Verghese; our Group CFO, N. Muthukumar; as well as the CEO of OFI, Olam Food Ingredients, A. Shekhar; and myself are very, very pleased that we are able to convene in this form and manner to announce Olam's record results since its inception more than 30 years ago.

We look forward to unveil our results and to tell you how we have been able to achieve these results amid the circumstances we faced last year. And more importantly, how we, Olam, as an organization is transforming itself through its reorganization announced 2 years ago to create greater value as well as how we think this year is going to look like.

To the agenda, please. Sunny will start off the presentation with an update on our reorganization, and Muthu will then explain the group consolidated financials. Following that, we will present the results by operating group. Shekhar as CEO of OFI, will take us through the performance of OFI; Sunny as CEO of Olam Global Agri, now known as Olam Agri and the OIL operating group will tell us about the financial performance of these 2 operating groups. He will further discuss Group's outlook and prospects and conclude the presentation with key takeaways before we commence the questions.

As I close my introduction, I would like to invite Sunny to present -- to begin his presentation. Thank you.

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

Thank you, Hung Hoeng and good morning, ladies and gentlemen. I will first address the progress update on the reorganization of Olam. As most of you would recall, in January of 2020, we had announced transformational restructuring or reorganization of Olam in terms of splitting the company into 3 distinct coherent operating groups. The first of which is the Olam Food Ingredients business, OFI; second Olam Agri; and third, Olam International Limited, the remaining part of the Olam Group.

The objective and the reason we embarked on the restructuring program was to explore strategic options that would illuminate the current value of the various Olam businesses and also develop new pathways that can create further additional value on a sustained basis. And we felt that we will be able to achieve that objective by reorganizing our portfolio by simplifying it and focusing it into 3 distinct operating groups, as I mentioned, with businesses that are more similar in nature, constituting each of these operating groups, and they are, therefore, tied together by an underlying logic. And we then have developed a compelling vision for each of these new operating groups, a distinct equity story as well as a reliable grand plan for creating additional value on a more sustained basis in these 3 operating groups.

The logic for segregating into these 3 operating groups was because we felt that the underlying consumer and food business trends and agri business trends that underpin each of these operating groups is quite idiosyncratic and slightly distinct and different. And therefore,

the potential investors who are the natural investors for these businesses could also be different. And by restructuring the business in this form and manner, we will increase focus, take these individual operating groups to a full potential, attract the right kind of natural investors for each of these businesses and thereby potentially re-rate the company. So that is the thesis.

On the basis of which we have now organized the company into these 3 distinct operating groups, and we completed substantially the carve-out and separation of these businesses by the end of December 2021. And the first business, the Olam Food Ingredients business, Shekhar, will talk a lot more about this when he presents the results of OFI, but we have envisaged this business to be an attractive play for the growing demand for plant-based natural on-trend, sustainable and healthy food ingredients and food ingredient solutions.

And this business constitutes 5 of our business groups, which is our Cocoa business, the Coffee business, our Dairy business, our Edible Nuts business and our Spices business. And OFI is organized into 2 reporting segments: global sourcing and ingredients and solutions.

The second operating group is Olam Agri, which is positioned as a market-leading and differentiated Food, Feed, Fibre, Agri business focused on high-growth emerging markets. And because of its differentiated business model, asset-light business model, it generates superior returns. And this is catering to a different set of trends underpinning the agribusiness sector, which is the growing demand for food staples like Food, Feed, Fibre, the living essentials of life, which is growing in terms of demand as a result of growing populations, increasing per capita incomes as economies grow and the transition in dietary habits from a carbohydrates cereal-based diet to food and protein-based diet and the emerging concerns around food security because of the global imbalance between supply and demand of food and we have seen food price inflation once again, we are set this year, the last time we saw it was in 2011. The previous episode was in 2009. But it is getting worse, and many governments are getting worried about food security, particularly in countries which are importing a lot of their food.

This operating group consists of our Grains business, our Oilseeds business, our Integrated Animal Feeds and Proteins Business, our Edible Oil business, our Rice Specialty Grains and Seeds business our Wood business, our Rubber business, our Fibre Cotton Business and our Commodity Financial Services business. This business is organized in 2 platforms, the Food & Feed platform, the fiber agri industrials and ag services platform. And within these 2 platforms, we have 3 subsegments. In the Food & Feed, we have 2 subsegments: one is Origination & Merchandising, Food & Feed and the second is Processing & Value-added, Food & Feed business.

And then the final piece is the remaining part of Olam, which is OIL, which will cease to trade as OIL. And in place, we will have Olam Group once the scheme becomes effective, which is expected to be around the 15th of March. So everybody owns a share of Olam International Limited, will now have share of Olam Group Limited, OGL, and that 1 share will be given free of charge and without any stamp duties and taxes. So that structure will be effective from the 15th of March -- expected by the 15th of March.

So what is Olam Group Limited or OIL going to constitute of basically 4 things. Firstly, it provide stewardship during the interim period as OFI prepares to list and concurrently demerge and then also a stewardship for the Olam Agri business and the remaining part of the Olam Group.

Secondly, it will warehouse and responsibly divest the assets and businesses that we are earmarked for exit in our 2019-2024 Strategic Plan. As you will recall, we had decided to exit 4 business units, 17 SBUs and about 28 assets. Of the 28 assets, we have sold roughly 11 of those assets. We have reinjected 10 of those assets back into OFI after the restructuring and Olam Agri. And therefore, what is left for us to sell now is approximately 7 assets, which over the course of the next couple of years, we will responsibly divest those assets earmarked for example.

The third thing that Olam International or Olam Group Limited will do is really to nurture the gestating assets that we are gestating our Olam Palm Gabon plantation business, our Packaged Foods consumer business in Africa as well as our ARISE Logistics & Infrastructure business, which is organized into 3 verticals -- the integrated industrial zones, which is the special economic zones, the infrastructure services and the Port & Logistics business. As you know, post the year-end, we have already announced the full remainder sale of a stake into these verticals, the ARISE Integrated Industrial Platform as well as the ARISE Infrastructure Services, and by the end of '22, we hope to be able to sell our remaining stake in the last Infrastructure & Logistics platform, which is our Ports & Logistics business. So that is our gestating assets. We will partially monetize or fully monetize these assets over time at the appropriate time.

The next activity of the Olam Group is to nurture and develop our engine to businesses. These are our sustainability and digital start-up businesses. We are incubating 6 ideas as we speak. And that is the other role that Olam Group Limited or OIL will have.

And finally, we are carving out and separating our IT and IT-related services under a vehicle called Olam Technology and Business Services company (OTBS). This entity will be responsible for providing IT, cybersecurity and information security services, digital services as well as back-office shared services for all the erstwhile Olam Group companies. So OFI, Olam Agri, Olam Ventures and OGH, Olam Global Holdings under a long-term service agreement, which will be a 10-year service agreement. And with that, we expect this OTBS business also to look to develop third-party business opportunities in the same areas of IT and IT-related services.

So that is the reorganized Olam. It has taken us 33 years to build this company. And now it has taken us 3 years to plan and execute this restructuring and this reorganization. And as you can see from the results, with Muthu will present very shortly in both 2020 results as well as in the '21 results that he'll present today. You will see already the benefits of this reorganization flowing through in significantly enhanced performance for all the operating groups within Olam. So that focus has really yielded the results. The reorganization is really working for us.

We had said that we will execute the reorganization in 4 steps. 3 of these 4 steps is completed. We are now on the fourth step of execution. The first step was to resegment the business that has been done resegmenting into 3 operating groups and within the 3 operating groups, new reporting segments and within the reporting segments, developing new key metrics, performance metrics in which we will communicate our results. We have done that for the 2020 first half and second half results and the full year results. We are now doing it for the '21 results along these new operating groups, new reporting segments and new performance metrics.

The second step was to reorganize our business along these 3 new operating groups, which included designing and institutionalizing a targeted operating model for each of these operating groups in terms of the functional -- embedding the functions, embedding the country management structures, the businesses within these 3 separate operating groups, developing a dedicated leadership and management teams for the 3 operating groups. And then looking at the capability gaps to execute the new game plan for each of these 3 operating groups by bringing in the talent that we need to execute the plan going forward. That process has also been completed now.

And we have also completed step 3, which is a very complex carve-out and separation process with Muthu and his team did with great dexterity and on budget, on time. We had 250 entities across 67 countries, taking all the assets, liabilities, cash, people from all of these entities and then deploying them into the new operating groups was a very complex and intricate program and Muthu as the Head of Separation along with his team did a fantastic job in completing that separation and carve-out substantially. We have a few things to tie up in the first quarter of this year, but 95% of the separation is already done by the end of December as planned and as expected.

We are now in the last phase of this execution, and that includes 2 things for OFI. It basically includes planning and launching the IPO of OFI in London and concurrent listing in Singapore, expected to be in the second quarter of this year. Shekhar will talk more about that. And we are controlling everything that we can control and making sure that we can complete that IPO and the concurrent demerger of OFI from the Olam Group in the second quarter of this year.

The second part of the fourth stage is for Olam Agri. We are exploring 2 main strategic options. One option is to attract and bring in substantial strategic minority investors into the company via a private placement and a secondary sale of shares by OIL or the OG group to these minority investors and/or the second part of the strategic option for Olam Agri is to prepare the company for an IPO and demerger on a sequential basis after the OFI IPO and demerger because I think it will not be advisable to do 2 IPOs, 2 demergers at the same time. So we'll leave some sufficient cap in terms of timing between the first IPO demerger and potentially the second IPO demerger. So we are currently in Phase 4 of this execution, which will complete, as I just mentioned.

So this is what the Olam structure is now looking like. So the corporate structure now after the separation is the first graph on your left hand side, where OFI is being separated and will be now a wholly owned subsidiary of OIL. And then the rest of the Olam Group is organized under Olam Holdings and within Olam Holdings, Olam Global Agri Holdings and Olam Global Holdings and the Olam Technology and Business Service, OGH, Olam Global Holdings is today holding Olam Ventures. Eventually, Olam Ventures will also be

separated as a distinct entity. And therefore, that is the structure we have at the end of December 2021 or the beginning of January 2022, the one on the left-hand side.

On the 18th of February, our shareholders approved our scheme of arrangement by which we are preparing the Olam organization structure such that it will enable us to pursue the strategic options that I outlined, which is the IPO of OFI and the concurrent demerger of OFI. So we got an overwhelming mandate from our shareholders. More than 90% of Olam shareholders participated in the voting, and 99.99% of the shareholders, therefore, with the overwhelming majority have approved the scheme of arrangement. We have now got a court hearing date for the 3rd of March. And if the court hearing progresses successfully, then we expect the scheme to be effective from the 15th of March this year.

So once that is done, we have now interposed 2 new companies, recently incorporated companies between the shareholder and OIL. One is OFI Group Limited, OFIGL, which is a U.K. incorporated company, today 100% subsidiary of Olam International. And then we have incorporated a second company in Singapore called Olam Group Limited. These 2 companies are now interposed between OIL and the existing shareholders of OIL. So that is the structure that we will have on the 15th of March once the scheme becomes effective. Scheme has been approved by the shareholders. It has to become effective because the court has to pass the -- has to approve that. And then once we complete the combined transactions, which is a scheme of arrangement which has been approved, the dividend in-specie to deal with the structure as an essential stuff for the restructuring.

The third is the proposed disposal, which is the permission from the shareholders to sell a secondary tranche of shares in OFI during the OFI IPO. The fourth is potential dilution, which is to get shareholder approval to raise IPO proceeds through primary offering.

And finally, it is about the proposed distribution, which is distribution in specie to the OFI shareholders or the remaining shareholding from -- that is being held by Olam Group that will be transferred directly to the Olam shareholders.

Once all that is done, OFI, which will be held by OFIGL will be completely separate, distinct fully spun-off independent entity from the rest of the Olam Group. The rest of the Olam Group then will have Olam Agri Holdings, which will own Olam Agri, it will have OGH, which will own all the gestating assets, exiting assets and Olam Ventures currently. And then finally, it will have OTBS, Olam Technology and Business Service Solutions. So this is what the structure will look like.

So just as a summary slide, the company has now substantially as you've seen, as I've explained, completed the carve-out and separation of its business into these 3 distinct operating groups. The company now has sought and received shareholder approval to implement the reorganization by way of a scheme of arrangement and by way of these combined 4 proposed transactions. And once the scheme is effective around the 15th of March, Olam Group Limited will replace Olam International Limited as a listed entity.

And the IPO of OFIGL in London will take place. and OFIGL is planning to list in both London and Singapore, as I've mentioned, and there will be a public offering of shares of OFIGL both through a primary issuance and a secondary issuance. And therefore, this reorganization will serve to significantly streamline a diverse Olam portfolio that has grown and diversified over the last 33 years. This will, we believe, provide a significant driver to enhance shareholder value and will mark a very critical milestone in our journey to deliver to our shareholders on the promise of the reorganization and transformation restructuring plan that we announced in January of 2020.

With that, I would like to hand over to Muthu to walk us through the group consolidated financial results.

Neelamani Muthukumar *Olam International Limited - MD & Group CFO*

Thank you, Sunny. Good morning, ladies and gentlemen. A warm welcome once again for Olam's 2021 Group financial highlights presentation. As Sunny had mentioned, it has been a banner year for Olam in terms of record PATMI and operational PATMI delivery, the best ever in the last 33 years of Olam Group's history.

In terms of the overall results at a glance, we recorded sales volume of 45 million tonnes, a 2.3% increase over 2020. More importantly, because of the structural demand that was coming up for our agri portfolio and also the recovery from COVID-19, there has been an upsurge on commodity prices, and that had resulted in a 31.2% increase in our revenues of SGD 47 billion. Our EBIT which is a financial

metric that we track and report, grew 33% to S\$1.42 billion, up from S\$1.07 billion for 2020. PATMI grew 179% to S\$686 million, up from S\$246 million. And the second important financial metric that we track and report - our operational PATMI grew 42% to S\$961 million, just shy of S\$1 billion for 2021. We recorded a negative free cash flow to equity of S\$1 billion, primarily on account of the strategic investment that we made and that I will talk about in the subsequent slides.

And even a consequence of significant increase in commodity prices, our ability to manage working capital in a very disciplined fashion has resulted in maintaining our gearing at 1.72x, consistent with what we had in 2020. And that can be clearly seen from the reflection of the overall cash to cash cycle of [58] days (corrected by the company after the call) in 2021, down from 73 days that we had at the end of 2020.

We talked about the 179% increase in PATMI to S\$686 million. OFI recorded an EBIT growth of 17% and Olam Agri recorded an EBIT growth of 51.5%, an overall 33% increase at the portfolio level. Operational ROE grew almost 15%, 5.6% from 11.2% to 16.8%, a significant increase in 2021.

We had a very strong cash position of S\$4.3 billion, an adequate liquidity position, as we went through this reorganization plan and debt restructuring plan that many of my banking colleagues here are well aware of. We continue to access diversified debt instruments through the year in 2021, and we are poised to again tap the market in 2022 in a similar fashion. Our equity position significantly strengthened because of higher retained earnings and as well as the rights issue that we did in the middle of 2021. I talked about gearing. We maintained that at 1.72x. And more importantly, adjusted gearing, net of RMI and secured receivables stood at a very healthy 0.75x at the end of 2021. I'm delighted to announce that our Board of Directors have declared a second interim dividend of S\$0.045 or a total of S\$0.085 for 2021 as compared to S\$0.075 that we declared totally for 2020.

If we move on to look at consolidated results by operating group. As you can see, the 45 million tonnes that we had recorded our sales volume, roughly 89.4% was recorded at Olam Agri. Around 9% of volumes were from OFI and the remaining from the rest of Olam Group. In terms of sales revenue, which grew 47% on a year-on-year at S\$47 billion, a 31.2% increase on a year-on-year basis. Here again, 66.5% was from Olam Agri, 31% from OFI and the rest from the Olam Group. EBIT, which grew by 33%, roughly 61.6% from OFI, 58.9% from Olam Agri and the rest from the rest of the Olam Group.

And finally, in terms of invested capital, just about SGD 19 billion, which grew 14% on account of significant investments that we made both organic and inorganic during the year as well as due to increase in commodity prices resulting in working capital increase, roughly 58.9% was from OFI, roughly 28% from Olam Agri and the rest of 13.5% with the remaining Olam Group.

Volume grew both in OFI and OGA marginal growth and roughly 2.3% at the portfolio level. And OIL had a degrowth of volumes in line with exits that we have done during 2020 and 2021. In terms of EBIT, it increased to S\$1.4 billion, a 33% increase on a year-on-year basis. Here again, OFI grew by [S\$126] million (corrected by the company after the call), Olam Agri grew by S\$256 million and OIL, the rest of the group had an increase in EBIT losses, primarily because of more plantations coming into maturity and we have period costs that we had to record.

In terms of operational PATMI and reported PATMI. Reported PATMI grew 179% to S\$686 million, primarily because of strong EBIT growth and offset by lower exceptional items. However, we had to provide for higher taxes on account of higher profit during the year, up from S\$246 million to S\$686 million. Operational PATMI grew 42% from S\$678 million to S\$961 million.

I talked about a 14% increase in invested capital, primarily both on fixed capital and working capital. Fixed capital due to the investments that we made, especially in the spices business in the U.S., including the transformational acquisition that OFI made the middle of last year, the acquisition of Olde Thompson as well as other organic CapEx investments in the rest of the group.

Working capital also grew by S\$1 billion because of significant increase in commodity prices over 2020. As I had mentioned before, due to disciplined working capital management through 2021, we have been able to maintain our net gearing at 1.72x, consistent with what we had ended 2020 with.

Free cash flow to equity was a negative SGD 1 billion, in line with the strategic investment that I talked about in the last slide, where we had invested more than S\$1.3 billion on acquisition of Olde Thompson's, our chili peppers business as well as some organic CapEx investments that we have done across the group.

Very strong liquidity position. You can see that from a S\$16 billion of gross debt portfolio, we have S\$5.6 billion of headroom as we ended 2021. I would like to take an opportunity to thank all our lenders, including bondholders or perpetual securities holders, our relationship with our banks and all our other stakeholders who have been unwaveringly supporting us through this complex restructuring that we had been going through 2021. And many of you have already provided your consent for our debt restructuring plan as we optimize our debt portfolio for all the 3 operating groups and ensure that we have an optimal capital structure for all the 3 operating groups.

With that, I hand over to Shekhar to take us through the OFI segmental performance. Thank you.

Shekhar Anantharaman *Olam International Limited - CEO of Olam Food Ingredients*

Thank you, Muthu, and a very good morning to all of you. It's a real pleasure to see at least some people in the room. It's been 2 years since we had the opportunity meet each other and very pleased to talk about OFI today. So when we met last for the half yearly results in August, there's been a significant amount of things happening in OFI. So the first is a look of OFI. And you can see the bright colors behind me. We launched the new brand in October, as you might have seen. Along with the new brand, we also announced the new purpose of OFI, which is be the change of good food and a healthy future. Simple words, but they mean very, very much to all of us in OFI and indeed all of Olam.

And you'll see that the brand as well as the purpose carries for the rich legacy of the last 32 years of Olam, while creating a platform for a very exciting future that OFI has. And so that is one aspect of it. But alongside that, as Sunny was talking about the reorganization, the focus for OFI has been that it is right at the front and center of some very key structural consumer trends, which are very exciting and for which OFI is uniquely prepared and position in terms of the future.

And so that has meant that there's been a lot of changes in the organization in terms of new capabilities, retooling the existing organization and significant investments in innovation, in marketing and consumer insight, in changing our key account management structure, meeting digitization across the chain, bringing in very different form of sustainability impact creation, reporting in terms of what we do across our various product platforms. And so a lot, and many changes happening to support the strategy, to support the reorganized business. And I'm sure you'll see that in the results that I'll talk about in a minute.

The last bit, we can rebrand, we can create new purpose. We can put in a lot of capabilities. But really, the rubber hits the road with the customers. And the biggest thing that I'd like to kind of point out here is the kind of customer traction we've got, not just in the last 6 months, but over the last couple of years, as we have reorganized ourselves and provided the entire portfolio of OFI, which is linked together by the common customers that we service, the common categories and end use consumption category that we service, the common channels of private label food service and the common capability that bring OFI together, which is the whole rationale for this reorganization. So I think that is really what's been happening, not just the last 6 months, but over the last couple of years of this reorganization.

And the last bit as we go through the whole process of separation and carve out and thank you all for your resounding support for the scheme of arrangement last month and earlier this month. And so OFI in itself has been preparing for a potential listing on the premium segment of the London Stock Exchange with a concurrent secondary listing in Singapore. And pleased to also say that we are progressing that well. Of course, recent events have, we will see what happens in the market.

But what I would like to say is that we are ready. When we started this reorganization 3 years ago, we weren't trying to time a bullish IPO market last year or anything like that. This was very planned deliberate, disciplined approach to unlocking value for all our shareholders for all of Olam. And therefore, in OFI, we have done whatever we needed to do to reorganize the business, to position it for the future and then prepare for an IPO, and we will see how that progresses over the next coming months.

The last bit I'd like to point out is that in preparation for its independent future post the demerger and listing, we have also appointed a

new Board. And you would have seen those announcements. Niall FitzGerald joined us as the Chairman in September. And subsequent to that, 5 NEDs have also joined us, so it's an operating board, it's an operating company, and it's a company going forward with a lot of excitement as you will see in the results.

So moving on. So what is OFI today? So end of 2021, it's almost S\$15 billion in sales, S\$1.2 billion in EBITDA and almost S\$900 million in EBIT. We are spread across 50 countries with over 110 manufacturing facilities, 14 innovation centers and servicing customers across the globe. All the big names, where as a large CPG multinationals, all the regional brands and champions, the large or small format retailers, all the foodservice chains, OFI today provides solutions, ingredients and solutions, sustainable, traceable solutions across cocoa, coffee, nuts, spices and dairy, but more importantly, across categories of consumption that all of us can relate to. The bakery, the confectionary, the beverage, the snacking and which find usage across these integrated platforms. So that's what we have built today.

If you look at the rationale for OFI that resulted in the reorganization 2 years ago and the organization that we are building, it's bringing together 5 leading platforms, which are servicing very large end-use consumption categories. So while it's a business which is SGD 15 billion in sales, roughly USD 11 billion in turnover, it's a sizable business of relevant scale, but what's more exciting is that it is servicing a target addressable market across these end-use categories, which is \$750 billion in size and growing at 5% to 6%. So that's the runway for OFI, not in terms of volume, not in terms of turnover, but in terms of value pool that we can provide, we can add value to our customers and make value for all our stakeholders.

And we do that because, not just because it's an idea, that happened 2 years ago. We have built over the last 32 years 5 very strong integrated platforms, which offer an integrated capacity to service right from the producing countries to the consumption centers and all the major consumption markets. We have built a digital capacity on top of that integrated physical network, and an innovation capacity from plant science to product development, which delivers these ingredients and solution to our customers. So that is how we are participating in this large opportunity.

And within this, because of this nature of this integrated platforms and how we have built around that, we offer a very unique differentiated sustainability proposition to our customers. Today, every CEO of every food company in the world is going out there and wanting to commit to a sustainable, traceable supply chain and OFI offers the how.

And it is not just the capacity to provide provenance and traceability. It is the ability to create sustainability impact, whether it's on the social front, livelihood front, environmental front. And that capacity is what we deliver to our customers in a unique form through our proprietary insights platform AtSource, which the customer is able to curate their own sustainability journey, define the metrics that they want to track, and then we are able to deliver that along with the product and solutions that we are offering. That is really the part of that integrated capacity that we have built across these platforms.

And all this is what is making us really a very different supplier, a partner of choice to our customers globally. So this is a business which is not going out looking for new customers. Obviously, we always are happy to have more customers. But what we are really focusing on is doing more with our existing customers, selling more to them, cross-selling our portfolio, upselling and creating that additional value across our customers, across these end-use consumption categories where our focus and our platforms offer a really differentiated proposition.

You all are well aware about Olam's entrepreneurial DNA, the experience and expertise that we have built. And I believe the one thing beyond all the other things that I've mentioned, which will really be the predictor for our future success is that entrepreneurial growth DNA that is there in every member of OFI, whether old or new, who are joining us as we speak, and carrying that forward from the Olam legacy that we have over the last 32 years, that is going to be a very critical part of our future. And it's a mix of this strategy, this capacity to execute that we have built is really translating into that proven repeatable growth engine.

And at this size, it's a business which is still in the last 5 years, growing at 8% CAGR. It is improving margins conveying that capacity to expand margins, which is a strategy for OFI. It is doing that at improved returns despite the kind of pressures on inflation that we are all seeing across the portfolio. And that capacity is both organic and predominantly organic, with very targeted inorganic where we see the capacity to transform like we did last year as we were investing for even as we are going through this reorganization. Even as we are

going through COVID, we were investing behind the strategy in terms of Olde Thompson or the chili peppers business of Mizkan. So we have created this engine for growth, which has been built over the last 30 years, but even over the last 5 years, has been moving and transforming itself. So it's still a business in the making. It's not done. There's a lot to do. But I hope that the results ahead or the results for this year and over the last 5 years, will show you that it is surely but steadily moving in that direction.

So which brings me to the results, but I thought it would be important for you to understand the context of these results within the context of the whole reorganization and what we are doing in OFI. So very pleased to announce the full year results for '21, which are showing a 13% growth in volume and almost 17% growth in EBIT. And that focus on growing EBIT higher than our volume growth is really the proxy for the strategy of value addition and value creation for our customers as well as for ourselves.

And you can see that across both the segments. So we've got 2 reporting segments, as Sunny outlined at the start, global sourcing, and we have been reporting it in these 2 segments for the last from, since August 2020. So both these segments are 2 pillars of an integrated business: the global sourcing, which drives the capacity to source as close to the farm and retain the sustainability, retain the provenance and creating sustainable impact. That global sourcing capacity that we have built. On top of which, we are building the capacity to create more ingredients, create more solutions, whether it's single product solutions, whether it's multi-product solutions, whether it's category solutions and private label of food service. And that is really the 2 pillars of this business. And you can see that the EBIT growth signifies that approach and shows that, that approach is yielding results both in terms of EBIT growth and margin growth.

On the invested capital, we have seen a fairly significant growth, as Muthu was highlighting. One part because of the acquisition that we have done last year. The other part because of the increase in input raw material prices which has meant that there's a higher working capital, and you'll see that especially in the Ingredients & Solutions business, where we are carrying a lot of inventory on a sole basis for our customers. So that is where the invested capital has gone through.

I must highlight that in these results, we don't have the full annualized earnings of Olde Thompson and the acquisition that happened last year. So while the capital is all invested, the earnings are not fully flown through at least. The full annualized earnings are not flowing through, which we will see in the coming year.

Talking about the segmental breakup on global sourcing, we had an exceptional year. So even within the larger performance of OFI as a whole, the global sourcing part of our business across our platforms did very well. And this is a signal that during this very tough period where we had periods of illiquidity, periods where internal logistics or shutdown, periods where harvesting was hurt because people couldn't get to the farms, we were able to maintain across all our producing countries, all our origination operations. We were able to keep the wheel spinning, keep the shipments going.

And a tremendous effort by the people on the ground who have managed to maintain that offering solutions. So the problems are real for us as much as anybody else. But the capacity on the ground to keep delivering and providing options to our customers when this port shutdown or that origin shutdown, that has really resulted in the real, I would think, the traction from the customers who have given us this capacity to improve EBIT.

So almost a 24% increase in EBIT. It is obviously an exceptional result. We think that this will correct itself in '22, but still a very, an exceptional performance. And this was despite the fact that on almonds, probably the only product in our portfolio where prices are not going up, we did have a subpar performance because of low prices, which persisted through the year and also as we speak now.

Invested capital, again, within the sourcing business, there was a lot of focus on managing working capital and operating cycle times efficiently, managing shipments. So despite the higher prices, the global sourcing business managed its working capital very efficiently and then ensure that captive volumes were handed over to the Ingredients & Solutions business for their delivery onwards to the customer. Which brings me to the Ingredients & Solutions business, which also grew EBIT by 10%, which was moderate compared to performance of the Global Sourcing business.

But like I mentioned, there are 2 reasons for this. One, which I outlined about the acquisitions, the full annualized impact of the acquisition still not flowing through. But also, especially in the U.S. where there is a lot of our Ingredients & Solutions business across

spices, nuts, et cetera, we had lots of internal logistic costs, labor cost inflation energy cost inflation, a lot of marine logistics in terms of ports as well as shipments. So we did take a lot of costs.

And in some cases, the lead lag in customer pricing is happening as we speak today in the first half of this year. So there was that impact felt in the Ingredients & Solutions business. We think it is short term and will correct itself. And we would expect the full impact of that flowing through first half of '22 and beyond.

Here again, invested capital was significantly higher, both in terms of the acquisition capital as well as the working capital. But nevertheless, the overall business, both platforms contributing to EBIT growth are well positioned going into next year.

And that's the last part that I want to leave you with the message that it's a business that we have built over the last 30 years. It's a business that we have brought together in this new independent operating entity 2 years ago, and we are seeing the benefits of the simplification, the cohesion and the portfolio, the things that bring this portfolio together and create significantly larger synergies. And that is really what is going to drive the future of this business. We will first extract full value for investment that we have made, including that we have made in 2021. Beyond the acquisitions we talked about. We've also invested in greenfield facilities with the soluble coffee plant, which was announced in Brazil and a dairy plant, which was announced in New Zealand as well as expansion in our cocoa processing units in Africa and Brazil.

So we are investing behind this business, and there is that expanded capacity will come on stream between '22 and '23. So there is capacity to grow just because the investments already made or which are being made. There's significant growth possible with our existing customers across the portfolio by that selling more cross-sell and upsell, and that's the second area of growth. The businesses coming together in their current form create significant synergies, and we are extracting that in terms of cost as well as with the same cost doing more.

And last but not least, the capacity to create more value through the sustainability and innovation solutions. That is really the organic engine of OFI. To that, we are adding very targeted investments, whether greenfield or inorganic in terms of product extension or channel expansion or category solutions. And all this put together on top of the platforms that we have built, we believe can deliver us a high single-digit EBIT growth going forward.

Thank you, and I hand it back to Sunny to take us through the other equally exciting operating entities.

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

Thank you, Shekhar. We move on to Olam Agri. As I mentioned, Olam Agri is a market-leading and differentiated Food & Feed and Fibre, Agri Industrials and Ag services, Global Agri business. And because of its differentiated business model, which I briefly explain, has generated consistently higher or superior returns compared to the industry. So let's just move to giving you a rough idea of the size and scale of this business.

In terms of top line, in 2021, Olam Agri achieved sales revenue of S\$31.3 billion, which is a 40% growth over the last year, although our volumes grew only by 1.7%, largely on account of commodity price inflation and all the underlying commodities that we deal in, but also because of a pivot and switch to more value-added processing during the course of the year.

We've moved about 41 million tonnes of various commodities during the course of the year. We have 50 manufacturing facilities. We employ roughly 8,900 people, and we operate in about 30 countries.

The most important issue is that as a result of our differentiated business model, we have the highest growth rates and return profiles in our sector. So as you see here, our EBITDA at S\$930 million this year and our operating profit EBIT at S\$753 million this year has grown at a compounded annual growth rate of 43% and 47%, respectively, over the last 4 years, 2018 to 2021. Our return on equity in 2021 is 65%. The average return on equity over the last 4 years is 37%. So in terms of growth rates and in terms of return profiles, this is the best in the sector.

If you look at the key features of the Olam Agri business, there are 5 key highlights. The first is we are strategically positioned in a very attractive global food and agri business sector, which is underpinned by very strong secular fundamentals, growing population, growing per capita incomes as GDP growth across the world, but also on the supply side, major impacts of climate change, lack of available land, lack of water, all of which results in compounding food security. So we are in an attractive industry.

Second feature, is that we participate in key parts in the global agri market and submarkets. And because of our differentiated very asset-light business model, where all our fixed assets are concentrated in the destination markets, and we are very asset-light in the origination markets, which is exactly the polar opposite of our competitors, that participate in this business. That has allowed us this superior returns.

Third, we have a clear pathway for significantly growing the earnings as you saw. We have grown EBITDA 43% compounded over the last 4 years and EBIT at 47% compounded, and that does not happen by accident. There are clear granular growth plans in each of the participating markets for us to continue to sustain that profitable growth.

The fourth is we have a very highly skilled, experienced and engaged management team. And finally, we have market-leading sustainability credentials in terms of being livelihood positive, nature positive and climate positive across our business. This is what has resulted in the kind of performance that I've shown you over the course of the last 4 years.

Let us just drill down a little bit into this year's performance. So as you can see, overall, the company's operating profits has grown by 52% from S\$497 million last year to S\$753 million this year. The important aspect is that our margins have improved by about S\$7 a tonne from S\$12 EBIT per tonne to S\$19 EBIT per tonne, which is a 58% increase or improvement in margins.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Sunny, if you can remove the mask, if you want to speak, can you hear better. Thank you.

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

Thank you, Hung Hoeng. So that is as far as the margins are concerned for the overall portfolio. In terms of our returns, which is operating profit by IC, EBIT by IC, we have improved that by 2.5 percentage points, which is a 19% improvement in returns between this year and last year.

Moving on to the segments very quickly. As far as the Food & Feed - Origination & Merchandising segment is concerned, we have improved EBIT per tonne margins by S\$2 a tonne, which is a 33% improvement in margins, and our EBIT has grown from S\$187 million last year to S\$267 million this year. And in terms of returns, we have got EBIT by IC at a very high 32.1%, although last year was higher at 34.7%. So there was a 7% decline in margins largely on account of higher invested capital because of much higher commodity prices. But these are fantastic returns, 32.1%.

If you move on to the next segment, which is a Processing & Value-added segment, the Processing & Value-added segment EBIT has grown from S\$251 million to S\$275 million and margins have grown by about 5% from S\$58 EBIT per tonne to S\$61 EBIT per tonne. The returns in terms of EBIT by IC has grown about 5% from last year from 13.3% in this segment to 14%.

And moving on to the final segment, which is where the big turnaround has happened because this segment was really impacted by the worst impacts of COVID in 2020 and had a very difficult year in 2020. There has been a very sharp turnaround in this segment from 2020 with EBIT growing from S\$59 million to S\$211 million. That is a growth of 256% from absolute EBIT standpoint.

But you can see the story in the margins from S\$29 EBIT per tonne margin in this segment, it has grown to S\$95, a S\$66 per tonne improvement, which is a 228% improvement in EBIT margins over a very COVID impacted 2020. The invested capital in this business has improved by 6.3 percentage points, 630 basis points, which is 137% increase. But you can see that the EBIT to IC return at 11% is still the lowest among the 3 segments, but it is improving and it is growing.

And with that, I want to go to the last slide for Olam Agri. So as I mentioned, you now understand what this business is, how it is

differentiated, what its performance track record is and how 2021 ended for the business.

I also very briefly when I was talking about the restructuring exercise, explain to you the 2 next phases for Olam Agri is to pursue 2 strategic options. One is we are trying to attract substantial minority investors who are strategic, who can capitalize the growth in this business. And/or we are contemplating IPO. We are getting IPO ready, and we should be in a position to trigger one of these 2 options or both these options as our Phase 2 in terms of Olam Agri's growth.

With that, I will move on to the last segment, which is the remaining Olam Group, which is OIL. OIL is now going to be organized into these 3 parts. Olam Global Holdings, OGH. OGH will house 2 basic aspects of the remaining Olam Group. One is our divestment assets earmarked for exit. As I told you, there are 7 assets left, and we will warehouse it in OGH.

The second is nurturing and partially and fully monetizing our gestating assets. There are 3 gestating assets, which are also part of OGH. The second new entity within OIL or OG Group will be Olam Ventures, and I'll talk a little bit about that. And then the final thing is Olam Technology & Business Service Solutions, which is our independent technology and IT and IT-related services company. If you look at the performance of, -- sorry, I'm one slide behind.

If you look at the performance of OIL for the year, OIL's EBIT was a loss of S\$206 million, and that is, revenues were down marginally compared to the prior year. This was more or less in line with our plan and our budget largely arising from the depreciation, amortization, interest cost for servicing these exit assets as well as the gestating assets. And also, the expenditure and investments that we are making in incubating the Engine 2 business and getting OTBS ready for being carved out as a separate company.

These are the 6 Engine 2 ideas that we are incubating. We have a farmer services platform called Jiva, which is launched in Indonesia and a smaller version of that is being piloted in India, but not the full-scale launch. It is attracting good traction for us, and we are very optimistic that this business will transform smallholder livelihoods and be the global market leader in transforming smallholder livelihoods.

We're also in beta 1 phase for the sustainability lifestyles platform called Adva, which is to enable consumers and households to become more sustainable in their lifestyle. It is a gamified app that provides them daily nudges in terms of the things that they can change in the daily life to make it more sustainable.

And then we have a smart carbon management platform, which was erstwhile called Green Pass. But because the European Union now has a COVID passport also called Green Pass. We have now in order to avoid confusion, changed our name to Terrascope. So this platform basically helps companies across sectors, it's sector agnostic to map the greenhouse gas footprint and measure the Scope 1, 2 and 3 GHG footprint. And then once they've done that, give them an optimized simulator to abate their footprints and mitigate that footprint. So that's the second engine in this business.

The third engine is after they have measured it and after they've abated it, if they still got residual greenhouse gas footprint and they are on their net 0 journey, and they want to reduce the footprint by 50% by 2030, 100% by 2100, then we are also offering them certified carbon credits to provide offset. So scaling up the natural voluntary carbon markets, so that is the third idea.

The fourth idea is, we believe, going forward. The supply of conservancy assets or conservation assets to provide the offsets for heavy emitters and companies would be very scarce. So we are investing in conservation assets across various landscapes to be able to develop that as a business, which is a carbon trading and sustainable landscape platform.

And then there's our purpose brand business, which is a branded consumer business based on sustainability. From the first week of March 30 NTUC Fairprice outlets will carry that range of products, which is nut focused muesli brand and various nut brands. It will also be launched in Cold Storage in April, and you will find it in other parts of Singapore as well. So that is going to be launched and rolled out. We are excited about the prospects of that business.

And finally, as we see our theory of change, the only way we can change and become more sustainable is individuals like each of us in

this room have to change, which is the role of Adva and the role of Jiva. Secondly, companies have to change, which is the role of Terrascope. Thirdly, sectors have to change. There's no point in having 1 or 2 good actors in the chemical sector or the pharmaceutical sector or the food and agri business sector. The whole sector has to pivot to becoming more sustainable.

And this last sixth idea that we are incubating is about industry-wide food and agri industry-wide sustainability platform. So we're getting our competitors and our customers and NGO civil society to co-create this with us. We are in the MVP development stage, and we will launch this in June of 2022.

With that, I want to go to my last but one slide, which is on business prospects and outlook. So very quickly, we believe that the COVID pandemic situation while we are keeping an eye out for variants of concern that might emerge. We see across the globe, the 67 countries that we operate in, things are beginning to improve and heal from the worst impacts of COVID that we saw in 2020.

So that has meant that the demand has picked up in both the developed world and developing world. Asia last year accounted for 52% of our sales, Africa 27% of our sales, North America 15% of sales, the Americas 15% of our sales and Europe about 15% of our sales. So we are seeing across both the developed and developing markets growth resume and getting to pre-COVID levels and poised to grow faster.

There has been a healing and recovery in the demand from the food services sector, which sort of collapsed at the height of COVID in terms of restaurants, fast service outlets, so that is growing and coming back. OFI, as Shekhar explained, is right in the sweet spot of many of these trends and we'll seek to take advantage of these opportunities in 2022 and beyond.

Olam Agri is also benefiting from these trends that is about the heightened food security, food inflation, the concerns around governments, the impact of climate change and food production, the food security issues, quality issues, health issues, and therefore, Olam Agri is very well positioned to take advantage of that. And as the group continues to execute its reorganization plan, we will incur additional one-off restructuring expenses in terms of IPO-related expenses and other expenses. Some of which has incurred and been in our 2021 accounts, some of which will come into our 2022 accounts.

We are very closely monitoring the developments in the Black Sea between Russia and Ukraine and the conflict. Our first concern and priority is the safety and health of our people in these 2 countries. We have 127 employees in Ukraine, all Ukrainians, all local hires and citizens. We have been in constant touch with them. We have spoken to them yesterday as well. Obviously, they're anxious and worried, but they're keeping up good spirits, and they're all wanting to stay in Ukraine and don't want to move out into other neighboring countries as there is at least 150,000 people who have moved out of Ukraine in the last 2 days. So that is that.

In Russia, we have 1,938 people. And obviously, there is anxiety in all of these places. These 2 are important markets for the world grain and oilseeds and dairy and agri business markets. These are 2 important markets. Between the 2 countries, they account for 19% of world's corn trade flow, so out of 204 million tonnes of world corn trade, roughly 19%, which is about 38 million tonnes comes from Ukraine 34 million tonnes, 34.5 million tonnes and about 4.5 million tonnes from Russia.

In terms of global wheat trade, which is about 207 million tonnes, about 29% comes from Russia and Ukraine, with Russia accounting for about 35 to 38 million tonnes of exports and Ukraine accounting for about 25 million tonnes of exports. And in terms of world edible oil trade, sunflower, et cetera, both countries contribute to 13% of world trade.

Our own direct exposure in these markets is limited. Russia and Ukraine put together account 1% of our sales volume, 0.8% of our sales revenues and about 0.4% of our invested capital. But what happens in Russia and Ukraine in the grains, wheats and edible oil markets has global implications for the worldwide grains, oilseeds and edible oil markets as a result of that saliency in global trade flows.

And therefore, that will have a repercussion and ramification across the conflicts. Now Olam is well positioned because of its diversified sourcing basis. So for example, India, after many years has become a net exporter of wheat this year and will export substantial quantities of wheat, which didn't occur for many years in the past, and Australia has had a very good wheat crop in exporting, Canada, North America. So we are present in all the producing regions because of a diversified sourcing operations, supply chain operations, we

are able to substitute some of our contracts, which are based on Ukrainian wheat or corn or Russian wheat or corn with other competing origins and with similar quality or values. So that way, we can manage this and navigate this as well. But it is clearly something that we're watching with great concern and confident that our risk management capabilities during the 2014 Crimea War, or Crimean War, we had these markets rally as soon as the episode occurred and strangely occurred around the same time, exactly around the same time in 2014. And wheat and oilseed prices rallied 12% on the back of it, which was in February, March. And by May, everything came back to normal. I'm not predicting that, that will happen in this case. But what I'm saying is that these markets will heal, eventually that will be the case.

Right now, there is all the ports in Ukraine are shut down by the government. So no shipments are being made out of Ukraine. In the case of Russia, all ports are open, except the ports in the Azov Sea. The as Azov Sea and the Azov Straits have been closed by the Russian government, and that will disrupt some of the exports of grains from them.

That's it, and I will just complete my presentation with these 3 take homes. So one, record operational and reported PATMI with PAT having more than tripled from last year from S\$178 million to S\$603 million. Net operating profit after minority interest has also nearly tripled from S\$246 million last year to S\$686 million this year. Operational PATMI has grown 42% from S\$687 million last year, S\$678 million last year to S\$961 million this year. So the reorganization is really working. The focus is really helping us deliver the superior results.

Second, we are on track despite COVID and all of the challenges in executing our reorganization plan. The resegmentation is done. The reorganization is done, the separation and carve-out is done. Now we are in the business end of completing this restructuring. So that is great news.

Despite the current situation in Russia, Ukraine, the continuing COVID and new variants appearing, based on the first 2 months, we had a very strong finish to last year. We had a good start in the first 2 months of this year. So we are cautiously optimistic while we watch these developments with concern to be able to navigate and deliver a strong set of results in 2022.

With that, I'll hand back to Hung Hoeng to take questions.

QUESTIONS AND ANSWERS

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Thank you, Sunny. Thank you, Shekhar and Muthu for the detailed presentation. We will now go to the question and answer time, and I'm sure you have questions. I would like to give the priority to those who are present in person right now. Any questions, please. Yes, Thilan.

Thilan Wickramasinghe *Maybank Kim Eng Holdings Limited, Research Division - Research Analyst*

Thilan from Maybank. I've got a few questions, so I'll just go one by one. If you look at your volumes, they were up 2.3% at the group level and EBITDA was up 33%. How sustainable do you think the sort of current pricing levels are? And how should we really think about downside protection to margins, especially given the fact that you're becoming a lot more asset heavier than before, particularly at the OFI level? That's my first question.

Shekhar Anantharaman *Olam International Limited - CEO of Olam Food Ingredients*

So there are 2 questions. One at the group level and one at the OFI levels. So I'll probably take the OFI part. So as I mentioned, we are looking at, in OFI, 13% volume growth and roughly 17% EBIT growth. And with a little bit of increased growth in Global Sourcing or roughly 24% EBIT growth compared to Ingredients & Solutions, which is about 11% growth.

So if you look at that, I think some aspects of Global Sourcing was fairly, I would say, it had a significantly better-than-anticipated performance and we'd see some trajectory slowing down there. But in Ingredients & Solutions where we see a significant growth possibility both because of the annualization of the EBIT that will happen on the acquisitions that happened sometime in the middle of the year as well as the implications of costs, which are a very significant part in the Ingredients & Solutions business, especially for the U.S. and the Spice business, including Olde Thompson, that will also correct itself.

So to answer your question, the Ingredients & Solutions will see a correction in its EBIT. It won't be as much as volume growth, but there will be volume growth, there will be a correction in the margin. And Global Sourcing will probably get back to normal, more moderate growth, where also there is going to be a growth. So that's how I'd characterize the OFI bit and Sunny might want, to talk more.

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

So as far as Olam Agri is concerned, the volume growth, as you rightly pointed out, was only 1.7%, whereas the revenue growth was 40%. Margins grew very significantly. So the first thing is Olam Agri relative to its peers has the lowest overhead cost per tonne. SG&A cost per tonne is the lowest amongst the industry. That is because of the differentiated model in which we participate.

Most of our competitors are heavily invested in origins in terms of inland elevation facilities, storage facilities port terminals and port storage facilities, which makes it difficult for them to flexibly shift sourcing operations to countries that are becoming more competitive. So there's a big shift in the countries that are becoming net exporters and fast-growing net exporters because they already got such large sunk investments in the traditional trade flows that occurred. The markets that are also growing are very different from the traditional market that had grown in the past. So there is a little bit of lack of degrees of freedom to shift their configuration of assets to be in the sweet spot of where the major exporters are now emerging from and where the new major sources of demand are also emerging from.

The second is we are invested in terms of fixed assets, mainly in destination markets. So we have wheat milling in Nigeria, we have wheat milling in Senegal, in Cameroon, in Ghana, and we're looking at other markets where we can do that. We have Animal Feed manufacturing facilities. So all of our fixed assets are not in the producing countries and origins where we can source from the most competitive origin, but we participate in the excess returns and tough, fast growth emerging markets, where our fixed investments are concentrated.

The third is a large part of our income. In fact, all our overheads, SG&A, depreciation, amortization, interest costs, all are recovered by 4 sources of fee income. So one is our risk management solutions fee income. Second is our trade and structured finance fee income. Third is our shipping address commission. So these sources of fee income cover all our overheads. So we have no compulsion to trade and take any directional position or any bets on these markets because the sources of fee income that we generate in that business will help us recoup all our standing still and all our key cost items.

And then the last issue is that we have improved our trading capabilities and strengths, our risk management capabilities and strength, our shipping and logistic capabilities and strengths, which is why this business over the last 4 years has consistently grown. So it is not a 1-year growth. We were in the past not organized in reporting OFI separately, OGA -- Olam Agri -- separately, et cetera. But when you now see the last 4 years of historical financials, you will see that the Olam Agri business has been very consistent and also fast growing as a result of what I explained to you.

So this is not price driven. Price driven is actually price is negative for us because you saw that in Olam Agri, invested capital has gone up by S\$1 billion. The CapEx itself was a very small part of it. Most of it was increase in working capital because of higher commodity prices. Otherwise, the margins for me are quite sticky, and that is why we expect in our strategic plan until 2025, the basis of our margins are similar to what we have seen this year.

Thilan Wickramasinghe *Maybank Kim Eng Holdings Limited, Research Division - Research Analyst*

Just 2 more questions, if I may. Just on OFI, now you're getting closer to the IPO. And when you're speaking to potential investors and bankers and so on. Where is the positioning coming for OFI in terms of peer groups and things like that. Is there any sort of clarity that is emerging there? So that's 1 question.

And I guess the final question is there's a lot of talk on food security, Sunny, you kind of mentioned that at the beginning of your presentation as well. How do you see the sort of increase in national interest towards food security. I mean, so Indonesia for CPU exports saying you need to keep some for the local market and things like that. So how do you compete on your supply chains for that? Is it just diversification? Or is there anything else that can be done? Thank you.

Shekhar Anantharaman *Olam International Limited - CEO of Olam Food Ingredients*

Thilan, for your first question. So obviously, the process of investor engagement, et cetera, is something that is ongoing, and there's limited discussions we can have on that, and the process of the way the IPO will go through. But what I can say about the business and the way we are building the business, it's a fairly unique and differentiated business proposition in the focus on the integrated platform that we have put together in OFI, which has been bespoke created over many years, but put together now.

And the categories, end-use categories that we are looking at. So there are players who are in one or the other integrated platforms and integrated. But the capacity to be integrated across these 5 platforms, which find a significant role in the end-use categories that we have identified, which is again a very focused play between the bakery, confectionery. And as you think about cocoa and nuts and spices and dairy, you can think about bakery, confectionery, snacking, beverages, et cetera. So the focus of these platforms, the integrated nature of these platforms, the leading global positions in these platforms as well as end-use categories, that is really the positioning that is there. And there's not very many people with that primary focus. So capital markets will decide what they might see as peers. But at a business level, we'd like the business to speak for itself, and we think it's the track record of the past and where we are headed forward. So the rest of the investor engagement process, we let it to emerge as it emerges..

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

So on the second part of your question. So first is the logic of this restructuring is that OFI will be compared to a very different peer set, compared to Olam Agri, which will be compared to a different peer set. Our job as a management team, along with our advisers, would be to succeed in getting that new equity story and repositioning of these 2 businesses aligned to the underlying trends that serve the OFI business and then the Olam Agri business.

So as far as the Olam Agri business, as you alluded to, some of the food security issues are front and center of now governments. So in the Middle East, we saw many examples of governments getting involved in many ways. So one is they're investing in food producers. So many sovereign wealth funds and governments have invested in farming in Russia, in Ukraine, in Africa, in Australia, in Brazil, in different parts of the world. So one way they want to secure food long term for their strategic commodities is to invest in assets in the producing countries directly.

The second is for them to take stakes and investments in companies that are integrated in this value chain. There could be originators, they could be farmers, they could be processors, they could be traders. So the second strategy they're following is really investing in companies that have leadership position and global market shares in the strategic commodities that they are sort of interested in.

The third is they are coming with a whole regime of regulations and incentives and support to encourage local production. So they want to develop the food and agri sector in those countries, and they're looking at where they can actually gain some kind of competitive advantage and how do they overcome some of the disadvantages they have of really producing that food locally, but many countries, including Singapore, have bought up 30 by 30 plan that 95% of Singapore's food is today imported. But by 2030, they want 30% of the food to be grown locally.

So that is a third strategy that many countries are sort of investing in. We have seen examples of all of this both from sovereign wealth funds and other local companies in these food deficit countries where food security issues are highlighted.

The last strategy that they follows really hold buffer stocks. And China is a big proponent of this across many, many, many of the commodities. China has some of the world's largest buffer stocks. So as this crisis exploded in Ukraine, China has started releasing soybeans from its buffer stocks, for example; cotton from its buffer stocks, for example. So buffer stock management to control domestic prices or Indonesia, as you rightly pointed out, as instituted a domestic regulation law, which insists that 20% of all palm oil producers' production has to be sold in the domestic market at a fixed price, which is significantly lower than the global market price.

And therefore, you saw palm prices ratchet up because the exporters in Indonesia have to make up for selling well below market price in the domestic market by increasing their export prices. So there are various things that are happening in terms of export bans, export taxes. The Russian government has imposed export quota and an export tax on its wheat and corn exports, which is, therefore, not sending the price signal to the Russian farmer because although wheat prices have gone up, corn prices have gone up. The Russian

farmer is not seeing it because of these export taxes and export quotas that the Russian government has instituted. And it's largely because Russia wants to first make sure that there's enough food for its local population before it can export.

And with all the sanctions and everything else, for example, Russia was a major importer of dairy products. They over the last many years tried to become self-sufficient in dairy production, which is why we invested in OFI in very large dairy farms in Russia because the local dairy market in Russia is extremely profitable as a result of Russian government taking a strategic decision not to be dependent on European imports for the dairy products and is one of the fastest-growing dairy markets in the world. So these are all now front and center in the minds of many governments and many players.

Alfred Cang Bloomberg LP - Commodities Markets Reporter

Nice to meet you again and congrats to the strong earnings. Alfred from Bloomberg. Do you see the geopolitical tensions in Europe could potentially hurt risk appetite? And do you see that could potentially impact the OFI IPO in London?

Another question is about inflation. So we are witnessing soaring food prices driven by transportation disruption and the political tension as well. Do you think it could prove transitory in this year and maybe in the short term, where are we now in the inflation?

Sunny George Verghese Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director

Shekhar will take the first question, and I'll take the second question.

Shekhar Anantharaman Olam International Limited - CEO of Olam Food Ingredients

Yes, Alfred. So frankly IPO is an event where we are prepared for it. We have gone through the whole process of reorganization as well as the separation in carve out and really the transformation of the business. So we think what we can control is about the business and creating that business, which can last, in the many years. So that's what we'll stay focused on. The markets will be markets. They will figure out the balance. Obviously, right now, nobody really knows, and we'll see how that evolves.

But what I want to be very clear is that we will be prepared and then we will decide the right time. And it's not really about the point of time of the IPO. It is what the business does the 3, 5, 10 years after the IPO, and that's what we're really focused on building.

Sunny George Verghese Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director

On a food price inflation, 2021 food price inflation has been significant globally. It has been more so in emerging markets. So global average annual food price inflation in 2021 was about 47% according to the FAO food price index. But in emerging markets, the food price inflation has been between 70% and 80%. Those countries that are importing food because of the currency devaluation and the other issues that they have, food price inflation has been significantly higher. And it is a very regressive issue because in the poor countries and the developing countries, the ratio of food expenditure to the total consumption basket is much higher than in the developed world. So in Europe, food expenditures, 7%, 8% of the consumption basket. In the U.S. also, it is a similar number, 8% to 9%. In Africa, for example, it's 70%. So when you have 70% food price inflation on an item which is 70% of your consumption basket, then you have a real problem on your hands. So that is what we are facing.

So what are the drivers for this? So first for me is weather. So this year, we were impacted by La Nina, and an aggressive La Nina at that, which is why between December 1st, and today, we have dropped soybean production in Brazil by 30 million tonnes, right? And La Nina has not done yet, and the crop is not made yet. So there could be further revisions, downward revisions as a result of weather. So weather is one issue. The second has been the COVID-related disruptions. COVID-related disruptions on the farm, it is about the lack of availability of farm labor. And the wage price inflation for the farm labor because when they come to work, they have to observe various precautions and therefore, it has become more expensive and they want a risk premium to operate under those environments. Many of you, many of us have operated from home. But for workers in a farm that is not an option. You have to be in the farm, right? So that is an example of COVID-related disruption driving up prices.

But we also have seen port congestions and shipping-related disruptions on a massive scale, which has also driven up costs and driven up food price inflation. And freight is a very important component of food prices. So given the troubling freight values in many commodity markets and in many trade routes, you have seen a big inflationary push.

The fourth is really the rise in input prices. Fertilizer prices have gone up 70%, 75%. In some cases, it doubled in many countries, and it is still continuing to go up because it's related to crude oil prices and crude oil prices in the recent past, touched \$100. And there is also because of this disruption, a large part of the world's potash comes from Belarus and from Ukraine and Russia. So finding fertilizers and the price and cost of fertilizers is going to go through the roof as well.

So these are all drivers to food price inflation. We have seen all of these things and drivers in the past, accepting the COVID thing, which was new, the pandemic of that nature was new. But everything else we have seen in the past. So it is fair to say that these supply disruption-related drivers of price inflation will subside. Our expectation is that in the fourth quarter, it will start subsiding or even in the second half, it will begin to subside. So palm, we expected production to revive in the first quarter of this year, but the Malaysians are finding it difficult to get any labor in and because of the COVID restrictions, labor from across the border in Indonesia and other parts of Southeast Asia are not able to come to Malaysia.

So we now expect production to restore only post the second quarter and most likely between July and September. And that is dramatically required. Otherwise, you see the forward curve and CPO is a inverse of \$300, a 12-month forward curve is a \$300 invert per tonne. That is extraordinary. We haven't seen that kind of backward and dated structures in palm oil markets for a very long time. It just reflects near-term shortage and near-term availability issues, but forward, everybody expects the crop to restore itself. So I think inflation will subside, but it will take a while longer, as all of these factors ease over time.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Yes, gentleman from Nikkei.

Kentaro Iwamoto *Nikkei - Media*

Kentaro from Nikkei. One question regarding the Ukraine, Russia crisis. So the United States and European countries say they will remove Russian banks from the SWIFT network. How will this affect your operations in Russia?

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

Okay. So the first thing is we have to see whether the sanctions include food. So far in any sanction regime, in any crisis, food has always been exempt. So Iran, for example, when the sanctions against Iran were imposed, what are the items that could go into Iran without any restrictions, even from U.S. companies. So people like Kagal, Bangkit Reef as all of them could ship to Iran, food. So food has always been exempt from any sanctioned regime. There is nothing in the announcements of U.S. or NATO countries banning or including food under these sanctions.

So we expect because the provisions in the U.S. law is that if it hurts the common person, then that item cannot be sanctioned. So we will see. This is an extraordinary circumstance. Nobody has announced any sanctions on food as yet. Whether they're going to do that going forward is a separate story.

Then on the SWIFT sanctions, it is targeted at the Central Bank in Russia and Russian banks. Not yet targeted for the foreign banks that are operating in Russia. Most of our banking relationships, et cetera, in Russia, Ukraine are with our banks, our global relationship banks who have branches and situations in Russia and Ukraine. At this point in time, they are not in this net of being prevented from using the SWIFT system, but we will wait and see. So all of this is an evolving situation. We have to carefully monitor this. We don't know when the ports will open back in Ukraine. We don't know when the Russian government will stop port operations in any other port apart from the Azov Sea ports. We will see all that. But in the past, food has always been exempted from any sanctions. Nobody likes to be accused of sanctioning something that is so essential to daily living.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Thank you for the questions. Sir, next question from the floor. Yes, [Wee Kuang]?

Wee Kuang Tay CGS-CIMB Securities International Pte. Ltd. - Analyst

This is Wee Kuang from CGS-CIMB. Just wanted to check on the scope of operations within Ukraine and Russia. I know it's restricted to just dairy or like you mentioned, because of sourcing and origination of your edible oil seeds, other product, yes, whether it's affected as well.

Sunny George Verghese Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director

So in Ukraine, we export wheat, corn and some edible oil, sunflower oil. And then we import cocoa and dairy products. So cocoa and dairy products are OFI business now and export of wheat, corn and sunflower oil, et cetera, or OGA products, Olam Agri products.

In the case of Russia, we have dairy farming operations in Russia, and we have agri farming operations in Russia. All of this is part of the OFI business. It is also an important market, not a big market, but an important market for some of our OFI products like cocoa, coffee, spices, edible nuts and others in Russia.

Both the operations combined together is about 1% of our 2021 sales volume, about 0.8% of our 2021 revenues and about 0.4% of our 2021 invested capital. So that's roughly those numbers. We have 127 employees in Ukraine and 1,938 employees in Russia.

Wee Kuang Tay CGS-CIMB Securities International Pte. Ltd. - Analyst

Understood. Can I just...

Hung Hoeng Chow Olam International Limited - General Manager of IR

We can hear you.

Wee Kuang Tay CGS-CIMB Securities International Pte. Ltd. - Analyst

Okay. So I just wanted to check because the fact that I know OFI is now building on an integrated platform across all the different product classes, is it because the main impact coming is more downstream rather than an upstream impact?

Sunny George Verghese Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director

It depends what you mean by upstream and downstream. But if you're exporting from Ukraine and Russia, what it impacts is our exports out of Ukraine and Russia. For the products that we are importing into Ukraine and Russia, so I told you that we are importing cocoa and dairy products into Ukraine. We're importing cocoa, edible nuts, spices, dairy, et cetera, not dairy, some products into Russia. So the imports will be impacted, the exports will be impacted.

The Russian dairy farming operations is not going to be impacted because everything is financed in rubles, everything is produced in Russia, everything is sold in Russia, and nothing is exported. And that is a big part of the OFI operation in Russia.

Wee Kuang Tay CGS-CIMB Securities International Pte. Ltd. - Analyst

Understood. So generally, the export market will not be as impacted.

Sunny George Verghese Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director

No. Export market will be affected, import market will be affected. Local domestic market, domestic businesses will not be affected. In Russia, our biggest business is our domestic business. In Ukraine, our biggest business is our export business. So that will be affected.

Wee Kuang Tay CGS-CIMB Securities International Pte. Ltd. - Analyst

And can we have a sensing on just in terms of the expenses that were incurred for reorganization, I think 2021, I saw it was about S\$100 million. Is there any sensing?

Shekhar Anantharaman Olam International Limited - CEO of Olam Food Ingredients

2021 separation and restructuring expenses was S\$100 million. There is, of course, some impairment expenses on exit of assets. That is not included in this S\$100 million. The S\$100 million is just on the reorganization, separation and everything else. We expect that there will be another set of expenses that will come in 2022.

Wee Kuang Tay *CGS-CIMB Securities International Pte. Ltd. - Analyst*

Will there be maybe like a guidance or...

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

It will be lower than 2021, but it will be a material number.

Wee Kuang Tay *CGS-CIMB Securities International Pte. Ltd. - Analyst*

Understood. And then can we have a kind of like maybe a sensing on how much Olde Thompson was contributing in 2021?

Shekhar Anantharaman *Olam International Limited - CEO of Olam Food Ingredients*

How much, sorry.

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

Olde Thompson.

Shekhar Anantharaman *Olam International Limited - CEO of Olam Food Ingredients*

Olde Thompson.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Olde Thompson.

Wee Kuang Tay *CGS-CIMB Securities International Pte. Ltd. - Analyst*

Olde Thompson. Yes, was contributing. I mean, we can't see the annualized figure but maybe just for what it had.

Shekhar Anantharaman *Olam International Limited - CEO of Olam Food Ingredients*

So the acquisitions last year contributed about \$26 million in EBIT. That's U.S. dollars of roughly about SGD 31 million.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Is there another question from the floor? If not, can I turn to the questions that have come online. There are some questions relating to the reorganization. The first question is, can you explain why there's a need for the formation of the Olam Group Limited in order for the reorganization to proceed? And the second question is why is there a change of plan for Olam Agri from the initial carve-out IPO only to the latest plan to introduce strategic minority partners?

Neelamani Muthukumar *Olam International Limited - MD & Group CFO*

So in terms of Olam Group Limited, the requirement for Olam Group Limited, as in the earlier part of the presentation, what Sunny talked about in evolution of the structure, which is currently there, where in Olam International Limited is the current listed entity and holds all subsidiaries of the Olam Group, that's the present structure.

By necessitating the scheme of arrangement, we are now able to segregate OFI Group Limited U.K. to be independently held by Olam Group Limited, and Olam International Limited, which is a listed entity today, will become a private subsidiary of OFIGL U.K. So it enables by what we call a stamping through the scheme of arrangement. The Olam Group Limited is able to enable the concurrent demerger and IPO of OFI. So it's very important and also allows the rest of the Olam Group to be held together under the Olam Group Limited. So it provides flexibility for OFI to become separate and independent and have the ability to demerge concurrently at the time of IPO, at the same time, allows the rest of the Olam Group to be cohesively held under 1 listed entity, which is Olam Group Limited.

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

On the second question, the 3 objectives in evaluating the 2 major strategic options available to Olam Agri, is not necessarily an either/or option. So our objectives are, firstly, we want to unlock value of Olam Agri right? We don't believe the current valuation of Olam Group truly reflects the fair value of Olam Agri or OFI, which is why we are separating these businesses and developing strategic options to reflect that and illuminate that value. So that's the first objective.

The second objective is we want to see whether we can attract strategic partners that will allow us to catalyze the growth of Olam Agri. So we talked about food security agenda, et cetera. Are there strategic partners that we could align with, which will give us a significant leg up in catalyzing the future prospects and growth of Olam Agri, if they are very keen and focused on food security and managing food security and all that stuff. So that is one of the other objectives.

And the most important objective is that we want to try and make sure that we can dramatically de-gear Olam Group Limited because Olam Group has gestating assets. It has exit assets. It has incubating assets in terms of Engine 2. So we don't think it will have cash flows for a while that can, if you have a lot of debts, service that debt. So through doing potentially secondary sales in OFI or contemplating doing a secondary sale of stake that OG owns of Olam Agri, we will be able to release cash into Olam Group that will dramatically allow us to de-gear Olam Group's balance sheet and make it almost debt free over the next year or 2.

So these are the 3 things that we want to do to optimize between these 2 strategic options. So we could do in Phase 1 attract a substantial minority investor. And in Phase 2, do an IPO, right? So we could do both, first minority investors second IPO. If we do not succeed in attracting minority investor, we can do straight an IPO because we are prepared to do an IPO. So it can be and/or these 2 options.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Thank you, Sunny. This question I would like to request Muthu to take this on. On the performance metrics, is there a reason why Olam Agri focuses on EBIT per tonne, while OFI focuses on EBIT margin? That's the first question.

And the second question is in relation to the bonds and perpetuals. Can we understand the rationale and plans behind separating the straight bonds and perps between the entities OFI and Olam Group? Are there plans to raise both bonds and perps from the individual entities or just bonds from OFI.

Neelamani Muthukumar *Olam International Limited - MD & Group CFO*

So the first question is...

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

On the performance metrics?

Neelamani Muthukumar *Olam International Limited - MD & Group CFO*

Yes. So what is appropriate for the businesses. So for example, if you look at Olam Agri, Olam Agri has got two segments in Food & Feed, which is Organization & Merchandising and Value-added Processing. And the second platform is fibre, ag-industrials and ag services. Most of which the nature of the businesses is more into trading and supply chain type nature of businesses.

So it better reflects if you are able to focus on EBIT per tonne. So that automatically signifies and relates to the margin expansion that one can track and monitor. In the case of OFI, because the nature of the business is more into Ingredients & Solutions, which is more about value-added processing. The expansion of margin is better reflected by tracking and monitoring EBIT margin, so it's slightly different in terms of the focus because OFI is not focused on volumes, but it is more on margins.

So it is better to actually track EBIT margin growth rather than EBIT per tonne. Unlike in Olam Agri, where there is significant volumes that are traded and managed through supply chains. So hence, in EBIT per tonne will be more appropriate metric to track and monitor to see that there is value addition that is happening.

On the second question, in terms of the debt restructuring, yes, both OFI and Olam Agri. Currently, Olam Agri is part of the Olam Group Limited, so we are technically looking at optimizing the debt portfolio for OFI and rest of the group. And there, depending on the type of instruments that are currently being already issued and currently in currency, let's say, for example the bonds, they are all linked to some underlying transaction like whether it is a sustainability-linked initiative or so hence, predominantly, if you look at the overall Olam Group footprint, OFI parts of the businesses have taken a lead on the sustainability front much earlier than what the rest of the group has been

doing. So most of the bonds that we have issued had underlying linkage to some of these initiatives. And hence, they are automatically preferred to be under the OFI portfolio.

Olam Agri, here again, if you look at the invested capital profile, the fixed capital intensity is lesser in Olam Agri as compared to the fixed capital intensity in OFI. So the natural preference for Olam Agri would be to look at more short-term borrowings to support its working capital requirements. While there will be definitely some bonds and perpetuals that can be raised to ensure that we are able to navigate through any short term price increases or unrelated spikes on working capital. The natural tendency would be to have more long-term instruments in OFI relative to what will be in Olam Agri because of the nature of invested capital structure that is there in these 2 operating groups.

Shekhar Anantharaman *Olam International Limited - CEO of Olam Food Ingredients*

Probably, if I can just add 2 quick points. Even in OFI, like I mentioned, we are looking at EBIT growth higher than volume growth as the basis for margin expansion. So that could be EBIT per tonne or EBIT margins and EBIT margins always have a price impact and therefore, at outlier price up or down, you could have EBIT margins being exaggerated. So it is really about EBIT growth being the prime driver. And on the -- as far as the bonds are concerned, I guess, like Muthu mentioned, for each of the group, the capital structure and the balance sheet is quite different. So subsequent to the demerger, of I might have a very different kind of debt portfolio, which will be something that we'll decide once that demerger is concluded.

At this point of time, what is very important is that we've got a transitory debt restructuring in place, which ensure that all operating groups are equipped to manage this whole transition in a very compact and comfortable manner.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Thank you, Shekhar and Muthu. We're running out of time, thank you for your patience. I would like to just jump into the teleconference line to see if there's anyone who would like to ask a question. Operator, can you open up the line, please?

Operator

(Operator Instructions) We have no phone questions at this time. Thank you.

Hung Hoeng Chow *Olam International Limited - General Manager of IR*

Thank you very much. Can I check if there's any questions from the floor? If not, I would like to bring this session to a close, and we'd like to thank you very much for coming in for this results briefing and for tuning into this results briefing. As much as we would like to interact with you, but of course, be mindful of the restrictions that are currently in place for big group gathering and briefing like this. So we'd like to thank you and would like to just do a fist pump and say, let's meet again on a one-on-one basis. Thank you.

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

Thank you.

Shekhar Anantharaman *Olam International Limited - CEO of Olam Food Ingredients*

Thank you.

Sunny George Verghese *Olam International Limited - Co-Founder, Group CEO, CEO of Olam Global Agri & Executive Director*

Thanks a lot.

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FEBRUARY 28, 2022 / 2:30AM GMT, Full Year 2021 Olam International Ltd Earnings Presentation

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