

Olam International Limited

Management Discussion and Analysis

Results for the period ended September 30, 2018




This Management Discussion and Analysis (MD&A) should be read and understood only in conjunction with the full text of Olam International Limited's Financial Statements for the Third Quarter and Nine Months ended September 30, 2018 lodged on SGXNET on November 14, 2018.

www.olamgroup.com/investors.html
ir@olamnet.com

MANAGEMENT DISCUSSION AND ANALYSIS

Results for the Third Quarter (“Q3 2018”) and Nine Months ended September 30, 2018 (“9M 2018”)

Contents

Key Highlights

Financial Performance

S$ million	9M 2018	9M 2017	% Change	Q3 2018	Q3 2017	% Change
Volume ('000 MT)	23,256.7	14,738.6	57.8	9,650.1	5,798.8	66.4
Revenue	22,018.6	19,037.3	15.7	8,294.0	6,712.6	23.6
Net gain/(loss) in fair value of biological assets	(9.6)	(1.1)	789.2	0.2	0.5	(69.9)
EBITDA	**905.1**	**1,015.1**	**(10.8)**	**229.1**	**243.0**	**(5.7)**
Depreciation & Amortisation	(290.7)	(287.1)	1.3	(102.0)	(103.3)	(1.2)
Net Finance costs	(310.5)	(373.5)	(16.9)	(108.8)	(115.5)	(5.8)
Taxation	(50.7)	(52.9)	(4.2)	(3.6)	1.2	n.m.
Exceptional items	(2.1)	(6.2)	(66.1)	-	0.1	(100.0)
PAT	251.1	295.5	(15.0)	14.7	25.4	(42.3)
PATMI	**272.6**	**315.6**	**(13.6)**	**20.7**	**24.1**	**(14.2)**
Operational PATMI	**274.7**	**321.8**	**(14.6)**	**20.7**	**24.0**	**(13.8)**

- **Profit After Tax and Minority Interests (PATMI) declined 13.6% to S$272.6 million in 9M 2018** against a strong performance in the previous corresponding period (9M 2017: S$315.6 million). The decline in 9M 2018 was mainly caused by the down cycle in Coffee and lower contribution from the peanut business and Commodity Financial Services (CFS).

- **Operational Profit After Taxes and Minority Interests** (PATMI excluding exceptional items) **was lower by 14.6% at S$274.7 million** (9M 2017: S$321.8 million).

- **EBITDA decreased by 10.8% to S$905.1 million in 9M 2018** (9M 2017: S$1,015.1 million) mainly due to reduced contribution from all segments except Confectionery & Beverage Ingredients.

- **Sales volume rose 57.8% in 9M 2018** with a significant increase in Grains trading volumes.

- Despite higher interest rates, **net finance costs came down to S$310.5 million in 9M 2018** (9M 2017: S$373.5 million) on higher finance income and significantly lower net debt.

- **Depreciation and amortisation was marginally higher at S$290.7 million in 9M 2018** (9M 2017: S$287.1 million) in line with an enlarged fixed asset base.

- These results included a **net loss of S$9.6 million for 9M 2018** on the **fair valuation of upstream dairy assets** (9M 2017: -S$1.1 million).

- **Cash Capex of S$507.9 million in 9M 2018** (9M 2017: S$713.0 million) was incurred for meeting ongoing Capex commitments during this period. **Including disposals and divestments**, **net Capex was S$143.5 million** in 9M 2018 compared with 9M 2017 of S$667.0 million.

- **Free Cash Flow to Equity (FCFE) for 9M 2018 was positive S$602.4 million** (9M 2017: S$713.2 million).

- **Net gearing improved to 1.38 times at September 30, 2018** compared to 1.82 times as at September 30, 2017.

Financing

- In March 2018, Olam secured a three-year sustainability-linked revolving credit facility, aggregating US$500.0 million, with Olam Treasury Pte Ltd ("OTPL"), a 100% subsidiary of Olam as co-borrower to the facility. This is Asia's first sustainability-linked club loan with multiple banks issuing the loan together and in collaboration with the borrower on achieving sustainability targets. The targets are based on a pre-set environmental, social and governance (ESG) metrics, which will be tested annually. If the targets are achieved, the interest rate on the facility will be subsequently reduced.

- Olam also secured medium term financing facilities, aggregating US$163.0 million from the Asian Development Bank and Japan International Cooperation Agency. The facilities consist of two tranches: (i) a US$83.0 million five-year facility and (ii) a US$80.0 million seven-year facility. Proceeds from the facilities will be applied towards Capex and working capital requirements of the Company and subsidiaries in Vietnam, Indonesia, Timor-Leste and Papua New Guinea.

- In July 2018, Olam's wholly owned subsidiary Olam Americas Inc. successfully priced a US$100.0 million issuance of five-year fixed rate notes via a private placement at a fixed coupon of 4.35%.

- In September 2018, OTPL secured its second term loan facility of JPY30.0 billion (approximately US$265.0 million) in the Japanese loan market (its first was in July 2017), consisting of JPY20.7 billion, a three-year tranche, and JPY9.3 billion, a five-year tranche, guaranteed by Olam.

- To refinance existing loans, Olam and OTPL closed a multi-tranche revolving credit facility (RCF) aggregating US$1,425.0 million during the same month. The RCF consists of a 364-day facility of US$570.0 million, a two-year facility of US$427.5 million and a three-year facility of US$427.5 million.

Strategic Plan Update

During 9M 2018, Olam entered into the following transactions:

- In January 2018, Olam acquired a 30.0% stake in Vietnam's second largest cashew processor Long Son Joint Stock Company ("Long Son") for US$20.0 million. The transaction allows Olam to secure higher volumes for marketing of kernels to meet increased demand in Asia.

- In March 2018, Olam sold its entire 50.0% interest in Nauvu Investments ("Nauvu") to Wilmar International ("Wilmar") for US$148.0 million. Prior to the disposal, Nauvu was a 50:50 joint venture between Olam and Wilmar which held investments in the SIFCA Group.

- Olam also sold its wholly owned subsidiary PT ACE Dalle Kokoa Manufaktur ("PT ACE"), a company incorporated in Indonesia which held land as primary asset, to PT Mega Khatulistiwa Propertindo, for approximately US$14.0 million.

- In May 2018, Olam acquired 100.0% interest in Inversiones Andinas J&V S.A.C ("Andinas") for US$3.5 million. Incorporated in Peru, Andina is involved in origination, processing, packaging and marketing of quinoa and chia, which become new adjacent products to Olam's Edible Nuts portfolio.

- Olam also acquired 60.0% interest in Cotontchad SN, a state-owned company with exclusive rights to procure, process and sell Chadian cotton and by-products, for US$16.5 million.

- In June 2018, the Company acquired 100.0% interest in Ruyat Oil Limited ("Ruyat") for an aggregate consideration of US$4.4 million. Ruyat is incorporated in Nigeria with principal activities in sourcing of crude vegetable oil, refining and marketing of refined, bleached and deodorised Olein.

Outlook and Prospects

While global markets are experiencing heightened political and economic uncertainties, Olam believes its diversified and well-balanced portfolio provides a resilient platform to navigate the challenges in both the global economy and commodity markets. Olam will continue to execute on its 2016-2018 Strategic Plan for the rest of 2018 and pursue growth in its prioritised platforms. It remains focused on turning around underperforming businesses, ensuring gestating businesses reach full potential and delivering positive free cash flow.

Summary of Financial and Operating Results

Profit and Loss Analysis

S$ million	9M 2018	9M 2017	% Change	Q3 2018	Q3 2017	% Change
Volume ('000 MT)	**23,256.7**	**14,738.6**	**57.8**	**9,650.1**	**5,798.8**	**66.4**
Revenue	**22,018.6**	**19,037.3**	**15.7**	**8,294.0**	**6,712.6**	**23.6**
Other income^	20.5	31.5	(34.9)	7.8	8.5	(8.2)
Cost of sales	(20,006.9)	(17,237.0)	16.1	(7,713.0)	(6,213.5)	24.1
Overhead expenses^	(941.8)	(867.9)	8.5	(301.2)	(322.4)	(6.6)
Other operating expenses	(208.9)	31.2	n.m.	(64.6)	55.6	n.m.
Net (loss) / gain in fair value of biological assets	(9.6)	(1.1)	789.2	0.2	0.5	(69.9)
Share of results from jointly controlled entities and associates	33.2	21.1	57.1	5.9	1.7	259.4
EBITDA^	**905.1**	**1,015.1**	**(10.8)**	**229.1**	**243.0**	**(5.7)**
EBITDA %	4.1%	5.3%		2.8%	3.6%	
Depreciation & amortisation	(290.7)	(287.1)	1.3	(102.0)	(103.3)	(1.2)
EBIT^	**614.4**	**728.0**	**(15.6)**	**127.1**	**139.7**	**(9.0)**
Exceptional items	(2.1)	(6.2)	(66.1)	-	0.1	**(100.0)**
Net Finance costs	(310.5)	(373.5)	(16.9)	(108.8)	(115.5)	(5.8)
PBT^	**301.8**	**348.4**	**(13.4)**	**18.3**	**24.2**	**(24.4)**
Taxation^	(50.7)	(52.9)	(4.2)	(3.6)	1.2	n.m.
PAT	**251.1**	**295.5**	**(15.0)**	**14.7**	**25.4**	**(42.3)**
PAT %	1.1%	1.6%		0.2%	0.4%	
Non-controlling interests	(21.5)	(20.1)	7.0	(6.0)	1.3	n.m.
PATMI	**272.6**	**315.6**	**(13.6)**	**20.7**	**24.1**	**(14.2)**
PATMI %	1.2%	1.7%		0.3%	0.4%	
Operational PATMI	**274.7**	**321.8**	**(14.6)**	**20.7**	**24.0**	**(13.8)**
Operational PATMI %	1.2%	1.7%		0.3%	0.4%	

^Excluding exceptional items

Sales Volume

Volume grew 57.8% mainly due to higher trading volumes in Grains during 9M 2018.

Revenue

Compared to volume growth, revenue growth was a modest 15.7% as the increased trading volumes from Grains have a lower selling price than that of other commodities in the portfolio.

Other Income

Other income (excluding exceptional items) was S$20.5 million (9M 2017: S$31.5 million).

Cost of Sales

The change in cost of sales normally follows the corresponding change in revenue for a given period. In 9M 2018, cost of sales increased by 16.1%, in line with the increase in revenue.

Overhead (Selling, General & Administrative) Expenses

Selling, General & Administrative expenses were higher by 8.5% at S$941.8 million in 9M 2018 (9M 2017: S$867.9 million) on account of investments in new corporate growth initiatives, such as digitalisation and sustainability-based solutions, including AtSource.

Other Operating Expenses

Other operating expenses amounted to S$208.9 million in 9M 2018 versus a gain of S$31.2 million in 9M 2017. This was mainly due to unrealised foreign exchange losses recorded following significant devaluation of local currencies against the US dollar, namely the Brazilian Real, Indian Rupee, Turkish Lira and Argentinean Peso.

Net Changes in Fair Value of Biological Assets

There was an increase in net loss from fair valuation of upstream dairy assets from S$1.1 million in 9M 2017 to S$9.6 million in 9M 2018 as losses from the dairy assets in Uruguay offset gains from those in Russia.

Share of Results from Jointly Controlled Entities and Associates

Share of results from jointly controlled entities and associates rose from S$21.1 million in 9M 2017 to S$33.2 million in 9M 2018. This was mainly because our Indonesian sugar refining unit PT DUS, which was a wholly owned subsidiary, became an associate from January 2018 after the sale of 50.0% interest in December 2017. The income from PT DUS helped offset lower contribution from Nauvu following the sale of our entire stake in the joint venture in March 2018.

EBITDA

EBITDA declined by 10.8% to S$905.1 million in 9M 2018 on reduced contribution from all segments except Confectionery & Beverage Ingredients.

Depreciation and Amortisation

Depreciation and amortisation expenses increased marginally from S$287.1 million in 9M 2017 to S$290.7 million in 9M 2018 on a slightly enlarged fixed asset base.

Finance Costs

Net finance costs decreased from S$373.5 million in 9M 2017 to S$310.5 million in 9M 2018 due to higher finance income and lower net debt, partly offset by higher interest rates.

Taxation

Tax expenses were marginally lower at S$50.7 million in 9M 2018 (9M 2017: S$52.9 million) on lower earnings as well as a change in the earnings composition.

Non-controlling Interest

Non-controlling interest primarily comprised the minority share of results from Olam Palm Gabon (OPG), Olam Rubber Gabon and Caraway (Packaged Foods). 9M 2018 recorded a slightly wider loss of S$21.5 million (9M 2017: -S$20.1 million) mainly due to OPG incurring higher period costs on its partially yielding plantations. The losses from OPG were partly offset by the improved contribution from the Packaged Foods business in Africa.

Exceptional Items

The 9M 2018 results included a net exceptional loss of S$2.1 million (9M 2017: -S$6.2 million). This loss was a result of cumulative foreign exchange differences recognised on the disposal of our stake in Nauvu that were largely offset by the gains from assets sales in the current period.

S$ million	9M 2018	9M 2017	Q3 2018	Q3 2017
Sale of SVI asset (land) in US	13.8	-	0.1	-
Sale of PT ACE	5.9	-	0.1	-
Sale of Café Enrista brand	2.7	-	-	-
SVI Wage agreement settlement	-	(6.2)	-	0.1
Sale of 50% stake in Nauvu	(24.5)	-	(0.2)	-
Exceptional Items	**(2.1)**	**(6.2)**	**0.0**	**0.1**

PATMI

PATMI declined 13.6% to S$272.6 million compared with a strong 9M 2017 base of S$315.6 million as a result of lower contribution from Coffee, the peanut business and CFS.

Operational PATMI

Operational PATMI (PATMI excluding exceptional items) was lower by 14.6% at S$274.7 million (9M 2017: S$321.8 million).

Balance Sheet Analysis[1]

S$ million	30-Sep-18	31-Dec-17	Change	30-Sep-17	Change vs Sep 17
Uses of Capital					
Fixed Capital	8,223.3	8,633.2	(409.9)	8,536.9	(313.6)
Working Capital	6,718.9	7,280.3	(561.4)	7,576.9	(858.0)
Cash	2,599.0	1,986.4	612.6	1,709.5	889.5
Others	753.4	309.0	444.4	244.5	508.9
Total	**18,294.6**	**18,208.9**	**85.7**	**18,067.8**	**226.8**
Sources of Capital					
Equity & Reserves	6,691.7	6,574.4	117.3	5,780.9	910.8
Non-controlling interests	150.2	177.4	(27.2)	213.2	(63.0)
Short term debt	4,726.7	4,660.2	66.5	4,299.1	427.6
Long term debt	7,075.5	6,927.7	147.8	7,908.7	(833.2)
Fair value reserve	(349.5)	(130.8)	(218.7)	(134.1)	(215.4)
Total	**18,294.6**	**18,208.9**	**85.7**	**18,067.8**	**226.8**

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

As of September 30, 2018, our total assets[2] of S$18.3 billion comprised S$8.2 billion of fixed assets, S$6.7 billion of working capital and S$2.6 billion of cash. These were funded by S$6.7 billion of equity, S$4.7 billion of short term debt and S$7.1 billion of long term debt.

Compared with September 30, 2017, the overall balance sheet rose by S$226.8 million also on a larger cash position.

[1] The Company's balance sheet includes reserves created on account of the restructuring of the US business earlier held by Queensland Cotton Australia, which have been reversed at the Group level (to be read in conjunction with Page 3 of SGXNET Financial Statements for 9M 2018).

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

Working Capital

S$ million	30-Sep-18	31-Dec-17	Change	30-Sep-17	Change vs Sep 17
Stock	5,708.8	6,044.7	(335.9)	6,174.5	(465.7)
Advance to suppliers	867.4	743.5	123.9	619.6	247.8
Receivables	2,383.3	1,901.9	481.4	1,853.1	530.2
Trade creditors	(2,559.6)	(2,184.4)	(375.2)	(1,715.9)	(843.7)
Others	319.0	774.6	(455.6)	645.6	(326.6)
Working Capital	**6,718.9**	**7,280.3**	**(561.4)**	**7,576.9**	**(858.0)**

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

The overall working capital went down by S$561.4 million compared with December 31, 2017. This was caused by lower inventory levels and lower commodity prices. Working capital also fell by S$858.0 million compared with September 30, 2017 due to inventory reduction and optimisation initiatives.

Days	30-Sep-18	31-Dec-17	Change	30-Sep-17	Change vs Sep 17
Stock	77	93	(16)	98	(21)
Advance to suppliers	11	11	# ##	9	2
Receivables	29	26	3	26	3
Trade creditors	(34)	(33)	(1)	(27)	(7)
Total cash cycle	**83**	**97**	**(14)**	**106**	**(23)**

Our overall working capital cycle was reduced from 97 days as at December 31, 2017 to 83 days as at September 30, 2018, which also compares favourably with 106 days a year ago. This was due to the positive impact of inventory optimisation initiatives, lower commodity prices and better trade creditor days.

Debt, Liquidity and Gearing

S$ million	30-Sep-18	31-Dec-17	Change	30-Sep-17	Change vs Sep 17
Gross debt	11,802.1	11,587.9	214.2	12,207.8	(405.7)
Less: Cash	2,599.0	1,986.4	612.6	1,709.5	889.5
Net debt	9,203.1	9,601.5	(398.4)	10,498.3	(1,295.2)
Less: Readily marketable inventory	4,378.6	4,539.6	(161.0)	4,693.2	(314.6)
Less: Secured receivables	1,927.2	1,714.8	212.4	1,167.1	760.1
Adjusted net debt	2,897.3	3,347.1	(449.8)	4,638.0	(1,740.7)
Equity (before FV adj reserves)	6,691.7	6,574.4	117.3	5,780.9	910.8
Net debt / Equity (Basic)	**1.38**	**1.46**	**(0.08)**	**1.82**	**-0.44**
Net debt / Equity (Adjusted)	**0.43**	**0.51**	**(0.08)**	**0.80**	**-0.37**

Net debt was down by S$1.3 billion compared with September 30, 2017. This was a result of lower working capital, lower gross Capex, cash from divestments and the conversion of warrants into equity which took place over the past year. As a result, net gearing improved from 1.82 times a year ago to 1.38 times as at September 30, 2018.

Compared with December 31, 2017, net debt also decreased by S$398.4 million primarily due to reduced working capital utilisation. As a result, net gearing improved from 1.46 times to 1.38 times as at September 30, 2018.

Of the S$5.7 billion inventory position, approximately 76.7% or S$4.4 billion were readily marketable inventories (RMI) that were liquid, hedged and/or sold forward, operating as near-cash assets on our balance sheet. In addition, of the S$2.4 billion in trade receivables, approximately 80.9% were secured. Typically, at any given point, about 75-85% of inventory is hedged and/or sold forward and 60-70% of receivables are supported by letters of credit or documents through banks. Adjusting for RMI and secured receivables, our net gearing would be 0.43 times, reflecting the true indebtedness of our Company.

We maintained sufficient liquidity to meet our working capital and capital expenditure requirements, with a total of S$18.4 billion in available liquidity as at September 30, 2018, including unutilised bank lines of S$9.5 billion.

Cash Flow Analysis

S$ million	9M 2018	9M 2017	YoY
Operating Cash flow (before Interest & Tax)	915.5	1,007.7	(92.2)
Changes in Working Capital	270.7	838.2	(567.5)
Net Operating Cash Flow	**1,186.2**	**1,845.9**	**(659.7)**
Tax paid	(124.2)	(69.5)	(54.7)
Capex/ Investments	(143.5)	(667.0)	523.5
Free cash flow to firm (FCFF)	**918.5**	**1,109.4**	**(190.9)**
Net interest paid	(316.1)	(396.2)	80.1
Free cash flow to equity (FCFE)	**602.4**	**713.2**	**(110.8)**

Net operating cash flow for 9M 2018 was lower by S$659.7 million mainly due to a higher release of working capital in the previous corresponding period. However, reduced Capex and divestments resulted in a positive Free Cash Flow to Firm (FCFF) of S$918.5 million (9M 2017: S$1,109.4 million) and FCFE of S$602.4 million (9M 2017: S$713.2 million).

Segmental Review and Analysis

For Q3 2018

Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		
S$ million	**Q3 2018**	**Q3 2017**	**Q3 2018**	**Q3 2017**	**Q3 2018**	**Q3 2017**	**30-Sep-18**	**31-Dec-17**	**30-Sep-17**
Edible Nuts, Spices and Vegetable Ingredients	432.4	486.6	1,095.2	1,236.4	40.3	84.3	3,768.3	3,603.9	3,042.8
Confectionery and Beverage Ingredients	386.4	469.9	1,667.3	1,845.7	100.6	62.0	4,477.6	5,347.0	6,081.9
Food Staples and Packaged Foods	8,248.3	4,292.1	4,300.0	2,420.5	81.4	73.5	5,044.1	4,678.3	5,031.3
Food Category	**9,067.1**	**5,248.6**	**7,062.5**	**5,502.6**	**222.3**	**219.8**	**13,290.0**	**13,629.2**	**14,156.0**
Industrial Raw Materials, Ag Logistics & Infrastructure	583.0	550.2	1,231.5	1,210.0	38.3	32.6	1,736.2	2,104.9	1,692.9
Commodity Financial Services (CFS)	N.A.	N.A.	-	-	(31.5)	(9.4)	206.4	98.3	93.5
Non-Food Category	**583.0**	**550.2**	**1,231.5**	**1,210.0**	**6.8**	**23.2**	**1,942.6**	**2,203.2**	**1,786.4**
Total	**9,650.1**	**5,798.8**	**8,294.0**	**6,712.6**	**229.1**	**243.0**	**15,232.6**	**15,832.4**	**15,942.4**

Notes:

IC excludes:

(a) Gabon Fertiliser Project (30-Sep-18: S$247.9 million, 31-Dec-17: S$248.0 million, 30-Sep-17: S$244.5 million), and

(b) Long Term Investment (30-Sep-18: S$205.7 million, 31-Dec-17: S$257.5 million, 30-Sep-17: S$273.9 million)

For 9M 2018

Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		
S$ million	**9M 2018**	**9M 2017**	**9M 2018**	**9M 2017**	**9M 2018**	**9M 2017**	**30-Sep-18**	**31-Dec-17**	**30-Sep-17**
Edible Nuts, Spices and Vegetable Ingredients	1,206.7	1,255.1	3,153.1	3,290.6	277.0	339.1	3,768.3	3,603.9	3,042.8
Confectionery and Beverage Ingredients	1,320.1	1,528.9	5,222.0	6,176.0	278.9	248.8	4,477.6	5,347.0	6,081.9
Food Staples and Packaged Foods	19,066.5	10,420.5	10,247.1	6,367.7	248.7	291.2	5,044.1	4,678.3	5,031.3
Food Category	**21,593.3**	**13,204.5**	**18,622.2**	**15,834.3**	**804.6**	**879.1**	**13,290.0**	**13,629.2**	**14,156.0**
Industrial Raw Materials, Ag Logistics & Infrastructure	1,663.4	1,534.1	3,396.4	3,203.0	132.4	139.1	1,736.2	2,104.9	1,692.9
Commodity Financial Services (CFS)	N.A.	N.A.	-	-	(31.9)	(3.1)	206.4	98.3	93.5
Non-Food Category	**1,663.4**	**1,534.1**	**3,396.4**	**3,203.0**	**100.5**	**136.0**	**1,942.6**	**2,203.2**	**1,786.4**
Total	**23,256.7**	**14,738.6**	**22,018.6**	**19,037.3**	**905.1**	**1,015.1**	**15,232.6**	**15,832.4**	**15,942.4**

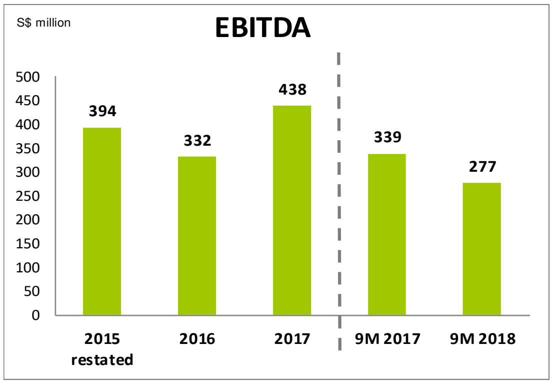
Notes:

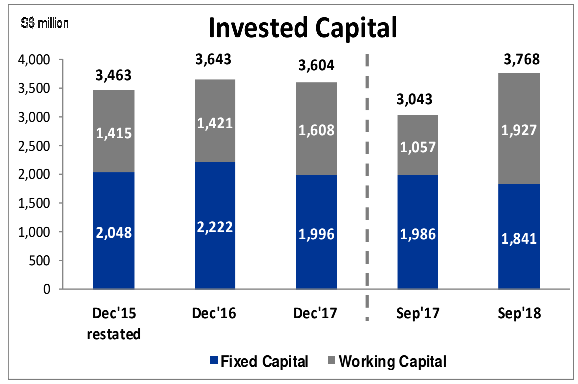
IC excludes:

(a) Gabon Fertiliser Project (30-Sep-18: S$247.9 million, 31-Dec-17: S$248.0 million, 30-Sep-17: S$244.5 million), and

(b) Long Term Investment (30-Sep-18: S$205.7 million, 31-Dec-17: S$257.5 million, 30-Sep-17: S$273.9 million)

Edible Nuts, Spices & Vegetable Ingredients





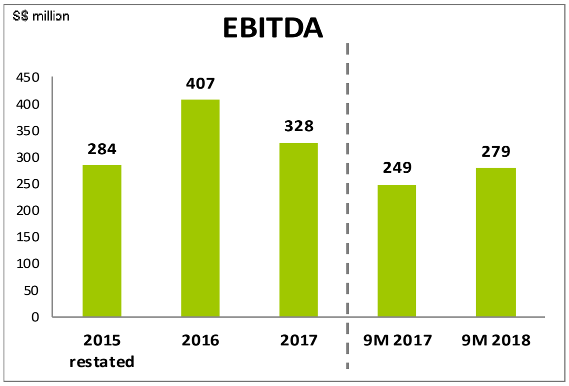
The Edible Nuts, Spices & Vegetable Ingredients segment reported a 3.9% and 4.2% decline in volumes and revenues for 9M 2018 respectively. The reduction in volume came mainly from lower peanut sales.

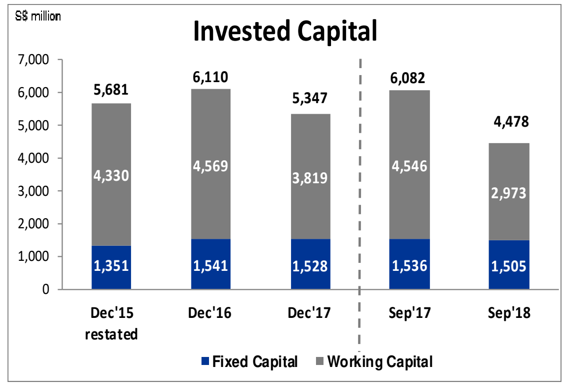
Overall EBITDA fell by 18.3% in 9M 2018 against the strong results in 9M 2017 when the Edible Nuts platform performed well with higher almond volumes and prices, and favourable market conditions for cashew. In addition, during the current period, the peanut farming business in Argentina was adversely impacted by drought conditions and currency devaluation. The peanuts business in the US saw lower shelling volumes amid an oversupplied market. Both these impacts led to an overall reduction in EBITDA for Edible Nuts.

Excluding the tomato processing business which underperformed year-on-year, Spices & Vegetable Ingredients (SVI) reported an improved EBITDA as the dehydrates and spices business had a good run during the current season.

Invested capital in the segment rose by S$725.5 million as compared with September 30, 2017. This was mainly because of the spike in working capital arising from higher inventory levels in almonds, cashew and dehydrates, which were partly offset by reduced tomato inventory. On the other hand, fixed capital decreased with the sale of edible nuts farmland and an SVI asset in the US, which was partly offset by the investment into Long Son.

Confectionery & Beverage Ingredients





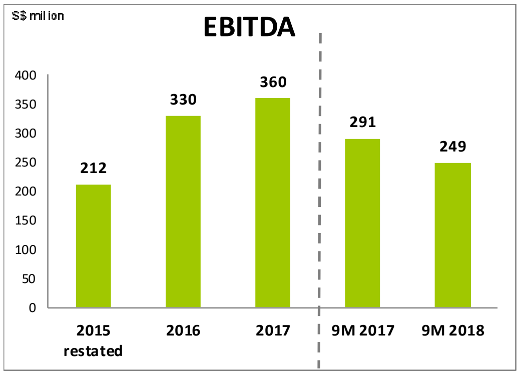
The Confectionery & Beverage Ingredients segment recorded a 13.7% reduction in volumes in 9M 2018 from both Cocoa and Coffee.

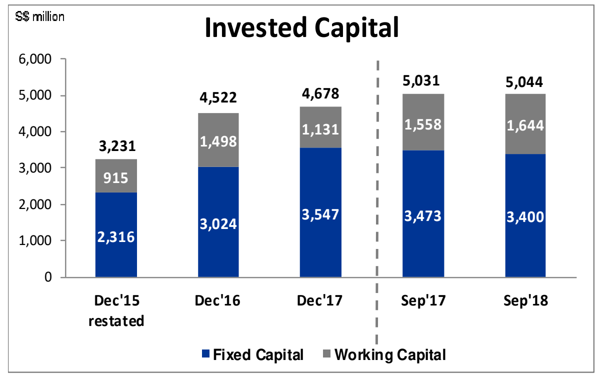
Lower volumes as well as significantly lower coffee prices caused revenues to decrease by 15.4% compared with the prior corresponding period.

In spite of lower volumes and revenues, EBITDA improved by 12.1% during 9M 2018. Both Cocoa supply chain and processing performed very well, compensating for the significantly weaker results from Coffee. The difficult market conditions which started in Q4 2017 continued to impact the Coffee supply chain business adversely throughout the current period. The effects of the down cycle in Coffee are expected to continue into the rest of the year. Soluble coffee, meanwhile, continued to do very well as its increased capacity was fully sold out during the period.

Invested capital in this segment eased substantially by S$1,604.3 million compared with September 30, 2017. This was primarily due to the impact of working capital optimisation, lower coffee prices and reduction of inventory holding period by selling at spot or near-term prices.

Food Staples & Packaged Foods





Food Staples & Packaged Foods segment posted a significant volume and revenue growth of 83.0% and 60.9% in 9M 2018 respectively. This was primarily driven by the growth in Grains trading volumes.

EBITDA was however lower by 14.6% against a very strong 9M 2017 mainly due to reduced contribution from the Edible Oils, Sugar and Dairy platforms.

The Edible Oils platform had higher period costs charged on OPG's partially matured plantations, lower income from Nauvu after the sale of the joint venture as well as margin compression on its processing operations in Mozambique.

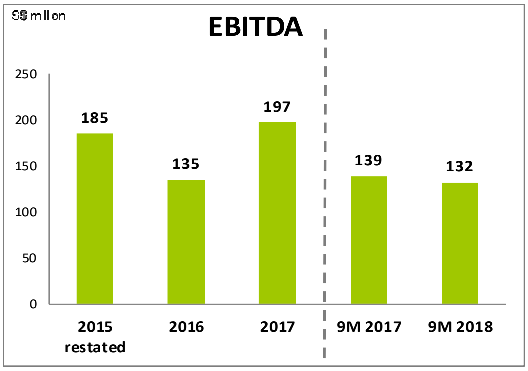
The Sugar business faced margin pressures in trading due to competitive prices and lower income from PT DUS after the sale of 50.0% interest in the refining unit in December 2017.

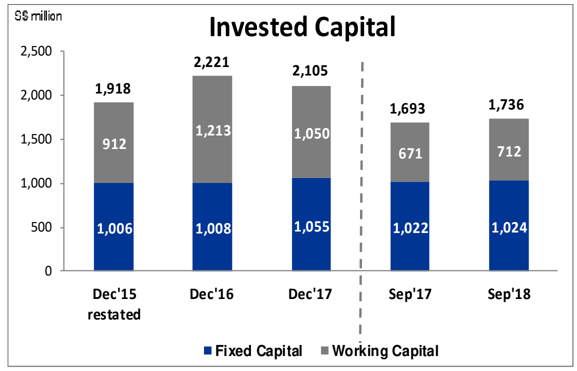
For Dairy, while trading held up and upstream operations in Russia did well, dairy farming in Uruguay met with drought conditions which led to higher feed costs as well as lower yield. Rice had lower contribution due to less favourable trading conditions during the current period.

Grains delivered a better EBITDA than the same period last year on higher trading volumes. Packaged Foods also performed better as it gained market share in both Nigeria and Ghana.

Invested capital was marginally up by S$12.8 million compared with September 30, 2017 mainly on higher working capital due to increased Grains volumes.

Industrial Raw Materials, Ag Logistics & Infrastructure





The Industrial Raw Materials, Ag Logistics & Infrastructure segment grew volumes by 8.4% in 9M 2018 with Wood Products, Rubber and Fertiliser contributing to the growth.

Revenues were slightly up by 6.0% on higher Wood Products sales in the Republic of Congo as prices increased with improved demand from the European markets.

However, EBITDA fell 4.8% on relatively lower contribution from Cotton, which offset growth from GSEZ, Wood Products and Rubber in 9M 2018.

Compared with September 30, 2017, overall invested capital increased by S$43.3 million on higher Cotton and Wood Products prices.

Commodity Financial Services

CFS incurred a net loss of S$31.9 million in EBITDA for 9M 2018 (9M 2017: S$3.1 million) mainly due to losses from the funds business.

Compared with September 30, 2017, invested capital increased by S$112.9 with most of it deployed in the funds business.

Annexure

SGXNET Financial Statements and MD&A Reconciliation

The table below summarises the differences between the financial statements on SGXNET and MD&A due to adjustments for exceptional items.

S$ million	**9M 2018**	**9M 2017**	**Q3 2018**	**Q3 2017**
Other Income^	20.5	31.5	7.8	8.5
Other Income	46.6	31.5	8.0	8.5
Less: Exceptional items	26.1	-	0.2	-
Overhead expenses^	(941.8)	(867.9)	(301.2)	(322.4)
Other operating expenses^	(208.9)	31.2	(64.6)	55.6
Other expenses	(1,175.2)	(842.9)	(366.0)	(266.8)
Less: Exceptional items	(24.5)	(6.2)	(0.2)	0.1
Taxation^	(50.7)	(52.9)	(3.6)	1.2
Income tax expense	(54.4)	(52.9)	(3.6)	1.2
Less: Exceptional items	(3.7)	-	-	-

^ as stated in MD&A

Business Model and Strategy

Olam's business is built on a strong foundation as a fully integrated supply chain manager and processor of agricultural products and food ingredients, with operations across 18 platforms in 66 countries. As a supply chain manager, Olam is engaged in the sourcing of a wide range of agricultural commodities from the producing countries and the processing, warehousing, transporting, shipping, distributing and marketing of these products right up to the factory gate of our customers in the destination markets. We also manage risk at each stage of the supply chain. From our inception in 1989, we have evolved from a single country, single product trader to a multi-country, multi-product supply chain manager.

In that process of evolution and development, the Olam business model had grown both in depth as well as breadth, pursuing selected value chain adjacencies which both complement and enhance our core supply chain model. We have developed new competencies as we pursued our strategic goals, including the capabilities to identify, execute and integrate attractive acquisition opportunities in selected countries. These initiatives are carefully selected to be within or adjacent to our core value chain activities. Successfully completed transactions have addressed opportunities in the upstream (plantation and farming), midstream (manufacturing/ processing) and downstream parts of the value chain.

Building on existing and new capabilities, we have expanded upstream selectively into plantation ownership and management (perennial crops), farming (annual crops), Dairy farming and forest concessions management. These opportunities, both organic and inorganic, have been pursued in countries that have a comparative advantage to produce these commodities relatively better and at relatively lower costs on a sustainable basis.

Selective investments across the value chain

Pursuit of this strategy has led us to invest selectively in almond orchards in Australia and US, pistachio and walnut orchards in the US, peanut farming in Argentina, pepper plantations in Vietnam and Brazil, Coffee plantations in Laos, Tanzania, Zambia and Brazil, Cocoa plantation in Indonesia, Rice farming in Nigeria, Palm and Rubber plantations in Gabon, Dairy farming in Uruguay and Russia, and the development of tropical hard wood forest concessions in the Republic of Congo (ROC).

Similarly, in the midstream part of the value chain, we have pursued initiatives in value-added processing and manufacturing activities, such as peanut shelling in the US, mechanical processing of cashews in Côte d'Ivoire, hazelnut processing in Turkey and Georgia, spice grinding in Vietnam, soluble Coffee manufacturing in Vietnam and Spain, Cocoa processing in Côte d'Ivoire, Germany, Netherlands, Singapore, Ghana and Nigeria, and wheat milling in Nigeria, Ghana, Senegal and Cameroon.

Downstream progress has been reflected in the initiatives completed in Packaged Foods distribution in West Africa and the successful development of our own consumer brands in the food category, which capitalise on our intimate knowledge of African markets, operations, brands, and consumers. This downstream activity also builds on capabilities in the management of food supply chains and on the common distribution pipeline that we have built for related commodity products (including Rice, Sugar, wheat and Dairy) in West Africa. Initiatives in this segment include biscuits and candy manufacturing and downstream distribution in Nigeria and Ghana, juice and dairy beverages in Nigeria, instant noodles, seasonings, tomato paste distribution in Nigeria and selective West African markets.

In addition, Olam has diversified into three adjacent businesses which build on latent assets and capabilities developed over the last 28 years – the Commodity Financial Services business (CFS), fertiliser manufacturing and the development of agricultural logistics and infrastructure, such as special economic zones, warehouses, silos and ports.

2016-2018 Strategic Plan

For the 2016-2018 Strategic Plan, Olam used six criteria to inform its judgement on how to prioritise its portfolio and the basis for making key investment choices and capital allocation decisions between the various businesses:

1) Address areas where performance has been inconsistent or has not met expectations;
2) Double down on strong businesses to scale up and strengthen leadership positions;
3) Focus new investments on areas where we have the highest winnability and returns;
4) Streamline business portfolio and release cash from divestments;
5) Find the right investment balance between contributing and gestating businesses; and
6) Assess and manage portfolio risks.

Based on this approach, Olam has prioritised its portfolio into five clusters as described below. Each platform in the five clusters has mapped out specific strategic pathways that it intends to execute over the next two three-year cycles.

1) Cluster 1 contains the six prioritised platforms – Edible Nuts, Cocoa, Grains, Coffee, Cotton and Spices and Vegetable Ingredients, all of which are in attractive markets where the Group has a strong competitive position. It intends to accelerate its investments in these six platforms to build global leadership.

2) Cluster 2 consists of seven platforms – Packaged Foods, Edible Oils, Rubber, Dairy, Risk Management Solutions, Market-making, Volatility Trading and Asset Management, Trade and Structured Finance – all of which are in attractive markets, but the Group's investments in these platforms are still gestating and therefore the model is still to be proven. The Group intends to scale up these platforms once it has more proof of concept.

3) Cluster 3 consists of three platforms – Rice, Wood, Sugar and Sweeteners which are smaller businesses (in terms of size of profit) for the Group, but with very high returns.

4) Cluster 4 consists of two platforms – Fertiliser and Ag Logistics & Infrastructure that are non-core, and therefore the Group intends to deconsolidate these businesses and partially monetise these investments at the appropriate time.

5) Cluster 5 – prioritise and focus on Africa as a separate vertical, by leveraging the region as a globally competitive supply source, supplying food staples and ingredients into Africa, participating in its consumer story and investing in Africa's agricultural logistics and infrastructure.

Evolution of Olam's Business Model: Olam 2.0

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

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

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

Business Segmentation and Reporting

We organise Olam's operations into five business segments and three value chain segments for reporting purposes. The distribution of the 18 platforms across the business segments and the activities across the value chain segments are given below:

5 Business Segments	18 Platforms
Edible Nuts, Spices and Vegetable Ingredients	1) Edible Nuts (cashew, peanuts, almonds, hazelnuts, pistachios, walnuts, sesame and beans, including pulses, lentils and peas) 2) Spices and Vegetable Ingredients (including pepper, onion, garlic, capsicums and tomato)
Confectionery and Beverage Ingredients	3) Cocoa 4) Coffee
Food Staples and Packaged Foods	5) Rice 6) Sugar and Sweeteners 7) Grains and Animal Feed 8) Edible Oils 9) Dairy 10) Packaged Foods
Industrial Raw Materials, Ag Logistics & Infrastructure	11) Cotton 12) Wood Products 13) Rubber 14) Fertiliser 15) Ag Logistics and Infrastructure (including Gabon Special Economic Zone or GSEZ)
Commodity Financial Services (CFS)	16) Risk Management Solutions 17) Market-making, Volatility Trading and Asset Management 18) Trade and Structured Finance

3 Value Chain Segments	Value Chain Activity
Supply Chain	Includes all activities connected with origination, sourcing, primary processing, logistics, trading, marketing (including value-added services) and risk management of agricultural products and the CFS segment
Upstream	Includes all activities relating to farming (annual row crops), plantations (perennial tree crops), Dairy farming and forest concessions
Midstream & Downstream	Includes all activities relating to secondary processing, contract manufacturing, branded distribution, private label activities and Ag logistics and Infrastructure

The production of agricultural products is seasonal in nature. The seasonality of the products in our global portfolio depends on the location of the producing country. The harvesting season for most of the agricultural products for countries situated in the northern hemisphere generally falls between October and March. Countries in the southern hemisphere have harvesting seasons between April and September.

It is also not unusual to experience both delays, as well as early starts, to the harvesting seasons in these countries in a particular year, based on weather patterns. In addition to an early or delayed harvesting season, the precise timing and size of arrivals of these products can also vary based on the farmers' selling decisions; these are mainly a function of the farmers' view on prices and inventory holding capacity. The majority of our origins are located in the northern hemisphere. Consequently, our earnings tend to be relatively higher in the first half of the year (January to June) compared to the second half of the year (July to December).

Based on this seasonality, we have observed the distribution of our earnings in prior periods to follow the schedule below:

Q1 Jan-March	Q2 Apr-June	**First Half Jan-June**	Q3 Jul-Sep	Q4 Oct-Dec	**Second Half Jul-Dec**
35 – 40%	25 – 30%	**60 – 70%**	5 – 10%	25 – 30%	**30 – 40%**

Key Definitions

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

Revenue: Sale of goods and services

Other Income: Includes sale of scrap materials, commissions and claims income and fair value gain on investments held for trading. Negative goodwill, gain on sale of assets and other non-recurring, exceptional items which are part of Other Income in the Profit & Loss statement on SGXNet are classified as Exceptional Items in the MD&A.

Cost of Sales: Cost of goods sold, shipping and logistics, commissions and claims expenses and the net measurement of derivative assets

Overhead (Selling, General & Administrative) Expenses: Employee benefit costs, manufacturing overheads, travel expenses and other direct expenses

Other Operating Expenses: Unrealised foreign exchange gain/loss and other expenses

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

Exceptional Items: One-off, non-recurring items, including negative goodwill and related transaction costs, gain/loss on sale of assets/business, gain/loss on buyback of bonds, impairment loss, finance charges on pre-payment of loans and non-recurring business restructuring expenses. Tax expenses associated with these items are also presented as Exceptional Items.

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

PAT: Net profit after tax

PATMI: PAT less minority interest

Operational PATMI: PATMI excluding Exceptional Items

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

Invested Capital (IC): Excludes cash and bank balances, deferred tax assets, fixed deposits, other current/non-current assets (other than option premiums payable/receivable) and fair value of derivative assets on bonds

EBITDA/IC: EBITDA on average invested capital based on beginning and end-of-period invested capital

Net Gearing: Ratio of Net Debt (gross debt less cash) to Equity (before fair value adjustment reserves)

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

Free Cash Flow to Firm (FCFF): Operating cash flow less changes in working capital, cash taxes, capital expenditures and investments

Free Cash Flow to Equity (FCFE): FCFF less net interest paid

***Note:** Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.*