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PRESENTATION

Hung Hoeng Chow - *Olam International Limited - Associate General Manager, IR*

Good morning, ladies and gentlemen. Welcome to Olam International's briefing for the first-quarter results for financial year 2015. I'm Hung Hoeng from Investor Relations. Good morning to all of you. Thank you for coming. And we're glad to see you all in a short time again and I'm sure most of you are familiar with the formalities of the briefing, but I will still carry through the introduction. I can see that most of you are all sitting right behind. We've catered for a big crowd today, but if you can, please come forward and sit in front.

I will start with the introduction of our speakers for this morning's briefing. On the extreme -- on your extreme right at the table is our Group Managing Director and CEO, Sunny Verghese. On the next right is our Executive Director for Finance and Business Development. Last but not least, on his right is N. Muthukumar, the President for Corporate Finance at Olam International.

First of all, please note that the results should be seen with all the announcements that's put out on the exchange and the cautionary note on forward-looking statements, I will take this as being read.

Shekhar will be the main presenter for this morning's presentation and he will take you through the highlights of the results, the financial performance by segments and summarize the key takeaways for the briefing this morning. This results briefing will be webcast live and please during the Q&A session, pick up the mike from one of our colleagues during the Q&A session.

Without any further delay, I will invite Shekhar to take the stage and present to you the results. Shekhar.

Shekhar Anantharaman - *Olam International Limited - Executive Director, Finance & Business Development*

Thanks, Hung Hoeng, and good morning, ladies and gentlemen. Thanks for joining us today. This is obviously our Q1 and the first quarter of the year and always the smallest and not so consequential quarter of the year. So we'll go through the process going through the financial performance of this year, a brief update on the strategic initiatives and the key takeaways for the year going forward.

So the way I'd like to categorize the start to the year is it's a steady start across most of our platforms. We have had two businesses which have had a fairly significant price-related impact during the course of the quarter. Some of it we'll probably already address and some which will probably flow through the other quarters. But beyond that most of our platforms have had a good start, on plan or better than last year for sure this year.

If you look at the reported headline numbers of our profit after tax, we're almost flat, marginally down. And adjusted for -- and on an adjusted for exceptional items we are at SGD32m, which is about SGD12m lower than what it was last year.

The overall EBITDA and this EBITDA has to be seen in the light of some of the discontinued operations, mainly in the grains platform in Australia and South Africa, in the timber, primarily in Gabon, and a little bit in rice in the Ivory Coast and cashew in Nigeria which were operations which were performing below our risk/return norms and wherein we've gotten out, which were there last year and had a positive EBITDA.

So there is an impact of discontinued operations. And two specific cases that I'll touch upon in the segmental analysis in hazelnut and dairy which was a little bit of a cause for concern certainly for the last quarter. But in the dairy we probably will have some continuing impact of that in the coming quarters.

Now if you ignore the -- can't ignore them but if you adjust it for the impact of these two performances and the discontinued operations, overall EBITDA has across the platform grown. And so therefore we see in terms of the coming nine months a lot of scope for improvement to this performance across the other platforms.

If you look at our strategic plan execution, we're still on course against the overall cash divestment target of SGD1.5b by 2016. At the end of first 15 months of the plan, we've already announced initiatives totaling to SGD950m. But more importantly, almost SGD260m of gain either through the P&L or through the reserves on this divestment exercise of SGD950m which is quite positive.

There was just one incremental deal that got completed during the course of the quarter, which is the sale of the Ivory Coast dairy plant which is the exceptional item that you see at SGD12m net for the year.

So, on the strategic plan we are on course or ahead, well ahead of our initial plans and on course to meet it by 2016 for sure.

Looking at the balance sheet highlights, effectively three things to call out. Our free cash flow for the quarter is minus SGD55m and effectively a big chunk of that is because of change in working capital. We are pretty much on course for our operating EBITDA as well as on course for our planned investments net of our divestments plan. But the change in investment capital is because of higher prices specifically in the nuts as well as the confectionery and primarily, in the confectionery and beverage ingredients segment has created a bit of an increased working capital than what we anticipated.

And again as we go through the year, we hope that this will correct itself, both in terms of improved operating EBITDA kicking in and the current prices are already at an elevated level as compared to last year. And hopefully there won't be too much of an increase overall on the portfolio in terms of working capital increases.

So we feel quite confident that apart from any shocks on the working capital side, in terms of prices, we will be on course to delivering a positive free cash flow or certainly breaking even on the free cash flow as we had anticipated.

The gearing is well in line and below the FY2016 objective of being below -- operating below 2 times. We are at about 1.85 at the end of this quarter.

And in terms of -- I think one major significant move over the last five months has been how we're optimizing our overall debt book. So we're both adjusting for the tenor as well as the cost and you'll see that in terms of the impact in the net finance cost in quarter one which hopefully should also continue towards quarter two and quarter three, although adjusting for some other changes in the debt portfolio that we will talk about.

So on overall terms, it's the first and traditionally quiet quarter for us. We've started out well across most platforms. We have two major areas of concern which we are already addressing and I'll talk to you about. And on the balance sheet front we feel quite confident about what's happened in Q1 and where we are headed over the rest of the year.

This is just a summary snapshot, you've seen it before and the only thing I'd like to call out is what has been closed in the quarter one, which is the dairy plant. Otherwise, again there is SGD635m of cash flows already released and SGD300m which we expect to come through in Q2 and Q3 of this year.

Moving on to the P&L, we have an overall volume drop of 15%. But this volume drop has to be seen in the context of the discontinued operations that I called out earlier. And net of that we have growth across most platforms and most BUs.

So these are operations that we discontinued because the margins or the risk/return was not favorable to us, so we are happy with that discontinued operation. And this one-time knock that we are taking in volumes and a little bit in EBITDA we are comfortable with that the rest of the portfolio will more than make up for that.

The second part is the EBITDA and the EBITDA impact is -- there are three components to that. Some part is the discontinued operations, some part because of dairy and hazelnut which has flown through in Q1 and hopefully some part of that will come back in the coming quarters. And the rest of the businesses have shown -- are on plan or above last year in terms of EBITDA growth.

This EBITDA growth has to be seen in also conjunction with -- it includes biological loss of SGD15m compared to a SGD3m gain which was there last year. So for those of you adjust for biological gains or losses, that's the impact of the biological losses which is included in this EBITDA.

And then as far as net finance costs, you'll see an improvement. While our gross debt has been higher this year at the end of this quarter compared to last year, the overall interest costs have come down and hopefully that's the trajectory that will continue in the coming quarters. Tax and depreciation has more or less been flat.

So on an overall basis, our reported PAT we are -- we have maintained and on an adjusted-for-exceptional basis we are at SGD32m at the end of this quarter.

Looking at the overall EBITDA and the invested capital, you'll see that there's a flattening of our fixed capital investments, both on account of our reduced pace of new investments as well as the divestments that we have done. So compared to SGD5.4b as we were at the end of Q1 last year, we are at about SGD5.5b.

The working capital has increased from -- almost by SGD600m, but a significant chunk as we have seen it coming -- is all in one segment. Almost SGD1.2b increase in the confectionery and beverage ingredients segments, whereas the other three segments had actually optimized the working capital fairly well, both on account of prices as well as some optimizing initiatives that we have taken. So a big chunk of this increase in working capital is also on account of the higher prices in coffee and cocoa as we will see in the segmental analysis.

So moving on to the segments itself, coming to the edible nuts, spices segment, we have had strong starts to the year across almonds, the peanuts as well as the US vegetable business, onions and garlic. They're all at and above plan as we started the year. Even cashews and tomatoes which were underperformers for the last year are much better than last year and are progressing well. So in overall terms most of the large products in this portfolio are -- have started off well.

The problem for the quarter one and probably a little bit of impact in Q2 has been in hazelnuts. And in hazelnuts as probably most of you are aware, 75% of the hazelnut crop is grown in Turkey. So it's one, there's a lot of origin concentration. And this year -- the season starts somewhere in July -- Turkey had a major frost and therefore the crop is short by almost between 25% and 35% depending on which crop year you take.

So in the last two years Turkey had delivered 750,000 and 650,000 tonnes and this year we expect the crop to be something as short as 450,000 to 470,000 tonnes on the basis of current estimates. So that has meant -- and that steep fall in supply impacting both volume and also a little bit quality has meant that the prices shot up at the start of the season.

So normally at the start of any physically traded product you would have between 15% and 25% of a short book just at the start of the season. We had started seeing some signs of lower supply and had reduced our short book or rather not taken much of a short book. But we're still about --

exposed to about 3,500, 4,000 tonnes at the start of the season. We covered it right from day one and were able to cover a lot of it at -- right at the -- towards the start of the season.

But still the prices in Turkey moved from TRY12,000 before the start of the season to almost -- hitting almost TRY30,000 at its peak and trading currently at between TRY28,000 and TRY29,000. So that's about a $7,000 impact per tonne.

So we have done well in ensuring that we were not too short prior to the season as were lots of other market participants. We've done well in trying to cover that as quickly as possible. But this obviously has had an impact in Q1 and there will be some impact going into Q2. It's an impact for the whole industry. It is impacting the chocolate industry who are the buyers as well as a lot of other shippers and exporters. And the prices have already adjusted and started adjusting right from July/August and have already adjusted to the news. So all new sales and purchases that we are doing have all been at actually better margins because the prices have gone up so much.

So we believe that in the second half while there might be some impact on volume because of the short crop but we will make up on margins on the rest of the season. But for Q1, certainly we have had -- in covering the short and executing those short we've had a loss which has flown through Q1 and impacted the results of this segment and overall. There will be a marginal impact in Q2 also and from Q3 we expect this to be better.

From a more structural basis, we see that this can be an opportunity because it is hurting a lot of other industry participants. The size of the impact on a 0.5m tonne crop, a USD7,000 move is a fairly significant impact and there are a lot of people who have not been able to -- who will get hurt with this in terms of both financing it and taking any P&L impact that they might need to take.

So we see this as opening up some opportunities for us in the second half and certainly for next year. But we'll take that as it comes. Right now it's hurting the whole industry and it's not good for the industry. We have taken our part of the pain and we hope that we will be able to make up for during the second half of the year.

So that's I think an important thing that I wanted to spend a little bit of time on because that has impacted Q1 results fairly appreciably.

There's a little bit of concern in Vietnam pepper also and just to call that out, the market prices there also have gone up quite a bit. But we are in the midstream ingredient business there and we feel that while there might be some impact in volumes, we should be able to make up on margins.

But again pepper prices are trading at almost at -- at historical highs at almost USD10,000 a tonne and that makes the Vietnamese farmer especially very, very tight on releasing the supply. With good coffee prices, good pepper prices, so the farmers are really on a -- can hold on to supplies and there might be some impact on -- therefore in liquidity.

But that's not as big an impact. Hazelnut is really the thing to call out. And the rest of the businesses in this segment are doing well. Started off well and better than last year. And so therefore going forward in the next three quarters, we feel that the segment will be able to make up and improve on its performance. And it's been a very big performer for us over the last few years and we expect it to stay that way in the coming year too.

Moving to the confectionery, where there's nothing much to really report here. It is offseason for both coffee and cocoa, so we've done a little bit of sales and shipments. Volumes are slightly lower than last year's like-for-like but that will make up through the seasons ahead. And EBITDA is slightly off, but again nothing that we are -- nothing to talk about.

Here the story is really the increase in invested capital. And if you compare it to last year that's SGD1.2b increase in capital and obviously that hurts in terms of -- and that's all because of the coffee prices predominantly, but also cocoa prices which remain quite firm. So that's something that we'll watch and that will mean that that invested capital will have to continue for a while.

Compared to last year Q1 it seems exceptionally high, but when you see the Q2 and Q3 and the prices of last year and the prices have moved up, you'll find that we're probably maintaining it. And if you compare it to where we were in end of June we're more or less flat. So it's not kind of gone up too much from that, from where we were in end of June, but compared to last year this time it is obviously a fairly significant increase in this segment.

Moving forward to the food staples and packaged foods, now this has obviously six platforms for us. So in terms of calling out the platforms, which are doing well, are on plan or better than last year, the wheat milling in West Africa has been very good. Nigeria, Ghana as well as Senegal which had just started towards the end of last year, is also getting to good capacity and good margins and we are quite pleased with the progress.

The packaged food businesses are doing well except for Ghana wherein because of the prolonged currency volatility, there has been some impact. But otherwise they've gotten off to a reasonable start.

Rice, sugar are doing very well and well ahead of last year. And so therefore those two businesses also started off to a -- got off to a good start.

The overall business in dairy is what has impacted this segment. And in dairy, there is really two parts. The supply chain business which did very well last year is still good, but it's impacted by the serious fall in dairy prices. So dairy prices have, as you've probably all read because there's a lot of news flow on that, dairy prices have fallen something from USD4,800 a tonne to something like USD2,300 a tonne today. And that's over a period of nine months.

So it's been a free fall primarily led by, from the demand side the Russia sanctions. Russia is the largest import market for dairy and because of the ban on EU, import of EU dairy products, that's been a fairly significant stoppage of supplies from the EU and that supply is all available in the near term to the other markets. And therefore that's impacting pricing.

China's demand has also slowed down. China is also getting a lot of internal supply and therefore that's also contributed somewhat, not as much as Russia. But between Russia and China they are the two largest dairy import markets. And the supply has been very good all across in US, in New Zealand, in Australia. In most parts of the world, supply has been very good.

So it's an annual business. So we will see supply responses to this in the coming six to nine months. But at this point of time we have this demand shock from Russia and China and an excess supply situation which is bearing very heavily on the prices. So that's impacted prices.

On the supply chain side, we don't get impacted in terms of a price position risk, it's just really the volume and liquidity risk. Because of this price fall we have not as much volume as we would have liked to do. But we are not really concerned.

The real concern is in NZFSU in Uruguay wherein the sharp price fall -- as a farmer, as a dairy farmer we take the entire price risk and with the sharp price fall as well as continuing operating issues on yield. While a lot of them we have corrected and we had talked about this at the end of last year also, a lot of them they've been corrected but these are a nine to ten months cycle.

The herd changes that we have done and a lot of the pasture-based changes we have done will impact and improve our yield positively from the third quarter or fourth quarter. But at this point in time we are facing both lower yields as well as the impact of prices. And that's a double whammy which has hurt Uruguay quite badly.

So that's something that has impacted Q1. That impact is likely to continue in Q2, Q3 and potentially from Q4 onwards we will hopefully see the improvement in yield and the pricing improving that situation. So want to call out that this is a business which has been under watch, but we're keeping an even tighter watch and because of prices there will be an impact which is unanticipated for this year.

On the other hand, in the Russia farming operations this has been positive. Because of the ban of imported items the local prices have gone up and so therefore there is a bit of a gain. We are -- obviously we don't have that kind of a volume already established in Russia because that's an operation that is just in the process of building up volume. We have opened up a new dairy only in the last six months. But that's where we see positive impact of this.

So the Russia, the Rusmolco operations is doing better than we planned for and has some positive tailwind to it. But the Uruguay operation is kind of dragging down certainly dairy's performance and impacting this segment's performance for this year.

So if you ignore the impact -- again can't ignore it but or wish it away -- but notwithstanding the impact of dairy, the rest of the four platforms have gotten off to a good start. There might be some overhang on palm in terms of our investments in SIFCA because palm prices are continuing, but we hope that that will get corrected. But that is not likely to be very significant for the segment or certainly not for this quarter.

As far as invested capital is concerned, you see a flattening out in terms of fixed capital compared to Q1 of last year as well as June of this year. But this is because of the mix of both investments, continuing investments in wheat milling, continuing investments in PFB, continuing investments in palm offset by the divestments in dairy, in OCDL and in grains in Australia, etc. So, on an overall basis we have kept the fixed capital flat in this segment.

But you'll see a significant improvement in working capital, both some on account of pricing, but some or a lot of it on account of the impact of discontinued operations as well as the impact of certain working capital optimization that we are doing, improved supplier credit, etc. which is an ongoing exercise. So we feel quite happy with the working capital, invested capital management in this segment. And we'll keep a close watch on the dairy for the -- especially on the Uruguay side for the rest of the year.

Moving to the last segment, again a very inconsequential quarter for this segment. It's less than 10% or 5% to 8% of the annual business. Cotton and timber post its restructuring have gotten off to a good start. They are doing better than last year certainly and on plan. Whereas there was slightly lower volume and EBITDAs from fertilizer and rubber trading which in any case are lower margin trading operations that we are also keeping a tight lid on. So on an overall basis nothing much to say right now and nine months the entire business is out there to happen.

Again on the invested capital similarly, you'll see that both working capital has come off a bit and fixed capital has gone up a bit because of investments in rubber initiative primarily. So again, the rest nine months we hope that this segment will be on course.

So that's the segmental analysis. And then moving on quickly to the balance sheet. I already called this out. So if you look at the operating cash flows we are at minus SGD55m free cash flow to firm which is comprising of SGD235m in operating cash flow, SGD117m in terms of incremental working capital and SGD155m of incremental fixed capital. That's the breakup. We feel quite confident that we'll maintain the course on our fixed capital investments in terms of CapEx already planned for.

And working capital we don't hopefully expect it to grow too much. So when you compare it with last year this time obviously this shows a big change, but last year this time prices were much lower. And during the course of this year we expect this to self-correct itself as operating cash flows as well as working capital increases hopefully will be maintained, or will be contained.

As far as overall gearing is concerned we are within the objective that we have set out for ourselves of staying below 2. We are at 1.85. And on an adjusted basis for -- adjusted for RMI we are at around 0.66. And again nothing very different has happened this quarter.

I'd like to spend some time on this new slide in terms of what we are doing. We've talked a lot about our debt optimization plans and in terms of what we started doing in Q4 of last year and what we have done in Q1 of this year and you're probably going to see some more activities on this line in the coming quarters.

If you look at our overall balance sheet, we are roughly about 50/50 in terms of fixed capital and working capital, about SGD6.1b, SGD6.2b each. And at this point of time we have long-term debt of about SGD5.5b, short-term debt of about SGD3.8b and the balance is equity. So obviously we would like to cover all our fixed capital investments through equity and long-term debt so that's the bare minimum.

But what we have today is a situation wherein almost 40% of our working capital is covered through long-term debt. And so the focus has been through the RCF that we did in Q4 and through how we'll refinance that during the coming quarters. We will be -- we would like to be around 25% to 30% of our working capital covered through medium term, we don't want everything going to short term. But we are at this point of time paying extra carry because of having almost 40% of the working capital even at these inflated prices covered through medium-term loans. So that's the first correction we're doing which is changing the tenor mix of our debt.

The second is obviously bringing down the absolutely cost of that debt both on the short end and on the medium-term end. So as we bring down our medium term debt the impact of that in terms of interest savings will be higher. And on the short end, the impact won't be that high.

So there's been a lot of questions about some people extrapolating that the entire change in our medium-term debt impact cost is going to flow through our entire debt portfolio. So I just want to correct any misperceptions on that front.

So at the short end we will improve our costing, but it won't be to that extent that you see in our bond deals. And certainly, we'd like to get the full impact on the bond costing which has already started reflecting in our secondary and was reflected in the two issuances that we did during this quarter. And we will expect to make that happen across the portfolio, but that will take the next two to three years because some of these loans cannot be called and therefore will get refinanced only in the coming two, three years.

So there will be some impact and continuing impact of the actions that we have already taken. And there will be some refinancing impact and you'll see that as we go along in the coming quarters.

So we feel quite positive about the way we have started. We thank all the bankers in the room for all their support and we hope for their continued support. And there will be more to come on this area in the coming quarters.

We've got ample liquidity, so that's not a concern. And in terms of unutilized lines as well as what -- to more than meet our refinancing obligations for the next couple of years.

So to finish this presentation, the key takeaway is that I hope we have conveyed or you will take with you is that it's a steady start to the year across most platforms. We have called out two areas which have impacted us in Q1, some of which will have continuing impact for the rest of the year. But we are looking at them carefully and we are on top of them and we'll try and -- try our best to contain the impact.

As far as the strategic course is concerned, we are well ahead of plans that we have outlined for FY 2016 and there is activity still to be done there. And we are on course, but we are almost two-thirds of the way in the first 15 months of the three-year plan and therefore hopefully we will get there soon.

As far the debt portfolio is concerned post the VGO we have taken some actions already and very positively it has already impacted Q1. And we'll be focused on this and we'll ensure that we get the full bang for the buck in terms of both tenor as well as cost.

And finally, it's all about focusing on the investments that we have made, getting them to full potential. Unfortunately we can't do it faster than we can. And we'll stay focused on that. We are staying within the CapEx budget and where we have already started investing in.

But we'll still look out for any opportunity in the prioritized platforms which makes sense. We have talked about this even in the last quarter where we said we would prefer to do a fewer but select transactions, fewer maybe bigger transactions, but in our prioritized platforms. So we're not getting ex-growth. We're focused on first getting the full bang out of the investment that we have already made and then continuing to invest currently. And we'll continue to look for investments going forward to get -- extract the full potential out of the platforms that we have created.

Thank you and we'll take your questions.

QUESTIONS AND ANSWERS

Hung Hoeng Chow - *Olam International Limited - Associate General Manager, IR*

Thank you, Shekhar. We're open for questions and answers. First, a question at the back. Mervin.

Mervin Song - *DBS - Analyst*

Hi, Mervin from DBS. Just a few questions. The first one is the EBITDA impact from discontinuing operations. What is the contribution with regards to 2014?

In terms of interest cost savings, you talked about funding your working capital with long-term debt which is about 40% but what is the ratio going forward?

And finally, any updates on Gabon? Thanks.

Shekhar Anantharaman - *Olam International Limited - Executive Director, Finance & Business Development*

If I can take the question -- as far as the ratio, we are looking at 25% to 30% of medium-term debt to cover the working capital requirements. It might not be five-year debt, it might be two- or three-year debt but we would like committed lines of 25% to 35% of our total working capital. So that is the target, so we are about 10% to 15% higher than where we would like to be and that is a change that we would like to bring about.

As far as the EBITDA from discontinued operations is concerned, it is tough to put a number on a quarterly basis. Broadly the operation that I called out which is grains in Australia, South Africa, timber in Gabon, rice in Ivory coast and cashew in Nigeria, put together, have had an impact of roughly about 800,000 tons in volume terms. Some part of the EBITDA will be Q1 and some part of the EBITDA would be coming up in the current quarter. So if you see the impact in the volumes that is the kind of impact and so it is tough to break up the exact EBITDA impact which has flown through Q1 or will through in Q2 or Q3.

As far as Gabon fertilizer is concerned, unfortunately, our position and answer remains the same, we are still in talks and in the advanced stage with both the consortium members that we talked about last time also. Unfortunately, it is taking much longer and we haven't obviously been investing any further and some of you might be surprised at the fact that SGD184m has come down to SGD179m and we have not divested that yet, that is just an exchange impact that you are seeing between Q4 and Q1.

So the situation is pretty much the same, we are -- we have accepted that we will have some unfilled by the end of December but it is unlikely at this point that we will be able to close anything by December. But both parties that we are in discussions with remain keen and we are continuing that negotiation with both.

Thilan Wickramasinghe - *HSBC - Analyst*

Thilan Wickramasinghe from HSBC. As you said, the first quarter is a small quarter for you. So let's talk about the next nine months and can you give us a little bit more color on each of your platforms and you're 1.5 months into the second quarter and how are you seeing demand panning out each of your platform. And also, any major issues you should be aware of that are developing?

Sunny Verghese - *Olam International Limited - CEO*

Thank you. So as you know, we don't give quarterly guidance.

Thilan Wickramasinghe - *HSBC - Analyst*

Nine month guidance.

Sunny Verghese - *Olam International Limited - CEO*

The first quarter, we don't get over worked up by a very strong quarter and a weak quarter because it's seasonally been between 5 and 10% of our full year's profits.

As Shekhar mentioned, we believe that we had a strong start with several platforms that include cocoa, coffee, grains and rice so the two issues in dairy farming upstream -- we have two upstream dairy farming operations, one is in Uruguay and the second is in Russia. The Russian business has turned around and is tracking well. The Uruguay business is still struggling.

And I think that we will see continuing impact of the Uruguayan dairy farming upstream operations before all the changes that we make take effect, this will be a 9 to 12 months kind of lag to continue to disappoint for the course of the year.

The hazelnut outlying event in terms of the crop in Turkey will be mostly clawed back because the margins that we now see in the business as a result of this development are almost twice our budgeted margins and so we hope to be able to recover the ground that we have lost in Q1 over Q2 and Q3.

So as of now, we feel cautiously optimistic about the rest of the year. For the overall portfolio. I think by the end of the second quarter, a little bit better visibility will be there because as you know, by the end of the second quarter, we are somewhere between 35% and 40% of full-year earnings. And therefore, it is a little bit more easier or a little bit more visible how it can be the rest of the year viewpoint. So we are not overly concerned about Q1 and remain cautiously optimistic about our prospects for the full year. Thank you.

Shekhar Anantharaman - *Olam International Limited - Executive Director, Finance & Business Development*

Can you hear at the back?

Abhijit Attavar - *Jefferies - Analyst*

Yes, hi, Abhijit from Jefferies. Just getting the horizon a bit longer and (inaudible) you also have targets of 13% to 18% ROIC from the upstream business, and 13% to 16% from the midstream business. Given the execution so far and given the performance you are seeing in all kinds of commodities, how comfortable are you in terms of reaching those targets and are there any midterm adjustments that you are going to make?

And secondly, under the NZFSU it does seem like it's a structurally challenged operation because you had problems with deals all along and the cost of mastering that. So what is the outlook for that business and how do you see that significantly changing for the next 9 to 12 months?

Sunny Verghese - *Olam International Limited - CEO*

So on the first part of the question, in terms of whether we will track to the guidance we given on the EBITDA to IC in the various segments. So there are truly the only upstream investment that has reached full maturity and is fully contributing is the almond plantations in Australia and most of our almond plantations in California, not all of them, which have got a fully mature phase, and there we can see very clearly that the EBITDA to IC is significantly higher than what we have guided.

So we would expect that as the coffee plantations mature and as the other investments upstream, palm and rubber mature, we will quite comfortably meet or exceed the guidance as far as upstream returns are concerned.

The only upstream investment where it is struggling is the one in Uruguay on the dairy side. Structurally, the market is still very attractive. I think most of the problems that we've had in Uruguay is really our own execution issues in the way we have executed the project. So if we get the execution right and the team has got two-year period to make that happen, and the early signs of for example -- the autumn calfing that we have done, the results are very -- the results are positive and so we feel that we are turning the corner.

But because of the lead lag impact of the changes that we make and how and when it will result in increasing of production for cow, or milk productions per annum, we will take some kind of lead-lag impact. So I think at this point in time, we are focused on getting the execution right and if we focus on getting the execution right, we should have a cost of production of milk in Uruguay of around USD0.32 a liter, USD0.33 a liter, compared to milk production in China where the cost is between about USD0.52 to USD0.55 a liter or India where the milk production cost is between USD0.40 and USD0.43 a liter, or in Russia where the milk production cost is close to USD0.50 a liter.

So Uruguay can be one of the most cost competitive producers of milk and because of the system of growing which is pasture plus supplemental feed and not 100% pasture, it is not 100% confinement, it is a pasture plus model with some supplemental feed and so if we get the execution right, then I think this will be a real advantage there.

But as of now, we have not executed that well, so we have to really keep focused on executing that better and we will take a call at the end of a two-year period as to what improvements we are making and whether we are able to achieve the outcomes that we had outlined in terms of the cost at which we can produce it.

And that gives us significant supply chain advantage because Uruguay in dairy products, today Russia, for example which is the world's largest importer of dairy products, has banned the import of any dairy products from the European countries and Western countries that have sanctioned it.

60% of Russian milk was imported from Europe. So that is all gone. Uruguay has a duty free import, unfettered imports into Russia. It gives us a huge advantage even if the issue surrounding the sanctions will be lifted and which we expect will happen and we don't think this is a permanent scenario even if it takes two years. But some point in time, it will get lifted. We will have a significant advantage being a cost competitive producer in Uruguay for the Russian market as well as for the Chinese market. So we are already shipping product from Uruguay into China.

The second big feature in terms of development is now we are investing in a processing plant in Uruguay. Now that will -- in our view, dramatically catalyze the value for this business. We have made a commitment for an incremental investment of USD80m in setting up a processing facility. We are at 200m liters of milk production. At full capacity, we expect to get about close to 300m liters, 290m-odd liters, when you get to that, you have the cost of USD0.32, USD0.33 and we will then be able to significantly add value because of the processing plant.

So the farming part might generate an EBITDA when it gets to the 290m liters of milk of between USD35m and USD40m of EBITDA. But the processing plant can actually can make another USD20m to USD30m of EBITDA for an incremental $80m investment so it dramatically changes the value of that project.

So we have to just stay focused on executing this. If we fail in executing it successfully and you give it a two-year timeframe, that is the plan, we will then be able to decide what choices we want to make going forward from there.

Abhijit Attavar - *Jefferies - Analyst*

Thank you and very quickly on the midstream assets, those will gestate and will commission very soon. The trend on those, are kind of fitting your --?

Sunny Verghese - *Olam International Limited - CEO*

So all of the midstream assets are performing as we expected and as they come on stream and as they get into full production, they are at or better than plan so that is not an issue, almost across the board.

Abhijit Attavar - *Jefferies - Analyst*

Thank you.

Rujun Shen - *Reuters - Media*

Hi, it's Rujun from Reuters. I note you earlier mentioned that you are looking at opportunities in -- for assets on the prioritized platforms. Would you be able to elaborate a little bit on what platforms these are and are we clearly looking for acquisitions opportunities or others?

Sunny Verghese - *Olam International Limited - CEO*

So the six prioritized platforms that we mentioned is edible nuts, secondly, cocoa, and third is coffee, fourth, grains, fifth, the packaged foods business and sixth is the spices and vegetable ingredients business. So these are the six prioritized platform.

We will also selectively invest in some of the other platforms but a disproportionate share of the investment will go into these prioritized platforms. You are referring to an announcement that we made where we said that we are continuing to focus on making selective acquisitions or selective greenfield investments and also divestments. So we had committed when we set out this plan in 2013 April that over a three-year period until 2016, we will release about SGD1.5b in dollars of cash through various portfolio optimization decisions that we are taking and actions that we are taking, as against where as Shekhar just reported, we have done 18 transactions. These transactions will generate about SGD948m of cash flow. So we are well on our way to achieving SGD1.5b release of cash.

So the announcement referred to what we are planning in terms of selective investments both organic and inorganic but also the divestments that we are planning and those are all under various stages of completion Shekhar gave you an update on GFC. So those are all at various stages of completion and there is no certainty that any of these things will happen and when it will happen, that is uncertain. We have not reached in any of these areas a stage where we are ready to sign definitive agreements but you know that for Olam it is business as usual. We do acquisitions, we do greenfield investments, we do divestments so every month of the year, that is something that we are doing in any one of these three areas. So it's business as usual and it's not something really unusual in that context.

We cannot be specific about the aspects of the specific investments that we are considering, the specific divestments that we are considering beyond what is already in the public domain like selling down of a stake in GFC. Beyond that, we can't be specific about individual actions either in the form of acquisitions or in the form of greenfield expansion or in the form of divestment.

Chanyaporn Chanjaroen - *Bloomberg - Media*

Chanyaporn from Bloomberg. Now, many commodity prices with the exception of a few have fallen to multi-year lows. How would that affect demand from the consumers and your margins going forward?

Sunny Verghese - *Olam International Limited - CEO*

Falling commodity prices generally stimulate demand and high commodity prices generally ration demand and that has always been the case.

The supplier responses for high prices in broad-acre row crops are almost immediate and fairly soon and therefore, any disequilibrium gets adjusted in a reasonably short period of time. For longer gestation crops, the supplier response on -- because of high prices takes more time for it to be brought to bear. So I think that our model is not really very predicated on absolute level of commodity prices. As you know, there is about between 10% and 20% of our total volumes that we supply that we have residual market price exposure and to that extent, we will be impacted but largely, our model is not creating these markets on an outright directional or price basis so high prices, low prices have limited impact, but to the extent of our residual exposures, we could be impacted.

Secondly, in low price environments we have lower working capital so our returns are better. In high price environments, as Shekhar mentioned in the confectionery and beverage ingredients segment, this quarter, we had a SGD1.2b increase in working capital because coffee is at a very high level and cocoa prices are also at a very high level, and those two are the two products in that segment and therefore, high working capital will be the consequence when there are high prices so the returns are slightly lower at that point in time.

So our portfolio has been structured deliberately to have and minimize the impact of price on our business. But demand will change. Demand for the industry will change, low prices -- if there are low prices in nuts or in any other products, the customers start promoting them because their margins are better because their ingredients cost, raw material cost are lower and all that stimulates demand.

Adrian Foulger - *Standard Chartered - Analyst*

Adrian Foulger from Standard Chartered. Just on the hazelnuts, can you just put some context on that? How -- what are the other big geographies in terms of producing? How does that fit in with the global supply situation? And where else are you positioned to participate?

Sunny Verghese - *Olam International Limited - CEO*

Yes, Turkey is the world's largest product of hazelnuts. About 72% of the world crop is produced in Turkey. Italy is the second largest producer. And there are a few other minor producers. Only about five, six countries around the world really account for almost of the hazelnut production. The maintainable hazelnut production in Turkey for the year is about 650,000 tonnes.

If we look at the last 10 years, the low has been 450,000, the high has been 900,000 tonnes, and this year's crop was going to be a good crop, closer to 700,000 tonnes, but with the impact of the frost, we now expect it to be between 480,000 and 500,000, closer to 480,000 than 500,000. So this is one of the low production years and the last frost that we had in Turkey was in 2004 when the production was about 450,000 tonnes.

Adrian Foulger - *Standard Chartered - Analyst*

That suggest that the follow-up question would and I realize you have to participate in this but why would you want to have or why would you be interested in a business where you are structurally short at a time when the frost is there, at a time when there's sort of high agricultural production risk.

Sunny Verghese - *Olam International Limited - CEO*

Typically in our cash traded commodities, there are two models we now have, We have almond, for example, where we are already plantation owners so we know what is the cost of production. So going short there is a good thing to do because you know your cost of production, you want to lock in your margins.

When you get a supply chain manager and you are sourcing from third parties, then you will always have a risk when you have a short position. But at the time the customers come into the market, before the start of the season and typically we go short just before the season. And at that point in time, on an average basis, we will commit up to a maximum of 20% or 25% of our anticipated procurement for the season on a short basis. The rest of the 75%, 80% of what we will do in terms of volume will be then across the season as the season is in full swing where your exposure is much more limited. At that time, we might be long, we might be short but for a very short period of time that there is good flows, there's good visibility of the flows, and therefore, there is not a risk.

What is at risk is you start building the book before the season starts because you do not want to lose a major customer who is in the market with covering its procurement requirements, you don't want to lose their account so you short that and you are predicating whether you will be 5% short or 10% short. In this particular case this year we are about 10% or 11% short of what our facility there can produce between 35,000 and 40,000 tons -- 3,000 or 4,000 tonnes short position would mean roughly being 10% and 11% short of the anticipated production.

But before we get into that short position at the beginning of the season, we will always have a very, very good view on the crop because we do the crop survey, we do our own supply and demand balance sheet projections on how that will look and we would feel comfort with the -- before we decide whether you want to be 5%, 10% or 20% short.

In all of that, what you will not be able to really predict is the sudden weather event of the kind that we had this year in terms of a frost which is -- not a predictable occurrence.

So there, if you do not have -- in a lot of the other commodities, we have alternative supply options and the contracts that at are multiple origins that we can supply at the seller's option. Whether it is in hazelnuts and almonds because there is concentrated production you don't have a capacity to really have the flexibility of offering multiple options. Therefore, your risk is slightly higher.

So we have now been in the hazelnut business for almost four years and we have been consistently profitable all these four years and therefore, it is a good business to be but you have this risk and therefore, you have to find a way of limiting and managing the risk.

The team believes that even with this frost event and the way we have started and most of that losses have flowed in through the Q1 period, through the year, we will be able to make up and claw back these losses largely on account of the fact that margins have significantly improved because of the perceived risk of default in the market and so we are almost at twice our budgeted margins currently as we go along the hazelnuts season is now in full flow. And therefore, they feel that they will be able to claw back some of the adverse impact of the short position that we started out this season with.

And on a risk-adjusted basis, we are roughly now 45% cash traded commodity, 55% futures traded commodities. If you look at our 25-year history, the risk return is far better in the cash traded commodities than in the futures traded commodities. Intuitively, this is a bit counter intuitive because at the end of the day, you feel in future sales commodities, you can hedge out your price exposure and but there are other complications in future sales commodities like a structured exposure so the market's inverted and your hedge you will have roll off as you roll your hedges forward.

So over a 25-year period, when we look at the relative risk return impact of cash versus futures, we believe that the cash traded commodities have less complexity and therefore over a long period of time, offers us better returns and we internally find ways of hedging it better than most other can because of our presence and that is the rule why we follow the rule in these cash traded commodities, we want to be in 90% of the producing regions for each of those commodities so we are in all the producing regions for cashew, we are all in the major producing regions for any of the cash traded commodities that we are involved in.

It also has now become a differentiator for us because most of our competitors don't do that. Their rule of portfolio selection is that it has to be futures traded before they are willing to consider including it in the portfolio. We like that kind of business and over time, we have established a good system for managing and mitigating the risks there and expecting the returns.

Hung Hoeng Chow - *Olam International Limited - Associate General Manager, IR*

If there are no questions, we would like to close this briefing and thank you very much for your participation. Thank you to the speakers for today.

Shekhar Anantharaman - *Olam International Limited - Executive Director, Finance & Business Development*

Thanks.

THOMSON REUTERS