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O32.SI - Q3 2015 Olam International Limited Results Briefing

EVENT DATE/TIME: MAY 15, 2015 / 2:30AM GMT

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PRESENTATION

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

Ladies and gentlemen, welcome to all of you this morning to our results presentation for the quarter that ended March 31, 2015. First of all, I would like to just point your attention to the fact that we have changed our financial year. The year-end is -- will end in end December instead of end June and because of that we are reporting the results for the quarter ended March 31, 2015 (corrected by company after the call) by naming it Q1 2015 as against the previous corresponding period of Q1 2014. So that's the first thing I will like to bring to your attention.

Let me then just go to the notice regarding today's announcement that it should be read with the other documents lodged with the exchange and the forward-looking statement. The change in financial year has been talked about and as before we are very pleased to have our senior management team present at today's announcement briefing to discuss the results and we are pleased to have our Co-founder, Group Managing Director and CEO of Olam International, Sunny Verghese, seated at the extreme left of the table; on his right is our Executive Director for Finance and Business Development, A. Shekhar, seated at the middle; and on his right is our President and Head of Corporate Finance, N. Muthukumar, you are already familiar with all of them; and myself Hung Hoeng from the Investor Relations unit.

So we'll go to the highlights of the announcement and the financial performance and the key takeaways, and all these will be presented by Shekhar. Without any further delay I will invite him up here to present you the results. Thank you.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

Thanks, Hung Hoeng, and good morning, ladies and gentlemen. Pleased to have you join us despite all the rain outside. And also pleased to report a very good start to our new financial year, the Q1 of 2015 wherein we see strong underlying performance across four out of our five segments and which was a very pleasing start to the year. We see EBITDA growth across all these segments except the Food Staples and Packaged Foods segment which I'll talk about in a short while.

So on an overall basis our operational PATMI which is the number that we track as an indicator of our operating performance, is up by almost 26%. When you look at the reported PATMI and there are two points we would like to call out, one was in the Q1 of 2014, wherein as you're aware there were two major exceptional items, one was a revaluation of the PureCircle investment in our books as well as the profit on the sale and leaseback of almonds in Australia.

There were some other items, but on an overall basis there was an exceptional one-off gain of SGD294m in Q1 of last year. Against this for this quarter in 2015, we have an exceptional loss, one-off loss of SGD97m, which was on the account of the buyback of bonds that we did. These bonds were issued as a rights issue, as you're aware, in early 2013 and were our most expensive bond issuance at almost 8%.

So in replacing these bonds, redeeming these bonds and replacing them with the shorter-tenor bonds as well as less expensive financing, we expect on a like-for-like basis almost a SGD55m to SGD60m per annum interest cost saving. So, obviously it was a right thing to do, but that meant that there was this one-off loss in Q1 this year, compared to a SGD294m one-off loss. But stripping aside both the one-off gain and the one-off loss, it is still a 26% operational PATMI for the quarter.

In terms of the balance sheet, the key highlights, the two things that all of us are focused on, one is the free cash flow which for Q1 is at a positive SGD120m, despite the investment in McCleskey of almost SGD225m that happened in this quarter on completion, as well as a divestment of the 25% stake which also got completed during this quarter which is also approximately the same value.

So, on a net basis we are pleased to show the positive turnaround in free cash flow, which has been happening over the last few quarters, but again underlining that for this quarter. This has got to be seen specifically with regard to the change from the previous period which was almost a SGD425m negative FCFF, so there was a big change. And even on the various other lines that we'll talk about shortly, you will see improvements across each of those lines that contribute to the free cash flow.

Net gearing is at 1.83, lower than the 2.03 this time last year and below the 2 times guidance that we have given and so pleased with that outcome also.

On the financing, a lot of activities over the last 12 months that all of you are aware of. If you look at the impact of the debt optimization that we have been doing, both on tenor as well as cost of borrowing, you can see that reflected again, it's been there for the last few quarters, but even for this quarter, we are at SGD123m compared to the SGD141m prior period. I already talked about the one-time charge, in addition to the buyback of bonds, we also issued new bonds in new markets, one in Japan and a couple of issuances in Australia and again you can see starting from the issuance that we started in July of last year, we have progressively improved and tightened our yield curve, populated it across different currencies, in different geographical markets in terms of investor profile as well as in terms of tenors. And that's something that we continue to do as we kind of re-price our overall bond yield curve.

In terms of initiatives, again based on the strategic plan announced in April 2013, we have completed now 20 initiatives which have generated a cash of almost SGD1b, a P&L gain of SGD125m, and an addition to reserves of SGD155m. I want to call out that the Sanyo Foods deal which was completed in Q1 this year, added SGD106m to our reserves, obviously because we continue to be a majority shareholder of 75%. This is not flown through P&L, but added to our reserves. And McCleskey Mills was again completed and pleased to report that the integration has gone very well and it's been fairly smooth market reactions, employee reactions, other stakeholder, grower reactions in the US, etc. have been very well managed and we are quite pleased with that in how it's progressing. And the activities on the closure of the ADM [Cocoa] (corrected by company after the call) acquisition are also progressing and our current expectation is that we'll complete it by Q3 of this year.

So that's the key highlights on the P&L balance sheet, strategic initiatives, financing, etc. Looking at it in terms of a bit more detailed P&L analysis, we have broadly an EBITDA which has stayed flat on a comparative basis compared to the previous period, with improvements in finance cost, depreciation and tax, which have led to the 25% or 26% improvement in operational PATMI. As I mentioned, reported PATMI has a difference on exceptionals. And there has been strong underlying growth across four out of our five platforms, which have led to the EBITDA being maintained despite the impact of currency which was again felt quite a bit during the Q1.

And as we had talked about in the -- when we had disclosed our December end results, there has been obviously a lot of volatility in currency, starting with the oil price impact, which has of course improved in the recent time. But with the US dollar strengthening across almost all currencies, we had a significant devaluation in most of our major markets. The impact on our exports businesses is neutral to positive, whereas the impact on our imports and distribution business is negative, especially because of reduced margins in the local prices taking time to correct itself.

And the three areas where, or three markets where we felt this most was Nigeria, Ghana and Mozambique, where we have significant parts of our business being imports and domestic distribution led. So, we had talked about the Nigerian naira in December. There was an incremental devaluation during this quarter of almost 18%. And Ghana which had -- was okay in the second half of last year, had again a very severe devaluation of almost 17% and Mozambique had a small devaluation. So put together, our estimate is in these three markets alone, for this quarter we had talked about an impact in Q2 of last year or Q4 of last year now in terms of the new financial year, and there was an incremental, our estimate of almost SGD12m in EBITDA because the currency volatility, currency devaluation in these three markets.

So notwithstanding that, which we believe is still something of a concern going into this quarter and next. We'll see how to manage that. We're on top of that, but there is an impact that we might need to contend with again in this quarter.

And the only other adverse impact that continues is the impact of Uruguay dairy farming, which is something that we talked about last time and said it's going to take us a couple of years to resolve. We are on course to making the operating corrections, but it's not something that's going to resolve in one quarter.

Notwithstanding this negative impact of the devaluation in these three markets and Uruguay, most of the other businesses have performed fairly well and are on course for the rest of the year.

Looking at a snapshot of our EBITDA, obviously EBITDA is like as I mentioned, is flat. Our balance sheet is also pretty much flat, so in terms of overall, there was a decrease in fixed capital because of the divestments that have been done compared to last year this time. And there's a small decrease in working capital also based on all the activities on the receivables, etc. that we are doing to continuously optimize. It's also been aided by lower prices in this quarter compared to last year this time and coffee prices and cocoa prices had gone quite high, so there is an impact of price also in the working capital that we should keep in mind.

On the segment analysis -- so on the Edible Nuts, Spices and Vegetables, it's been a very good quarter. It's certainly been a lot of tailwind because of almond prices which impact our upstream margins both in US and Australia. While the markets are firm, obviously that's not something that can continue in the long term, but at this point in time we are very friendly to almond prices. The US Spices and Vegetable Ingredients business also did quite well and continues to perform.

On the peanut side, I already talked about the US peanut integration that's happened in the first quarter. So the US business looks well set, both our existing ingredient business as well as the new shelling business that we have acquired, but the Argentina business has a lot of headwinds, there is lot of pressure on peanut pricing, competitiveness of Argentina peanuts and that's something that's a bit of a concern in this segment.

And from an invested capital perspective, net of the acquisition, we have reduced total capital deployed in this segment. A lot of the excess inventory that we're carrying this time in tomatoes last year, the closure of the Nigerian cashew business, etc. have also brought down some of the inventory which was not really yielding as much as we would have liked. And so on an overall basis, both in terms of EBITDA, which has been quite positive in this quarter, as well as the balance sheet we feel quite comfortable in this segment.

On the Confectionery and Beverage Ingredients, again fairly steady growth volume and contributions from both cocoa and coffee which are really what compose the segment. Coffee prices have been under pressure over the last few months, as all of you might have noted and they've dropped almost about 20%. It has caused some amount of uncertainty and illiquidity in the markets and we're watching that carefully, although in our opinion that's over-done because of not so much because the demand/supply factor that we see, but because of fund activity in the marketplace. But we hope that that is something that will improve over the coming quarters. And again here, invested capital has come down compared to, or actually has gone up in this quarter compared to this time last year, both on account of volume as well as average prices for the quarter, while coffee prices in this quarter have fallen but compared to this time last year, they are still -- average prices are higher.

On Food Staples and Packaged Foods, obviously a lot going on here and there are six platforms in this segment and the grain business, both Russia as well as the wheat milling in West Africa, the rice distribution, the sugar, dairy supply chain businesses are doing well. So while overall EBITDA for this segment has fallen, but there are parts of the businesses which are doing well. There have been pressures primarily led by the impact of Nigerian naira, Ghana cedi and Mozambique which has been felt on the import distribution which impacted the PFB business, part of the rice business and certainly the palm business and palm distribution business in Mozambique. And these are areas which have pulled down the EBITDA for this segment apart from the Uruguay upstream farming that we talked about.

So we do expect that this segment will continue to be under pressure during this quarter and next quarter, but hopefully during the Q3 and Q4, we would see most of the parts of the affected businesses getting under and for this segment to start kind of looking up again. But for the moment, this is probably the only segment which has not grown, not probably, this is the only segment that has not grown for this quarter and we are working on all the various areas that I pointed out.

Invested capital has come down and variety of activities as well as drop in prices has led to the impact on both working capital as well as some reduction in fixed capital because of some of the balance sheet optimization that we have done especially in the dairy sector.

The IRM sector, reasonable performance, EBITDA grew by about 5%, balance sheet size come down a bit, both in terms of working capital as well in terms of working capital. Cotton and the restructured wood business have performed well. We have actually reduced volumes in our fertilizer trading. The SEZ business where which is non-associated where we have dropped our percentage share last year this time, has also come down a bit, and rubber has been under some pressures in terms of pricing and obviously there our upstream rubber plantation is still not yielding. So in overall terms fixed capital has gone up in terms of what we have put into rubber, but the cotton and timber businesses look well positioned for this quarter as well as going forward.

You would have seen also what's not mentioned on this slide is the CFS business which has had an improved performance this quarter and we will, touch wood that that continues in the coming quarters.

Moving on to the balance sheet, I guess this probably slide conveys a large chunk of activities that we have been engaged in over the last 12 months and certainly in terms of this quarter also. So if you look at the uses of funds, our working capital is pretty much flat and so is our fixed capital, net of our investments and divestments during this quarter. The cash has come down quite significantly and this was used up in the buyback of the bonds, so if you see the long-term bonds, there has been a big change from SGD7.2b to SGD6.5b, which is a net sum of both the bond buyback as well as the new bond issuance. So that has brought down the overall average tenor of our mix and obviously the cost of the mix also and the short term borrowing stays pretty much constant where we have a lot of unutilized capacity, which we always like to maintain for any move in prices.

So on an overall basis, the two things that we have been signaling over the last four quarters and working very hard at, which is really optimizing our debt portfolio both in terms of addressing the right tenor as well as cost of borrowing, and both even in this quarter there has been quite some progress that I mentioned earlier.

On the cash flow, on all the lines, and finally cash flow will be dependent on price and we have had some positive impact of price in this quarter, but that notwithstanding, at an operating cash flow level, in terms of working capital level, in terms of net divestments and investments, at every level we have improved cash flows, so directionally from a net operating cash flow, from a minus SGD500m we have moved to plus SGD200m, at a free cash flow to firm, to a plus SGD120m versus the minus SGD24m, SGD25m and on a free flow cash flow to equity, at a minus SGD57m compared to the almost SGD570m negative in the previous period.

So on all the lines that we can control we are focused on and quite pleased to the progress and obviously the price card is something that stays away. I should call out that this number might change by the end of the year when we complete the acquisition of ADM [Cocoa] (corrected by company after the call) and that will have a one-time impact on free cash flow, but we are quite sure that the operating free cash flows and the overall discipline that we initiated both on working capital and fixed capital, both initiatives will continue to remain and any impact of the ADM [Cocoa] (corrected by company after the call) acquisition we will be able to reverse in the next year, in the next period.

Gearing is well within the boundaries we have set for ourselves at 1.83 times and compared to 2.03 this time last year which was a bit elevated because of the coffee and cocoa price increases that happened at that time. So quite pleased with where we are right now and again, this will have a leg up when we complete the ADM [Cocoa] (corrected by company after the call) transaction, but again we expect that in the next year we'll be able to bring it down back again below the 2x which is our guidance that we have given.

There is ample liquidity. I had talked about the unutilized bank lines. Current commodity prices are also friendly to working capital utilization and so quite comfortable with our liquidity position.

So overall, it's been a good, strong underlying performance for Q1, the new Q1 of our new financial year which is now our calendar year and we have therefore three quarters to go. So it has to be put in perspective, there is still a long way ahead before the year ends, but it's a good start. We're pleased with the all-around performance with the four segments showing EBITDA growth and the area where there has been a de-growth we are also focused on correcting the key issues there.

We stay focused on executing the strategic plan initiatives, completed two major transactions which impact two of our large prioritized platforms, the nut platform as well as the PFB platform. We are on our way to complete the transaction for ADM [Cocoa] (corrected by company after the call) which impacts one more large prioritized platform for us and we stay focused on optimizing our debt portfolio and ensuring that we get the right tenor and cost mix on our debt portfolio.

We are backing growth; we are not ex-growth. We have done things in Q1 and continue to do that during the rest of the year. And clearly there is commodity price volatility, there is currency volatility, there is macroeconomic and geopolitical volatility that we all are very concerned with and will need to navigate carefully. So while it's been a good Q1, but we are focused on ensuring that we stay that way during the rest of the three quarters.

Thank you and we'll take your questions.

QUESTIONS AND ANSWERS

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

Thank you, Shekhar. It's question-and-answer time. If you have a question, can you raise your hand and take the microphone from one of our colleagues and state your name and your company. Thank you.

Nikhil Bhandari - *Goldman Sachs - Analyst*

Hi, this is Nikhil Bhandari from Goldman Sachs. Couple of questions. Firstly, clearly Food Staple and Packaged business has been a drag on your EBITDA, not just this particular quarter, but even if you look at last two or three years, the EBITDA has not grown overall and that division has clearly been a drag. So just would like to hear, are we -- on a seasonally adjusted basis, have you already seen the worst in this particular quarter or is it going to go more lower or things will be better from here?

Secondly, in terms of impact of El Nino to the overall Olam business, how positive or negative it could be?

And finally, the nuts prices have been a big driver to your edible nuts division performance. Outlook on the nuts prices, not in the near term but over the next one or two years, do we still see nuts prices growing from here or maybe staying flat, at some point getting more flattish? Thank you.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

So taking your first part of your question vis-a-vis the Food Staples and Packaged Foods segment, we have multiple products there, first is rice, so the EBITDA in the rice business has grown even in this quarter and that business is doing quite well. The second is grains, in grains as you know as Shekhar mentioned we have a divestment story in Australia which has deliberately reduced volumes. The milling business and the other trading flows which is really our Black Sea origination business, Middle East destination marketing business is doing very, very well. So the grains business overall is also doing very well.

The two businesses that are underperforming are one, the Uruguay dairy farming operations, the dairy overall has got an upstream business in Uruguay and Russia and it's got a supply chain and trading business which includes the midstream processing assets in New Zealand and Malaysia. The supply chain and the midstream business are doing very well. The upstream business in Uruguay is the one that is dragging the segment down and that we see will have continuing profitability issues for the remainder of this financial year, I'm talking about the new financial year going until December. Various measures are being taken to arrest the decline and recover the operation and that you will start seeing the results only from the following year. So we've submitted and got approval for a two year revival plan for the Uruguay dairy farming operation that will include 2015 and 2016 which would be the turnaround year for us as far as Uruguay dairy farming operations are concerned.

The Russian dairy farming operations are doing well now and we expect that to strengthen going forward despite the weakness in the Russian ruble, because most of what we are producing in Russia in the farms there are being sold in the domestic market. So really we should be doing well on the Russian side in the dairy farming operation.

The last part of that business is really the packaged foods business. We are significantly improving our market shares in that business across all the participating markets that is in Nigeria, Ghana and MNBBT and which is Mali, Burkina, Faso, Benin, Togo, Niger that region, across all the seven categories in the packaged foods business. The real headwind in the packaged foods business is it's an import business into these African markets and because of the currency devaluation and the lead lag of local prices taking some time to adjust to the devaluation, we are having currently headwinds.

However, the underlying business in terms of sales and market share gives us confidence that this will be a very valuable business going forward once the temporary issues about currency devaluation impact of that, because when currency devaluation happens we can take price increases, but it is with a lead lag impact and so we will all be raising prices at an appropriate time and that will hopefully restore margins in that business. But underlying business is doing very well and this is just the one-off.

Moving on to the second part of your question which is edible nuts complex, as you know, in the edible nuts business we are currently in four nuts; cashew nuts, in cashews we see now a slightly bullish cycle, so we can see kernel prices gone up, we have kernel prices, bunch kernel prices are moved from $3.45 a pound to now about $3.70 a pound. We're seeing some tightness in supply. We're seeing quite a bit of short covering that is also pushing these prices up. So cashew I think short medium term, we are quite friendly. We already believe - it's also one of the cheapest nuts now amongst the category of noble nuts. I'm excluding peanuts from this comparison, but if you look at all the noble nuts, the expensive nuts, cashew is probably comparatively, relatively even today, even after this price rise, one of the lower priced nuts.

Almond is trading at a historical high, largely on account of the production in the US, which accounts for 80% of world production. The US production is estimated to be about 1.85b pounds compared to a little over, almost 2.1b pounds the prior year. Given the drought situation in California, prospects for a better crop next season is also quite low. So I think we will see structurally the market price to be higher. Obviously these high prices will ration demand and we will see some sort of equilibrium will be restored. But right now, prices are quite high with prospects of further upside to these prices.

As for hazelnuts is concerned, again we are seeing lifetime high prices. As all of you know in the past quarterly briefing also we mentioned to you that because of the frost issues in Turkey, we have seen hazelnut prices because Turkey produces almost 70% of world's hazelnuts, going through the roof. Today it's trading at almost TRY39 per kilo, that is a phenomenally high price. We expect there will be some further upside because there is really very little pipeline, the pipeline is very dry and therefore before the next crop starts, there will be very little inventory to service ongoing demand. So although the prices are at a lifetime high, we still believe that there might be some moderate upside to where those prices are today.

Pistachios, although we are not in the business at the moment, but it's an adjacency that we'll be looking at very actively getting into going forward. The prices are quite high. Walnut prices have declined because of increasing production in China. China is relatively new but a growing producer of walnuts. And China has lowered walnut prices as a result of the excess supply that's come out of China.

But overall -- and then we come to peanuts which is a very different category from all of this. So peanuts we see excess supply. In the US alone the official statistics is that peanut acreage has grown by about 9% relative to cotton acreage and corn acreage, it has taken cotton corn acreage. So if you look at the farming economics today, cotton producers are roughly losing $14 an acre, corn producers are about breakeven, peanut unirrigated producers are making up $78 per acre, and irrigated peanut producers are making about $220 per acre and largely driven by the Farm Bill which favors peanut, but also because the US has become very competitive in peanut production due to the launch of a fairly revolutionary variety that they have sort of all adopted two years ago, dramatically increased productivity and as a result of that, and the Farm Bill, US peanut production has been oversupplied. So the market is really oversupplied.

And similarly Argentina, because of favorable weather conditions has also increased its crop by almost 20% this year. As a result of all that -- and even China has increased acreage in peanuts, and as a result of all of this, the peanut prices are under serious pressure. So peanut prices are trading in a down cycle. So most of the noble nuts are up except in walnuts, pecans is also up. The common man's nuts, which is peanut, has got an oversupply situation and prices are declining.

Okay, El Nino, we'll have to wait and watch. We are clear that the probability of El Nino and probably a severe El Nino has increased, but there is still some way to go before you can be fairly sure that we will have a strong El Nino, but I think the probability of moderate to a severe El Nino has increased over the last few weeks. So we are watching this like a hawk and we will see what happens. It will have basically broadly two kinds of impacts, in the southern hemisphere that includes Australia, for its corn, wheat and sugar we'll see significant declines in production and productivity if it's a severe El Nino. And also in parts of Indonesia and Vietnam, for example, where we do coffee, we would expect decline in production and lower rainfall. In some other parts of the world, we would expect increase in rainfall and increased production, but I think by the time we meet here next time or even before that, things will be much clearer on the strength of the developing El Nino situation.

Nikhil Bhandari - *Goldman Sachs - Analyst*

Thank you.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

Thank you.

Patrick Yau - *Citi - Analyst*

Hi, Patrick Yau, Citigroup. I just want to maybe understand the balance sheet structure a little bit more, because if I look at the changes in debt between March and December, I mean over here it seems that the bond has been repurchased has actually reduced long-term debt, but I don't see a corresponding increase in short-term debt. So the question is actually whether the financing which is the replacement of $750m for shorter-term duration debt, has it actually been reflected? First question.

The second question is on the financing strategy around as you close the ADM [Cocoa] (corrected by company after the call) transaction. Now how is that going to change the debt profile in one to two quarters ahead?

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

So the first thing is I think the missing number you're looking at is in the difference in cash. So we had beefed up our cash to buy back the debt in the first quarter, so you see a difference from SGD1.8m to SGD1.2m. And there was issuance of the Australian dollar debt as well as the small issuance we did in the Japanese market. So that's how that got fully funded.

Talking about plans in funding the new acquisition, we are -- if you look at -- we have already, even after the buyback of the bonds, quite a lot of medium-term debt still serving our short-term working capital. So if you see the number, roughly SGD6.3b of working capital which we are using only SGD2.7b of short-term debt. So that's an extra negative cost that we are bearing today. And we would expect that to change. A lot of the ADM ADM [Cocoa] (corrected by company after the call) acquisition almost $750m to $800m will be working capital and which we would expect to be covered by short-term debt for which we have lot of unutilized capacity already. And we'll have probably about $500m odd again in terms of fixed capital that we'll be buying, for which we already raised the medium-term debt.

So in a sense you'll see a larger increase in our short-term debt at that point of time, and maybe we'll of course keep a look at the market and we tap the market opportunistically in case we see any gaps there or any opportunities there. But otherwise we are at this point of time quite well positioned even with what we have to be able to fund those acquisitions fully.

Patrick Yau - *Citi - Analyst*

If I may just a quick follow-up. So the integration of the ADM which is very working capital intensive together with your own cocoa business, you put that together but you've already done the financing for the fixed asset element, that would suggest that over the next two quarters your gearing ratio will remain comfortably below 2 times.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

No, I think when we announce the transaction, ADM transaction, we had already completed, we had already announced the MMI transaction as well, the peanut sheller as well. So we had at the time of announcing the ADM transaction projected to you that our net debt equity gearing will go up to 2.33 times on completion of these two transactions. But we see that as temporary and within a year, it will come down to below 2. So we expect our net debt/equity on completion of these two transactions to go up, above the 2, but we expect it to come back below 2 based on the cash flows that we'll generate at the end of the first full year of integration of both these transactions.

Chuck Spencer - *Morgan Stanley - Analyst*

Chuck Spencer from Morgan Stanley. Just a couple of questions from me following on the nuts point. Can you talk about the impact of the drought in California on your business and the potential increase in cost that could come from pricing water there and how that might impact your nuts business as well as your spices business first. Thanks.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

So firstly, the California drought situation is quite severe. We are in the fourth year of the drought in California with no signs of a respite. It does not mean that California has not been through similar drought periods in the past, this is not an exceptional drought period, it is a severe drought, but California has gone through this if you look at the last 100 years five or six times. So it is that.

It's also fair to conclude that water situation in California including water situation in Australia are all getting more and more difficult over time due to the impact of climate change and everything else which we've talked about in the past.

However, we do not see a real substitute for any other country emerging to grow almonds in the place of California. California produces 80% of the world's almonds because of specific agro-climatic conditions that it has. Almonds is a very finicky crop, it cannot be grown if temperatures dip below zero degree centigrade and it will have issue with the bloom, it will have an issue with the way the hulls split. So it needs mild weather. At the same time it needs contrasting temperatures between daytime temperatures and nighttime temperatures. It needs certain kind of wind speed, the bees which will cross pollinate, it's not a self-pollinating plant. The bees do not fly if the wind speeds are above 25 kilometers an hour. The bees will not fly if the temperate is below 15 degrees centigrade. So there are a lot of factors that result in California remaining, even if there was a drought, the most important producer of almonds going forward.

However, there is a lot of misinformation about how much water almonds use related to other crops. So California today uses about 81m acre feet of water. Almost 50% of that water is now allotted to environmental purposes to preserve specific species of fish and other things, which was not there 10 years ago. All of these regulations came in the recent past, most of them in the last five, six years. Almost half of Californian water today, 50% goes into environmental reasons. Of the balance 50%, the press article showed that almond uses 10% of its water, actually it's only about 3% of its water.

Now the only reason why California wants to stop growing almonds is if people stop eating almonds. But almonds is extremely healthy in terms of its nutritive value. We have now seen about seven epidemiological studies, large-scale epidemiological studies in US and in Europe, which show that if you a two week serving of almonds, and a serving here is about 23 grams, you will significantly drop your LDL cholesterol, which is the more harmful cholesterol, a marked drop in LDL cholesterol, it's not glycemic so for diabetic patients if you do a post-prandial sugar test after you had a meal which had some almonds in it, you will see your blood sugar levels actually come off. It has got potassium, about for every serving about 160 grams of potassium, about 60 grams of magnesium. All this potassium is an electrolyte, magnesium helps in the pumping of the heart muscles. So it is in some sense wonderful. So those of you who are not eating almonds, I strongly urge six almonds at least minimum a day. It will change your life quite significantly.

Almond consumption is growing at between 8% and 10%. High prices we think will ration the demand somewhat, but even if almond demand grows at 4% and 5%, a lot more almonds has to be produced. And the only places you can produce it is, the US, Spain, Australia and a little bit in Italy.

Chuck Spencer - *Morgan Stanley - Analyst*

And on water pricing in California.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

Yes, so there are two kinds of water in California, one is surface water and one is groundwater. We today in all our acreage that we own, everything is from groundwater. So we have two issues there. One is the aquifers are sort of drying out. So you have to go deeper and deeper to get the same quantity of water. In the past we could dig a well and get water at about 600 feet, now it is 1,200 feet. We were spending about $240,000, $250,000 digging a well, now we're spending about $560,000 digging a well or $600,000 digging a well.

And the more deeper you go, the water becomes more -- there is more salinity to that water, so the water can't be used as such, it has to be treated before it's applied. That increases our cost. But it increases cost for everybody.

Groundwater today in California is not regulated. Groundwater in Australia is regulated. We believe that California at some point in time in the near term will follow probably Australia's lead in regulating groundwater. Surface water is already regulated. And this year because of the consecutive fourth year of drought and the severity of the drought, the allocations from the surface water has been 0% this year.

So I think the Californian water market will develop and become more sophisticated like the Australian water market and I believe there will be a deep temporary water market and a deep permanent water market like in Australia and that's just a matter of time before that happens. So I think we'll all have to pay a lot more for our water, whether it's in the US or whether it's in Australia and therefore we'll all have to be prepared to pay more prices for almonds going forward.

Chuck Spencer - *Morgan Stanley - Analyst*

Okay, got it. So you pass it through.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

Yes.

Chuck Spencer - *Morgan Stanley - Analyst*

The other question is -- and actually I love almonds and chocolate and coffee.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

Okay, thank you.

Chuck Spencer - *Morgan Stanley - Analyst*

The other question is on FX, Shekhar you sort of alluded to another FX cost coming up in the subsequent quarter, but I'm surprised because I thought that Nigerian currency had begun to stabilize and maybe this was going to be more the past two quarters and we'd see less of this impact going forward.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

Let me correct if I miscommunicated that. So, we think that the oil price increase in recent times as well as the stabilization of the political situation in Nigeria are both positive factors. And the new government is expected to take charge end of this month on May 29. So we think that a peaceful political transition as well as improvement in oil prices is both positive regarding Nigeria.

The impact of the 18% devaluation which happened sometime in February, however, is going to continue through Q2, because the lead lag in pricing and the situation is still not fully resolved. So we are hoping that at least the Nigerian situation will get resolved shortly, but we would expect some part of that impact likely in June.

There is also some talk if you hear the market about a potential further devaluation to kind of balance books, etc. Who knows that what happens there, but I think for whatever we are seeing, it's far more positive than what it was in the previous two quarters.

The Ghana cedi situation is a little bit different and we think that there could be a little bit more devaluation there. Ghana has gone through last two years of turmoil starting from something like GHS2 to a dollar, they went up to GHS4, came down to GHS3.20 and now back up to GHS3.60, GHS3.65. So that situation is a little bit more volatile, but Nigeria seems to be headed in the right direction.

Nirgunan Tiruchelvam - *Religare - Analyst*

I'm Nirgunan from Religare. My question is what would be the net impact on the profitability of your business of a further depreciation of the relevant currencies in your business against the US dollar?

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

Firstly, welcome back, Nirgunan, nice to see you back. Secondly, it's very difficult to give you a precise number on what the impact on the bottom line will be, because we can't forecast how much these currencies will depreciate. So there are, as we mentioned in the last quarterly briefing, three kinds of transmission impact on currency devaluation on our profitability.

The first is on our export business. So, in all of these producing countries, our export business becomes more viable and the margins improve because the currency has devalued. So that's a positive impact.

The second is a negative impact which is on our import business where, when currency devalues, we are not immediately able to raise local prices in local currency terms. There's a lead lag impact which is what we are now talking about and seeing the impact of that in terms of the SGD12m that has been quantified for this quarter and also the losses that we incurred in the first quarter.

The third kind of transmission impact is a translational impact that is when you restate all your assets and liabilities you will take a translation loss. That's not a cash flow loss, that's a translational impact.

The fourth is if any of this devaluation results in any impairment, there will be a loss in the balance sheet in terms of the asset values. So there are these, basically four kinds of impact.

In some of our businesses, in some of these countries we have more of an export portfolio which will stand to benefit. In some of these countries we have more of an import portfolio which will stand to suffer. But we believe that the suffering will be cyclical because we can adjust prices, but we can adjust prices only with a lag. And we can only adjust prices when everybody is willing to adjust prices. A lot of us will be holding stock that is fixed at the old currency levels so we will probably sell that at existing prices before we start putting up prices. But we can't put up prices on our own, unless we've got a significant, dominant market share then everybody will look to us to lead in increasing prices and they will all follow suit.

So we are seeing the impact of the lead lag in terms of the issues that Shekhar mentioned and described. So to give you some sense of what will be the impact on our bottom line, on an aggregate basis, without making assumptions of which currencies will devalue by how much, what our mix in those countries would be is difficult. But every quarter when we explain the results to you, we will try and identify what was the impact of currency.

So if we had only an import business, probably our losses would have been higher. Because we have a portfolio which is diversified with both exports and imports and the way we create hedges internally in the Company, I think the impact on us would be slightly more muted than otherwise.

Louis Chua - *UBS - Analyst*

Hi. It's Louis Chua from UBS. A couple of questions. So I just wanted to clarify again on the almond situation. So basically what you're saying is that the impact from the higher prices will more than offset your potential increase in cost and potentially also the lower yield of your own plantations.

And secondly, in terms of the -- I think there was an extension in terms of the EU regulatory probe into the ADM Cargill sale. So would there be any potential impact that will be dependent on the outcome of that for your transaction?

And finally with the change in the year-end, is there any change in how we should look at the long-term targets that you had previously set.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

On the first part of your question, yes,these are exceptional margins and returns in the almond business today because of very high prices. I don't think it's prudent to extrapolate that these prices will last forever. But I think the important thing, when we go upstream in plantations is that we want to have s really low cost structure. And therefore, even in a deep down cycle, when almond prices turn and go southwards, we should have a cost structure below that marginal cost of production which means we will be viable in a down cycle but we will be very profitable in an average cycle and spectacularly profitable in an up cycle.

It is also true, the second, related part of that question is that whether we will be able to pass through these increased costs. US is the cheapest producer of almonds in the world. It is a marginal-cost producer. We have a very cost-competitive cost structure because, in addition to our direct costs of production being very, very competitive, we've also now sold and leased back our almond assets. I think four out of the six -- five out of the six properties we have sold and leased back. We've got only one property to sell and lease back. That makes our returns exceptionally strong. So we are very well positioned.

But if water costs go up -- and it will go up and there will be other cost inflation as well. Wages, for example, in the US is really one-third of the wages in Australia for the same almond operators in different parts of California versus different -- I'm not talking of an emerging market versus another developed market. But just between Australia and California, Californian wages in our plantations and orchards are at about $10 per hour compared to $32 that we're paying in Australia, a huge difference. I think Australia wages should moderate and California wages should go up, but we believe that those costs and increased water costs cannot be passed through. So that's the first part.

The second part of your question on the ADM cocoa acquisition and the status of regulatory approvals, we have received regulatory approvals from several jurisdictions. The big one that is left is the EU. And you alluded to EU doing a more detailed investigation on Cargill's acquisition of ADM's chocolate business. But the EU has not said that they're going to do any detailed investigation on our asset, on our proposed acquisition. So we have made all our final submissions. And it is in public record that the EU will let us know by June 10, I think, about their decision with regard to approval for this transaction.

On the third question was about --

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

Okay, with regard -- there is really no change in the way we are operating our business or our strategic plan objectives or strategic initiatives that we are launching. So the change in year-end would mean that the financial year-end of 2016, which was where the strategic plan was focused on, will end in December instead of June. But we don't expect any change in how we are running our business or change in any of our objectives that we laid out in the strategic plan.

Louis Chua - *UBS - Analyst*

Thank you.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

Thank you.

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

Yes, at the back.

Abhijit Attavar - *Jefferies - Analyst*

If I just take the interest cost of about SGD123m for this quarter, that's about 5.5% annualized. So if you normalize the short-term, long-term mix, shouldn't this stand closer to 4%? And how soon do you expect those interest costs to normalize?

Second question is, we used to have that nice chart about mid-stream, downstream and how they would eventually gestate and otherwise it will improve. This quarter we haven't seen that. So your target was FY 2016, which I'm saying December 2016, can we expect those ROICs to tend closer to 13%-odd as against 10%, less than 10% we are seeing now, or do you think those dynamics we are seeing and we have to soften those expectations?

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

Okay. So taking both those questions in that order, first as far as the interest cost is concerned when you look at the mix of medium-term that is still so the only long-term borrowing that we could -- anything that we could call back, we have called back. And the rest are due starting 2017, 2018, going up to 2022. So those are not callable and therefore those costs will remain, those higher costs will remain during those periods. And it is between 2017 -- there is a chunk coming out in 2018, a small bit coming out in 2020 and 2022. So that will ease off and we can replace that with similar tenor at lower costs somewhere during this period, assuming like for like and no -- balance sheet doesn't increase overall.

So I would think that, over a period of -- on an immediate basis whatever we could have done in terms of our RCFs, in terms of our medium-term borrowing, we've done most of it in the last 12 months. So significant change on a quarter on quarter or year on year will now start really flowing through post 2017 and 2018. And that's how you should look at it and not a continuing improvement in this trend line.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

And the better way to compare it is really looking at the spreads because we can't be -- we won't be able to predict exactly where treasuries are going to be a year down the line or two years down the line. So whether we'll hit the 4% weighted average cost of debt might be difficult to forecast or even predict. But that our spreads on one year, two year, three year, five year, ten year, what it was pre the VGO, what it is now post the VGO, that credit has really been significantly re-rated, so our spreads have all come down. So I think if we are clear on how the spreads are coming down, then based on whatever is the SIBOR or LIBOR or US Treasury is trading at, we will know what the absolute interest rates will be. That trajectory is definitely down.

Then, as Shekhar said, based on when we can -- today if we could buy back all our bonds and refinance at the lower rates we'd do it. The first opportunity we had was the $750m, 6.75% five-year bond. So we have done that. So whenever those come up for maturity we will definitely buy all that back. Yes. On the second part --

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Abhijit Attavar - *Jefferies - Analyst*

On the ROIC, it's on the ROIC.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

ROIC, so firstly the value chain we normally provide once a year, at the end of the financial year. And if you saw the recent announcement we made, we have provided for December 2014 in terms of value chain. So we have never provided it quarter on quarter and hence, therefore, this quarter obviously. And especially for the value chain if you have a harvest once a year, there's no -- quarter on quarter doesn't really make sense.

So as we stand today, we don't see any change in the guidance that we had given for the three segments. So, as you might remember, for -- in FY 2016 we had said that our supply chain is going to be between 10% and 13%, and we are pretty much tracking that. And that's been there even for the last couple of years.

For our upstream plantations we said we can get between 15% and 18%. There are some parts of upstream which have come into full maturity, like the almonds, etc., we are probably today tracking much above that, also because of the impact of prices. So wherever we have got into maturity already, or expect to get into maturity, we will get there in 2016. We don't see any issue in meeting that.

But there is parts of our palm plantations that we've invested in, the rubber plantations, some part of the coffee plantations and certainly the dairy upstream in Uruguay which will not hit this number even next year.

And then the last part, which is the midstream where we expect it to be between 13% and 15%, again most of the midstream assets that have come into play or are -- reached their expected capacity utilization, we are hitting those numbers.

So directionally those guidances that we'd given for FY 2016 for each of the value-chain segments we feel quite comfortable about. But there will be parts which will remain in gestation even beyond 2016 which will therefore -- there will be a set of investment in midstream and a set of investment in upstream which would not be expected to hit their full potential as per our guidance.

Abhijit Attavar - *Jefferies - Analyst*

Right. Because if I just look at those numbers, you should be, in two years from now, doing more than SGD300m, SGD400m of EBITDA from here incrementally. Is that a fair assumption to make?

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

That's for you to make a view on. Like we said when we gave you guidances, we would expect you to model --

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

Work out --

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

Model it and take your range of pessimistic to optimistic. We are quite comfortable with the guidance we have given and that we'll be in that range across all three segments.

Abhijit Attavar - *Jefferies - Analyst*

Yes. Thank you.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

Yes, Patrick.

Patrick Yau - *Citi - Analyst*

I just have a follow up. I'm just trying to understand the Food Staples and Packaged Food dynamics. So we were given an update in terms of how currency is impacting that segment and how you're streaming down volumes. When I look at margins, either in terms of margins per tonne or EBITDA margins, actually you're reporting better margins. So help me understand what's going on there, because you've got a segment which is doing tough, but there's something that's actually still doing strong.

And your guidance is that the impact of currency will still last for a while. And as you adjust those prices, then maybe the volumes that you can do in terms of the import-bound business is going to have an impact. So are we to take the first quarter of 2015 as fairly exceptional, but the real impact in terms of the adjustments that are yet to come is not really yet felt in the Q1 type of metrics?

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

Some of the reasons that you're seeing margins improve, say, for example, in the grains business, we've gone out of the Australian trading business, which are lower-margin businesses, and grown our volumes in our milling businesses in Africa which are higher-margin businesses. And therefore the margins, as a result of change of that mix, in that business has improved.

Similarly in the sugar business -- which is another thing that I forgot to mention, is part of that platform -- we have moved to a very asset-light model where our margins are better. So that is a part reflection of that. And the sugar business is not impacted by currency because we're not really selling sugar into Africa; the markets are very different where we sell those sugars into.

So the businesses where we've seen the maximum impact, where we've not been able to raise local prices because of currency, is mostly in the packaged food business. And that is why I tried to distinguish between the other businesses within that portfolio.

So I think one part of the improvement in margins is the way the packaged food business, food staples segment has been restructured in terms of participating in some flows and not -- exiting some of the other flows. And that is helping in improving margins per tonne there.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

So I think, if I just add on to that, the margin is defined as EBITDA per tonne that you're looking at, which has improved. The biggest tonnes which have disappeared from this segment is in the grains side and that's significantly -- even for the same EBITDA, that's significantly improved the EBITDA per tonne, so a large part of the pure grains-trading business that we've now cut out. And, if you see, a big chunk in the volume drop in this segment which is also given, is on account of that. So that, I think, raised EBITDA per tonne even on lower EBITDAs, because the tonnage that has gone out from the grains business is gone.

The second part is really the EBITDA negative, adverse impact within packaged food and the upstream dairy, which are not large-volume categories. And the large-volume categories are all showing much better EBITDA per tonne.

Patrick Yau - *Citi - Analyst*

If I may, even on regular EBITDA, right, relative to revenues, you've still improved.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

Relative to revenues if you take now EBITDA margin --

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

Yes, you're taking EBITDA margin --

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

There you see the price fall across sugar, palm, grains are almost on -- across the -- rice, almost every part of this portfolio -- dairy, every part of this portfolio the prices are at their lowest. So if I take -- depends on which one -- price we don't really consider too much. Whether you take EBITDA per tonne or EBITDA margins as a percentage of sales revenue, you have that impact because prices are lower and that's showing a higher margin. And EBITDA per tonne is higher because that's showing --

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Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

I think the relative metric is really EBITDA per tonne rather than EBITDA percentage margins. So you see a 70-basis-points improvement in EBITDA margin, but some of it is impact of prices in that segment which prices are lower. Or the operational PATMI margin has improved by 90 basis points, margin. But we really don't focus on percentage margins as much as absolute dollar per tonne.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

Really we -- not even actually EBITDA per tonne; we really focus on EBITDA per IC and the IC impact will be there --

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

Yes.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

Because of the prices and EBITDA impact is (inaudible).

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

We'll take a few questions from the webcast. The first question is regarding the hazelnut production. Is it expected to be low again this season due to frost that you mentioned and what is Olam's strategy to secure enough volume to fulfill the orders?

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

I think we are fairly well covered in terms of our own outstanding. We are now regularly operating from the long side rather than the short side. As most of you know, when we announced the first quarter results -- sorry what is it?

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

Q3.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

Q3 results, when we announced the Q3 results we told you that some of the losses in that quarter was because we usually start with a short position in these commodities. And because of what happened in Turkey, prices just spiked and we had to cover those positions at a loss. Now we are operating that from a long position, from the long side and therefore we don't expect a problem in terms of being able to cover our existing commitments and contracts.

We expect, I think, the crop, 2014/2015 crop to end at about 460,000 tonnes. We expect the 2015/2016 crop to be about 650,000 tonnes. That is our initial estimates. We'll be refining those estimates as we go along. And even at 650,000 tonnes, we will continue to see some pressure on prices even in the next season, 2015/2016 season.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

Just to clarify if I got the question right, we don't see a frost strike for the impending crop which is going to come out in July.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

That's over; that season is over. So --

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

The frost impact was for last season in July of 2014, not for --

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

Yes so the 2014/2015 crop there was a frost. 2015/2016 if the frost had to happen, it had to happen now by November.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

Should have happened by now.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

That season is now past, so we don't have to be worried about a frost. There could be other weather events which we can't control, but not a frost.

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

Another similar question on the edible nuts segment. Is the margin expected to be sustainable based on Q1 and what factors are there to watch as the indication for this trend?

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

I think for the remaining part of this year we will see decline in margins in peanuts and probably similar margins in the other three nuts for the rest of this year. Going forward we'll have to wait and see what the demand/supply fundamentals will look like. But for the remaining part of this year we are cautiously optimistic about the other nuts, major nuts and pessimistic about peanuts, margins-wise.

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

Are there any more questions from the floor? If there are none, we thank you for your attendance this morning. And we are still here and please help yourselves to the refreshments outside. Thank you.

A. Shekhar - *Olam International Limited - Executive Director For Finance And Business Development*

Thank you.

Sunny Verghese - *Olam International Ltd - Co-Founder, Group Managing Director and CEO*

Thanks a lot.