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PRESENTATION

Hung Hoeng Chow - *Olam International - Associate General Manager, Investor Relations*

Good morning. Ladies and gentlemen, good morning and a very warm welcome to all of you to our results presentation for the quarter and the nine-month period that ended September 30, 2015. I'm Hung Hoeng of Investor Relations and it is my pleasure to introduce our senior management team today who is with us for this presentation, even though most of you do already know them.

First of all, our Co-Founder, Group Managing Director and CEO of Olam International, Sunny Verghese on the extreme left of this table. Next to him is our Executive Director for Finance and Business Development, A. Shekhar. And on his right is our President and Head of Corporate Finance, N. Muthukumar.

Before I move into the agenda, I would like to bring out the cautionary notes on the forward-looking statements so that you are aware.

Also I would like to just draw your attention to our change of financial year that we had announced earlier in the year. Our financial year will end on December 31 instead of June 30. As part of the transition to the new fiscal year, the numbers that we are presenting here on the slides, the press release, the management discussion and analysis statement are for the third quarter and nine months ended September 30, 2015 on the new fiscal year basis, that is from January to December, and are compared to the prior corresponding period.

However, for statutory reporting purposes through our financial statements lodged on the SGXNET, the results are presented for the quarter ended September 30 and cumulated 15 months from July 1, 2014 to September 30, 2015, as the current financial year is from July 1, 2014 to December 31, 2015, which is an 18-month period.

Now on to the agenda. Shekhar will present the financial highlights for the aggregate nine months of 2015, January to September results, and then take you through the segmental analysis of the results. We will then open up for question and answer. Please join me to invite Shekhar to the rostrum to present. Thank you.

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

Good morning everyone and thanks for coming. So like Hung Hoeng mentioned, there has been a change in financial year end that all of you are aware of. But that doesn't change the business, so this quarter remains fairly immaterial in the context of the full year. It was always a small Q1, as you are aware -- Q3, and has been around between 10% and 15%, but that hasn't changed despite the change at year end.

So when we are going to be taking you through -- I'm going to be taking you through the results, we are really talking about the focus over the last nine months for this financial year, the new financial year, which is Jan/September, and we will also talk about what changes have happened in this last quarter.

So on an overall basis, even though this quarter in itself is a small quarter, we are quite pleased with our operating performance. We have improvements in a variety of P&L metrics as well as balance sheet metrics that I'll talk you through. It's been fairly volatile. As all of us are aware, the macroeconomic climate, currencies, credit situation have all been quite volatile. And in the context of that we are quite pleased with our overall operating results for the nine months and the trajectory that we have for the going forward towards the end of the year.

So in terms of highlights, the operational PATMI, which is the real reflection of our operating performance is up 41% for the nine month period, at about SGD258m. There has been a slight decline in overall EBITDA, which is almost flat at about SGD810m, but offset by way of various activities we have done on reducing our finance cost. Even though our net debt is slightly higher, you can see that our finance costs are lower, resulting in an operational -- and with almost flat, slightly lower depreciation and slightly higher tax, we have generated an operational PATMI which is a significant improvement over the same period last year.

And our reported PATMI of course, again this has been discussed in prior quarters, in the last year, that is 2014 January/September period, we had one-off gains which we had highlighted across various aspects of divestments as well as along various almost 13 or 14 different transactions, which was around SGD290m gain that was booked in the nine-month period last year, against which we have SGD101m loss, again one-off loss this year in the nine-month period.

SGD98m out of that was on account of the buyback of the rights bond which we have completed in Q1. Now obviously those were very expensive bonds issued three years ago, but which will result in an actual improved interest cost over the next three years of almost SGD55m to SGD60m. So there is a one-off impact for this year, but it was the right thing to do and we had talked about it in Q1.

So net these two things, the SGD290m of one-off gains that were booked in the prior period and the SGD101m of one-off loss, is impacting the reported earnings. Nothing new for this particular quarter except a small difference which was there again because of the divestment which we made last year which impacted our reported earnings. But overall what we really would like to convey is that at an operating performance level we are quite pleased with the performance despite all the turbulence in the overall capital markets as well as macroeconomic climate. And that's I think the message that we would like to leave you with.

On the balance sheet a significant change has happened this quarter in terms of equity injection that all of you are aware of from Mitsubishi. Partially on that account, you will find that our headline gearing has come down from 1.85 at the end of June to 1.43 end of September. Post that, we have completed the ADM (ADM Cocoa)transaction, so to again go back in Q4, but will be well below the 2 times gearing that we had set out for ourselves in terms of a target for 2016. So as of September we are significantly below and even as of December we would expect to be quite below, somewhere between 1.7 to 1.75 times.

Therefore, that's an important objective that we had for this last three years' strategic plan period which we are very comfortable with. We have been below 2 throughout this period mostly, but we'll now be well below that. That gives us a significant opportunity to grow and create growth potential going over the next two to three years as we populate the next three years of our plan. I think that is a significant development of this quarter which bodes very well for the future.

The second part is, in terms of cash flow, we continue the trajectory of free cash flow in terms of an operating. So net of our usual changes to working capital, our usual changes to fixed capital, and including the investment made in McCleskey Mills of roughly SGD235m, we are still positive free cash flow. So if you remove that one large chunky acquisition, on an overall basis it's in the trajectory that we had been maintaining for the last probably six or seven quarters already and we feel that that's something we'll sustain going forward.

So overall basis, both at an operating profit level as well as an balance sheet level, we feel quite comfortable and poised and within the strategic plan objectives that we have set out for 2016.

Like I mentioned, we are very, very pleased to have someone like Mitsubishi taking this large investment, large stake in Olam, both the equity investment into Olam as well as the stake that they bought from the Kewalram Chanrai family. They are now our second largest shareholder at 20%. Not only does that strengthen our balance sheet and bring in a really world class investor, it also opened up a lot of strategic opportunities for us that we have started populating.

Two members of the Mitsubishi family (Corrected by corporate: The two members are executives from the Mitsubishi Corporation group, not family in the traditional sense) have joined our board, you will have seen that announcement recently, and therefore we are well on the path of bringing these two companies and the opportunities that these two companies can bring together going into the future. So early days as yet, but we are quite pleased with both what it has done to our balance sheet as well as the strategic opportunities that it has opened up going forward.

In terms of financing again, we have being slowly doing a series of steps to optimize our overall debt portfolio, both in terms of tenure and cost mix. And again in this quarter we have taken some steps. You will see on our cumulative basis for the nine months we have a lower interest cost of almost SGD40m even though there is a slight increase in overall net debt. And that is something that we are thankful to all our banking partners here who have supported us in reorienting our debt mix post the VGO since last year.

And again in the recent past, post the completion of the quarter, we have completed the refinancing of our RCF and, again, getting excellent support, in fact much more than what we anticipated or needed, so we had to actually reduce the quantum from all the banks. So all the core banks participated as well as we have a couple of new banks which have also joined the group, and therefore we are very pleased with the outcome of that.

Again it sets the pace and tone for what we can do in the next few years in terms of optimizing this further as we go along. There are obviously outstanding bonds that we have in the market, which were issued at higher coupon, which again we will be trying to reduce as we go along in the next few years, but it won't happen altogether.

So what? On an operating performance, on a balance sheet basis, changing the equity mix, changing the debt mix, we are really well-positioned. And while we do the task of building our portfolio and building the competitive position across our portfolio, we also made two very important steps during the course of these nine months.

One was the McCleskey Mills acquisition just completed in Q1, but it is quite pleased to say that in the short span of nine months the integration has gone off even better than we anticipated and it is already a large contributor to our nuts segment. And that is something that we are very pleased with so it's still nine months and there is still a lot of work to be done, but are very pleased with the performance in the last nine months. That was a big acquisition for us within the nut space and that's gone off well.

We also are quite pleased to announce that we have closed the ADM transaction, so that's has been a 10 month long journey. And while it's again very early days, just about four weeks since we closed the transaction, lots of action, lot of activity happening, but we believe that that, what it sets up too over the next two to three years is to become a really major player in the cocoa business on a combined basis and which will mean a lot to our, overall almost 20% impact to our current operating EBITDA. So again it will happen over the next two to three years, but we are quite pleased with what we have got and quite pleased with the four weeks of activity that has happened.

So I'm taking a lot of time on the first few slides, but this is pretty much what we wanted to convey. And even if any of you want to walk out after this, you won't have missed any of the major things that had happened since we met last. But I think we are quite pleased where we stand today despite all the uncertainties in the marketplace.

So looking at some of the details, overall basis if you look at our volume there has been a reduction but that's been something that has been happening in Q1 and Q2. A lot of it is because of some of the divestments we have done compared to previous years. So the fall from the previous years is not something that really concerns us. We have lost volumes where we wanted to lose volume in terms of either divestments or discontinued operations, but in places where we wanted to grow volumes we have grown volumes and you will see in all the prioritized platforms we are seeing a growth in volumes.

In terms of EBITDA, like I said, it's almost flat, slight decrease on a nine-month basis but made up at the PATMI level, at the operational PATMI level because of the impact on depreciation slightly lower, slightly higher tax and significantly lower interest and finance cost.

So that was really the story on the P&L basis. If we look at the quarter performance, it's really just about 6% higher on an operational PATMI basis. The reported differences on account of a SGD12m gain that was there in the prior period. So it's small quarter, it's a fairly insignificant quarter, but what is more important is we look at trajectory of the nine months and where we can potentially end the year at the end of Q4.

I will talk about specific issues in various segments, both positive and negative. I just wanted to leave you, across a lot of our growth platforms and across almost all of our growth platforms, we feel quite positively poised. If you take on a segment by segment basis, on the nuts and spices and cocoa, coffee, grains, rice, cotton, wood products, CFSG, we are seeing growth not only over last year, but overall growth in EBITDA and operational earnings. So we feel quite comfortable with that.

The three businesses which have had lower growth and lower than plan growth certainly are dairy, palm and PFB. The palm and PFB have been specifically hit because of some market conditions, specifically currency in Nigeria, Ghana and Mozambique. And palm has also had suffered some because of the softness of palm prices. But those two we don't see structural issues. We are growing our market share, we are improving on operating performance, but the P&L performance has been lower.

Dairy is an area where we have been talking about under-performance for a few quarters and we had in the last quarter talked about changes to the dairy, specifically the Uruguay upstream farming operation, and I will talk a little bit about that. That probably had the biggest negative impact in terms of our operating performance in the nine-month basis.

So if you look at our overall portfolio of roughly 16 platforms, we have most of the platforms operating at better than last year and certainly on or better than plan, and three platforms and there's probably, as we said, which is anyway a chunky part, has chunky sales, which has not had that kind of an impact for this year.

So that's the overall situation under the P&L. Just taking a quick look at the overall, discuss the EBITDA. If you look, we have had an increase in invested capital between last year, this time, mostly in working capital, partially because of seasonality, and partially because they are holding some inventory which you can get shipped out and even now toward the Q4.

So moving to the segmental analysis, in the nuts, spices and vegetable ingredient business it's been mostly positive performance through. On the nuts side, almonds, cashews, peanuts, have all shown positive performance, better than performance.

Almonds has been significantly improved because of almond pricing as well as the Aussie dollar impact that has been positive to our bottom line especially for the plantation. So we think this has been a business that has been performing for a while and, touch wood, has continued that trajectory. Almond prices have softened a bit in the recent past but we still feel quite comfortable with the overall performance here.

The only probably the area of concern has been Argentina peanuts where, both because of the specific situation in Argentina was well as softer peanut prices has been in the farming end, we have had a lower performance in the last year. And that has been an area that we are looking at quite closely and seeing what we want to do to in terms of restructuring that operation.

On the spices and vegetable ingredients, again very strong performances from the dehydrate business in the US. The tomato business has also thrown in an improved performance compared to the prior year. So overall our spices and vegetable business, 70% to 75% of it in the US, has had a very, very good performance this year even compared to last year. Some part of the lack of performance in the spice and vegetable in that platform has been in Vietnam, China and India, which has been lower than prior period and that's an area that we are focused on.

On an overall basis the segment has shown growth in EBITDA and is fairly well poised in both these platforms for future growth.

Again confectionery and beverage ingredients, this segment is going to look very different when we meet next time, post ADM transaction, but both cocoa and coffee businesses, the erstwhile business that we had as of end of September, both are performing well. Both are contributing from an EBITDA perspective. Both, and specifically cocoa, has had a significant impact on prices and therefore higher working capital. So both in terms of invested capital and EBITDA these two are fairly significant for our business.

But, again, two platforms wherein we have an extremely good competitive position and we are well-positioned in the market despite the fact that coffee prices have gone up and come down quite significantly in the recent times, and cocoa prices are looking very firm, and processing margins are improving compared to where they were. So there has been a lot of changes in this but we have navigated very well through a lot of the volatility in both these markets and we feel quite comfortable with where we are positioned going into the future.

Moving to the segment which was obviously which is really at an overall basis really hurt the performance, and has multiple moving parts. So the grains business, rice business have both done very well. Grain's done very well compared to our plan, certainly compared to last year, and rice business, which is more or less on plan.

The three businesses that I highlighted which have underperformed this year for different reasons, all three are in this segment. So palm has had a specific negative because of the serious devaluation in Mozambique where we have a palm refining and distribution business, and lower prices in palm which have impacted the SIFCA contribution. It's a new business for us. We are ramping up here in terms of our plantations in Gabon, which obviously are still not yielding. But the business structurally is in a sound place, it's a business that we are continuing to invest, but it's a business that has had a lower performance this year compared to our plan and certainly compared to last year.

The packaged foods business is a similar business. It is a prioritized platform wherein we have been investing in the past. We are growing market shares in most of our participating categories, but the significant devaluation in Nigeria and Ghana, which are the two biggest markets of packaged food, has had an impact in terms of operating performance.

We have shown improved trajectory in Q3. So the significant negative impact happened early in Q1/Q2, or actually part of it in Q4 of last year, but we have seen improved trajectory of performance, improving gross margins. So hopefully the pain is behind us and this business will pick up. And a lot of the pain that has been felt by all market participants obviously we hope will put us in a better position to capitalize in terms of market share gains going forward.

So in dairy it's really three parts of dairy business. I'll come to Uruguay at the end. The Rusmolco dairy business is performing well and continues to be headed in a positive trajectory so we feel quite happy with the operating performance. We are also aided by the increase in milk prices because of the import ban in Russia, but both on account of a positive impact of local prices as well as improved operating performance, we are headed in the right direction.

The supply chain business has been hurt somewhat because of the steep fall in dairy prices, which has created lack of liquidity. But, again, in the recent past, in the last six to eight weeks, dairy prices have started rallying off their lows and hopefully the supply chain business otherwise is well-positioned to start showing improved performance going forward.

So the part that has really impacted our nine months and continues to impact at Q3 also has been Uruguay dairy farming. When we met last we talked about three major aspects of it.

And so the first aspect was operating performance, for which we have started making changes since last year and those changes were in terms of management, in terms of how we are restructuring the operations team, etc. So a lot of that had happened in Q1 and Q2 and has started showing an impact on operating performance, improvement in operating performance as we have moved through the year. And certainly in Q3, and as we talked in October, we have seen steady improvement in milk productivity in terms of feed cost reduction etc.

The part that has really hurt us has been the steep fall in dairy prices, in milk prices. And that compared to an average price of roughly USD0.42 to USD0.43 last year has fallen to as low as USD0.28. And that is a significant impact, being in upstream farming. That has probably contributed to the biggest chunk of our under-performance in the last nine months. And again, hopefully the dairy price will be picking off their lows but at this point in time the impact that has shown through in Q3, a significant part of this impact is on account of that.

And the third part is the herd prices also consequent to the dairy profitability, overall profitability, has also suffered a drop, which also has impacted our operating performance in nine months.

So it's really three things combining together in the form of a perfect storm which has really hurt their performance. We feel quite confident that bulk of that bleed has stopped and what is likely in terms of operating performance in Q4 is not going to be a fairly significant knock, but in first nine months we have suffered impact of all this. We have restructured operations. We have moved from 49 farms to 32 farms, which is the first step that we took. We have started taking that step back in three or four months ago in July. That is now completed. So the 17 farms have been closed down. The herds have been repopulated.

What is really underway and which will take some more time and more time than what we thought is the resizing the herd. And we had started with the premise of moving down from something like 87,000 cows in terms of total herd population to dropping it down to below 50, so that's almost 37,000 cows which had to be repositioned into new farms or into the more -- the lesser number of farms as well as culled, and that's a big chunk. And entering into the culling market with what is happening in the overall dairy is not an easy task.

So that is taking time and the reason why we are not able to assess the full impact of our potential one-off restructuring costs of this herd is probably because we are not able to complete that as we had planned in two to three months. But we are fairly sure that this will get completed by December and we are on course to completing it by December.

So we will be -- part of the restructuring, or probably almost 75% to 80% of the restructuring costs, is really in resizing the herd and culling this 37,000-odd cows. And that is the part on which we have a varied number of outcomes which is not strictly in our hands. It will depend on what value we get for the culled cows. And that will be a better number that we have by the end of the year. It will be also our financial year-end so we will provide for it fully in Q4.

So that's the background and so what we wanted to leave you with is on two points. One, it's been a very, very tough year for dairy overall. It's been a tough year for New Zealand farmers, who are the most efficient, lowest cost producers. They have had culling happening in New Zealand for probably the first time in recent memory. So it's been a significant problem for dairy farming across the globe.

Within Uruguay, that impact has been steep. It has been compounded by some part of our own operating performance. And so we have trying to do the restructuring under the overall background of that kind of an industry impact. But we are focused on -- but the actions that we have taken, starting with way back 9 to 12 months ago, are yielding. We have seen operating performance improvement. We have seen reduction in operating losses on a farm-wide basis. And that's the part that we like to leave it.

So we will conclude the restructuring operation in Q4, but hopefully then reposition ourselves both in terms of our resized herd as well as the rest of the assets at a level from there we can only hope for upside in operating performance. It's not going to all happen next year. It will probably take us two years to get to a positive territory in Uruguay, but we are I think headed in the right direction. We have taken a little bit more time on this and we're happy to take questions, but we just wanted to be -- leave you with the -- because this is a fairly material impact on our performance so far and so we will have one more restructuring round.

So otherwise overall the food staples and packaged foods business, we feel quite confident that this segment, a lot of discontinued operations coming out from last year, the restructuring of the businesses, other, rest of the business have happened, what is the impact of palm and dairy hopefully will be cyclical will no more, so we'll be well-positioned as we go into next year to show better and improved operating performance in this segment.

Lastly, on the industrial raw materials, the two, both cotton and wood products, have been better than last year, certainly better than plan, and are well-poised. The reduction here is really because of the SEZ business, which was there last year, was not there this year. But otherwise the operating performance in this business on both cotton and wood products has been quite good and we feel quite comfortable that we can continue in that trajectory going forward.

I don't have a slide on CFS, but that CFS is also, you will note, that segment had an under-performance last year, but it's been a fairly significant improvement in operating performance in the nine months. And, again, we feel quite comfortable in there. The restructured business both in MMVT and the funds business, whatever actions we had taken last year have showed results in the nine months and hopefully will continue in that trajectory going forward.

So moving to the balance sheet, cash flow is pretty much in the trajectory that we have been maintaining. It's a small free cash flow, to firm. But net of the McCleskey SGD235m it would have been much better than what we delivered last year. So we have been in this trajectory since last year and we'll hopefully maintain that going forward.

Significant change in the gearing that I called out, from 1.85 to 1.43, and after adjusting for RMI that is even lower at less than 0.5. So again a place that we are quite comfortable with and releases growth capital for us.

And while there has been a lot of reports of us going out to sign USD2b, I can assure you we are focused on ensuring that investments will be made in a disciplined form and manner and so we are not seeing this. But it is growth capital and we think we are much better positioned than most other industry participants to participate in specific value-creative opportunities that we can see in our prioritized platforms. So we will use this gearing and increase our potential growth capital. We'll put it to good use as and when we see value-creative opportunities.

We have sufficient liquidity. It's only improved with the support from all of you here.

So overall, again saying the same thing that I said earlier, while it's been a small quarter and it's usually a small quarter, but what has happened in this quarter in terms of changing our equity position, the kind of strategic investor that has come in and the implications for us going forward is fairly significant. The completion of the ADM transaction didn't happen in this quarter but has concluded just after the quarter, is again fairly significant. So we are well-positioned with these two major events to really populate our strategic plan going forward.

And on the rest of the businesses that we have been building up, we feel quite happy with the operating performance despite the underlying macro economic climate, and we will stay focused on improving both the operating performance as well as the balance sheet performance and optimizing our balance sheet going forward.

Thank you and happy to take your questions.

QUESTIONS AND ANSWERS

Hung Hoeng Chow - *Olam International - Associate General Manager, Investor Relations*

Thank you Shekhar. We'll start the question and answer. Anybody who would like to ask the first question, can you please take the microphone. Thank you.

Unidentified Audience Member

Good morning and thanks for your advice there. (Inaudible - microphone inaccessible). You said your focus is on Vietnam, China and India, you have said. Can you elaborate on that?

And you mentioned a lot of restructuring, as explained, and what switch do we see, level of switch do you see from other places to Asia, mainly India, if there is anything there? Thank you.

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

I don't think we mentioned that our focus is going to shift to China, India, and Vietnam, so that is not the case. So your second part of the question was also related to why we are making that shift. So we are actually not making any such shift. So our policy or our focus in terms of our markets have not changed in the last one year.

Unidentified Audience Member

Thank you. Can you elaborate on the farms that have been closed down?

Hung Hoeng Chow - *Olam International - Associate General Manager, Investor Relations*

Can you repeat the question?

Unidentified Audience Member

Could you elaborate on where were these farms closed down that you mentioned earlier? Which farms?

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

So that is really what we are talking about in Uruguay in terms of our dairy farms. The restructuring that we are talking about is very specific to that profit center and only there. Otherwise our business pretty much remains, in terms of origination as well as markets pretty much remains the same and there has been no major change and not likely to have any major changes.

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

So the farms that have been included was with reference to the Uruguay dairy operations. So we had 49 dairy farms there, roughly 80,000 animal population, cow population. We are reducing that from 49 to 32, so 17 farms have been shut down, and we are culling the animals from roughly 8m -- sorry, 80,000 to about 50,000 cows at the end of this restructuring process.

So that culling and that shutting down of farms is underway as we speak. So by the end of the quarter we feel that we would have substantially completed the restructuring of that business. And that was what Shekhar had alluded to, that we would likely take a restructuring cost once that has got crystallized. Once the farms have been shut down and the cows have been culled and sold, we will know what the total cost for us will be.

Ranjeetha Parkiam - *Bloomberg News - Journalist*

Good morning. Ranjeetha Parkiam here from Bloomberg News. Just two related questions. One is what are your plans with the funds that you raise? What do you plan to do with the funds that you raised from the sell-off to Mitsubishi?

And also any other plan to buy or sell stakes in agricultural businesses?

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

Yes, so we did mention that when we raise additional SGD915m from Mitsubishi that we will be using this as growth capital to support growth. But we will be very disciplined about only doing transactions that are aligned with our strategy. Some of this could be acquisition. Some of this will be organic greenfield investment as well. But this will be very disciplined.

And one change that we had signaled in the prior quarter or when we announced the transactions was that we have shifted our orientation from a string-of-pearls approach to acquisitions, which is doing several bite-size transactions, to doing fewer but larger transactions that can really move the needle.

So the example of two transactions that we did last year, which was ADM which has got concluded now at an EV of USD1.2b, or McCleskey Mills which concluded at roughly USD179m, are two examples which reflect the change in thinking that we will do fewer transactions aligned to strategy in a very disciplined way, but these will be more larger transactions than we have done in the past in line with our string-of-pearls approach there.

We obviously cannot be specific about which specific targets or acquisitions or projects we are pursuing. But you have seen our strategy and you have seen that we have six prioritized platforms, and a chunk of these investments will be along those six prioritized platforms and could be in different parts of the value chain to fill the gaps in each of these platforms in terms of where we are not really present or which other value chain is really attractive and that can significantly enhance our competitive position. But we can't be specific about which country or which platform or what specific target we will look at.

Charles Spencer - *Morgan Stanley - Analyst*

Yes, thanks. It is Charles Spencer from Morgan Stanley. Just as a follow up, when you did that partnership with Mitsubishi Corp it was mentioned that there were many strategic growth opportunities in Japan. After having looked at that opportunity, have you put any numbers to that that you might be able to share with us and the opportunity there?

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

It's still early days. We, as I've mentioned, we've mentioned to you, when we announced the transaction, one of the initiatives that we are taking is to set up a Mitsubishi-Olam Japan JV. Our objective is to increase the sale of various commodities that we are now supplying to Japan through this JV arrangement with Mitsubishi. So today we roughly sell about USD130m worth of various commodities across various platforms into Japan. We believe that this JV will significantly allow us to enhance the sales of these various commodities platforms.

But secondly, this JV will also look at incremental or additional investments, using the ingredients that we supply into the JV for more value-added products manufacturing. Mitsubishi feels that a large part of the value in the agricultural supply chain is at the upstream piece, or they believe in this y-curve where the profits are distributed, and therefore they believe a significant chunk of the profitability in Japan is at the upstream end and at the downstream end. So they would be looking at through the JV getting into the value-added downstream end.

To have a clearer sense of what the impact of such a move would be, there would be more time required to make that assessment. So we can't really -- but in the very least what Olam is expecting is that our sales would significantly accelerate through this Japan JV.

The other larger issue for us that Mitsubishi becoming a strategic long-term value investor is the partnership committee that we have set up between Mitsubishi and Olam to evaluate and explore various collaboration opportunities. And we've identified seven or eight already. And this partnership committee, consisting of three people from Mitsubishi and three people from the Olam side, which will be chaired and headed by Shekhar here, will over the course of the next six months identify specific collaboration opportunities where we can partner to further value for this strategic alliance. So we are looking forward to that as well.

Charles Spencer - *Morgan Stanley - Analyst*

Okay. Thank you. Coming back to your food staples business, specifically within Nigeria, can you give us an update on the impact of the currency devaluation and the challenges that that's maybe facing importers of commodities?

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

So, Nigeria, if you just step back to what we've already discussed in prior quarters, so Nigeria and the currency in Nigeria, the naira, was probably the strongest currency in the world for almost five to six-year period until October last year. So we had one round of devaluation of almost, what, just over 15% in Q4 of last year, between October -- just about this time -- between October 18 to October 30, and then it was followed by another significant devaluation.

So from about NGN150 to NGN155 naira to $1 prior to October 2014, it slipped by the end of February to about NGN200, pretty much on the backing of the fact that oil price fall had happened and Nigeria is significantly impacted because of that, plus a lot of political uncertainty because of the elections etc. Now election was completed in May, there was a smooth transition, which was very positive. But subsequent to that there has still been -- the new cabinet has not been announced so therefore there is some uncertainty which is hanging on that.

Now combined with the oil price/energy impact as well as the political uncertainty and of course the continuing Boko Haram kind of thing which is impacting the north, there has been a lot of uncertainty about the naira which still continues, although the naira has remained pretty much around the NGN200 level from post-March to now. So while naira has remained flat, but there's been a lot of volatility as the gray market has a pricing which is well above the official naira prices, and that's creating a continued overhang.

More importantly, even though the naira has been stable, the availability and liquidity of dollars is really where the problem is and that's impacted all importers of all commodities. There are some commodities which have been also put on the banned list by the government, which has created a specific problem for those commodities and where people have imported but not paid back their bills. So that's caused a certain kind of problem for some of their commodities.

So within that context really the people who -- there are various -- there are only a few choices. So as far as we are concerned, we have worked on three. Firstly, because of being exporters we have access to dollars ourselves, very different from some of the importers who are purely import based and domestic businesses on an import basis. So our first big difference, which we have always maintained as one of the basis of participating in a lot of emerging markets, specifically in Nigeria, and that's a very significant advantage that we have. And so we still stay with at least liquid dollar that we can then pay it on our own.

The second area is really looking at local borrowing under this uncertainty. And, again, that's local borrowing and interest rates at much higher rates. Sometimes getting the local borrowing after the depreciation has happened is probably not so valuable. But having access so that we can move into a mix of US dollar and local currency borrowing, even at a higher rate if you believe that the net real interest rate makes sense, is the second thing we have done. So we have reduced our foreign exchange exposures in Nigeria fairly significantly over the last 12 months, having a mix of local borrowing available to us also to participate in as an enterprise.

So this mix of us having our own dollars as well as capacity to borrow locally, which a lot of other importers are not having, is really what is holding us. And therefore as the markets change and as the local pricing adjusts for the various commodities, we have seen, so in grains and rice we're already seeing local prices have adjusted more than fully to the revised currency. In some parts of the packaged food business in some categories we are also seeing that happening.

In some categories it has still not happened fully and therefore that is still a drag on our margins. But this is true for all import participants and if anything we are in a slightly better position and better position to manage this, and that's how we are managing it. So it's still not gone, the uncertainty is still not gone. It's likely to stay a bit volatile and we will see what the new cabinet and the new government does as soon as it's announced.

Hung Hoeng Chow - *Olam International - Associate General Manager, Investor Relations*

Another question from the floor? Yes.

Unidentified Audience Member

Just a general one on how has the haze situation or El Nino affected any parts of your business?

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

El Nino is developing to become stronger than when we brief you in the last quarter. So the recent leading indicators of the strength of El Nino, it is beginning to develop into -- from a moderate El Nino that we said it would be in the last quarter to a slightly stronger El Nino. Unlikely still to be as severe as what we experienced in 1998 or in 1987, but it would be a reasonably strong El Nino.

That would impact, as you can see, for example, in palm in Indonesia. We'd expect in southern Sumatra, Kalimantan productivity or production would come down by about 0.5m tonnes. In Malaysia we expect the production to come down about 1m tonnes. And that is partially reflected in the price action that we saw in the palm oil markets in the recent past. Although we have pretty burdensome inventories at the moment in palm, but El Nino will cause some impact on supplies and that would be underpinning and supporting palm oil prices for the near future.

But, as you know, palm oil is a function, prices are a function of a lot of things. The B15 mandate we have seen finally some action is being taken by Pertamina that announced 1.65m kiloliters of contracts that is awarded to [back-end] suppliers. So that's the first time some action has happened. So that again will support prices because that will take almost 2m, based on the contracts that they announced, 2m tonnes of CPO diverted into biodiesel manufacturing. And if they continue with the program of B15 and they enforce that mandate then there could be a significant diversion of CPO into biodiesel manufacturing as well.

But palm oil prices are also a function of what happens to soybean prices. So we have to see the impact of El Nino in South America in terms of the soybean crop in both North and South America. So if the cropping season progresses very well then that will have put a cap on palm oil prices. If there is any weather-related disruption in the southern American soybean crops then that would change the equation for palm oil as well.

But I think across the board in most of the commodities El Nino will begin to play a part as the cropping seasons are underway in these major producing countries.

Unidentified Audience Member

So just to clarify, I just want to check that, the 0.5m tonnes drop in production for palm oil in Indonesia.

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

That is the house view, yes.

Unidentified Audience Member

And 1m tonnes in Malaysia.

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

Yes.

Unidentified Audience Member

Year on year?

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

Yes, year on year for the cropping. Yes.

Unidentified Audience Member

Okay.

Hung Hoeng Chow - *Olam International - Associate General Manager, Investor Relations*

You have a question?

Unidentified Audience Member

Hi. Good morning. This is [Wayne] from [Platts]. First of all, I wanted to check with you, what was the strategic direction for the grains market looking forward in short to medium term, maybe the next five years?

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

You mean our grain strategy?

Unidentified Audience Member

For grains specifically. For grains.

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

No, is it Olam --

Unidentified Audience Member

Olam's. Yes.

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

Olam. Okay. So we have a very successful grains business, but it's a fairly new business for Olam. We entered that business really five years ago. And, as you know, the grains industry is dominated by the majors.

Our strategy has been, first, to focus on getting some advantage in origination business where we can win. So we have focused heavily on investing in the Black Sea origins, so Russia and Ukraine. We are consistently in the last four, five years been the top two, top three exporters out of this region. And we have invested in logistics and infrastructure assets there both in terms of our upcountry silos as well as in terms of port elevation capacity that has allowed us to gain this position. So we have got a very competitive position in Black Sea origination.

We've also got very good distribution presence, particularly in the Middle East markets, several Middle East markets. So that is one part of our strategy which is doing very well.

The second is we are focused on African wheat milling. So we now have five wheat mills that we have established, some through acquisitions, some greenfield organic. So in Nigeria we are now the second largest wheat miller and we have significantly enhanced capacity after we acquired CFM six years ago or five years ago. And we have also invested in Ghana and we are now doubling capacity in Ghana. We have invested in Senegal. We have invested in Cameroon. So wheat milling has done extremely well for us and we continue to grow that footprint and invest to deepen our competitive position in the milling side of the business.

We have also built along with that a freighting capability, bulk freighting capability with a Melbourne freight desk and a Durban freight desk, which handles the Atlantic flows and the Pacific flows. So that has added strength to the grains business for us.

We have also got a very good trading team now that is adding value to the physical flows and the assets that we have created both on the milling side and the origination and the distribution side.

So this business has grown far better than we expected. We thought this was a very contested market and difficult to really find a good strong position, but the success of the business so far will now encourage us to look at accelerating the growth in this business. So we're looking at various ideas and once they fructify we will obviously keep you all informed.

Unidentified Audience Member

Might just, because I understand that previously you actually divested the joint venture stake into Mitsubishi last year, and also you also look at there are several ways that you could actually improve cooperation with Mitsubishi in Japan. So I'm just wondering what will we be looking at? What are your objectives for grains in the Asia Pacific region in particular?

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

So the transaction you're referring to is that we sold 80% of our Australian grains origination business, including port elevation capacity there in the Newcastle Terminal, to Mitsubishi. That is because we were focusing on the Black Sea origination and Australia was not therefore as important in that scheme of things and the strategy that we had laid out. So while we have a fractional interest of 20%, continuing interest of 20% in that venture, we are focusing our investment dollars in trade flows and in areas that we can win.

And given the trajectory of how the grains business is performing, there are a lot of plans that we have growing that business further and once we are ready to announce those plans we will share that with you.

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

Just want to make a small comment because Nigerian Cabinet has been announced last night so I was --

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

The cabinet has been formed now.

Jacqueline Woo - *Straits Times - Journalist*

Hi. I'm Jacqueline from the Straits Times. Can you share your outlook for the full year?

And the outlook for the broader agri commodity sector given the movement in prices recently here?

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

Yes. So we don't give guidance on a quarterly basis so I'm afraid I won't be able to answer your first part of the question. But as we have mentioned in our outlook and prospects, we believe that we have built a very valuable and very differentiated portfolio. And we are executing on our strategy very well and therefore we feel confident about the future of our business.

Quarterly I think the only guidance that we have given you this quarter is that we are restructuring our New Zealand Uruguay dairy farming operation and therefore there will be a restructuring cost once we crystallize those costs as the restructuring gets mostly completed before the end of this quarter. So that's the only specific guidance we have given. But we won't depart from past policies where we don't give short-term guidance. So we don't give quarterly or half-yearly or annual guidance.

On the second part of your question, the agricultural commodity markets are not a homogeneous asset class. There are various sub-asset classes within agriculture. So you can see there's a mixed bag. In cocoa we see historically high prices, lifetime high prices in cocoa. We see very high prices in a range of edible nuts, including almonds and including cashews, and a few of the other edible nut categories. We see fairly low prices in the grains complex. We see quite low prices in the dairy complex. We see low prices in the coffee markets. So there are some agricultural commodity markets that are on an up-cycle, there are some markets in a down-cycle.

If I take the entire complex, $6 trillion of agricultural commodities that are produced in terms of a farm-gate production value, overall those markets are lower now than they were in the past. But the impact in agriculture is mainly on account of excess supply, not on account of weakening demand. Demand is still holding up and that is the advantage of being in food and feed because even in a recession people have to eat. So demand is really not significantly different from what it was before, but because of weather and other related phenomenon supply can be in excess or in deficit and that is what moves prices.

It is a very different story in other commodity asset classes, such as metals, minerals as well as energy, which are more recession-sensitive and there things can be very different.

Hung Hoeng Chow - *Olam International - Associate General Manager, Investor Relations*

Thank you. There are some questions I've got online. Let's take the first one. Have any of our countries, the countries that we are involved in Africa, imposed any currency restrictions, especially on the outflow of dollars? If so, has there been an impact?

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

No, not capital controls but, as Shekhar mentioned, in Nigeria, for example, the government is trying to tighten the demand or reduce the demand for foreign exchange. Therefore, they have announced 45 import items that will not be eligible for receiving foreign exchange from the Central Bank of Nigeria auction program and they have to source their foreign exchange from the market. But they will not get it from the auction itself.

So that does impact the availability of dollars and the demand for dollars, and just as Shekhar pointed out, our advantage as an exporter we have access to dollar proceeds which come into our domestic account, which will be an advantage for us to get the dollar liquidity that we are seeking.

But, as all of you know, the dollar has been particularly strong over the last 18 months or so against most currencies, not just emerging market currencies. And we all know, all of us who have been in the commodity market, a strong dollar means weak commodity prices because all commodities are traded in US dollars. So a strong dollar will typically mean and will result in weak commodity prices.

So far African countries that are commodity exporters, because of weak commodity prices they will generate less dollars, whereas as the current season does continue to devalue because we will get into negative net terms of trade, their imports will be more expensive. And that will have a rationing of import demand and therefore the currencies will adjust on that basis. So there are more than 27 countries where we've had more than double-digit devaluations against the US dollar this year and that is a particularly important headwind that faces companies that do business in emerging markets. They have to contend with this until the dollar finds a better equilibrium.

Hung Hoeng Chow - *Olam International - Associate General Manager, Investor Relations*

Second question is on working capital. The net working capital cycle has gone longer to 143 days, which is high even when you consider the seasonality. Is this temporary and will we revert back to the 120 days in the near future?

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

Yes. We think this is temporary. It's on account of basically changes in shipment schedules for some of our commodities. We think it will revert back. We target anywhere between 120 and 130. At 140 we are probably at the higher end of our cash-to-cash cycle, but we expect it to revert back.

Hung Hoeng Chow - *Olam International - Associate General Manager, Investor Relations*

And given that there's no improvement in operational EBITDA year on year and most of the P&L gains have come under the line in interest cost savings, do you think EBITDA on IC is still an important factor?

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

Yes, it remains an important factor. I think we have to assess their performance in relation to what's happening in the industry and how our peer group have also performed in these markets. So I think on a relative basis we have done exceptionally well under the circumstances of what's happening in agricultural commodity markets and the macroeconomic uncertainty and the currency headwinds. So we are very pleased that we are able to maintain our EBITDA at last year's levels while very few in the industry have been able to do so. So that's a positive development.

Hung Hoeng Chow - *Olam International - Associate General Manager, Investor Relations*

Any other questions from the floor?

Unidentified Audience Member

Just to follow up on the question that she asked, your outlook for agri commodities, what do you think will be the best and the worst performer in this year and then going into 2016?

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

Okay. If you have some money to invest probably you should invest in coffee. We think it is significantly undervalued and we've had two years of deficit. We have stock-use ratios hitting 30%. And when it has hit those levels in the past we have seen significantly higher valuations of coffee prices. So I would think that over the next 12 months coffee will be the best performer from a returns point of view.

Tomomi Kikuchi - *Nikkei - Journalist*

Thank you. Tomomi from Nikkei. Just another question on the packaged food business. Besides the dairy, you mentioned the currency devaluation being one of the key factors. Is there any improvements to be made on the operational side or the market capture that you have? How do you plan to improve the business going forwards?

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

So in Nigeria where our packaged foods business, principal business is -- so we are only in Africa in packaged foods business, and a large part of our investments and our revenues in the packaged foods business is really from Nigeria. And if you look at Nestle Nigeria, you look at Unilever in Nigeria and you look at Mondelez in Nigeria, or you look at P&G in Nigeria, you look at all the major multinationals in Nigeria, they've all had far worse problems than we have had because they don't have exports and they can't manage their currency the way we are able to manage currency.

So that's why it's always important to assess performance both on an absolute basis and also on a relative basis. These companies are all listed companies in Nigeria and therefore they publish their Nigerian results. And if you compared their drop in earnings and drop in EBITDA and drop in everything else compared to Olam's packaged foods business' drop in revenues and margins and earnings, we have relatively done much better.

So operationally, as you're saying or alluding to, we have improved market shares, reduced our costs. And once the impact of devaluation is reflected in price increases, which will happen over a period of time as there are lead-lag issues, I think we will do very well in the packaged foods business.

But it is not just that Olam alone in the packaged foods business has suffered in Africa. Everybody who's a player in Africa suffered much more. We have also suffered, but on a relative basis have performed better because of some of the other hedges that we have in terms of flexibility to switch to local borrowings, as Shekhar mentioned, or our access to foreign exchange. All of that has allowed us to do better.

And then we've invested significantly in extending our distribution reach, innovated in the way we access our customers in terms of the -- because it's a very unorganized market. It is not an organized modern retail format. So we are very pleased with the progress that we have made in increasing our distribution width and reach, and reducing our cost of producing these goods in terms of our marketing, in terms of our new product development, in terms of improvement in market shares, all of which will stand us in good stead when situation comes back to more normal.

The dairy business is not part of the packaged food business. That's a completely separate segment.

Tomomi Kikuchi - *Nikkei - Journalist*

Just to follow up on that. You mentioned the price increase to come in later. Is there any projection on when that will be?

And also, how your business is mainly in Nigeria, are you talking about the manufacturing bases mostly being in Nigeria or are you talking about --

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

Yes. All of packaged foods business in Nigeria involves manufacturing. So we produce locally. But all the raw materials are imported. So we have biscuit manufacturing facilities or candy manufacturing facilities, or juice facilities or noodle manufacturing, whatever it is. We have all local manufacturing business. But all the raw materials etc. are imported.

And all the sales happen for the domestic market. The sales are in local currencies, the imports are in hard currency. And therefore when there's a devaluation your imports are more expensive. You need to pass through that increase in cost to your customer. And that, there's typically a lead-lag. It's not that we have not taken price increases. We have already taken price increases, but we haven't taken price increases to the full impact and effect of the devaluation. That happens in stages.

So we believe, to answer your question about how long it will take for prices to reflect the new devalued currency levels, we probably believe there's another six months it will take to fully reflect the impact of devaluation that we've had.

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

Assuming no further devaluation of course.

Hung Hoeng Chow - *Olam International - Associate General Manager, Investor Relations*

Two questions have come online. One is on what is the reason behind the exceptional gains in the third quarter? Shekhar can explain that.

And the second question is about India, seems to have liberalized some FDI norms for industrial plantations. Does that interest Olam? Any prospects or is it just too hard to acquire farmland in India?

A. Shekhar - *Olam International Ltd - Executive Director, Finance and Business Development*

So on the Q3 exceptional gain, there's no exceptional gain in Q3 this year. There was an exceptional gain in Q3 last year of SGD12m, which was on the divestment of our Ivory Coast processing, dairy plant and processing plant. There's a small negative this year. So the difference is on account of really the exceptional gain that was booked in Q3 last year.

As far as FDI and farmland investments in India is concerned, it's very tough for corporate farming in India. And I don't know the specifics of the FDI deregulation on plantations, but we find that it's not an area that we are at least right now looking at for getting into corporate farming. We believe there are other places where it's much easier, where we can get scale and we can deliver the productivity benefits as a corporate farmer. And India is probably not the immediate target for us.

Unidentified Audience Member

Right. We talk to oil traders and metal traders and they are all looking at de-risking their sales book at this point in time or all the risks that they carry in the market because --

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

They are looking at sorry?

Unidentified Audience Member

De-risking.

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

De-risking, yes.

Unidentified Audience Member

So they're trying to sell all the counterparty risks or the inventory risk or the price risk underlying because the prices are quite significantly low as a general trend. In agri you mentioned it's a mixed bag, but are you also in the same trend? Are you looking at corporate defaults coming in the coming years or what's your view for the market for 2016?

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

If you're talking about counterparty and customer defaults, in declining markets and if you have sold forward there's always a risk, but that depends on how each company manages its counterparty risk or its credit risk in the markets. For our book across all our platforms that is not our central issue. Because of the kind of customers that we would have or the tenure of those forward contracts or how those contracts are secured, we don't see it as a particular issue for us at this point in time.

Overall risk posture, that again depends on your competitive position, your mode of participation in these businesses. Our VAR between last year and this year has gone up a little bit, but our VAR as a percentage of our equity on a diversified VAR 95% confidence intervals basis will still be less than a 0.5% of our equity today. But it is slightly higher than what it was last year at this point in time. So in that sense we have not dramatically reduced our risk exposure, from a market-risk point of view, trading-risk point of view.

Unidentified Audience Member

You don't expect any defaults in the agri sector for the coming period?

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

Not from here. I think most of what has happened in terms of decline in prices etc. we have already seen and last part of that eventuates. So default risk has already in my view crystallized for companies and others. We have not had major issues across our platforms on counterparty or credit risk at this point in time.

Hung Hoeng Chow - *Olam International - Associate General Manager, Investor Relations*

I just got a question through SMS. The question is on cocoa. Post the ADM deal some competitors have indicated plant closures. Is this a bane or a boon for you? The first question.

And the second question is about the outlook on cocoa prices, obviously.

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

So on the first part of the question, if you're talking about the announced plant closures of various participants, it is unreservedly a boon for us and also for everybody else in the industry. And I think that is reflected in the fact that cocoa product ratios, butter ratios, European butter, which bottomed at 1.7 sometime in August/September, is now revived very dramatically to 2.4. So in terms of timing we couldn't have picked a better timing in terms of the rationalization of some capacities etc, auguring better margins and returns.

So we are seeing combined ratios pick up. We've seen butter prices flat, so butter ratios are low. But liquid ratios have gone up very significantly from its lows. So that is very positive news. So I think any rationalization of capacity in the industry will support industry margins. So we think that is unreservedly a positive thing.

On cocoa prices, cocoa prices are quite high, but we still believe that it is undervalued because of El Nino. We see a major impact on crops in West Africa, Indonesia, Ivory Coast, the world's largest producer, Ghana, the world's second largest producer. We see a fairly significant dry period from July to September. But that is not even the impact of El Nino. El Nino impact really started in these countries from November. As we speak we're beginning to see the impact of El Nino.

But we were at exceptionally dry conditions even before El Nino took effect in the July to September period, which, based on our crop count and pod count and the research that we do, points to a significant shortfall in crop, which would mean that, despite prices being high, it is relatively undervalued. So I think as far as cocoa prices are concerned, we think that there is more upside as a result of how the crops are developing in the key producing countries and the potential impact of a strengthening El Nino on the supply deficit. So we expect a fairly significant deficit next year, 2015/2016 probably.

Hung Hoeng Chow - *Olam International - Associate General Manager, Investor Relations*

Any final questions? If there are none, we thank you for your participation today and we'll see you in the next three months.
