Olam International Limited

12M 2015 Results Briefing

February 29, 2016

Presenters

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Notice

This presentation should be read in conjunction with Olam International Limited's Quarter and 18 Months ended December 31, 2015 (Q4 2015 & 18M FY2015 respectively) Financial Results statement and Management's Discussion and Analysis lodged on SGXNET on February 29, 2016

Cautionary note on forward looking statements

This presentation may contain statements regarding the business of Olam International Limited and its subsidiaries (‘Group’) that are of a forward looking nature and are therefore based on management’s assumptions about future developments.

Such forward looking statements are intended to be identified by words such as ‘believe’, ‘estimate’, ‘intend’, ‘may’, ‘will’, ‘expect’, and ‘project’ and similar expressions as they relate to the Group. Forward-looking statements involve certain risks and uncertainties because they relate to future events. Actual results may vary materially from those targeted, expected or projected due to several factors.

Potential risks and uncertainties includes such factors as general economic conditions, foreign exchange fluctuations, interest rate changes, commodity price fluctuations and regulatory developments. Such factors that may affect Olam’s future financial results are detailed in our listing prospectus, listed in this presentation, or discussed in today’s press release and in the management discussion and analysis section of the company’s Quarter and 18 Months Ended December 31, 2015 results report and filings with SGX. The reader and/or listener is cautioned to not unduly rely on these forward-looking statements. We do not undertake any duty to publish any update or revision of any forward looking statements.

Change in Fiscal Year

The Company had announced a fiscal year-end change from June 30 to December 31

With this change, the Company's fiscal year, which began on July 1, 2014 ended on December 31, 2015. Hereafter, the Company will follow a January to December fiscal year

The numbers presented and analysed in this presentation are for the 12 months ended December 31, 2015 on the new fiscal year basis (January 1, 2015 to December 31, 2015) referred to as "12M 2015" and are compared to the prior corresponding 12 months ended December 31, 2014 ("12M 2014")

Agenda

- **Highlights – 12M 2015**
- Financial Performance
- Key Takeaways

Highlights – 12M 2015

- **Strong Operational Performance**
  - **Operational PATMI up 20.1%** to **S$346.2 million**
  - Growth **driven by prioritised platforms**
  - **Restructured** underperforming profit centres
- **Backing growth in prioritised platforms**
  - Completed and integrated the acquisition of **McCleskey Mills** in 2015
  - Completed the acquisition of **ADM Cocoa** in Q4 2015
  - Post 2015, announced the acquisition of the wheat milling and pasta manufacturing assets of the **BUA Group** in Nigeria
- **Strengthened the balance sheet & shareholder base**
  - **Raised S$915.0 million** of equity capital from Mitsubishi Corporation
  - Continued to optimise the tenor and cost of debt
- **Strategic initiatives to unlock value and release cash**
  - Sold a **25.0% stake** in the Packaged Foods business to **Sanyo Foods Co. Ltd** and released cash of **US$167.5 million**
  - Announced the **sale-and-leaseback of Palm plantations** in Gabon for **US$130.0 million**

Highlights – 12M 2015

- **P&L**
  - **Strong growth in Operational PATMI; up 20.1% to S$346.2** million (12M 2014: S$288.1 million)
  - **Reported PATMI** recorded a loss of S$64.3 million on account of exceptional items (S$397.0 million net loss in 12M 2015 vs S$302.9 million net gain in 12M 2014)

SGD Mn

Details of exceptional items	12M 2015	Q4 2015
Sale and Leaseback of Palm Plantations, Gabon	33.6	33.6
Fair Valuation of investment in PureCircle Limited	(192.6)	(192.6)
NZFSU Dairy restructuring & herd revaluation gain/loss, Uruguay	(76.9)	(76.9)
ADM Cocoa acquisition expenses	(34.1)	(34.1)
Buyback of high cost debt	(126.5)	(24.6)
Others	(0.44)	(1.50)
Exceptional items	**(397.0)**	**(296.1)**

Change in basis of presentation of our equity investment in PureCircle Limited (PCL)

- PCL was classified as an "**available-for-sale**" asset in **Q1 2014**
- This resulted in a **non-cash fair value exceptional gain of S$270.3 million** (difference between the PCL carrying cost of GBP 2.01/share and closing market price of GBP 6.40/share on March 18, 2014)
- **All fair value changes** on the PCL investment between March 18, 2014 and September 30, 2015 were **recorded under Other Comprehensive Income** ("OCI") at each reporting period based on the **prevailing share price of PCL**
- In view of the **significant and prolonged decline** in the share price of PCL over this period and **in accordance with SFRS 39**, the Company decided to report the non-cash fair value change of **S$192.6 million previously recorded in OCI to the profit and loss statement** in Q4 2015
- However, there is **no impact on the Company's total equity (including reserves) or cash flow position** as a result of this change
- The Company **continues to believe in the long term strategy, competitive position and growth prospects of PCL**, notwithstanding the current market price of PCL shares
- Please refer to page 2 of the SGXNET and pages 5-6 of the MD&A statements for further details

Highlights – 12M 2015

- **Balance sheet and cash flow**
  - **Net gearing of 1.94 times at December 31, 2015**; **in line with 2016 objective** of at or below 2.0x
  - Generated **positive net operating cash flow of S$154.9 million** for 12M 2015. However FCFF was negative S$2.06 billion primarily on account of the acquisitions of MMI and ADM Cocoa for S$1.86 billion

- **Dividend**
  - The Board has recommended a final ordinary dividend of **3.5 cents** per share, bringing total dividends for the 18-month financial year ended December 31, 2015 to **6.0 cents per share**

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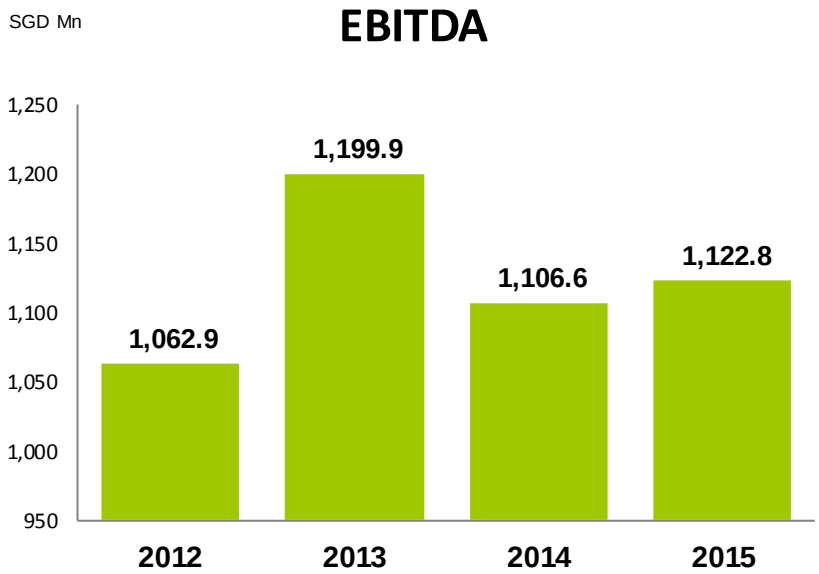
P&L Analysis

SGD Mn

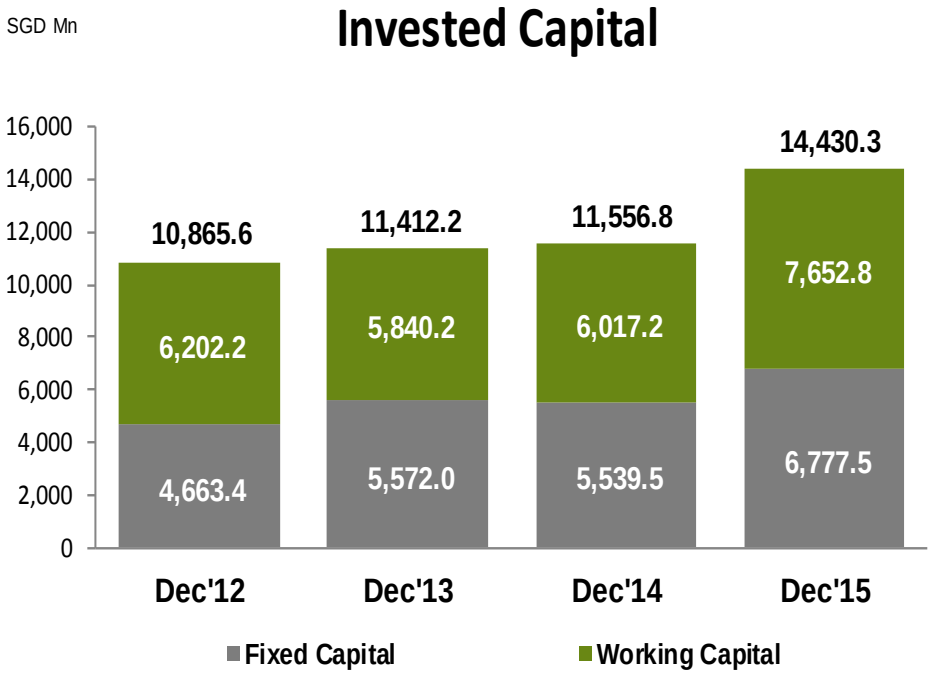
	12M 2015	12M 2014	% Change	Q4 2015	Q4 2014	% Change
Volume ('000 MT)	12,506.7	14,021.9	(10.8)	3,692.4	3,371.4	9.5
Revenue	19,052.6	19,772.0	(3.6)	5,448.4	4,879.4	11.7
Net loss in fair value of biological assets	(14.4)	(19.5)	(26.3)	17.1	(12.0)	n.m.
EBITDA	**1,122.8**	**1,106.6**	**1.5**	**313.1**	**283.2**	**10.5**
Depreciation & Amortisation	(237.1)	(209.8)	13.0	(76.6)	(45.2)	69.4
Net Finance costs	(448.9)	(474.5)	(5.4)	(121.3)	(104.8)	15.7
Taxation	(105.9)	(94.9)	11.6	(28.0)	(26.2)	6.9
Exceptional items	(397.0)	302.9	n.m.	(296.1)	13.6	n.m.
PAT	(66.0)	630.3	n.m.	(208.9)	120.6	n.m.
PATMI	**(64.3)**	**591.0**	**n.m.**	**(221.3)**	**118.7**	**n.m.**
Operational PATMI	**346.2**	**288.1**	**20.1**	**88.2**	**105.1**	**(16.2)**

- Decline in **overall sales volume** mainly due to discontinued / restructured lower margin businesses
- **EBITDA growth** of **1.5% to S$1,122.8 million** driven by strong results from Edible Nuts & SVI, Confectionery & Beverage Ingredients and CFS, partly offset by underperformance in Food Staples & Packaged Foods and Industrial Raw Materials segments
- **Lower net finance costs,** offset by higher **depreciation, amortisation** and **tax** as compared to 12M 2014
- **Operational PATMI** up 20.1% while Reported **PATMI** registered a loss of S$64.3 million due to exceptional items

EBITDA and Invested Capital



	2012	2013	2014	2015
EBITDA /Avg IC	10.7%	10.8%	9.6%	8.6%

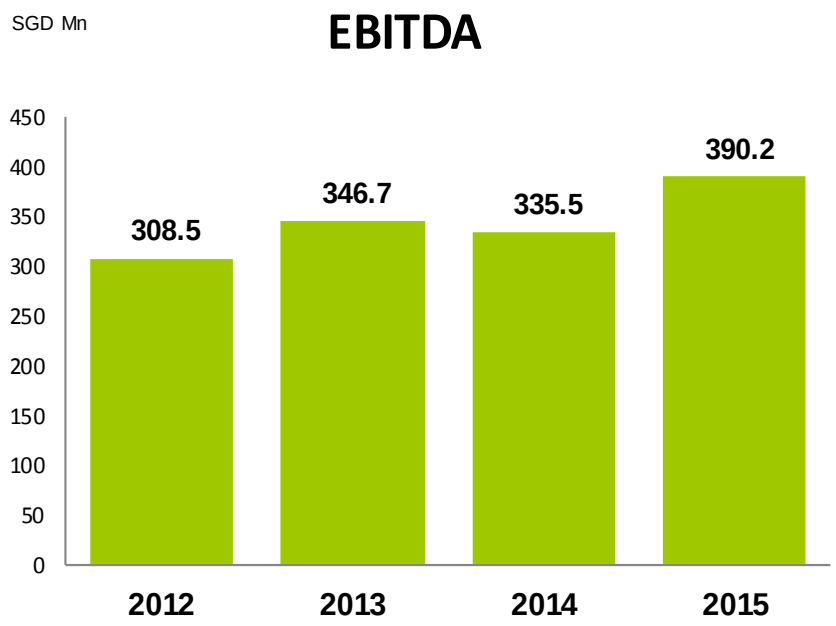


- Increase in **invested capital** from the acquisition of MMI & ADM Cocoa which are expected to deliver strong EBITDA growth going forward

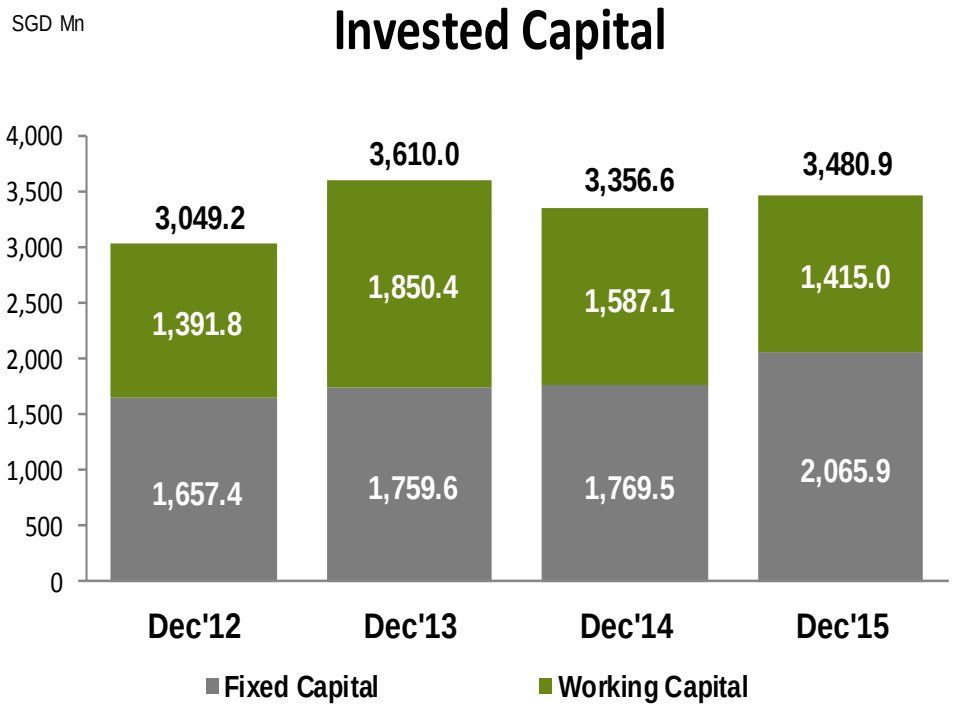
IC excludes
(a) Gabon Fertiliser Project (31-Dec-15: S$209.8 million, 31-Dec-14: S$182.4 million), and
(b) Long Term Investments (31-Dec-15: S$269.2 million, 31-Dec-14: S$334.4 million)

Segmental Analysis

Edible Nuts, Spices & Vegetable Ingredients

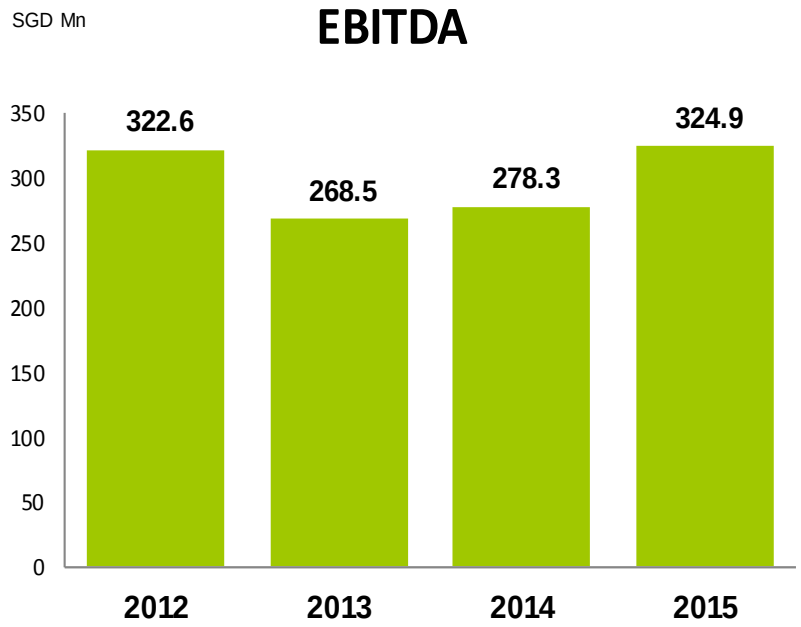


	2012	2013	2014	2015
EBITDA /Avg IC	11.0%	10.4%	9.6%	11.4%

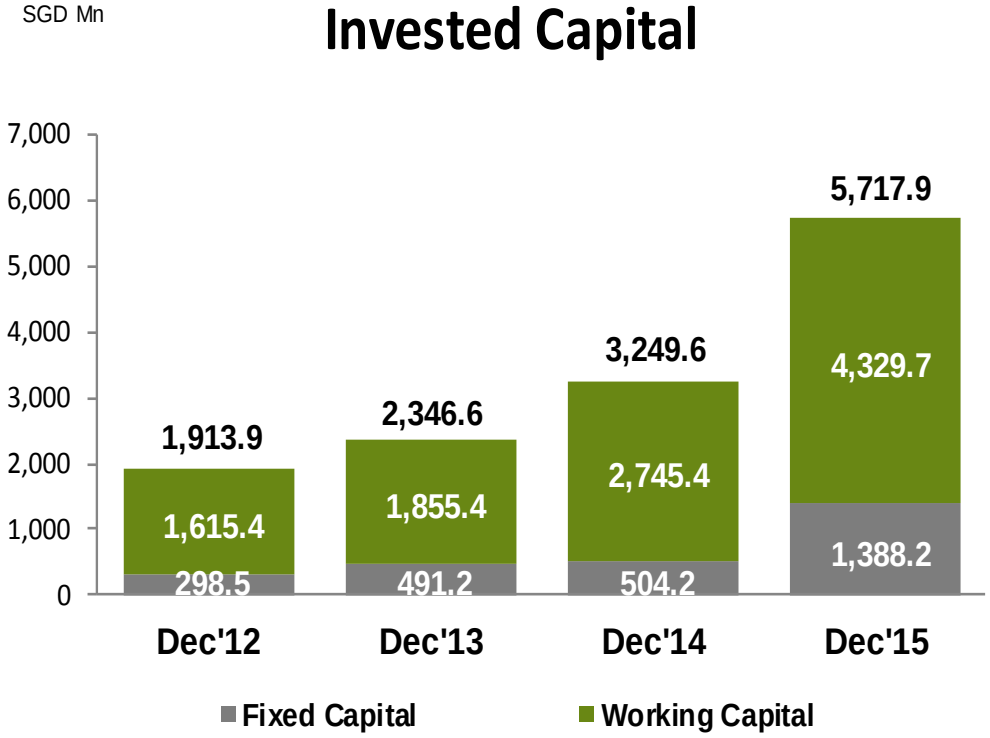


- The almonds business **continued its strong performance**, aided by favourable market conditions & A$ depreciation. MMI contributed to growth in EBITDA, partially offset by underperformance in the Argentinean Peanut business. Hazelnuts, cashews and the SVI business in the US performed well.
- **Invested capital increased** by S$124.3 mn as compared to end-Dec 2014 due to the acquisition of MMI, investment in increased acreage of almond and pistachio plantations in the US and higher inventories of almonds & cashews due to increased prices

Confectionery & Beverage Ingredients

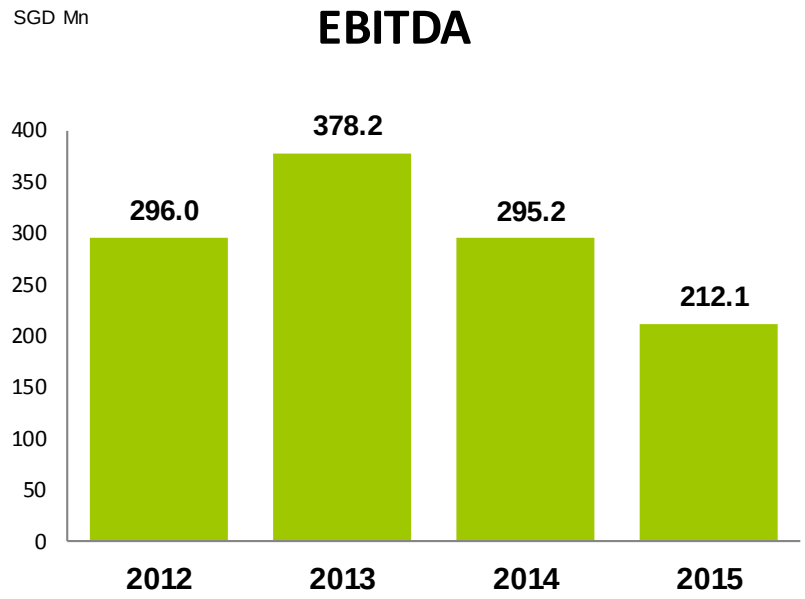


EBITDA /Avg IC	18.5%	12.6%	9.9%	7.2%

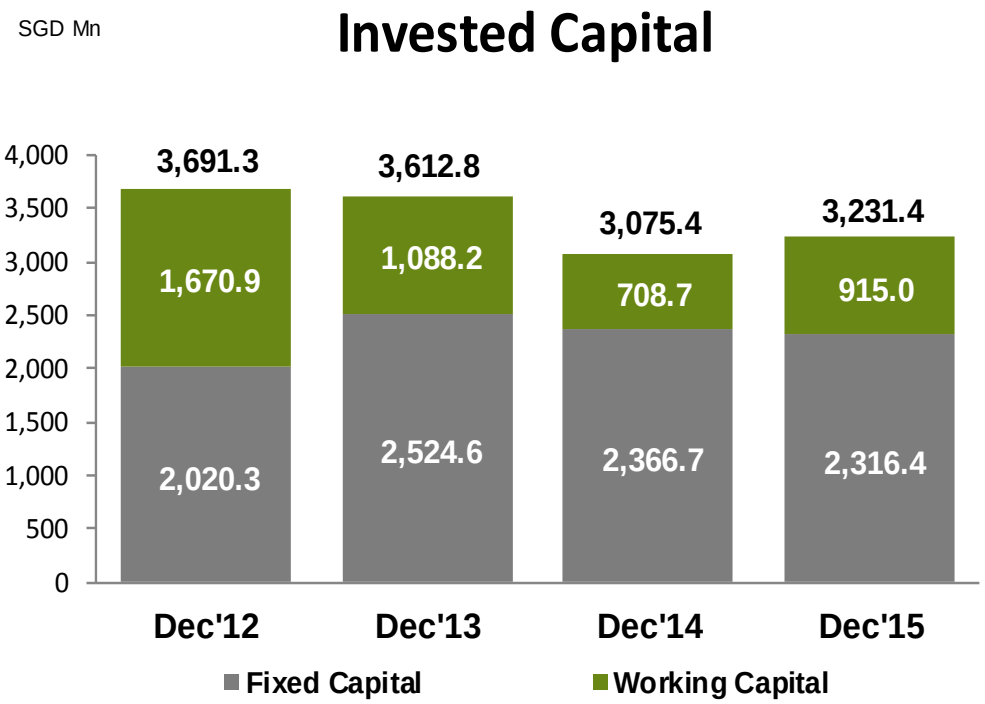


- **EBITDA growth** driven by increased contribution from the Coffee platform and the ADM Cocoa acquisition, partly offset by a lower contribution from the Cocoa supply chain business
- **Invested capital** in the segment increased by S$2,468.3 mn as compared to end-Dec 2014 primarily on account of the acquisition of ADM Cocoa

Food Staples & Packaged Foods



EBITDA /Avg IC	9.4%	10.4%	8.8%	6.7%

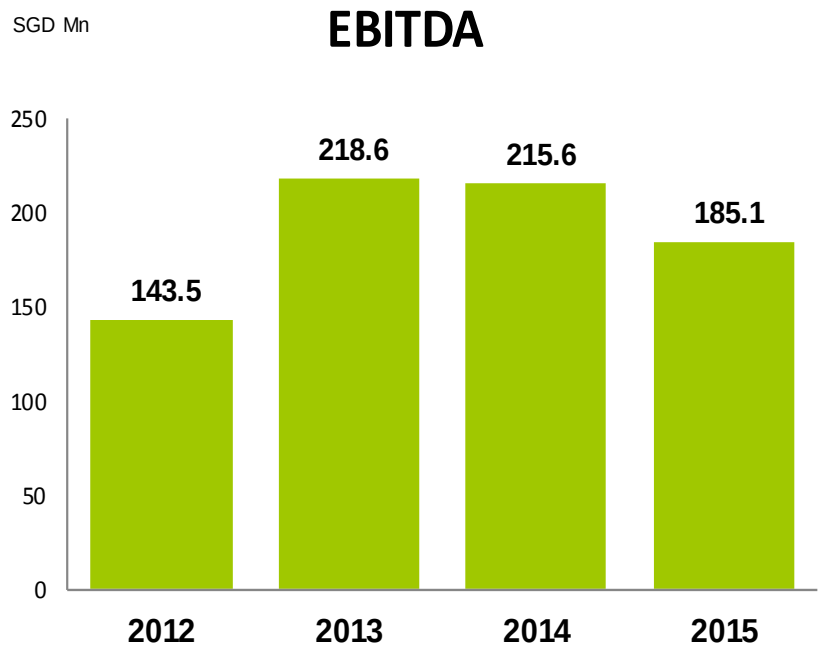


- **EBITDA** growth from the **Grains** and **Rice** businesses was offset by reduced volumes from discontinued operations, continued underperformance of Dairy farming operations in Uruguay, adverse impact of currency devaluation on our Palm refining operations in Mozambique and the Packaged Foods business in Africa and a lower contribution from Sugar and Palm trading
- **Invested capital increased** by S$156.0 mn as compared to end-Dec 2014 due to higher working capital deployed in this segment

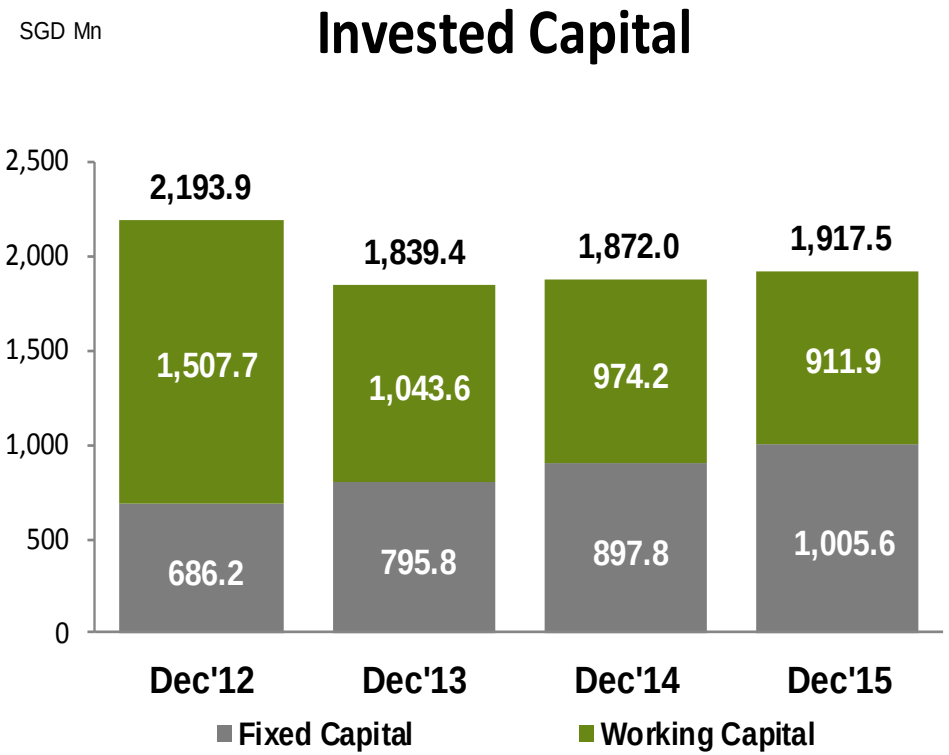
Restructuring of NZFSU, Uruguay

- **Objectives:**
  - Arrest operating underperformance
  - Restore profitability
- **Incurred one-time costs of S$76.9 million in Q4 2015**
- **Restructured operations**
  - Closed a significant number of dairy farms
  - Reduction in herd population from ~87,000 to ~56,000
- **Initial results are encouraging**
  - Already resulted in improved milk productivity and lower operating costs from Q4 2015
- **Outlook**
  - The business is expected to turn profitable from 2017, subject to dairy prices

Industrial Raw Materials



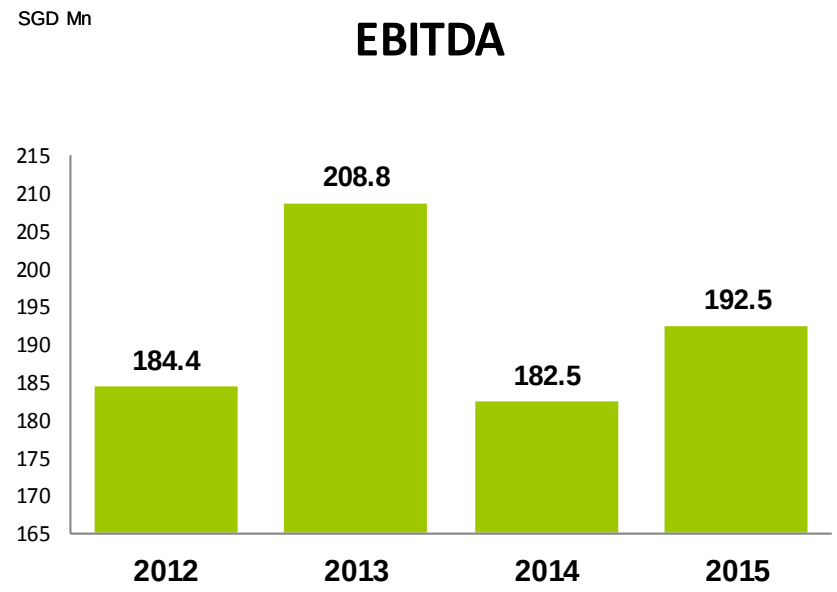
EBITDA /Avg IC	6.5%	10.8%	11.6%	9.8%



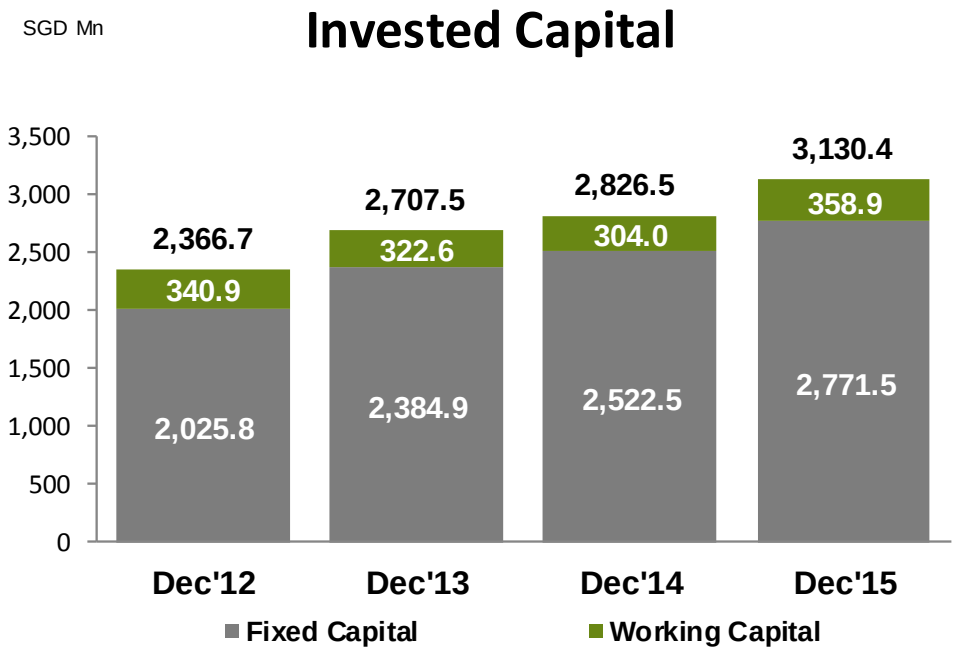
- **EBITDA growth** from the Cotton and Wood Products businesses was offset by a reduced contribution from the SEZ business as compared to 12M 2014
- **Invested capital increased** marginally by S$45.5 mn compared to end-Dec 2014 due to investments in upstream Rubber plantations and SEZ in Gabon

Value Chain Analysis

Upstream

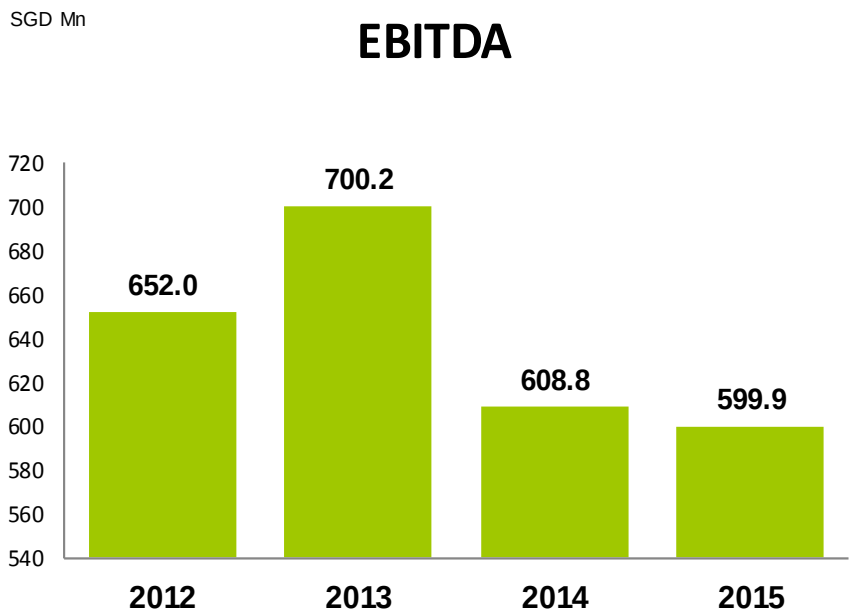


	2012	2013	2014	2015
EBITDA /Avg IC	8.7%	8.2%	6.6%	6.5%

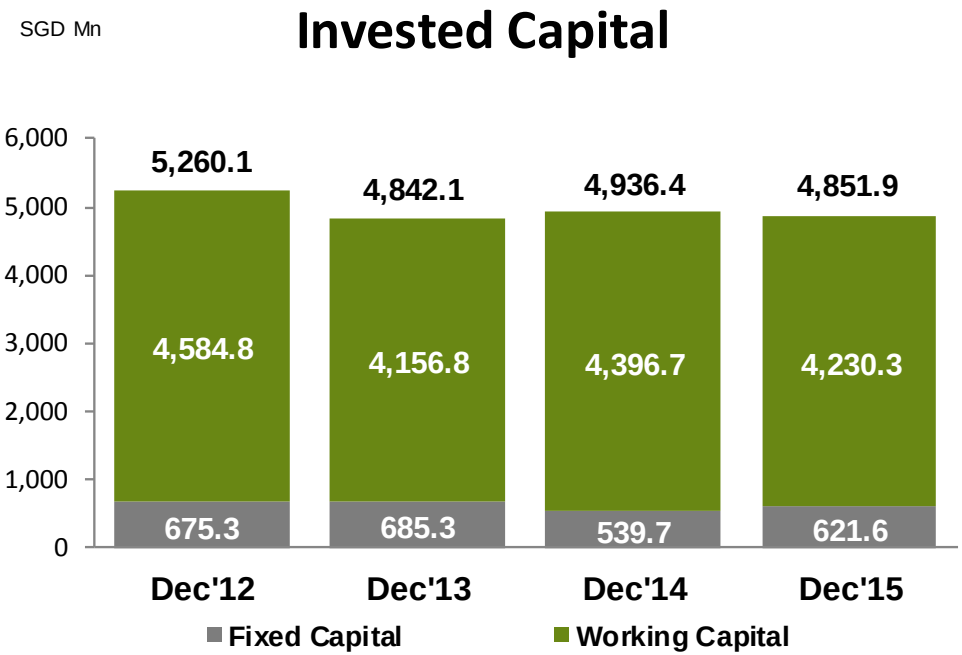


- **EBITDA** growth due to increased contribution from almond and coffee plantations, partly offset by lower contribution from the Dairy farming operations in Uruguay
- **Fixed capital** increased on account of higher fixed capital invested in almond, coffee, palm and rubber plantations and rice farming

Supply Chain

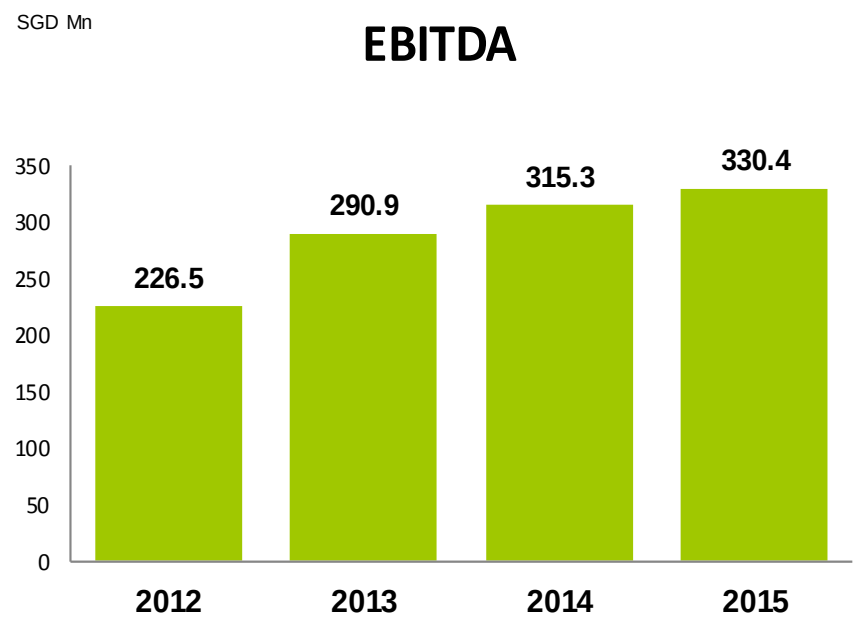


	2012	2013	2014	2015
EBITDA /Avg IC	12.4%	13.9%	12.5%	12.3%

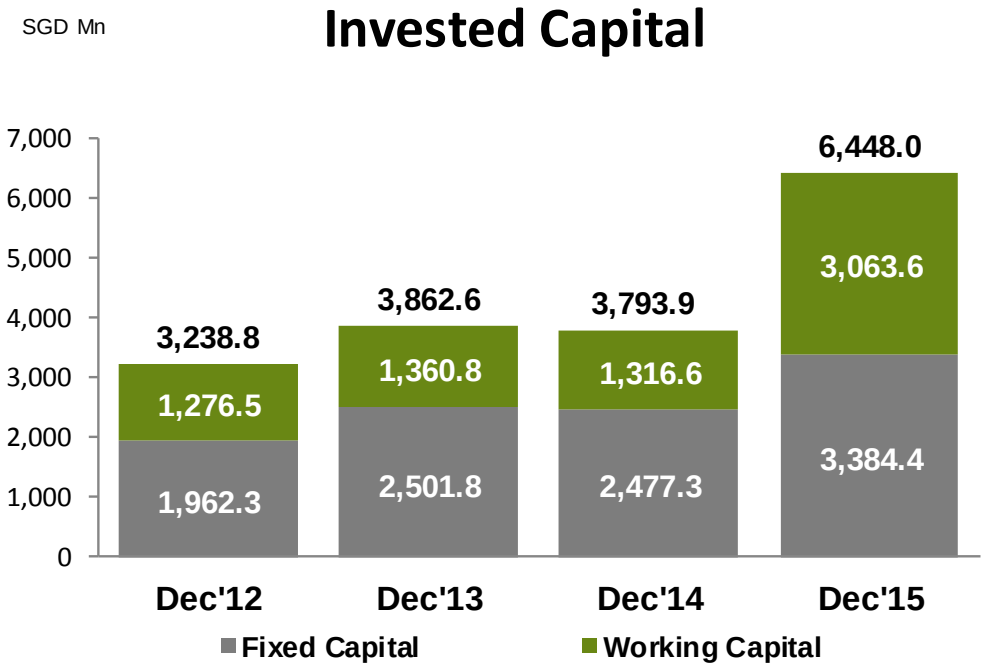


- **EBITDA** decline due to reduced volume from lower margin or discontinued operations and lower contribution from Sugar and Palm trading and the Cocoa supply chain business
- **Invested capital** in the segment reduced by S$84.5 million, despite an increase in fixed capital due to lower average commodity prices

Midstream/Downstream



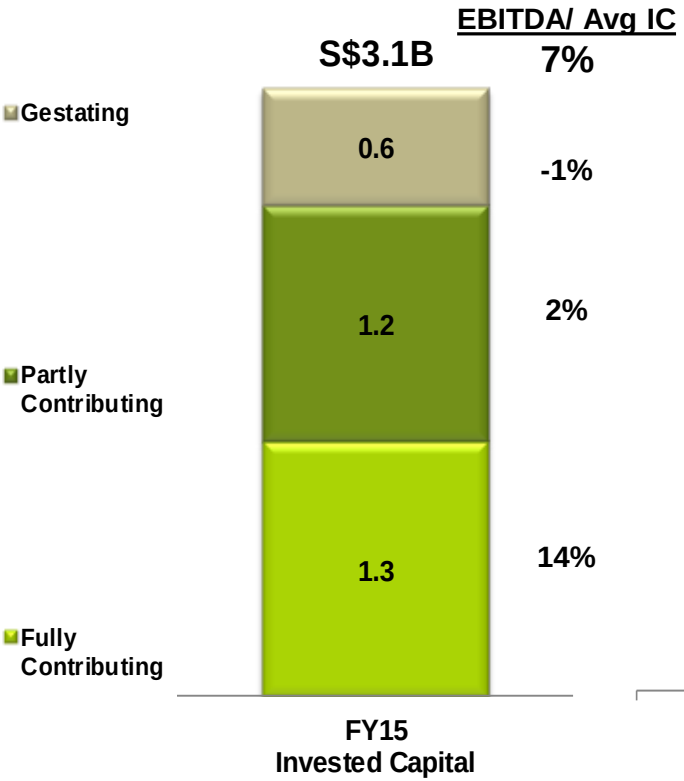
	2012	2013	2014	2015
EBITDA /Avg IC	9.0%	8.2%	8.2%	6.5%



- Strong growth in **EBITDA** from wheat milling (Africa), soluble coffee processing (Vietnam, Spain), sugar refining (India), SVI and peanut businesses (US) and the cocoa processing business (IVC, ADM Cocoa)
- **Invested capital** increased by S$2,654.1 million during the period, mainly due to the MMI and ADM Cocoa acquisitions

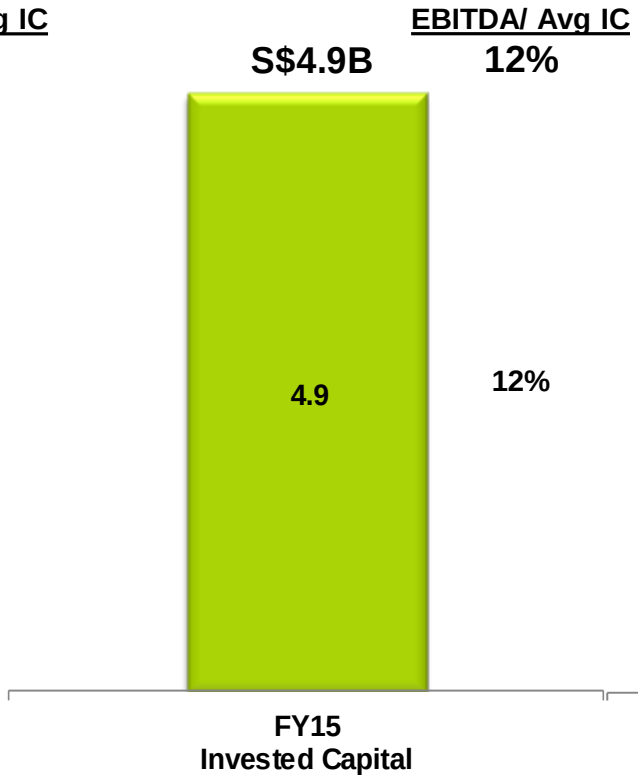
Gestation Mix

Upstream



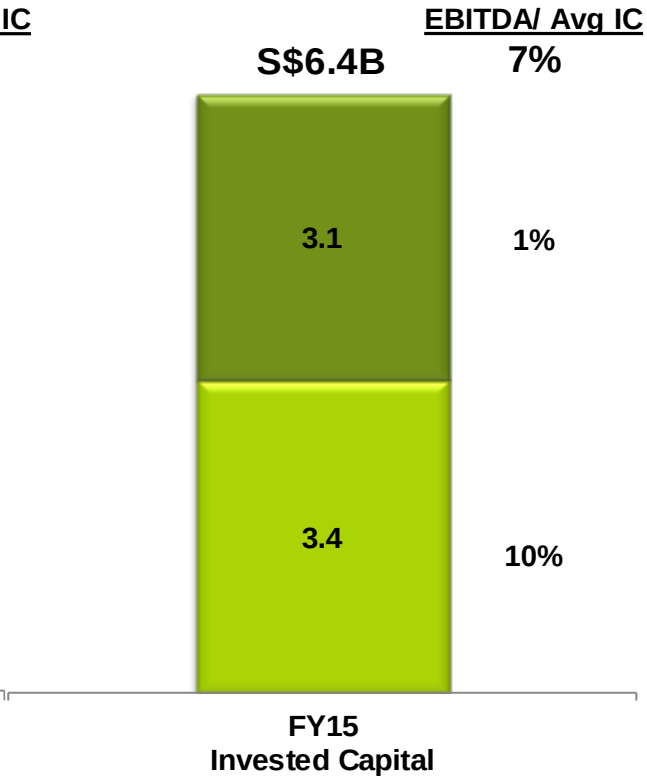
Expected EBITDA/IC at steady state: 15-18%

Supply Chain



Expected EBITDA/IC at steady state: 10-13%

Mid/Downstream



Expected EBITDA/IC at steady state: 13-16%

Free Cash Flow

SGD Mn

Cash Flow Summary	12M 2015	12M 2014	Y-o-Y
Operating Cash flow (before Interest & Tax)	1,150.8	1,148.3	2.5
Changes in Working Capital	(995.9)	(766.2)	(229.7)
Net Operating Cash Flow	**154.9**	**382.1**	**(227.2)**
Tax paid	(127.8)	(65.6)	(62.2)
Capex/ Investments	(2,089.7)	12.7	(2,102.4)
Free cash flow to firm (FCFF)	**(2,062.6)**	**329.2**	**(2,391.8)**
Net interest paid	(478.4)	(411.5)	(66.9)
Free cash flow to equity (FCFE)	**(2,540.9)**	**(82.3)**	**(2,458.6)**

- Generated positive net operating cash flow of S$154.9 million in 12M 2015
- FCFF for 12M 2015 was negative S$2,062.6 million primarily from the acquisitions of MMI and ADM Cocoa for S$1,855.4 million

Gearing remains in line with 2016 objective

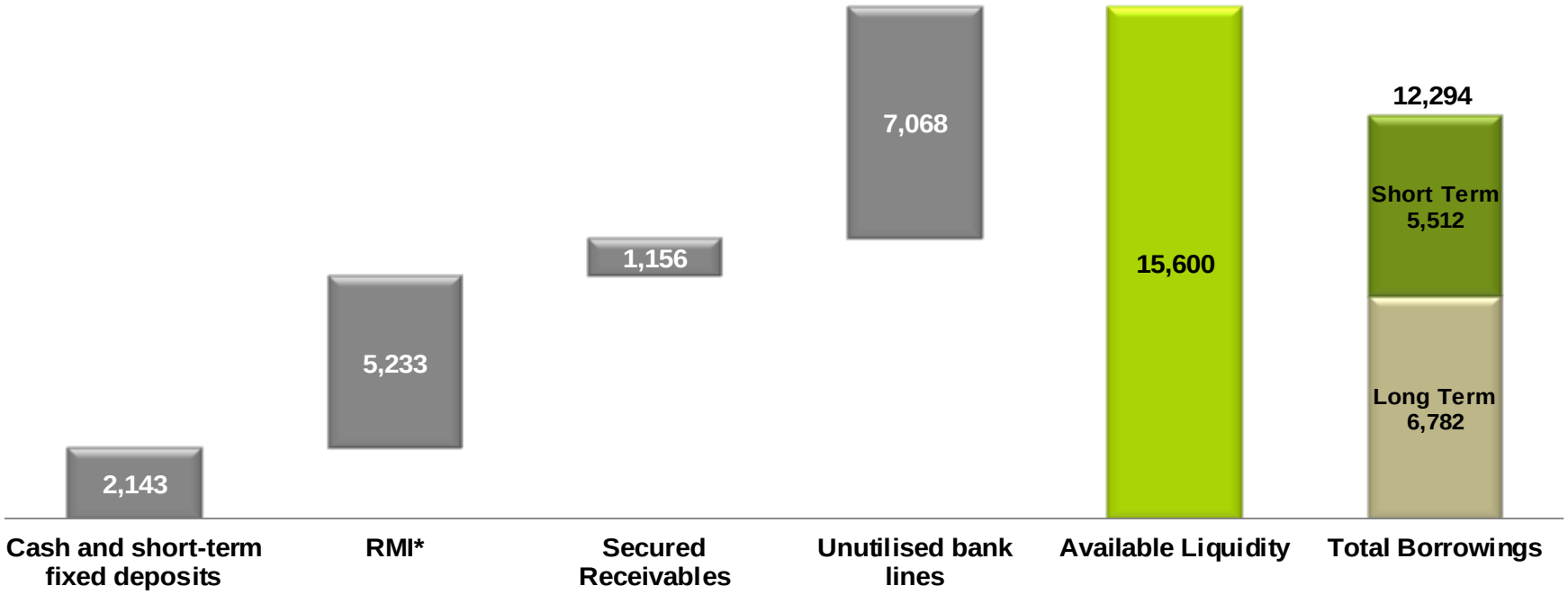
SGD Mn

	31-Dec-15	31-Dec-14	Change
Gross debt	12,293.9	9,840.7	2,453.2
Less: Cash	2,143.2	1,845.8	297.4
Net debt	10,150.7	7,994.9	2,155.8
Less: Readily marketable inventory	5,232.9	3,947.9	1,285.0
Less: Secured receivables	1,155.8	1,030.4	125.4
Adjusted net debt	3,762.0	3,016.6	745.4
Equity (before FV adj reserves)	5,226.4	4,320.1	906.3
Net debt / Equity (Basic)	**1.94**	**1.85**	**0.09**
Net debt / Equity (Adjusted)	**0.72**	**0.70**	**0.02**

- Net gearing of 1.94 times at December 31, 2015 was higher than 1.85 times as at December 31, 2014 due to the acquisition of ADM Cocoa
- Gearing level remains **in line with our 2016 objective** of at or below **2.0 times**

Ample liquidity

S$ Mn as on 31 Dec 2015



*RMI: inventories that are liquid, hedged and/or sold forward

- **Available liquidity sufficient** to cover all repayment and Capex obligations
- **Borrowing mix** currently weighted towards medium and long term
- Continue to **optimise debt tenor and cos**t

Agenda

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Key Takeaways

- Strong **operating performance** despite challenging market conditions
- **Restructured** underperforming operations
- Continue to selectively **invest** in **prioritised platforms**
- **Strong balance sheet** and **liquidity** position to support growth plans
- **Ongoing debt optimisation efforts** have helped reduce overall borrowing costs
- Continue to pursue strategic initiatives to **unlock value and release cash**
- Remain **on track** to achieve our strategic plan objectives of profitable growth and free cash flow generation

Olam

Update on strategic plan execution

SGD Mn

Summary of Completed Strategic Plan Initiatives	Number of Initiatives	P & L impact	Addition to capital reserves	Cash flow impact
Closed in 2012	**1**	**17.4**		**68.6**
Closed in 2013	**4**	**18.2**	**14.2**	**65.5**
Sale and Leaseback of Almond Plantation Assets, Australia		65.4		233.2
Divestment of Olam Lansing JV, Canada				6.8
Sale of Timber Assets, Gabon		(14.6)		22.8
Repurchase of Bonds and Perpetual Securities		1.0	2.3	
Sale of 9.8% stake in OCDL, New Zealand		(0.6)		35.1
Australian Grains JV with Mitsubishi Corporation		28.8		79.8
Sale of Timber Subsidiary in Gabon		(22.6)		7.5
Sale of Collymongle Cotton Gin, Australia		6.0		9.9
Sale of 20% stake in SEZ to RoG, Gabon				74.8
Sale of Dairy Processing Plant, Cote d'Ivoire		17.7		32.7
Sale of 10%/20% stake in Palm/Rubber to RoG, Gabon			31.9	40.0
Sale and Leaseback of Dairy Farm Land, Uruguay		21.0		70.4
Sale of Australian Wool Business		(2.7)		
Closure of SVI dehydrates facility, US		(4.9)		
Closed in 2014	**14**	**94.5**	**34.2**	**612.9**
Sale of 25% stake in Packaged Foods BU to Sanyo Foods			106.2	219.1
Sale and Leaseback of Palm Plantations, Gabon		20.2		184.4
Closed in 2015	**2**	**20.2**	**106.2**	**403.5**
Total	**21**	**150.3**	**154.6**	**1,150.5**