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PRESENTATION

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

Good morning ladies and gentlemen. A very warm welcome to all of you, to our results presentation for the quarter and full-year results, for the period ended December 31, 2015. I'm Hung Hoeng of Investor Relations and it's my pleasure to introduce our senior management team who is with us today at this presentation. First, I'd like to introduce our Co-founder and Group CEO, Sunny Verghese, who is seated on your extreme right at the table, and along with him is A. Shekhar and N. Muthukumar on his right. They are all familiar to you, but two of them are here in a larger capacity.

Shekhar is now Olam's Executive Director and Group Chief Operating Officer, recently promoted from his role as Executive Director of Finance and Business Development. In his new role as ED and Group COO, Shekhar will assist Sunny in overseeing all aspects of Olam's business.

On his right is Muthu, who was recently promoted from his position as President of Corporate Finance, to President and Group Chief Financial Officer. As Group CFO, Muthu will be responsible for regional and product finance, corporate planning and budgeting, financial and management reporting, banking and treasury, investor relations and the corporate secretarial functions of the group. Please join me to congratulate them on their promotion.

Before we begin the agenda proper, let me draw your attention to two important notices. The first is the cautionary statement on forward-looking statements that will be made during this presentation. Second is our change of financial year from June-end to December-end.

The numbers we present today on the slides, press release and the management discussion and analysis statement are for the fourth-quarter and full-year ended December 31, 2015 are on a new financial year basis, from January through December, and are compared to the prior corresponding periods. However, for statutory reporting purposes, through our statements launched on SGXNET the results are presented for the quarter ended December 31 and the cumulative 18 months, from July 1, 2014 until December 31, 2015, as the financial year 2015 is an 18-month fiscal year from July 1, 2014 to December 31, 2015. Thereafter, our statutory reports will follow a January to December fiscal year.

Now the results highlights that you have been waiting for. As Group CFO, Muthu will present the results and talk you through on what had happened during the year, before leaving you with the key takeaways of today's briefing. We will then take your questions, after the presentation. I would now like to invite Muthu to begin his presentation. Muthu? Thank you.



N. Muthukumar - *Olam International Limited - President and Group CFO*

Thanks, Hung Hoeng. Good morning ladies and gentlemen. For most of you who have seen me for some time at the podium and wondering when I will speak up. So here I am, ready to present full-year 12-month 2015 financial results for Olam.

So I am very pleased to report a very strong operational performance for the full year, resulting in our operating PATMI going up by 20% to SGD346m. Particularly many of our prioritized platforms in edible nuts, SVI, grains, confectionery/beverage and CFS have shown very strong operational EBITDA growth. C&B in particular has grown 17%, edible nuts and SVI have grown 16% and our CFS had turned positive from a negative last year.

As we had focused on growing our businesses, we also continued to restructure our underperforming profit centers, particularly our NZFSU dairy upstream business in Uruguay.

We continue to back our growth in prioritized platforms. We completed and integrated our acquisition of McCleskey Mills. We are pleased to inform that the business has been doing well, better than our investment thesis, and has been fully integrated.

We completed the acquisition of our ADM Cocoa business in the last quarter of this financial year and their results of two and a half month has been consolidated in the full-year results of 2015.

And more particularly we are pleased to announce the acquisition of the wheat milling and the pasta manufacturing plant of BUA Group in Nigeria, which specifically changes our competitive position in Nigeria and strengthens the foundation for our animal feed business initiative, going forward.

On the balance sheet trend, on the shareholder base we raised SGD915m of equity capital from Mitsubishi Corporation, which has set the tone and pace for a very strong and long-term shareholder base, and allowed us to now look at prospective and selective bigger, bolder steps going forward. We have taken during the year various initiatives to optimize the tenor and cost of debt by buying back higher cost debt, by changing the tenor from medium term and long term, to selective short-term initiatives, and we are very pleased with those developments.

On the strategic initiatives, we continue to unlock value and release cash. During the initial part of the year we concluded the divestment of 25% of our equity stake to Sanyo Foods for our packaged food business and released cash of USD167.5m. And more recently, in December we announced the sale and leaseback of palm plantations in Gabon for a value of USD130m. This is the first of its kind in Africa and sets the template for us to do more such transactions to optimize our balance sheet going forward.

So overall it has been a very busy, exciting and fruitful year, and more importantly set the tone and pace going forward for 2016.

As highlighted earlier, we have had a very strong operational PATMI growth of 20%, resulting in an operational PATMI of SGD346m, vis-a-vis SGD288m last year. However, the reported PATMI for the full year recorded a loss of SGD64.3m, primarily on account of exceptional items, which I will explain to you shortly.

The main thing has been -- these were discussed, the majority of these have been discussed in the past, but particularly the one that has been there is the impact of the change in presentation of our equity investment in PureCircle, which has been specific to this quarter. And I'll explain to you all in detail shortly.

During the quarter, we have had three exceptional items. One has been, as briefly explained, the sale and leaseback of Palm Plantations in Gabon, which resulted in a gain of SGD33m. We successfully completed our restructuring of our NZFSU dairy upstream business in Uruguay and that resulted in a one-off cost of SGD77m. We concluded the ADM Cocoa acquisition. And that transaction, expenses related to that of SGD34m were recorded during the quarter.

You should note that these are one-time, non-cash operational expenses, which have been specific actions taken by us to either improve operational performance or release incremental earnings for the Company, or strengthen the balance sheet. So a combination of all these have resulted in a one-off exceptional loss of SGD296m during the quarter.

So now I would like to take a few minutes to describe the development on the change in presentation of the impact of fair-value change in our equity investment in PureCircle. As you all may recall, our equity investment in PureCircle has been reduced below 20%. And when Sunny stepped down as director in early 2014, more particularly on March 18, 2014, we reclassified our investment in PureCircle from being an associate to an available-for-sale asset. And this resulted in a non-cash fair-value exceptional gain of SGD270m and this was recorded in the P&L in the first quarter accordingly.

Subsequently, all fair-value changes to this equity investment of PureCircle has been mark-to-market to the closing market price of PureCircle and has been taken to the other comprehensive income of our financial results. However, in view of a significant and prolonged decline of the share price of PureCircle, and in accordance with SFRS 39, we decided to report this particular change in non-cash fair value of SGD192.6m, which was previously recorded in other comprehensive income, through the profit and loss account. That was done in this quarter.

You should note that there is no impact to the Company's total equity, including the sales and the cash flow position because this is entirely non-cash and we had taken down the reduction in our carrying value of the investment every quarter. So the carrying value of the investment of PureCircle in our balance sheet remained unchanged. We believe and continue to believe in the long-term strategy, competitive position and the growth prospects of PureCircle, notwithstanding the current market price of PureCircle impacted by the current global macroeconomic conditions.

Moving on, on balance sheet, we are pleased to announce that we are still -- our net gearing is 1.94 times, well below the 2 times, the target we are set for, in spite of a SGD3b increase in our invested capital during the year, more particularly after the completion of our ADM Cocoa acquisition in the last quarter. We generated a positive cash flow of, operating cash flow of SGD155m for the 12 months. However, the free cash flow to firm was a negative SGD2b primarily because of acquisition of MMI and ADM Cocoa, which was not part of our strategic CapEx plan that we have signaled earlier.

The Board of the Company has recommended a final and second ordinary dividend of SGD0.035 per share, bringing the total dividends to SGD0.06 per share, for the 18 months ended December 2015.

Now let me take you through a detailed P&L analysis. The overall sales volume for the year has declined by 1.5m tonnes, primarily because of discontinued and restructured lower-margin business' volumes. This has been a deliberate action from our side and that has not impacted our EBITDA.

As you can see, that our EBITDA grew 1.5% from SGD1.1b to SGD1.12b during the year driven by very strong results from edible nuts, US spices and vegetable ingredients, overall performance from coffee, ADM Cocoa, partly offset by our cocoa supply chain business, CFS platform, which turned around positive this year, and the grains platform and cotton platform, which have performed better than last year.

The net loss in fair value of biological assets of SGD14m (corrected by company after the call) was primarily due to the loss in fair value of our Australia orchards, which are mature, partly offset by our immature US orchard plantation and our coffee plantations in Brazil, Tanzania, and Zambia.

Through our various initiatives that we are taking to optimize our debt portfolio, it has resulted in a SGD30m savings of net finance cost during the year and offset by a slightly higher depreciation, amortization and tax during the year, more so with the acquisition, the completion of the acquisition of the ADM Cocoa business during the last quarter.

So, to sum up, our operational PATMI has been up by 20% while the reported PATMI registered a loss of SGD64m, primarily due to exceptional items that I had described earlier.

On the overall EBITDA and invested capital, you can see that our invested capital has increased during the year by SGD3b, more so because of acquisitions of MMI and ADM Cocoa and particularly after the completion of our acquisition of ADM Cocoa in the last quarter. However, the EBITDA has still registered a growth year on year and we believe these investments will have a strong potential for us to deliver better EBITDA, going forward. We would like to draw your attention that our invested capital in Gabon Fertilizer Company and long-term investments in PureCircle are not included in the invested capital shown above.



Moving on to the segmental analysis, first on edible nuts, spices, and vegetable ingredients, we are very pleased to announce that an all-round better from this segment, particularly driven by strong performance from almonds business due to favorable market conditions and Aussie dollar depreciation.

McCleskey Mills, which was acquired during the early part of the year, has been fully integrated and we are very happy to see the results being better than our investment thesis, but it was offset by a poor performance from our peanuts Argentinean business. Hazelnut business in Turkey, our cashew business and our SVI business in the US all performed very well. There was a marginal increase in the invested capital of SGD125m, primarily driven by the acquisition of McCleskey Mills during the year.

On the confectionery and beverage ingredients segment, the EBITDA growth was driven by very strong performance by the coffee platform and also due to the two and a half months consolidation of ADM Cocoa business, partly offset by a lower contribution from the cocoa supply-chain business, more particularly in the last quarter. The invested capital, as you all know, has increased by SGD2.5b, primarily because of the consolidation of the ADM Cocoa business into our group.

Moving on, on the food staples and packaged food business, it has been a mix of good and bad performances. The grains and rice businesses have performed very well, particularly our grains wheat milling businesses in West Africa has performed extremely well. But it was offset by some of the discontinued operations, continued underperformance in our NZFSU upstream dairy business in Uruguay, and worse impact of currency devaluation in Mozambique, which impacted our palm refining business and packaged food business in Africa, and a little bit of lower contribution from sugar and palm trading, due to depressed commodity price conditions.

Overall, our invested capital increased by SGD156m, primarily due to higher working capital deployed in this segment.

So we had completed the restructuring of NZFSU dairy upstream business in Uruguay and we want to take this opportunity to explain to you the entire outcome of a few of the initiatives that we have taken in the last six/nine months. So the objective of this restructuring was primarily to arrest operating underperformance and restore profitability, especially in the low, to combat the low-price environment in the dairy business.

So as a result of that we closed a significant number of dairy farms and also reduced the herd population from approximately 87,000 to a 56,000 headcount. This resulted in a one-time cost of SGD77m, but we believe that these are money worth well spent and the initial results are already encouraging. We see improved mill productivity and lower operating cost already coming through in the last quarter. We expect the business to turn profitable in 2017, subject to dairy prices improving.

Moving on to industrial raw materials segment, this segment had, as indicated in the prior quarters, very strong growth on the cotton and restructured wood products business during the year, but it was offset by a reduced contribution from the SEZ business in Gabon. The invested capital increased marginally, by SGD45m, primarily due to investments in the upstream rubber plantation and SEZ in Gabon. But the cotton business, which was restructured during the year, had performed extremely well.

Every year at the end of the full-year results we present the value chain analysis in addition to segment analysis, and we now take the opportunity to take you through the three parts of our value chain segments.

First is upstream. On the upstream business the EBITDA has grown from SGD182m to SGD192m, primarily from an increased contribution from the almond and coffee plantations, partly offset by the underperformance of the dairy upstream operations in Uruguay and also the Argentinean peanut operations. Those are the two which partially offset otherwise an exceptionally good performance in this upstream segment. The fixed capital increased on account of higher fixed capital investment on almonds, coffee, palm, rubber plantations and also the rice farming business in Nigeria.

Supply chain has been a very steady performance during the year. As we had indicated during our strategic plan, this segment, we have been selectively investing in upstream and midstream to ensure that better balance in the portfolio is there. And you can see that the trend of the results reflect our execution of the strategic plan. The supply chain business has been delivering consistent EBITDA without any corresponding increase in the invested capital.



On the midstream and downstream business it has been an exceptional performance from through our businesses. Strong growth in EBITDA from wheat milling businesses in Africa, soluble coffee processing both in Vietnam and in Spain, sugar refining in India, our spices and vegetable ingredient businesses and peanut business in the US, cocoa processing business in Ivory Coast, and more recently the consolidation of the ADM Cocoa business, all have contributed a very strong EBITDA growth during the year. Our invested capital grew by SGD2.6b, primarily due to the acquisition of McCleskey Mills and the ADM Cocoa businesses during the year.

We now wanted to give you a gestation mix. Most of our investments, what we have done, some are already yielding, some are partly contributing and some are gestating, and we wanted to take this opportunity to explain the gestation mix that we have across the value chain, in upstream, supply chain, midstream and downstream. You can see from here that more than SGD600m invested in upstream is still gestating. More than SGD4.3b which are invested between SGD1.2b in upstream and SGD3.1b in midstream are still partly contributing. And you can see that when they are getting into full contribution, we will have enough headroom for EBITDA growth going forward.

And we maintain our steady-state targets for each of these value chain segment at 15% to 18% for upstream, 10% to 13% for supply chain and 13% to 16% for midstream and downstream.

Moving on to free cash flow, I had earlier highlighted that we had a positive operating cash flow of SGD155m. However, the free cash flow to firm was a negative SGD2b, primarily because of acquisitions of McCleskey Mills and ADM Cocoa, of SGD1.86b.

Our gearing remains in line with our 2016 objective of 2 times or below. And in spite of SGD3b of increased invested capital, which has resulted in a net debt increase of SGD2b, we are still at 1.94 times and below the target of 2 times. And, again, I would like to reiterate this was primarily due to the acquisition of ADM Cocoa, but in spite of that we have been able to maintain the net gearing below 2 times.

We have ample liquidity, and that is demonstrated here. We would like to thank all our banking partners here who are present here and elsewhere for their unstinting and continued support, and I personally would like to work with all of you going forward. We have enough liquidity sufficient to cover all our repayment and CapEx obligations, which are already committed. We have a borrowing mix slightly weighted towards medium and long term, and given the current macroeconomic conditions we believe this weighting is prudent. However, we will continue to look at optimizing our both debt tenor and cost going forward.

So stepping back and looking at the key takeaways from the last 12 months performance of Olam, we have had very strong operating performance despite very challenging market conditions.

Most of our businesses have performed well. It has been a broad-based performance. Our edible nuts, spices and vegetable ingredients or confection and beverage ingredients, our CFS segments have all performed very well, which has been partly offset by market conditions impacting our food staples segment and our IRM segment, but particularly dragged down by only the SEZ business not performing during the year. However, in the IRM segment both cotton and wood products have performed very well. So we believe overall across five segments most of our businesses have performed very steadily.

We have restructured underperforming operations and we believe this will allow us to grow more going forward and we'll have stronger EBITDA growth in 2016 and beyond. We will continue to selectively invest in prioritized platforms. Our strong and long-term shareholder base will allow us to now selectively in bigger, bolder growth-oriented investments, and supported by a very strong balance sheet and liquidity position to support the growth plans. Our ongoing debt optimization efforts, started in 2014, continued in 2015, have definitely helped reduce our overall borrowing cost and we'll continue to focus on reducing the borrowing cost going forward.

We have pursued very strategic initiatives to unlock value and one such example during the year was the sale and leaseback transaction we did for a palm plantation asset in Gabon and that, we believe, has set the template for doing more such transactions going forward in 2016, which will help us to unlock value and optimize our balance sheet. Finally, we believe, we firmly believe that we remain on track to achieve our strategic plan objectives of profitable growth as well as manage free cash flow generation going forward.

And we'll be now happy to take your questions. Thank you.



QUESTIONS AND ANSWERS

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

Thank you Muthu. We would like to take your questions now. Would you take the microphone please and then state where you come from, your name and your question.

Unidentified Audience Member

Hi. I'm (inaudible). I represent Wall Street Journal, Dow Jones Newswires. I have quick questions on the impact of El Nino on your plantation business. What has been the impact and was there any impact on your other crop businesses as well in other geographies? And maybe I'll ask two supplemental questions after that one is answered.

Sunny Verghese - *Olam International Limited - Co-founder and Group CEO*

Sure. As you know, we have a very diversified portfolio upstream. As far as the plantation and farming business of Olam is concerned, we grow about 21 different crops in 26 different countries across both the northern and the southern hemisphere.

We believe that the El Nino conditions will have a negative impact on cocoa, for example, in Cote d'Ivoire and in Ghana and in Nigeria, which is suffering from low soil moisture, low relative humidity, very high temperatures as a result of El Nino. And the mid-crop, which is just beginning to form now, which between just Ivory Coast and Ghana is about 650,000 tonnes, 450,000 tonnes in Cote d'Ivoire, 200,000 tonnes in [Ivory Coast].

The El Nino conditions are persisting beyond the first quarter and we expect will continue in the second quarter as well. So we see a significant drawdown in inventories, for example, in palm, almost 2.9m tonnes additional drawdown of inventories as a result of the lower production because of El Nino as far as palm is concerned. We see the same impact in rice. We expect a total rice production drop of about 8.6m tonnes this year, primarily attributed to El Nino conditions in the growing regions.

So El Nino will have different kinds of impacts in different crops, in different places. On the positive side, in the US, for example in California, where we grow our almonds, El Nino will provide heavy rains or is expected to provide good growing conditions. So we expect a slightly larger crop in almonds this year compared to last year. And we can also see from the arrivals of the 2015/2016 crop, the arrivals have been at about 1.87b pounds compared to the objective estimate that was earlier released, of about 1.8b pounds.

So overall this El Nino is a little more severe than what one had anticipated two quarters ago when we were briefing you about the El Nino impact. And this will be quite broad-based and widespread, with mostly lower production, lower quality, but in some cases higher production for some crops in some regions.

Unidentified Audience Member

Just going back to palm oil production, in terms of percentage if you can tell us what has been the impact of El Nino, in terms of --

Sunny Verghese - *Olam International Limited - Co-founder and Group CEO*

We believe in terms of 33m tonnes that's produced in Indonesia, about 19m tonnes in Malaysia, we would expect this impact of El Nino to be roughly in the order of 2m tonnes as far as the weather is concerned. But that's also now slightly compounded by the fact that the biodiesel mandate in Indonesia now looks like it will actually be implemented.



The petroleum company, Pertamina, has already issued a contract 230,000 kiloliters of biodiesel in January. On January 16 they did that. Earlier on the concern was with the government in the CPO fund had enough funding to provide the necessary subsidies for biodiesel usage and particularly in pursuit of the B20 mandate.

But if you look at the IDR6.9 trillion that was collected last year as an export levy for palm which is going to be used for the biodiesel mandate, and the IDR9.5 trillion that is going to be collected this year, and they spent only about IDR540b-odd last year, therefore they have really about IDR15.9 trillion available this year, which is about USD1.15b. And that is more than enough to meet the government's target of buying 5.5m kiloliters of CPO for biodiesel purposes. So I think they have enough money to do it if there is a will and intent to do it.

The market is really flattening today between 2.5m and 3m kiloliters of biodiesel usage. We think it'll be slightly higher, probably up 3.5m kilometers. So from a demand and from a supply point of view, supply because of El Nino and prolonged El Nino, and demand because of the biofuel mandate in Indonesia, we feel that palm oil prices are likely to trend higher.

Unidentified Participant

I'm sorry. Just checking, you said 2m tonnes was the impact on your grand total of 39m plus 19m tonnes?

Sunny Verghese - Olam International Limited - Co-founder and Group CEO

Between 1.5m and 2m. It depends on how severe in the next three months weather is going to be.

Unidentified Participant

So your production is expected to go down or has already gone down by --

Sunny Verghese - Olam International Limited - Co-founder and Group CEO

Partly gone down because of the El Nino conditions, but we think the El Nino will continue. We expect the El Nino to be completed by the first quarter, but we expect the El Nino impact to continue into the second quarter, which will have a further impact, more than the seasonal decline in production. Because of El Nino we expect a higher decline.

Unidentified Participant

Sorry, just forgive my curiosity, asking if you have a target for palm oil production and if you are revising it because of El Nino?

Sunny Verghese - Olam International Limited - Co-founder and Group CEO

Yes. We have revised it already.

Unidentified Participant

Okay. Thanks. And then one quick question on Gabon rubber I had. Because of low rubber prices, what are you thinking in terms of the plantation in Gabon?

Sunny Verghese - *Olam International Limited - Co-founder and Group CEO*

Yes. We are slightly bearish on rubber prices, primarily because of the increased low-cost production that has come onstream in Thailand and because there isn't very high intervention prices in any of the major producing countries. Well, there is some support prices, but they are not enough to meet the declining international rubber prices.

And because of the slowing growth in China and most other markets, demand for cars and demand for tires will also be moderated in the near term. So we are slightly bearish, continue to be bearish on rubber prices for the near term. Long term we still believe that there'll be a growing demand/supply imbalance, but in the medium and near term we expect there to be continued softness, at least in the near term continued softness.

Unidentified Participant

Any expansion plan on hold or something like this, your capital expenditure?

Sunny Verghese - *Olam International Limited - Co-founder and Group CEO*

Our rubber strategy is an upstream strategy where we're investing in plantations. We had announced that we are in phase one in Gabon, planting 27,000 hectares. We have planted roughly 7,000 hectares out of that. By the end of this year 2016 we'll plant 12,000 hectares. At 12,000 hectares we will take a pause, see how market conditions are, before we commit to completing the project of 27,000 hectares. So we will take the call by the end of this year, by the end of 2016.

The second part of the rubber strategy is really building midstream assets in niche markets. So we have set up a processing facility or we acquired a processing facility in Cote d'Ivoire and that has just been integrated and so far things are looking positive there.

And then around that we trade around these assets. So we have a trading business around the plantation business as well as the processing business, and that is also going as per plan so we are pleased with that progress.

Unidentified Participant

Anything you would like to talk about in front of your -- talking about your dairy business in Uruguay, anything you would like to share in terms of improvement you are seeing there?

Sunny Verghese - *Olam International Limited - Co-founder and Group CEO*

Yes. So I think, as Muthu presented, we have done a significant restructuring of the business. We are facing very low dairy prices. And despite the El Nino we have had fairly strong crops. Particularly with the EU regulations falling away, there's been a surplus of production in the European Union. And the impact of El Nino and the dairy production in New Zealand, the impact has been much lower than we expected. So that is significant --

Unidentified Participant

I think 2017 is the time when you expect to see some progress.

Sunny Verghese - *Olam International Limited - Co-founder and Group CEO*

In Uruguay we expect to see progress in 2017. We have reduced the number of farms significantly. We have culled the herd size. We have reduced all the costs. We have restructured the business and we are already beginning to see in Q4 of 2015, we already started seeing improved milk



productivity per cow and per hectare. We also started seeing lower costs. So we are pleased with the first quarter post-restructuring, how the impact has been on the business. And, as Muthu outlined, we expect to be profitable from 2017 onwards.

Unidentified Participant

Thank you.

Anuradha Raghu - Bloomberg - Media

Hi. My name is Anuradha. I'm from Bloomberg. Just to clarify a little bit on what you said about palm oil biodiesel in Indonesia, was it 3.2m kiloliters you expected for the uptake of biodiesel in 2016?

Sunny Verghese - Olam International Limited - Co-founder and Group CEO

In 2016. That's right. Yes.

Anuradha Raghu - Bloomberg - Media

And also on the impact of tightening of palm oil inventories, you mentioned a figure but I missed that. If you could clarify on how much do you see El Nino reducing inventories of palm oil.

Sunny Verghese - Olam International Limited - Co-founder and Group CEO

It will draw down inventories by roughly 2.8m tonnes.

Anuradha Raghu - Bloomberg - Media

2.8m. Okay. And if I may ask another question, in terms of cocoa prices and the cocoa outlook, what is your outlook on cocoa going forward and how do you think that is going to impact your business?

Sunny Verghese - Olam International Limited - Co-founder and Group CEO

We are quite concerned about the weather in Cote d'Ivoire and West Africa. And if the weather continues without a break and we don't see rains, the Harmattan has compounded the problem. So we are watching very closely the likely impact of the severe Harmattan that we have faced, the low soil moisture conditions, the very low relative humidity conditions. We haven't seen such conditions since 1982, 1983. So we are quite worried about the development of the mid-crop of cocoa in West Africa.

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

Next question please.

Sunny Verghese - Olam International Limited - Co-founder and Group CEO

Can we get some others to ask a question? We'll come back to you and we'll be happy to take questions after that. Yes. Thank you.

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

There is a question at the back. Please wait for the mic please.

Nirgunan Tiruchelvam - *Religare - Analyst*

I'm Nirgunan Tiruchelvam from Religare. Mr. Verghese, I would like to ask whether the management is considering increasing the rate of acquisitions in this current situation where the gearing levels of the Company are low by historical standards, the cash balances are high by historical standards and we are at a point in the cycle where there are great opportunities for acquisitions in the commodities space, given the state of the commodity cycle. So would you increase the rate of your acquisitions in this junction?

Sunny Verghese - *Olam International Limited - Co-founder and Group CEO*

So, Nirgunan, as we have mentioned in the past, acquisitions is not a strategy on its own for us. It is a tool to aid our strategy. So we now have a 2016/2018 strategic plan and a 2019/2021 plan. And some of the initiatives in the plan, growth initiatives in the plan, we will do it on an organic greenfield basis. Some we will do through acquisitions.

You are right that counter-cyclically today the market offers a lot of opportunities, with assets dislocated with fair values, so it is a good opportunity, but we are going to be very disciplined about how we acquire and what we acquire. We also have changed our stance from acquiring, our string of pearls strategy in the past, which was all small bite-sized transactions, but we did several of them, to fewer transactions but things that will be very clearly moving the needle for us.

So those are the guidelines that we will be using when we consider going forward. So we think we will stay disciplined, aligned to our strategy, but we will do fewer deals, but we will do larger deals that really move the needle for us. And the three deals that we did last year, acquisition of ADM's cocoa business, the acquisition of MMI, the peanut-shelling facility, and also the acquisition of BUA's wheat milling and pasta manufacturing assets, are all exactly in line with this philosophy of doing more meaningful-sized transactions that can move our needle. And our track record in the past has always been to be counter-cyclical so today is a good opportunity to be counter-cyclical as markets dislocate.

Nirgunan Tiruchelvam - *Religare - Analyst*

Thank you.

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

Next question please.

Patrick Yau - *Citigroup - Analyst*

Hi. Morning. Patrick here from Citi. Sunny or Muthu actually, just referring to your slide on the gestational mix of your returns and assets, I'm looking in particular the midstream assets you have, which is SGD3.1b, which is considered as partly contributing EBITDA/IC of just 1%. So if I look at what you believe are the longer-term returns, that's almost a tenfold increase, which would translate to the current SGD30m increasing to at least SGD300m.

What are the conditions that accelerate the return profile within what is actually a very big footprint, SGD3.1b within this? So could you share some metrics by which we can track on the improved returns from this particular footprint asset?

Sunny Verghese - *Olam International Limited - Co-founder and Group CEO*

Shekhar?

A. Shekhar - *Olam International Limited - Executive Director and Group COO*

Okay. Patrick, the SGD3.1b, first simple number is that the ADM transaction is part of that, which is a midstream asset, which has just been concluded in the last quarter. So a significant upside we expect and we had underlined when we announced the ADM transaction for the kind of EBITDA growth that is possible out of that. So a large chunk of the SGD3b, almost SGD2b, out of that, is coming out of the ADM transaction.

Now beyond the ADM transaction there are other assets that we have invested in which are either in a partial state, either under commissioning or just started production but not getting up to full capacity. So we believe that in that bucket of SGD3.1b in midstream and roughly about if you look at SGD3.1b plus there is no gestating assets in the midstream, but we should be able to in the next two to three years, certainly before 2018, this entire block of assets should be generating between 13% to 16% EBITDA by IC. And therefore there is significant headroom to grow, a large chunk coming out of ADM, but there are other assets there which will also contribute.

And a similar business on the upstream side also, between the partly contributing as well as the gestating assets, roughly about SGD1.8b. And that's really the part of the portfolio that we have assembled over the last three to five years. So we have between the midstream and upstream almost SGD5b, which are today either not generating at all because they are gestating or because they are partly contributing and expected to contribute over the next two to three years.

So there is significant headroom with the investments that we've already made, some quite recently. Obviously they will have to go through that process, but we are very, very hopeful that this will provide the portfolio of course a more diversified base, but also significant headroom for growth going forward.

Patrick Yau - *Citigroup - Analyst*

Okay. Thank you.

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

I'd like to take a question from the webcast. There's a question also related to the same slide which I would also pose to Shekhar to answer. On that same chart under the partially contributing segment, under the midstream, can you talk about the investments that are parked under there other than ADM, ADM Cocoa and MMI, and how they are expected to contribute?

A. Shekhar - *Olam International Limited - Executive Director and Group COO*

So we have in that wheat milling assets, so the Nigerian assets that we have already acquired. The CFM assets are fully contributing, but we have expanded that capacity. We have set up incremental capacity in Ghana. We have set up new capacity in Senegal and Cameroon. So there is a large chunk out of that which is partially contributing. We have the palm refining assets in Mozambique. We have the packaged food assets in Nigeria and Ghana. We have spice grinding in Vietnam, India, Egypt. So there is a lot of assets. We have the cashew processing asset. We have of course the ADM and MMI asset, which is a significant part.

So there is a range of assets that have been invested in, in the past two to three years, which are in the partly contributing bucket, a significant chunk being the SGD2b between MMI and ADM, but there's almost about SGD700m, SGD800m outside of those also.



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

There are two questions from the webcast. First is about the tax rate. The adjusted tax rate seems high. Do you have any comment on what is it going to be like going forward? That, I would give it to Muthu to answer.

N. Muthukumar - *Olam International Limited - President and Group CFO*

So the tax rate, effective tax rate has gone up primarily because of a geographical mix of the BUs that have been delivering results. So going forward we believe that we will be undertaking some tax optimization initiatives to ensure that the effective tax rate remains at these levels or below. But primarily what we believe is that with the geographical mix of contributing countries the effective tax rate will remain at these levels going forward.

A. Shekhar - *Olam International Limited - Executive Director and Group COO*

If I might just add, in the past we have indicated that our effective tax rate based on the portfolio businesses that we now have will be between 15% and 18%. This time we are about 20%. So we would expect it to be around 18% to 20% overall, but that will depend on the year and where the profits are and the jurisdiction of those profits.

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

Yes, Joan.

Joan Ng - *The Edge - Media*

Hi. I'm Joan from The Edge. A question on your inventories. In the 18 months before 2015 the inventory level has gone up quite substantially. I understand that it's not exactly comparable between 18 months and 12 months, but it still doesn't -- even if I annualize it, it's still quite a large number.

The second question is on your borrowings. What is the effective rate that you are paying on your borrowings today versus what it was this time last year? Thanks.

N. Muthukumar - *Olam International Limited - President and Group CFO*

So I will take the inventories question. Primarily when you are looking at, as you rightly pointed out, between 18 and 12 months, June and December, there is seasonality involved. So you do see in the SGXNET a difference of between a SGD4.6b and SGD6.6b. But if you normalize for 12 months on 12 months it's not a significant increase on a year on year. But the net increase that you see as of December 31 is primarily because of acquisition of ADM Cocoa business in the last quarter. So that is the reason why you see an incremental increase even at this rate for year on year.

A. Shekhar - *Olam International Limited - Executive Director and Group COO*

So on the question of debt, so you'll, first, you'll see that the overall interest cost has come down by over SGD30m despite net debt having gone up on a closing-to-closing basis of almost SGD2b. So we have done two things. There is an interest rate in terms of change of, reduction of interest rate. And secondly, there's also a mix impact of how much of medium term versus how much of short term.

So in most -- as probably we have talked about for the last few quarters, so the first major exercise that we have done between 2014 and 2015 is to optimize the tenor. So we were in a situation post the global financial crisis that we had taken a lot of medium-term debt to ensure that we have security in our debt portfolio. And so there was almost a time when we had more 60% of our short-term working capital which was funded by medium-term debt.

Now that is something that we had signaled as a first stage that we want to bring down to some, more between 25% and 35%, which will give us enough security in case of any market disruptions. And so over the course of time the one significant part is that we have now today roughly about 25%, if you see our balance sheet analysis, about 25% or 28% by the end of December covering, of medium-term debt covering our short-term working capital requirements.

The second has been reducing our credit spreads across all tenors. So we have done an exercise by which we have reduced short-term borrowing into buckets with both a bilateral relationship, with most of the bankers sitting here, as well as through RCFs, which are now at around 20 or 25 basis points lower than what it was potentially 18 months ago.

On the medium term, again, we have not issued too much of new debt, but we have done two things. One, we have bought back expensive debt. And I direct your attention to two things that we have done last year, which was initial, right off the bat in January we had bought back our bonds which were issued as part of the rights issue in 2012. And those were very expensive debt and we bought that back. That was \$750m, which were almost priced at about 8%, 6.75% coupon but issued at 8%. And then we recently bought back in December, and which has also happened in the first quarter of 2016, which was the buying back of convertible bonds.

So a mix of buying back our expensive debt and replacing that with appropriate term debt, mostly on the short end, is one part.

And the second part is any new issuance of debt that we've done. And we've not really done -- we have done -- in the debt capital markets we did debt issuances in 2014 and we followed it up with private placements in 2015, which is again now between 150 and 200 basis points lower than the debt that has been issued in the prior period.

So it's been a series of initiatives and these are small steps in a much larger journey. But we will stay focused on ensuring that our balance sheet for our expected fixed capital and working capital is appropriately funded by the right mix of certainly equity, but also a proper mix of medium term and short term at appropriate competitive-priced debt cost levels. And that's where we are headed. We are quite pleased with what has happened in the last couple of years and the impact of this you will see going into our finance cost despite -- even our debt, overall debt, increases, you will see the impact of this flowing through our P&L over the next couple of years.

Tomomi Kikuchi - *Nikkei - Media*

I'm Tomomi from Nikkei. I have a few questions. So first of all you mentioned that you are concerned about the weather in West Africa as far as cocoa is concerned. How does the decline in the production amount and the quality, does that affect in any way your integration with ADM and how that part of the business will be impacted, and if you expect any changes in the outlook of that part of the business in cocoa?

And second, what is your outlook for the price of coffee for this year?

Sunny Verghese - *Olam International Limited - Co-founder and Group CEO*

So on the first question, we are, as you said, worried about the development of the mid-crop cocoa season in West Africa. Will it have an impact on our processing business, given that we have acquired ADM's business? No. We have the most extensive origination footprint, farm gate procurement footprint in Africa. So we think we are well-positioned and probably will be able to take advantage of the current scenario. So overall I don't think it will impact our integration of the ADM Cocoa business or the prospects of our overall cocoa business.

With regard to coffee prices, we are seeing the 2016/2017 Brazilian crop, now the consensus is 55m to 56m bags, but recent weather shows, again because of El Nino, a more than expected impact on the Brazilian conilon crop. So we are seeing Brazilian crop revised downwards. The Colombian crop has been lowered by, what, about 1m bags. So we are already seeing stock consumption ratios now at about 30%, 31%. Certified stocks have been drawn down quite alarmingly. So we now have certified stocks of about 1.4m to 1.5m bags. We expect that will likely decline to about 1.2m bags. The last time we have seen that was in 2010 and at that time prices were very, very high, coffee prices.

So because of the Colombian peso devaluation, the Brazilian real devaluation and devaluation in most of the producing countries' emerging market economies, the fundamental supply/demand scenario is not being fully reflected in US dollar prices because of the increased competitiveness as a result of the devaluation of the major producing countries.

But overall I think we will begin to see the pressure on this growing supply/demand imbalance and reducing end-stock ratios and declining certified stock situation play out into the fundamentals. At the end of the day the fundamentals will prevail. In the short term all the other technical factors can overwhelm the fundamentals, but in the medium term, long term the fundamental will prevail.

So we feel that coffee is also poised for a breakout. It has tested the 115 levels quite a few times, but hasn't succeeded in going much lower or only has momentarily gone lower. It has also met a lot of resistance at the 125 levels because there's a lot of resistance to go beyond that level at this point in time. But if the fundamentals play out and there's lower crops in the major producing countries, a fairly stable demand for coffee, a fairly predictable demand for coffee, we would warrant the prices to be much higher than where they are today.

Tomomi Kikuchi - *Nikkei - Media*

How much higher do you think?

Sunny Verghese - *Olam International Limited - Co-founder and Group CEO*

If I knew that, I wouldn't be sitting here.

Tomomi Kikuchi - *Nikkei - Media*

Thank you.

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

I'm going to take a few questions from the webcast that have come up just now. Do you have an update on the Gabon fertilizer project? What's the status? Is there a need for any write-down?

Sunny Verghese - *Olam International Limited - Co-founder and Group CEO*

Unfortunately, we have no further definitive news to give you on the Gabon fertilizer project. So the question is really in two parts. What is the progress? We are discussing with three parties at this point in time. We will see how that develops. If there is any material development in these three negotiations that are currently underway, we will keep you apprised.

Our objective remains as we outlined to you earlier. We want to sell down a stake in the business. We currently own 80%. The government owns 20%. The partners that we are talking to each want a controlled transaction, so they want a majority position. They all want 51%. So if they have to get to 51%, we will get down to 35% potentially and the government will get down to 14%, and therefore the government and Olam together will have 49% and the potential buyers will get the balance, 51%.

We have frozen all further CapEx in that project until we find a strategic partner or investor. And therefore there is no further, apart from the overhead costs incurred in maintaining a core team, which is involved in all the due diligence that the prospective buyers are being engaged with, we are not really committing any further capital. Capital investments have been frozen, overheads are contained, while we await the outcome of the negotiations that we have.

So at this point in time we don't believe any impairment is required and therefore no impairment has been made to our current carrying value of the investment so far in the Gabon fertilizer project.

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

There is another question on CapEx target for 2016 and 2017. What kind of projects will you be investing in these two years and what kind of expectations in EBITDA contribution will there be?

Sunny Verghese - *Olam International Limited - Co-founder and Group CEO*

So obviously ?- want me to give it to you?

A. Shekhar - *Olam International Limited - Executive Director and Group COO*

Yes. We won't start -- we don't have a CapEx budget that we have to spend. So there are already ongoing projects that we'll obviously continue and complete. We have ongoing divestments also that we, some of which we have talked about, some of which we are pursuing otherwise, which we are also going to be looking at.

But conceptually what we are saying is that there is a lot of EBITDA growth going to come out of investments made. So our first focus as a management team is to extract that value from our current investments. A part of that we will reinvest back into ongoing projects as well as keep some dry powder in terms of any new opportunities that might come our way, and we have kept enough dry powder there. So in overall -- and then there is a mix of whatever divestments you might do which might also generate cash which can be again reinvested.

So we are not working with a premise that we have SGD1b to spend or something like that. We will be very selective. We will be very disciplined about completing what we think are important strategic imperatives to meet our strategic plan goals in our prioritized platforms. And then we will see what comes up our way and if there is anything interesting and value-accretive we will consider that appropriately at that time.

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

Are there other questions from the floor? We have none on the webcast. So we'd like to thank you for your participation today and we'll draw the session to a close. Thank you very much.

Sunny Verghese - *Olam International Limited - Co-founder and Group CEO*

Thank you all very much.

N. Muthukumar - *Olam International Limited - President and Group CFO*

Thank you.

A. Shekhar - *Olam International Limited - Executive Director and Group COO*

Thanks a lot.

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