Louis Dreyfus Commodities

# 2013 Results Investor Call

## Louis Dreyfus Commodities B.V.

7 May 2014

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# Speakers' presentation

Louis Dreyfus Commodities

**Claude Ehlinger**
**CFO**
***20+ years of experience***

- Claude Ehlinger is the Chief Financial Officer of the Louis Dreyfus Commodities Group.
- He joined the business in 2007 having served three years as Chief Financial Officer at Eutelsat. Prior to this he was Chief Financial Officer of Cap Gemini's Central and Southern European operations, Chief Financial Officer of CCMX and Group Managing Director of Finacor, a large brokerage company in Europe. He began his professional career in 1985 at Thomson Group as personal assistant to the Chief Executive Officer.
- Claude Ehlinger is a graduate of the French business school HEC.

**Adrien Tardy**
**Head of Corporate Finance & Strategy**
***12+ years of experience within the group***

- Adrien Tardy is the Head of Corporate Finance and Strategy for the Louis Dreyfus Commodities Group.
- He began his career with the Louis Dreyfus Group in 2000. Between 2000 and 2005, he worked in various capacities related to business and corporate development at Louis Dreyfus Communications / Neuf Telecom (now merged with SFR). In 2005, he began working in the Office of the CEO of the Louis Dreyfus Group, later being appointed as Global Head of Mergers and Acquisitions of the Louis Dreyfus Commodities Group.
- Adrien Tardy has a master's degree in management science from the ESSEC business school in France.


Louis Dreyfus
Commodities
LDC AT A GLANCE

# Louis Dreyfus Commodities at a glance
# A global, vertically integrated merchandizer of commodities

Louis Dreyfus Commodities

## Key facts

- **Established in 1851** and now present in more than **100 countries**
- **Focused predominantly on agricultural commodities**
- Managing a **highly diversified** business portfolio through 3 segments:
  - **Proteins** including oilseeds, grains, rice and feed, supported by freight and finance
  - **Tropicals** including juice, cotton, coffee and sugar
  - **Other products** including metals, fertilizers, dairy and others
- **A leader in major commodities traded**
- **Strong operational track-record including :**
  - Increasing Net sales (FY10 $45bn / FY11 $58bn / FY12 $57bn / FY13 $64bn)
  - Segment operating result* (FY10 $1.9bn / FY11 $2.1bn / FY12 $2.3bn / FY13 $1.7bn)
- Approximately **22,000 employees** during peak season, operating over **260 production, processing and logistics facilities**
- **Comprehensive approach to risk management:** mitigating, anticipating and controlling risk across the value chain

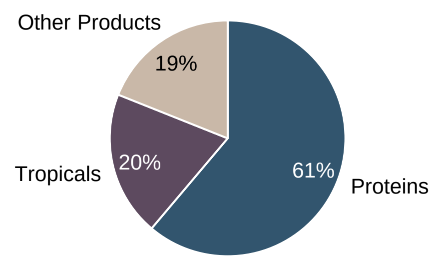
** Segment operating result is gross margin plus result from equity investments*

*** The Group applied the amendment to IAS 19 "Employee Benefits" since 1 January 2013 with retroactive effect from 1 January 2012 on comparable financial statements.*

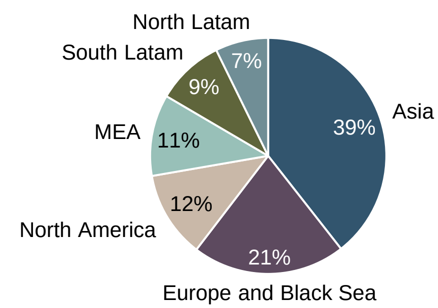
**** excluding Biosev*

## LDC sales breakdown (FY 2013)

***By segment***



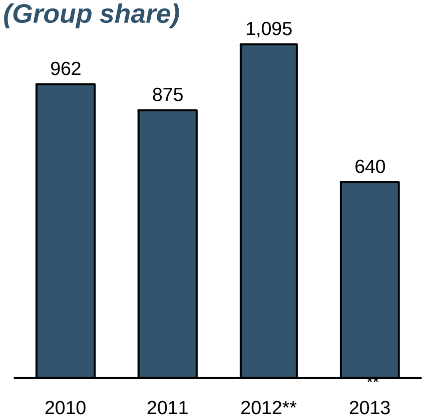

***By region of destination***



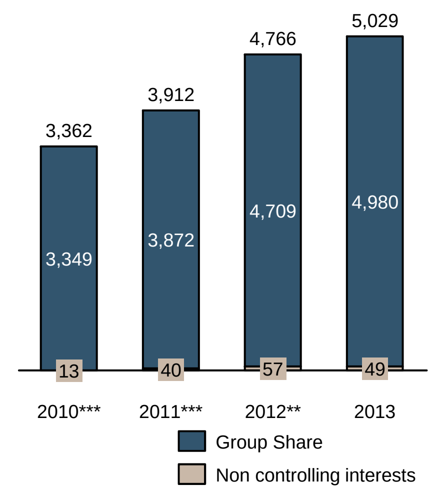

## LDC's key financial metrics

in US$ million

***Net income-continuing operations (Group share)***




***Equity***



# Shareholder structure aligned with LDC's long term development strategy

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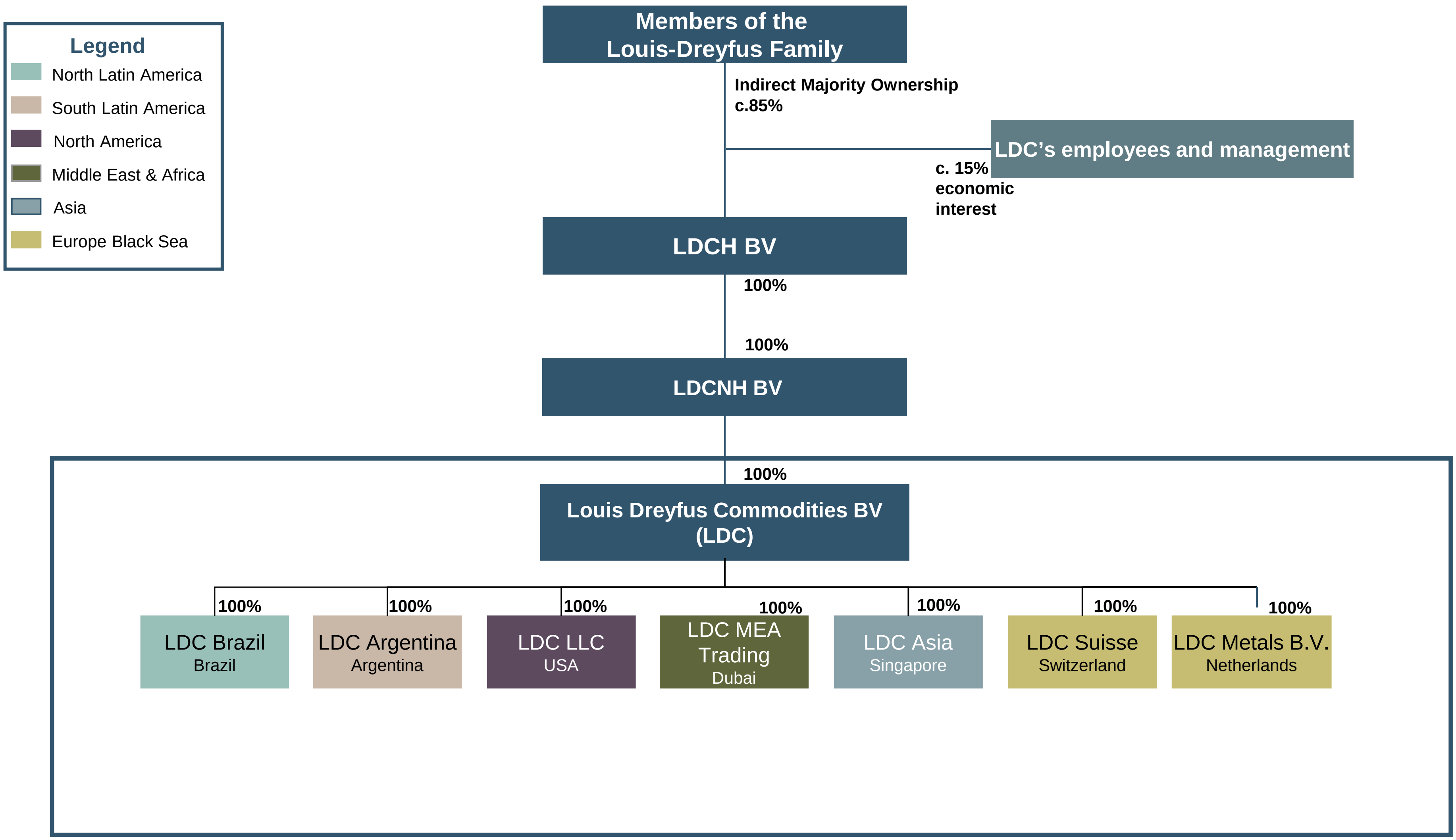


Note: Structure as of 31/12/2013

# A Robust Business Model

Louis Dreyfus Commodities

## Business Model

**We originate and produce**
a large diversity of raw agricultural and industrial materials

**We process and refine**
raw, unrefined and packaged products

**We store and transport**
commodities we handle for export or domestic consumption

**We research and merchandise**
in our main offices and in the countries where we operate

**We customise and distribute**
to a wide range of customers, from large multi-nationals to local manufacturers

**… while managing risks**

- **Supported by the 163 year old history of the Louis Dreyfus Group, LDC operates a robust business model managing one of the most diversified portfolios in the agribusiness space and combining physical merchandising, risk management and an "asset medium" growth strategy**

# Selective value chain integration around core physical merchandizing activities

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| | | Crop production | Origination | Primary processing | Logistics/ storage | Marketing | Secondary Processing | Retail/ Distribution |
|---|---|---|---|---|---|---|---|---|
| Proteins | OILSEEDS | Green Eagle JV | ✓ | ✓ | ✓ | ✓ | ✓ | NS |
| Proteins | GRAINS | ✗ | ✓ | ✓ | ✓ | ✓ | ✓ | NS |
| Proteins | RICE | ✗ | ✓ | ✗ | ✓ | ✓ | ✗ | NS |
| Proteins | FEED | ✗ | ✓ | ✗ | ✓ | ✗ | ✓ | ✓ |
| Tropicals | JUICE | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | NS |
| Tropicals | COTTON | NS | ✓ | NS | ✓ | ✓ | ✗ | ✗ |
| Tropicals | COFFEE | ✗ | ✓ | ✓ | ✓ | ✓ | ✗ | ✗ |
| Tropicals | SUGAR | ✗* | ✓ | ✗ | ✓ | ✓ | ✓ | ✓ |
| Other products | FERTILIZERS | ✗ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Other products | METALS | ✗ | ✓ | ✗ | ✓ | ✓ | Smelting tolling agreements | ✗ |
| Other products | DAIRY | ✗ | ✓ | ✗ | ✓ | ✓ | ✗ | ✓ |

** Strategic relationship with Biosev*

*NS: not significant*

- **Louis Dreyfus Commodities owns key strategic assets in the value chain to support and develop its merchant activity**

# Global footprint

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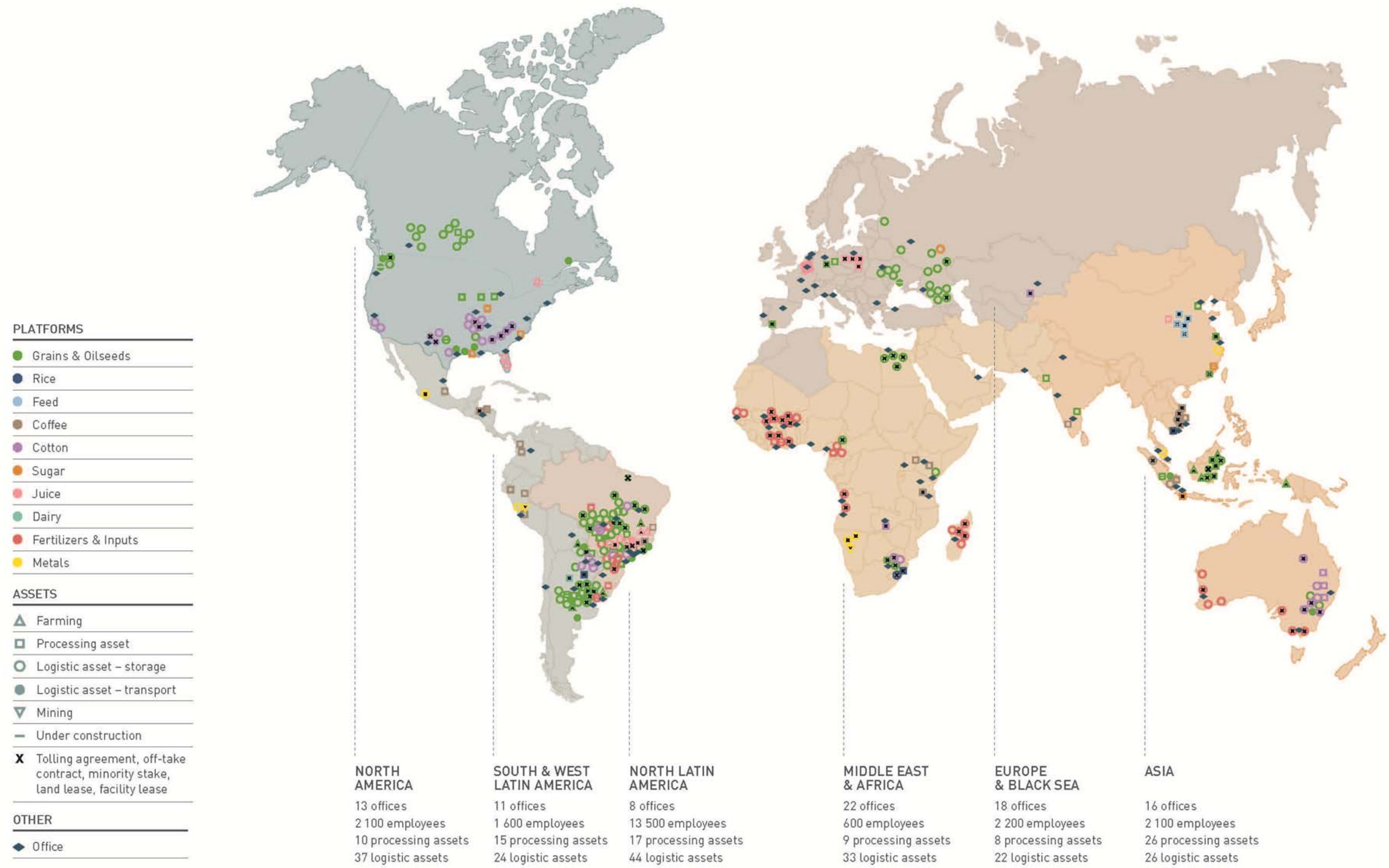


➢ **LDC is exposed to high growth potential areas in its industry both on the supply and demand sides, with a large presence in high potential emerging markets***

**Emerging markets = Asia, the Middle East & Africa, South & West Latin America and North Latin America*

# Exposure to High Growth Supply and Demand Sources

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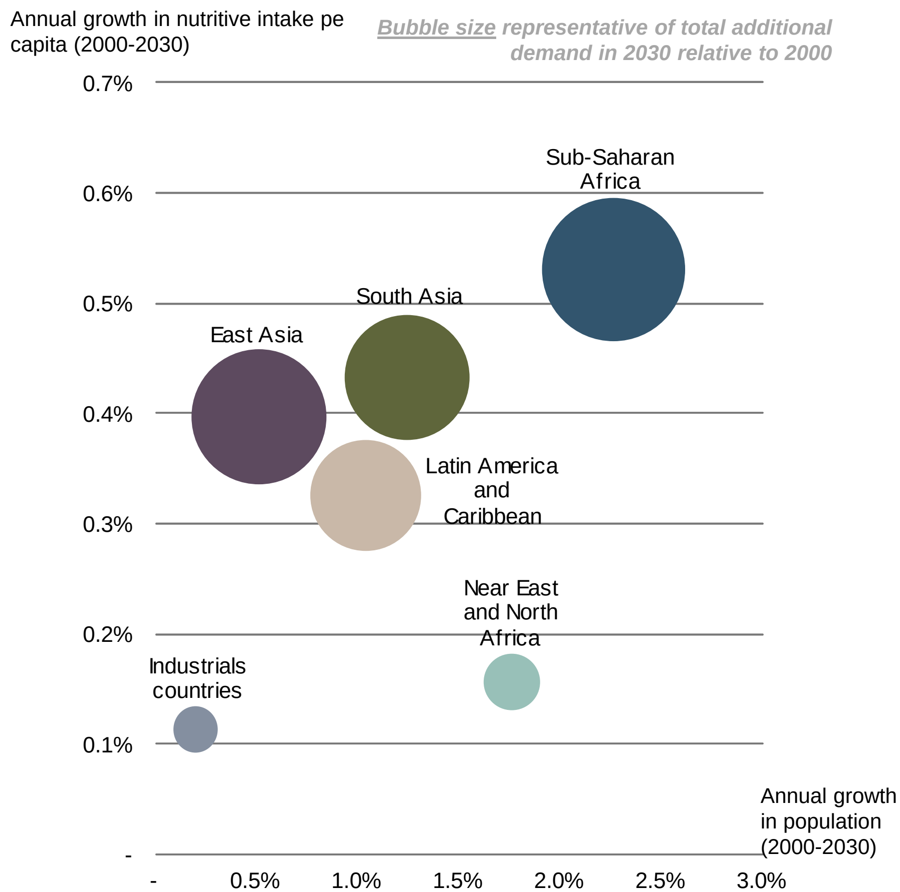
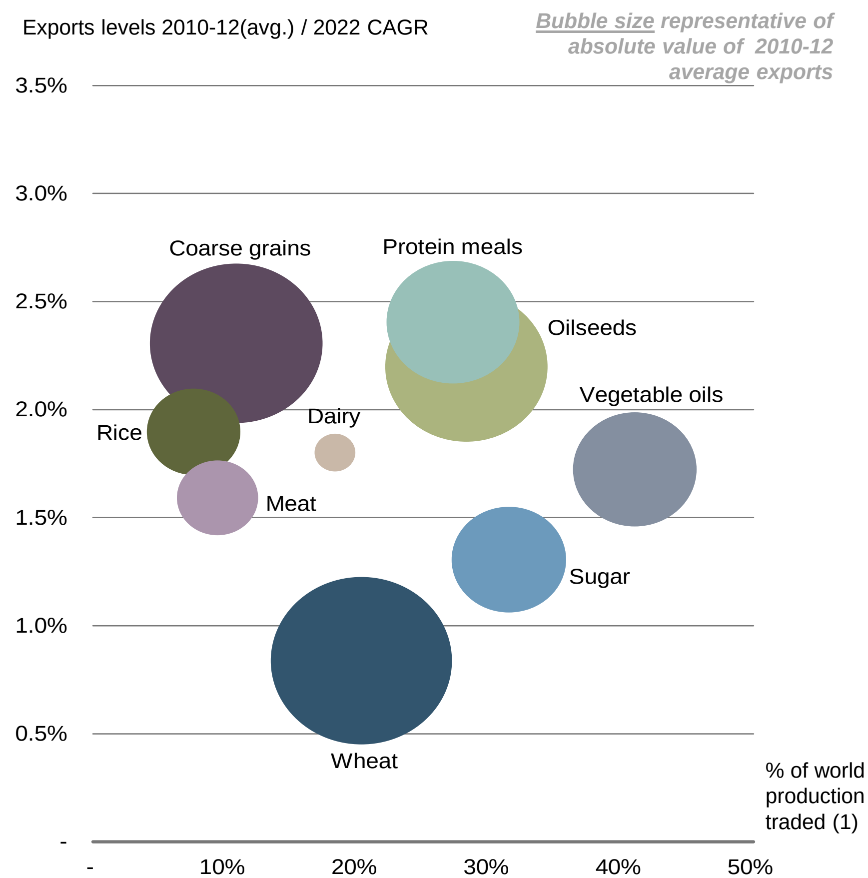
## World demand for agricultural products in the next 20 years will mainly come from Asia and Africa




*Source: OECD, FAO*

## International trade of agricultural commodities will exhibit strong growth prospects




*Source: OECD, FAO*

(1) World production traded = 2010-12 average exports / 2010-12 average production per commodity

➢ **LDC is very well positioned to take advantage of the strong economic growth, urbanisation and changing consumption patterns in developing countries that will help to sustain demand for the Group's services**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Commodities
2013 HIGHLIGHTS

# 2013 Snapshot

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| | | |
|---|---|---|
| **Achieving repeated strong performance thanks to diversification** | **Segment Operating Results US$ 1.7bn** | ▪ H1: Transition from tight supply conditions in 2012 to abundant new crops for most agricultural products. Moderate volatility and price levels.<br>▪ H2: Higher industrial and logistics margins in a larger volumes environment. More merchandizing opportunities.<br>▪ Strong performance from the Proteins and Other Products segments, while the Tropicals segment faced challenging market conditions . |
| **Reporting solid profits** | **ROE* of 15%** | ▪ Net sales reached US$63.6 billion, up 11% from the previous year, supported by shipped volumes up 10%<br>▪ Segment Operating Results US$1.7 billion<br>▪ Net income Group share of US$640 million for the year ended 31 December 2013 vs record US$877 million in 2012 (adjusted from one-off gains**). |
| **Diversifying sources of funding and strengthening access to liquidity** | **US$1.2bn eq. unrated € bonds issued** | ▪ 34% of Long Term debt coming from DCM at the end of 2013;<br>▪ 4.4 yrs average maturity of LTD portfolio at the end of 2013 vs 3.5 in 2012<br>▪ Strong liquidity representing 42% of the B/S; Increased committed lines by 21%<br>▪ Adjusted net gearing of x0.62 |
| **Completing access to key strategically located assets across the value chain** | **Investing US$689M** | ▪ Executing granular and flexible investment plan while divesting some of its lesser performing assets.<br>▪ Consolidated upstream [Port of Greater Baton Rouge loaded its first vessel, Ravensdown …]<br>▪ Made key steps downstream as we see value chains integrating and drawing value closer to distribution. [integration Ecoval, Imperial Sugar….] |

➢ **Remaining committed to addressing the future challenges : the Group is well positioned in the value chain, and in key geographies, to translate this potential into strong results**

**Return on Equity beginning-of-period, excluding perpetual hybrid capital securities*

*** One-off impacts related to the Imperial Sugar Company acquisition are detailed in note 4 to the 2012 audited consolidated financial statements.*


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Commodities
GROUP'S RESULTS

# Condensed consolidated statement of income

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| | FY2012 | FY2013 |
|---|---|---|
| Net sales | 57,140 | 63,596 |
| Cost of sales | -54,819 | -61,855 |
| **Gross margin** | **2,321** | **1,742** |
| Commercial and administrative expenses | -757 | -748 |
| Finance costs net | -195 | -180 |
| Other | -31 | -53 |
| **Income from operations** | **1,338** | **761** |
| Tax | -236 | -122 |
| **Net income- continuing operations** | **1,103** | **639** |
| *o/w non controlling interests* | 7 | -2 |
| *Net income Continuing operations - Owners of the parent Stockholders* | **1,095** | **640** |
| **Net income- discontinued operations** | **-150** | |
| *o/w non controlling interests* | -57 | |
| *Net income Disc.ontinuing operations - Owners of the parent Stockholders* | **-93** | **0** |
| **Net Income** | **952** | **639** |
| *o/w non controlling interests* | -50 | -2 |
| ***Net income - Owners of the parent Stockholders*** | **1,002** | **640** |

# Geographical and product diversification remained key advantages to secure results and volumes

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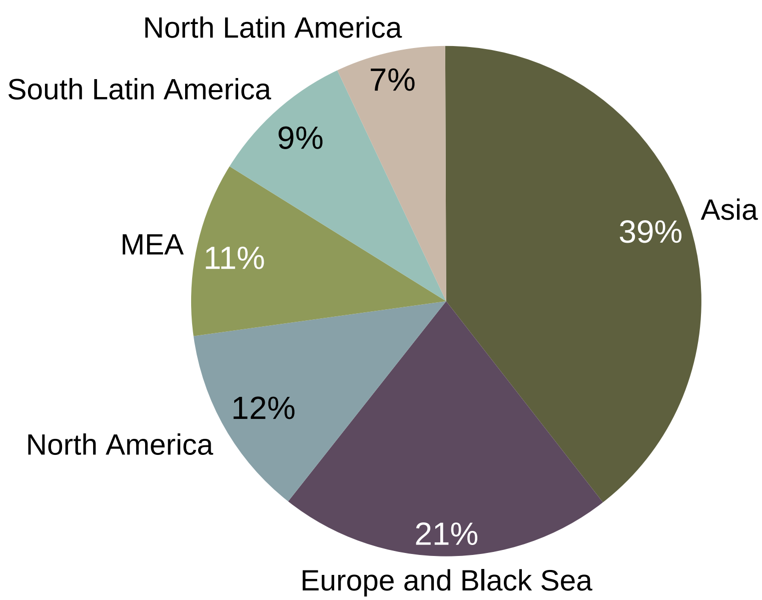
## Net sales geographical distribution

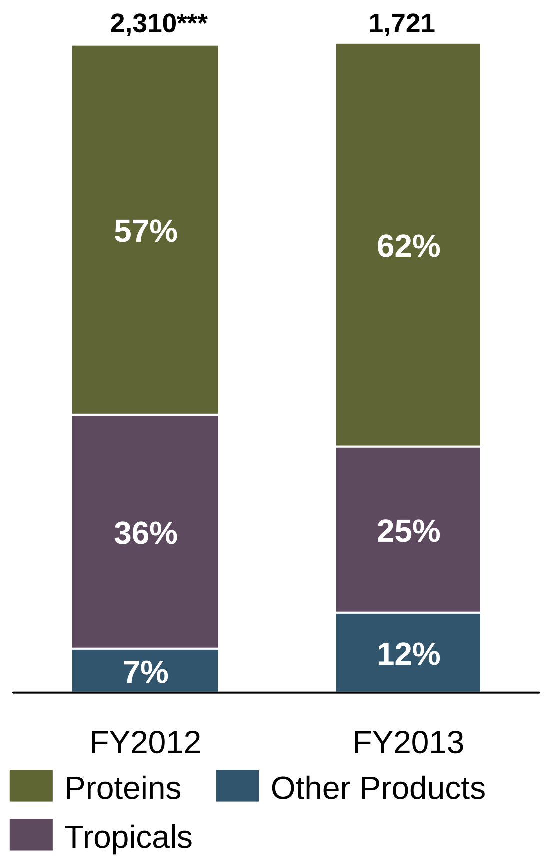



➢ Sales to emerging markets(*) represented 67% of total sales, the same level as the previous year.

** MEA+Asia+North Latin America+South Latin America*

## Operating results** by Segment

in US$ million




*** Gross Margin plus share of equity in affiliated companies carried at equity*
**** or US$ 2,163M adjusted for one-off gains*

# Strong performance from the Proteins and Other Products segments, while the Tropicals segment faced challenging conditions

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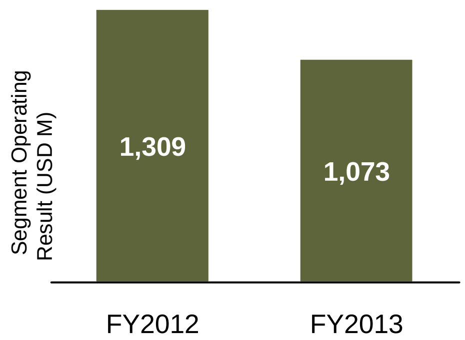
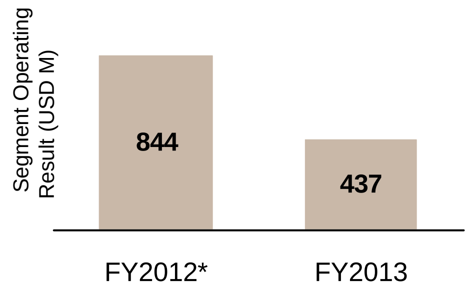
## Proteins



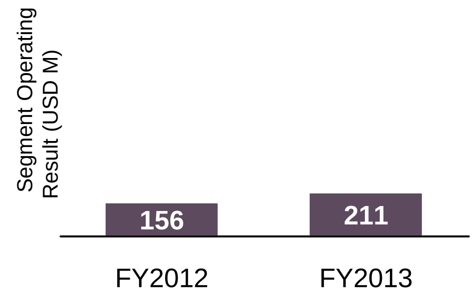

- **Oilseeds and Grains**: at the beginning of the year, constraints in logistics, and positive forecasts for 2013 crops.
- Started to merchandize by mid-year the plentiful Northern Hemisphere corn and soybeans crops. Ample harvests of grains and oilseeds also resulted in very good asset margins.
- **Rice:** delivered positive margins despite generous starting inventory levels in traditional destination markets.
- **The Freight and Finance** platforms profitably managed ocean freight and global financial exposures

## Tropicals




- **Sugar:** shipped sugar volumes were up vs 2012. Performance was however constrained by the global sugar surplus, which led to a downward trend in prices and to muted volatility levels, despite isolated and exceptional events in Brazil during the second half.
- **Cotton:** development of cotton merchandising activities in Asia and in EBS.
- **Juice:** Brazilian orange juice processing plants have been running at full capacity, although poor industrial yields were recorded due to high water in the fruit, pursuant to unusually heavy rains prior to harvest.
- **Coffee:** A sound performance, as the platform has been able to successfully manage the global oversupply in coffee markets.

## Other Products




- **Fertilizers & Inputs**: profitable volume growth has been achieved in all product lines, which booked solid revenues notably in Africa.
- **Dairy**: benefited from a strong global demand for dairy products, with China being the main buyer, in a historically high price environment.
- **Metals**: good results thanks to the robust Chinese demand and to the first signs of European recovery, despite the surplus in the supply chain of certain base metals.

** or US$ 698M adjusted for one-off gains*

# G&A expenses and finance costs were monitored in a disciplined manner, leading to a net income Group share of US$640 million

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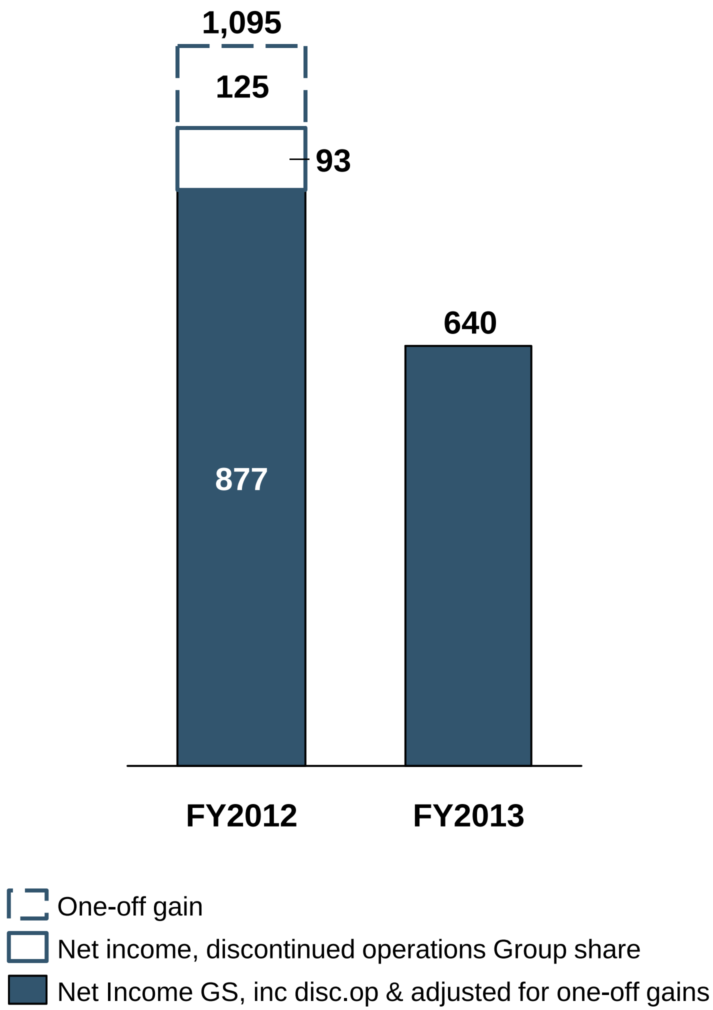
## Net income Group share

in US$ million




## Key considerations

- General and administrative expenses were contained to US$ 748 million
  - a 1% decrease over the same twelve month period last year despite the increase in shipped volumes.
  - result of a drive towards operational efficiency
- Net finance costs were kept at US$ 180 million
  - an 8% decrease compared to one year ago.
  - interest expenses fell by 4% despite a higher level of average gross debt and maturity extension due to improved funding conditions in addition to a Libor decrease.
- Net income Group share of US$ 640 million vs US$ 877 million including discontinued operations, adjusted for one-off gain in 2012 that set a record in the Group's history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FINANCIAL RESOURCES

# Condensed consolidated balance sheet

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| *US$ million* | Dec-12 * | Dec-13 |
|---|---|---|
| **Non current assets** | **4,421** | **4,739** |
| PPE, Biological and Intangible assets | 3,370 | 3,673 |
| Investments in associates | 338 | 207 |
| Other investments *(1)* | 491 | 581 |
| Others | 222 | 278 |
| **Current assets** | **14,717** | **14,436** |
| Inventories | 5,977 | 5,508 |
| Accounts receivable and other | 7,730 | 7,962 |
| Current financial assets | 1,010 | 965 |
| **Total assets** | **19,138** | **19,175** |
| **Equity** | **4,766** | **5,029** |
| Attributable to owners of the parent | 4,709 | 4,980 |
| Attributable to non-controlling interests | 57 | 48 |
| **Non current liabilities** | **3,229** | **4,275** |
| Long-term debt | 2,570 | 3,586 |
| Others | 658 | 689 |
| **Current liabilities** | **11,144** | **9,871** |
| Short-term debt *(2)* | 6,195 | 4,942 |
| Accounts payable and other | 4,949 | 4,929 |
| **Total equity and liabilities** | **19,138** | **19,175** |

(1) including non current assets held for sale

(2) including financial advances from related parties

** The Group applied the amendment to IAS 19 "Employee Benefits" since 1 January 2013 with retroactive effect from 1 January 2012 on comparable financial statements.*

# Sound balance-sheet

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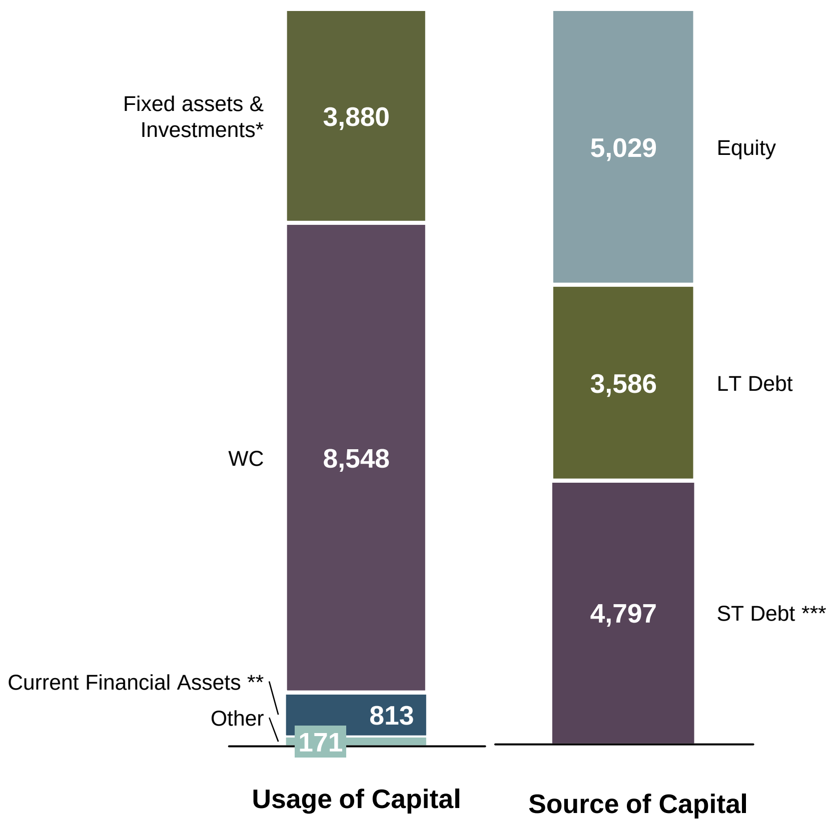
## At a glance

in US$ million




*Fixed assets and investments = intangible assets + net PPE + biological assets + investments in affiliated companies carried at equity
** Cash and cash equivalents + Financial advances to related parties + available for sale financial assets + other financial assets at fair value through P&L - financial assets held for trading purpose-reverse repurchase agreement loan
***Bank loans and acceptances + advances from related parties - repurchase agreement & securities short position

## Working Capital evolution

In US$ million


- Inventories represents 64% at US$5.5 bn, compared to US$6 bn representing 68% as at December 2012
- Commodity prices impact the book value of inventories at closing dates

# Highly liquid inventories, 81% being readily marketable

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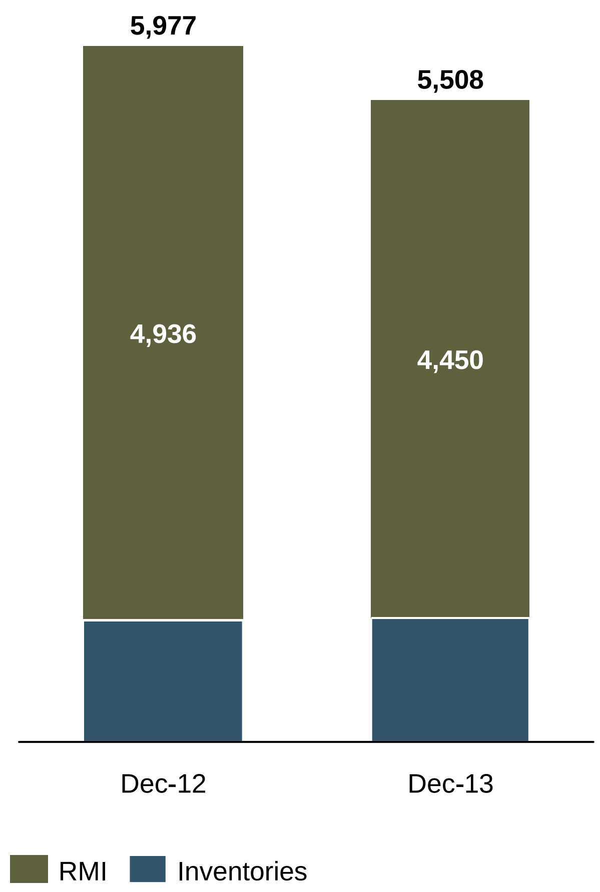
## Readily Marketable Inventories

In US$ million




## Key considerations

- Due to their very liquid nature, certain agricultural inventories are analysed by the Group as Readily Marketable Inventories (RMI).
- RMI are readily convertible to cash because of widely available markets and international pricing mechanisms.
- LDC considers that such inventories with < 3 months liquidity horizon should be qualified as RMI.
- Large amount of RMI provides for liquid and mostly hedged assets that could be monetized in less than 3 months
- Inventories remaining highly liquid 81% being readily marketable at the end of December 2013, broadly in line with historic levels. (83% in December 2013)

# Adjusted net debt closely monitored to match business & investments funding requirements and preserve a balanced capital structure

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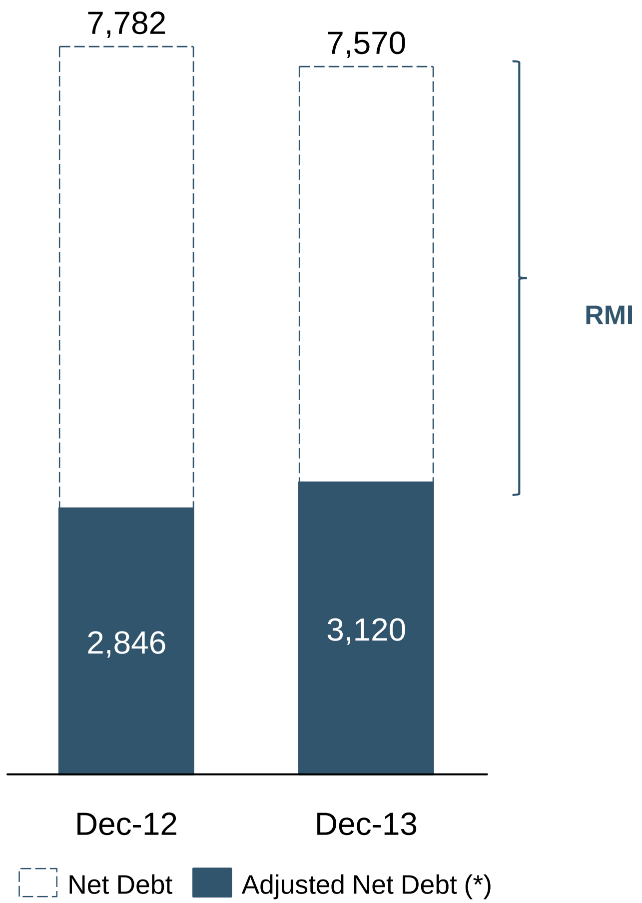
## Adjusted net debt

In US$ million




## Financial model to support long term strategy

- **Group's key guidelines:**
  - short-term debt: to support on-going business, financing its main working capital needs
  - long-term debt provides mainly support for long-term investments
- **Funding policy based on four pillars**
  - Maintaining funding model resilience
  - Diversifying sources of funding
  - Extending debt maturity profile
  - Increasing level of committed facilities

*(*) Net debt net of RMI*

## Diversifying funding sources and increasing debt maturity by accessing Debt Capital Market

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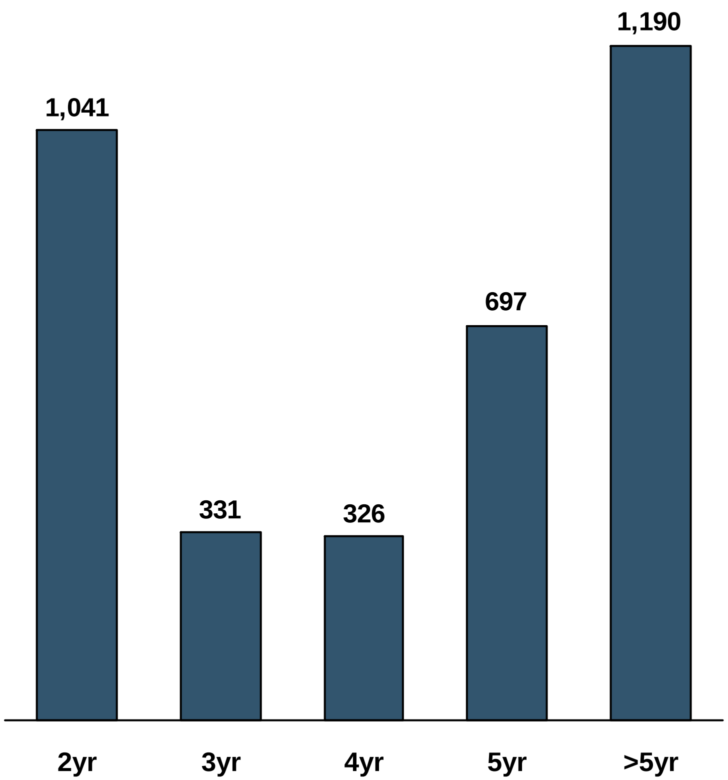
### Long Term Debt distribution by maturity

In US$ million




### Key considerations

- In September 2012, LDC issued a US$350 million hybrid perpetual security listed on the Singapore Exchange- IFRS equity treatment.
- In July 2013, LDC issued an inaugural €400 million, 5-year, 3.875% unrated Eurobond
- In December 2013, LDC issued a €500 million, 7-year, 4.00% unrated Eurobond
  - to benefit from good market conditions to leverage the strong performance of its first bond issuance to create a second reference on its credit curve
- Both debt instruments are listed on the Luxembourg Stock Exchange

➢ **Average maturity of LTD stands at 4.4 years at the end of 2013 compared to 3.5 years one year ago**

➢ **34% of Long Term Debt now comes from DCM**

# Increasing its committed facilities, therefore strengthening access to liquidity

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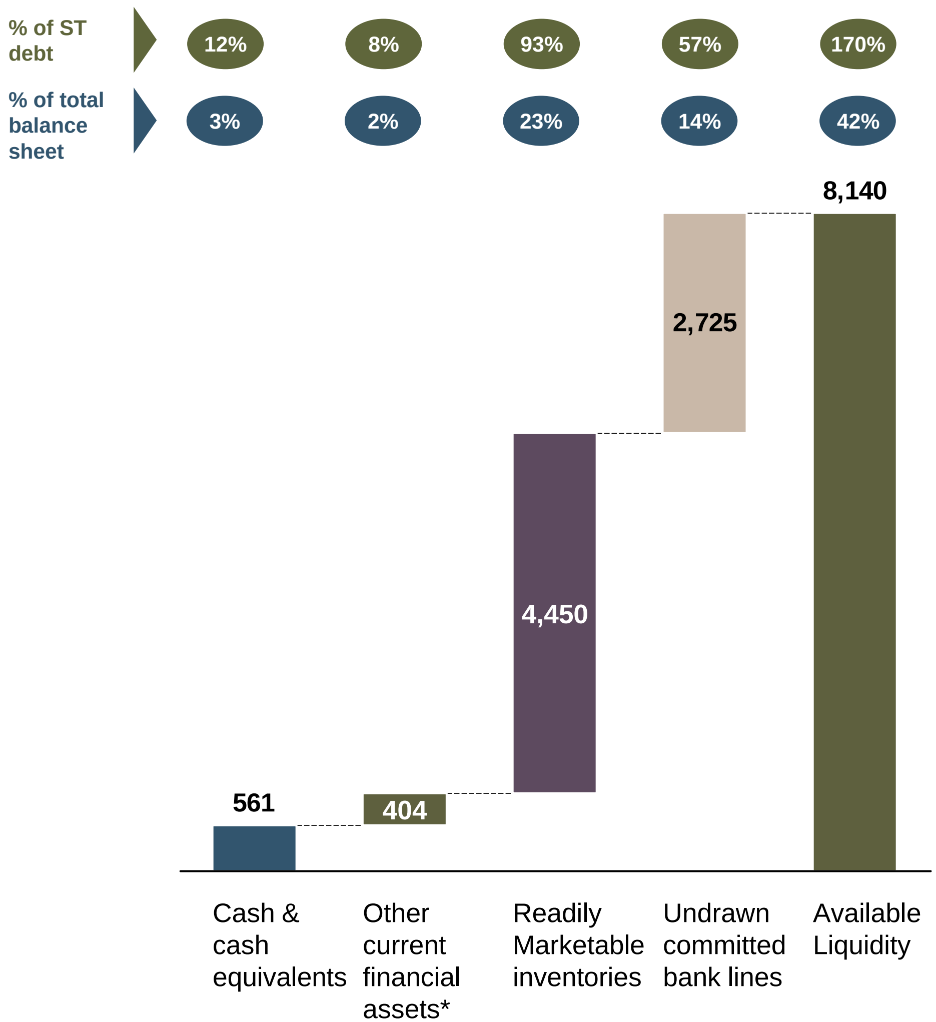
## Available liquidity as of December 2013

in US$ million




## Key considerations

- Maintaining at all times, sufficient available liquidity to cover short-term liabilities.
- Access to over 170 banks, in more than 35 countries, across six regions
- 170% of ST debt covered by available liquidity at the end of 2013
- In 2013, total committed facilities increased by 21%
- At year end 34% of all Group's facilities were committed, notably thanks to the Group's regional subsidiaries which have successfully closed banks medium and long-term refinancing or new committed financings for a total of US$ 2 billion

*(*) Financial advances to related parties+available for sale financial assets+other financial assets at fair value through p&l*

# Adjusted net gearing* at 0.62x. VaR well within boundaries as it did not exceed 1% of equity.

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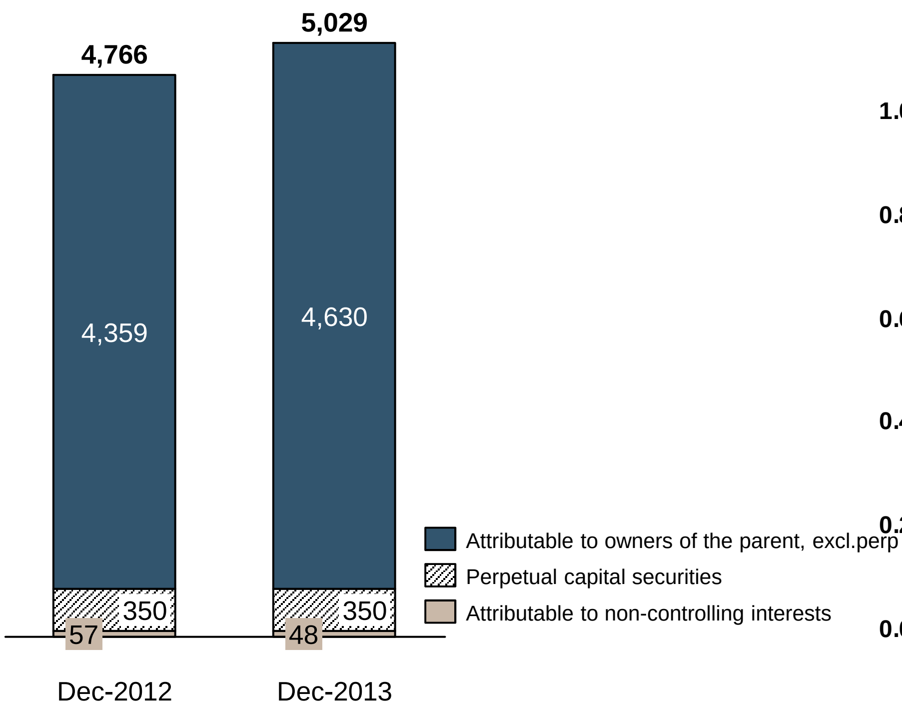
## Equity

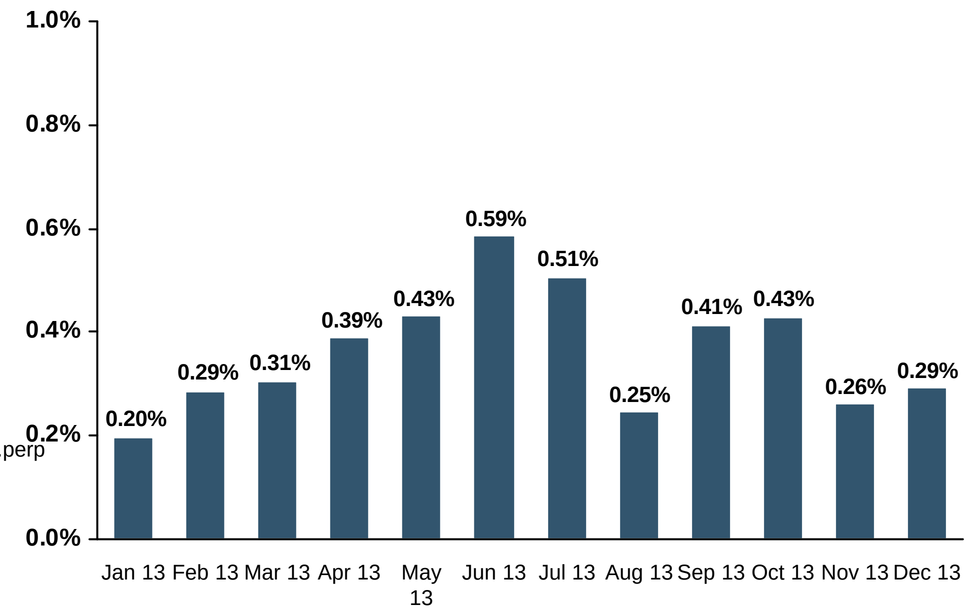
In US$ million




- Equity stood at US$ 5 bn
- Return On Equity** of 15% Group share
- Adjusted gearing at 0.62

## Value at Risk

Daily 95% VaR [As a percentage of equity, Monthly average]




- Level of VaR well below 1% of the Group equity with volatility correlated with crop seasons and prices' peaks.

*Net debt net of RMI/Equity*

*** Return on Equity beginning-of-period, excluding perpetual hybrid capital security*


# CASH FLOW AND CAPEX

# Strong cash generation before working capital movements

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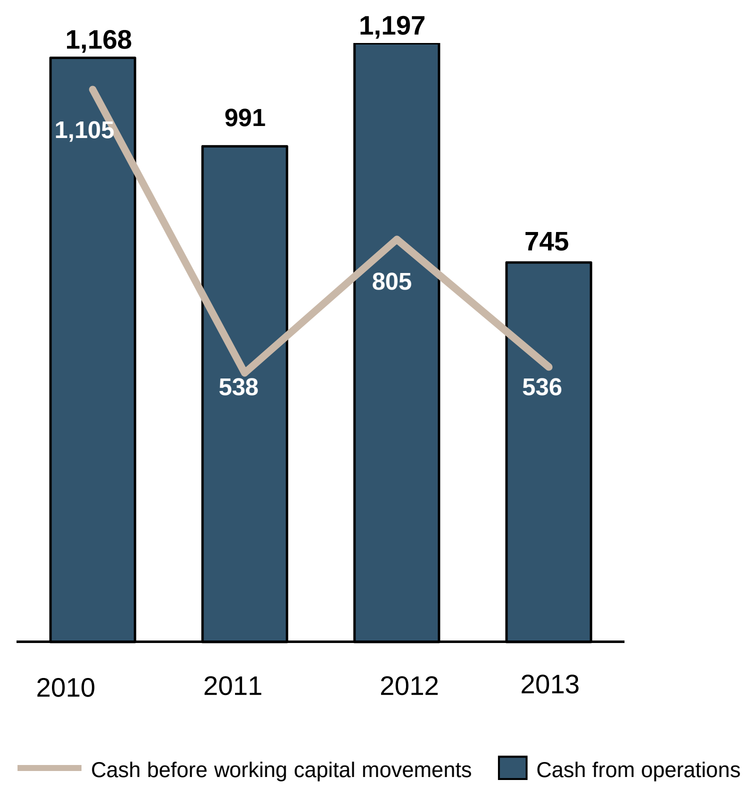
## Cash Flows

in US$ million

| | 2012 | 2013 |
|---|---|---|
| **EBITDA** | 1,768 | 1,253 |
| Interests, net | (308) | (290) |
| Taxes | (263) | (218) |
| **Cash from operations** | **1,197** | **745** |
| Capex, net of proceeds from sale | (607) | (658) |
| Long Term Financing | 416 | 811 |
| Dividends | (389) | (362) |
| Transaction on equity with related parties | (156) | |
| Equity issuance | 344 | |
| **Cash before working capital movements** | **805** | **536** |
| Change in working capital | (901) | 236 |
| Net Change in short term debt and loans | (161) | (934) |
| **Cash after working capital** | **(258)** | **(162)** |
| **Total increase/(decrease) in cash balance** | **(258)** | **(162)** |
| Cash Beginning of Period | 980 | 722 |
| Cash End of Period | 722 | 561 |

## Cash from operations vs cash before working cap

in US$ million



# Deploying capital across the value chain globally while divesting lesser performing assets

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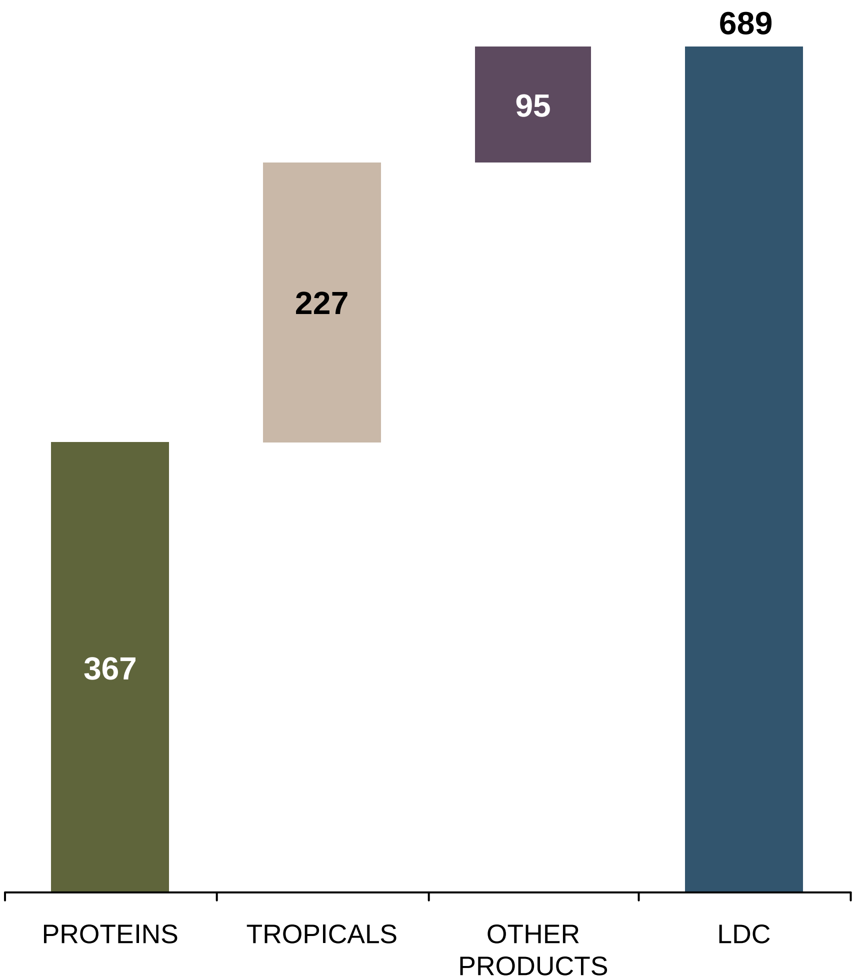
## Capex 2013

in US$ million




## The big picture: more and more logistics

- **Strong focus on completing access to strategic assets :**
- Started operating an export elevator at the **Port of Greater Baton Rouge,** Louisiana (US), that loaded its first vessel during the fourth quarter.
- Commenced a **crushing activity** together with our joint venture partner and **expanded barge logistics** in **Paraguay**.
- Pursued a comprehensive **warehouse master plan** aimed at enhancing the Group's grains and oilseeds logistics and origination footprint in **Brazil**.
- Grew our coffee **logistics** assets in **Honduras and in India**.
- **Made key steps downstream:**
- Invested in a **rice cleaning and packing joint venture** targeting the local market in South Africa.
- In **Australia**, we closed a joint venture agreement with Namoi Cotton Co-operative Ltd to provide cotton marketing and packing services,
- and we acquired a **fertilizers distribution business** in Australia.
- **Divestment from lesser performing assets**, such as one of our orange grove farms in Brazil, in order to increase our operational efficiency.

# A granular and flexible investment plan: some illustrations of investments over 2013

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Export elevator - Port of Greater Baton Rouge, Louisiana, US

In the second half of October, Louis Dreyfus Commodities' fluvial logistics company in Paraguay – Lógico Paraguay S.A. – launched a fourth new barge.

Sugar refinery- Asia

**Proteins**

- **Grains & Oilseeds:**
  - In North America: Capital improvements to export elevator located in the Port of Greater Baton Rouge, Louisiana, US; Improvements to two oilseeds processing plants in Claypool, Indiana, US and Yorkton, Canada, as well as to a grains elevator in Portland, Oregon, US.
  - In China, investment in animal feed mills.
  - In Indonesia, joint venture (JV) in a palm oil refinery in Indonesia;
  - In Paraguay, new transportation barges - Oilseeds
- **Rice:** In South Africa, JV agreement to provide rice cleaning and packing services to the local market; In Vietnam, JV to operate an existing rice mill with Vietnam Northern Food Corporation Vinafood 1

**Tropicals**

- **Cotton**: JV agreement with Namoi Cotton Co-operative Ltd - Australia
- **Coffee**: a warehouse in Brazil and two mills, one in India and the other one in Honduras, the latter being expected to come on line in 2014.
- **Sugar**: start-up of two sugar refineries in China and Indonesia during the year
- **Juice**: new tanks added in the vessel. Divestments from the Vista Bonita farm in Barretos, Brazil

**Other products**

- **Metals**: logistics in Peru with a warehouse located in the port of Lima
- **Fertz**: Acquisition of strategic assets from Ravensdown Western Australia Co-operative Ltd and shares of Direct Farm Inputs Pty Ltd


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MOVING FORWARD

Delivering a satisfactory ROE of 15% this year and supported by its 163 year track-record through numerous market cycles, the Group remains committed to addressing the future challenges faced by the agricultural markets.

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## LDC will rely on four key levers:

### 1 Targeted asset growth

- ✓ Measured expansion
- ✓ Target synergies and economies of scale
- ✓ Further vertical integration

### 2 Selective Geographic Expansion

- ✓ Benefit from new market growth
- ✓ Mitigate regional risk
- ✓ Secure origination and expand destination markets

### 3 Ongoing Product Line Diversification

- ✓ Consolidate existing market position
- ✓ Expand products line
- ✓ Mitigate commodity risk

### 4 Maintain Prudent Financial Profile

- ✓ Increase committed financing
- ✓ Extend debt maturity
- ✓ Target adjusted gearing ratio < 1.0x

**A Group committed to asset preservation and risk control, key pillars of its history and future**


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THANK YOU