

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

Corn Products International, Inc. (CPO)



CHERYL K. BEEBE has been Vice President and Chief Financial Officer of Corn Products International, Inc., since February 11, 2004. Ms. Beebe previously served as Vice President, Finance from July 2002 to February 2004, as Vice President from 1999 to 2002 and as Treasurer of Corn Products from 1997 to February, 2004. Prior to that, she served as Director of Finance and Planning for the Bestfoods Corn Refining Business worldwide from 1995 to 1997 and as Director of Financial Analysis and Planning for Corn Products North America from 1993. Ms. Beebe joined Bestfoods in 1980 and served in various financial positions in Bestfoods. She has a Bachelor's degree in Accounting from Rutgers University in New Jersey and a Master's of Business Administration degree in Corporate Finance from Fairleigh Dickinson University in New Jersey. Ms. Beebe is a member of the Board of Trustees of Fairleigh Dickinson University.

TWST: What is Corn Products International?

Ms. Beebe: Corn Products International is a leading global provider of refined agriculturally based products and ingredients. Our primary raw material is corn. We also process tapioca roots. We have a position as the number one worldwide producer of dextrose, which is a sweetener, as well as regional leadership in starch, high fructose corn syrup and glucose syrups. Outside of the US, we typically have major in-country share of capacity, and we have a very disciplined and focused financial policy, which leads to a strong balance sheet and strong cash flow generation. Typically, over any five-year period, we would generate about \$1 billion in operating cash flow.

The company has a product portfolio of sweeteners, starches and co-products. The typical products are dextrose, glucose, high fructose corn syrup and sorbitol. They are used in some 60 diverse industries worldwide. For example, the sweeteners would be found in carbonated beverages, sports drinks, frozen desserts, jams, jellies, chewing gums and candy. Starches, which are classified as food starches or industrial starches, are used in the production of con-

sumer products like cereals, puddings, cakes, cookies and crackers. Industrial starches primarily are used in the production of paper, corrugating boxes and textiles. Dextrose, which is also in the sweetener category, is used as a fine chemical in pharmaceuticals. For example, if you have to stay in a hospital and you need an IV drip, it is made with anhydrous dextrose.

In 2006, about 55% of our business was broken into sweeteners, about 23% was in starches, and the remainder, 22%, was in co-products. Co-products come from the corn wet milling process, in which you take yellow dent corn kernels, steep them and then separate them. You wind up with three co-products: corn gluten feed, corn gluten meal and corn oil. The industry in the US is made up of four major players — ADM, Cargill, Tate & Lyle and Corn Products. We have the number four position with about a 10% share. However, in North America, we are the only corn refiner with full-scale sweetener and starch production facilities in Mexico and Canada, where we have the number one positions. We have been operating at our Argo plant, outside of Chicago, for 100 years. So we are the most regional and, in fact, most global pure-play corn refiner.

If you proceed outside of the North American market, into South America and Asia/Africa, we have installed capacity in Argentina, Brazil, Chile, Colombia, Peru, Kenya, South Korea, Thailand, China and Pakistan, and we typically are either number one or two in those markets. We also have technical marketing agreements in South Africa and Venezuela. In total, we produce in 15 countries with 35 plants and market to about 70 countries. The competitive landscape in the US is undoubtedly more intense than the rest of the world because, outside of the US and Canada, we really are the player to beat. We have a lot more control over our own destiny in our South America and Asia/Africa regions, with the exception of China, where we have operated for many decades.

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We are actually both an old and young company. We started in 1906 as the Corn Refining Company, and for 90 years, we were the foundation of CPC International, or Best Foods, which was a global consumer products company. At the end of 1997, CPC International spun off all of the assets of its corn refining business, both domestically and internationally, to its shareholders, creating a new, publicly traded company called Corn Products International. The existing parent then changed its name to Best Foods and, eventually, became part of Unilever. In 2007, we are in our tenth year as a public company after marking our 100th anniversary in 2006 with record results.

TWST: What are the priorities for the company? What would make the next 12 months a success?

Ms. Beebe: The success of the next 12 months, or calendar 2007, rests largely on our North American marketplace, which already has booked a second year of substantial price increases in the US and Canada, averaging in the high teens, for our entire starch and sweeteners book of business. So we are looking at significant margin recovery in our largest geographic region, and we are pleased with the way that the contracting season has gone. We are looking for another year of double-digit earnings per share growth, with a forecast given in late January of expectations for a 13% to 23% increase, or \$1.84 to \$2.01, versus the record \$1.63 of earnings per share we posted in 2006. Our 2007 outlook also includes a healthy sales

growth toward our goal of becoming a company with more than \$3 billion in sales by the end of 2008. We had record sales of \$2.62 billion in 2006.

We have laid out five key financial performance metrics over the 2003-2008 period, including an objective to deliver low double-digit, compounded earnings per share growth in that period. We are in the fourth year of this financial performance strategy, and we are right on target. We anticipate additional improvement in 2007 in our return on capital employed, or ROCE, from 7.5% in 2006 and 6.0% in 2005. We are examining additional growth opportunities in the Asian market to expand our geographic footprint even more.

TWST: How much of the fundamentals of the industry can you count on to provide a base growth percentage and how much is through organic growth? What are the opportunities for M&A and how would you approach those?

Ms. Beebe: The majority of our sales — over 60% — come from our North American region, where the majority of growth is margin recovery, led by higher pricing in the US and Canada and a strong, across-the-board performance in Mexico. North America had net sales of about \$1.6 billion out of the total record company sales of \$2.6 billion last year, which was up 11% from 2005. So North America is predominantly pricing recovery, coupled with offsetting the much higher corn costs we have seen since the fall of 2006 and that persist today. Corn can be 40% to 60% of our cost of goods sold. South America, which is \$670 million in annual sales, and Asia/Africa, which is about \$363 million, are both expected to show growth over 2006. This is primarily organic growth coming from normal GDP improvement and consumption in the key categories — processed foods, beverages, brewing and animal feed.

We expect that targeted acquisitions will add greater diversity to our product portfolio in the years ahead, and we have significant investment capacity to be able to seek out profitable, on-strategy acquisitions, joint ventures and licensing or sales and marketing agreements. We are sticking with our core strengths and competencies and primarily looking for sweeteners and starches. We com-

pleted a small acquisition a few weeks ago with about \$100 million in annual sales between our South American region and our North American region, and that's adding to the product portfolio. It's a line of sorbitol products, which are made from corn, and this acquisition gives us a more breadth in the sweetener category since these polyols are low-calorie, sugar-free products. We are now a leading polyols producer in the Americas.

Over the next 12 to 24 months, we will continue to look for acquisition targets, but the growth that we are projecting is primarily from the base business, or organic in nature. Our planned 2007 capital spending level is \$145 million, which will exceed depreciation. We expect to spend about \$100 million for high-return, select investments in the base business, including projects in Argentina, Mexico, Colombia, Pakistan and Thailand. Our annual maintenance cap ex is about

In the North American market, specifically the US, there is a long-time protectionist policy in place with regard to domestic sugar. As a result, the largest volume product for all the US corn refiners, excluding ethanol, is high fructose corn syrup, or HFCS. High fructose corn syrup competes against refined sugar, but sells at a price discount in the US market even after two years of significant contract price increases. So there really is no direct substitution of sugar for HFCS as a result of this government policy. But that's not necessarily the case in the rest of the world. There are a few other countries in which high fructose corn syrup is produced, such as Argentina and South Korea, but they are few and far between. High fructose corn syrup is not a large product in Europe — it's really the glucose syrups and the starches. HFCS also is not produced in Brazil, for example.

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\$30-\$50 million. So we think we have a really solid business in non-discretionary demand segments, and we have diverse geographic coverage with a broad range of industries and customers. Overall, there are positive industry fundamentals, including rising populations, GDP and per capita income growth, a push for better diets, and relatively high barriers to entry. Despite economic recessions or political turmoil, people continue to eat and drink, which is a positive for us.

TWST: Within the food options — corn, rice, wheat and some of the other basics — what is the niche that you feel you can fill? How much competition is there to bring corn into areas where historically the industry has relied on other sources?

Ms. Beebe: There are actually some interesting components. You can make sweeteners and starches from corn, wheat, tapioca and potato. The advantage of corn is that there is no degradation of the starch yield. Potato and tapioca are root-based crops dug up from the ground. You must process them in a very short period of time or there will be starch degradation. You also don't extract the co-product values out of potato, wheat or tapioca that do come from corn, or about 33% of a corn kernel's yield. As a basic raw material with the best economics, corn brings a lot of advantages to the starches and sweeteners portfolio. The main competitor globally for corn is not so much the wheat, the potato or the tapioca — it's actually sugar.

TWST: As far as M&A itself, what criteria are you using as you look at those opportunities to grow? How specific are you as far as where you would be looking on a geographic basis for a local partner? Would M&A be better served as a component for those types of expansions?

Ms. Beebe: Our M&A activity will be in two categories. M&A for geographic expansion is a key part of our long-term strategy, and we are specifically talking about Asia and, possibly, Africa and the Indian subcontinent. We would like to replicate our model in South America, where we enjoy 75 plus years of operating history with full territory coverage and deep customer relationships. We are very adept at being successful local producers, serving the local market demand with the products customers and consumers want and need. We would like to replicate that core capability in the Asian market.

Corn Products International started to expand in Asia in 1999. We bought a family-owned business in South Korea, and then, a year later, we put together a joint venture with a very large Korean company called Doosan. In 2002, we bought out a small family business in Thailand that produced syrups and starches from tapioca. More recently, we established a very small joint venture with majority ownership in China, producing modified starches. China is our key growth target in Asia.

In the case of those three countries — South Korea, China and Thailand — we are replicating what we do best: a local focus, local execution and a local partner. Our deals are typically structured so that there is a put and a call. But we never allow our partner to buy or sell it — we buy them out. Our company is in it for the long term, but we believe that the local partners' relationships and knowledge of the country's market, politics, economy and the like bring us unique value. M&A on a geographic basis will be predominantly Asia, where the industry dynamics are most favorable and middle class formation is occurring most rapidly.

We could proceed further in the vast continent of Africa. We already have a very strong relationship with a major corn and sugar refiner in South Africa, in which our company provides technical assistance. Historically, we've used technical licensing agreements as a platform to move into a minority or majority position. Finally, we also operate a very small corn refining plant in Kenya. I would be remiss in not mentioning our very strong business in Pakistan, where we have operated for decades. We added a second plant in Pakistan several years ago and have already expanded it. The textiles and paper industries are key to our Pakistan success. We see further growth in that market and can use knowledge gained there to look at India, which is a huge sweeteners and starches market.

Then there is M&A that adds higher value specialty ingredients in key market segments. We currently have 19% of our annual net sales on a global basis going into the processed foods industry. So to the extent that we could add additional sweeteners or starches that bring more value to our customers, we would look for M&A opportunities there as well. We have a very small incubator now for nutraceuticals through a small US joint venture called GTC Nutrition. We have a product line, made from sugar, called fructooligosaccharide, or FOS. It's a functional ingredient used in products like Ensure, sport drinks, and soy and dairy products and helps to promote intestinal health. A new FOS production channel was added at one of our three Canadian plants in 2006.

So we continue to look for opportunities in this area that would really follow where consumer trends and preferences are moving. FOS is a small incubator for us now, but it is very targeted from a strategy standpoint. We know what customers we want to serve better, we know what markets those are, and we have a pretty good idea of the product portfolio falling within the sweetener and starch platforms.

The financial criterion is to deliver a return on capital employed so the dollars you invest versus the return is positive. We seek to achieve results above our cost of capital, which is about 8% to 8.5%. Such investments or acquisitions should be accretive to our shareholders in the mid- to long term. We are focused on making this work. Nobody likes to do an acquisition that is dilutive in the short-term, so the transaction clearly has to make long-term strategic sense with every expectation that it would be accretive. We would be willing to accept short-term dilution for the right strategic opportunity.

TWST: Introduce us to two or three of the key individuals in your top-level management team.

Ms. Beebe: Our top management team has a lot of longevity in the industry and also has the benefit of having worked for a large consumer-based company, Best Foods, or CPC International. Our team of 11 corporate officers averages nearly 20 years of experience in the industry. Our Chairman, President and CEO, Sam Scott, has over 30 years of industry experience. He ran the US operations, the North American operations and the global operations before we became a publicly traded company in 1998, and he has been our CEO since 2001. Sam is responsible for setting the strategy and for the financial performance. Our common stock has more than doubled since the time we became public. Sam is a very solid, ethical individual.

Our three division Presidents are Jack Fortnum for North America, Jeff Hebble for Asia/Africa and Jorge Fiamenghi for South America. They each have 20 plus years of experience in the industry. I have over 25 years between CPC International and Corn Products. We are strongly aligned with shareholder value. Our corporate officers' long-term incentive compensation is based upon total return to shareholders — with 50% of the allocation based on that metric and the other 50% predicated upon meeting our stated return on capital employed target of at least 8.5%. In terms of the annual, or short-term, executive compensation, 80% of it is determined by earnings per share and operating income results, and 20% is cash flow from operations.

If we look below the executive team to our senior and middle managers, their variable compensation packages include 60% tied to earnings per share or operating income. Another 20% is for individual strategic initiatives that are decided at the top of the house and 20% is allocated for meeting working capital or return on capital employed bogies. All 11 corporate officers are required to have direct stock ownership. The targets range from 2 to 5 times their initial annual base salary, and the officers have three to five years to reach the target.

We have significant insider ownership. We believe we have a very experienced management team that is squarely aligned with shareholders' interests. If the shareholder doesn't get paid, then our management team doesn't get paid.

TWST: What historically has the shareholder base looked like? Has it undergone any recent changes or transitions?

Ms. Beebe: No, it has been relatively consistent and solid. It's primarily institutional shareholders — about 85%. We have a small retail base. We are not typically a household name for people, although, more recently, having the word "corn" in our name has perhaps added to our visibility given the focus on that grain these days due to ethanol. A lot of our institutional owners are institutions that were formerly familiar with CPC International or Best Foods and, de facto, Corn Products, because we were a large operating unit within the parent for so many years. We haven't seen a lot of traditional institutions liquidate their holdings in our company. Fidelity is our

largest single shareholder, but our top 10 and top 20 ownership list is not overly concentrated. We like to think our shareholders stay with us because we offer consistent value and strong financial results over a period of time, and have an attractive, future growth profile for the reasons we have discussed.

I think we have an active and focused investor relations program on a year-around basis. Dave Prichard is our Director of Investor Relations, and we see the top 10 or 20 institutional owners on a fairly regular basis, along with spending a fair amount of time attending industry conferences and targeting new ownership prospects. For any group meeting, we always post the slide presentation on our Website to achieve the broadest disclosure and transparency we can.

1.4 to 1.6 times for total debt to EBITDA. Our debt to total capital target is 32% to 35%. Again, this is about tying the balance sheet to the income statement and the leverage. At year-end 2006, our debt to total capital was a comfortable 26.7%.

The last metric is operating working capital as a percent of net sales. The target is to be between 8% and 10%, and we are currently at 10%. These metrics are in all of our investor communications, including our Website. We go back and review our progress against these key financial targets once a year. We provide the calculations for four of the five metrics, with the exception of the EPS, which is obviously on the income statement. Again, these calculations are contained in our various investor materials.

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TWST: Are there any recurring questions or misperceptions that you encounter?

Ms. Beebe: I think there is a good understanding from the majority of our buy-side and sell-side contacts. A misperception that I would point out is the tremendous investor focus on high fructose corn syrup, even though sales to the soft drink industry comprise only 18% of our annual sales. So less than \$500 million out of our 2006 net sales of \$2.6 billion is to the fructose market. Investors and analysts newer to our story are generally more focused on high fructose corn syrup. It's understandable to a degree, because when our company was spun out at the end of 1997, there was corn processing overcapacity in the US marketplace, which caused operating margins to swing from the mid- to high teens to a loss rather quickly. It has taken about eight years for the margin recovery to occur in this market, which we saw in 2006 and expect more of in 2007.

TWST: What are the key metrics or events that investors should focus on? What matters?

Ms. Beebe: We publish what our key metrics are. We look to have low double-digit compounded growth at the EPS line. Our return on capital employed, or ROCE, target is between 8.5% and 10%, so not only do we intend to meet our cost of capital, but we also are planning to exceed it. Last year, our ROCE was 7.5%. The total debt to EBITDA will be less than 2.25 times. This keeps us investment grade, which provides liquidity and funding at a reasonable cost, and the balance sheet doesn't become overleveraged. We are currently at

TWST: What is it that compels investors to include CPO not only as part of their current portfolios but also as part of their longer-term investment strategies?

Ms. Beebe: I think it's the commitment by the management team to deliver sustained shareholder value coupled with a clear business model that has demonstrated the ability to generate good returns. Our international operating margins tend to be in the mid- to upper teens versus our North American margins, which tend to be in the mid- to high single digits. Our operating cash flow consistency comes from our diverse geographies and the broad range of industries and applications that our products go into. A significant portion of our business is in non-discretionary demand segments, with our leading end markets being processed foods, soft drinks, brewing and animal feed, each of which exceeds 10% of our annual global sales. We do not have any customer with more than 10% of our sales, again pointing to our diversity and balance.

We have a relatively low maintenance capital expenditure requirement annually — \$30 to \$50 million. We have strong debt protection measures and a lot of financial flexibility. We have a solid balance sheet and a proven business model that should continue to allow us to grow both in good times and in challenging times.

TWST: Is there anything you would like to add?

Ms. Beebe: The corn market is certainly on the minds of most investors. We are in a new corn pricing environment, predominantly because of the rapidly growing ethanol demand in the US.

Corn prices have about doubled from levels of a year ago, and higher corn costs are really a global issue. As I mentioned earlier, since corn is 40% to 60% of our cost of goods sold, we can understand why the issue is on everyone's mind.

Historically, we've never had a problem with corn availability. But as ethanol demand takes off and more production facilities start up (the Renewable Fuels Association is forecasting another 77 plants to come on line by the end of 2007, for example), there is obviously a higher forecasted demand for corn, which is contributing to very low inventories. On the domestic side of our business for 2007, specifically the US and Canada, we are locked in with our pricing and we are hedged on our corn requirements, consistent with our stated policy. So it's less of a concern for us.

Our strong international market presence should help us to raise our prices in a reasonable time period to cover the higher cost of corn, in most cases. It is really about what the long-term trends are going to be. There are both positive and negative scenarios. In terms of the positive, there will be more US acreage planted to corn in the spring of 2007, primarily by switching from soybeans and some wheat into corn. Some forecasters predict as much as 10 million more acres planted for corn this year than in 2006. There is the potential to reduce the amount of corn used for feedstock, which is currently the biggest single use domestically. There should be a continued increase in corn yields over time, boosted in part by new generations of corn seeds, which have helped and will continue to help improve yields.

The downside would be that these expectations do not adequately take hold, and so corn demand outstrips supply to a point where the economics become unfavorable, such as ethanol from corn no longer being a viable process. So the rising global corn cost environment is undoubtedly the one issue that's on everybody's mind.

TWST: But if you run through that list of who has flexibility as a value-add product off of corn, seed stocks are more at the bottom of that value add. They have less room in their pricing structures and supply-demand structures. If you look at the ethanol demand, the key variable there is when it can be economically supported to produce BTUs versus the cost of the ethanol processing, transport and shelf life. That only leaves the real food processors that have the flexibility to survive in any kind of a market situation. There might be dire supply/demand characteristics.

Ms. Beebe: I would agree. The only development that could upset that applecart, so to speak, would be a change in US sugar policy, which we do not see happening any time soon. But even if our protectionist US sugar policy were changed, the question would then become whether one would make ethanol from sugar, as opposed to corn, which could alter the corn dynamics. So I think Corn Products International is in an excellent position, irrespective of what might happen.

In closing, we think we offer a unique value proposition to investors. Our singular focus is starch refining and ingredients development in an industry with high barriers to entry. We have geographic and product diversification with a broad customer base across a number of end markets. We have shown a proven operating history with a strong and experienced management team. Our balance sheet is very strong with solid, consistent cash flow generation, giving us significant investment capacity in executing on what we believe is a clearly defined, long-term strategy with five specific, interlocking growth pathways. We have financial targets that drive long-term value creation, and, as I have outlined, our long-term and short-term management incentive plans are strongly aligned with shareholder interests.

We marked our 100th anniversary in 2006 in impressive fashion with record results and have announced expectations for 13% to 23% EPS growth, to between \$1.84 and \$2.01, in 2007, which would be yet another record year.

TWST: Thank you.

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