



OLAM



The Brand Behind The Brands

Olam International Limited

H1 FY2007 Results Briefing

13th February 2007

Singapore





This presentation should be read in conjunction with Olam International Limited's First Half (Interim), FY2007 (H1 FY2007) Financial Results for the period ended 31st December 2006 statement lodged on SGXNET on 13th February 2007.



Cautionary note on forward-looking statements

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

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

Potential risks and uncertainties includes such factors as general economic conditions, foreign exchange fluctuations, interest rate changes, commodity price fluctuations and regulatory developments. Such factors that may affect Olam's future financial results are detailed in our listing prospectus, listed in this presentation, or discussed in today's press release and in the management discussion and analysis section of the company's First Half FY2007 results report and filings with SGX. The reader and/or listener is cautioned to not unduly rely on these forward-looking statements. We do not undertake any duty to publish any update or revision of any forward looking statements.



Results Presentation: Outline

- ❖ Market Review & Analysis
- ❖ Results: H1 FY2007 - Consolidated P&L Analysis
- ❖ Results: H1 FY2007 - Segmental Analysis
- ❖ Results: H1 FY2007 - Balance Sheet Analysis
- ❖ M&A Update
- ❖ Outlook & prospects
- ❖ Q&A



Commodity Index & Olam basket:

	1 st Jul 2006	31 st Dec 2006	Return
Goldman Sachs Agricultural Index (GSCI)	590.42	649.74	10.05%
CRB Index	337.07	368.22	9.24%
Olam Basket (volume weighted)			6.07%
<i>Olam Basket:</i>			
Rice	312.00	314.00	0.64%
Sugar	461.40	338.00	(26.66%)
Cocoa	959.00	898.00	(6.36%)
Coffee	1,258.00	1,590.00	26.39%
Cotton	51.95	56.99	9.70%
Cashew Kernel	2.05	2.08	1.46%
Sesame	738.50	716.00	(3.05%)
Timber	570.00	630.00	10.53%
Pepper	1,370.00	2,225.00	62.41%
Pulses	507.00	556.00	10.82%
Peanuts	830.00	890.00	(3.26%)
Milk Powder	2,250.00	2,800.00	24.44%
Olam Basket Weighted Average			6.07%

Results:
H1 FY2007
Consolidated P&L Analysis



Consolidated P&L Analysis: H1 FY2007

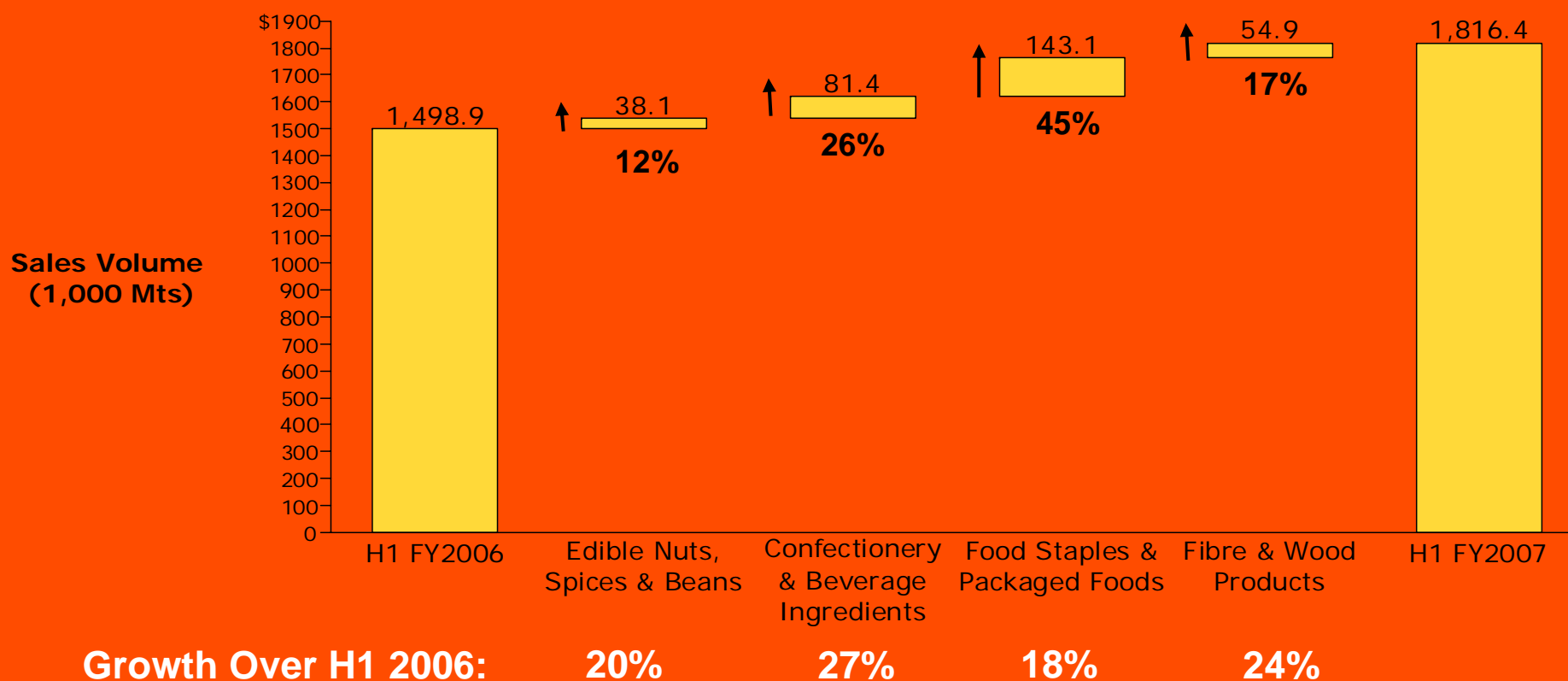
🌿 **Sales Volume: 1.816 million metric tons**

- 21.2% growth over H1 FY2006
- Volume growth across all 4 segments



Sales Volume Growth: Segmental Contribution

Sales Volume growth 21.2%, 317,528 mts



Consolidated P&L analysis: H1 FY2007

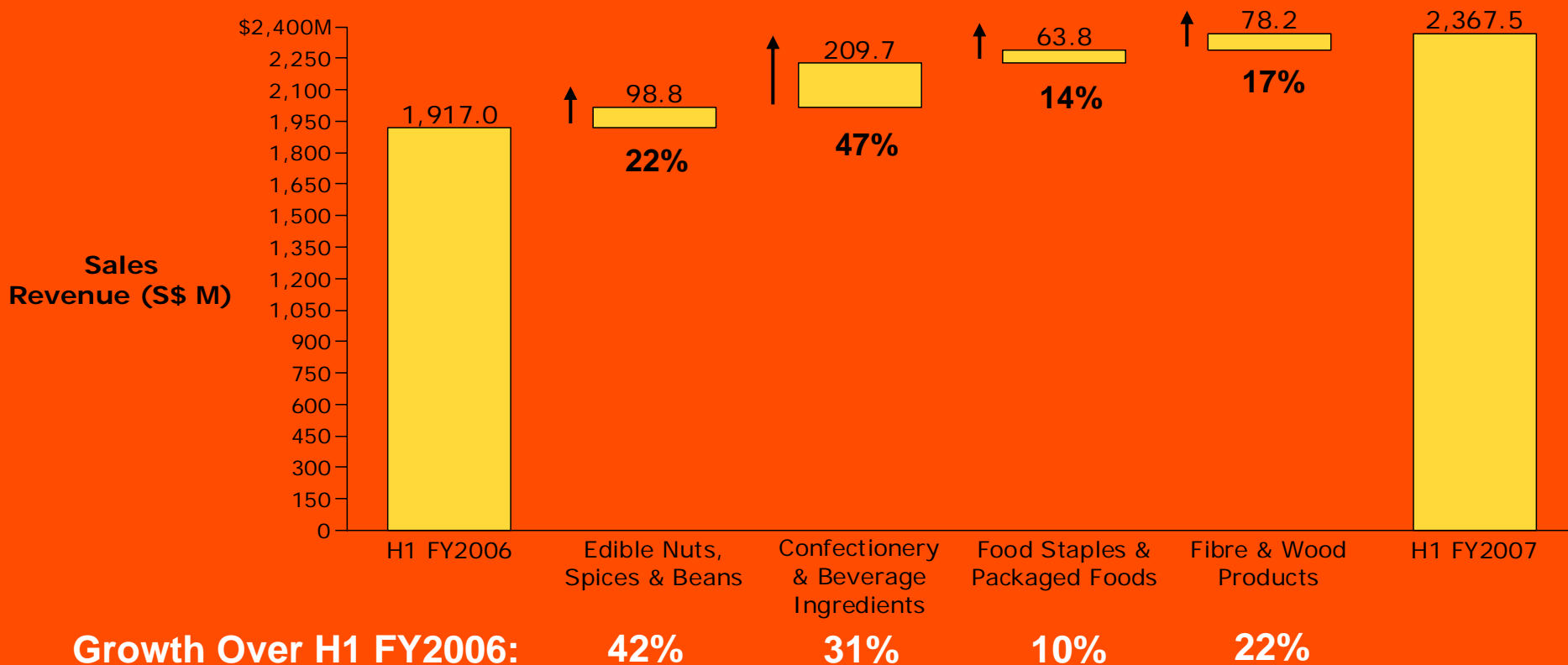
❖ **Total Revenue: S\$2,367.5 million**

- 23.5% growth over H1 FY2006
- Revenue growth across all 4 segments



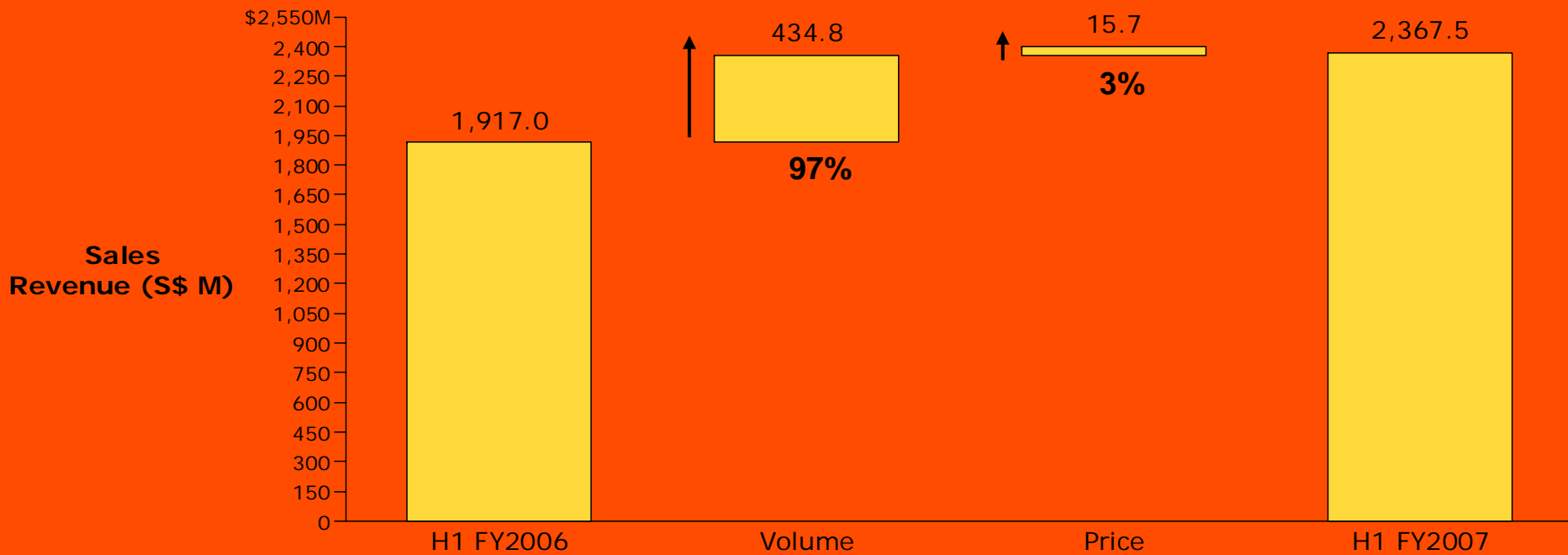
Sales Revenue Growth: Segmental Contribution

Sales growth 23.5%, S\$450.5 million



Sales Revenue Growth: Sources

Sales growth 23.5%, S\$450.5 million



Consolidated P&L Analysis: H1 FY2007

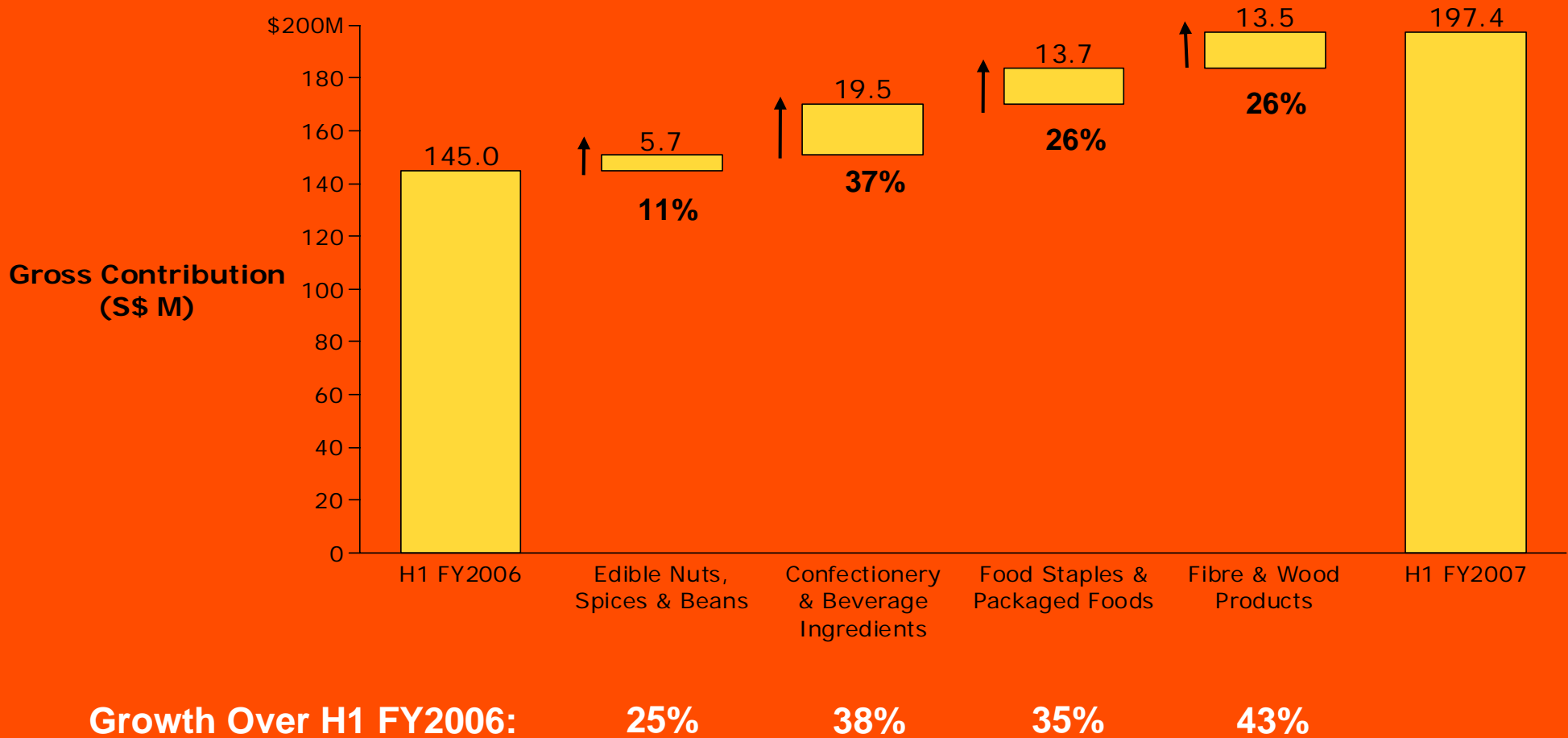
❖ **Gross Contribution (GC) : S\$197.4 million**

- 36.1% growth over H1 FY2006
- GC growth across all segments



Gross Contribution Growth: Segmental Share

GC growth 36.1%, S\$52.4 million



Interest Costs

❖ **Total increase in interest costs S\$19.836 million or 43.2%.**

	H1 FY2007 (S\$'000)	H1 FY2006 (S\$'000)	Increase (S\$'000)	% Increase
Interest Expenses	65,802	45,966	19,836	43.2%
Sales	2,367,488	1,916,985	450,503	23.5%
Interest Rate	7.13%	5.85%	1.28%	21.9%
Interest variance due to interest rate increase			(S\$'000)	11,807
Interest variance due to working capital increase			(S\$'000)	8,029
Total Net Increase in Interest			(S\$'000)	19,836

Consolidated P&L Analysis: H1 FY2007

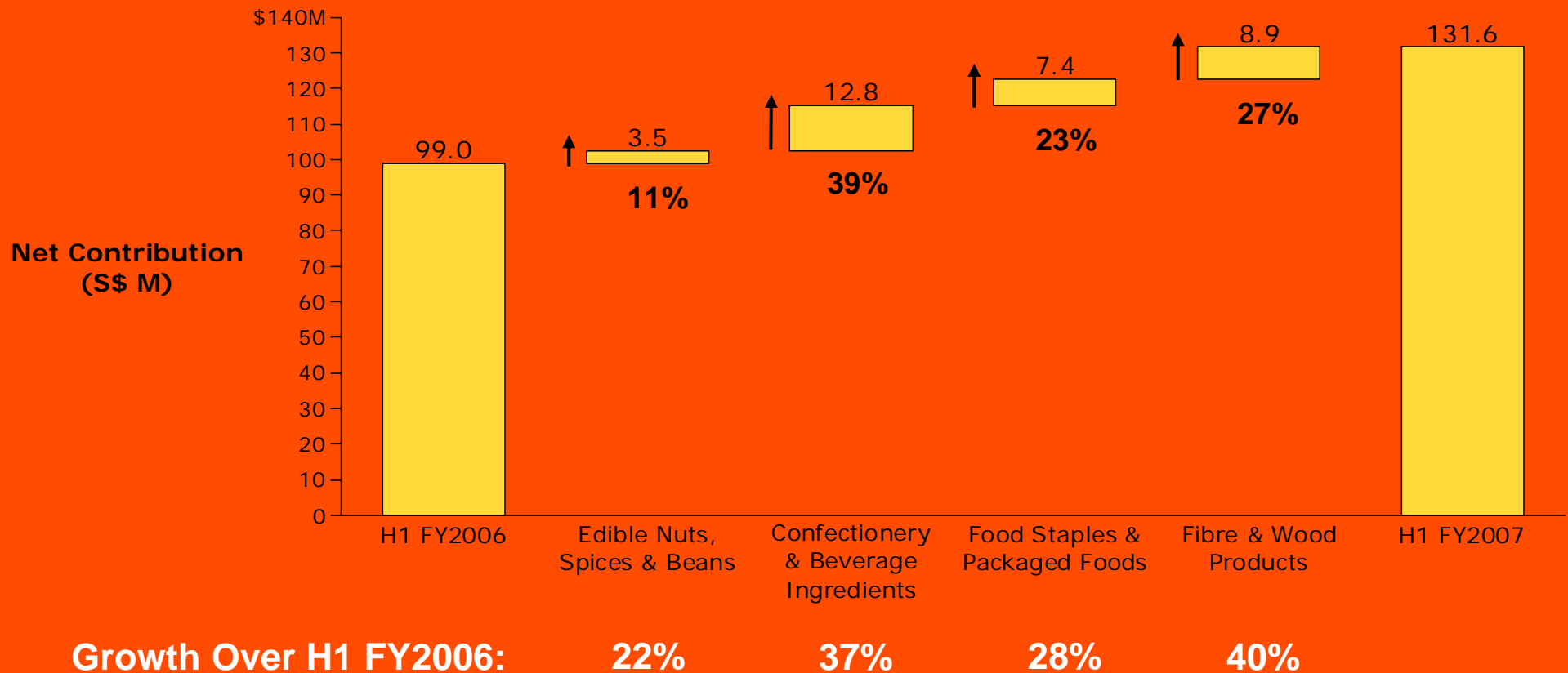
✿ **Net Contribution (NC) : S\$131.6 million**

- 32.9% growth over H1 FY2006
- NC growth across all segments



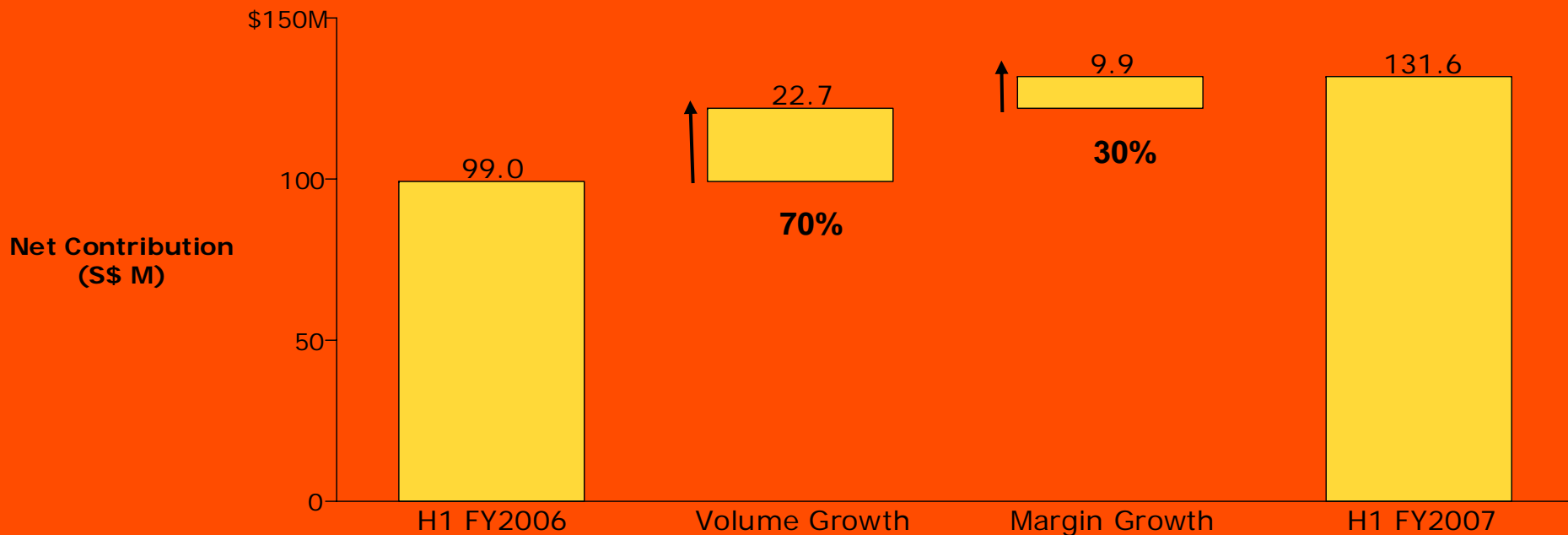
Net Contribution Growth: Segmental Share

NC growth 32.9%, S\$32.6 million



Net Contribution Growth: Sources

NC growth 32.9%, S\$32.6 million



Impact of FRS 102

- ❖ The following two employee Share Schemes come under the ambit of FRS 102:
 - Employee Share Subscription Scheme (ESSS)
 - Employee Share Options Scheme (ESOS)

- ❖ The impact of FRS 102 on the Financial Statements is as follows:

	Prior Period S\$'000	6-Mth FY2007 S\$'000	Carried Forward S\$'000	Total S\$'000
ESSS	1,913	265	279	2,457
ESOS	921	2,689	7,195	10,805
Total	2,834	2,954	7,474	13,262

Consolidated P&L Analysis: H1 FY2007

- ❖ **SG&A** increased by 37.3% to S\$88.9 million in H1 FY2007.

	H1 FY2007	H1 FY2006	Change
SG&A (S\$ million)	88.9	64.8	37.3%
SG&A / Sales ratio (%)	3.76	3.38	(0.38)

Consolidated P&L Analysis: H1 FY2007

❖ **Net Profit After Tax (NPAT): S\$38.2 million**

- 24.5% growth over H1 FY2006

❖ **Earnings per Share (EPS)**

- 24.5% growth over H1 FY2006
- 2.46 cent/share H1 FY2007 vs 1.97 cent/share H1 FY2006 (based on weighted average no. of shares)



Results: Q1 FY2007

Segmental Analysis



Segmental Analysis H1 FY2007: Summary

Olam Consolidated

- Turnover **S\$2,367.5 million**
- Volume **1.816 mmts**
- NC **S\$131.6 m**
- NPAT **S\$38.2 m**

Edible Nuts, Spices & Beans

- Turnover **\$335.1 m**
- Volume **0.226mmts**
- NC **\$19.4 m**

• NC Share **14.8%**



Confectionery & Beverage Ingredients

- Turnover **\$892.5 m**
- Volume **0.384mmts**
- NC **\$47.7 m**

• NC Share **36.3%**



Food Staples & Packaged Foods

- Turnover **\$709.1 m**
- Volume **0.924mmts**
- NC **\$33.6 m**

• NC Share **25.5%**



Fibre & Wood Products

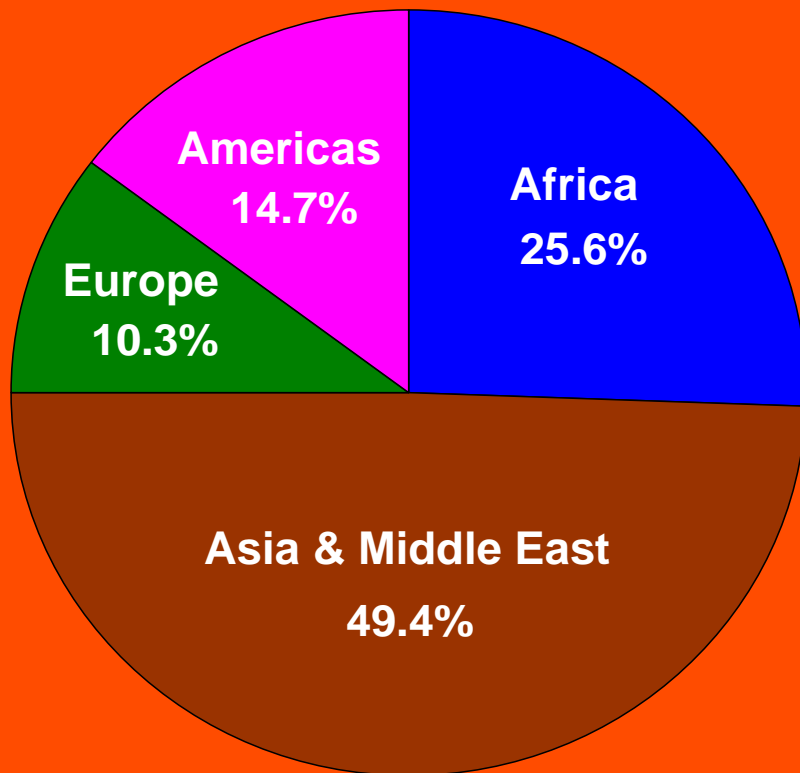
- Turnover **\$430.8 m**
- Volume **0.282mmt**
- NC **\$30.9 m**

• NC Share **23.4%**

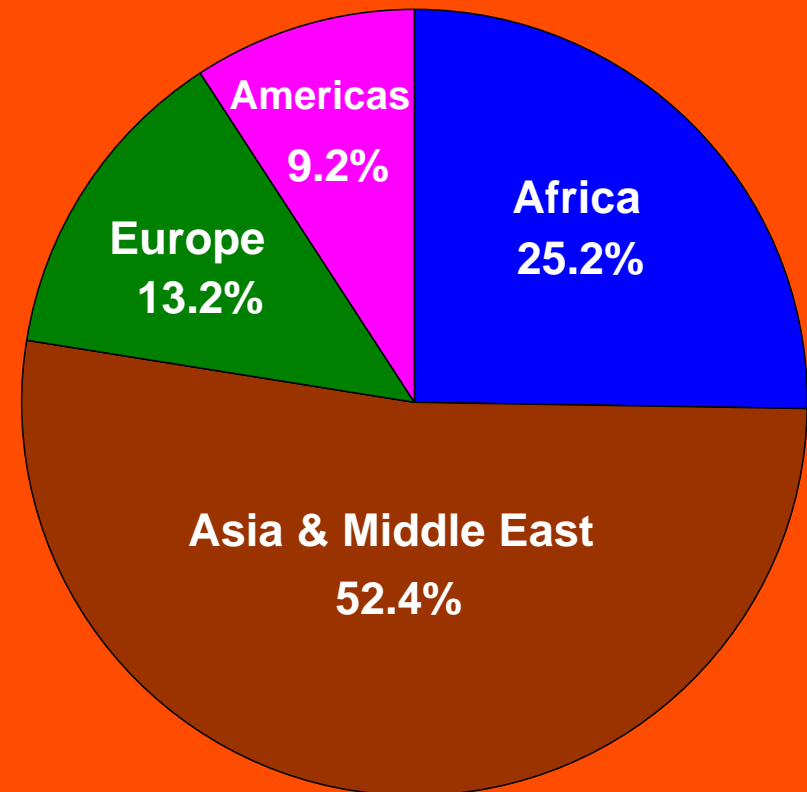


Well Diversified Sourcing: Origins

Sourcing Volume H1 FY2007

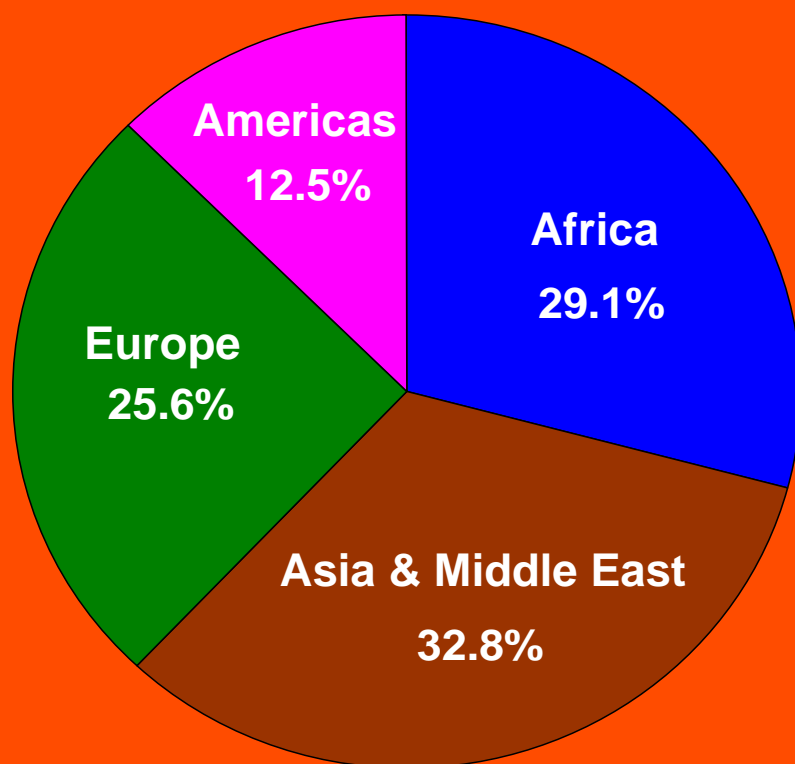


Sourcing Volume H1 FY2006

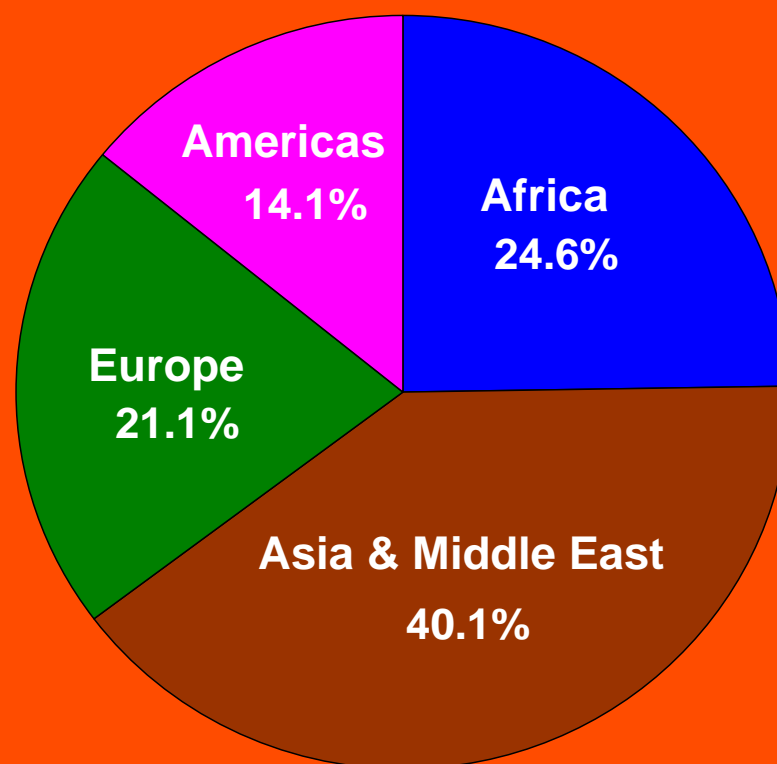


Well Diversified Sales: Markets

Sales Turnover H1 FY2007



Sales Turnover H1 FY2006



Well diversified: Customers

Segment	Top 5 Customer Share of Total Sales
Edible Nuts, Spices & Beans	2.5%
Confectionery & Beverage Ingredients	11.4%
Food Staples & Packaged Foods	4.3%
Fibre & Wood Products	2.0%



Segmental Analysis: Edible Nuts, Spices & Beans

Description	H1 FY2007		H1 FY2006		% Change
	Amount	S\$/Ton	Amount	S\$/Ton	
Volume (metric tons)	225,773		187,647		↑ 20.3%
Revenue (S\$'000)	335,111	1,484	236,294	1,259	↑ 41.8%
Net Contribution (S\$'000)	19,435	86	15,936	85	↑ 22.0%



Segmental Analysis: Confectionery & Beverage Ingredients

Description	H1 FY2007		H1 FY2006		% Change
	Amount	S\$/Ton	Amount	S\$/Ton	
Volume (metric tons)	384,443		303,010		↑ 26.9%
Revenue (S\$'000)	892,512	2,322	682,873	2,254	↑ 30.7%
Net Contribution (S\$'000)	47,710	124	34,941	115	↑ 36.5%



Segmental Analysis: Food Staples & Packaged Foods

Description	H1 FY2007		H1 FY2006		% Change
	Amount	S\$/Ton	Amount	S\$/Ton	
Volume (metric tons)	923,716		780,639		↑ 18.3%
Revenue (S\$'000)	709,042	768	645,224	827	↑ 9.9%
Net Contribution (S\$'000)	33,594	36	26,153	34	↑ 28.4%



Segmental Analysis: Fibre & Wood products

Description	H1 FY2007		H1 FY2006		% Change
	Amount	S\$/Ton	Amount	S\$/Ton	
Volume	282,486		227,594		↑ 24.1%
Turnover	430,823	1,525	352,594	1,549	↑ 22.2%
Net Contribution	30,832	109	21,974	97	↑ 40.3%



Results: H1 FY2007
Balance Sheet Analysis



Balance Sheet Analysis: Summary

(Figures in S\$'000)	31 Dec 2006	30 Jun 2006	% Change
Fixed Assets & Investments	83,758	74,129	13.0%
Current Assets			
Debtors	451,810	426,778	5.9%
Stocks	1,182,850	1,013,904	16.7%
Cash & Cash Equivalents	248,463	296,241	(16.1)%
Advances to Suppliers	214,612	160,669	33.6%
Fair Value of Derivatives	136,918	199,614	(31.4)%
Margin Account Balances	109,948	43,147	154.8%
Other Current Assets	194,828	143,683	35.6%
Total Assets	2,623,186	2,358,165	11.2%
Trade Creditors	153,464	134,874	13.8%
Borrowings	1,799,077	1,476,831	21.8%
Fair Value of Derivatives	145,788	213,458	(31.7)%
Other Liabilities	51,876	44,963	15.4%
Net Assets	472,981	488,039	(3.1)%
Minority Interest	23	53	(58.3)%
Equity & Reserves	472,958	487,986	(3.1)%

Balance Sheet Analysis: Ratios

	31 Dec 2006	30 Jun 2006	Change
Current Asset Ratios			
Debtors (days)	35	36	1
Stock (days)	99	92	(7)
Advance to Suppliers (days)	18	15	(3)
Trade Creditors (days)	13	12	1
Current Ratio (x)	1.86	1.49	

Balance Sheet Analysis: Debtors

- 61.5% of Debtors secured by Letter of Credit / Docs of Title.
- Debtor quality good. No additional provisions created over June 2006



Balance Sheet Analysis: Stock

(in S\$ Millions)	Dec 2006	Jun 2006	Increase/ Decrease
Edible Nuts, Spices & Beans	164.2	151.1	13.1
Confectionery & Beverage Ingredients	570.9	509.1	61.8
Food Staples & Packaged Foods	280.0	277.7	2.3
Fibre & Wood Products	167.8	76.0	91.8
Total	1,182.9	1,013.9	169.0

❖ 85.4% of stocks sold forward or hedged



Balance Sheet Analysis: **Fixed Assets**

Fixed assets

- Investment in fixed assets amounted to S\$19.9 million in H1 FY2007 as compared to S\$20.9 million in H1 FY2006. The investments were mainly in processing factories, packaging plants, warehousing and logistics in Brazil, China, Tanzania, Gabon, Vietnam, Zimbabwe and Nigeria.

Balance Sheet Analysis: **Cash & Borrowings**

- ❖ **Cash and Fixed Deposits** decreased by 16.1% to S\$248.5 million
- ❖ **Borrowings:**
 - ❖ Only 52.9% of our total credit facilities were used as of 31st Dec.

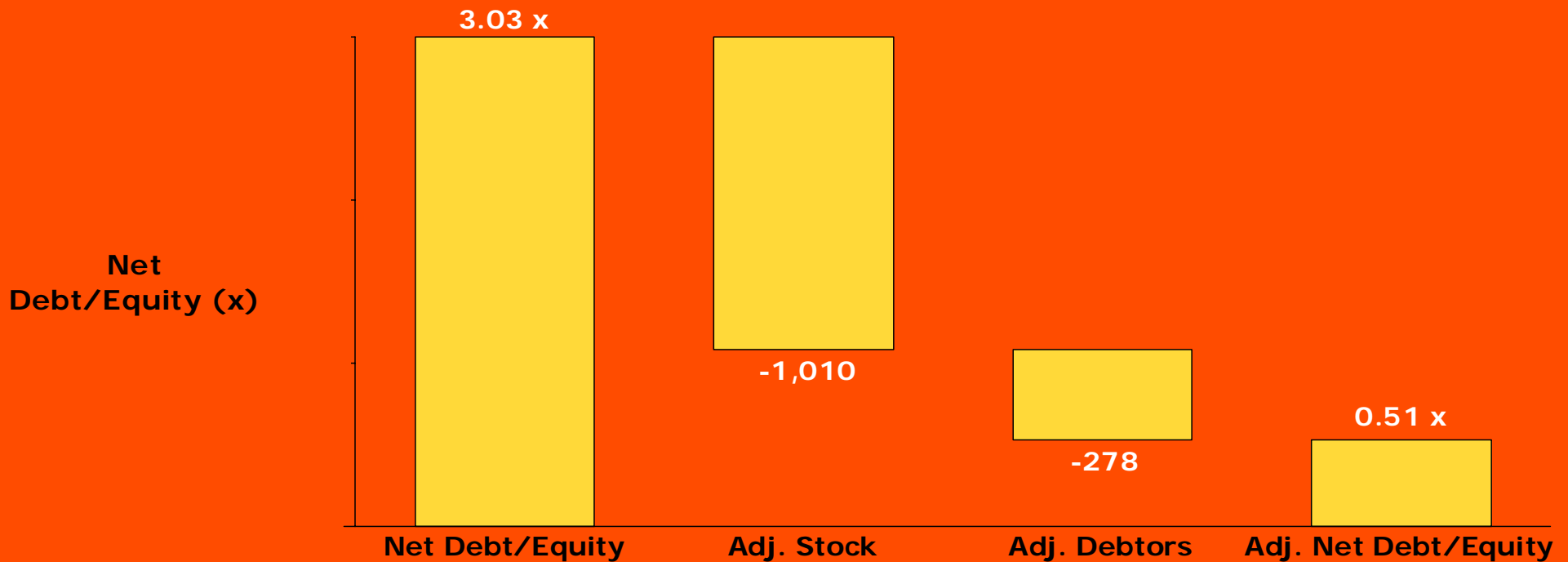
(in S\$ million)	31 Dec 2006	% Share
Short Term Banking Facilities	1,754.0	51.6%
Committed Banking Facilities	538.5	15.8%
MTN	622.7	18.3%
Long Term Loan	484.6	14.3%
Total	3,399.8	100.0%

Balance Sheet Analysis: Gearing

	31 Dec 2006		30 June 2006		Change
	Before Fair Value Adj. Reserve	After Fair Value Adj. Reserve	Before Fair Value Adj. Reserve	After Fair Value Adj. Reserve	Vis-à-vis before Fair Value Adj. Reserve
Leverage (x)					
Gross Debt to Equity (x)	3.52	3.80	2.79	3.03	(0.73)
Net Debt to Equity (x)	3.03	3.28	2.23	2.42	(0.80)
Interest Coverage (x)	1.65		2.29		(0.64)
Liquidity					
Cash to Sales (%)	5.25		6.79		1.54
Cash & Cash Equivalents	248.5 m		296.2 m		(47.7 m)

Balance Sheet: Analysis of Gearing

Adjusting: hedged, liquid inventory



Impact of FRS 39

- ❖ Impact on P&L is reduction in profits of S\$2.5 million.
- ❖ Reduction in equity as of 31 December 2006 is S\$38.4 million.
- ❖ FRS 39 allows for hedge accounting to be applied when strict effectiveness criteria are met.
- ❖ We have assessed the effectiveness of our hedging instruments and have concluded that the majority of the derivatives qualifies for hedge accounting. Hence, adjustment due to adoption of FRS 39 has mainly flown to equity.
- ❖ We do not expect any adverse impact of these measurements to the results of the Company.

M&A Update



中国中纺集团公司



Chinatex & Olam

Strategic Partnership in Cotton and Oilseeds Business in China

Investor Presentation

7 February 2007

Singapore



Presentation Outline

❖ Partnership Overview

❖ About Chinatex

❖ Investment Rationale

❖ Olam's M&A Framework



Partnership Overview

Partnership Overview: 2 JVs in Oilseeds & Domestic cotton

<p>Framework</p>	<p>Oilseeds JV</p> <ul style="list-style-type: none"> Acquisition by Olam of a 35% initial stake in Chinatex G&O (CTGO), a fully owned subsidiary of Chinatex Corporation Setting up of a sourcing subsidiary in Brazil Olam shall have the option of acquiring an additional 10% stake, within 2 years of setting up the Brazilian subsidiary, at a pre-agreed valuation <p>Domestic Cotton JV</p> <ul style="list-style-type: none"> Chinatex & Olam to set up a 50/50 JV in China for sourcing, ginning, inland logistics, distribution and risk management for domestic cotton in China Preferential purchase agreement under which Olam shall endeavor to supply at least 30% of Chinatex's annual imports, on competitive basis
<p>Consideration</p>	<ul style="list-style-type: none"> US\$13.5m, in cash, for the initial 35% stake in Chinatex G&O US\$ 7-8 million (est.), in cash, for the incremental 10% stake
<p>Financing</p>	<ul style="list-style-type: none"> Acquisition to be funded through borrowings and internal accruals
<p>Timing</p>	<ul style="list-style-type: none"> Transaction closure expected to take around 6 months



Key terms of the Oilseeds joint venture

- ❖ **Board of Directors** : 8 member board (5 from Chinatex & 3 from Olam)
Olam to get an additional Board seat upon raising its stake to 45%
- ❖ **Management (China)**: Chinatex to nominate CFO, VP-Manufacturing and VP-Marketing
Olam to nominate CEO, Deputy CFO, VP-Projects, VP-Risk & VP-HR
- ❖ **Management (Brazil)**: Chinatex to nominate two representatives including the Deputy CFO
Olam to nominate the rest of the management team
- ❖ **Financing** : Capital investments to be funded/supported in proportion to shareholding

Chinatex to provide Working capital support for China operations upto a limit of RMB 2.6 billion (around US\$ 330 million) for 5 years, in the form of a shareholder guarantee of RMB 2.3 billion and shareholder loan of RMB 0.3 billion

Working capital in excess of RMB 2.6 billion for China operations & for Brazil operations to be funded/supported in proportion to shareholding
- ❖ **Others** : Chinatex & Olam to make their best efforts to list the JV within 5 years
Olam has the option to sell its stake to Chinatex at a fair value, 7 years after formation of the JV



➤ About Chinatex

About Chinatex: Business Profile

- ❖ A large and successful state-owned enterprise in China, amongst the Top 75 SoEs
- ❖ Chinatex has 2 core businesses operated through two SBUs:
 - ❖ **Chinatex Commodities SBU (CTC SBU)**
 - ❖ **Chinatex Apparel & Fabrics SBU (CTAF SBU)**
- ❖ **CTC SBU** has four main business divisions:
 - ❖ **Cotton Sourcing / Distribution / Ginning**
 - ❖ Largest player in China with total volumes handled of over 300,000 tons
 - ❖ **Grains & Edible Oil Import / Distribution / Crushing (CTGO)**
 - ❖ Top 5 importer of soybeans into China, with volumes of around 3.0 million tons
 - ❖ **Wool & Chemical Fibre**
 - ❖ Largest wool and acrylic player in China
 - ❖ **Textile manufacturing (Spinning & Weaving)**
 - ❖ Producer of the well known yarn brand “Chunjiang”, etc.
- ❖ **CTAF SBU** is a leading manufacturer of finished fabrics, knitwear, sweaters, woven jackets, shirts, suits & home furnishings, with seven factories spread across China
- ❖ Other non-core businesses include elevators & property (including part ownership of China World Trade Center & Grand Hyatt, Shanghai)

About Chinatex: Key Statistics

Particulars	Chinatex Group	CTGO	Cotton BU
Turnover (US\$ mil)			
2006:	1,866	1,000	500
2005:	1,956	945	390
Net Profit (US\$ mil)			
2006:	27.8	4.0	13.0
2005:	20.3	6.0	9.4
Employees (#s)			
2006:	10,415	365	59
2005:	9,845	205	52
Aggregate Volumes (tons)		(Soybean)	
2006:	-N.A.-	2.86 million	318,000
2005:	-N.A.-	3.09 million	270,000

Investment Rationale

- Strategic Fit

Oilseeds (Soybean): Market Opportunity

	World	China
Production (mil tons)		
2005/06:	218.04	16.35
2004/05:	215.95	17.40
Y-o-y Growth (%):	1.0%	-6.0%
3 year CAGR (%) (2003/04 – 2005/06)	5.5%	2.0%
Consumption (mil tons)		
2005/06:	213.69	44.54
2004/05:	205.39	40.21
Y-o-y Growth (%):	4.0%	10.8%
3 year CAGR (%) (2003/04 – 2005/06)	3.7%	7.8%
Trade-Imports (mil tons)		
2005/06:	64.43	28.32
2004/05:	64.54	25.80
Y-o-y Growth (%):	-0.2%	9.8%
3 year CAGR (%) (2003/04 – 2005/06)	4.8%	16.5%

- ❖ Chinese production under pressure due to decrease in arable land
- ❖ China is the world's largest consumer with a steadily increasing global share – accounts for over 20% of world consumption currently
- ❖ Imports cater to a high 63-64% of the consumption, making China the world's largest importer (43% share of global trade in '05/06)
- ❖ Brazil, with a 40% share of world exports in '05/06, is a key supplier to China
- ❖ ***China's increasing deficit and Brazil's expanding surplus positions the JV well for linking & leveraging its presence in both the key origin (Brazil) & key market (China)***

Source: USDA



Strategic Fit: Oilseeds JV

- ❖ China is the largest consumer and importer of soybean in the world
- ❖ As a part of its strategic plan, Olam had, in 2005, identified G&O as an attractive new product adjacency
- ❖ Olam believes the two key building blocks that are required for success in this business are:
 - ❖ Strong presence and sourcing infrastructure in the large origins - USA, Brazil & Argentina
 - ❖ Processing and distribution infrastructure in the largest market - China
- ❖ Partnership with Chinatex accelerates execution of this strategy by combining
 - ❖ Chinatex's leading market position, strong relation with oil crushers in China and its own crushing assets in China
 - ❖ Olam's global farm gate sourcing, presence in Brazil, Argentina & US, supply chain & risk management expertise with



Cotton: Market Opportunity

	World	China
Production (mil tons)		
2005/06:	24.85	5.70
2004/05:	26.21	6.31
Y-o-y Growth (%):	-5.2%	-9.7%
CAGR (%) (2003/04 – 2005/06)	6.2%	5.5%
Consumption (mil tons)		
2005/06:	25.23	9.80
2004/05:	23.69	8.38
Y-o-y Growth (%):	6.5%	16.9%
CAGR (%) (2003/04 – 2005/06)	5.7%	12.0%
Trade-Imports (mil tons)		
2005/06:	9.67	4.20
2004/05:	7.26	1.39
Y-o-y Growth (%):	33.2%	202.2%
CAGR (%) (2003/04 – 2005/06)	9.4%	29.8%

- ❖ China is the world's largest consumer of cotton (38% of global consumption)
- ❖ Local production and imports contribute to around 60% & 40% of consumption respectively
- ❖ Chinese consumption growth continues to be strong (twice the world growth rate)
- ❖ Chinese imports registered an even faster growth (tripled last year), resulting in a 44% share for China in world imports
- ❖ Local production and imports expected to continue their large role in meeting consumption

Source: USDA



Strategic Fit: Domestic Cotton JV

- ❖ China is the largest producer, consumer and importer of cotton in the world
- ❖ China's Cotton industry is currently being deregulated as part of the government's liberalisation program
- ❖ Chinatex and Olam aim to leverage on this trend and achieve a prime mover advantage by combining their strengths
- ❖ This partnership brings together two leading players with solid credentials in this large, fragmented industry
 - ❖ Chinatex is the largest player in the cotton industry in China with a presence across the entire value chain
 - ❖ Olam entered the Chinese market 2 years ago and is now a leading supplier of imported cotton to the textile industry
 - ❖ Olam is among the Top 5 global players in the cotton industry, sourcing from over 30 origins & selling to over 500 customers in more than 20 end markets



❖ **Investment Rationale**
- Post Investment Plans



Clear plans to achieve efficiency & value chain integration

- ❖ Enhance the contribution of downstream products by setting up & acquiring soybean processing assets in China
 - ❖ JV targets to expand crush capacity to 2 million tons in 3-4 years
 - ❖ Plans being developed to build an oilseeds processing complex at Rizhao
 - ❖ Open to acquiring crushing assets to augment capacity
- ❖ Strengthen competitive position by setting up a soybean sourcing infrastructure in Brazil, the world's fastest growing soybean exporter
- ❖ Augment existing managerial capability by bringing in senior level global industry talent
- ❖ Implement best-in-class Risk and IT systems with a view to enhancing the level of decision-support & protect value



 **Investment Rationale**
- Financial Impact

JVs to be earnings and value accretive from first year

❖ Oilseeds business

- ❖ Margin enhancing initiatives in Brazil and China likely to be completed over the next 3-4 years
- ❖ Earnings expected to grow at a CAGR of around 20% during this period, from the current, sustainable levels of US\$ 5-6 million
- ❖ Positive earnings accretion to Olam from Year 1 – estimated at between US\$1.1 – 1.5 million at current sustainable PAT levels
- ❖ This would result in a significant positive spread over Olam's cost of equity

❖ Cotton business

- ❖ Potential increase in volumes for Olam from preferential purchase of imported cotton estimated at 20-30 thousand tons
- ❖ Domestic cotton JV expected to achieve volumes of 100,000 tons in 2-3 years



❖ Olam's M&A Framework



Recap of Olam's Inorganic growth strategy / M&A framework

M&A Objectives	<ul style="list-style-type: none">▪ Accelerated entry into identified new product adjacency▪ Accelerated access into a new geography▪ Reduce timing to impact for a new value chain expansion initiative▪ Overcome industry barriers▪ Maintain Industry attractiveness▪ Taking advantage of reasonably priced targets with high overlap with Olam
M&A Policy Framework	<ul style="list-style-type: none">▪ String-of-Pearls approach▪ Size of deals:<ul style="list-style-type: none">- Sweet spot: 5-10% of market cap- Maximum size: 10% of market cap- Aggregate deal value p.a: not more than 15% of market cap▪ Do deals that have strategic and business fit with Olam's core business▪ M&A seen as a tool to execute strategy and not a strategy in itself▪ Make acquisitions throughout the economic cycle - do not time▪ Do deals to either acquire a controlling stake or management control▪ Do not enter into opportunities purely based on P/E arbitrage

JV with Chinatex is in line with this M&A Strategy

M&A Objectives	<ul style="list-style-type: none">▪ Accelerated entry into identified new product adjacency (Oilseeds in China & Brazil)▪ Accelerated access into a new geography (domestic cotton in China)▪ Reduce timing to impact for a new value chain expansion initiative (Oilseed crushing / Cotton ginning in China)▪ Overcome industry barriers▪ Maintain Industry attractiveness▪ Taking advantage of reasonably priced targets with high overlap with Olam
M&A Policy Framework	<ul style="list-style-type: none">▪ String-of-Pearls approach▪ Size of deals:<ul style="list-style-type: none">- Sweet spot: 5-10% of market cap- Maximum size: 10% of market cap- Aggregate deal value p.a: not more than 15% of market cap▪ Do deals that have strategic and business fit with Olam's core business▪ M&A seen as a tool to execute strategy and not a strategy in itself▪ Make acquisitions throughout the economic cycle - do not time▪ Do deals to either acquire a controlling stake or management control▪ Do not enter into opportunities purely based on P/E arbitrage

Cotton Strategic Plan



Cotton: Supply & Demand Analysis - World Production

Origin (2005/06)	Production (in Million Metric Tons)
China (mainland)	5.70
USA	5.20
India	4.15
Pakistan	2.10
Uzbekistan	1.21
Brazil	1.04
Australia	0.65
Others	4.80
World Total	24.85

- ❖ Olam currently sources directly from all these key origins excepting Australia & sources through agents in Pakistan.

Cotton: Supply & Demand Analysis - World Consumption

Market (2005/06)	Consumption (in Million Metric Tons)
China (mainland)	9.80
India	3.63
Pakistan	2.39
EU, Central Europe & Turkey	2.12
E. Asia	1.90
USA	1.28
Brazil	0.87
CIS	0.64
Others	2.60
World Total	25.23

- ❖ Olam present and sells directly in all these markets & distributes through agents in Pakistan.

Cotton: Supply & Demand Analysis - World Exports

Origins (2005/06)	Exports (in Million Metric Tons)
USA	3.82
CFA Zone	1.01
Uzbekistan	1.02
India	0.80
Australia	0.63
Brazil	0.43
Others	1.96
World Total	9.67

❖ Olam present and exporting directly from all these countries excepting Australia.

Cotton: Supply & Demand Analysis - World Imports

Markets (2005/06)	Imports (in Million Metric Tons)
China (mainland)	4.20
East Asia	1.78
EU & Turkey	1.28
CIS	0.33
South America	0.26
Others	1.82
World Total	9.67

❖ Olam present and selling in all all these markets.

Cotton: Global Top 10 companies

Rank & Company
1. Allenberg Cotton Co. (Dreyfus)
2. Cargill Cotton
3. Dunavant Enterprise
4. Paul Reinhart AG
5. Olam
6. Weil Brothers
7. Chinatex Corporation
8. Plexus Cotton
9. Ecom
10. Queensland Cotton Corpn

❖ *Source:* International Cotton Advisory Committee, Vol 60 - No. 3 (Jan-Feb 2007)

- ❖ There are 470 cotton companies globally, of which 24 are Govt. organisations, 9 co-operatives and 437 private companies.
- ❖ There are 4 co-operatives and 5 Govt. companies in the top 20 cotton players globally.
- ❖ The top 20 companies handled volume of 10.3 million tons or 41% of total world production.
- ❖ The top 3 companies are US based companies.
- ❖ With WTO initiated dismantling of trade subsidies, trade flows are shifting & we expect this to change the competitive structure going forward.

Cotton: Strategic plan - product range



❖ Olam seeking to broaden it's product range to become a 'universal' supplier of the full range of qualities to its textile customers.

Cotton: Strategic plan - key thrusts

Issues	Strategic thrust
Product range	<ul style="list-style-type: none"> ▪ Expand product range to get into the fine / long staple segment & increase share in the high / medium segment.
Origination	<ul style="list-style-type: none"> ▪ Increase sourcing market share in existing origins, CFA Zone, E. Africa & CIS. ▪ Commence domestic operations in China including ginning. ▪ Increase sourcing market share in US, Brazil & India (including ginning). ▪ Expand into Australia (including ginning).
Marketing	<ul style="list-style-type: none"> ▪ Deepen penetration into China, Turkey, Pakistan, India & S.E. Asia.
Value Added Services	<ul style="list-style-type: none"> ▪ Develop organic cotton, first from E. Africa. ▪ Enhance focus on value added services like VMI and customised cotton. ▪ Continue to develop innovative financial & risk management solutions for growers & spinners.

Outlook & Prospects



Outlook & Prospects:

- ❖ Barring any unforeseen circumstances, we continue to be positive on the overall business outlook and the Company's prospects as we head into the 2nd half of FY2007.
- ❖ The various initiatives that we are executing on to broaden and deepen our business franchise should continue to yield results in the form of both increased volumes and enhanced margins.
- ❖ Please refer to the description of the seasonality of our business under the section "Background to analysing our Financial Statements" in our Q2 FY2007 SGXNET filing in this regard.



Key Investment Merits

- ❖ Attractive sector, growing food demand, deregulating markets
- ❖ Strong financial track record
- ❖ Proven growth model (non dilutive growth, next 2-3 years)
- ❖ Unique competitive position
- ❖ Well-diversified across businesses, geographies & customers
- ❖ Risk management is a core competence
- ❖ High governance standards & world class investors
- ❖ Strong Management
- ❖ Strong prospects & high growth potential



Thank You

