Acquisition of Almond Orchards in Australia

18 September 2009 | Singapore

Cautionary note on forward-looking statements

This presentation may contain statements regarding the business of Olam International Limited ('Olam') 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 Olam and 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.

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Speakers

Sunny Verghese	*Group Managing Director and CEO*
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Presentation **Outline**

- **Executive Summary**
- **Recap of Olam's Corporate Strategy (Almonds)**
- **Overview of Assets Acquired**
- **Investment Rationale**
- **Financial Impact**
- **Q &A**
- **Appendix**
  - **Global Almonds Industry Overview**
  - **Australia Almonds Overview**
  - **Almond Economics**

Executive Summary

Executive Summary: Transaction Overview

Transaction	• Acquisition of 8,096 planted hectares (“HA”) of almond orchards and 40,825 megalitres (“ML”) of Permanent Water Rights (“PWRs”) of Timbercorp Limited through its liquidation proceedings • Additionally, Olam has acquired, through the same process, 1,700HA of Timbercorp land capable of being used for planting almond orchards
Consideration	• Acquired for a total consideration of A$128mm
Financing	• All cash transaction • Funded through internal accruals and existing credit facilities
Closing	• Transaction expected to close by December 2009, subject to regulatory approvals and customary closing conditions

Executive Summary: **Transaction Background**

- **Timbercorp Limited** (“Timbercorp”) was one of **Australia’s largest agribusiness companies** with interests in forestry (eucalyptus) and horticulture (almonds, olives, citrus, mango, avocado) and was responsible for promoting various **Managed Investment Schemes (“MIS”)**
- The **MIS** sector in Australia experienced significant growth in recent years as they afforded investors / growers tax efficient and stable return potential
- However, due to various reasons, Timbercorp went into voluntary administration in early 2009
- Accordingly, Timbercorp’s assets are being divested, with the almond assets that Olam has acquired today being the first major asset divested as part of the liquidation process

Executive Summary: Key Investment Highlights

1. **Olam gets immediate scale and becomes a Top 3 owner of almond orchards globally: important step in becoming an integrated global almonds player**
2. **Accelerated leadership position in an important growing origin (~30% market share in Australia)**
3. **Entry into the most attractive part of the almond value chain i.e. the orchards**
4. **Acquisition of orchards at an attractive price in comparison to establishment costs**
5. **Permanent Water Rights ("PWRs") acquired provide an in-built hedge for the investment**
6. **Transaction is earnings and value accretive* from the first year itself**

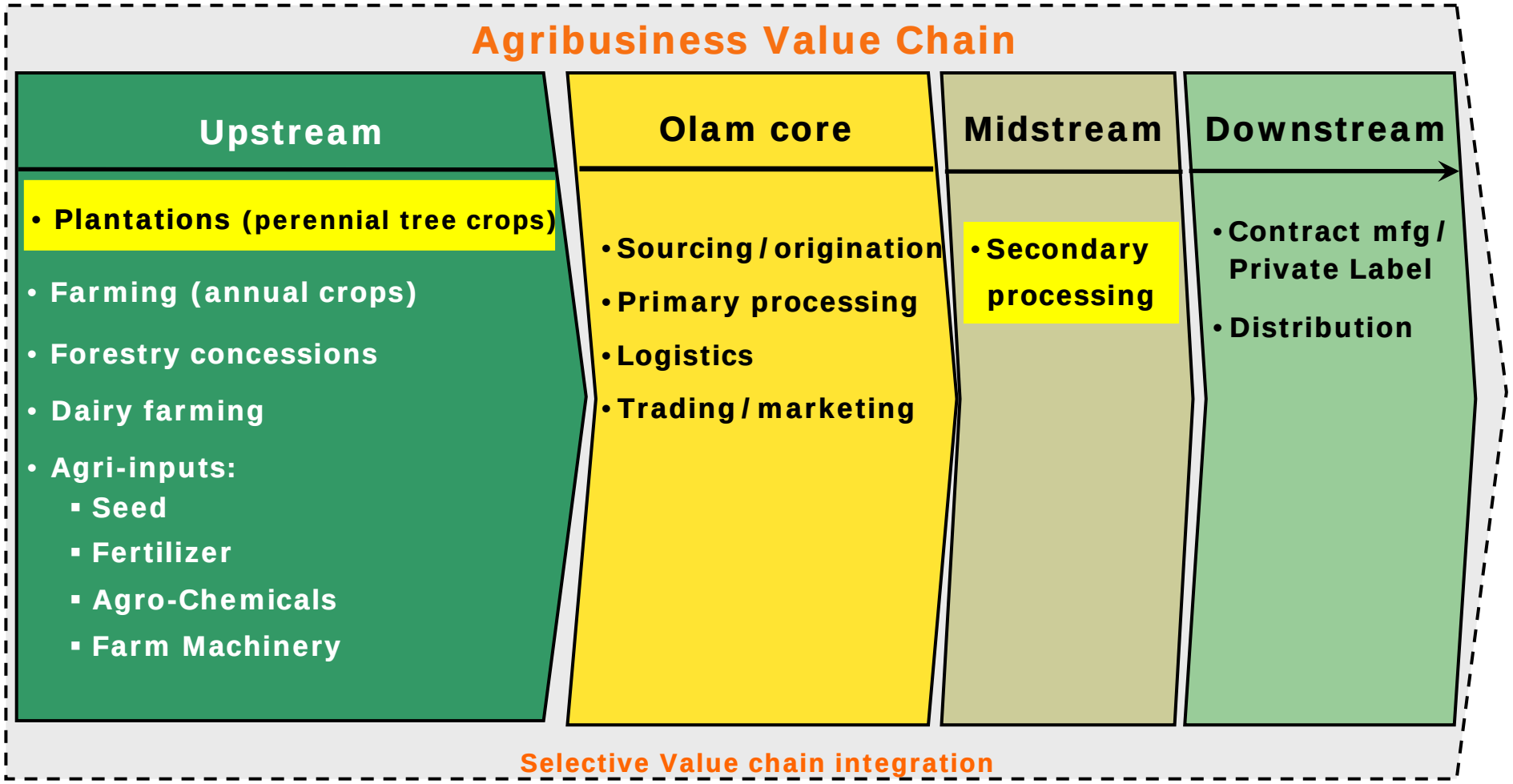
** After accounting for the fair value of biological assets as per IAS 41 "Agriculture"; projections do not include impact of the 1,700 unplanted hectares*

Executive Summary: Olam's Commitment

1. **Olam already has a significant presence in Australia participating in cotton, wool, grains and pulses; this acquisition buttresses Olam's commitment to Australian agriculture**
2. **Olam has a strong strategic interest in the acquisition of almond orchards in Australia**
3. **Olam understands the importance of the almond orchards industry on the many local communities in Australia and on the local ecosystem**
4. **Olam will work with the various stakeholders and will adopt fair practices that will bring about sustainable development for the local community**
5. **Olam is committed to following environment friendly agricultural practices for its almond orchard operations in Australia**
6. **Olam will endeavor to make Australia a pre-eminent player in the global almonds industry**

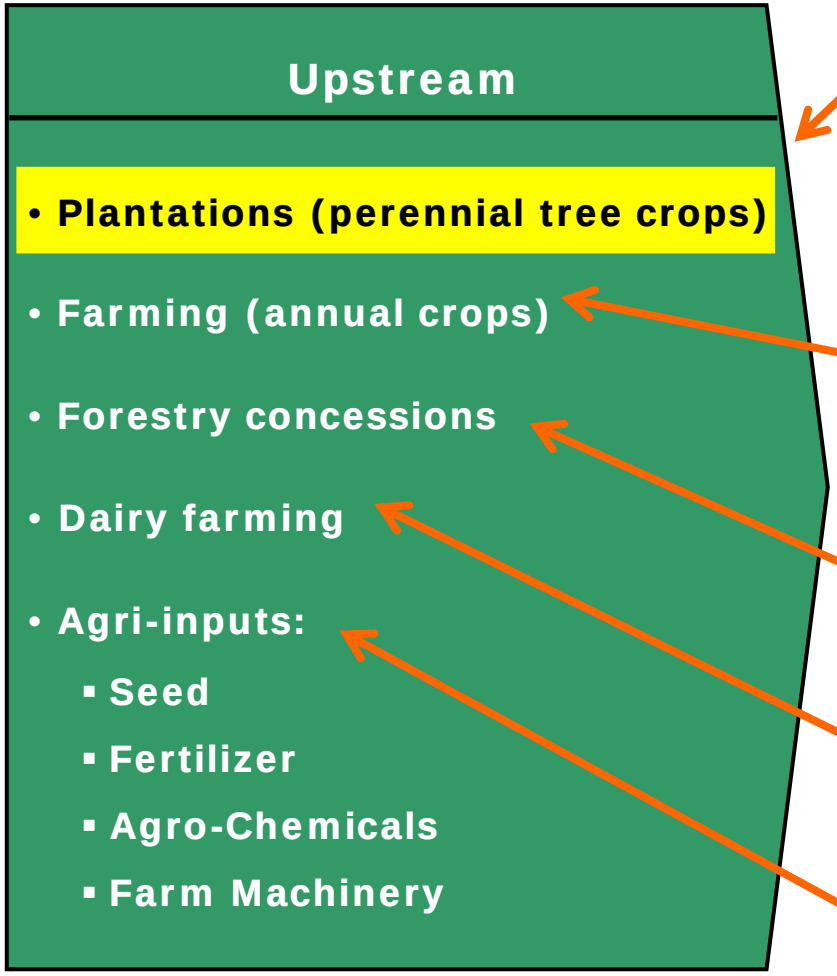
Recap of Olam's Corporate Strategy: Almonds

Olam Corporate Strategy Recap: Next two 3 year cycles



- Selective integration upstream in plantations as well as value added midstream processing in excess return niche opportunities was identified as key strategic thrusts with the objective of doubling portfolio net profit margin over the next two 3 year cycles (FY2010-FY2015).

Olam Corporate Strategy Recap: Selective Upstream Value Chain Integration



Plantations:
1. Palm - W. Africa
2. Rubber - W. Africa
3. Coffee - Laos, Ethiopia, Indonesia
4. Cocoa - Indonesia, Nigeria
5. Cashews - Tanzania
6. Almonds - Australia, USA

Farming:
1. Peanuts - Argentina, S. Africa?
2. Rice - Nigeria, Tanzania?
3. Wheat - Zimbabwe, Zambia
4. Stevia - Laos, Colombia?
5. Tomatoes & Onions - USA

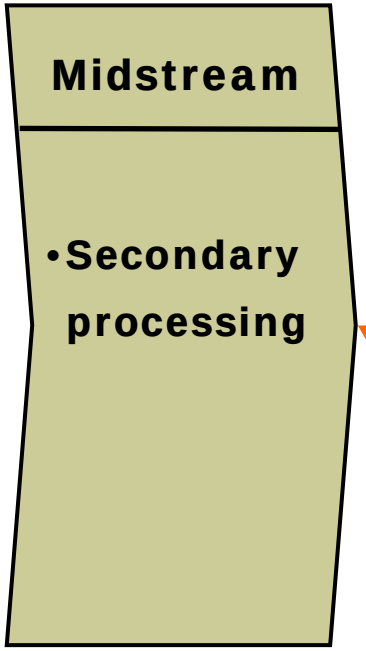
Forestry concessions:
1. Tropical Hardwoods - Gabon, ROC, DRC?
2. Teak - Central America

Dairy Farming:
1. S. America (Chile, Uruguay)
2. E. Europe (Ukraine? , Russia?)

Agri-inputs:
1. Fertiliser trading (W. Africa) & Manufacturing (Nigeria)

- Within the Plantations Strategic thrust, Almond plantation investment in Australia and USA was identified as a key initiative.

Olam Corporate Strategy: Selective Midstream Value Chain Integration

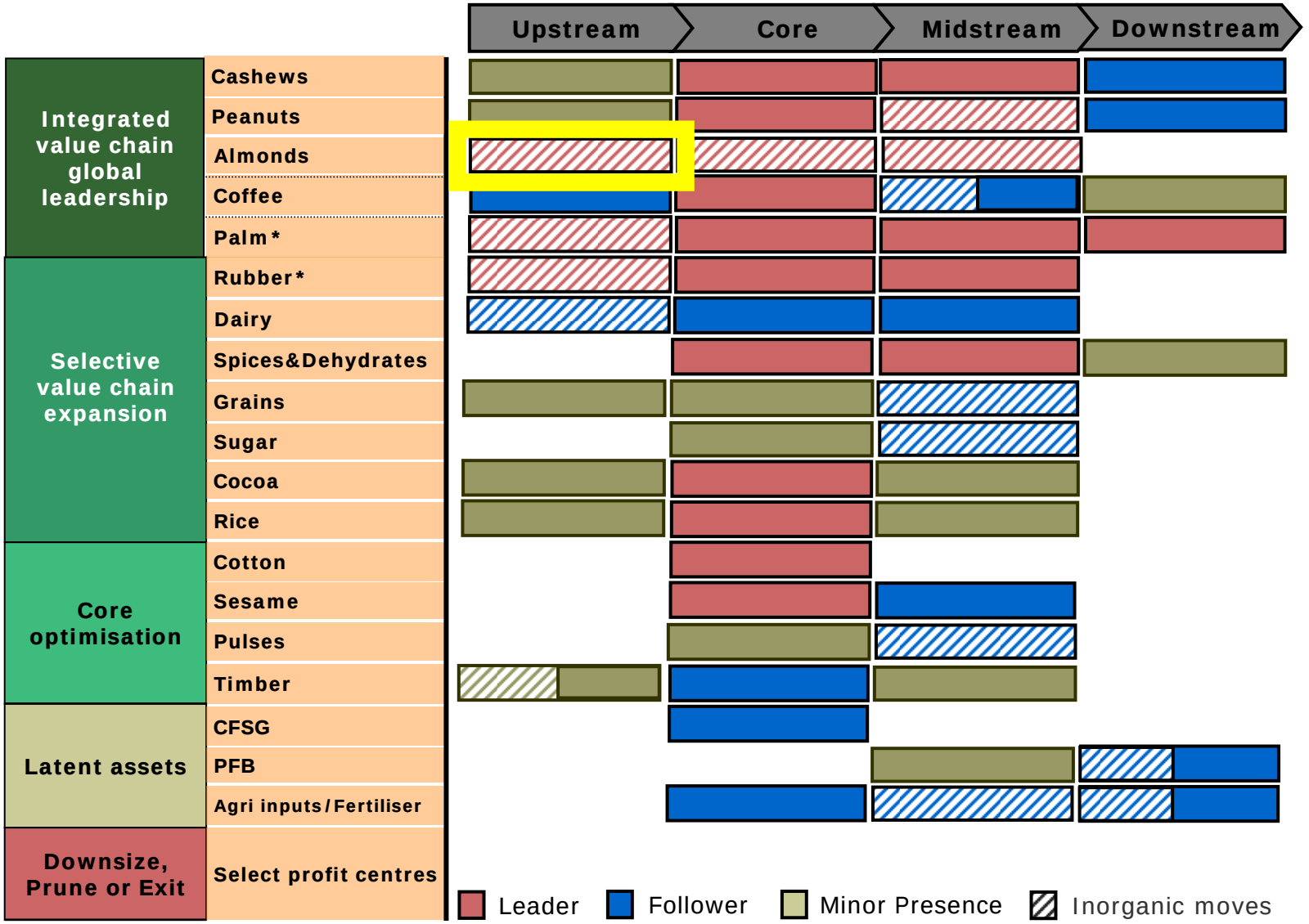


Secondary Processing:

1. Almond ingredient manufacturing - Australia, USA
2. Basmati Rice milling
3. Cashew mechanical processing
4. Cocoa grinding - IVC, Ghana
5. Cocoa industrial chocolate mfg - Asia
6. Fertiliser Manufacturing - Nigeria
7. Palm Oil refining - IVC, DRC?
8. Peanuts Ingredient manufacturing - USA
9. Soluble Coffee processing - India, Russia, IVC, Egypt?
10. Spice & Dehydrates
11. Sugar milling - India, Brazil, Thailand, Australia, Africa & Russia
12. Sugar refining - Nigeria, Indonesia, Bangladesh
13. Tomato Paste Manufacturing - USA, China?
14. Wheat Milling - Nigeria, Ghana, Cameroon, IVC, Angola, Guinea Conakry

- Similarly, Almond processing and ingredient manufacturing in Australia and USA was also identified as a key initiative.

Olam Corporate Strategy: Growth Strategy

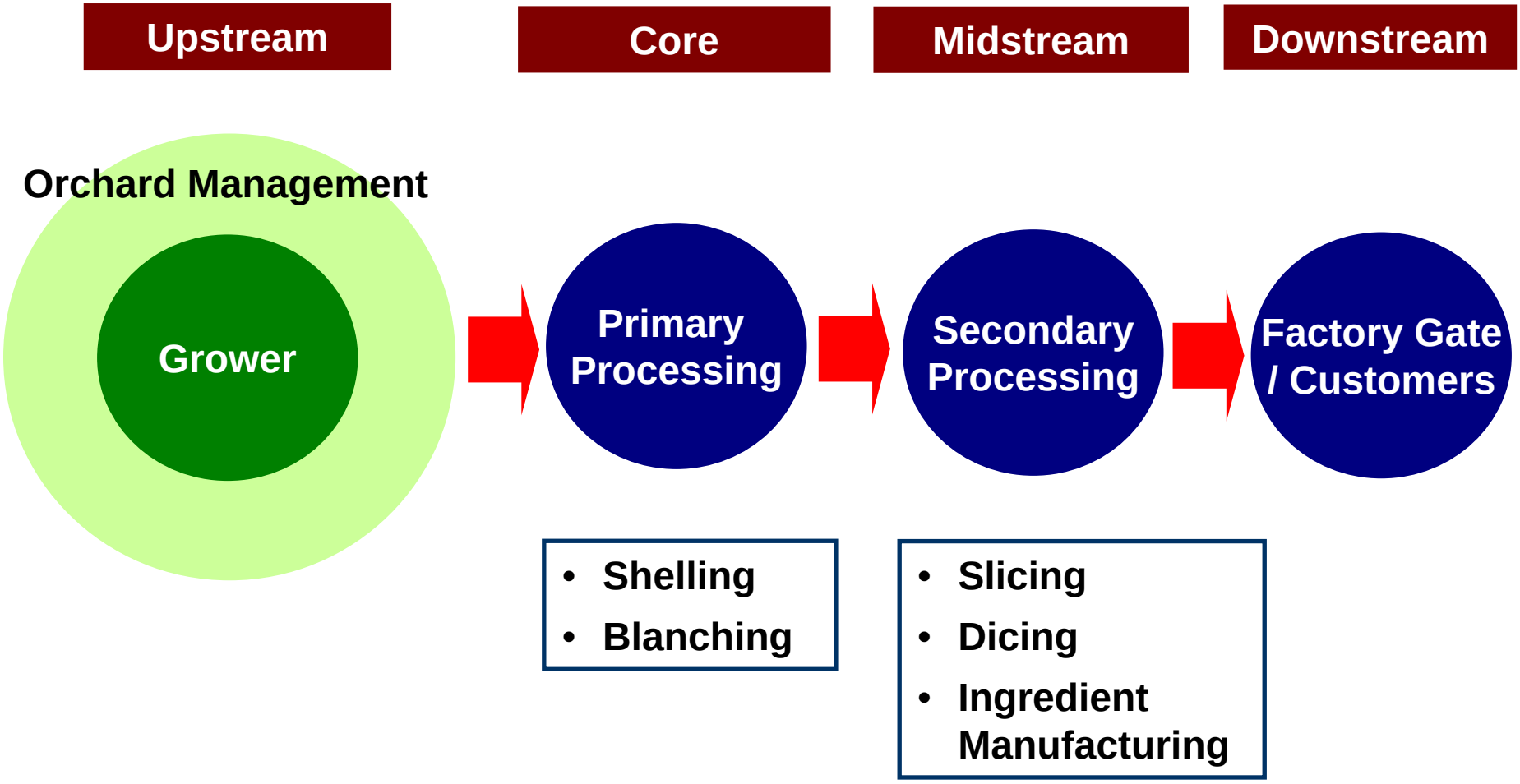


- **Building a global market leading position in Almonds, a close edible nut adjacency, was established as a key strategic initiative over the next two 3 year cycles.**

** In West Africa*

Asset Overview

Asset Overview: Almond Value Chain



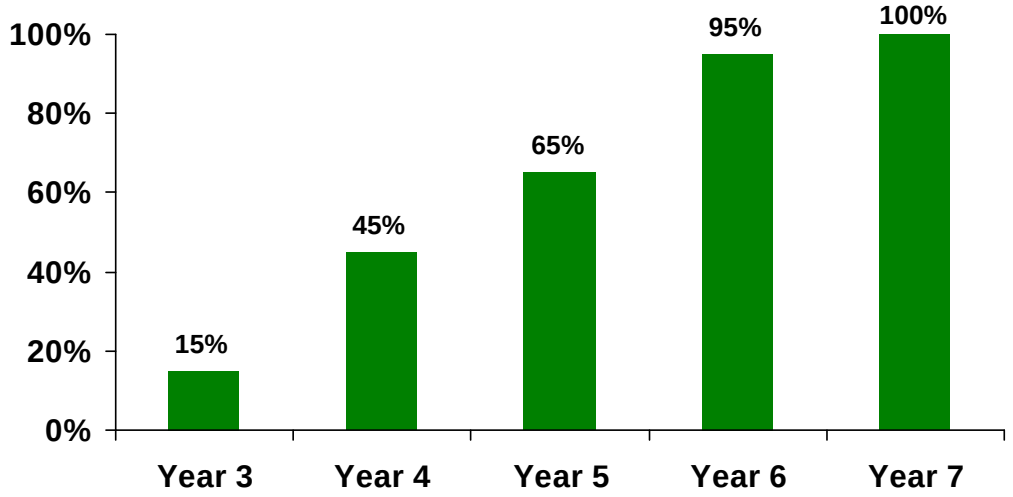
Asset Overview: Almond Orchards Acquired

- Acquired almond orchards situated in the Sunraysia region of northwest Victoria
- The semi-arid Mediterranean style climate is, in northwest Victoria, Australia, widely regarded as the ideal climate for growing almonds
- Water for the almonds is drawn from the Murray and the Goulburn river systems
- Independent third party service providers with strong track records available for orchard management; existing orchard management agreements to remain in place for the moment

Source: Google Maps

Asset Overview: Tree Lifecycle and Yield

- **The Almond tree has a life of ~30 years**
  - In the first 3 years, the tree bears no fruit (non-bearing phase)
  - From years 3 to 7, the tree starts to bear fruit and yield is ramped up to full maturity (bearing phase, but not yet full maturity)
  - From years 7 to 25, the tree is at full maturity
  - Beyond 25 years, yield generally declines by 10% vis-à-vis yield at full maturity
- **Yield at full maturity generally varies between 3,200-3,500 kg/HA**
- A **specimen yield ramp up profile** till the almond tree reaches full maturity is as follows

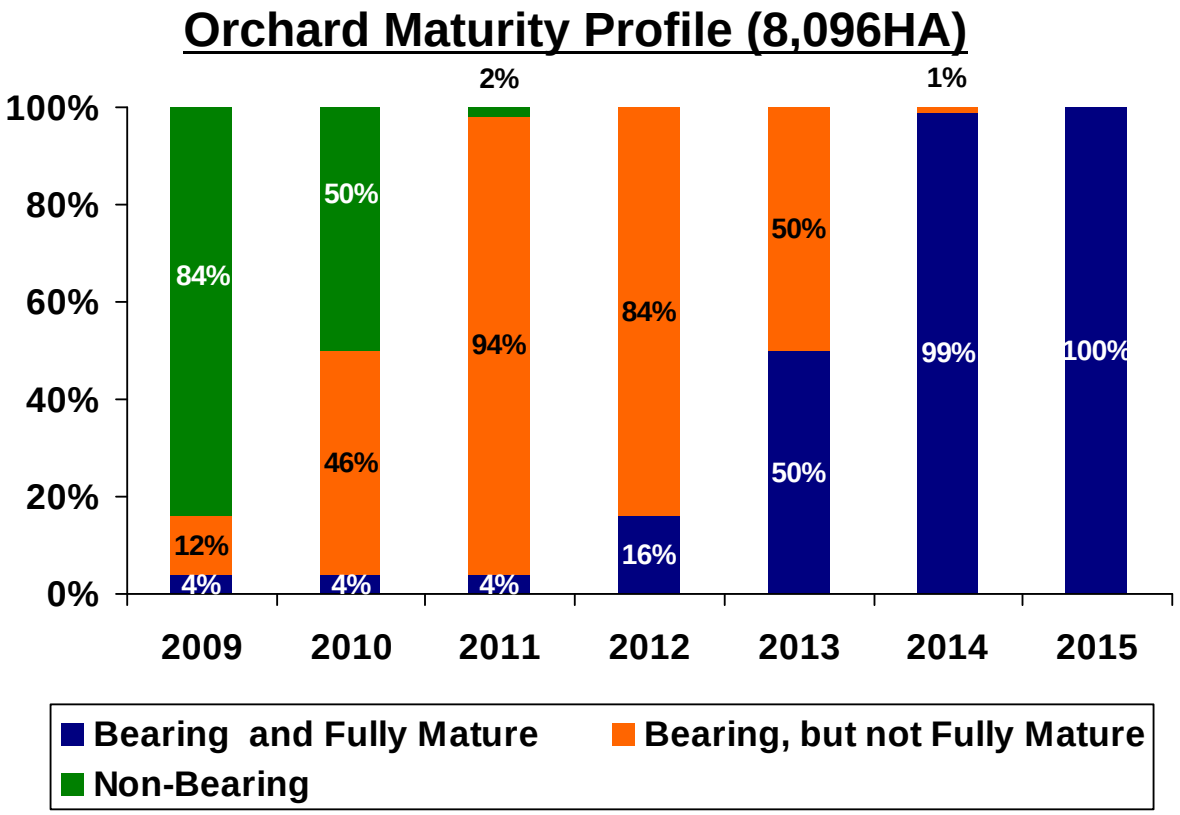


Asset Overview: Portfolio of Orchards Acquired

Almond Orchard	Vintages	Planted Hectares	Attached PWRs (ML)	Almond Variety
Carina	2001	143	1,790	
	2002	203	2,541	
	2005	38	476	
Nenandie & Narcooyia	2005	909	5,904	Non-Pareil: 50%
	2006	1,515	9,840	Carmel: 33%
Mitchells	2006	829	4,511	Price: 17%
Westmores	2006	375	1,847	
	2008	72	355	
Annuello	2007	1,860	6,137	
	2008	40	132	
Menegazzo	2007	2,112	7,292	
		8,096	**40,825**	
Menegazzo	Unplanted	**1,700**		

- **Orchards acquired free of encumbrances (i.e. free of claims from MIS investors and Timbercorp's secured and unsecured creditors)**
- **Almond varieties grown constitute an optimal mix so as to facilitate pollination and maximize revenues**

Asset Overview: Orchard Maturity Profile

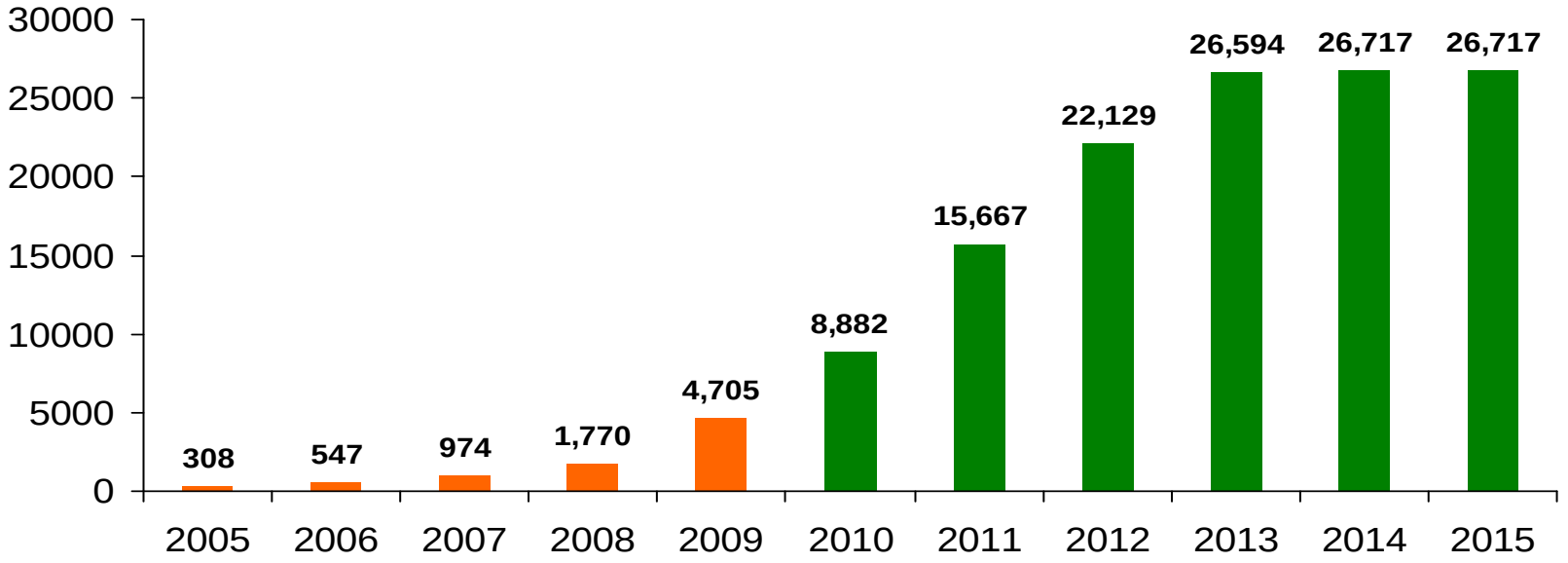


- The current age profile of the orchards is young with average age of < 3 years.
- Full maturity i.e. peak commercial production expected to be reached in 2013-14.

Asset Overview: Almond Production

Almond Production (MT) for 8,096HA

2009-15 CAGR: ~33%



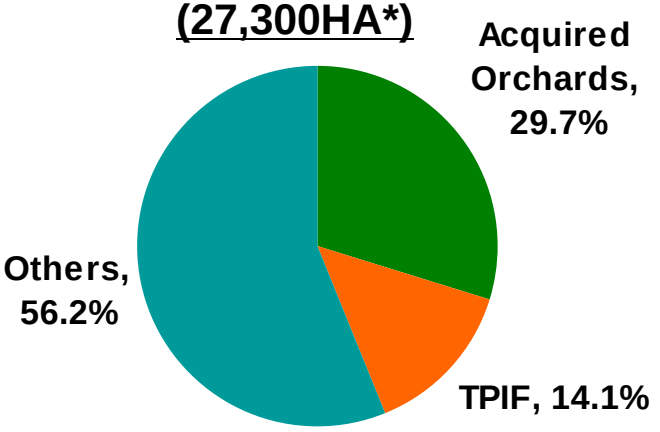
- **Almond production to be ramped up substantially as the trees reach full maturity by 2013-14**

Note: Forecasts based on estimated yield of 3,300kg/HA at full maturity; actual yield may vary
Source for past production data: Timbercorp

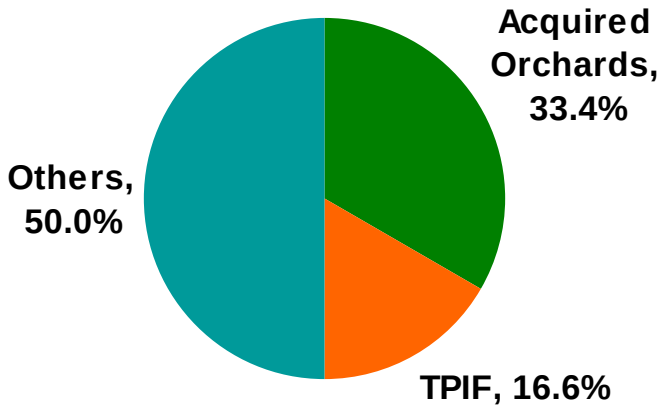
Asset Overview: Sizeable Presence Acquired

- With the acquisition of the almond orchards, Olam obtains a sizeable presence in the Australian almonds upstream business
- Acquired orchards represents ~30% of the total almond orchards hectarage in Australia
- At full maturity (2013-14), Olam's almond orchards will account for ~33% of expected almond production in Australia

Australia Almond Orchards 2008 (27,300HA*)



Australia Forecast Almonds Produced 2015 (80,600MT*)



**Source: Almonds Board of Australia*

Investment Rationale

Investment Rationale: **Attractive Product Adjacency**

Almonds are an attractive product adjacency

- **Almonds are an important product adjacency in Olam's Edible Nuts growth strategy**
  - Amongst the Edible Nuts category, almonds has the largest market size (US$ 4 billion), profit pool and margins
  - High growth rate in global consumption / production of almonds (~8.3% p.a.*, 2001-07)
  - **One step adjacency**: common customers, channel, cost and capabilities sharing with cashews and peanuts
  - Historically low almond prices provide unique opportunity to acquire upstream and midstream assets at significant discount to replacement cost

**Source: Industry Estimates*

Investment Rationale: Accelerated Leadership Position

Accelerated leadership position in a growing origin

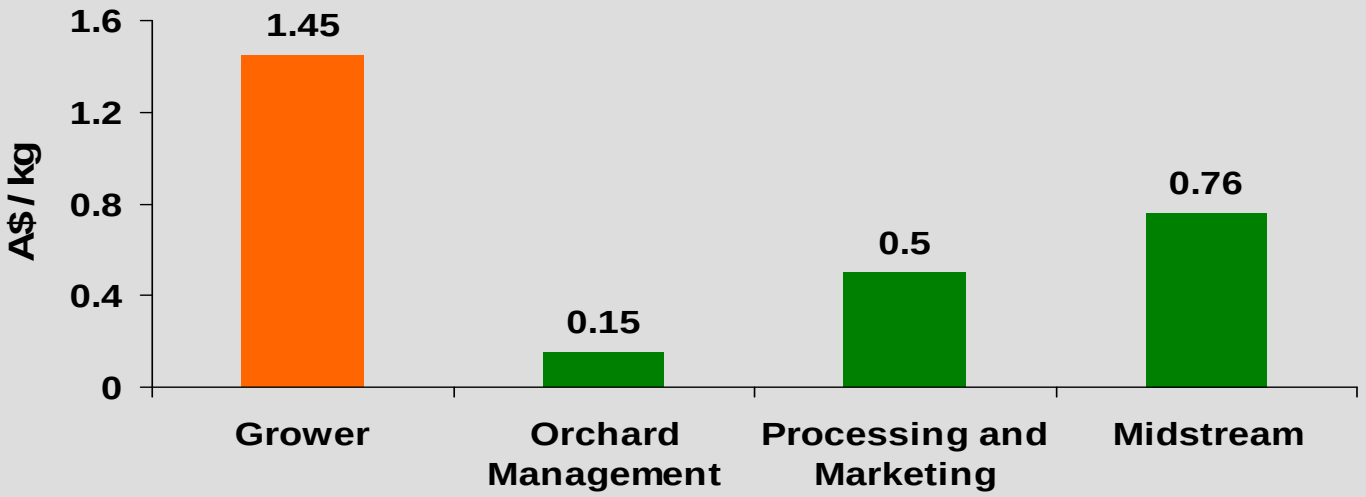
- **Olam becomes a top 3 owner of almond orchards globally**
  - Important step in becoming an integrated global almonds player
- **Footprint in an important origin location**
  - Australia, while currently a small producer, is known for its **high almond yields**, competitive cost of production, favorable climate for growing almonds, **counter-seasonal nature of the crop** and high quality of almonds
- **Opportunity to acquire sizeable scale (8,096HA) in one transaction**
  - Difficult to replicate in the US (largest almond growing country) or in Australia either through acquisitions or greenfield projects
  - Acquired orchards represent ~30% of the total almond orchards in Australia
- **Accelerated entry at an attractive price**
  - Acquisition cost for planted orchards at an attractive price in comparison to establishment costs
  - Average time to full maturity for acquired orchards is ~3 years vis-à-vis 7 years for a greenfield plantation

Investment Rationale: **Entry into the Upstream Segment**

Securing a position in the most attractive part of the value chain

- Profit pool available to growers is the highest at around 50% share compared to the other value chain segments.
- Almond prices currently at historical lows - any increase will further improve grower returns.

Profit Pool Across Almond Value Chain

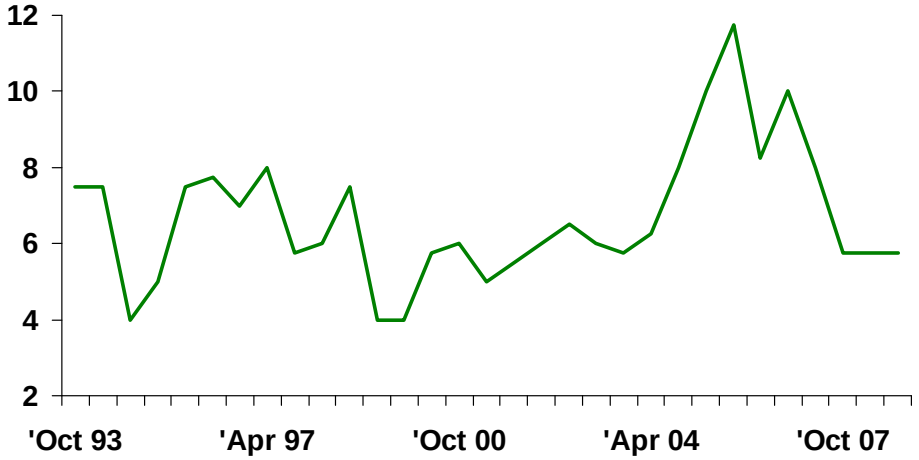


** Company estimates*

Investment Rationale: Almond Prices At Historical Lows

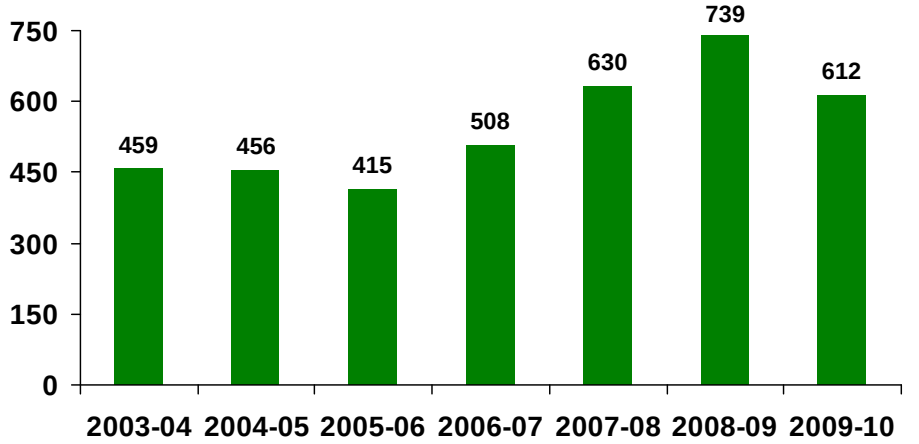
- **Almond prices currently at historical lows**
  - **Bumper crop in the US in 2007/08**
  - **Slowdown in demand growth on account of economic crisis**
- **Almond prices expected to firm up in the near to medium term**
  - **Robust growth in demand expected (~8% p.a.) as the economic crisis subsides and Asian demand kicks in**
  - **Supply from the US is curtailed on account of**
    - **Older orchards being removed (20% of US orchards are aged >20 yrs)**
    - **Slowdown in re-plantings**
    - **Increased incidence of disease and pests**
    - **Drought in California – reduced water availability**

Historical Almond Prices (A$ / kg)



Source: Industry Estimates

US Production (Shelled Almonds in 000s MT)



Source: USDA

Investment Rationale: Risk Mitigation

In-built hedges for risk mitigation

- **Acquisition of PWRs* key to acquisition of orchard assets**
  - PWRs are actively traded; and provide downside protection and ready liquidity for the investment
  - Strategically important in securing water supply and provide a hedge against the volatility in temporary water rights prices
  - Reduced cash outflows when there is more rain and allocations on the water rights are high
- **Reduced establishment risk for orchards**
  - 50% of the orchards (4,000HA) are already in bearing phase (age >3 years)
  - Cashflows from bearing orchards to partially fund investment into non-bearing orchards

** Permanent Water Rights*

Investment Rationale: **Assists Olam's US Expansion**

Australia expansion integral to Olam's global almond strategy

- **Australia almonds expansion will assist Olam in its US almonds entry strategy**
  - Cost sharing benefits
  - Transfer of best practices
  - Common trading and marketing infrastructure
  - Australia's countercyclical crop means that Olam is the only company which can provide almonds (US and Australian) round the year
  - Enhances Olam's ability to offer a large bouquet of products to customers in Asia and Australia

Financial Impact

Financial Impact: **Key Highlights**

- **Transaction is both value and earnings accretive* from the 1st year itself.**
- **Expected project IRR of 20%-24%**
- **Cashflow break-even reached in the 3rd year (instead of year 6 or year 7 in a greenfield operation) from acquisition**
  - **Additional capex of A$25-30 million in the next 2-3 years**
  - **Additional capex to be funded by borrowings and internal accruals**
- **Profit before tax* potential estimated at ~A$50 million from the almond orchards at steady state**

**After accounting for the fair value of biological assets as per IAS 41, "Agriculture"*

Note: Projections do not include impact of the 1,700 unplanted hectares

Q & A

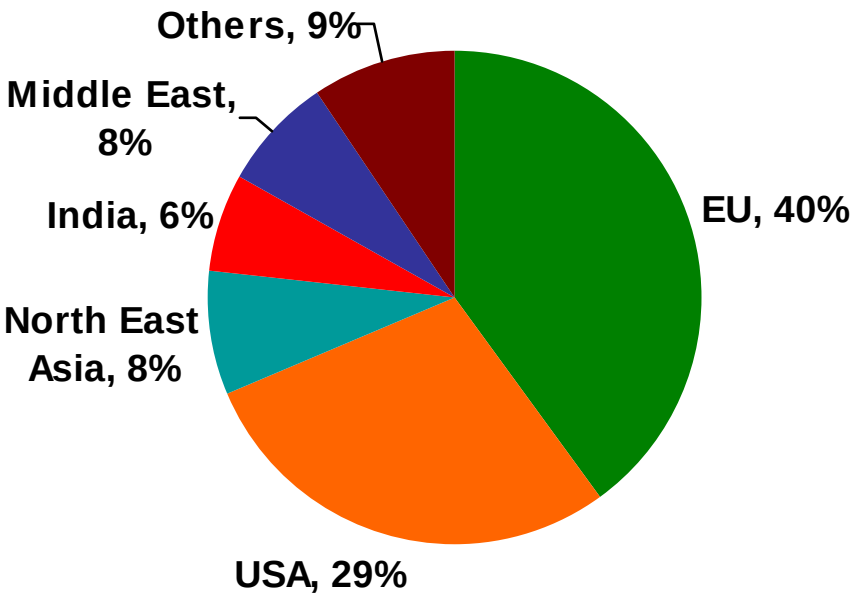
Appendix

Global Almond Industry Overview

Almond Industry: Global Consumption

- Global almond consumption has grown at the rate of ~8.3% p.a. from 2001-07
- Increase in consumption has been driven by the following:
  - Almonds is being increasingly accepted as a healthy, nutritious food
  - Greater usage of almonds as an ingredient in confectionery, in snacks and in bakery
  - Aggressive marketing push especially by the California Almonds Board
  - Robust demand from the emerging markets fuelled by increased affluence in these countries

Global Almond Consumption (2008-09)



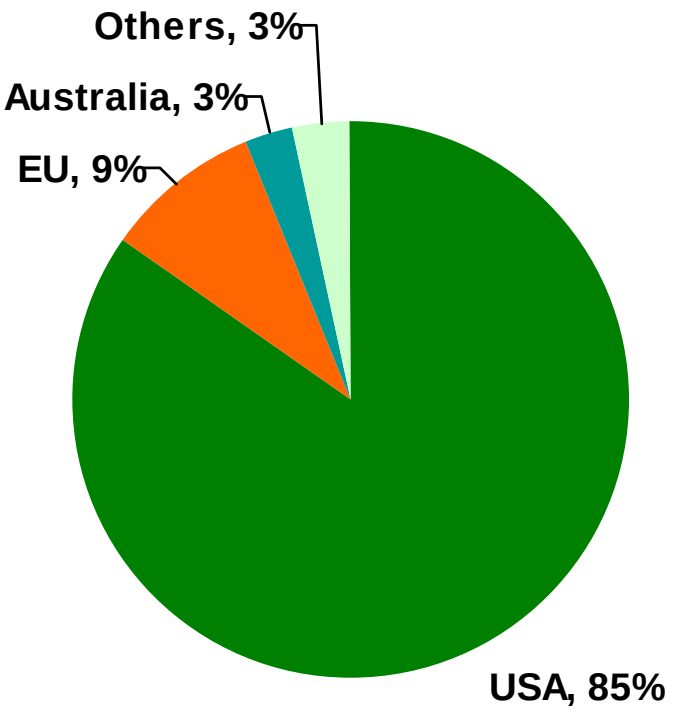
Source: USDA (PSD Online)

Almond Industry: Global Production

- Almonds require a semi-arid Mediterranean climate for growth
  - Such conditions are found mostly in developed countries (i.e. above the tropics)
  - Hence, the major almond growing locations are US, some EU states and Australia
- The US (California) has traditionally dominated almond production and generally accounts for ~80-85% of the total world production
- Australia, with negligible almond production a decade ago, is emerging as one of the important origins

Global Almond Production

(870,000 MT, 2008-09, Shelled Basis)

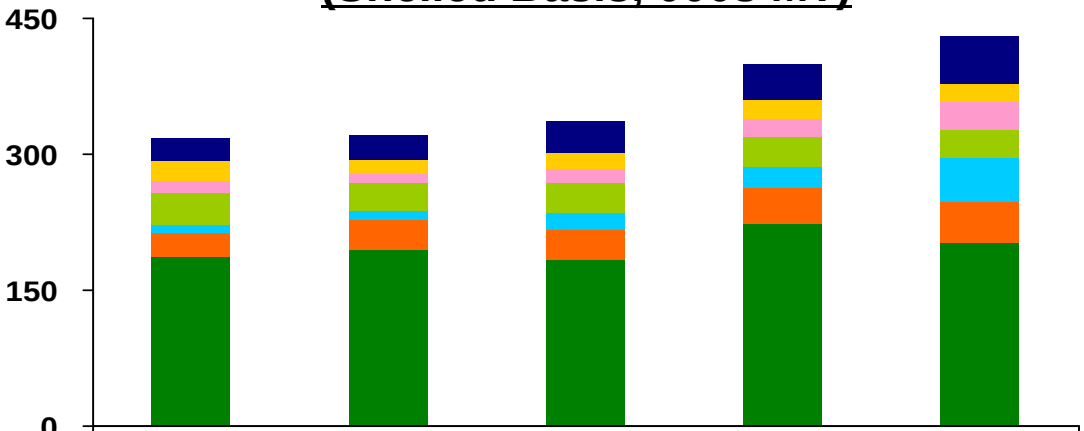


Source: USDA (PSD Online)

Almond Industry: Global Trade (Imports)

- Global almonds trade has grown at 8% p.a. over the last 5 years
- This has been fuelled by increased demand especially from
  - EU
  - India
  - China, and
  - Middle East
- Import demand met by
  - primarily US (95%), &
  - increasingly Australia (3%, 5 yr CAGR in export growth: 32%)

Global Imports of Almonds (Shelled Basis, 000s MT)



	2004-05	2005-06	2006-07	2007-08	2008-09
Others	25	27	35	40	53
Canada	21	16	18	21	19
Middle East	14	10	15	20	30
NE Asia	35	32	34	33	32
China	9	8	18	24	48
India	27	34	33	39	45
EU	187	195	184	223	203

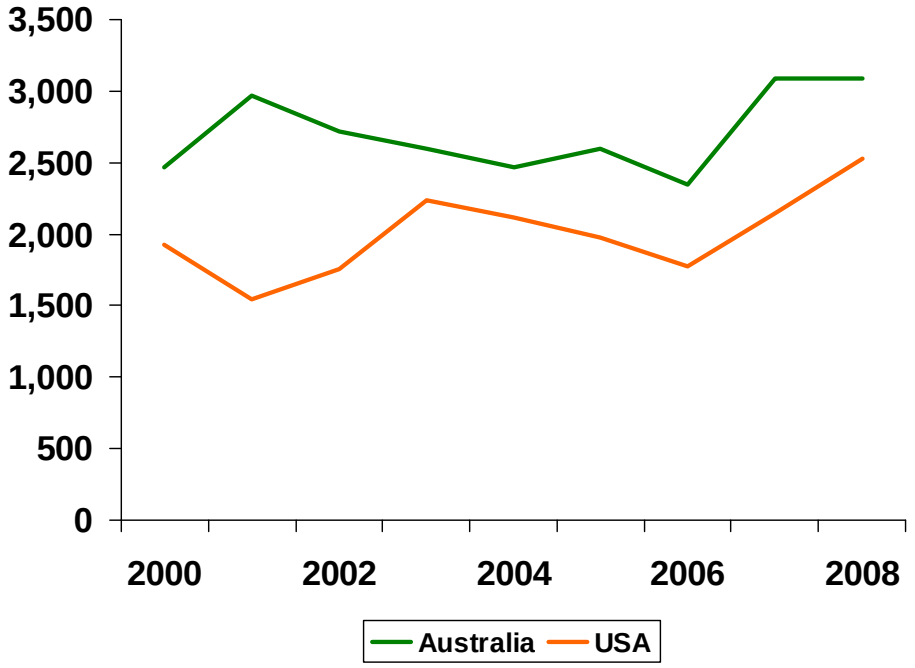
Source: USDA (PSD Online)

Australia Almond Overview

Almond Industry: **Advantage Australia**

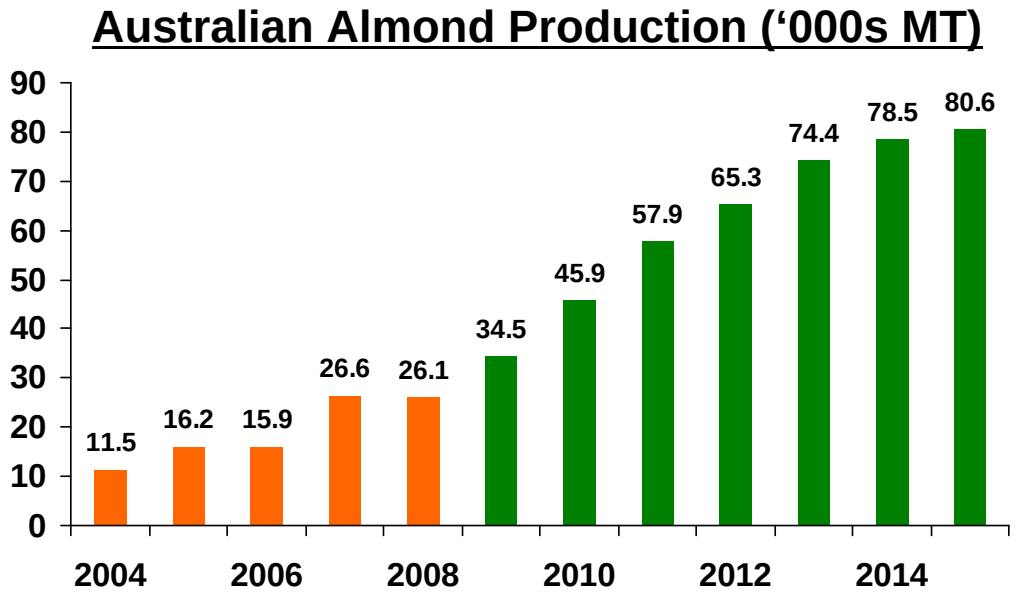
- **Australia is emerging as one of the important almond origins on account of the following:**
  - Climate ideal for growth of almonds
  - Yields comparable / higher than the US
  - Competitive cost structure - comparable to the US
  - Countercyclical nature of the crop
  - Disease and pest free growing conditions
  - Proximity to the large consuming regions in Asia
- **Australian almonds typically command a premium for their colour and size**

Comparison of Yields (Kg/HA)



Source: Almonds Board of California, Industry Estimates

Almond Industry: Australian Orchards are Young



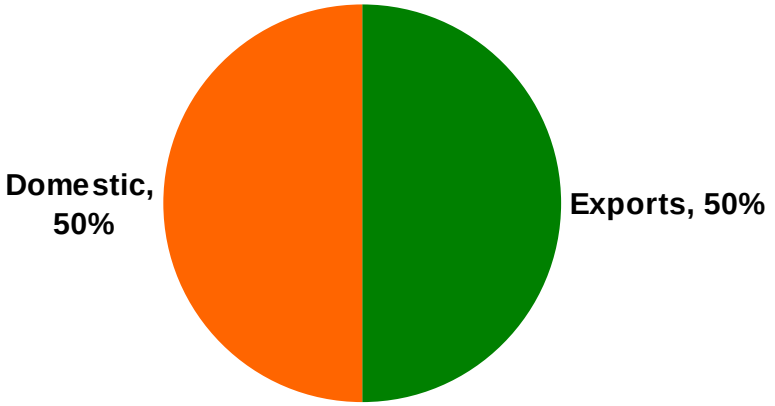
- **Australian almond orchards are young**
  - Over 70% of Australia's almond orchards planted in 2004 or later;
  - Only 49% of the almond orchards have reached bearing age; and
  - Only 33% have reached full maturity (age > 7 yrs)
- **Accordingly, almond production in Australia is expected to grow significantly as orchards reach full maturity (2008-15 CAGR of 17.5%)**
- **With increased production, Australia expected to be the second largest producer of almonds globally by 2012**

Source: Almond Board of Australia

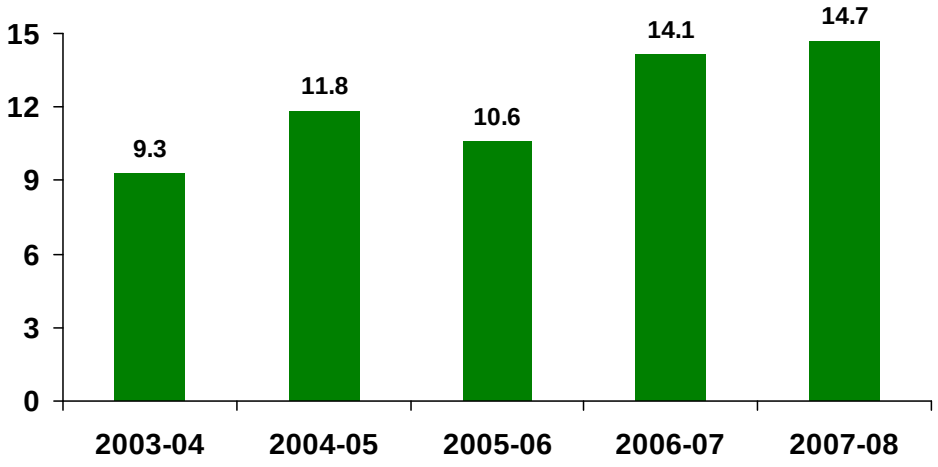
Almond Industry: Exports and Domestic Consumption

- Australian almond sales evenly split between exports (~50%) and domestic consumption (~50%)
- Exports have grown significantly (32% CAGR over the last 5 years), and Australia now accounts for 3% of global exports
- Significant exportable surplus in the coming years with almond production poised to grow by 17.5% p.a. till 2015
- Australia has also witnessed robust growth in domestic consumption
  - CAGR of 12% in the last 5 years
  - One of the highest per capita consumption levels of almonds globally (1kg/person p.a.)

Australia Almond Sales (2007- 08)
(22,430 tonnes – kernel weight)



Australia Domestic Consumption
(Shelled Almonds in 000s MT)



Source: Almond Board of Australia, USDA

Almond Economics

Almond Economics: **Costs (Excluding Water)**

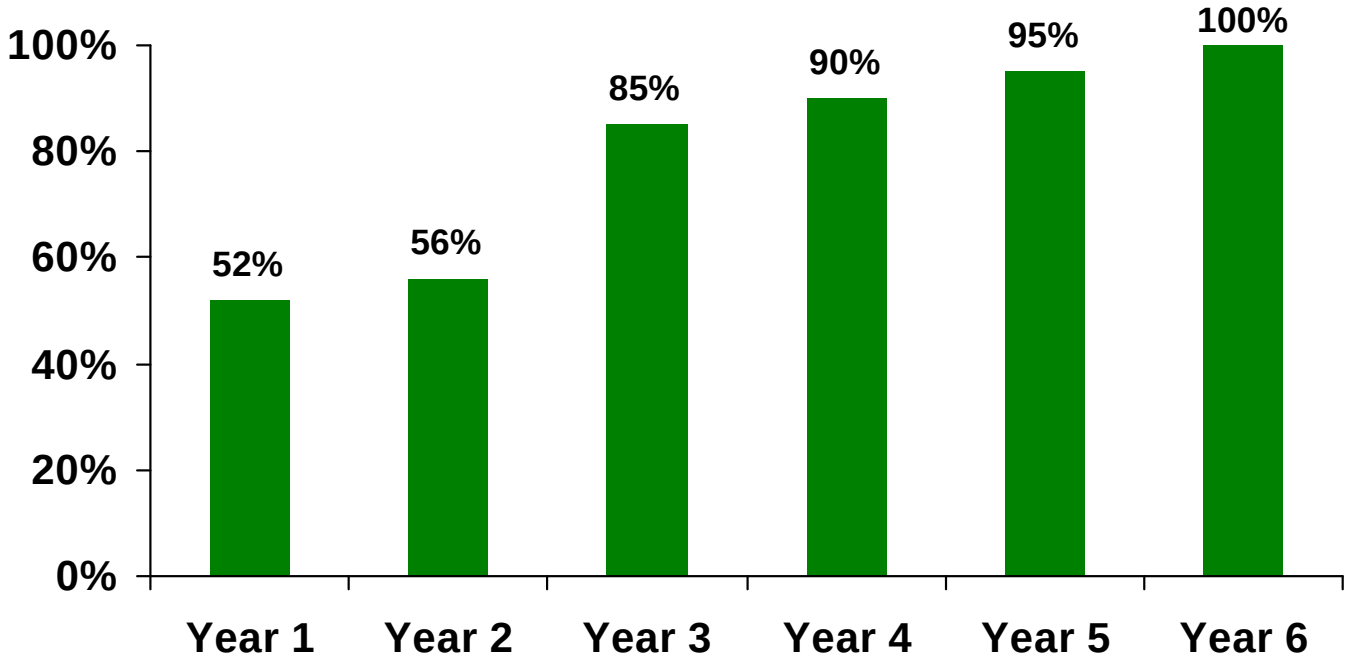
- **The following costs are generally incurred for growing almonds**

Classification	Unit	Approx. Costs (A$)
Establishment Costs		
One-time Costs Includes Land Costs, Irrigation Infrastructure etc. , but excludes Water Costs (PWRs)	Per HA	22,000 - 25,000
Growing Costs (till maturity is reached) Net of proceeds from crop	Per HA	23,000 - 25,000
Total	**Per HA**	**45,000 - 50,000**
Costs At Full Maturity		
Annual Farm Operating Costs Includes Pruning, Fertilisers, Pollination, Harvest Costs, Orchard Management Fees etc.	Per HA	7,500 - 8,500
Processing and Marketing Costs (Annual)	Per Kg	0.80 - 1.10

Source: PDS Offer Documents of Timbercorp, Almonds Board of Australia, Industry Estimates

Almond Economics: **Water Costs**

- Water is a critical input for growing almonds; the extent of water application to the almond trees determines tree condition and in turn the size of the harvest and quality of the crop
- **Almond trees generally require between 10 - 12.5 ML / HA at full maturity to produce forecast yields**
- A **specimen ramp up profile of watering requirements** until the almond tree reaches full maturity is as follows:



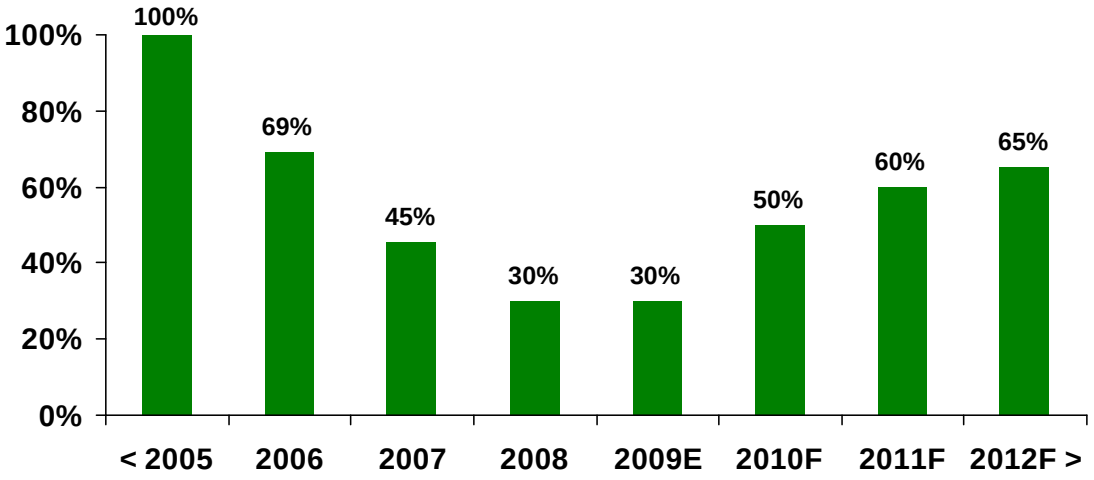
Almond Economics: **Water Costs (Cont'd)**

- Water for the acquired orchards is sourced from the **Murray** (~70%) and **Goulbourn** (~30%) river systems in Victoria, Australia
- **Water for the orchards is sourced through a combination of:**
  - Permanent Water Rights
  - Temporary Water Rights
- **Permanent Water Rights ("PWRs")**
  - Give the right to the holder to receive a seasonal allocation of water from a given river system
  - Annual allocations from the Murray and Goulbourn system have historically been at 100% of the water rights owned, though from 2006 onwards with the onset of drought in Southern Australia, allocations have been between 30% - 60%
  - PWRs are also traded with current prices ranging between A$2,000 - A$2,500 per ML
- **Temporary Water Rights**
  - Any unutilized water allocations as regards the PWRs can be sold/traded to a third party for an irrigation season (June to July)
  - Temporary water is actively traded in an efficient manner through exchanges
  - Current prices for temporary water rights vary from A$300 - A$500 per ML

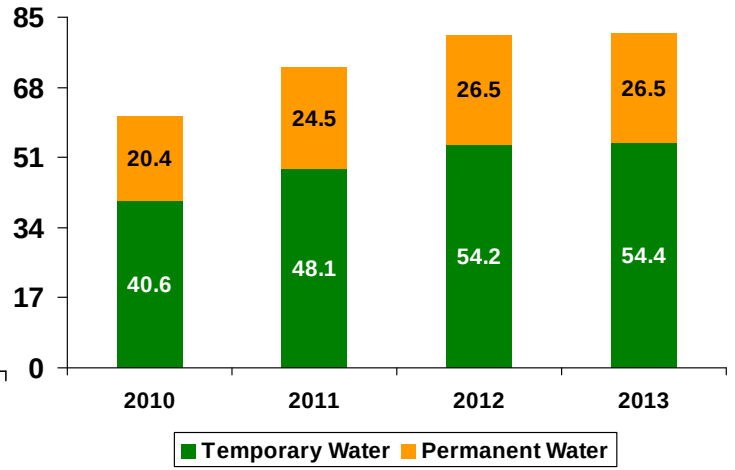
Source: WaterFind and the Victorian Water Register (Victorian Department of Sustainability and Environment)

Almond Economics: **Water Allocations**

Permanent Water Allocations(1)



Source of Water for Orchards (000s ML)(2)



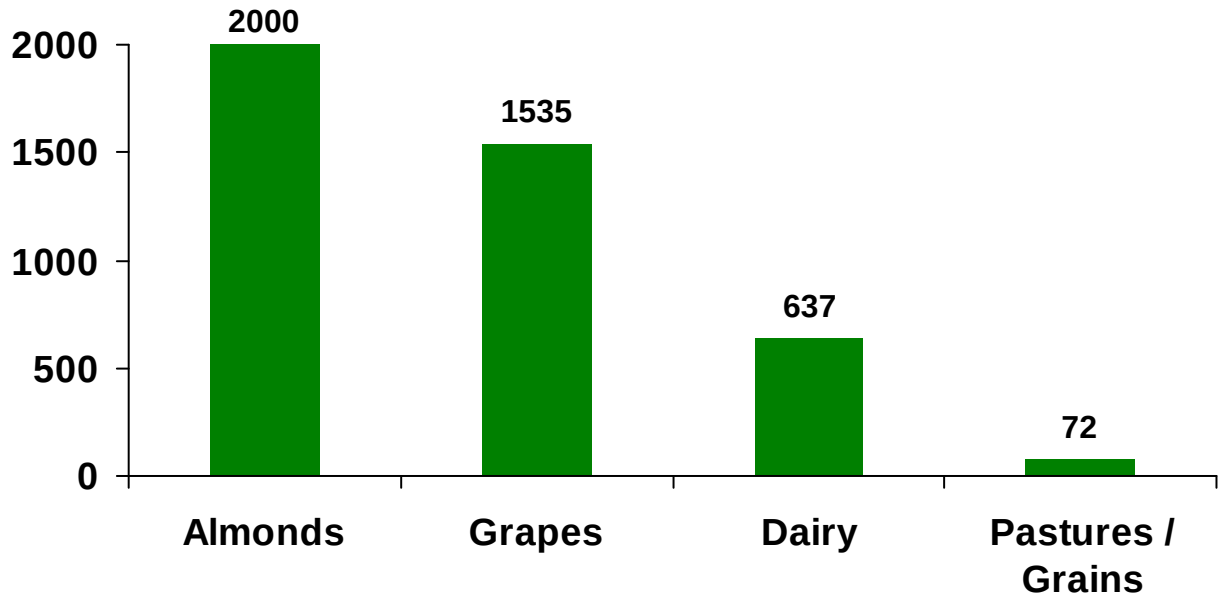
- **Dependency on temporary water has increased with the onset of drought from 2006 and consequent decline in permanent water allocations.**
- **Drought management plans have been implemented at the orchards wherein application of water has been focused (through advanced drip irrigation techniques) with an appropriate combination of fertilizers and nutrients to protect current and future yield and to ensure zero tree stress.**
- **Olam's base case is conservative and assumes an average allocation of ~65% from 2012 onwards (2010: 50%, 2011: 60%).**
- **Given the size of total water allocations (7.8mm ML in the Murray connected system) made by the Govt. of Victoria, Olam believes temporary water required for the orchards can be procured readily.**

(1) Approx. allocations; Source Goulburn-Murray Water; 2010 onwards is Olam base case
(2) Based on requirement of 10ML per HA at full maturity; 2013 onwards is steady state

Almond Economics: **Comparative Crop Returns**

- Regardless of the recent drought conditions in Australia, **almonds are amongst the most profitable crops**

Australia: Return per ML (A$)



- Almonds can therefore afford to pay a higher sum for temporary water vis-à-vis other crops

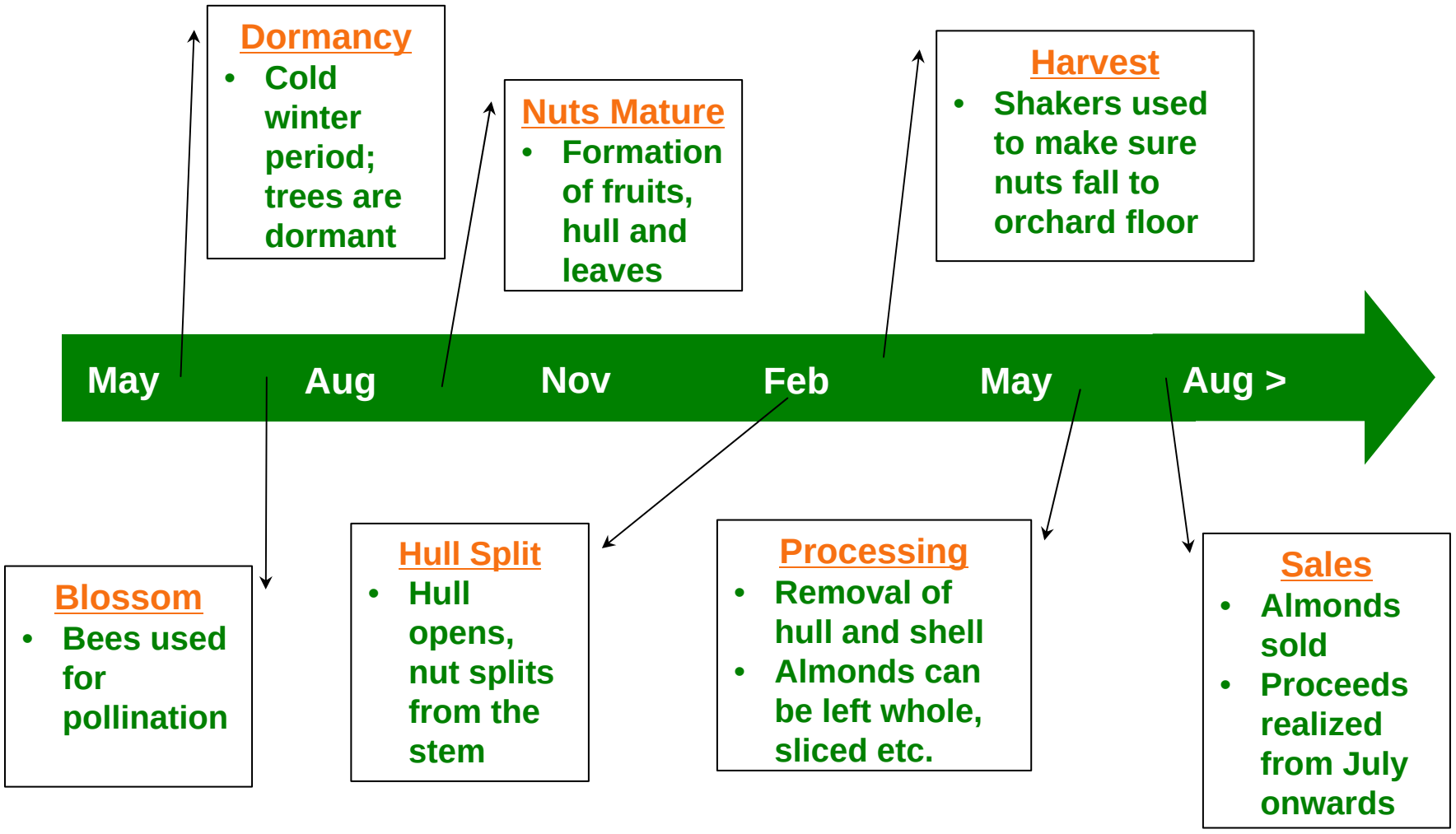
Source: industry Estimates

Almond Economics: Key Risks Affecting Forecasts

MACRO RISKS	Risk	Probability of Occurrence	Possibility Of Mitigation
Currency Risk Appreciation of the A$ vis-à-vis the US$ would directly impact price realized (since US sets almond prices)	**Medium**		**High**
Weather Risks Changes in weather patterns would affect rainfall and consequently water available in the river systems; water availability would directly impact yield of almonds	**High**		**Medium**
PLANTATION RISKS			
Pollination Risk Non-availability of bees / incidence of disease in bees would negatively impact pollination of almond trees and hence, affect the yields realized	**Medium**		**Medium**
Increased Incidence of Disease / Pests amongst almond trees would negatively impact yield	**Low**		**High**
High Input Costs would negatively impact margins realized; input costs may increase for fertilizers, labour etc.	**Medium**		**Medium**

Note: This list is indicative and is by no means an exhaustive list of risks affecting the realization of the forecast numbers

Almond Economics: Annual Almond Cycle



Almond Economics: **Valuation of Biological Assets**

- Almond trees are classified as a biological asset and valued in accordance with IAS 41 “Agriculture”.
- Developing almond trees are valued at their growing cost until the year they bear their first commercial crop.
- The value of crop bearing almond trees is measured at a fair value using a discounted cash flow methodology. Further, the fair value of the almond trees will have to be assessed annually.
- On account of the fair value being determined annually, there will be a difference in the fair value of the trees on a year-on-year basis. This could be on account of:
  - Changes in almond prices
  - Changes in costs to grow, harvest, process or sell almonds
  - Changes in perception of the appropriate agricultural risk factors etc.
- This difference / movement is then recognized immediately in the profit or loss. Such movements can therefore create a year on year earnings variations
- Typically, fair value will increase during the period to maturity, as the inherent agricultural risk that the plantation will not reach maturity diminishes. It will then generally decrease during the period from maturity to the end of the tree’s useful life.

Almond Economics: **Almonds at the Point of Harvest**

- Agricultural produce is the harvested product of the entity's biological assets, in this case the almond stocks.
- Almond stocks are valued in accordance with IAS 41 “Agriculture” whereby the cost of the living (harvested) produce is deemed to be its net market value immediately after it becomes non-living.
- This valuation takes into account current almond selling prices and is net of current processing and marketing costs.
- To the extent any almond stocks are unsold at year end, the almond stocks will be measured at fair value, and any difference or movement will be recognized immediately in the profit and loss statement as a fair value adjustment.
- To the extent fair value (or market prices) changes between the time of harvest and the eventual contracted sale price, a gain or loss will be recognized in the profit and loss statement.
- Based on recent activity and discussions with the marketer, close to 100% of all harvested stock is sold by the end of the year immediately following harvest. Consequently, there tends to be minimal variance in the fair value of almond stocks.

Thank You