

# Olam International Limited

## Acquisition of 100% equity capital of tt Timber International AG from Dalhoff Larsen Horneman A/S (“DLH”)

15 December 2010 | Singapore



**DELIVERING  
OUR STRATEGY**

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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.

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# Presentation Outline

- ✿ Transaction Overview
- ✿ Investment Rationale
- ✿ Overview of Assets
- ✿ Key Financials
- ✿ Q&A

# Presentation Outline

## Transaction Overview

## Investment Rationale

## Overview of Assets

## Key Financials

## Q&A

# Transaction Overview

## Transaction Overview

- ✿ Acquisition of 100% of tt Timber International AG (“tt Timber”) from Dalhoff Larsen Horneman A/S Group (“DLH”)
- ✿ Consideration of Euro (“€”) 29.6 million, on a cash free and debt free basis including an estimated amount of **€11 million** of working capital to be delivered at closing
- ✿ Transaction subject to customary closing conditions, expected to be completed by mid-Jan 2011

## Asset Description

- ✿ **1.6 million hectares (“ha”) of sustainable forest concession** in Republic of Congo (“RoC”) and Republic of Gabon (“RoG”), of which:
  - ✿ 650,000 ha is already FSC certified (Forest Stewardship Council), an additional 550,000 ha is expected to be FSC certified by Feb 2011. This will make Olam amongst the largest and leading FSC certified tropical hardwood suppliers globally
  - ✿ The RoC operation is widely regarded as the benchmark for Sustainable Forestry Management (“SFM”) practices on a global basis
- ✿ Sustainable annual harvesting capacity of 750,000 Cubic Meter (“cbm”) of primary and secondary species (currently marketable > 300,000 cbm)
- ✿ Log export potential of up to 60,000 cbm per annum
- ✿ Sawing capacity to process over 350,000 cbm of logs per annum in 7 sawmills across 5 locations in RoC and RoG
- ✿ Forestry equipment, processing units, logistics equipment, road networks, housing and social infrastructure across RoC and RoG

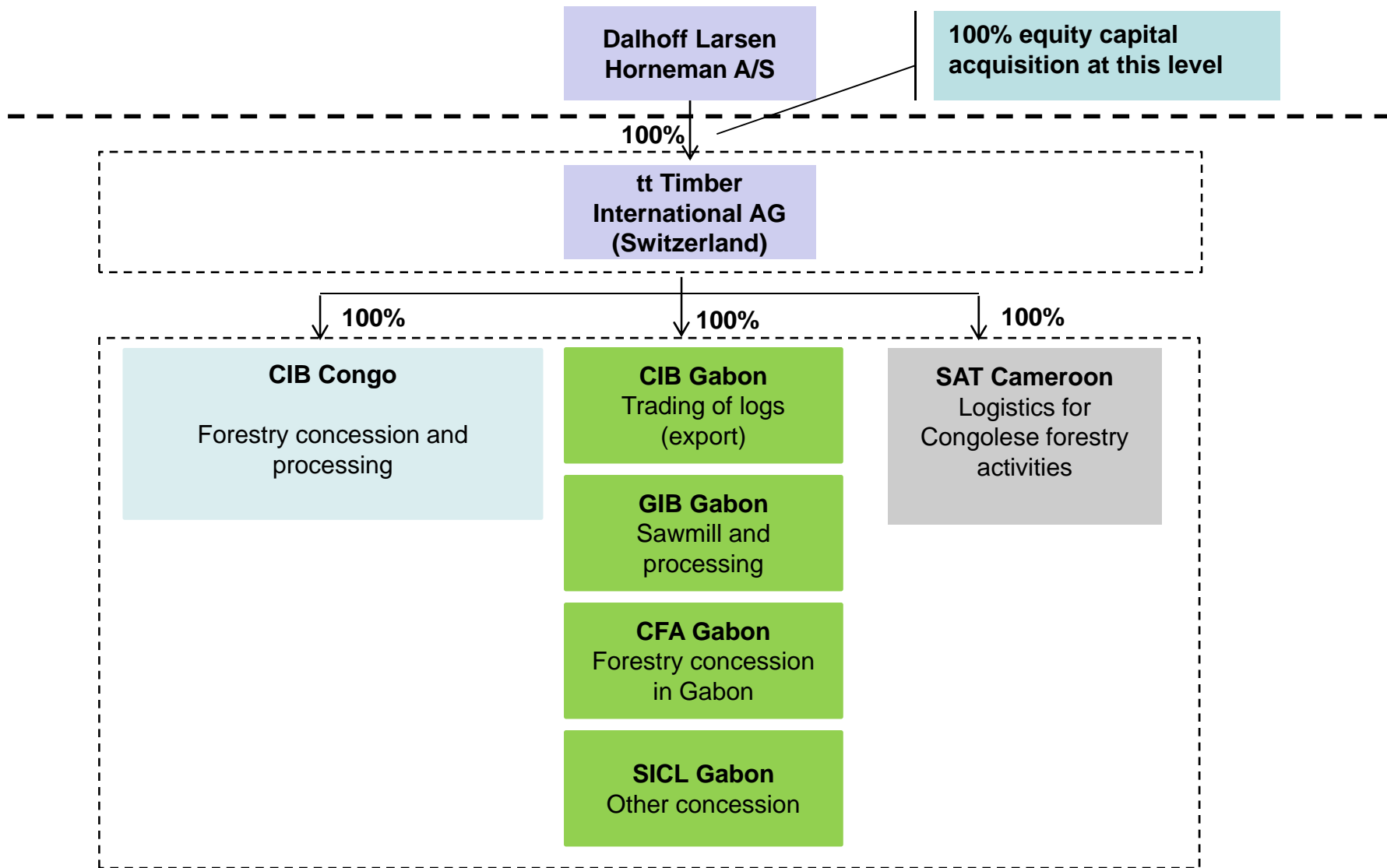
(\*) DLH is a Danish owned group quoted on the Copenhagen Stock Exchange and is one of the leading suppliers of timber and timber products manufactured from sustainably produced raw materials

# Transaction Overview

## Investment Rationale

- ✿ In line with Olam's Wood Products strategy to acquire FSC certified forestry concessions in the Congo basin with the aim of **becoming the largest supplier of FSC certified tropical hardwoods and to become the benchmark for SFM practices** out of Africa
- ✿ **Strong platform to build scale and industry leadership**
- ✿ **High asset quality** - FSC certified forest, **well run processing facilities** and **high quality species mix**
- ✿ **Acquiring a strong management team** with deep experience in the tropical hardwoods business

# tt Timber's shareholding's structure



# Overview of operations

Log park- CIB Congo



FSC certified logs

RoG Sawmill



Sawn timber- ready for delivery



FSC certified sawn timber



Forest Management Plan office

# Presentation Outline

🌿 Transaction Overview

🌿 **Investment Rationale**

🌿 Overview of Assets

🌿 Key Financials

🌿 Q&A

# CIB township and industrial site- Overview

Pokola site- RoC

Sawmill and Industrial complex

Residential township

# Acquisition in line with our stated objective for the Wood Products business

		FY2009			FY2015			
		Upstream	Core	Midstream	Upstream	Core	Midstream	Downstream
Integrated value chain global leadership	Cashew		L			L	L	
	Peanuts					L		
	Almonds							
	Coffee		L			L		
	Palm <sup>1</sup>		L	L		L	L	L
Selective value chain expansion	Rubber <sup>1</sup>		L	L		L	L	
	Dairy							
	Spices & Dehydrates					L	L	
	Grains							
	Sugar							
	Cocoa		L			L		
	Rice		L			L		
Core optimization	Cotton		L			L		
	Sesame		L			L		
	Pulses							
	Wood Products					L	L	
Latent assets	CFS <sup>2</sup>							
	Packaged Foods							
	Agri inputs/Fertiliser							

L			
Leader	Follower	Minor	Inorganic

Strategy to integrate upstream and mid stream in the Wood Products value chain to significantly enhance margins

# Key strategic planks for Wood Products strategy

**In line with Wood Products strategy**

**1**

**Participation in Upstream and Midstream processing in selective origins**

**2**

**Securing Control over Wood Products supplies**

**3**

**Sourcing and Trading Hardwood Logs from select origins**

**4**

**Build marketing and distribution strength in destination markets**

- **Acquire hardwood concessions of 2 million ha in RoC & RoG**
- **Become the benchmark for SFM practices and obtain FSC and traceability certifications for the logs, lumber and finished products**
- **Acquire saw milling facilities to be able to meet the value added requirements for exports**

# Investment Rationale

## Strong strategic fit

- ✿ In line with Wood Product strategy to acquire around 2 million ha of natural tropical hardwood forest concessions by FY11
- ✿ With this acquisition, Olam will achieve its target of securing around 2 million ha of hardwood forest concessions
- ✿ Increased demand for certified hardwood worldwide makes control over supply vital
- ✿ Change from a predominately log export model to value added export from origins
- ✿ **Complementary with our existing** forestry, processing and trading operations in Ivory Coast, Cameroon, RoG and East Africa

## Industry leadership & scale

- ✿ Ownership of 1.2 million ha of certified forest concessions **provides the best platform to build substantial scale and industry leadership**
- ✿ RoC and RoG have a forest area of 43 million ha. In 2009, just 2% of the forest concessions in Africa were certified (vs 38% in US, 53% in Europe), creating a shortage of certified wood from Africa
- ✿ Target to achieve FSC certification for all the concessions under Olam's ownership by FY17, **making Olam one of the largest certified hardwood players globally**
- ✿ Physical presence in RoC will also help to expand our imports-led distribution businesses for other products in our portfolio and also other adjacent agricultural opportunities

# Investment Rationale

## High quality asset portfolio

- ✿ Contiguous natural tropical hardwood forest area; The RoC operation is **regarded as the benchmark for Sustainable Forestry Management** and widely considered a role model for SFM
- ✿ Well run and managed primary and secondary processing (saw milling) facilities
- ✿ **High quality species mix**
- ✿ **Extensive social infrastructure:** over 1,000 km of road infrastructure, 50 bed hospital, dispensary, schools, residential townships and TV/ radio station

## Complementary customer base

- ✿ Provides strong foothold in markets such as Europe, USA, North Africa and Middle East, complementary with Olam's existing strength in markets like China and India

## Strong management team

- ✿ Strengthens Olam's existing Wood Products team:
  - ✿ Brings on board a strong and diverse management team
  - ✿ Adds more than 300 years of combined forestry, timber industry and Africa experience
- ✿ Mr. Robert Hunink, President and Global head of Olam's Wood Products business, was previously heading DLH's African business. Mr. Hunink's experience and familiarity with the operations and the management team will expedite the integration process

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- ✿ **Overview of Assets**
- ✿ Key Financials
- ✿ Q&A

# High quality asset portfolio

## Ideal Asset Configuration

- ❖ 1.6 million ha (*1.3 million ha in RoC, 0.3 million ha in RoG*) of forest concession agreements, forestry equipment, secondary and tertiary processing units
- ❖ 650,000 ha of forest in Congo already FSC certified; additional 550,000 ha expected to achieve FSC certification by Feb 2011; remaining 100,000 ha by Dec 2011. Benchmark for SFM practices on a global basis
- ❖ Annual harvesting capacity of 750,000 cbm of multiple species
- ❖ Sawing capacity to process over 350,000 cbm of logs per annum in 7 sawmills across 5 locations in RoC and RoG
- ❖ Over 1,000 km of road infrastructure, 50 bed hospital, dispensary, schools, residential townships and TV/ radio station

## Attractive Business Portfolio

- ❖ The RoC operation is one of the largest integrated forestry operations in Africa; established in 1968
- ❖ High quality species mix- Sapelli, Sipo, Okoume, Bosse, Iroko, Wengue, Ayous, Tali and Bilinga constitute ~90% of primary species
- ❖ FSC certified portfolio to satisfy the demand from industry for traceability and “green” labelled products
- ❖ Potential of obtaining additional revenues through innovative Reducing Emissions from Deforestation and Forest Degradation (REDD+) & Clean Development Mechanism (CDM) projects

# Overview of Assets

- 7 sawmills with sawing capacity of 350,000 cbm of logs per annum
- 28 kilns- input capacity of 3,000 cbm per charge

<b>Operating Assets:</b>	<b>Nos.</b>
Caterpillar/ Skidders/ Graders	45
Log trucks	25
Dump trucks	50
Log loaders	20
Forklifts	25
Ferries & Barges	15
Generator sets	30

**Forest concession- Pokola**



**Loundoungou sawmill**



**Kiln plant- Pokola**

# Congo- Sawmill



# RoG- Sawmill



# Social Infrastructure



**Worker Houses:**  
**1,300 units**



- 1 hospital with a capacity of 50 beds
- 3 Dispensaries
- Pharmacy



**5 Schools with capacity of  
800 students**



**Pokola Township**

# FSC Certification



**FSC certified products**



**Tree felling operation at Pokola, respecting Reduced Impact Logging (RIL) and safety norms**

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# Key Financials- Highlights

- ✿ Total investment of €29.6 million (including an estimated amount of €11 million of working capital to be delivered at closing)
- ✿ Financed through internal accruals
- ✿ Transaction to be both value and earnings accretive from year 1
- ✿ Forecast revenue of €80-100 million by 2014
- ✿ **EBITDA margin between 16%- 19%**
- ✿ Equity IRR of > 40%
- ✿ Projected RoE of > 50%

# Summary

- ✿ Acquisition of largest FSC certified forest concessions and related assets in RoC and RoG for €29.6 million (including an estimated amount of €11 million of working capital to be delivered at closing)
- ✿ **Benchmark for SFM practices on a global basis**
- ✿ **Strong strategic fit with Olam's Wood Products strategy**
- ✿ **Path to industry leadership position across markets**
- ✿ Earnings and value accretive from year 1
- ✿ **Strong management team with industry and Africa experience**



# Thank You

