



Olam International Limited

Investment in Greenfield Oil Palm Plantations in Gabon

13th November 2010 | Singapore



The Brand Behind The Brands

Cautionary note on forward-looking statements

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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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Our participation to date has validated our strategy to **expand our presence in upstream palm plantations**

- In-line with **2009 corporate strategy**, Olam is stepping up its participation in West Africa palm
- Olam entered into the SIFCA JV in 2007; improved performance has **increased our confidence to invest in large scale palm plantations in West Africa**
 - **Yields can be improved** through best plantation management practices – improvement of **>30%**
 - **Labour can be trained to improve productivity**
 - It is possible to achieve **efficiencies in estate and milling costs**
- Olam is confident of assembling a **capable team to develop Palm greenfield in Gabon**

We are now further **expanding** our **upstream Palm presence**: Highlights of **Gabon investment**

Investment overview

- **70/30 Joint venture between Olam and Republic of Gabon** to commit **300K Ha land bank** for **RSPO compliant** palm plantation; **50K Ha** to be developed in Phase 1
- **Planting** to start in **early 2012** with targeted **completion by 2016**
- Expected FFB yields of up to **26MT/Ha**
- **CPO exports to EU**; regional West Africa trade

Government commitment to support Palm

- Securing **land bank of 300K Ha** provides profitable scaling opportunities
- **Income Tax holiday for 16 years** from FY11
- **Exemption from VAT/duties** on machinery and inputs; further VAT exemption on gas, oil and fertilisers

Investment and returns

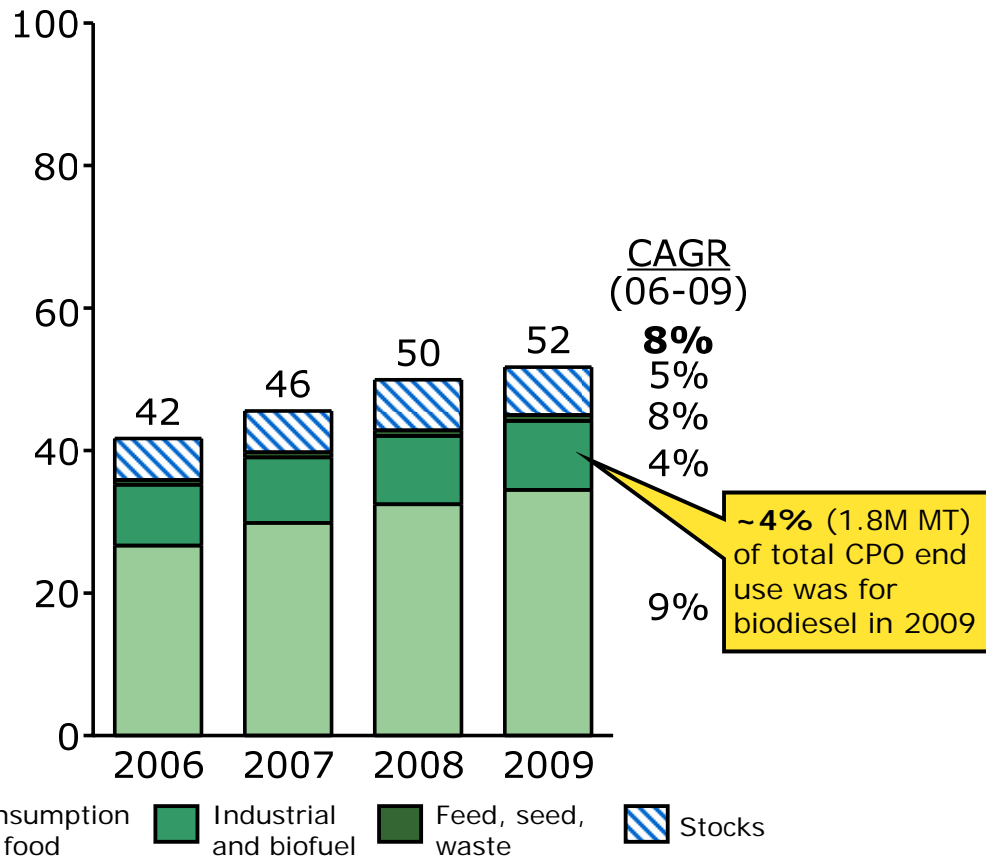
- **Total investment of ~US\$236M** to be largely spent over first seven years; **Olam's equity share is 70% or ~US\$83M**
- **To be financed on 1-1.5:1 Debt/Equity ratio**
- **EBITDA of US\$100-120M ; EBITDA margin ~50-60%** at peak productivity
- **Equity IRR: 24 - 29%; Avg. ROE: 35-40%**

Demand: Plenty of headroom for demand growth driven by increasing need for food and biofuels

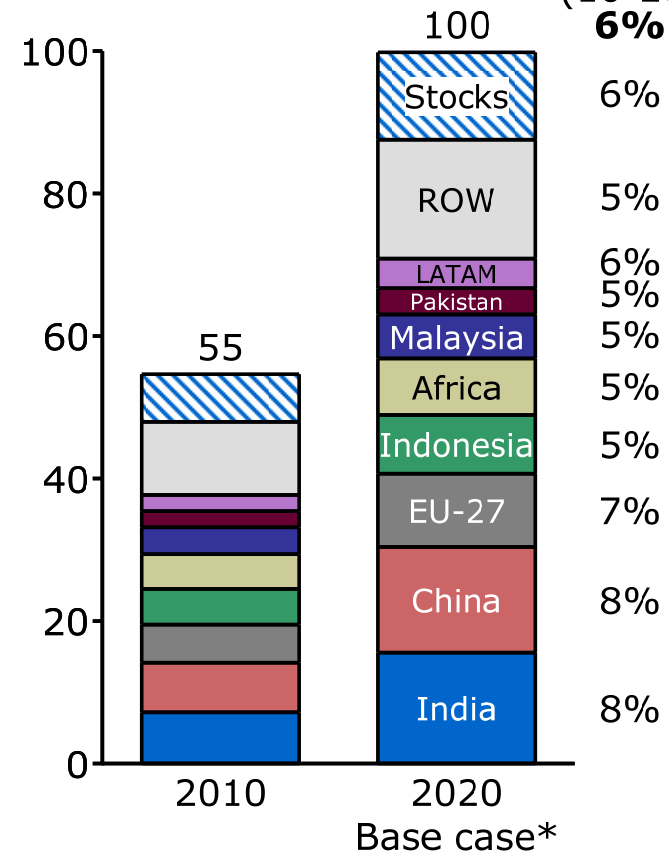
High growth to continue as Palm is still viewed favourably...

...as an edible oil in developing and industrial/biofuel in developed mkts

CPO by end use (M MT)

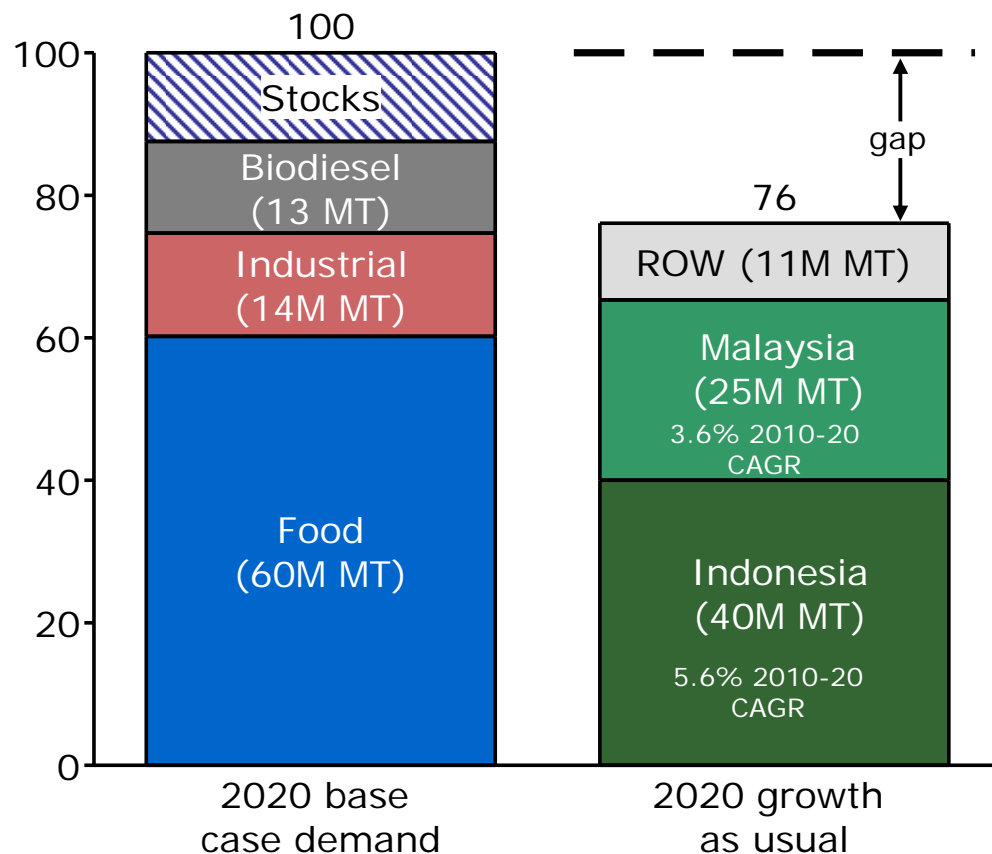


CPO demand by region (M MT) **CAGR (10-20) 6%**



Supply: SE Asia has room to grow as lead supplier, but the industry will need new growing areas

CPO supply and demand (M MT)



Factors that can bridge the gap

① Established origins:

- Malaysia: Improved yields due to replanting
- Indonesia: New planting in Kalimantan, improved yields due to replanting

② Development of **new origins**

- Africa: Gabon, Nigeria, Cameroon, Liberia, DRC, etc.
- LATAM: Brazil, Columbia, Venezuela
- SE Asia: Thailand, PNG, other Indochina

Olam now has access to **scalable prime land** with **suitable agro-climatic conditions**

~\$20B in investment required to fill the gap

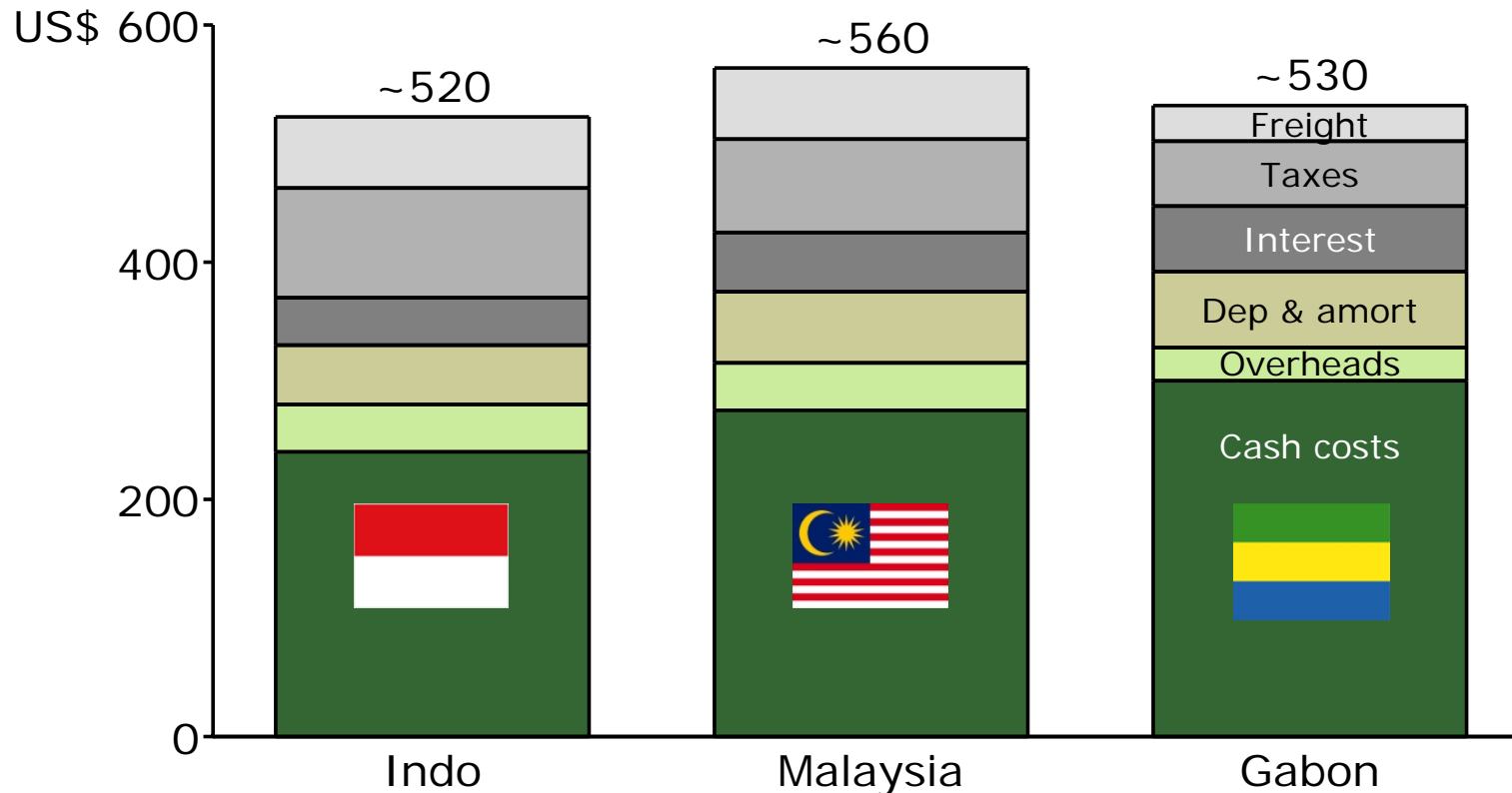
Investment opportunity satisfies **key success factors**

Criteria	Comments
1 Land availability and favourable agro-climatic conditions	<ul style="list-style-type: none"> • Access to 300K Ha of sizable, contiguous land in favourable agro climatic conditions for growing Palm • Expected yields of up to 26 MT/Ha FFB
2 Licensing and local community support	<ul style="list-style-type: none"> • No licensing or community issues envisaged; small holder program planned after phase I
3 Labour availability at comparable rates	<ul style="list-style-type: none"> • Availability of labour due to long existing tradition in upstream industries • Labour costs likely to face fewer inflationary pressures than SE Asia
4 Cost competitiveness and market access	<ul style="list-style-type: none"> • Project and operating costs are comparable to SE Asia • Proximity to growing EU and African markets
5 Environmental sustainability	<ul style="list-style-type: none"> • RSPO certification would provide superior market access
6 Plantation management expertise	<ul style="list-style-type: none"> • Assembling experienced team; support from experts • Existing internal expertise in upstream

Key success factors

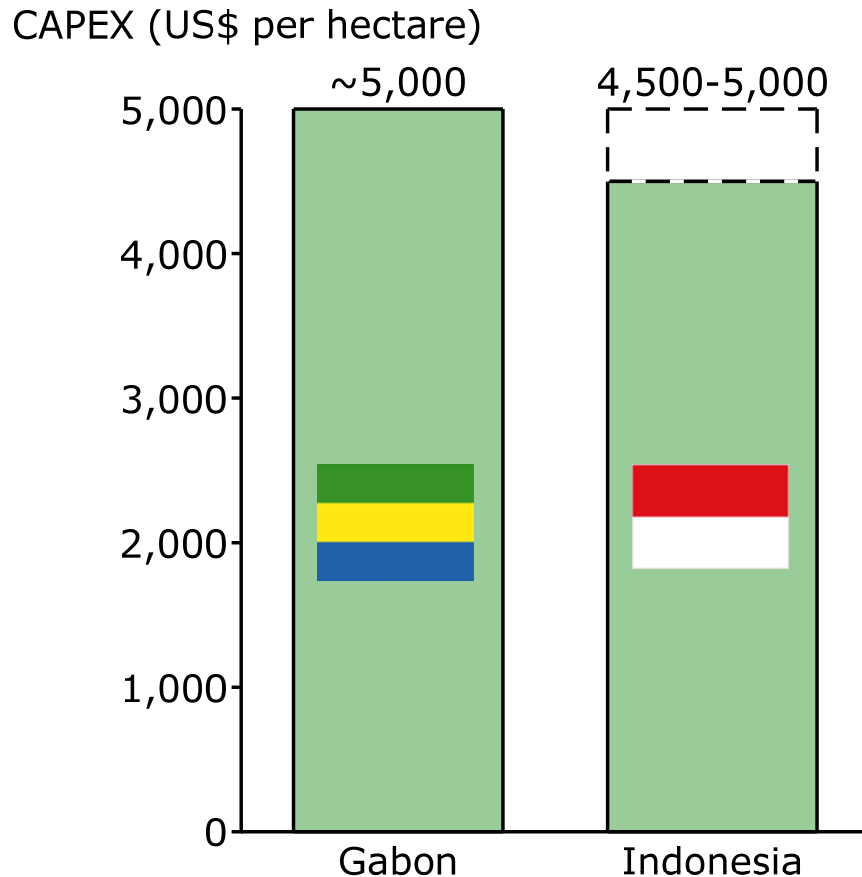
Total costs will be competitive with established origins

Total costs including tax and freight
(US\$ / MT)



Note: Indonesia imposes an export tax of 1.5% if CPO prices reach \$700/MT, 3% if \$751-800 and scaling up to a maximum of 25% at \$1,250
Source: Industry reports

Development costs comparable to Indonesian standards

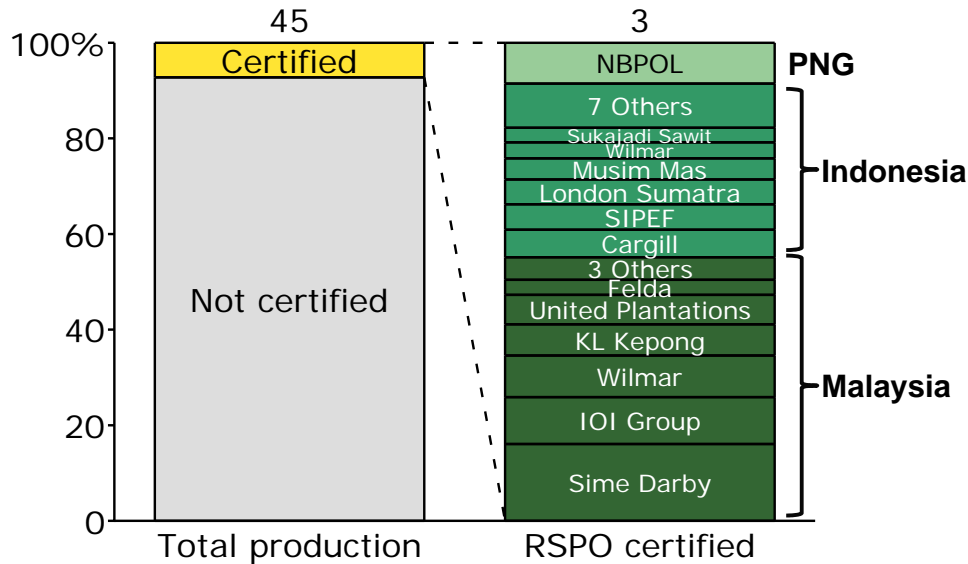


- **Land acquisition costs:** Free land vs. ~\$250-500 per hectare in Indonesia
- **Land clearing costs:** Degraded, flat land – lower development costs
- **Other concessions:** Customs duties, VAT waiver

RSP0 certification would provide superior market access

Only 7% of palm oil RSP0 certified, making it a competitive advantage

Worldwide CPO production (M MT)



Gabon plantation is well positioned to be fully RSP0 compliant

- Land not to be cleared until **environmental impact & high conversion value assessments** are complete
 - Initial assessment looks positive, as plantation is entirely located on **degraded land**
- In addition, Olam's mill will be compliant given the **methane capture** and **effluent treatment** to be installed



Gabon likely to be 100% RSP0 certified



“Structural increase in demand for sustainable palm oil”

Major food players switching to RSP0 only palm:



Upstream portfolio mostly contributing assets; palm one of the two gestating crops

Currently contributing



Almonds in Australia & the US



Dairy in Uruguay



Cotton in IVC and Mozambique



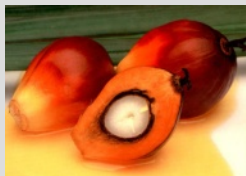
Rice in Nigeria & Mozambique



Peanuts & soybeans in Argentina



Timber in Gabon and Mozambique



Palm in IVC (SIFCA)



Rubber in IVC, Ghana & Nigeria (SIFCA)

Gestating



Coffee in Laos



Palm in Gabon



Balanced between immediate cash flow and long term contributors

Key risks can be mitigated

Risks

Comments/ mitigation step

- | Risks | Comments/
mitigation step |
|---|--|
| 1 Risk to yields | <ul style="list-style-type: none">• Expected yield of up to 26 FFB MT per hectare in line with experts' assessment• Potential for further upside from water conservation projects and plantation management best practices |
| 2 Cost over-runs and delays | <ul style="list-style-type: none">• Assumptions built bottom up• 5% increase in total project costs impacts IRR by -1.5%• 5% increase in cash cost of production impacts IRR by -1% |
| 3 Regulatory risk:
Exclusion of Palm from EU bio-diesel mandates | <ul style="list-style-type: none">• Palm cheapest source of edible oil• Sufficient demand as a food and oleochemicals source if substitutes get diverted to bio-diesel• West Africa a growing market for edible oils |
| 4 Labour availability and quality | <ul style="list-style-type: none">• Availability of skilled local labour due to presence of upstream industries eg. forestry• Local labour to be trained and added in a phased manner; if need be, labour from neighbouring countries can be recruited |

Thank you

