Olam International Limited

Investment in Greenfield Urea Manufacturing Facility in Gabon

15th November 2010 | Singapore

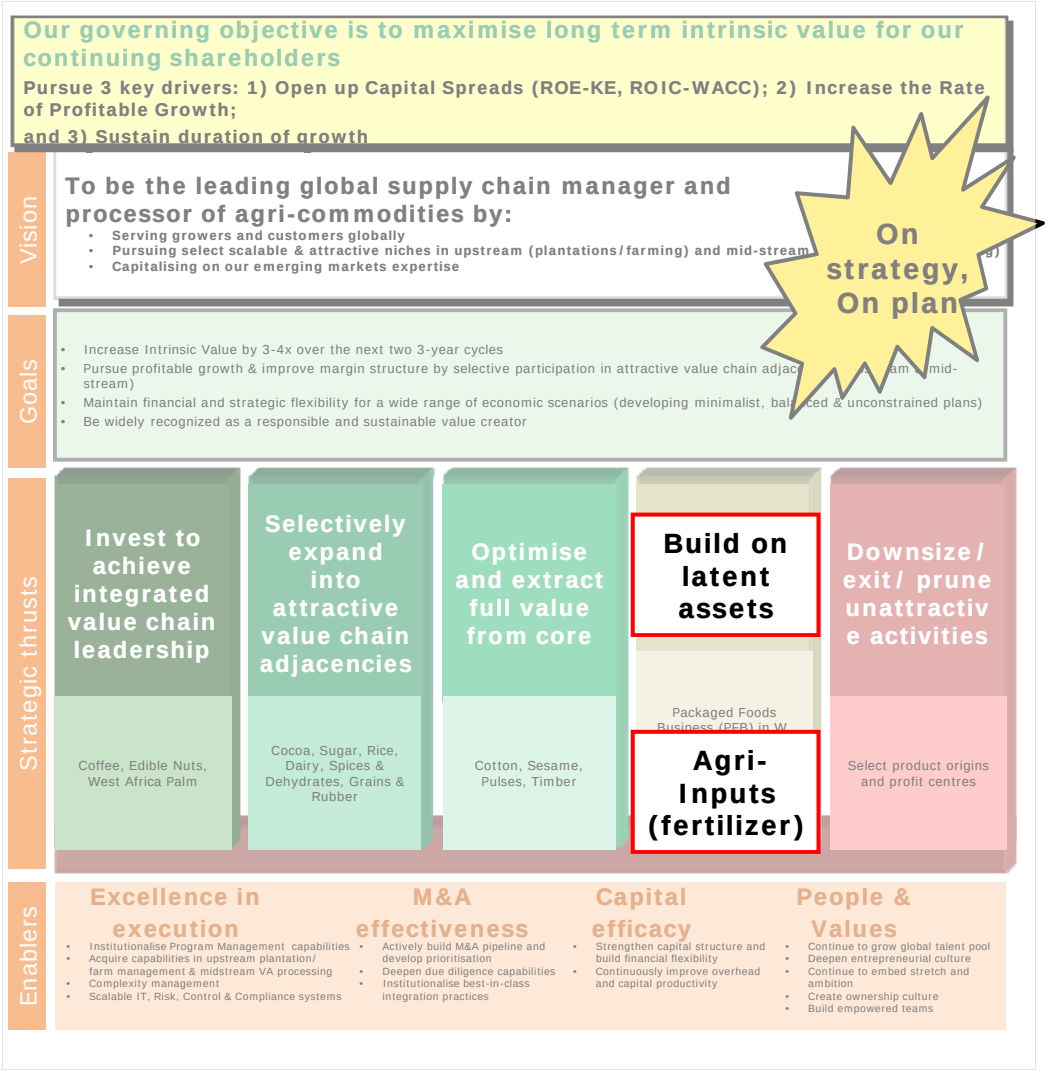
Cautionary note on forward-looking statements

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. 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.

In 2009, **fertilizer manufacturing** and **distribution** identified as a **growth opportunity**



Aligned with Olam's strategic direction

- Increasing **intrinsic value 3-4X** over **next two 3-year cycles**
- Pursuing **higher-margin upstream / mid-stream** and **value-added processing** activities
- **Diversifying portfolio** while upholding principle of **managing risk exposure**
  - Equity investment ~7% of market cap (excluding non-recourse debt funding)

Investment Summary

Overview	• **Greenfield port-based** ammonia-urea **fertilizer manufacturing complex** in **Gabon** • Full capacity: **1.3M MT urea p.a.** (2,200 MT ammonia and 3,850 MT urea per day) • Development & construction period **36 months**; plant to be **operational by 1H2014**
Feedstock - natural gas contract	• **25-year competitive fixed-price natural gas contract** with Republic of Gabon; supply of gas assured in terms of **quality** and **quantity** • Plant will be **one of the lowest-cost** urea manufacturing facilities globally
Partnership with Republic of Gabon	• **Joint Venture with the Republic of Gabon** who has agreed to **partner with Olam** with **20% equity** participation • **10-year tax holiday** after commencement of commercial production; 10% concessional tax rate thereafter
Investment Size and returns	• Total project cost estimated at **US$1.3B** • Steady state **EBITDA** of **~US$300-350M** (>70% EBITDA margins); **NPAT margin >50%** • Attractive returns – **Equity IRR: >30%; ROE: >45%** • **Olam portfolio** will continue to be **well-diversified** across products and geographies
Financing & other conditions	• **Non-recourse** debt and equity **financing** (65:35) • **Equity** investment from **Olam** up to **US$360M**, to be **phased over 4 years** • **Investment** in this **project** is **subject** to **certain closing conditions**

Strong fundamentals makes fertilizer industry attractive; our investment is based on a set of clear **guiding principles**

A Fertilizer a key lever to address agri demand-supply imbalance

B Relatedness to Olam's core

C Large, highly value accretive opportunity

Fertilizers an attractive market but Olam's participation subject to satisfying evaluation criteria

Opportunity assessment guiding principles

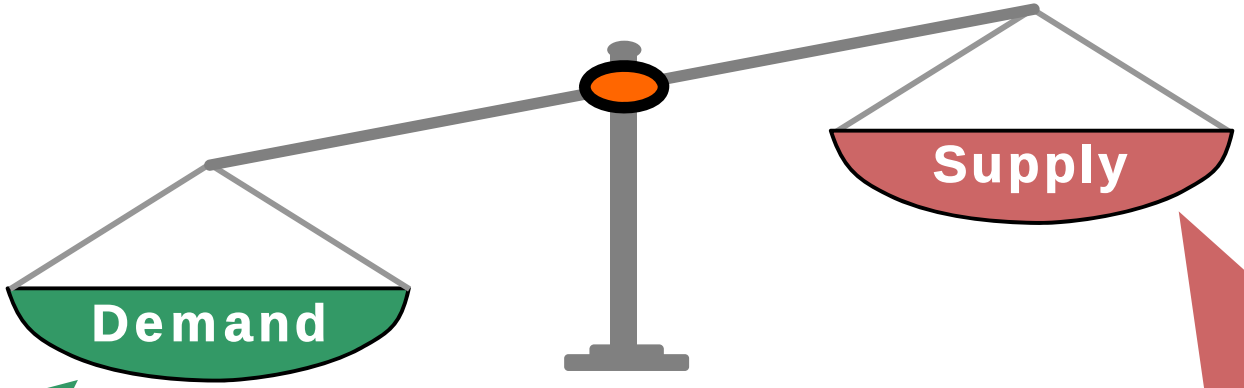
1 Strong ability to win on industry success factors

2 Clear potential for sizeable excess returns

3 Risks can be sufficiently mitigated

A

Agri-commodity demand-supply imbalances
expected to widen going forward



- Growing population
- Increasing food consumption per capita with rising income
- Dietary shift to protein and fat rich diets
- Growing use of biofuel

Demand drivers

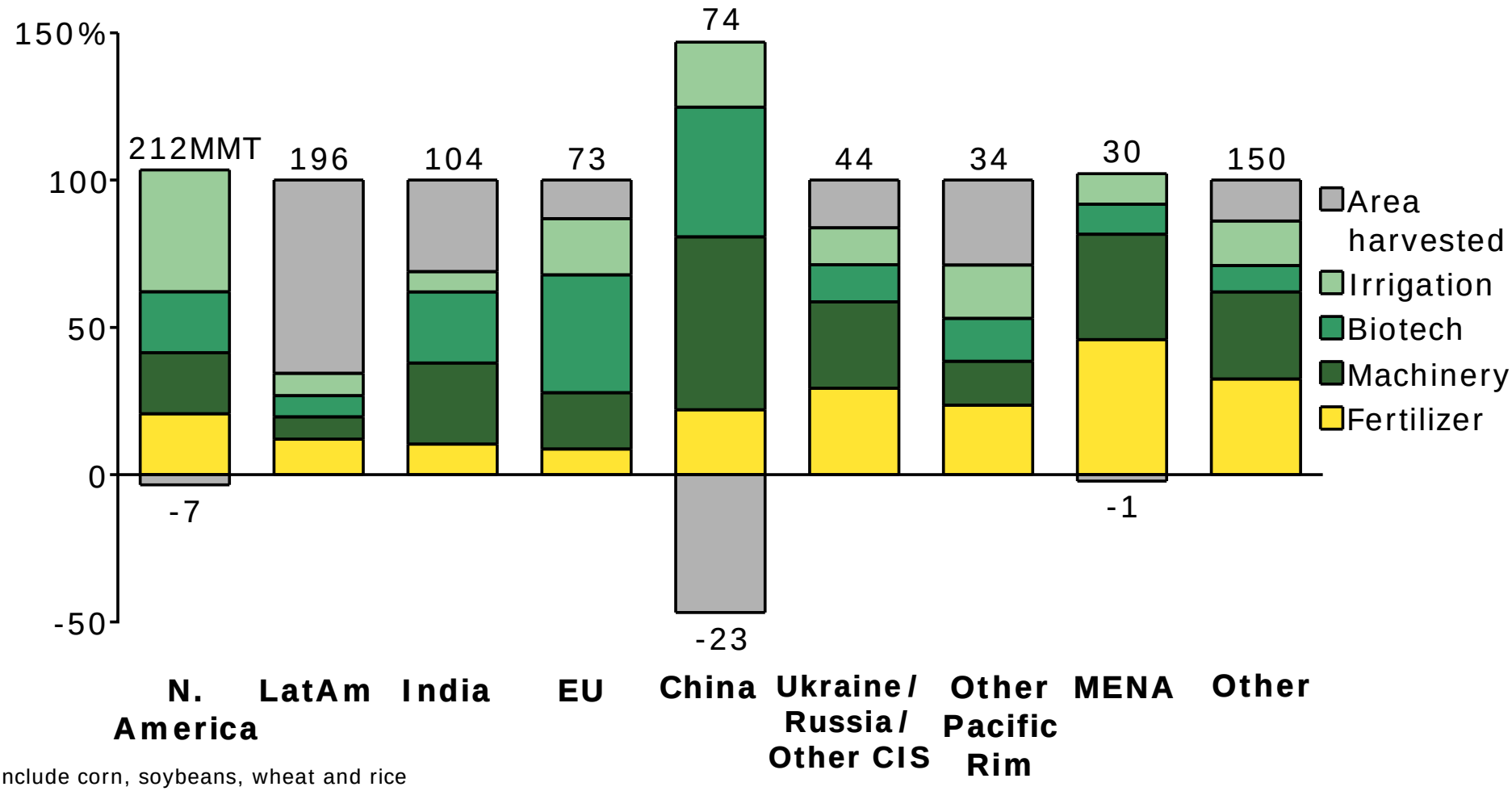
- Declining arable land
- Water constraints
- Impact of climate change
- Environmental constraints
- Logistics and storage chokes

Supply constraints

A

Fertilizers will be a **key lever** to **bridge** the **agri-commodity demand-supply gap**

2010-50 Incremental production (MMT) - major crops



Major crops include corn, soybeans, wheat and rice
Source: Industry reports

B

Strong linkages with Olam's **business model**

- **Over 1.5M direct grower relationships** through the supply of crop inputs to growers
- **Existing presence** in key **fertilizer end-markets**, with **strong grower relationships**
  - Latin America, US, India, West Africa
- **Privileged access** to large state owned **commodity boards**, who are **single point purchasers of fertilizers**
- **In-house demand** with growing upstream participation in **plantation businesses**

C

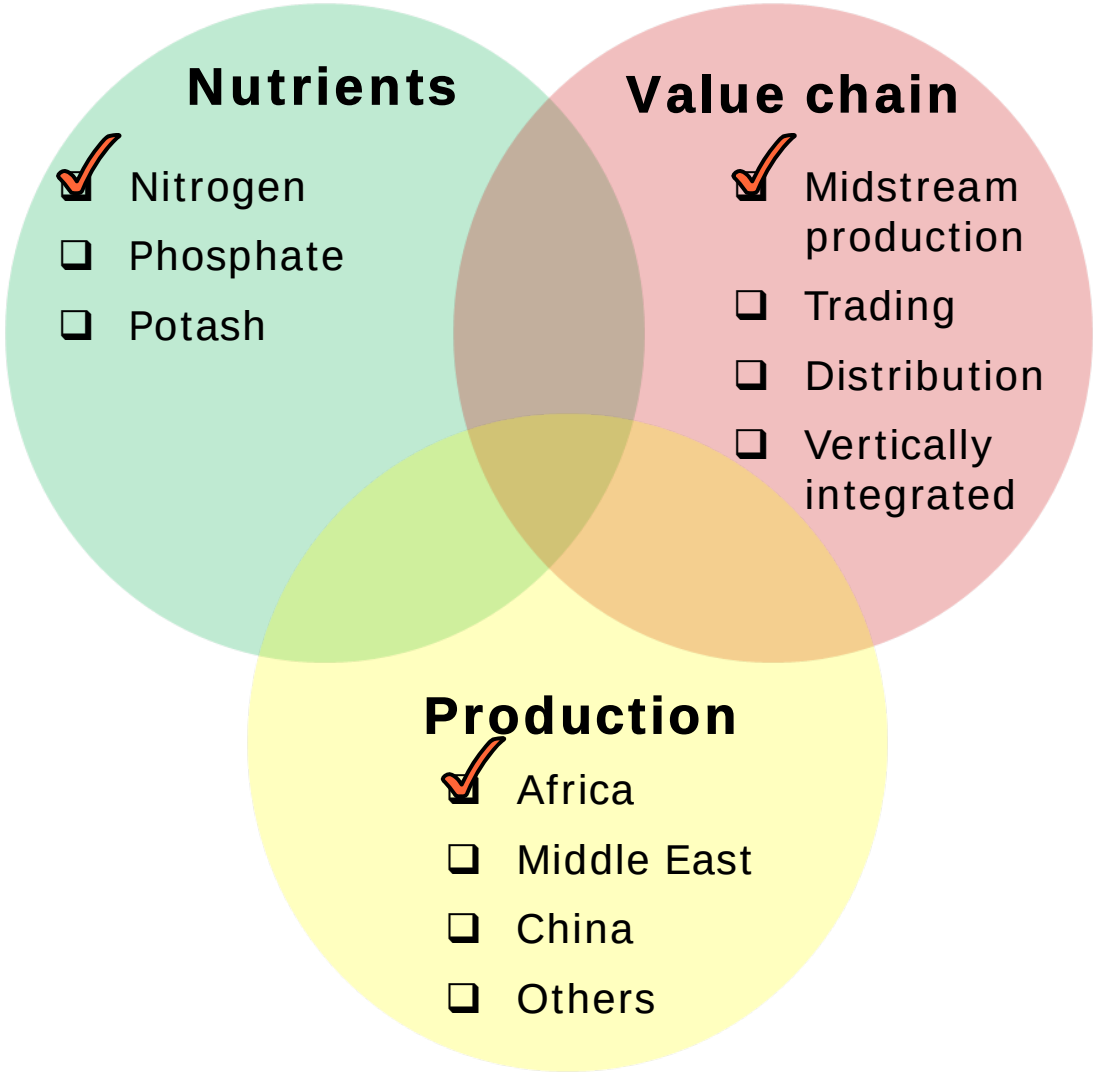
Large and **highly value accretive** opportunity

- Access to **low cost feedstock** in Gabon results in **one of the lowest cost of production** for **urea** globally and offers a **high margin of safety**

- **Large absolute size of prize** - potential to add **US$300-350M EBITDA (>70% margin)** in steady-state; **NPAT margin >50%**

- Extremely **attractive returns** – **Equity IRR >30%; ROE > 45%**

Our **fertilizer participation choices** have been made across **three dimensions**



Urea most widely-used nitrogen fertilizer; **demand relatively inelastic** compared to P, K

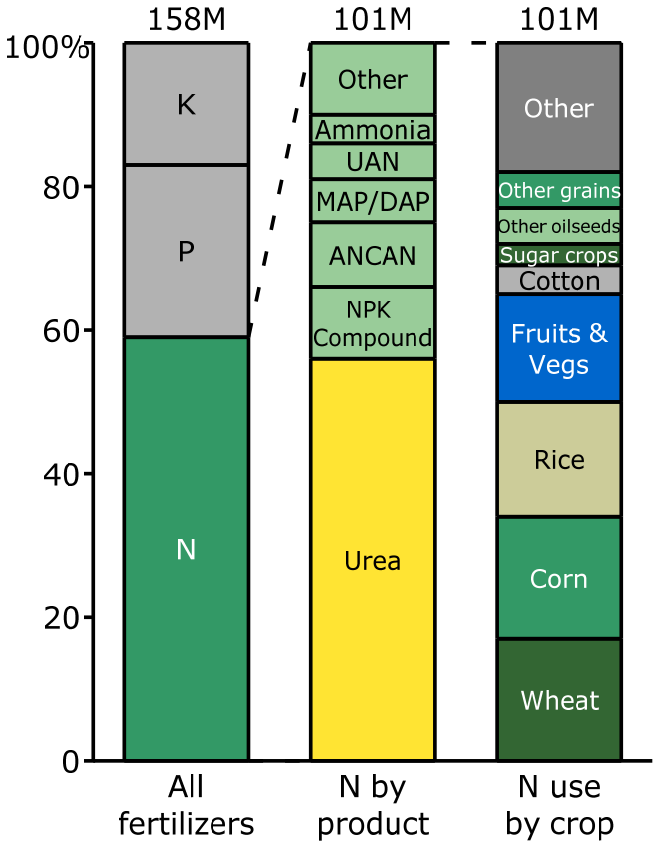
Nutrient

Higher application rate for N-fertilizers

- Nitrogen has **greater impact** on **crop yield** vs. P and K
- **Applied to all major crops**
  - All **major crops** (e.g. wheat, corn, rice, sugar) **dependent on nitrogen**
  - Only bean crops require less addition of nitrogen
- Nitrogen needs to be **applied several times** during each planting season
  - Nitrogen is **volatile** and **disappears quickly** after application
  - **P** and **K retained longer** in soil; farmers can **skip** application for **up to one year**

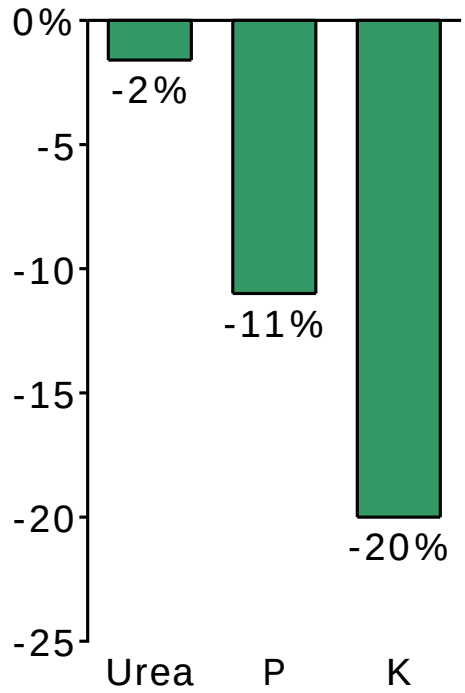
Urea the most widely used N-fertilizer

Worldwide Fertilizer Consumption (M MT nutrient, 2009)



Urea most stable even in down-cycles

Volume decline of fertilizers in 2008

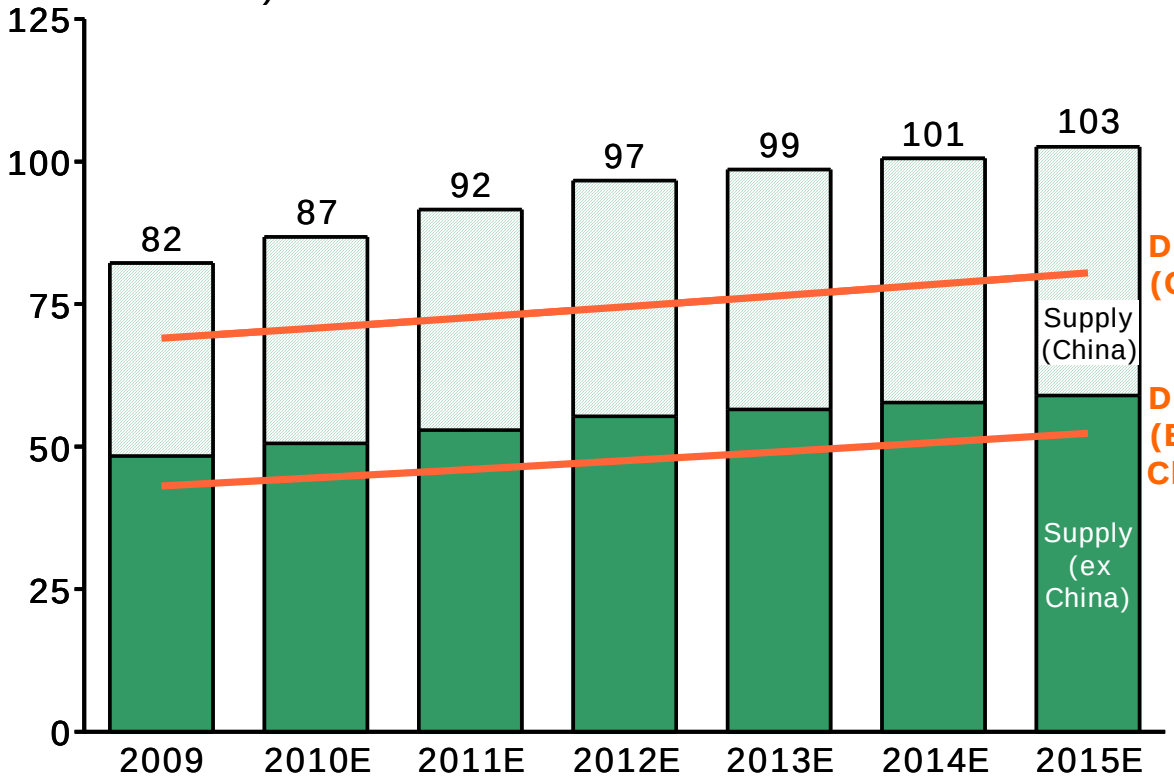


Source: Industry reports

Ex. China, global **urea supply and demand balance** likely to **tighten** despite capacity additions

Nutrient

Global supply and demand of urea
(Million Nutrient Tons)



	2009	2010E	2011E	2012E	2013E	2014E	2015E
Opr rate (Global)	84%	82%	79%	77%	78%	78%	78%
Opr rate (China)	76%	73%	69%	65%	65%	65%	65%
Opr rate (ex China)	89%	88%	87%	86%	87%	88%	89%

~20% delays of announced capacities will increase operating rates by 4%; 90% considered max utilization for industry

China

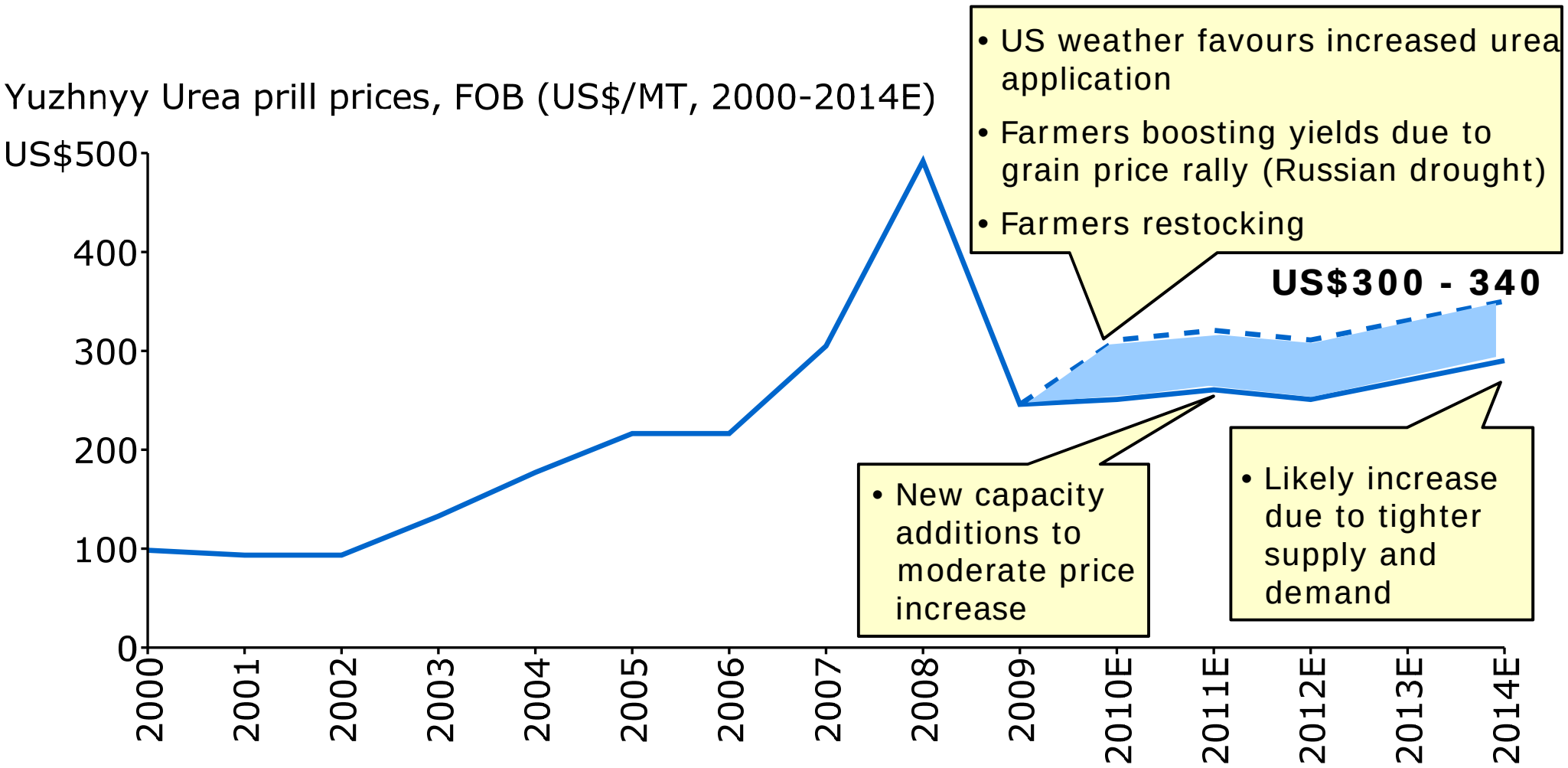
- China has **~40% of global capacity** & operates at **low rates**
  - Mostly inefficient **coal based** (70%) capacity
  - Excess local capacity
  - Availability of cheaper substitutes (eg. Amm. BiCarb.)
- **Low competitiveness of Chinese exports**
  - 110% export tariffs in peak seasons

Ex- China

- **Ex. China, global supply/ demand balance tighter**
  - **~90% considered max utilization** for industry (~10% outage at any time)
- **Delays could further tighten market**

Urea prices projected to remain firm; **above historic levels** at **US$300-340/MT**

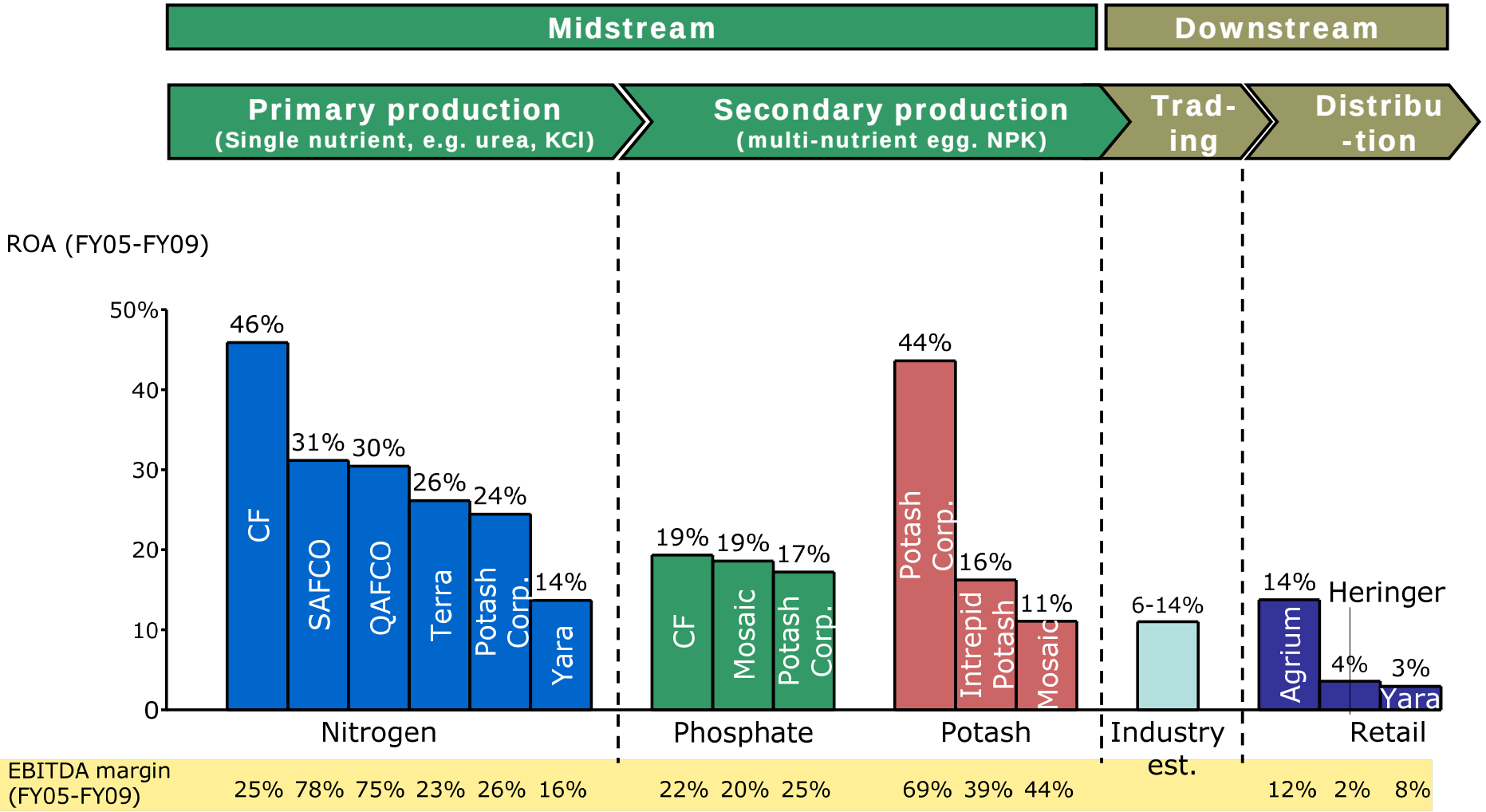
Nutrient



Source: Industry reports

Midstream production enjoys **higher profitability** vs. downstream distribution/trading

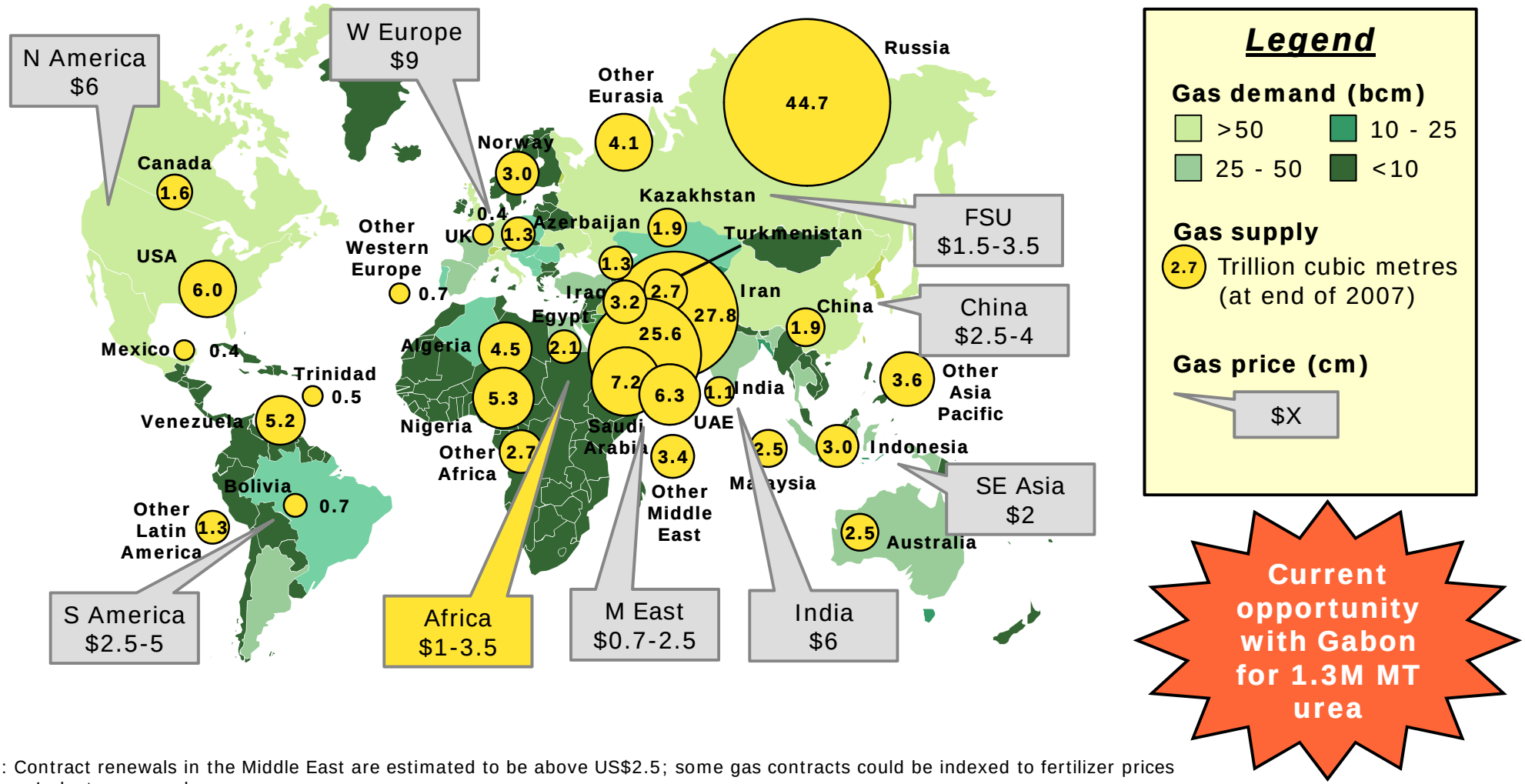
Value chain



Note: ROA and EBITDA margin computed based on arithmetic average
Source: Bloomberg, Company annual reports, Industry experts

New plants best located where gas is **available, accessible** & **affordable**; **Africa ideal choice**

Geo-graphy



Note: Contract renewals in the Middle East are estimated to be above US$2.5; some gas contracts could be indexed to fertilizer prices
Source: Industry research

Strong fundamentals makes fertilizer industry attractive; our investment is based on a set of clear **guiding principles**

A Fertilizer a key lever to address agri demand-supply imbalance

B Relatedness to Olam's core

C Large, highly value accretive opportunity

Fertilizers an attractive market but Olam's participation subject to satisfying evaluation criteria

Opportunity assessment guiding principles

1 **Strong ability to win on industry success factors**

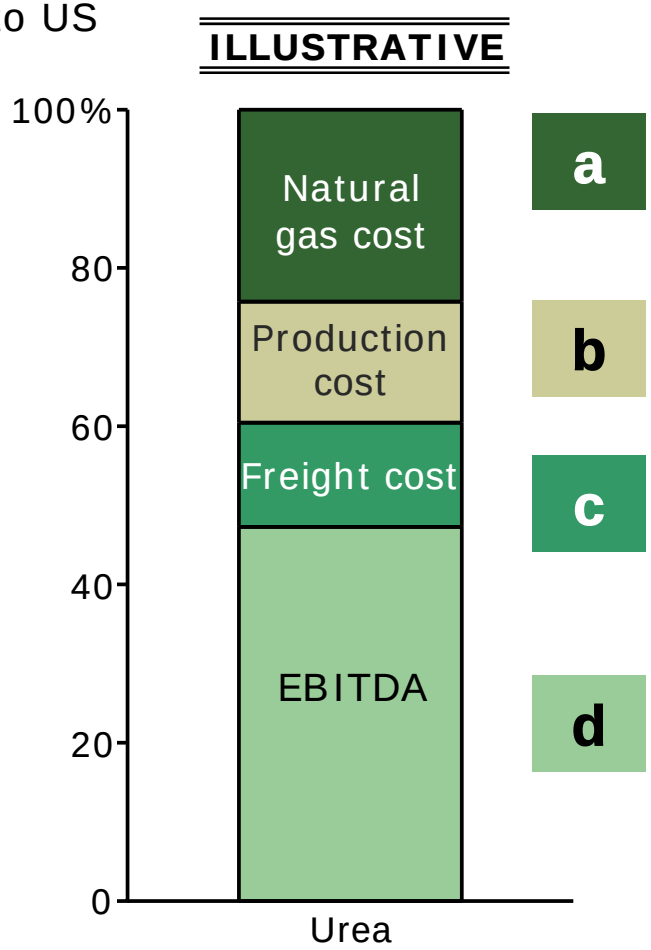
2 Clear potential for sizeable excess returns

3 Risks can be sufficiently mitigated

1

Four key drivers of profitability for urea

Landed cost structure to US



Key cost / profitability drivers

Access to low-cost inputs
(major component of cost structure)

Economies of scale
(lower unit costs)

Favorable asset location
(port-based facility and geographical proximity – lower freight costs)

Ease of market access in end-markets
(higher throughput)

Note: Cost structure based on avg. gas cost price of US$3-4/Mmbtu; production and freight cost from key exporting regions (ME, Russia, Ukraine, Africa) to US
Source: Company Annual Reports; Industry Reports

Proposed urea investment is a **solid entry platform** with all **critical success factors secured**

Key success factors

	Criteria	Assessment
a	**Access** to **low cost inputs**	• **Gabon** one of the **lowest cost natural gas regions** globally, alongside **Middle East (KSA/Qatar)** & **North Africa (Algeria/Egypt)** • **Africa** emerging as a major **low-cost production base** for urea exports
b	**Economies of scale**	• Large scale production facility **(1.3M MT p.a.)** maximizing scale benefits
c	**Favourable** asset **location**	• **Port-based facility** provides **flexibility to readily ship** either **ammonia or urea** based on market dynamics • **Proximity to end-markets**: West Africa **geographically closer** to key **future growth markets** (US/Brazil and Africa) - **Cost advantage in freight** vs. other urea exporting countries
d	Ease of **access in end-market**	• **Increasing reliance on imports** in all key markets (US/Brazil/India and Africa)

1a Access to low-cost gas through an agreement with the Republic of Gabon

Gas contract

- Assured **natural gas supply** at **competitive fixed-price** for **25 years**
- **Guaranteed quantity and quality** of gas

Other highlights

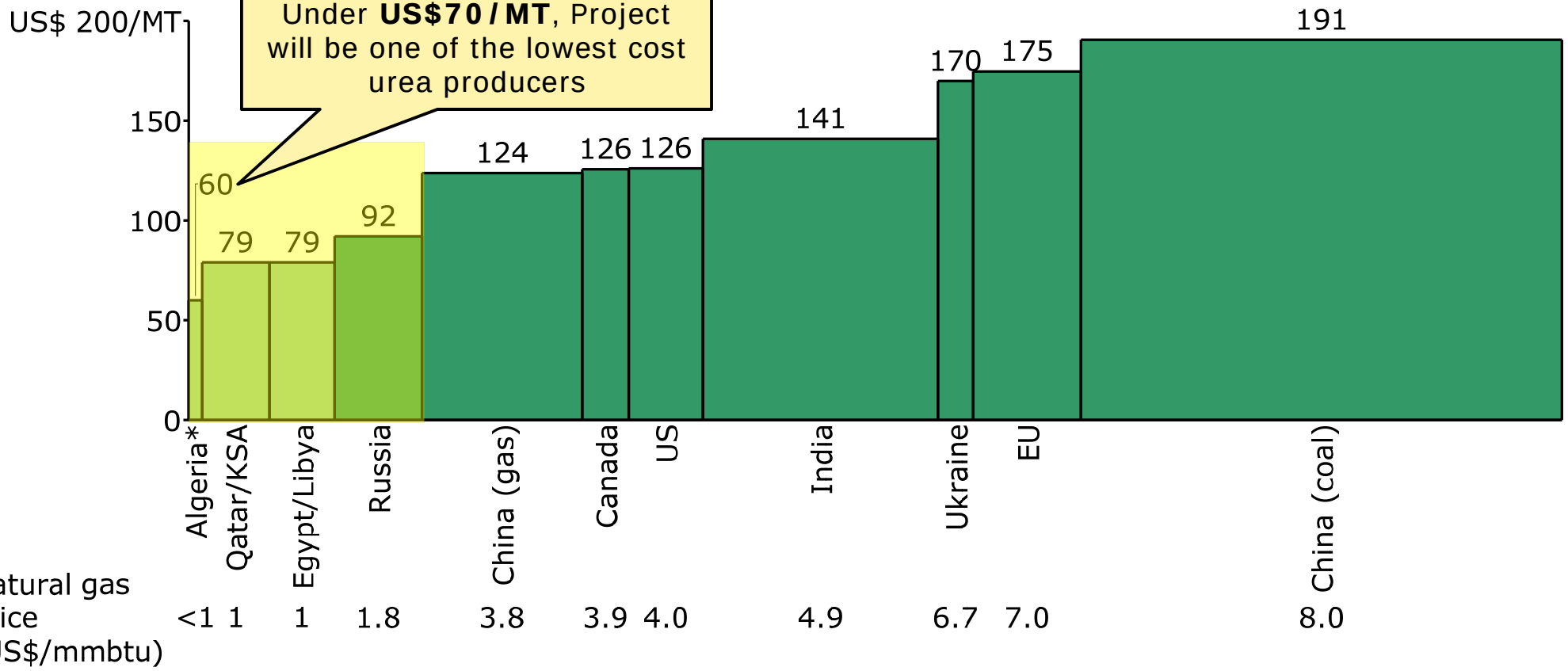
- **Fiscal incentives**
  - 0% income tax for first 10 years from date of production; 10% thereafter
  - Zero custom duty & VAT over the lifetime of the project
- Republic of Gabon is a partner with **20% equity participation**

1a **Project** to be one of the **lowest-cost** urea production facilities globally

ESTIMATES

Total = 56 M MT
(~70% of global capacity)

2009 Urea production cost ex. freight (US$/Ton of Urea)
by urea capacity (nutrient tons)



Note: Algeria production based on plant to be completed in 2011
Source: Industry reports

1a

Gabon has **sufficient natural gas resources**; **quality** and **quantity assured**

Gabon – untapped natural gas reserve

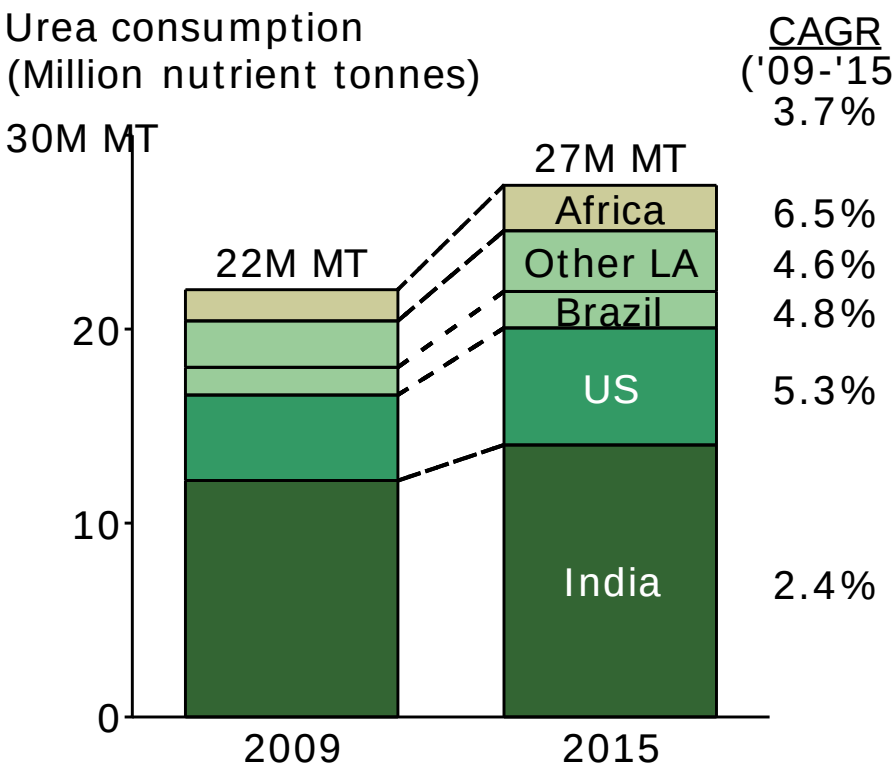
- Gabon an oil **producer since the 1950's**
- Natural gas discovered in 1990's but not yet **exploited** (Total reserves: ~2.0-3.5 TCF)
- Gabon a **power surplus** country; most power generation through hydro-electric sources

Assured supply of sufficient quality & quantity of natural gas

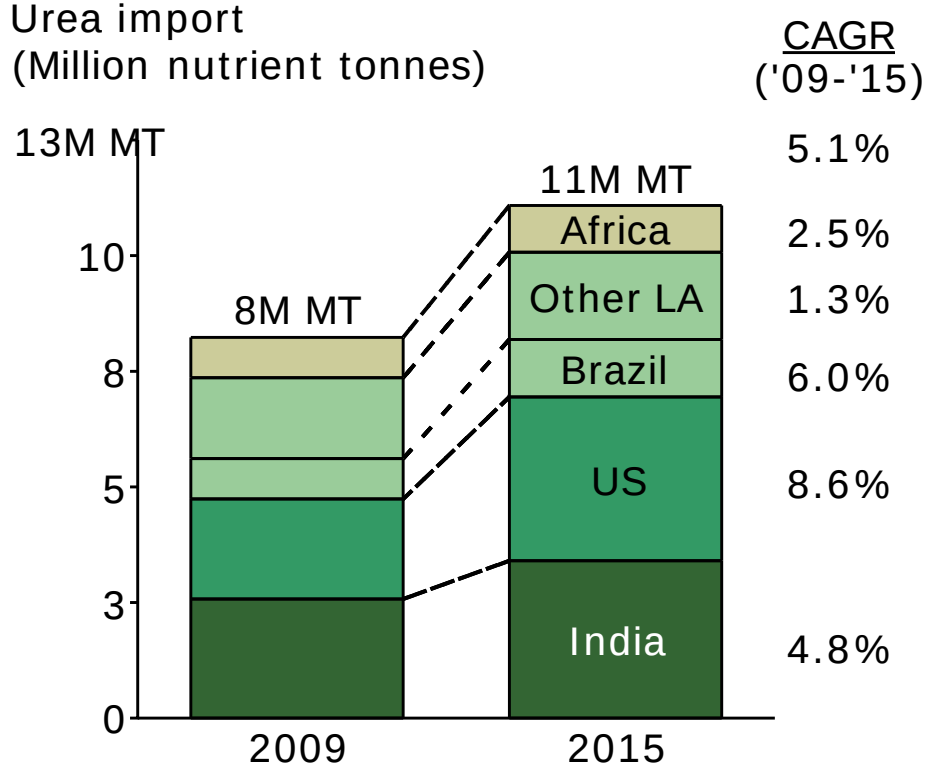
- **Gas quality endorsed** by independent **technical consultant**
  - Absence of Sulphur
  - Chloride and Mercury details to be assessed
- Republic of Gabon to **guarantee required gas for 25 years**
- Republic of Gabon **has confirmed availability of ~0.75 TCF gas over next 25 years** (corresponds to 3,850 MTPD urea)

1c Brazil / US / India will get increasingly dependent on imports; Africa also a potential key market

Urea consumption (Key markets)



Urea imports (Key markets)

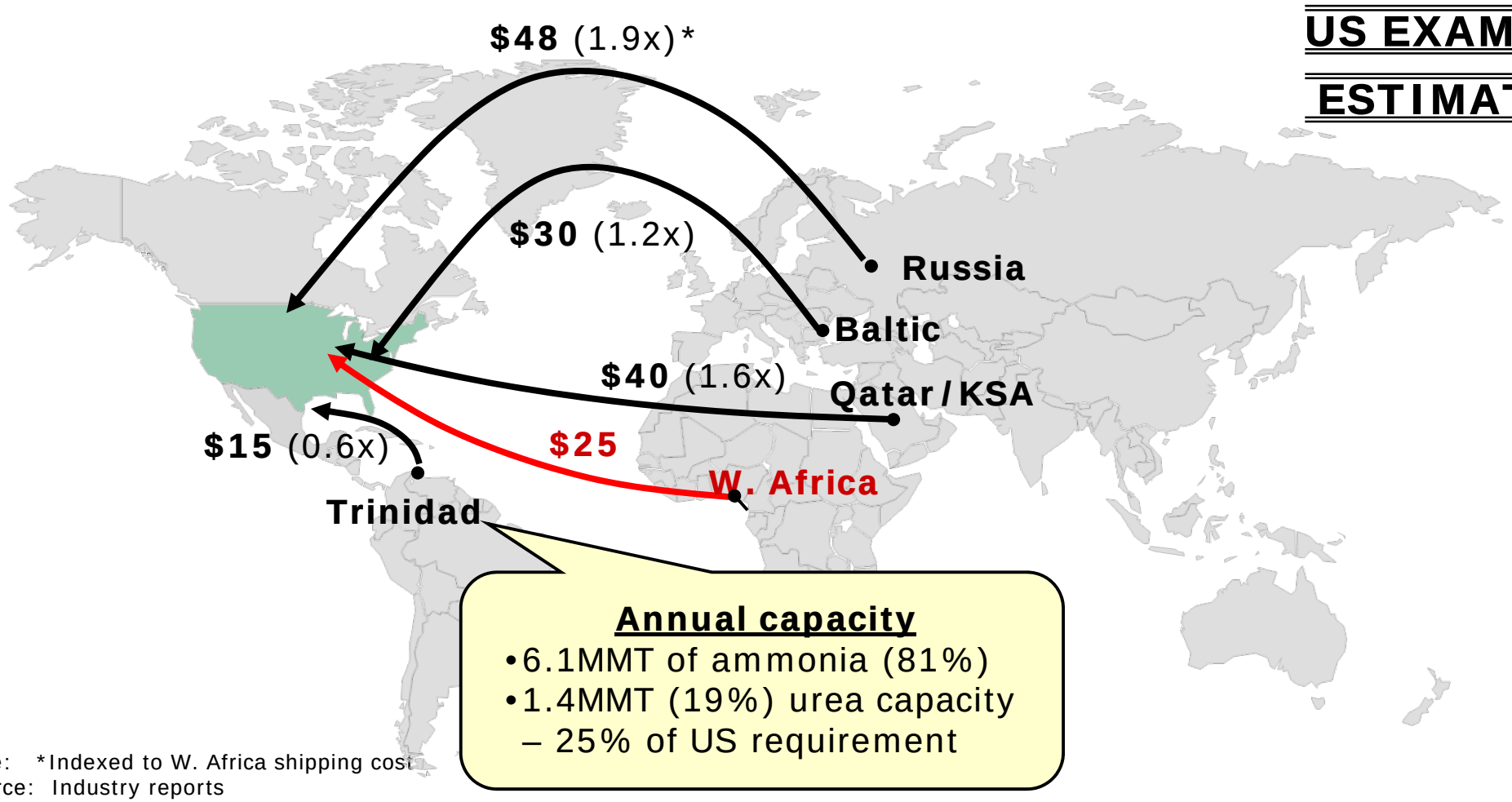


Source: Industry reports

1c

Proximity to end markets reduces freight costs

Urea : Cost of shipping granulated urea to **US** (US$/MT)



Note: *Indexed to W. Africa shipping cost
Source: Industry reports

Strong fundamentals makes fertilizer industry attractive; our investment is based on a set of clear **guiding principles**

A Fertilizer a key lever to address agri demand-supply imbalance

B Relatedness to Olam's core

C Large, highly value accretive opportunity

Fertilizers an attractive market but Olam's participation subject to satisfying evaluation criteria

Opportunity assessment guiding principles

1 Strong ability to win on industry success factors

2 **Clear potential for sizeable excess returns**

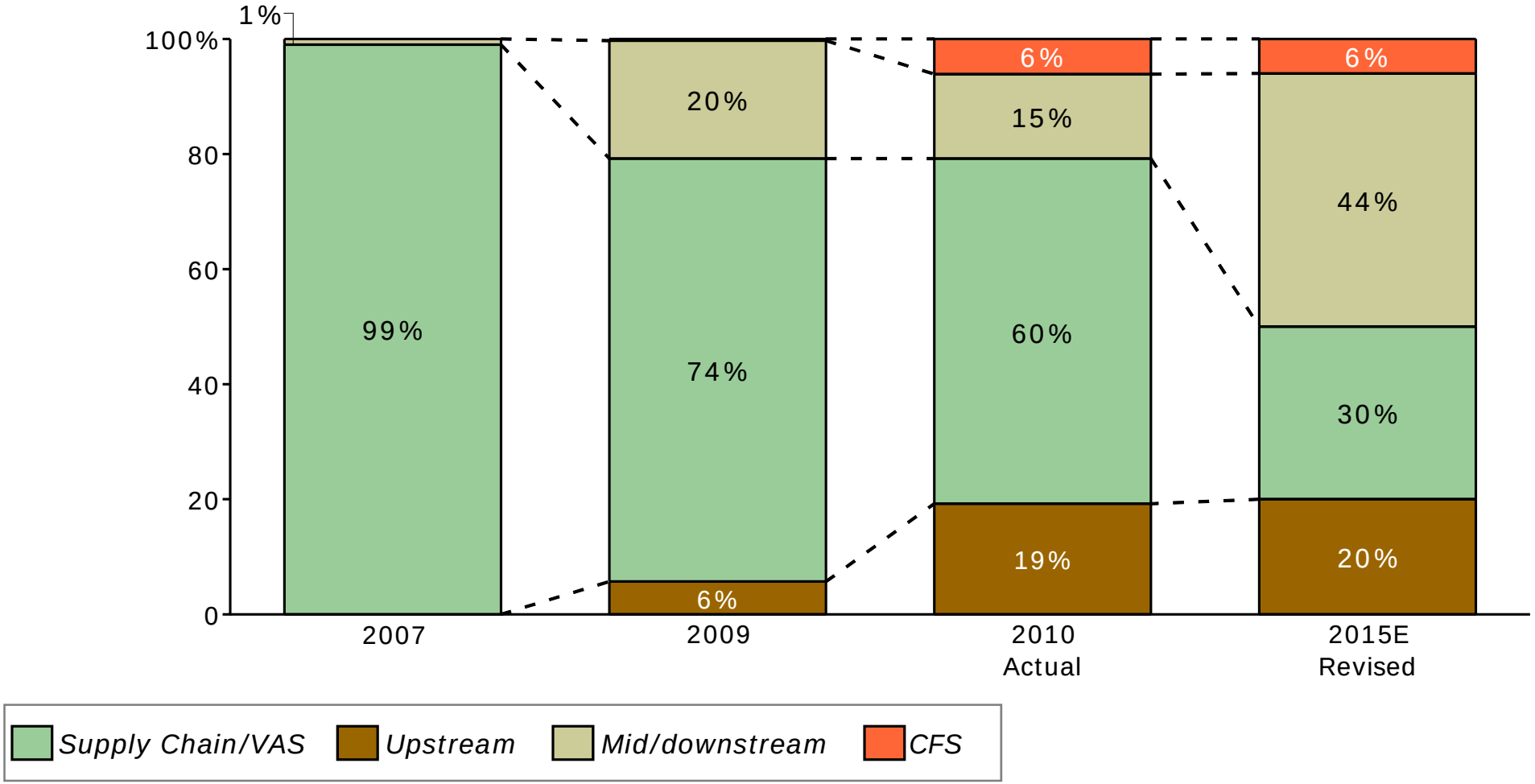
3 Risks can be sufficiently mitigated

2 Urea project expected to be **highly profitable**, providing **superior** and **sizeable excess returns**

Key financial parameters – base case		
Revenues (US$M)	**423**	*Urea price @ US$325*
EBITDA (US$M)	**323**	
EBITDA Margin (%)	**76%**	
NPAT Margin (%)	**50%**	
Equity IRR (%)	**31%**	
Payback (post- commissioning)	**5 years**	
ROE (%)	**46%**	

1c Olam will continue to be well-diversified in 2015

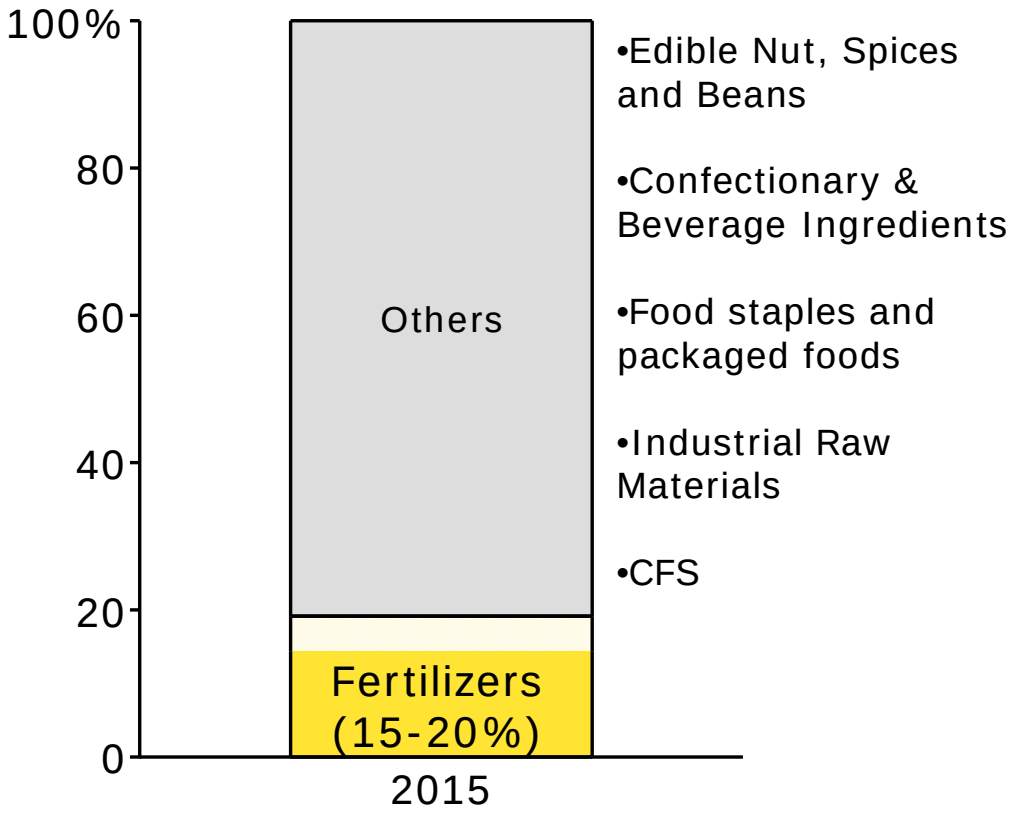
Olam PBT breakdown by value chain



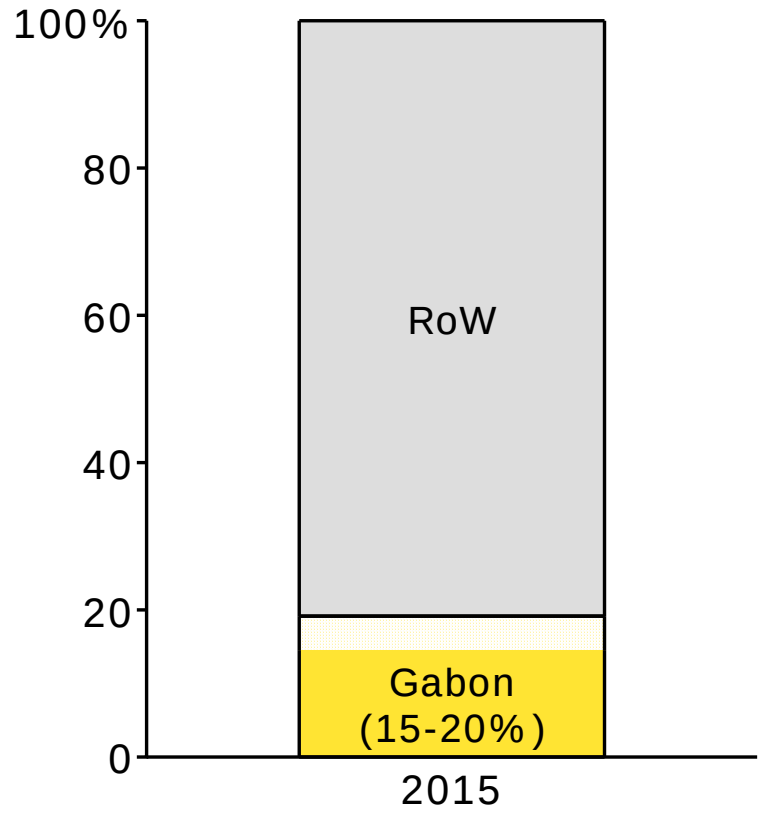
1
c

Fertilizer and Gabon to constitute only **15-20%** of Olam's 2015 PAT

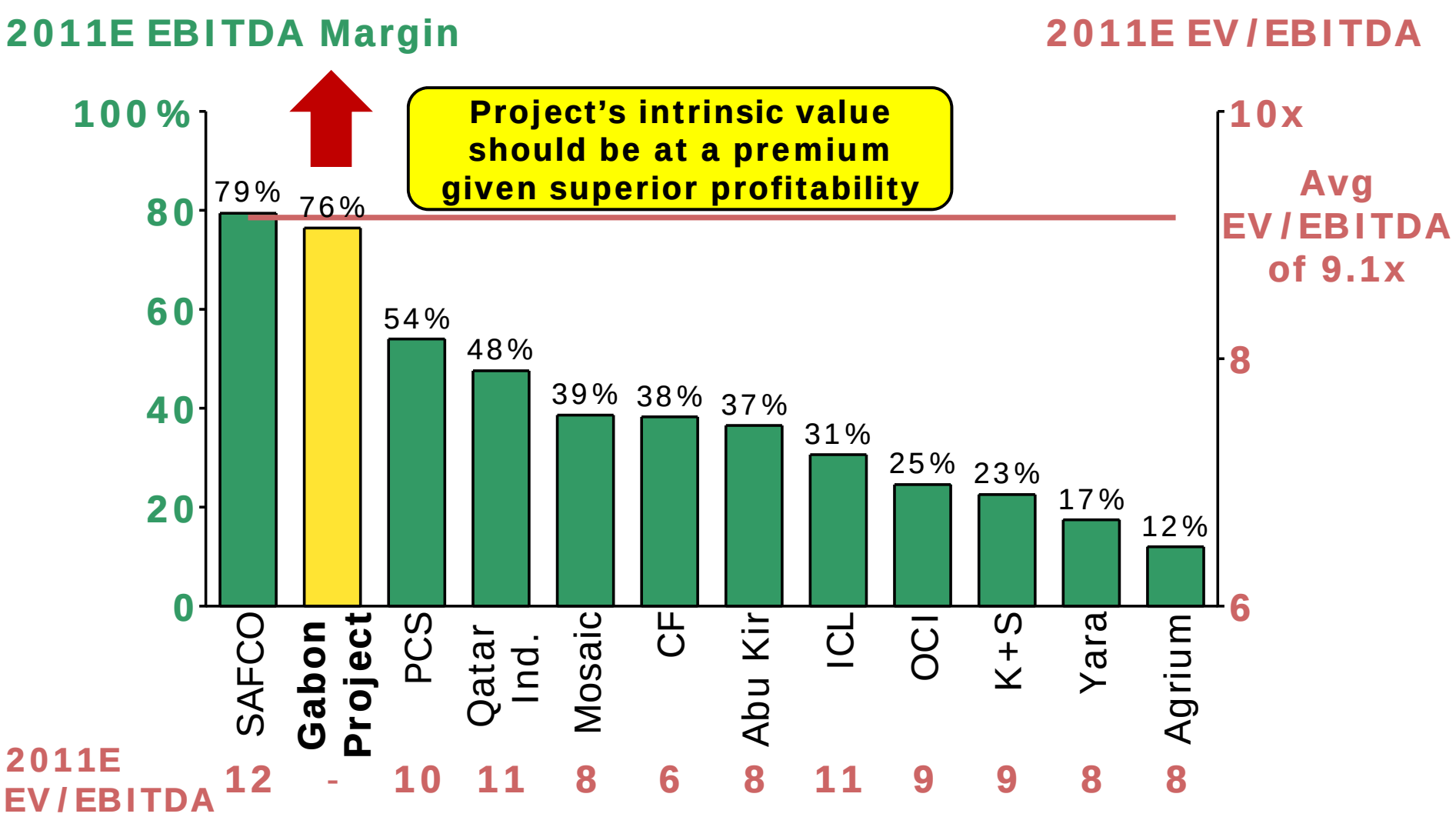
Olam 2015 PAT by business segment



Olam 2015 PAT by geography



2 **Project** has potential to become **one of the most profitable** urea manufacturing facilities globally



Source: Bloomberg (as of 9 Nov 2010), Capital IQ

Strong fundamentals makes fertilizer industry attractive; our investment is based on a set of clear **guiding principles**

A Fertilizer a key lever to address agri demand-supply imbalance

B Relatedness to Olam's core

C Large, highly value accretive opportunity

Fertilizers an attractive market but Olam's participation subject to satisfying evaluation criteria

Opportunity assessment guiding principles

1 Strong ability to win on industry success factors

2 Clear potential for sizeable excess returns

3 **Risks can be sufficiently mitigated**

3 All **key risks** have been **identified** and **clear plans developed** to **mitigate** them

Key risks

	Risk	Mitigation plan
a	**Political & sovereign risks**	• **Republic of Gabon** will have 20% equity participation • Additional coverage through **PRI and MIGA guarantees** and **contractual obligations** with **Republic of Gabon**
b	**Execution risks**	• Employing **proven**, **time tested** ammonia/urea technology • Engaging **leading EPCs** for construction on **turnkey basis** • Assembling **experienced team** to execute the project • Obtaining necessary **environmental certifications**
c	**Marketing off-take**	• Several **potential customers** have **expressed interest**; **more** expected as **production comes online** • All available options to be evaluated in due course

3a Variety of **project-related risks** can be **insured**

Construction phase

- Construction / Erection All Risks (C/EAR)
- Delay in start-up
- Marine cargo
- Construction plant & equipment

Operations phase

- Professional indemnity
- Operational all risks & business interruption
- Workers compensation / employers liability
- Product liability

Overall

- **Political risks and contract frustration**
- Third party liability
- Environmental impairment liability / pollution liability
- General liability
- Any other insurances required by legislation

3
a

Events covered under **political risk insurance (PRI)**

1. Wars and civil unrest

- Political violence
- War & civil war

2. Breach of contract

- Non-honouring of an arbitration award
- Non-payment/non-honouring by a public buyer or government entity
- “Breach of contract” / Contract repudiation

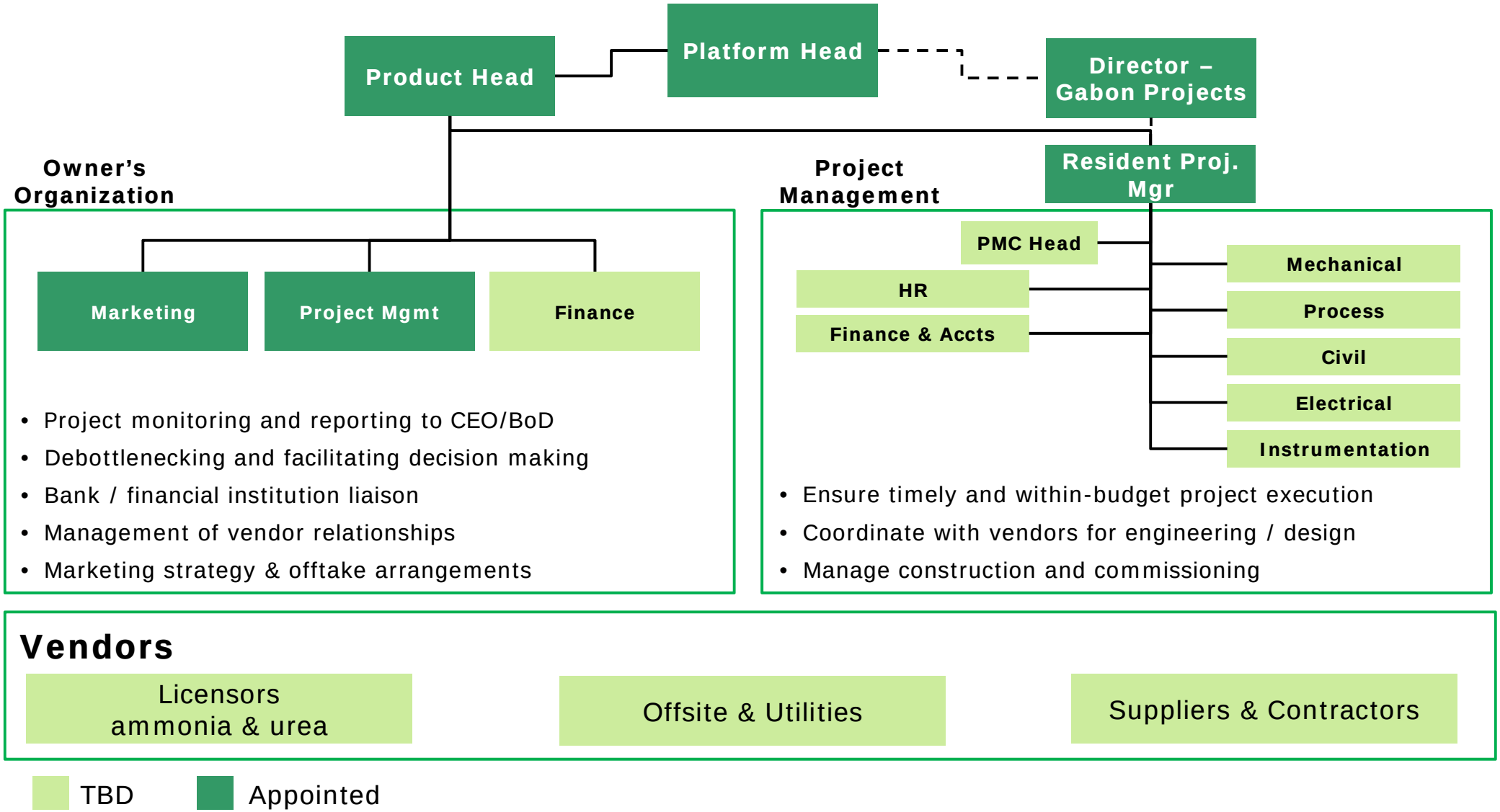
3. Business disruption

- Currency inconvertibility & non-transfer
- Selective discrimination
- Import/export license cancellation and embargo
- Operating license cancellation

4. Loss of assets

- Confiscation, expropriation, nationalization & deprivation
- Forced abandonment or divestiture

3b We will ensure sufficient **oversight** and on-the-ground **execution capability**



3b Senior personnel from fertilizer industry on board with >100 years combined experience

- **Highly qualified personnel; prior leadership roles** with leading fertilizer companies
- **>100 years combined cross-functional experience** in design, technology, EPC, project management, strategic planning, marketing, plant operations and maintenance
- Significant experience in **developing and operating multiple large scale urea and ammonia plants** across Middle East, Asia and Africa

3b With planned technology, the plant will **meet** key **environmental benchmarks**

Effluent Discharges

- Solid Discharge
  - **No solid effluent discharge** from ammonia plant
  - Urea plant solid waste is recycled in the plant
- Liquid discharge
  - Plant to be built on **"zero discharge" basis** where treated effluents are recycled
  - Plant will have **sophisticated waste water treatment facility**
- Gaseous discharge
  - Gaseous discharge from ammonia plant during plant upsets is **flared without any environmental impact**
  - Urea plant may emit gases with small quantity of dust < 60 mg/m3 but this is **not hazardous**

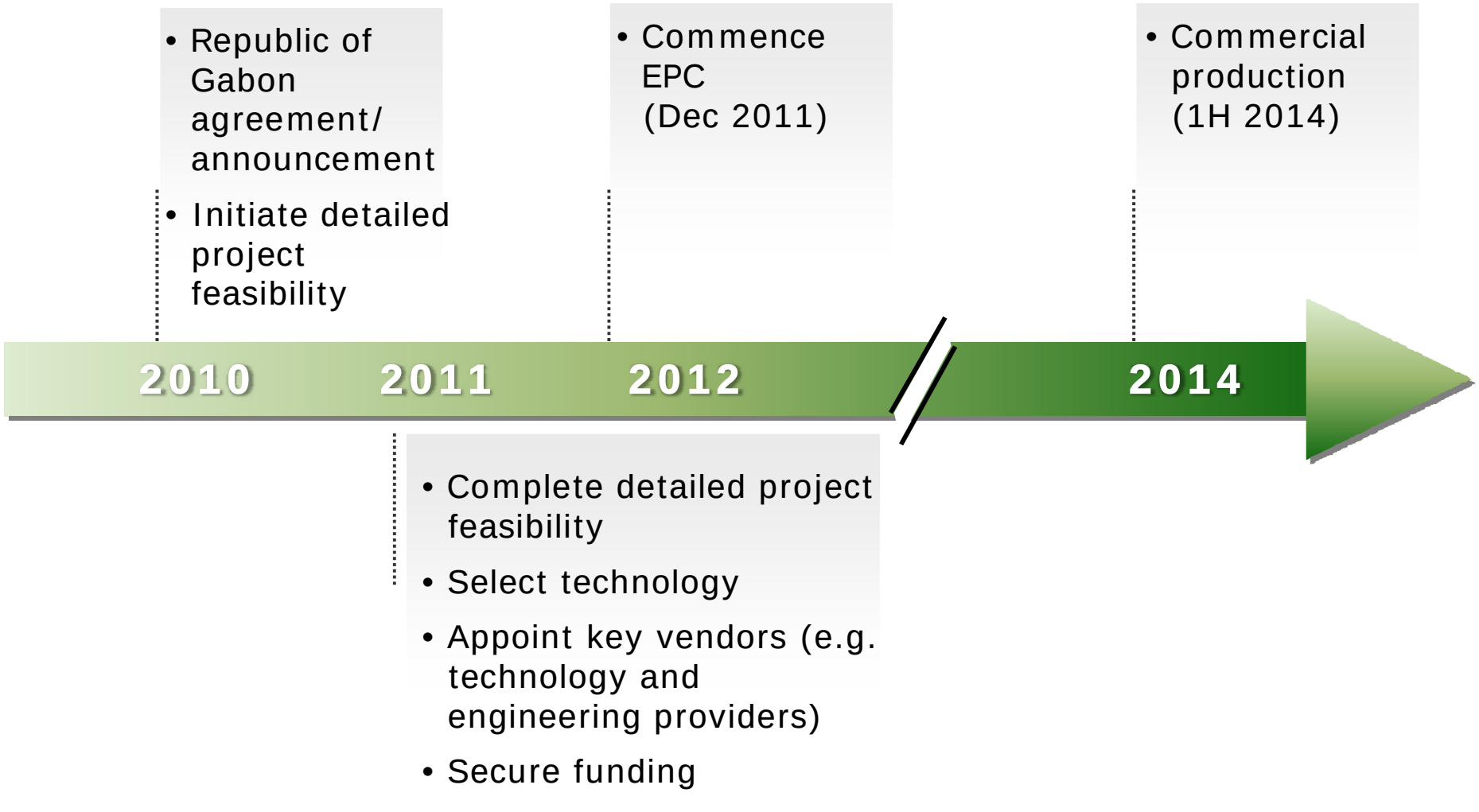
Certification & Conditions

- Will obtain all necessary **environmental certifications complying to**
  - **Equator principles**
  - **ISO14000 certification**
- Plant design will **meet or exceed benchmark conditions** applied in similar global large scale plants

3b Clear plan for implementation in place; technology evaluation consultant appointed

Key tasks		Advisors
Detailed project feasibility	▪ Plant configuration ▪ Technology study ▪ Site evaluation ▪ Environment study ▪ Gas reserve due diligence ▪ Bankable report	▪ Technical consultants ▪ Independent engineering report
Technology selection	▪ Ammonia/urea/granulator ▪ Basic engineering design	▪ Technical consultants ▪ Fertilizer technology providers
Engineering, Procurement and Construction (EPC)	▪ Type of contracting ▪ Vendor selection ▪ Detailed engineering ▪ Procurement of equipment ▪ Project scheduling ▪ Construction	▪ Engineering contractor ▪ Construction contractor or lump sum turnkey contractor ▪ Project management consultants

3b Commercial **production** is targeted for **1H 2014**



Variety of debt / equity funding options available

A Fertilizer, a key lever to address agri demand-supply imbalance

B Relatedness to Olam's core

C Large, highly value accretive opportunity

Fertilizers an attractive market but Olam's participation subject to satisfying evaluation criteria

Opportunity assessment guiding principles

1 Strong ability to win on industry success factors

2 Clear potential for sizeable excess returns

3 Risks are sufficiently mitigated

Funding strategy

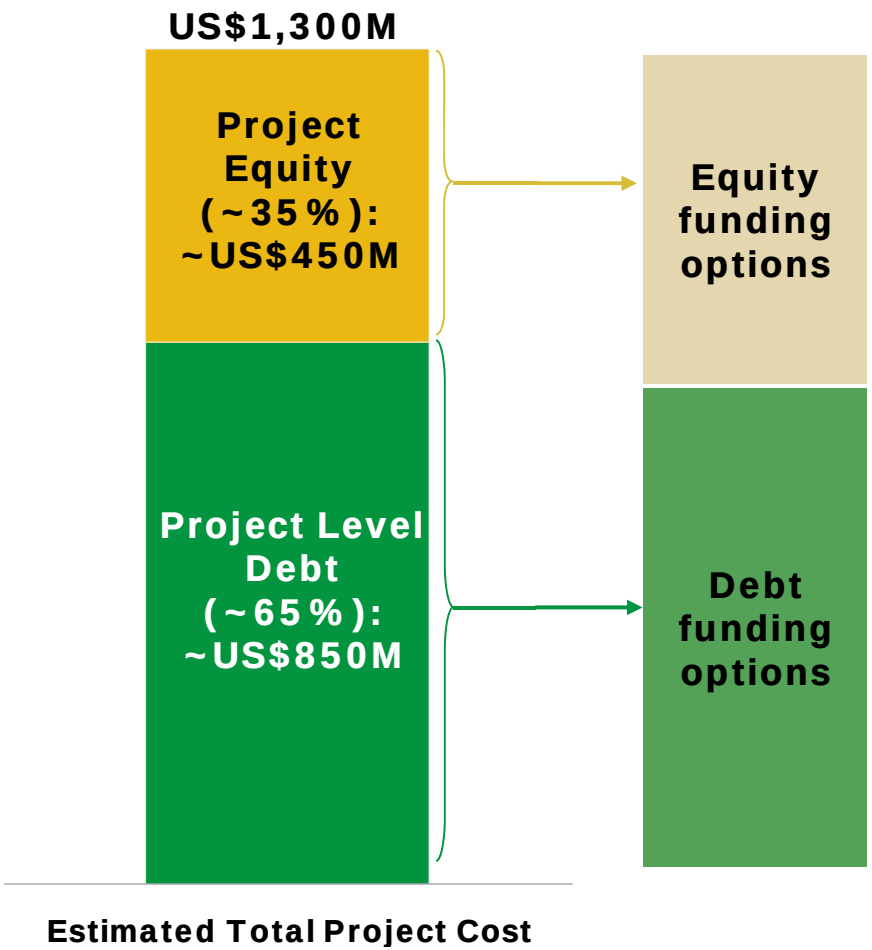
We **intend** to **appoint** the following **financial advisors**

J.P.Morgan

Standard Chartered

Indicative **funding structure** of project

Preliminary Project funding structure



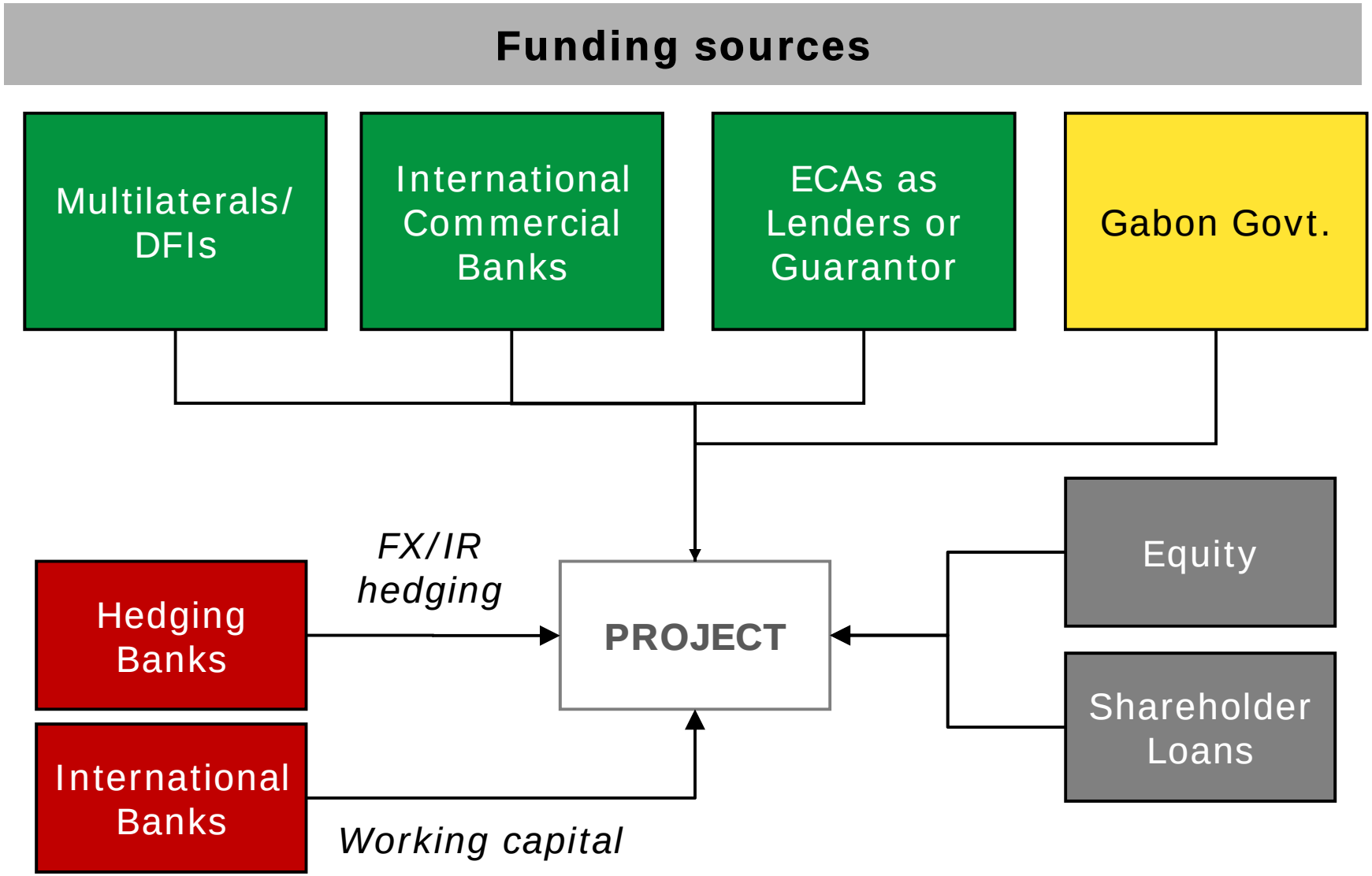
Highlights

- **Republic of Gabon** will have **20% equity stake**
- **Olam** will retain **80% stake**
- **Olam and Republic of Gabon** could consider further **partial sell down at a premium** to 3rd party investors in a phased manner

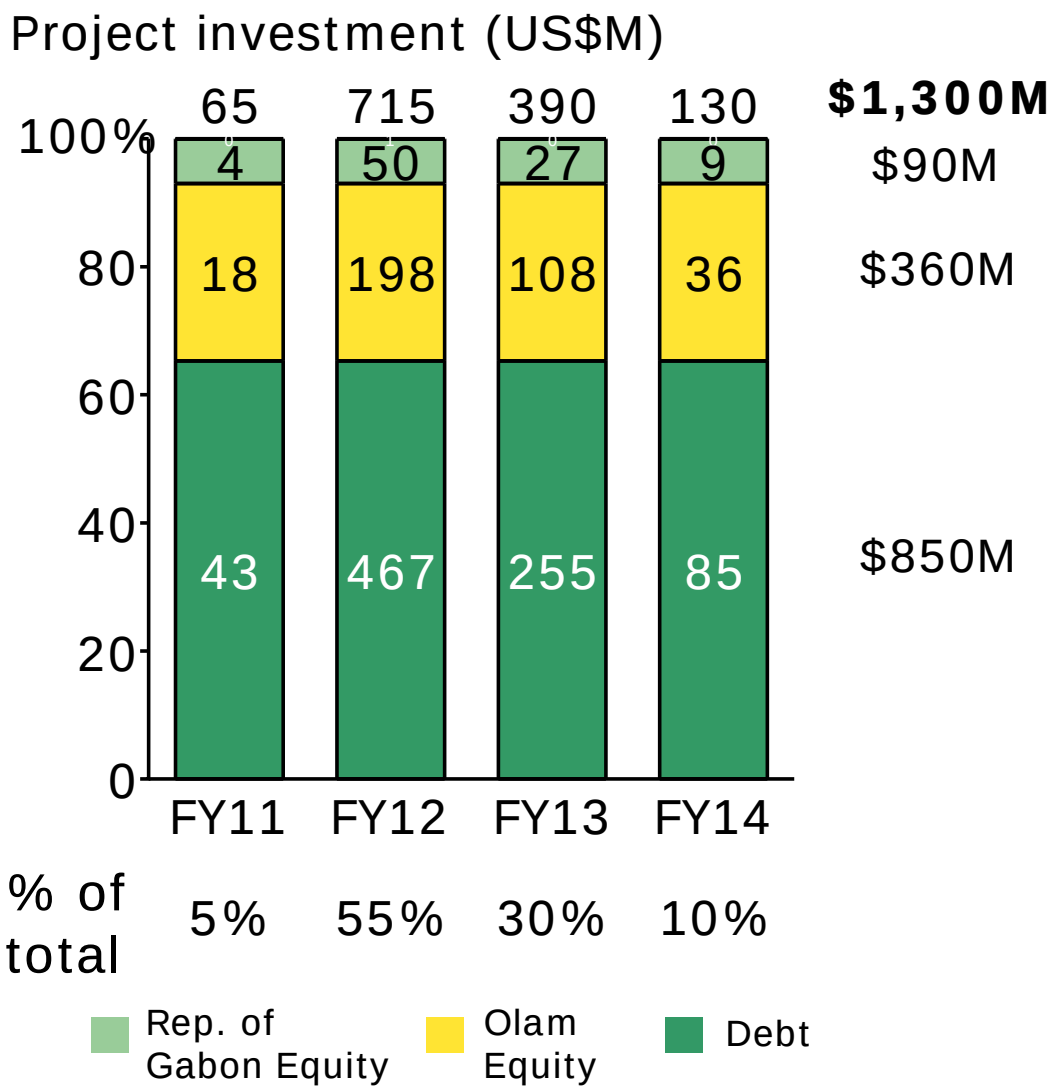
---

- Debt likely to be raised on **non-recourse** basis
- **Potential sources** include:
  - ECA lenders
  - DFIs & Multilaterals
  - International commercial banks

Funding framework



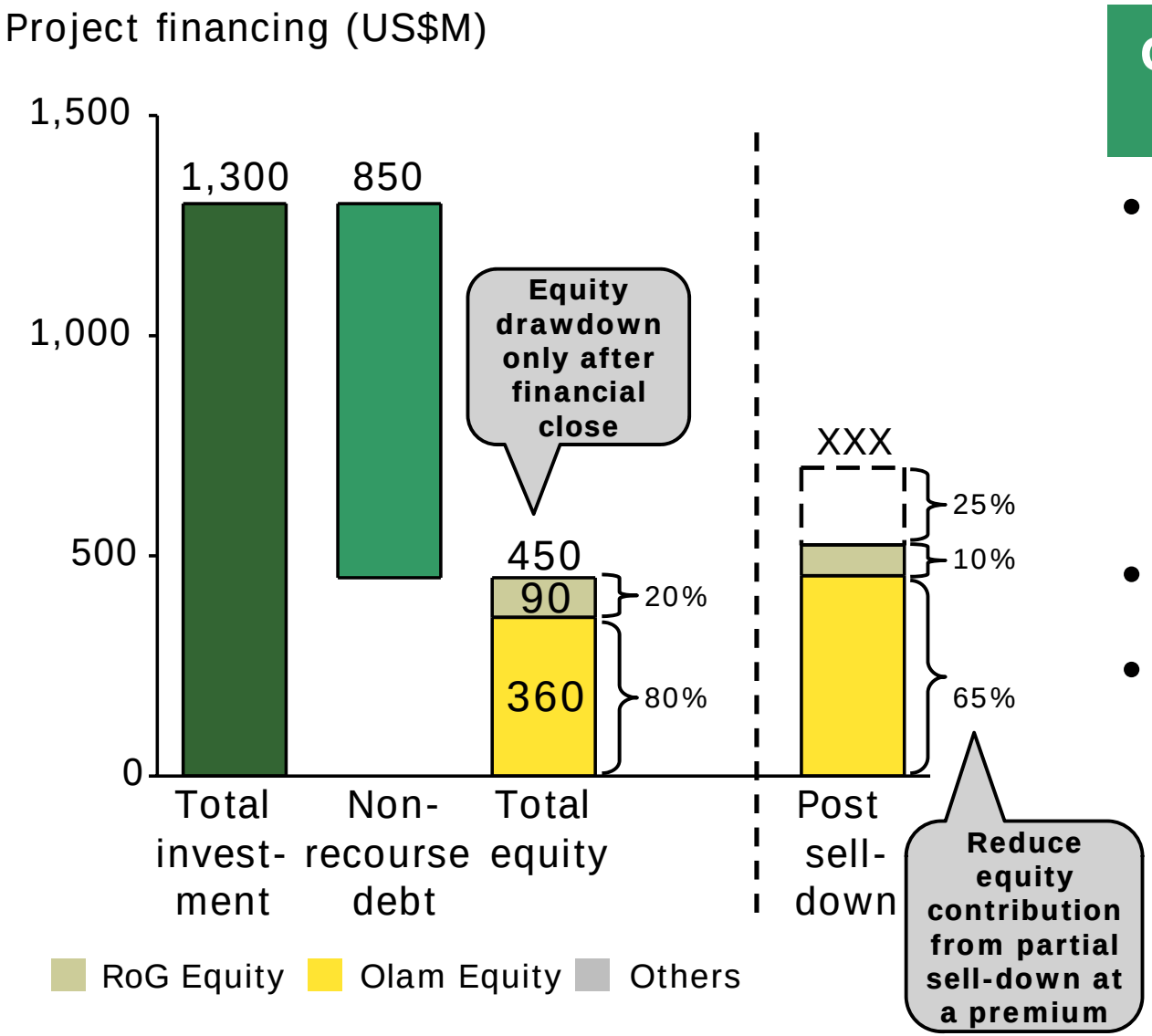
Equity investment for Project to be phased over 4 years; options to fund internally...



Option 1: Olam Internal Funding

- Olam can fund its share of equity though sources including **debt**, **convertible bonds** or **additional equity issuance**

...or consider **partial sell-down** reducing equity exposure further



Option 2: Partial sell-down at a premium

- Potential to **command a premium** given high **competitive advantage** for the project
- Ability to **share risk**
- Strategic investors could bring in further **technical competence** or **marketing off-take**

Key debt considerations

Political risk mitigation	• **Required** by **commercial bank market** • **Mitigated** through **guarantees** from **ECAs / multilaterals / private PRI market** and through **structural mitigants** (e.g. equity partnership with govt., currency non-convertibility, offshore project accounts) • The **dual-approach** has been **successfully used** across **Africa and Asia**
Social, environmental & regulatory	• **Increased duty of care** with regards to environmental considerations including, but not limited to, Equator principles needed due to **ECAs, DFIs and World Bank**
Tranching	• **ECA**: **Cost effective**; to be closely **aligned** with **EPC tender process** • **DFI / multilaterals**: **Longest tenor**; **more flexible** • **Commercial banks**: **Shortest tenor** with **pricing range closer to the DFI tranche**; contingent on availability and terms of private PRI market
Debt repayment	• **DFIs / ECAs** generally **amenable** to **sculpting of debt** • **DFIs** likely to **push for less aggressive sculpting** (i.e. less back-ended repayments) vs. ECAs and commercial banks

Attractiveness of the **Project** makes it a **highly bankable proposition**

Project attractiveness

- Project based on **proven and time-tested technology**
- Project being **executed via lumpsum turnkey contract** with **reputable fertilizer industry contractors**
  - Provides strong visibility on cost & timing
- Project will be **one** of the **lowest cost urea producers globally**
- **Strong support** from **Republic of Gabon** as the **key local stakeholder** in the **project**

Project bankability

- Enough **industry precedents** for similar projects
- **Gearing of 65:35** possible at **competitive prices**
- **Non-recourse post construction phase**

Projects of similar size and nature have **successfully achieved financial closure**

- **Olam's proposed urea project in Gabon is comparable to greenfield projects in MENA region predicated on the back of competitively priced gas**

Company / Project Name	Approx. Project Cost (US$B)	Approx. Leverage	Sponsor(s)
Ma'aden Phosphate (DAP Plan)	**5.5**	**70%**	Saudi Government
Qatar Fertilizer (Urea)	**3.2**	**65%**	Yara International / Industries Qatar
EAgrium (Urea)	**1.4**	**70%**	MOPCO (Egypt) / Agrium

- **Other recent non-fertilizer project finance deals include:**
  - PNG LNG (**US$18B**)
  - Yansab Petrochemicals (**US$5B**)
  - Kayan Petrochemicals (**US$10B**)

Sources of project finance debt funding for Gabon Urea

Sources of Debt	Facility Size (US$M) Low	High	Door-to-Door Tenor Range (years)
ECA Lenders	**400**	**550**	**10 – 12**
DFI & Multilaterals	**250**	**350**	**12 – 14**
International Commercial Banks	**75**	**125**	**8 – 10**
Total Debt	**725**	**1,025**	

Steps to **financial closure**

Complete feasibility assessment

- **Appoint contractors/ consultants**
  - EPC
  - Environmental Consultant
  - Independent Engineer / Technical Consultant
  - Legal Counsel (international and local)

Explore financing options

- **Initiate contact** with **ECAs, Development Banks, and Commercial Banks**
- **Prepare** all **necessary information** (e.g. feasibility reports, financial model, IE report, environmental reports)

Secure financial closure

- **Structure** the **facility** and **finalize financing documents** based on **feedback** from **potential lenders**
- **Secure financial commitments**

Key takeaways

- Olam identified **fertilizers manufacturing & distribution** as a **growth vector** in its 2009 strategy
- **Project satisfies industry key success factors**: Strong, sustainable **competitive advantage** through access to **low cost feedstock,** making the project **one of the lowest cost producers in the world**
- **Provides sizeable excess returns**:
  - EBITDA: **US$300-350M** (>70% margin) ; NPAT margin: **>50%**
  - Equity IRR: **>30%**; ROE: >**45%**
- **Risks have been identified** and will be **sufficiently mitigated**
  - **Political risk insurance/MIGA cover** and **contractual obligations** with **Rep. of Gabon**
  - **Proven/time tested technology; project feasibility by independent technical consultants**
  - **Senior management with >100 years combined experience**

Thank you