



Olam International Limited

Investment in Greenfield Urea Manufacturing Facility in Gabon

13th November 2010 | Singapore



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.

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.

Investment Summary

Overview	<ul style="list-style-type: none"> 🌱 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	<ul style="list-style-type: none"> 🌱 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	<ul style="list-style-type: none"> 🌱 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	<ul style="list-style-type: none"> 🌱 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	<ul style="list-style-type: none"> 🌱 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

Fertilizers: highly attractive opportunity for Olam

Fertilizer, a key lever to bridge agri demand-supply gap

- **Agri demand-supply imbalance expected** due to reducing arable land and other key supply constraints amidst growing demand
- **Fertilizer key yield lever** in increasing supply

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**

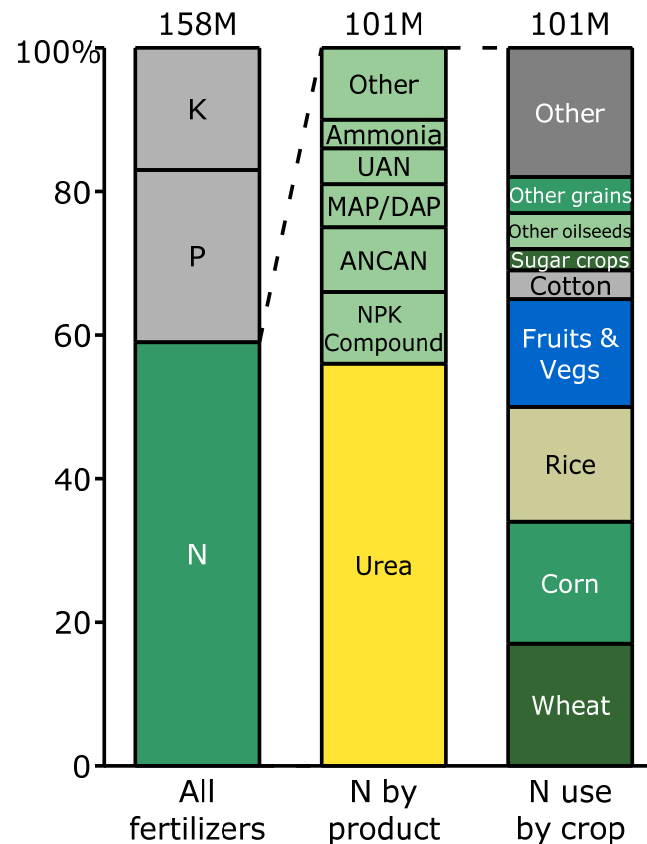
Urea most widely-used nitrogen fertilizer; demand relatively inelastic compared to P, K

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**

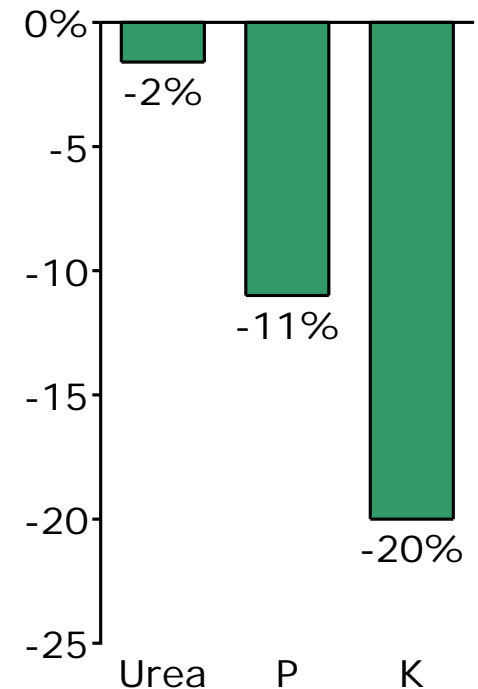
Urea the most widely used N-fertilizer

Worldwide Fertilizer Consumption (M MT nutrient, 2009)



Urea most stable even in down-cycles

Volume decline of fertilizers in 2008



Source: Industry reports

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

Criteria		Assessment
Key success factors	a Access to low cost inputs	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Large scale production facility (1.3M MT p.a.) maximizing scale benefits
	c Favourable asset location	<ul style="list-style-type: none"> • 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) <ul style="list-style-type: none"> - Cost advantage in freight vs. other urea exporting countries
	d Ease of access in end-market	<ul style="list-style-type: none"> • Increasing reliance on imports in all key markets (US/Brazil/India and Africa)

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

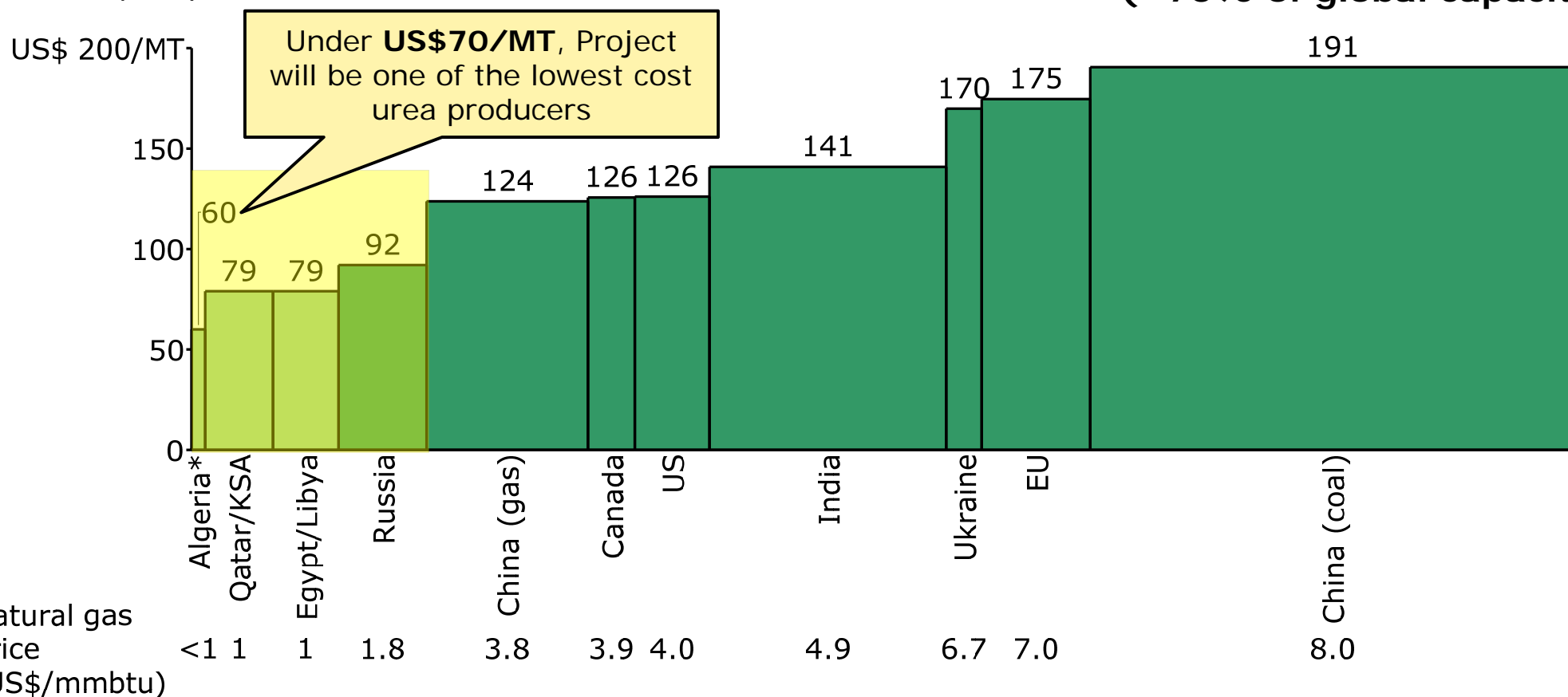
- **Fiscal incentives**
 - 0% income tax for first 10 years from date of production; 10% thereafter
 - Zero custom duty & VAT over the lifetime of the project
- Republic of Gabon is a partner with **20% equity participation**
- **Proportionate guarantee to debt**

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

ESTIMATES

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

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

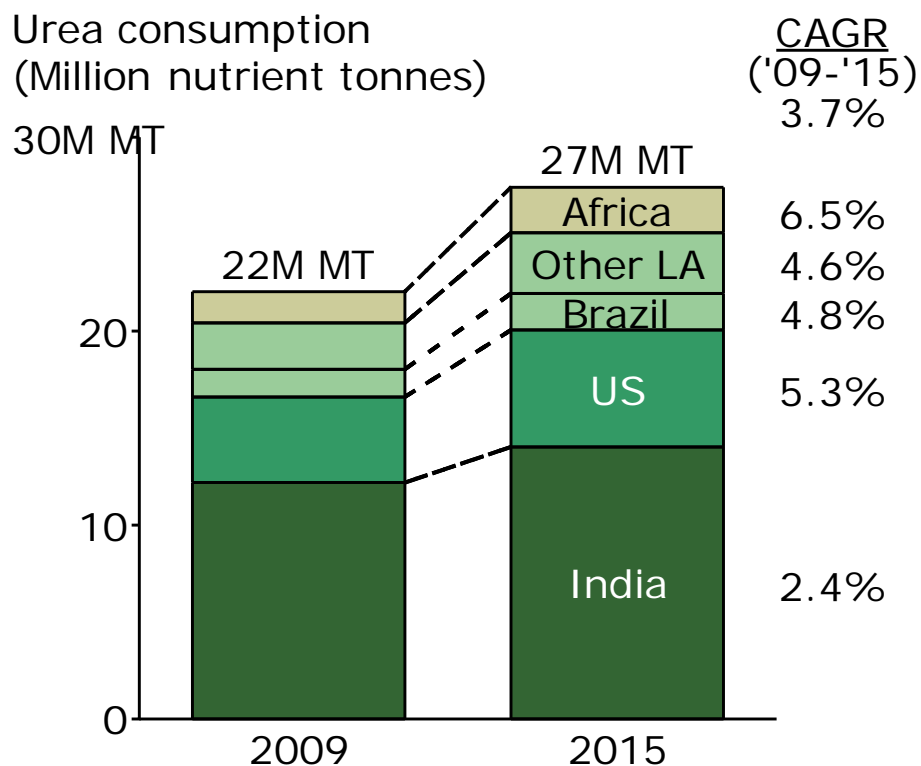


Note: Algeria production based on plant to be completed in 2011

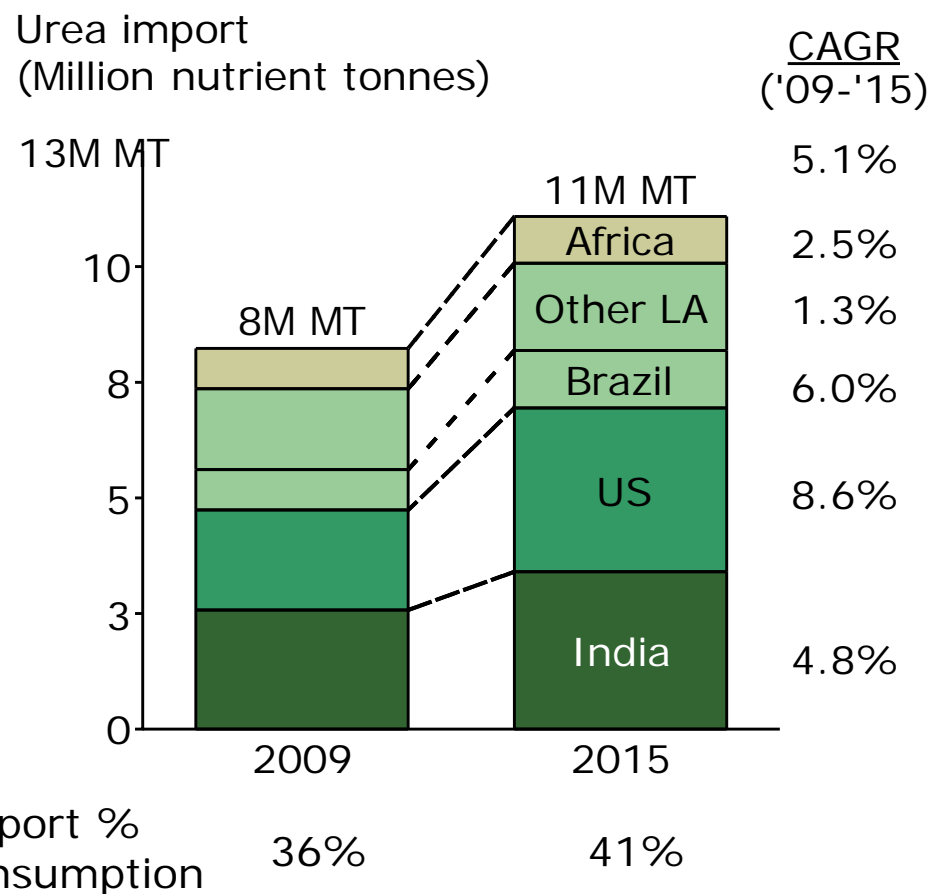
Source: Industry reports

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

Urea consumption (Key markets)



Urea imports (Key markets)

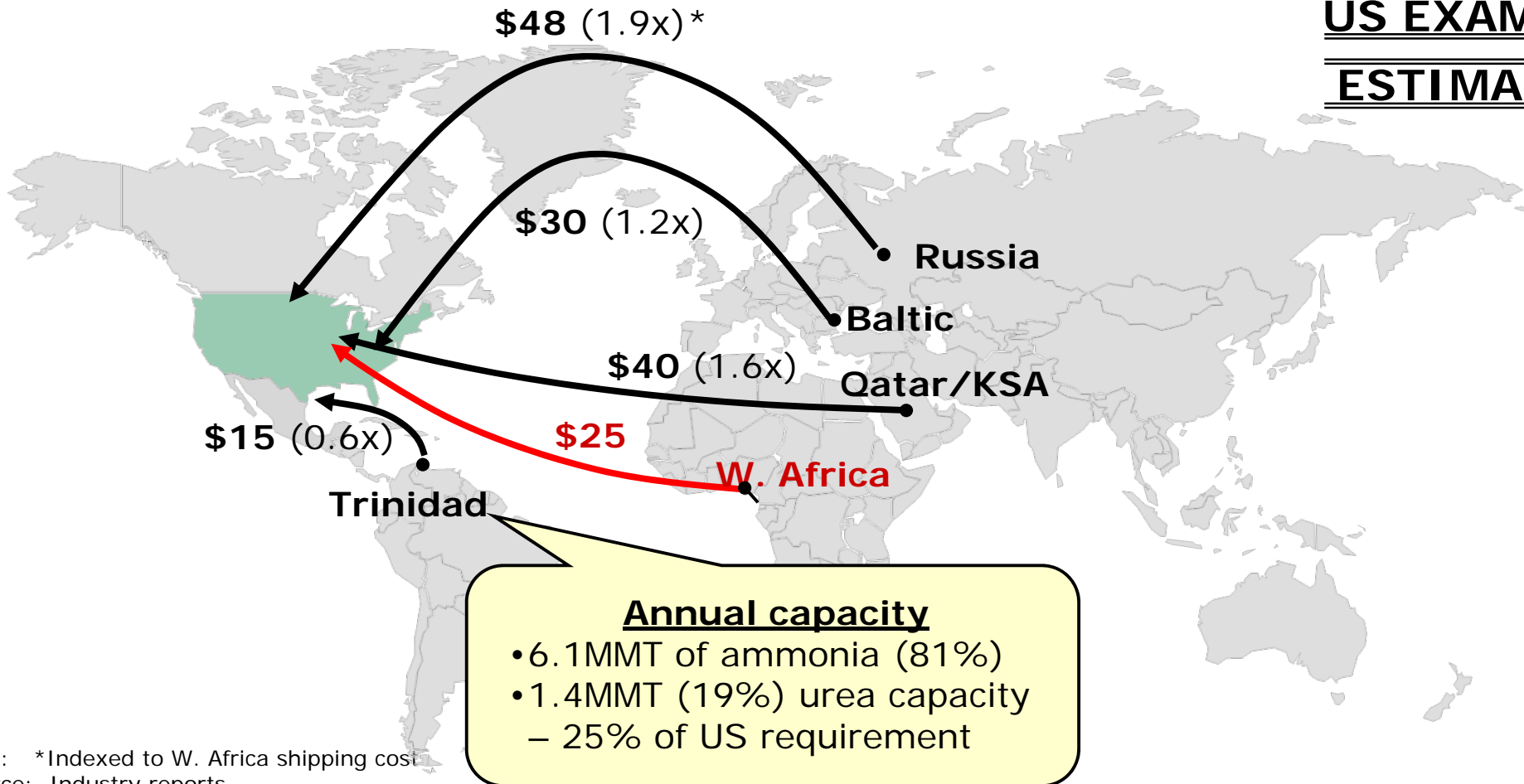


Source: Industry reports

Proximity to end markets reduces freight costs

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

**US EXAMPLE
ESTIMATES**



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

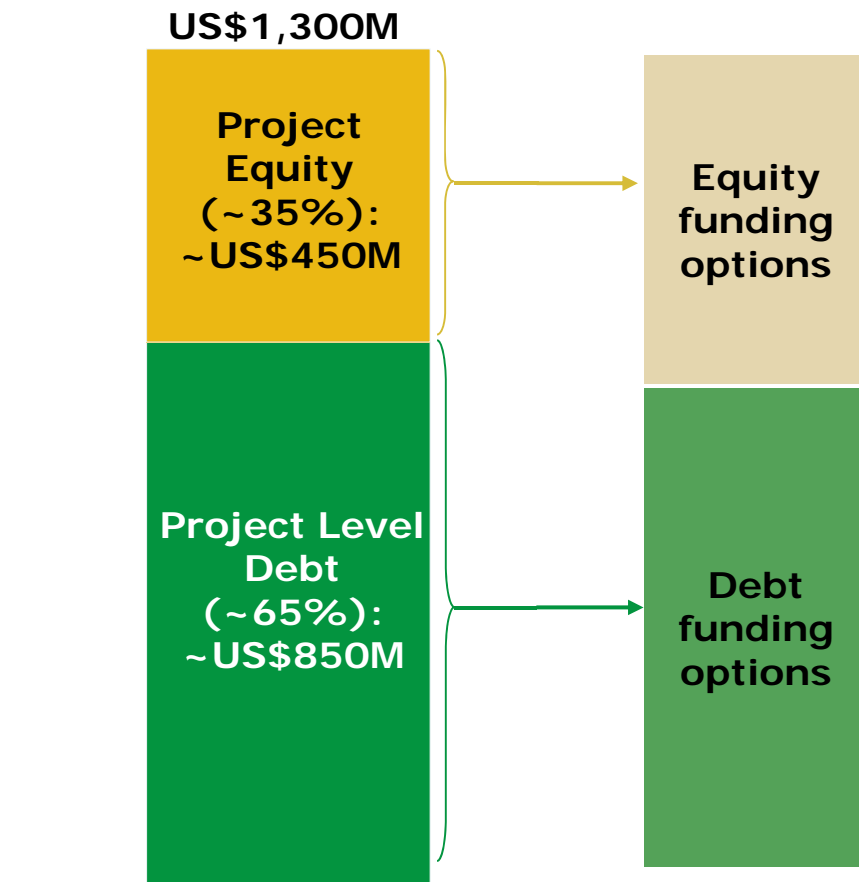
Key risks	Risk	Mitigation plan
	a Political & sovereign risks	<ul style="list-style-type: none">• Republic of Gabon will have 20% equity participation• Additional coverage through PRI and MIGA guarantees and contractual obligations with Republic of Gabon
	b Execution risks	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Several potential customers have expressed interest; more expected as production comes online• All available options to be evaluated in due course

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

Indicative funding structure of project

Preliminary Project funding structure



Estimated Total Project Cost

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
 - **Equity phased over 4 years:** 5% (FY11), 55% (FY12), 30% (FY13), 10% (FY14)
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- Debt likely to be raised on **non-recourse** basis
 - **Potential sources** include:
 - ECA lenders
 - DFIs & Multilaterals
 - International 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** and **limited recourse during construction**

Thank you

