



**Olam-RUSMOLCO Partnership
for Dairy and Grains Farming
in Russia**

**Analyst Conference Call
30 January 2012**

Cautionary note on forward-looking statements

This presentation may contain statements regarding the business of Olam International Limited ('Olam') and its subsidiaries ('Group') and RUSMOLCO Group and its subsidiaries ('RC') 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 and RC. 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.

Presentation outline

- ❖ Partnership and Investment Overview
- ❖ About RUSMOLCO
- ❖ Partnership Advantages
- ❖ Investment Rationale
- ❖ RUSMOLCO Expansion
- ❖ Financial Impact
- ❖ Q&A

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Partnership and investment overview

The Partnership

- ❖ Olam to invest up to **US\$75m for 75% stake in RUSMOLCO** through a combination of capital injection and purchase of shares from owners (Founder/Chairman and CEO) who will retain 25% stake

Investment Overview

- ❖ Investment is supported by large and growing local demand for dairy and comparative advantages in upstream farming in Russia
- ❖ **Additional CAPEX** of US\$320 million **to be committed by RUSMOLCO** over next 4-5 years in Phase 1 to expand from 7 to 11 dairy farms to reach a milking cow population of 20,000 heads and increase land under cultivation from 52,000 to 106,000 ha
- ❖ Operating cashflows from the business and attractive government incentives for the dairy sector effectively imply **NO further equity investment is required from Olam for the additional CAPEX**
- ❖ Currently there is 0% tax in Russia for dairy and agricultural activities and the same is expected to continue
- ❖ EBITDA margin of 35-40%; net margin of 15-20% and equity IRR of 28% achievable at steady-state in 2019
- ❖ Further expansion planned for Phase 2 over the subsequent 3 to 4 years to increase the milking cow population to 50,000 heads and to increase land under grains farming to 130,000 hectares

About RUSMOLCO

- ❖ Founded in 2007, RUSMOLCO is the largest raw milk producer in the Penza region with 7 dairy farms (7,200 heads of cattle including 3,600 milking cows) and land bank of 133,000 ha (106,000 are arable and 52,000 is currently cultivated for grains farming)
- ❖ RUSMOLCO was founded by promoter shareholder and Chairman Naum Babaev and run by CEO Rashid Khairov; both will hold a combined stake of 25% and retain their roles in RUSMOLCO
- ❖ Babaev brings strong local context and relations with regulatory authorities; RUSMOLCO has been eligible for, and a recipient of the applicable government incentives for dairy farming since its inception
- ❖ RUSMOLCO shares common aspirations with Olam in the development of dairy and grains farming in Russia and was seeking investors who could provide the capital, global reach and scale for expanding the business

About RUSMOLCO - Overview

Company: Russian Dairy Company

Animal husbandry, crop production

Founded in October 2007

Region - Penza 43 000 km² *

Land - 133 000 ha

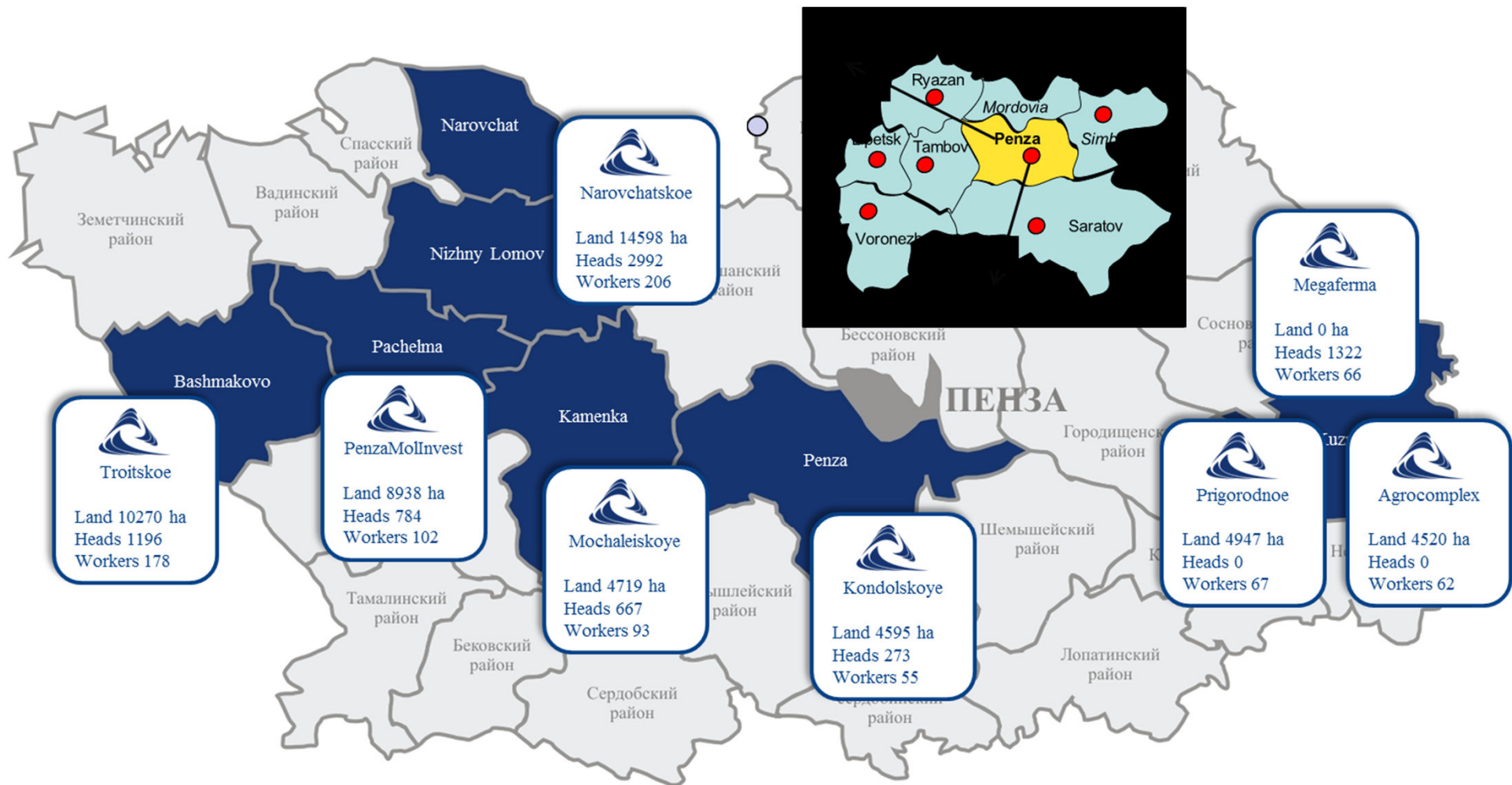
Livestock – 7 234 heads

Employees – 930



* Holland 41 500 km²

About RUSMOLCO – Farms / Land bank



About RUSMOLCO – Dairy specifications

Project Outline

Livestock	→	3 600 heads
Breed of Cattle	→	Holstein-Friesian
Built-On Area	→	44 ha
Milk Yield per Head	→	9 tons a year
Daily Production Output	→	85 tons
Annual Production Output	→	30 000 tons
Investments	→	RUR 1.6 bln.

About RUSMOLCO - Overview



Partnership advantages

The Olam Advantage

- ❖ Global supply chain network with competitive advantages in origination, distribution, marketing, and value-added processing and services
- ❖ Strong risk management systems and controls
- ❖ 18 years of operating experience in Russia in grains origination, domestic trading and exports, Cocoa, Coffee, Edible Nuts and Sugar imports and distribution
- ❖ Dairy farming and processing experience through NZFSU in Uruguay and Open Country Dairy in New Zealand
- ❖ Strong balance sheet and financial track record

The RUSMOLCO Advantage

- ❖ Ownership of large, secure land bank providing a strong platform for growth and for future expansion
- ❖ Existing dairy and grain farming operations with customer relationships
- ❖ Strategically located assets providing a logistical advantage
- ❖ Strong government relations mitigates regulatory risk
- ❖ Strong local context and operating experience mitigates execution risk

RUSMOLCO - Board & management

- ❖ RUSMOLCO Board to comprise of 7 Directors
- ❖ OLAM to appoint 5 Directors
- ❖ RUSMOLCO founder, Mr. Naum Babaev to continue as the Chairman of the Board
- ❖ Mr. Andrey Danilenko, Chairman of the National Dairy Producers Union in Russia appointed as Independent Director

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Strategy overview : Dairy

Olam's Dairy Strategy

Build **global leadership** by participating selectively in upstream dairy farming assets in low cost origins and midstream dairy processing assets which will strengthen our market position in the global dairy industry and significantly raise our margin profile

- ❖ Olam has invested in a 86% stake in NZFSU and its midstream processing assets including evaporated and condensed milk processing facilities in Cote d'Ivoire and a vegetable fat filled manufacturing operation in Malaysia
- ❖ Olam continues to pursue farming assets in low cost origins such as Russia and Ukraine

Why Russia for dairy farming?

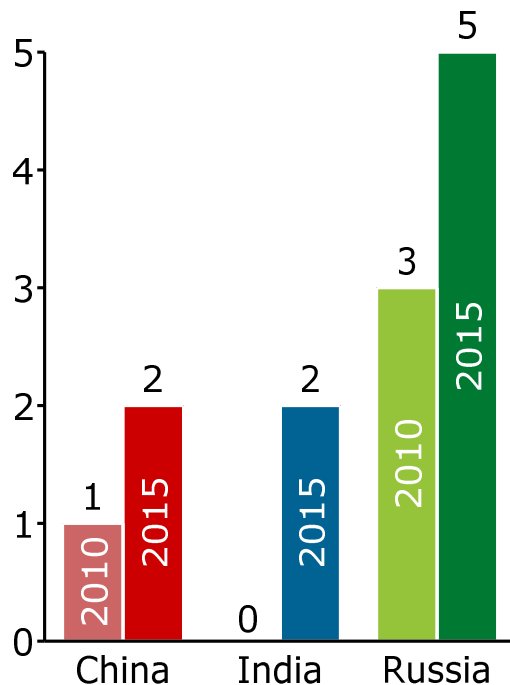
- ❖ Russia is one of the most attractive markets for upstream dairy farming
 - ❖ Large and growing demand for dairy and dairy-based products
 - ❖ Large demand/supply gap support high milk prices
 - ❖ Russian government import tariff structure designed to encourage local dairy investments
 - ❖ High demand for a modern, reliable and high quality milk producer especially by the FMCGs
 - ❖ Low feed costs due to availability of low cost land
 - ❖ Favourable government policies (via capital and interest subsidies) and increasing emphasis on enhancing local dairy productivity and output

Russia among the most attractive major markets for developing upstream dairy business

Large, growing demand for dairy

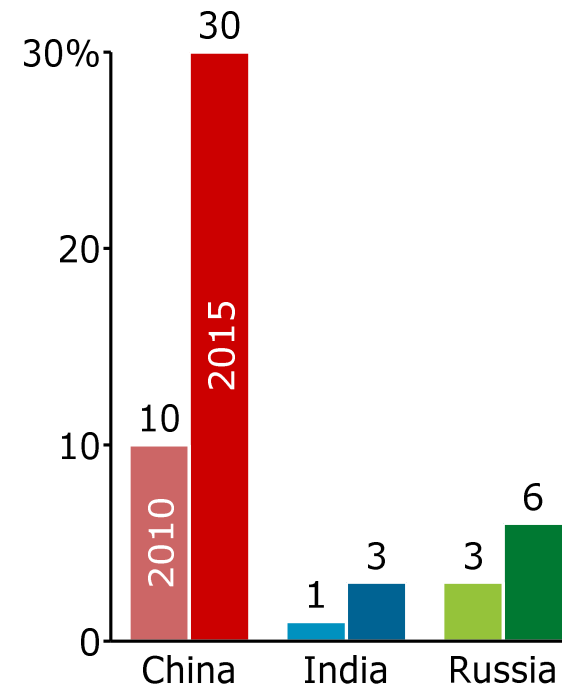
Scope for large-scale investments in modern dairy technology

Demand-supply gap (US\$ B)



Demand growth	14%	11%	10%
Supply growth	14%	11%	9%

Share of modern dairy sector (%)

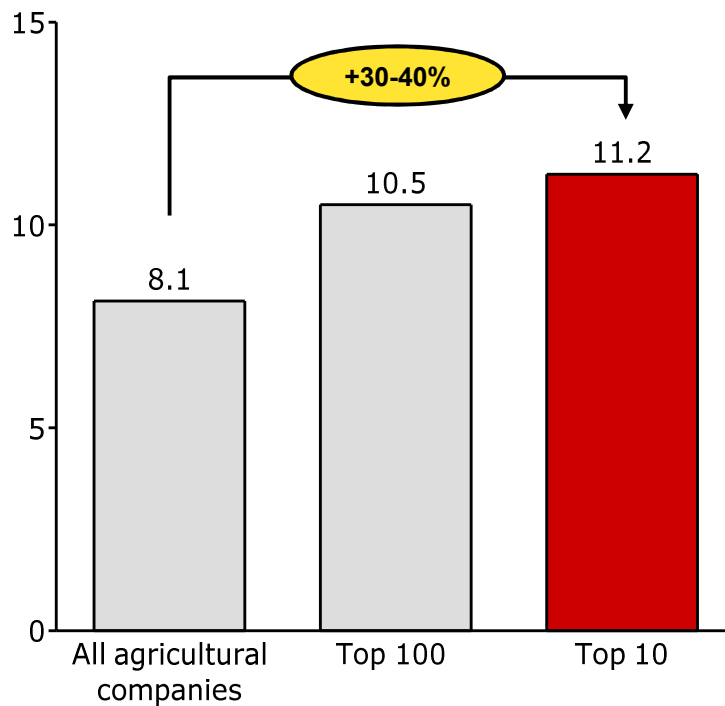


Share of co-ops	<1%	~40%	<1%
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Significant production efficiencies and economics from modern dairy farming practices

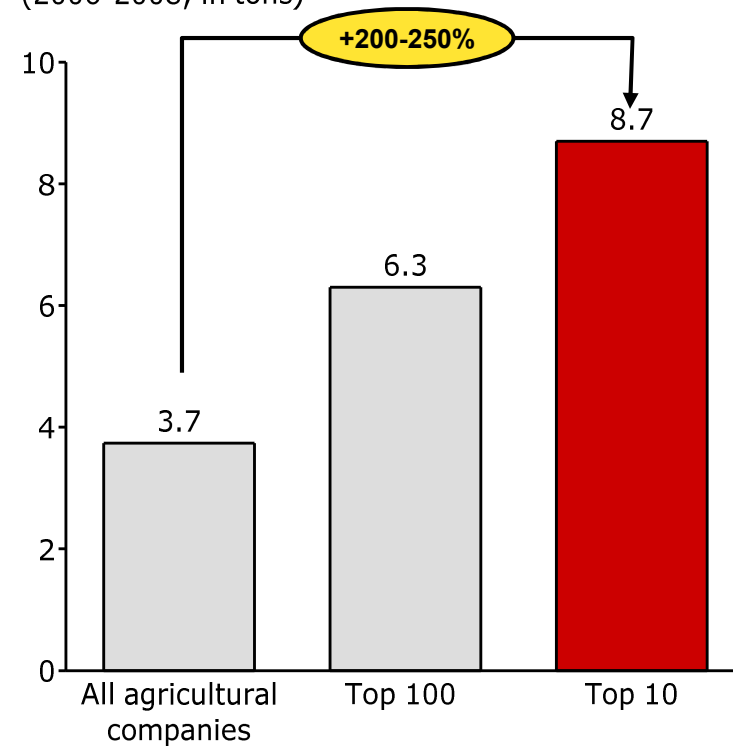
Milk selling price

Price for raw milk to farm
(2006-2008 average, in RUR per kg)



Yields per cow

Annual yield per cow
(2006-2008, in tons)



Note: 2006-2008 average data; *result of Russian agricultural census 2006
Source: Rosstat, Union of dairy enterprises

Strategy overview : Grains

Olam's Wheat Strategy

Build **regional leadership** by investing in a configuration of **port-based milling assets** in import dependent countries with growing wheat flour consumption

- ❖ Focus on Sub-Saharan Africa where per capita consumption of wheat flour is low but growing (4-5% p.a.)
- ❖ Achieve 5,000 MT per day or 1.5m MT annual wheat milling capacity in Sub-Saharan Africa by FY2016 and at least 10% regional market share
- ❖ Invest in upstream grains farming: (1) as a natural hedge against volatile input prices for the milling business, thus balancing the earnings contributions to the overall grains business; (2) to provide trading/marketing with first-hand market intelligence on crop quality and yield; (3) to achieve logistics synergies with additional volumes on top of origination, domestic and international trading volumes
- ❖ Choice of farming destination is determined by:
 - ❖ Cost of land
 - ❖ Yield potential
 - ❖ Logistics to port

Why Russia for grains farming?

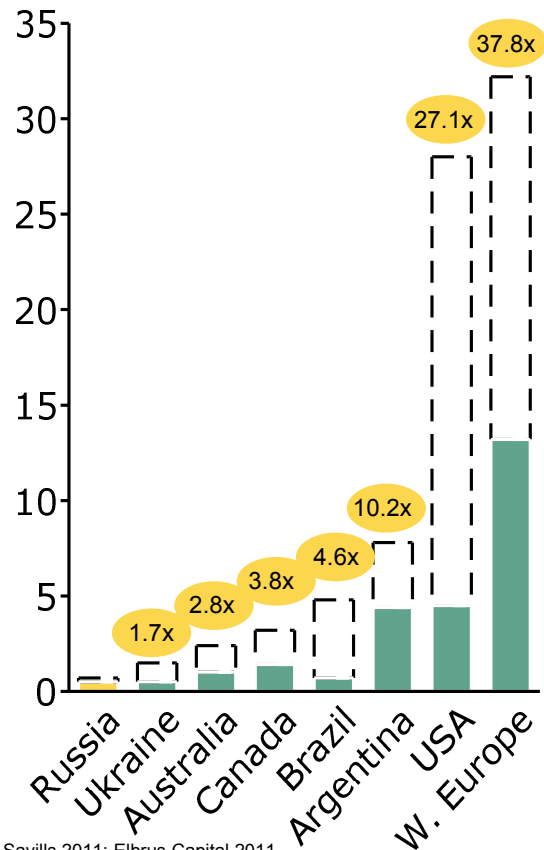
- ✿ Grains farming in Russia an attractive proposition due to:
 - ✿ Strong domestic and export demand
 - ✿ Significant comparative advantages in primary production
 - ✿ Arable land available at significantly lower cost compared to the US, Western Europe and Australia where average yield is only 2x the Russian average
 - ✿ Fertile soil and suitable climate conditions where drought is a 1-in-50 years event compared to more frequent droughts seen in the US and Australia
 - ✿ Well-developed and efficient inland and port logistics (costs lower than the next marginal producer) help support higher ex-farm prices

<i>(no. of 👍 in brackets)</i>	Low drought risk	High yield	Cheap land price	Conducive investment environment	Availability of large parcels
US & Europe (3)	👍	👍			👍
Australia (1)					👍
Russia (4)	👍		👍	👍	👍
India (1)			👍		
China (2)		👍	👍		

High Russian crop yields, relative to land price vis-à-vis Western Europe / US

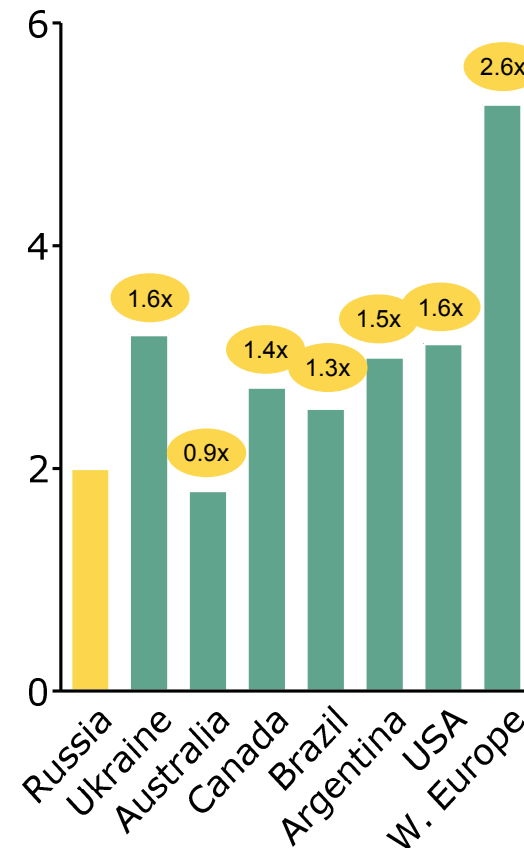
Exponentially higher land prices

Arable land price by country (US\$ / Ha)



Fractionally higher yields

Avg. wheat yield (ton/Ha)



Source: FAPRI; InvestAg Savills 2011; Elbrus Capital 2011

Strategic partnership fit

- ❖ Brownfield vs. Greenfield
 - ❖ Contiguous land parcels are less accessible; aggregation is a complex and arduous task
 - ❖ Greenfield investment will take us 3-4 years to reach RUSMOLCO's current state of development
 - ❖ Brownfield offers base infrastructure which can be expanded to include adjacent product opportunities, eg. sugar and dairy processing
- ❖ Russia's business environment, particularly the dairy industry, is highly regulated; local partnership is critical to the success of businesses
- ❖ RUSMOLCO has built a robust dairy platform, offering required farming knowledge and strong working relationships with regulatory authorities across various levels
- ❖ Olam can help scale to achieve full potential by investing in expansion, high quality farming equipment and implementation of modern dairy farming best-practices

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RUSMOLCO expansion – Phase 1

- ❖ Construction of 4 new confinement-based dairy farms, bringing the total milking cow population from the current 3,600 to 20,000 heads by 2017
- ❖ Expansion of area under cultivation from the current 52,000 to 106,000 ha by 2017: mix of winter (wheat) and summer crops (soy, corn, barley) and feed crop

	Current	Plan (FY2017)
Number of dairy farms	7	11
Number of milking cows	3,600	20,000
Milk Output (in kilo litres)	23,365	207,787
Total no. of hectares available for farming		
- Arable	106,000	106,000
- Dairy crops	12,000	35,000
- Marketed crops	40,000	71,000

- ❖ Higher yields achievable with better quality feed from own supply and higher feed proportional to yield increase and better livestock management practices
- ❖ Potential upside yield opportunities eg. upgraded herds with foreign cows not considered
- ❖ Overcome crop yield challenge with better management practices and technology as a result of our capital investments and partnership advantages

RUSMOLCO expansion – Phase 2

- ❖ Plans to further double the size of operation over the subsequent 3 to 4 years
- ❖ Expansion of area under grains cultivation from 106,000 ha to 130,000 ha
- ❖ Target to increase the milking cow population from 20,000 heads to 50,000 heads of cattle
- ❖ At steady state, RUSMOLCO will have an annual milk production of 500 million litres, making it the leading milk producer in Russia and amongst the top 10 private milk producers globally, as well as becoming a leading grains farming company

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Financial impact

- ❖ Olam's investment of up to US\$75Mn to be funded from internal accruals and borrowings
- ❖ Phase 1 incremental CAPEX investment of up to US\$320Mn to be self-funded by internal cashflows generated by RUSMOLCO and supported by the Russian government capital incentive programme – **No additional equity calls expected from Olam**
- ❖ Debt portion to be project financed
- ❖ Zero agricultural tax expected to continue but not assumed in our forecasts after terminal year
- ❖ At steady-state in 2019:
 - ❖ EBITDA margin of 35-40% and net margin of 15-20% in line with our upstream margin expectations
 - ❖ Equity IRR of 28%

Q & A

Thank You!

