Olam invests in greenfield Rubber plantations in Gabon

Analyst / Media presentation
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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.

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Investing in **upstream rubber plantations** is **aligned** with our **strategic plan**

Our governing objective is to maximise long term intrinsic value for our continuing shareholders

Pursue 3 key drivers: 1) Open up Capital Spreads (ROE-KE, ROIC-WACC); 2) Increase the Rate of Profitable Growth; and 3) Sustain duration of growth

Vision

To be the leading global supply chain manager and processor of agri-commodities by:

- **Serving growers and customers globally**
- **Pursuing select scalable & attractive niches in upstream (plantations/farming)** and mid-stream (value added processing)
- **Capitalising on our emerging markets expertise**

Goals

- Increase **Intrinsic Value by 3-4x** over the next two 3-year cycles. **NPAT** target **US$450 million** by **FY2015**
- Pursue profitable growth & improve margin structure (**NPAT margin ≥4%** by **2015**) by selective participation in attractive value chain adjacencies (upstream & mid-stream)
- Maintain financial and strategic flexibility for a wide range of economic scenarios (developing minimalist, balanced & unconstrained plans)
- Be widely recognised as a responsible and sustainable value creator

Strategic thrusts

Invest to achieve integrated value chain leadership	Selectively expand into attractive value chain adjacencies	Optimise and extract full value from core	Build on latent assets	Downsize/exit/ prune unattractive activities
Cocoa, Coffee, Edible Nuts, Spices & Vegetable Ingredients, Natural Fibres	Grains, Sugar, Rice, Dairy, Palm **& Rubber**	Sesame & Wood Products	Packaged Foods Business (PFB) in W. Africa, Commodity Financial Services (CFS), Agri-Inputs (fertiliser)	Select product origins and profit centres, eg. Pulses

Enablers

Excellence in execution

- Institutionalise Program Management capabilities
- Acquire capabilities in upstream plantation/ farm management & midstream VA processing
- Complexity management
- Scalable IT, Risk, Control & Compliance systems

M&A effectiveness

- Actively build M&A pipeline and develop prioritisation
- Deepen due diligence capabilities
- Institutionalise best-in-class integration practices

Capital efficacy

- Strengthen capital structure and build financial flexibility
- Continuously improve overhead and capital productivity

People & Values

- Continue to grow global talent pool
- Deepen entrepreneurial culture
- Continue to embed stretch and ambition
- Create ownership culture
- Build empowered teams

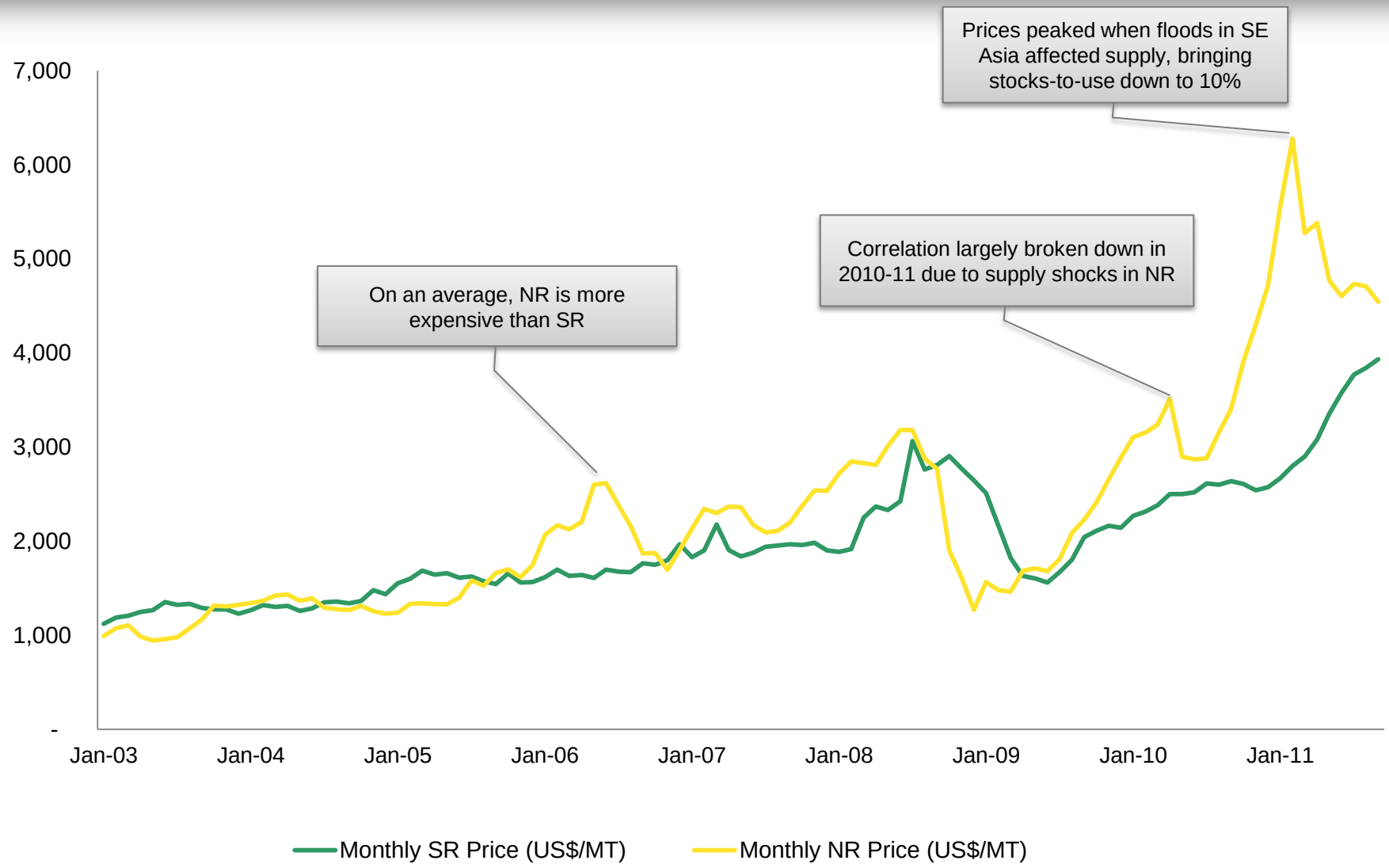
Highlights of the **Gabon rubber investment**

Investment overview	• **80/20 Joint venture between Olam and Republic of Gabon** for setting up rubber plantations; **28,000 hectares** to be developed in Phase 1. Additional 22,000 hectares planned in Phase 2 • **Planting** to start in **FY2013** with targeted **completion by FY2019** • Expected **average** yields of **2.0 to 2.2 tonnes per hectare**
Government commitment to support Rubber plantations	• Government commitment to the project demonstrated via **20% equity stake** • **Fiscal incentives** designed to encourage investments in greenfield rubber plantations
Investment and returns	• **Total investment of ~US$183M** to be spent over seven years; **Olam's equity share** is **80% or ~US$59M** • To be financed **on 1.5:1 Debt/Equity** ratio • Debt will be **project financed** • **EBITDA** of **US$155-160M** at steady state • **Equity IRR: 23%; RoE of 94%**

Industry Overview: Natural & Synthetic Rubbers

	Natural Rubber (NR)	Synthetic Rubber (SR)
Industry Size	$41 billion	$51 billion
Volumes	10.9 million tons	14.9 million tons
Historical Growth	4.1%	3.6%
Forecasted Growth	3.3%	2.9%
Share	39% in ‘00, 42% in ‘10, 43% in ‘20	61% in ‘00, 58% in ‘10, 57% in ‘20
Characteristics	High tensile strength, water resistance & low heat build-up, resistance to oxidation	Abrasion resistance, electrical insulation, heat & ageing resistance
Uses	**Tyres** ($28 Bn): Preferred in Heavy Commercial Vehicles and in cars **GRG** ($13 Bn): Medical industry, condoms & dip products, catheters, gloves etc	**Tyres** ($25 Bn): Preferred in passenger cars **GRG** ($26 Bn): Non-tyre automotive parts, construction, toys, sports, footwear, carpet underlay etc.
Largest Producers	Thailand, Indonesia & Malaysia	China, USA & Japan
Largest Consumers	China, USA, EU & India	China, USA, EU & India

Industry Overview: Natural (NR) & Synthetic (SR) Rubber Price trends



Industry Overview: Synthetic Rubber – Supply, Demand and Price Outlook

Historical (MMT)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	CAGR
Oil Production*	77	80	83	85	85	85	86	84	87	89	1.62%
SR Production	10.9	11.4	12.0	12.1	12.7	13.4	12.8	12.4	14.1	15.1	3.70%
SR Consumption	10.9	11.4	11.9	11.9	12.7	13.3	12.6	12.2	14.1	14.9	3.55%
Avg. Price ($/ton)	1,049	1,263	1,339	1,607	1,710	2,012	2,511	1,936	2,505	3,388	
Stocks	2.7	2.7	2.7	2.9	2.8	2.9	2.9	3.1	3.1	3.2	
Stocks-to-use	25%	24%	23%	24%	22%	22%	23%	25%	22%	22%	

Forecast (MMT)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	CAGR
SR Production	15.1	15.1	15.7	16.2	16.8	17.3	17.7	18.2	18.7	19.2	2.69%
SR Consumption	14.9	15.1	15.6	16.2	16.6	17.1	17.8	18.3	18.7	19.3	2.90%
Stocks	3.2	3.2	3.3	3.3	3.5	3.7	3.6	3.5	3.5	3.4	
Stocks-to-use	22%	21%	21%	21%	21%	22%	20%	19%	19%	18%	

* Million barrels per day; Sources: LMC, IRSG (2011) and Company Estimates

SR is not expected to negatively impact NR prices due to its supply constraint given less than 1.5% anticipated growth in crude oil production

Industry Overview: Natural Rubber – Supply, Demand and Price Outlook

Historical (MMT)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	CAGR
Area (M ha)	8.6	8.7	8.8	9	9.3	9.7	10.1	10.3	10.6	10.8	2.56%
Average Yield	1.18	1.25	1.28	1.28	1.36	1.38	1.33	1.3	1.38	1.40	1.92%
NR Production	7.4	8.0	8.7	8.9	9.8	9.9	10.1	9.7	10.4	11.0	4.48%
NR Consumption	7.6	8.1	8.7	9.2	9.7	10.2	10.2	9.3	10.8	10.9	4.11%
Avg Price ($/ton)	752	1,004	1,206	1,386	1,946	2,152	2,530	1,800	3,380	4,520	
Stocks	1.9	1.8	2.0	1.7	1.9	1.6	1.5	1.9	1.5	1.6	
Stocks-to-use	25%	22%	23%	19%	19%	15%	15%	20%	14%	14%	

Forecast (MMT)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	CAGR
NR Production	11.0	11.1	11.3	11.8	12.3	12.7	13.2	13.5	14.0	14.5	3.18%
NR Consumption	10.9	11.2	11.4	11.7	12.2	12.6	13.1	13.6	14.1	14.6	3.31%
Stocks	1.6	1.5	1.4	1.5	1.6	1.7	1.7	1.6	1.5	1.4	
Stocks-to-use	14%	13%	12%	12%	13%	13%	13%	12%	11%	10%	

Sources: LMC, IRSG (2011) and Company Estimates

Industry Overview: Demand Drivers

- Natural Rubber (NR) demand linked to **GDP growth**, driven by China & India (43% of total demand)
- The Auto industry accounts for ~70% of the NR demand
- HCV tyres which require **high proportion of NR** (75%) are posting strong growth led by infrastructure development in emerging economies thereby increasing the NR share of total consumption
- 25% of tyre demand comes from **Original Equipment** (OE) tyres and the remaining 75% from **Replacement** tyre demand
- **Safety regulations on tire replacement** of automobile tyres already in place in the West and expected to follow in India & China, thereby increasing the demand for replacement tyres
- Overall, natural rubber demand is **expected to grow at 3.3%** over the next decade mainly driven by growth in emerging economies

Industry Overview: Supply Drivers

- **Supply response is slow** due to long gestation. Increased tapping frequency & fertilizer application can enhance short term supply but at the cost of future yields
- **Weather disruptions** like heavy rain that impede tapping affect short-term supply, while drought can permanently damage the tree.
- **High prices discourage replanting** among smallholders, especially in Indonesia & Malaysia, as it interrupts cash flows. On the other hand, in large organized estates, these cash flows fund the replanting program
- New planting has been driven by **active government involvement** (ORRAF* support in Thailand, VRG-led in Vietnam). But availability of new land in these countries is becoming increasingly difficult
- Rubber is **losing area to Palm** in Malaysia & Indonesia due to its long gestation & rising labor costs.
- Yields in India, Thailand, Malaysia & Vietnam are high due to modern clones. Indonesian jungle rubber has low potential for yield improvement. World average yield is expected to grow from **1.38 to 1.63 tons/ha in 2020 @ 1.7% p.a**., down from 2% in 2000-10

* Official Rubber Replanting Aid Fund (Thailand)

Olam's Rubber Strategy

Highlights of Olam's Rubber **Strategy elements**

1. Greenfield Plantations

- Rubber is amongst the **leading internationally traded commodities** suited to corporate farming
- Upstream accounts for a **disproportionately higher share** of the rubber value chain **profits**
- **28,000 Ha** to be developed in Phase 1 in Gabon
- **Planting** to start in **FY2013** with targeted **completion by FY2019**
- Potential expansion of **additional 22,000 Ha** in Phase 2

2. Brownfield investment

- Potential to generate near **term cash flows** on account of **shorter gestation period**
- Target locations: **Laos / Cambodia / Indonesia/ West Africa**
- Laos / Cambodia offer **close-to-maturity plantations** at competitive prices
- West Africa offers the potential for **buyouts** of former state owned plantations

Highlights of Olam's Rubber **Strategy elements**

3. Supply Chain and Rubber Trading

- **Highly fragmented supplier base** (small holders account for ~85% of Asian production) provides an opportunity for Olam to participate as a supply chain manager
- Business model **aligned with Olam's core** supply chain skills
- Ability to **leverage** Olam's existing **infrastructure** and **local market expertise** in Asia (particularly in Indonesia / Thailand)
- **Higher margins** vis-à-vis other commodities as demand forecasted to outstrip supply

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4. SIFCA JV in West Africa

- Olam invested in **SIFCA**, West Africa's **largest rubber plantation owner and producer** with operations across Ivory Coast, Nigeria and Ghana
- The investment provided valuable **insights and local context** to Olam which significantly **reduces the execution risk** of the greenfield investment in Gabon

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Attractiveness of Rubber Plantations

- **Scalability**: Rubber plantations are suited to large scale corporate farming practices and provide significant economies of scale
- **Large & growing industry**: Rubber consumption is growing by ~1 million tons/annum. Natural Rubber accounts for ~45%
- **Lower agronomy risk**: Rubber trees are sturdy, deep-rooted and are less affected by major pest infestations, disease outbreaks
- **Late mover advantage**: Late entrants have the advantage of using superior clones for planting that provide a higher yield potential
- Rubber is actively traded on TOCOM, SICOM and SFE, thus providing **liquidity** and **ability to hedge price risk**
- **Large size of prize**: Rubber plantations provide an opportunity for large sized earnings with the ease of operating in single locations and attractive returns

Why Gabon?

- **Large landbanks** – Gabon provides the option to secure a large contiguous landbanks in an ideal agronomic zone suited to rubber plantations
- **Local Community impact** – The project will generate sizeable employment in the region and provide housing and infrastructure development
- **Active Government support** – The Government holds a 20% stake in the project and is encouraging non-oil investments in Gabon via fiscal incentives
- **Higher Yields** – Ideal agronomic conditions, use of modern clones and proper upkeep can generate average yields of 2.0-2.2 tons/ha. Peak yields of 3 tons/ha have been achieved in the region
- **Competency sharing** – The project can leverage Olam's existing operations and infrastructure in Gabon across Palm, Timber and Fertiliser, significantly reducing execution risk
- **Lower pilferage risk** – Due to limited presence of small holders in rubber cultivation in the region and limited competition pilferage is expected to be much lower vis-à-vis Asia and other parts of West Africa

Thank You