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## NEWS RELEASE

### **OLAM TO SCALE UP INVESTMENTS IN RUBBER THROUGH A JOINT VENTURE WITH THE GOVERNMENT OF REPUBLIC OF GABON INVESTING US\$183 M IN LARGE SCALE RUBBER PLANTATIONS**

*Singapore, March 19, 2012* – Olam International Limited (“Olam” or “the Company”), a leading global, integrated supply chain manager and processor of agricultural products and food ingredients, today announced that the Company intends to partner with the Government of the Republic of Gabon (“RoG”) to develop 28,000 hectares of rubber plantations in Gabon in Phase I. The total investment amount is estimated at US\$183 million. Olam will hold an 80% interest in the joint venture company (“JV”), and the remaining 20% will be held by RoG. Based on the progress in Phase I, the JV plans to develop an additional 22,000 hectares in Phase II taking the total plantings to 50,000 hectares making it one of the largest plantations in Africa.

Olam’s Senior Vice President and Head of Rubber, Ashish Govil said: “One of the key thrusts of our long term strategy is to selectively invest in upstream plantations in countries that enjoy a long term sustainable competitive advantage in the production of agricultural raw materials. The largest part of the profit pool in the rubber value chain (about 75%) is domiciled in upstream plantations. We believe Gabon is one of the most competitive locations for rubber plantations given the availability of land, suitable soil and agro-climatic conditions, superior yields and the long term support and fiscal incentives provided by RoG for pioneering projects of this nature and scale.”

The Gabonese minister in charge of Promotion of Investments, Magloire Ngambia said: “This new project is an example of the partnerships sought by the government of Gabon and is coherent with the strategy of development of **Gabon Emergent**. The development of these 28,000 hectares of rubber plantations in partnership with Olam corresponds to our willingness to diversify our economy with a focus on real value addition in Gabon. This added value is present both in the construction of a processing plant that responds to our ambition to industrialise our economy and at the level of the socio-economic impacts of this project. Eventually, more than 6,000 direct jobs and



5,000 indirect jobs will be created, with support from a training program provided by Olam for the skilled positions needed at the plantations and the plant. It is therefore for us, a project that is in line with our plan for development of rural areas and makes Gabon an emerging country by 2025."

Planting is expected to commence by FY2013 and be completed by FY2019. The plantation is expected to achieve an average yield between 2.0 and 2.2 tonnes per hectare. The investment includes setting up a processing unit with a capacity to process 225 tonnes per day of rubber cup lumps. At full maturity, the project will generate annual volumes of approximately 62,000 tonnes of dry rubber. The rubber products will be exported to the tyre and general rubber goods industries worldwide.

### **Investment Rationale and Strategic Fit**

Rubber is a significant agricultural commodity and is amongst the top four agricultural commodities in global trade by value. Global rubber consumption is approximately 26 million tonnes of which the share of natural rubber has been steadily increasing from 39% to 43% over the last decade. This has been primarily due to the growing consumption of natural rubber in the heavy commercial vehicle tyre industry, which has seen significant demand growth on the back of above trend GDP growth in the developing and transition economies, particularly in China and India.

The growth in natural rubber consumption is highly correlated with world GDP growth and is expected to grow at approximately 3.3% over the next decade with emerging economies growing at a faster rate and driving rubber demand. With yield improvements insufficient to cater to the increased demand expected over the coming decade, the gap will need to be met by an additional area of over 1,000,000 hectares, estimated at 10% of the world planted area, to be planted over the next five years. As new acreage from the traditional rubber growing regions in Malaysia, Indonesia, Thailand and India is increasingly scarce, growth is expected to come from Vietnam, Cambodia, Laos, Myanmar and West Africa. In West Africa, rubber yields have crossed 2.0 tonnes per hectare, exceeding Asia's yields. Olam has therefore chosen to focus on West Africa where contiguous land bank is available for setting up corporate scale rubber plantations.



Rubber is one of the six growth businesses identified by Olam in its strategic plan with a target to build regional leadership position by selectively integrating into attractive value chain adjacencies.

Olam's rubber strategy is anchored around four cores, (a) investing in upstream greenfield rubber plantations in West Africa; (b) generating near term scale and returns via acquisition of brownfield plantations in Asia; (c) extending the core supply chain platform to rubber and participating in origination and rubber trading in main producing countries like Indonesia and Thailand; and (d) leveraging on its investment in SIFCA which is the largest owner of rubber plantations in Cote D'Ivoire, Ghana and Nigeria, in order to reduce the execution risk of greenfield investments in Gabon. This multi-pronged strategy will help build a portfolio of assets spread across geographies, locations, value chain segments and time horizons in order to diversify risk and generate stable cash flows over time.

Olam believes that the rubber investment opportunity in Gabon meets all key success criteria for participation in upstream rubber plantations with potential for excess returns. The key success criteria are:

- 1 **Land availability and suitability.** Gabon is able to offer contiguous land parcels in suitable agronomic zones for planting rubber. The JV has been allocated suitable land parcels for the first phase of this project.
- 2 **Cost competitiveness:** The project is expected to be competitive in terms of unit production costs due to low land costs, higher yields and lower inflationary pressures compared to its Asian counterparts. The project also benefits from government fiscal incentives that are provided to support sustainable agricultural development and to promote rubber cultivation as a key lever of economic development in Gabon.
- 3 **Environmental & social sustainability.** Olam is currently conducting a comprehensive Environmental and Social Impact Assessment (ESIA) on site. This includes full High Conservation Values (HCVs) assessments to ensure the identification and protection of recognised conservation areas. A detailed social engagement process is being undertaken with the communities through the Free Prior and Informed Consent (FPIC) process.



- 4 **Plantation management expertise:** Olam has over time accumulated significant expertise in managing plantations and farming activities through its various upstream investments in Palm, Almonds, Coffee, Cashew, Grains, Rice and Wood products. Olam already has investments in SIFCA which runs one of the best managed rubber plantations in West Africa. Olam is acquiring significant local agronomy expertise in setting up its palm plantations in Gabon which would help in setting up this new rubber plantation.
  
- 5 **Execution expertise in Gabon:** The Company has acquired and demonstrated significant execution capability in Gabon through the Special Economic Zone project. Gabon is also the centre for considerable project management, infrastructure development and technical expertise on account of various projects underway including the fertiliser manufacturing, wood processing facilities and palm plantations. These skills significantly improve execution capability for this project. Olam also expects to achieve synergies in costs, skills and infrastructure through its deeply embedded presence in Gabon.

### **Financial Impact**

The planting will be phased over seven years from FY2013. The project will be financed through a debt/equity ratio of 1.5:1. Olam's equity investment is therefore expected to be US\$59 million. The debt portion will be project financed. The project is expected to achieve an EBITDA of about US\$155-160 million at steady state, Equity IRR of 23% and steady state ROE of 94%.

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### **Note:**

*This release should be read and understood only in conjunction with the Olam International Limited's presentation slides on the same subject lodged on SGXNET on March 19, 2012.*



### **About Olam International Limited**

*Olam International is a leading global integrated supply chain manager and processor of agricultural products and food ingredients, sourcing 20 products with a direct presence in 65 countries and supplying them to over 11,600 customers. With direct sourcing and processing in most major producing countries for its various products, Olam has built a global leadership position in many of its businesses, including cocoa, coffee, cashew, sesame, rice, cotton and wood products. Headquartered in Singapore and listed on the SGX-ST on February 11, 2005, Olam currently ranks among the top 40 largest listed companies in Singapore in terms of market capitalisation and is a component stock in the Straits Times Index (STI), MSCI Singapore Free, S&P Agribusiness Index and the DAXglobal Agribusiness Index. Olam is the only Singapore firm to be named in the 2009 and 2010 Forbes Asia Fabulous 50, an annual list of 50 big-cap and most profitable firms in the region. It is also the first and only Singapore company to be named in the 2009 lists for the Global Top Companies for Leaders and the Top Companies for Leaders in the Asia Pacific region by Hewitt Associates, the RBL Group and Fortune. More information on Olam can be found at [www.olamonline.com](http://www.olamonline.com).*

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