

IOI CORPORATION BERHAD ("IOIC" OR THE "COMPANY")

PROPOSED ACQUISITION OF CREMER OLEO GMBH & CO KG'S OLEOCHEMICAL BUSINESS IN GERMANY FOR A TOTAL PURCHASE CONSIDERATION OF EUR89.4 MILLION (EQUIVALENT TO APPROXIMATELY RM433.3 MILLION)

1. INTRODUCTION

The Board of Directors of IOIC ("**Board**") wishes to announce that its indirect wholly owned subsidiary, Alstersee 217. V V GmbH (to be renamed as IOI Oleo GmbH in the future) ("**Purchaser**") had on 9 September 2015 entered into a conditional asset purchase agreement ("**APA**") with Cremer Oleo GmbH & Co KG ("**Cremer**" or "**Vendor**") to acquire Cremer's entire oleochemicals business ("**Assets**") in Germany for a total purchase consideration of EUR89.4 million (equivalent to approximately RM433.3 million based on the exchange rate of RM4.8459 : EUR1.00) ("**Purchase Consideration**"), subject to the terms and conditions contained in the APA ("**Proposed Acquisition**"). The Purchase Consideration shall be fully settled by cash.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Pursuant to the APA, the Vendor shall transfer Assets to the Purchaser which includes all tangible fixed assets, inventory, trade receivables, intellectual property rights, know-how, books and records pertaining to the oleochemicals business, permits, hereditary building right and real estate, assumed contracts, employees attributable to the oleochemicals business and its liabilities related thereto as well as, a transitional services agreement to be entered into with the Purchaser, so that as of the Closing Date (as defined in Section 3.2 of this announcement), the Purchaser will be able to continue the oleochemicals business in the same manner as it was conducted before.

The Vendor's oleochemical business' production facilities is located at two (2) locations, namely at Arthur-Imhausen-Strasse 92, D-58453 Witten, Germany ("**Witten Site**") and Zur Hafenspitze 15, 19322 Wittenberge Germany ("**Wittenberge Site**").

The production plant in Witten offers a broad array of mostly branded oleochemical specialty products for the pharmaceutical, cosmetic, food and performance chemicals markets worldwide. The Wittenberge plant provides high performance capacities for esterification with multi-step short-path distillation, distillation and fractionation of fatty acids and production of medium-chain triglycerides. Both plants combined offer a processing capacity of approximately 39,200 metric tonnes per annum.

2.2 Details of the real estates comprised in the Assets are as follows:-

<u>Name</u>	<u>Location</u>	<u>Existing use</u>	<u>Approximate area (square metres)</u>	<u>Average age of building</u>	<u>Status of land tenure</u>
Witten Site	Arthur-Imhausen-Strasse 92, D-58453 Witten, Germany	Production complex for specialty esters	24,000	> 25 years	i. Leasehold right granted by Evonik Real Estate GmbH & Co KG ("Evonik") for an unlimited period of time/in perpetuity ii. Two (2) hereditary building rights granted by Evonik for an unlimited period of time/in perpetuity
Wittenberge Site	Zur Hafenspitze 15, 19322 Wittenberge, Germany	Production complex for fatty esters, specialty esters and oleochemicals	60,000	~ 15 years	Freehold ownership/rights

No independent valuation was carried out on the real estates. The real estates are free from encumbrances.

The sale and transfer of the real estates will be effected by way of a hereditary building right purchase agreement (for Witten Site) and a real estate purchase agreement (for Wittenberge Site), to be executed between the Vendor and the Purchaser.

2.3 The net book value of the Assets (net of liabilities) based on the latest audited financial statements for the financial year ended 31 December 2014 was EUR90.3 million.

3. SALIENT TERMS OF THE APA

3.1 The Proposed Acquisition is subject to the following conditions precedent:-

- (i) Merger control approval or clearance from the German Antitrust Authority, and/or any other national or supranational antitrust authority;
- (ii) Waiver by the landowner of Witten Site, Evonik, of its pre-emption right with respect to the hereditary building right relating to Witten Site, and approval of the transfer of the hereditary building right and assignment of the hereditary building right agreements to the Purchaser;
- (iii) Consent by Evonik to the transfer of the framework agreement including its amendment (for infrastructure, utility services etc.) from Vendor to Purchaser, and Vendor has notified Evonik of the transfer of the lease agreement including its amendment, the infrastructure agreement and both term sheets under the framework agreement, all in relation to the Witten Site, from the Vendor to the Purchaser;
- (iv) Approval by City of Wittenberge to the transfer of the Wittenberge Site to the Purchaser and waiver of pre-emption right and withdrawal right with respect to the Wittenberge Site;
- (v) A priority notice in respect of the hereditary building right relating to the Witten Site has been registered at the land register in favour of the Purchaser;
- (vi) The priority notice in respect of the Wittenberge Site registered in favour of the City of Wittenberge at the land register has been deleted, as confirmed in writing by the Vendor to the Purchaser, or the Vendor has obtained a notarial certified consent of the City of Wittenberge to delete the said priority notice;
- (vii) A priority notice in respect of the Wittenberge Site has been registered at the land register in favour of the Purchaser;
- (viii) The statutory limitation for filing an objection (pursuant to German law) has expired, and no more than 20% of the transferring employees have objected to the transfer of their employment relationship to the Purchaser;
- (ix) Vendor has confirmed in writing that the insurers and pension funds have consented to the Vendor's assignment to the Purchaser of the pension funds and obligations with regards to provision of pensions, and any consent of the respective transferring employees or any other third party has been obtained;

- (x) Vendor has confirmed in writing that no works council has filed a law suit or an injunction seeking to prevent the transactions under the APA including the separation of the oleochemicals business from the Vendor's other activities in court, and if filed, must have been finally dismissed, withdrawn or settled;
- (xi) Approval by Investitions-und Landesbank Brandenburg to the transfer of the public investment grants for the Wittenberge Site to the Purchaser;
- (xii) No material adverse change has occurred with a value of an aggregate amount of at least EUR15 million; and
- (xiii) Approval from Bank Negara Malaysia.

Either party may withdraw by notifying the other party if not all of the conditions precedent (except condition precedent (xii)) are fulfilled or waived at the latest within eight (8) months after the signing of the APA or such other date as mutually agreed in writing between the parties, unless or for as long as the party claiming such withdrawal is responsible for the non-fulfillment or delay of the relevant conditions precedent.

- 3.2 The completion of the Proposed Acquisition ("**Closing Date**") shall take place fifteen (15) business days after the last of the conditions precedent has been fulfilled, subject to any mutual waiver by the parties.
- 3.3 The Purchase Consideration shall be payable in full on the Closing Date. The Purchase Consideration shall be subject to price adjustments on the Closing Date for unfunded pension liabilities, working capital, provisions relating to employment relationships of transferred employees and any material adverse change occurring (if any) with a value of an aggregate amount of at least EUR3 million with respect to either the Witten Site and/or Wittenberge Site respectively.

4. **BASIS OF ARRIVING AT THE PURCHASE CONSIDERATION**

The Purchase Consideration for the Proposed Acquisition was arrived at on a willing buyer-willing seller basis based on the following:-

- (a) For the Witten Site, the fixed and intangible assets valuation is based on an EBITDA multiple from the audited financial statements for the financial year ended 31 December 2014 plus the latest available book value of inventories, trade receivables and deducting retirement benefits and other employee related provisions; and
- (b) For the Wittenberge Site, the fixed and intangible assets valuation is based on the adjusted net book value from the audited financial statements for the financial year ended 31 December 2014 plus the latest available book value of inventories, trade receivables and deducting employee related provisions.

5. INFORMATION ON THE PURCHASER

The Purchaser is a private limited company incorporated on 30 June 2015 and organised under the laws of Germany and is registered in Hamburg under registration number HRB 137583. Its issued and paid up share capital is 25,000 shares of EUR1.00 each. The Purchaser is currently a dormant company. The Purchaser is a wholly owned indirect subsidiary of IOI Oleochemical Industries Berhad, which in turn is a wholly owned subsidiary of IOIC.

6. INFORMATION ON THE VENDOR

Founded by Peter Cremer in 1946, the company has been family-run ever since. It is now managed by the second generation with Stefan Cremer as the managing partner, who leads the company together with Dr Ullrich Wegner. Today, CREMER comprises a large number of companies all over the world. The headquarters in Hamburg co-ordinate the international network for the group's activities in the segments of trade, production, oleochemicals and shipping.

CREMER has been actively involved in the production and distribution of basic oleochemical products since the 1970s. The combination of a global presence in over 30 countries, many years of expertise and experience in demand-oriented procurement of raw materials, and worldwide logistics makes CREMER a dependable and powerful partner for this industry segment on every continent.

(Source: Extracted from <http://www.cremer.de/web/content/6974/Cremer/Company>)

7. SOURCE OF FUNDING

The Purchase Consideration will be funded through internally generated funds and/or bank borrowings.

8. LIABILITIES TO BE ASSUMED

No liabilities are to be assumed by the Purchaser arising from the Proposed Acquisition.

9. RATIONALE AND PROSPECTS

IOIC Group's oleochemicals division is one of the leading oleochemical producers in the world. The Proposed Acquisition represents a timely and synergistic opportunity for the Group to move further up the value chain with an investment in more specialised downstream oleochemical manufacturing business which has two (2) production plants and an established customer base comprising a number of multinational and large European companies.

The Proposed Acquisition will enable the Group's oleochemicals division to expand into a new product range to serve the higher margin but difficult to

penetrate pharmaceutical, cosmetic, food and performance chemicals markets worldwide. It will also establish new production sites in the centre of the European Union ("EU"), taking advantage of close proximity to key markets in Western Europe and emerging ones in Eastern Europe. In addition, this also mitigates the increased import tariff on Malaysian oleochemical products into EU post Generalised Scheme of Preferences (GSP) withdrawal in 2014.

Lastly, the Proposed Acquisition will enable the transfer of advanced technical, research and development, application development and process know-how back to Malaysia and benefiting the existing oleochemical production sites within the Group's oleochemicals division.

10. RISK FACTORS

The demand for oleochemicals is dependent on the overall growth of the manufacturing and retail industries and the inherent risks in these respective industries include changes in general economic conditions, shortage of raw materials, inflation and changes in business conditions.

The Group's oleochemicals business is subject to various laws, regulations and rules relating to the environment, health and safety operating policies. Any failure to comply with the laws and regulations could have an impact on the Group's oleochemicals business, financial condition, results of operations and prospects.

The Proposed Acquisition represents an entry into a new market for the Group's oleochemicals business and as such, the Group's oleochemicals business is exposed to the economic, political, legislative, regulatory, taxation and other developments that may adversely affect the Group's investment in Germany as well as competition from low cost producers. In addition, any adverse fluctuations in the exchange rate between the Ringgit and Euro could materially affect the Group's oleochemicals business, financial condition, results of operations and prospects.

11. EFFECTS OF THE PROPOSED ACQUISITION

11.1 Issued and paid-up share capital and substantial shareholders' shareholdings

The Proposed Acquisition will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of IOIC as it does not involve any issuance of new shares in IOIC.

11.2 Earnings and Earnings Per Share ("EPS")

The Proposed Acquisition is not expected to have a material effect on the earnings and EPS of IOIC Group for the financial year ending 30 June 2016. However, the Proposed Acquisition is expected to contribute positively to the future earnings of IOIC Group.

11.3 Net Assets ("NA") and gearing

The Proposed Acquisition is not expected to have a material effect on the NA of IOIC Group for the financial year ending 30 June 2016.

The Proposed Acquisition will be partly funded by bank borrowings and as such, is expected to have an incremental effect on the gearing of IOIC Group for the financial year ending 30 June 2016.

12. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to paragraph 10.02 (g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") is 8.57%. The ratio indicates that the transaction does not require the approval of the shareholders of IOIC but requires an announcement on the Proposed Acquisition to be made to Bursa Securities.

13. DIRECTORS' AND/OR MAJOR SHAREHOLDERS' INTERESTS AND/OR PERSON(S) CONNECTED

None of the Directors and/or major shareholders of IOIC and /or persons connected to them has any interest, direct or indirect in the Proposed Acquisition.

14. APPROVALS REQUIRED

The Proposed Acquisition is not subject to the approval of the shareholders of IOIC.

However, the Proposed Acquisition is subject to the approvals/consent to be obtained under Section 3.1 of this announcement.

15. EXPECTED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the fulfillment of all conditions precedent stated in the APA, the Proposed Acquisition is expected to be completed by the first quarter of calendar year 2016.

16. STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of IOIC, after having considered the rationale and prospects for the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of IOIC Group.

17. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the APA may be inspected at the registered office of the Company at Two IOI Square, IOI Resort, 62502 Putrajaya, Malaysia during normal office hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 10 September 2015.