

## **NEWS RELEASE**

### **OLAM REPORTS 55% GROWTH IN INTERIM NET PROFITS TO S\$22.6 MILLION**

- **Growth driven by revenue & volume growth and improving margins across all four product segments.**

#### ***Financial Highlights for Half-Year ended December 31, 2004 ("1H FY2005):***

- ***Sales volume grew 21% to 1.19 million metric tons***
- ***Sales revenue increased by 39% to S\$1.46 billion***
- ***Gross Contribution grew by 35% to S\$94.5 million***
- ***Net Contribution grew by 32% to S\$72.3 million***
- ***EPS improved by 29% to 4.22 cents from 3.27 cents***

#### ***Compared to 1H FY2004.***

*Singapore, March 8, 2005* - In its maiden results announcement, Olam International Limited, a leading global integrated supply chain manager of agricultural products and food ingredients, reported a set of strong financial numbers for the half-year ended December 31, 2004 ("1H FY2005").

Net profit for 1H FY2005 grew by a robust 55% to S\$22.6 million on the back of a 39% increase in total revenue of S\$1.46 billion compared to 1H FY2004. This was derived from total sales volume of 1.19 million metric tons which was 21% higher than the 983,031 metric tons achieved during the previous corresponding period. Growth in revenues and volumes have come from a combination of pursuing profitable organic growth by expanding into adjacent business opportunities which share customers, channels, costs and capabilities with its existing businesses in terms of new products (example, expanding into almonds & hazelnuts in the Edible Nuts segment, expanding

into Arabica coffees in the Confectionery and Beverage Ingredient segment) and geographic expansion initiatives (example, China, Brazil, Russia).

Gross Contribution (“GC”)\* improved by 35% to S\$94.5 million while Net Contribution (“NC”)\*\* grew 32% to S\$72.3 million. On a per ton basis, GC increased to S\$80 in 1H FY2005 compared to S\$71 in 1H FY2004. NC per ton rose from S\$56 to S\$61 during this same period. Part of the contributing factors for this improving return is structural in nature, resulting from the Group’s investments in providing value added customer solutions and services, including vendor managed inventory services (“VMI”), providing customized grades and qualities, tailoring risk management solutions, supplying organically certified produce, and supplying fair trade practice (“FTP”) produce to its customers. The Group is beginning to realize scale economies and extracting operating leverage from its network of subsidiaries in various origins (producing countries) and markets.

Said Mr. Sunny Verghese, Olam’s Group Managing Director and CEO, “With our strategic focus on expansion through adjacencies, the quality of our earnings continues to improve with broad based contribution from each of the four product segments, and with all of them registering strong growth in sales, volume and net contribution.”

With over 3,000 employees in 38 countries, Olam manages an integrated supply chain for over 14 agricultural products. The Group sources these products from over 35 origin countries, supplying these to over 3,000 customers in more than 50 destination markets.

As a supply chain manager, Olam is engaged in the sourcing, processing, warehousing, transportation, shipping, distribution and marketing of these products from the farm gate in the producing countries to the factory gate of its customers in the destination markets whilst managing risks at each stage of the supply chain.

\* GC is calculated as total revenue less cost of goods sold (raw material costs plus other direct costs, including packing costs, etc

\*\* Net interest is deducted from the GC to determine NC.

Today, Olam has leading global positions in many of its businesses including cocoa, coffee, cashew, sesame, rice and teak wood. Its customers include leading multinationals such as Cadbury, Kraft, Lavazza, Mars and Nestle.

### **Financial Review by Product Segment**

The 14 products that Olam manages are categorized into four business segments, viz:

- Edible Nuts, Spices and Beans
- Confectionery & Beverage Ingredients
- Food Staples & Packaged Foods
- Fibre & Wood Products

At the topline, all four product segments registered growth in sales volume and correspondingly, sales revenue. Revenue growth was higher than volume growth due to higher market prices for many products in the Group's portfolio. "Due to the nature of our business, where we focus on improving the returns from each ton of product supplied, management feels revenue growth is a less relevant measure of our business performance," said Mr. K. Ravikumar, CFO of Olam. Of the four business segments, the Food Staples & Packaged Foods category registered a volume growth of 27% followed by Fibre & Wood Products registering a volume growth of 21%, followed by Edible Nuts, Spices & Beans with growth of 14% and Confectionery and Beverage Ingredients registering a growth of 10% over 1H FY2004.

In terms of margins, Olam's Edible Nuts, Spices and Beans business recorded significant improvement mainly due to deeper value chain integration. The Group has increased the volume of cashew processed in its existing processing centres in Vietnam and Brazil. In addition, its initiative of moving processing operations directly to the cashew producing countries of Africa has also begun to pay off with processing efficiency in Tanzania improving to the levels in its more matured processing centres like India. Olam is also in the process of scaling up these operations with the addition of one more factory in Brunei Dar-e-salaam. The Group's cashew processing plans are also at advanced stages of project finalization in Mozambique, Cote d'Ivoire and Nigeria.

Margins in its Confectionery & Beverage Ingredients business (ie cocoa, coffee and sheanuts) also improved significantly during 1H FY2005. Olam capitalized on the market opportunity that surfaced when some of the large European trade houses withdrew from Cote d'Ivoire during the civil unrest from May to August 2004. The uncertainty during that period led to an enhanced margin environment resulting in improved results in both cocoa and coffee for Olam.

The Group also diversified into Arabica coffee when it expanded into Brazil, the world's largest producer and exporter of Arabica coffees. Olam also moved up the cocoa value chain by expanding its processing initiatives in Nigeria.

### **Seasonality**

Production of agricultural products is seasonal in nature. The seasonality of the products in Olam's portfolio depends on the location of the producing country. The harvesting season for most of the agricultural products for countries situated in the northern hemisphere generally falls between October to March. Countries in the southern hemisphere have harvesting seasons between April to September. It is also not unusual to experience both some delay as well as early start to the harvesting seasons in these countries based on actual weather patterns in that particular year. In addition to an early or delayed harvesting season, the precise timing and size of arrivals of these products can also vary based on the farmer's selling decisions, which is mainly a function of his view on prices and his inventory holding capacity. The majority of our Origins are located in the northern hemisphere. Consequently, our earnings tend to be relatively higher in the Second Half of the Financial Year (January to June) compared to the First Half of the Financial Year (July to December).

“In the past, our earnings in the First Half of the Financial Year have averaged between 30% and 38% of the Full Year earnings compared to 62% to 70% in the Second Half of the Financial Year. Given this seasonality, we would like to reiterate that the right way to look at our results is to focus on the Full Year earnings, as profits can move from one quarter to another on account of the factors listed above. Therefore a full year assessment of our results offers more clarity on our underlying performance,” said Mr. Ravikumar.

### **Outlook for 2H FY2005**

“We continue to be optimistic on the overall business outlook as we head into 2H FY2005 and beyond. The various initiatives that we are executing on to broaden and deepen our business franchise should continue to yield results in the form of both increased volumes and enhanced margins. These structural factors lead us to believe that our company will continue to deliver reasonable earnings growth going into 2H FY2005 compared to 2H FY2004,” said Mr. Verghese.

The exceptionally strong growth in earnings in 1H FY2005 was underpinned by early start to most harvesting seasons in our various origins as well as higher than normal margins in the cocoa and coffee business resulting from supply side anxieties arising out of the Cote d’Ivoire situation. With normalcy now restored in Cote d’Ivoire, we expect the margins for our cocoa and coffee businesses to revert to historical levels going forward.

The Group had a strong 1H FY2005 performance and the outlook for 2H FY2005 remains good. We expect earnings growth for 2H FY2005 to be satisfactory, though the rate of growth would not be as high as the exceptional growth rate achieved in 1H FY2005.

The Board and Management of Olam is committed to creating shareholder value by delivering sustainable earnings growth and continued improvement in the quality of earnings. The Group has a successful track record of setting and achieving challenging financial goals and the 1H FY2005 Financial Performance is a continuation of this track record.

**About Olam International Limited**

*Olam is a leading global integrated supply chain manager of agricultural products and food ingredients, sourcing 14 products directly from more than 35 origin countries and supplying them to over 3,000 customers in more than 50 destination markets.*

*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, sheanuts, sesame, rice and teak wood.*

*Olam was ranked 9<sup>th</sup> in the Singapore International 100, a ranking of Singapore's top 100 companies with overseas revenues. It is ranked among the top five companies for India, Europe and America regions.*

*Headquartered in Singapore and listed on the SGX-ST on February 11, 2005, it ranks among the 50 largest listed companies in Singapore.*

*DBS Bank Ltd and CLSA Asia-Pacific Markets are the Joint Global Co-ordinators, Joint Lead Managers and Joint Bookrunners for Olam's IPO.*

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