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## **NEWS RELEASE**

### **Olam signs a Letter of Intent to acquire the Coffee processing facilities of Taloca & Compania Limitada (TAB), a subsidiary of Kraft Foods International, in Colombia**

Olam has today signed a Letter Of Intent with Taloca & Cia Limitada, a subsidiary of Kraft Foods International, to acquire its green coffee processing unit in Colombia.

Olam today is the largest originator and supplier of Robusta coffee globally. The company today offers an end-to-end supply chain solution for a wide range of Robusta coffees to its customers, which includes many of the world's internationally recognized roasters, offering them reliability, consistency, trust, traceability and other value added services.

In the recent past, the coffee business has diversified into the adjacent Arabica coffee opportunity. The Arabica coffee market size at 4.6 million tons valued at US\$10.8 billion is approximately 3.4 times the size of the Robusta coffee opportunity (2.5 million tons valued at US\$3.2 billion). Olam's strategic rationale for diversifying into the Arabica business is based on customer, channel, cost and capability sharing with its existing Robusta business. This close one step adjacency move, reduces the company's risk of execution as it diversifies into the Arabica business. This is borne out by the success of the company's first step in the Arabica diversification strategy, namely Brazil, which is the world's largest producer of Arabica coffee with a 43% share of world Arabica production, where Olam has already established itself as a major exporter in a short period of 2 years.

Colombia is the World's second largest producer of Arabica coffee with a share of between 15% and 17% of the World's Arabica market. It is therefore a key target origin in Olam's Arabica expansion plans. Colombia is also ranked no. 1 globally in the production of washed Arabica coffees. Colombian coffees marketed by the Colombian Coffee Federation under the popular "JUAN VALDEZ" logo are one of the finest coffees in the world and are sought by roasters world over. The factory is situated in Armenia, which lies in the center of one of the main coffee growing regions of Colombia and will give Olam cost effective and direct access to raw coffee. Given the geographic location of the facility, coffee is available for production year round, which amortises costs better and helps to improve working capital efficiency.

TAB has a processing capacity of 21,000 tons of processed green coffee per year. At full capacity, this facility will generate revenues of US\$52 million at current prices. Olam intends to enhance this current capacity further to 30,000 tons (with estimated revenues of US\$74 million) by making marginal additional capital investment in the next 2 years. The factory is a world class facility, complying with Kraft International's strict quality standards. Olam has the opportunity to hire back Taloca's erstwhile Management Team to operate the facility at Kraft's quality standards. This Management Team has over 56 years of combined working experience at this facility. Kraft Foods is one of Olam's key customers, and with this transaction, we believe we would further strengthen this relationship.



This acquisition of Taloca's Colombian processing facility (TAB) is a significant step in the company's ambition to become a leading global player in the Arabica coffee business and accelerates our entry into this space. Earlier this year, Olam successfully entered Peru which accounts for 4.5% of world Arabica production and we are currently evaluating the feasibility of entering Honduras, which accounts for another 4% of world Arabica production.

Olam has won the bid to acquire these assets in an organized bidding process conducted by TAB and their advisers, Metrix Finanzas. We expect to complete the transaction over the course of the next 60 days.

In addition to the significant strategic value, we expect this acquisition to be both earnings and value accretive in the first full year itself.

#### About Olam

Olam is a leading global integrated supply chain manager of agricultural products and food ingredients. Today, the Company sources 14 products directly from over 41 origin countries, supplying these to over 3,300 customers in more than 50 destination markets, with over 5,000 employees worldwide. Olam has been included in MSCI Singapore Index effective 31st May 2005.

Olam was ranked 7th in the Singapore International 100 (2006 Ranking), a ranking of Singapore's top 100 exporters. It is ranked 1st for overseas revenues from Africa and among the top five companies for the markets of Europe, India, Middle East and North Asia regions. It was also noted for its good Corporate Governance as a recipient of the Most Transparent Company Award 2005 by the Securities Investors Association of Singapore (SIAS) and for Best Investor Relations (for an IPO) by IR Magazine.

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