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## **NEWS RELEASE**

### **OLAM INTERNATIONAL TO ACQUIRE 100% EQUITY INTEREST IN KEY FOODS INGREDIENTS**

*Singapore, August 27, 2007* – Olam International Limited (“Olam”), a leading global integrated supply chain manager of agricultural products and food ingredients, today announced that it will acquire 100 per cent equity interest in Key Foods Ingredients LLC and its subsidiaries (“KFI”), a processor and global supplier of dehydrates to the food processing industry for a total consideration of about US\$16 million.

#### **Background**

Olam is currently a leading supplier of tropical and seed spices in the raw form. Through this acquisition, we are seeking to move up the chain into the Spice ingredients segment. Dehydrated spices along with spice grinds, oleoresins and oil / oil extracts, make up the core of the value added spice ingredient segment. All these ingredients are essential products used in spice seasonings, flavours, coatings and condiments by the Retail spice packers, the food processing & the food service industry.

Dehydrated ingredients are a large segment on their own, comprising dehydrated garlic, onions, capsicum and other vegetables, currently valued at over US \$ 1.2 billion.

#### **The Company**

Headquartered in Pasadena, California, KFI is one of the largest processors of dehydrated garlic in China, the world’s largest garlic producing country. In the recent years, China has steadily grown its share of dehydrated garlic supply into the US market (currently estimated at around 45% of total US consumption). KFI has been a pioneer in the industry and has been able to raise Chinese dehydrated garlic quality to standards comparable to those grown and processed within the US. This has

helped the company to build a strong customer franchise with the US seasonings and food processing industries. KFI has a 10% share of the US dehydrated garlic market which is about 20% of the total dehydrated garlic exported from China to the United States.

The company owns one of China's largest and most modern dehydrated garlic facilities, located near the major port city of Qingdao. KFI primarily converts raw garlic and garlic flakes into dried, cleaned and milled garlic ingredients. These products are sold mainly as ingredients to spice packers, blenders, flavour and seasoning manufacturers, the nutraceutical industry and a host of other food service companies.

KFI's market position is built on the basis of a strong customer franchise and superior product quality as a result of investments in processing capacity, food technology, quality assurance systems, and led by an experienced management team.

Olam's Group Managing Director and CEO Sunny Verghese remarked: "This is a strategic move for our Spices Business. This acquisition provides us with an entry into the dehydrated garlic business from China into the US, and also provides for an accelerated entry into the large and growing dehydrated ingredient market, which is estimated to be over US\$1.2 billion and growing at 7-8 per cent each year. It provides tremendous scope for expansion into a variety of adjacencies like dehydrated onions and capsicum, wherein we can leverage our supply chain management skills in our existing origins and markets."

President and COO of KFI, Anthony Cummins, said: "Given the increasing trend of substitution of US garlic with Chinese Garlic, we believe that KFI has tremendous potential to grow its market share within the US. We see substantial growth opportunities for our products in the rest of the world, where our focus has been rather limited due to our internal resource constraints. There are exciting opportunities within the food ingredients industry, and this combination of KFI's product /technology expertise and customer franchise, coupled with Olam's financial strength, supply chain capabilities and marketing spread, is capable of adding substantial value to our current and future customers who seek dependable suppliers to support their operations globally."

## **Olam's Investment Rationale**

Olam's Managing Director for Spices, Ashok Krishen, explained: "We had identified dehydrated garlic from China as a key strategic initiative for growing our Spices business and were in the process of developing an organic plan to build our stake in this business. The acquisition of KFI provides us an immediate entry, with a leading market position, given its established sourcing and manufacturing presence in China. We can now focus on expanding KFI's existing market share in the US, as well as develop other markets where Olam has an established customer franchise for its other spice products.

"KFI will enhance Olam's presence in the overall spice value chain, helping us move from being primarily a Whole Spices supplier, to offering a basket of spice ingredients to our valued customers."

## **Strategic Fit**

### ***KFI provides strong strategic and business fit for Olam's growth plans in the Spices business***

This acquisition will accelerate our growth plans to offer a comprehensive range of high quality ingredients from various origins to our customers globally. It provides a platform to enter into value-added spices & dehydrates, which helps us service our existing customer base and expand into new customer segments.

### ***Strong synergies in marketing, manufacturing, and sourcing***

The acquisition of KFI offers cross-selling opportunities of KFI products to Olam's customers in various markets and offering the existing portfolio of Olam's whole spices to KFI customers.

Olam has existing presence in key origins which service most of the dehydrated vegetables requirements globally. This, coupled with the strong customer franchise which both organizations have across multiple markets, provides a strong platform for future diversification and growth across other dehydrated products like onions, capsicum etc.

### ***Strategic Location of KFI's manufacturing operations***

KFI's manufacturing facility is situated in the heart of the garlic growing belt in Shandong about 30 miles from Qingdao, which has the largest container port in China. It is also located close to Olam's peanut processing factory in Qingdao, providing significant cost synergies in procurement, manufacturing, port logistics and sharing of other administrative infrastructure.

### ***KFI shares a similar integrated supply chain model as Olam***

Like Olam, KFI has focused on leveraging an integrated supply chain operation to supply world class food ingredients at competitive costs, thereby adding immense value to its customers.

Both companies believe that their customers, who are established global players in the high value branded food processing industry, need reliable third party supply chain managers to provide ingredients of a consistent standard across all their operations globally. This allows the customers to concentrate on developing their core competencies in marketing and brand building. Given its proven capability in supplying high quality dehydrated garlic, KFI, backed by Olam's strengths, is therefore well positioned to capitalize on this need and achieve strong growth in the foreseeable future.

### ***KFI's executive leadership fits well into Olam's strategic focus on building global leadership positions***

KFI has a strong and experienced executive team led by Mr. Cummins. A pioneer in US and China-based integrated dehydrated vegetable processing with over 25 years of experience, Mr. Cummins is highly regarded in the spices industry and shares Olam's vision to develop KFI into a global leader in dehydrates.

The acquisition is an all-cash transaction and will be funded by a combination of borrowings and internal accruals. It is subject to regulatory approvals and customary closing conditions.

The transaction is likely to be both earnings and value accretive from the first year.

**Note:**

*This press release should be read and understood only in conjunction with the full text of Olam International Limited's announcement on this same transaction lodged on the SGXNET on August 27, 2007.*

**About Olam International**

*Olam is a leading global integrated supply chain manager of agricultural products and food ingredients, sourcing 14 products with a direct presence in over 52 countries and supplying them to over 3,800 customers in more than 55 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, sesame, rice, cotton and teak wood.*

*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 capitalization and is now a component stock in the benchmark Straits Times Index (STI). It was recently named as one of Singapore's top 10 globalised companies by International Enterprise ("IE") Singapore in its third annual Singapore International 100 Ranking 2007. More information on Olam can be found at [www.olamonline.com](http://www.olamonline.com).*

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