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## **NEWS RELEASE**

### **OLAM INTERNATIONAL TO ACQUIRE 100% EQUITY STAKE IN INDONESIAN SUGAR REFINERY PT DHARMAPALA USAHA SUKSES**

*Singapore, October 2, 2007* – Olam International, a leading global integrated supply chain manager of agricultural products and food ingredients, today announced that it will acquire a 100 per cent equity stake in PT Dharmapala Usaha Sukses (“PT DUS”), a sugar refinery based in Indonesia for a total cash investment of US\$12.6 million. Of this amount, US\$5.0 million will be paid to shareholders of PT DUS while the balance amount of US\$7.60 million will be utilised to purchase outstanding debt obligations from Bank Danamon. The acquisition is an all-cash transaction and will be funded by a combination of borrowings and internal accruals.

Olam will further invest an estimated US\$12 million to (a) upgrade and raise PT DUS’ production to 650 tonnes per day from the current effective capacity of 200 tons per day and (b) install a boiler to enable switching to coal, a lower cost feedstock.

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

Indonesia is the largest sugar consumer market in South-east Asia and one of the world’s top 10 largest consumers of sugar. It is estimated to consume over 4.0 million tonnes of sugar annually and consumption has been growing at a compound annual growth rate of 5.4 per cent over the last three years. While demand for sugar is gathering pace, low crop yields and the sub-optimal efficiency of the milling sector restrain growth in supply. The sizeable deficit is met through imports, making Indonesia one of the world’s five largest net importers of sugar and an attractive market for destination refining. Refining is a licensed industry in Indonesia.

Olam’s Group Managing Director and CEO Sunny Verghese explained the transaction: “We have found PT DUS to be an opportunity for us to participate in the growing sugar refining sector in Indonesia. Olam has been an active participant in the white and refined

sugar supply chain in Indonesia. We believe our entry into the country's sugar refining sector will add much more value to the local industries that consume sugar and we can scale up PT DUS operations quickly given our growing sugar operations internationally."

Olam's Vice-President and head of sugar business, Devashish Chaubey, said: "Olam currently exports white and refined sugar from producing countries such as India, South Africa, Brazil and Poland and imports the sugar into Indonesia, the Middle East, Africa and Russia. Our strategic plan is to expand our value chain participation by building a configuration of sugar milling and refining assets globally.

Investments in milling assets will focus on (a) large sugar producing countries that have a comparative cost advantage and (b) regulated, structurally inefficient markets that offer the potential to extract high economic rents. Investments in refining assets in large deficit-prone, consuming countries with a favourable regulatory regime such as Indonesia is consistent with this strategy. Acquisition of an existing refinery accelerates our entry into Indonesia's sugar refinery industry as an integrated green field operation would require at least three to five years to be developed fully.

PT DUS is an attractive proposition given its superior port-based location in Central Java compared to other refineries and its access to a large and growing market. We believe our investment will help bridge the supply deficit and meet the needs of the local F&B industry, especially the small and medium scale enterprises."

### **Target Overview**

PT DUS is one of the five standalone sugar refineries in Indonesia. The sugar refinery, located in Cilacap in Central Java, has a rated capacity to refine 650 tonnes of raw sugar per day. The facility is situated within the port complex in Cilacap and this offers two advantages: superior access to the key markets in Central and East Java, which account for 30 per cent of Indonesia's consumption; and logistics advantages in respect of imports of raw sugar and coal feedstock.

PT DUS has been operating at between 100 and 200 tonnes per day, way below its capacity of 650 tonnes per day since April 2006 due to technical constraints, lack of operational knowledge and shortage of working capital. This low level of operations has resulted in weak financial performance during this period.

Post takeover, Olam plans to invest an estimated US\$12 million to upgrade and raise PT DUS' production efficiency to 650 tonnes per day and to install a boiler to enable switching to coal, a lower cost feedstock. The investment, to be carried out in stages, will enable near term scale enhancement to 250-300 tons per day. Further scale enhancement to 650 tons per day and installation of the coal-fired boiler to improve cost efficiency are scheduled to be completed in FY2009.

PT DUS is expected to be profitable in FY2008. It is projected to process approximately 200,000 tonnes of raw sugar and generate steady-state earnings of US\$4-5 million per year, when the refinery reaches its full capacity by end-FY2009.

**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 October 2, 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 55 countries and supplying them to over 4,000 customers in more than 60 destination markets. With direct sourcing and processing in most major producing countries for its various products and a staff strength of approximately 7,000 worldwide, 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 capitalisation 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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