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## **NEWS RELEASE**

### **OLAM INTERNATIONAL TO INVEST US\$45 MILLION IN A GREEN FIELD INTEGRATED SOLUBLE COFFEE MANUFACTURING FACILITY IN VIETNAM**

*Singapore, October 9, 2007* – Olam International, a leading global integrated supply chain manager of agricultural products and food ingredients, today announced that it will invest about US\$45 million in a green field integrated soluble (instant) coffee manufacturing facility in Vietnam, that produces and supplies bulk spray-dried coffee powder, freeze-dried coffee granules and coffee extracts to the unbranded and private coffee label segment.

Olam today is the world's largest supplier of Robusta green coffee with approximately 15 per cent global market share due to its strong presence in key producing countries including Vietnam, Indonesia, India, Cote d'Ivoire, Cameroon and Uganda where Olam has extensive origination and primary processing facilities. Over the last three years, Olam has also successfully migrated into the Arabica coffee business in Brazil, which is the largest producing country of Arabicas, and has recently expanded into Colombia, Honduras and Peru which are significant Arabica coffee producers. In addition, Olam has also been sourcing and supplying soluble coffee to independent soluble coffee companies which do not have soluble coffee production facilities of their own. More importantly, while Olam has a 15 per cent market share in Robustas, it has approximately 25 per cent market share in lower grade Robusta coffee which is the largest component of the raw material mix in manufacturing spray-dried soluble coffee. This gives Olam an inherent competitive advantage.

Said Olam's Managing Director for Coffee, Vivek Verma: "Our expansion into soluble coffee manufacturing is a one-step adjacency move into a higher value-added activity in the coffee supply chain, where there is a sharing of customers, costs and channels. It is part of our overall growth strategy for coffee, which is to build a configuration of soluble coffee production facilities in strategic locations that have a comparative advantage of producing soluble coffee cheaper and better, such as Brazil, India, Vietnam, Cote d'Ivoire and Russia, which would cater to the large soluble coffee consumption markets in the

Middle East, East and Central Europe, South America and Asia. Our extensive sourcing presence across all major origins in Asia and Africa, where Robustas are grown, gives us significant advantages in competitive sourcing, which is the basis on which we can compete effectively in this business.”

Mr Verma added: “The overall soluble coffee market is sizeable at approximately 530,000 metric tonnes valued at US\$3.65 billion. Our target market is the independent segment which is largely the bulk, non-branded and private label segment in soluble coffee, accounting for about 30 per cent of the total soluble coffee market. This independent bulk segment is estimated at 160,000 tonnes valued at US\$1.38 billion. The overall soluble coffee market has been growing at 4 per cent a year over the last five years with strongest growth coming from emerging economies in these regions. In particular, the freeze-dried market segment has been growing faster at 7 per cent per year with Central and Eastern Europe, South America and Southeast Asia contributing to the high growth rates. In addition, we see good synergy and captive demand from our Packaged Foods business which is expected to require higher volume of spray-dried coffee for its 3-in-1 coffee brands that are distributed in Russia, CIS and Africa.”

On why Olam chose Vietnam as the location for its soluble coffee manufacturing facility, Olam’s General Manager for Soluble Coffee, Arun Sharma explained: “Vietnam is the world’s largest producer of Robusta coffee which is the main ingredient for soluble coffee. The country is also the most cost-competitive producer and allows imports of Robusta green coffee beans from other origins for further processing. Moreover, we have been processing raw coffee into green coffee in various upcountry locations in Vietnam and have built significant strengths and assets over the years.

“We have also been successful at gathering a team of highly skilled managers with the requisite technical know-how and who have an average 20 years of experience in setting up and managing soluble coffee businesses in Brazil, Malaysia and India. Hence, we believe an integrated plant that produces all three types of soluble coffee, combined with our advantages in sourcing, and product and technology mix in terms of volumes, technologies, costs and capabilities will present a strong value proposition to our customers,” said Mr Sharma.

Celso Sgarbi, Olam's General Manager, Technical, Soluble Coffee said: "Currently, we believe that ours will be the only freeze-dried coffee facility in Southeast Asia. The project is unique in its technical configuration which incorporates the flexibility to produce different qualities of coffee in the most cost-competitive manner."

The integrated soluble coffee manufacturing project will be implemented in two phases. Phase 1 envisages setting up production capacity of 3,700 metric tonnes per annum which will be commissioned in the first quarter of FY2009. Phase 2 expansion will commence in Year 3 which will see annual production capacity expand to 6,500 metric tonnes. The project is expected to be earnings accretive from FY2011. EBITDA margins and NPAT in steady state (FY2013 onwards) are expected to be around 29 per cent and US\$5-6 million respectively. The project IRR is estimated at 21 per cent with an NPV of US\$42 million.

**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 9, 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 56 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 more than 7,500 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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