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## NEWS RELEASE

### **OLAM INTERNATIONAL AND RUSMOLCO IN PARTNERSHIP TO DEVELOP LARGE SCALE DAIRY AND GRAINS FARMING IN RUSSIA**

- **Olam, a global leader in the agriculture sector and RUSMOLCO, one of Russia's leading players in dairy farming, establish a partnership to develop dairy and grains farming in the Penza region of Russia**
- **Strong long term commitment with potential investment of up to US\$400m in Phase 1 over the next 4 to 5 years to build a 20,000 milking cow population dairy farm and develop a 106,000 ha grains farming operation**
- **Plans to further double the size of operation in Phase 2 over subsequent 3 to 4 years with a target to increase the milking cow population to 50,000 heads producing 500 million litres of raw milk annually and to develop over 130,000 hectares of land under grain farming**
- **At steady state (post Phase 2), the partnership will be the leading milk producer in Russia and amongst the top 10 private milk producers globally, as well as become a leading grains farming company in the country.**

*Moscow, 30 January 2012* – Olam International Limited (“Olam” or “the Company”), a leading global, integrated supply chain manager and processor of agricultural products and food ingredients, today announced a partnership with the Russian Dairy Company, LCC (“RUSMOLCO”) a growing player in the Russian dairy industry, for the large scale development of dairy and grains farming in the Penza region of Russia.

The first step under this partnership is the investment of up to US\$75 million by Olam in exchange for 75% of the equity of RUSMOLCO. This translates into RUSMOLCO enterprise value of up to US\$130 million (subject to closing conditions, net debt and working capital adjustments at closing). In the first phase of expansion spread over the next 4 - 5 years, RUSMOLCO will invest to expand the area under grains cultivation from the current 52,000 hectares to 106,000 hectares. In addition, four new modern dairy farms will be constructed, taking the total milking cow population from the current 3,600 heads to 20,000 heads.



The total investment required for Phase 1 will aggregate up to US\$400 million to be spent over the next four to five years in a phased manner.

RUSMOLCO plans to establish a training and development centre aimed at inculcating best practices in international farming and milk production. Initially, the centre will focus on training of RUSMOLCO's own staff, which later may be expanded into a national centre to promote adoption of best practice and latest technologies across Russia.

The founder of RUSMOLCO, Naum Babaev will continue as Chairman of RUSMOLCO's Board of Directors, which will also comprise five Olam nominees and one independent director – Andrey Danilenko, Chairman of the National Dairy Producers Union in Russia, who has been specially invited to the Board given his rich experience and deep sector knowledge.

### **Future Growth Plans**

RUSMOLCO provides a strong platform for investment and expansion in the agriculture sector in Russia with attractive growth prospects. In Phase 2, Olam and RUSMOLCO envisage further investments which could include the enhancement of the area under cultivation to 130,000 hectares, increasing the milking cow population to 50,000 heads of cattle, investing in sugar cultivation, milling and refining as well as other adjacent initiatives that are aligned with Olam's strategic plan.

At steady state, RUSMOLCO will count as Russia's largest and amongst top 10 global private milk producers as well as a leading grains farming operation in Russia.

**Sunny Verghese, CEO of Olam commented:** "The investment in RUSMOLCO is another important step towards the implementation of Olam's dairy and grains strategy, which involves selective integration across the value chain with a focus on building end-to-end capabilities. RUSMOLCO brings a strong dairy platform as well as 106,000 hectares of land suitable for agriculture, an attractive platform and asset base that is hard to replicate in a short period of time. Our Russian partner has a deep understanding of the local market and I am confident that this investment is a step forward towards the establishment of a profitable and promising venture for both sides."



**Naum Babaev, Founder and Chairman of the Board of Directors of RUSMOLCO commented:** “We see enormous potential in partnering with Olam in this venture. Olam’s strong financial resources, high calibre management team and experience of operating in over 65 countries create a strong platform for further development of our business. Together, we hope to achieve a dominant position in the industrial milk segment globally. I am excited at the opportunity to continue to participate in RUSMOLCO’s development as the Chairman of the Board of Directors of the joint venture.”

**Andrey Danilenko, Chairman of the Board of the National Dairy Producers Union, commented:** “Olam’s partnership with RUSMOLCO is an unprecedented step for Russia’s dairy industry. The investment by a global leader such as Olam is proof that agriculture production is becoming one of the most attractive sectors in the global economy in which Russia can be a large and important contributor.”

### **Partnership Rationale and Strategic Fit**

Olam has been in Russia since 1993, with operations across grains origination, domestic trading and exports, imports and distribution of cocoa and cocoa products, green coffee and soluble coffee, edible nuts, dairy products as well as domestic trade and import of raw sugar, toll refining and distribution.

#### Dairy Farming

Russia is one of the most attractive markets for dairy farming today and this partnership is aligned with Olam’s dairy strategy of selectively investing in attractive value chain adjacencies, such as upstream dairy farming in geographies that provide a potential for profitable growth.

The attractiveness of the dairy sector in Russia stems from the following factors:

- A high demand for milk and a large and growing demand-supply gap, making Russia one of the largest importers of milk in the world;
- A strong need for a modern, reliable supplier of high-quality milk;
- Low cattle-feed cost driven by availability of fertile agricultural land at competitive prices; and



- Increasing emphasis and direct support by the Russian government on enhancing private investment into the agriculture sector as well as local dairy productivity and output.

RUSMOLCO has built a robust dairy farming platform which Olam can help scale to achieve its full potential by investing in expansion, farm upgradation to international standards and implementation of modern dairy farming best practices.

### Grains Farming

Olam's grains strategy has been anchored around the creation of a configuration of milling assets in sub-Saharan Africa and building a supply chain business around that core. Investing in grains farming provides a natural hedge to this business model as the upstream presence provides the ability to effectively hedge across multiple years. It is also a first-hand source of valuable information including crop yield and quality. Further, it will directly add volumes to the supply chain, thereby enhancing its Black Sea origination business.

Grain farming in Russia provides an attractive investment opportunity with a potential for generating excess returns on account of the following factors:

- Low cost of farm land: Yield-adjusted agricultural land cost in the US / Western Europe is 14-15 times more expensive than in Russia;
- Soil and agro-climatic conditions are favourable for grain cultivation; and
- Inland and port logistics are well developed and provide a smooth and cost effective route to export grains from Russia.

### Leveraging Existing Platform

Over the past five years, RUSMOLCO has built a reliable and robust dairy and grains platform, including a sizeable land bank, with dairy farms across seven regions in Penza and customer marketing arrangements which will continue to strengthen under the new partnership.



### **About Olam International Limited**

*Olam International is a leading global integrated supply chain manager and processor of agricultural products and food ingredients, sourcing 20 products with a direct presence in 65 countries and supplying them to over 11,600 customers. 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 wood products. 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 a component stock in the Straits Times Index (STI), MSCI Singapore Free, S&P Agribusiness Index and the DAXglobal Agribusiness Index. Olam is the only Singapore firm to be named in the 2009 and 2010 Forbes Asia Fabulous 50, an annual list of 50 big-cap and most profitable firms in the region. It is also the first and only Singapore company to be named in the 2009 lists for the Global Top Companies for Leaders and the Top Companies for Leaders in the Asia Pacific region by Hewitt Associates, the RBL Group and Fortune. More information on Olam can be found at [www.olamonline.com](http://www.olamonline.com).*

### **About RUSMOLCO**

*RUSMOLCO was established in October 2007. The company comprises nine livestock farms in seven areas of Penza region, specializing in dairy husbandry and crop production. The area of land under management is 133 thousand ha, livestock accounts for more than 7.2 thousand heads.*

*Today, RUSMOLCO is the largest and most promising raw milk producer in the region. The company is engaged in the reconstruction of old farms and implements projects for the construction of modern dairy complexes from scratch. Today, the company operates two projects of the kind: in Narovchatsky and Kuznetsky areas of the region.*

*The company employs over 900 people. The Chairman of the Board of Directors of RUSMOLCO is Naum Babaev, the CEO of the company is Rashid Hairrov. Detailed information can be found at: [www.rusmolco.com](http://www.rusmolco.com).*



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