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## **NEWS RELEASE**

### **OLAM INTERNATIONAL TO INVEST US\$240 M IN FIRST SUGAR MILLING ASSET IN BRAZIL**

*Singapore, May 29, 2012* – Olam International Limited (“Olam”), a leading global, integrated supply chain manager and processor of agricultural products and food ingredients, announced that it entered into an agreement on May 28, 2012 to invest US\$240 million in its first sugar milling asset in Brazil by acquiring Usina Açucareira Passos S.A. (“UAP”) for BRL 255 million (US\$128.8 million) and investing an additional capital expenditure of US\$111.5 million over the next five years to improve its agricultural (cane growing) and industrial (milling) capacity and efficiency.

UAP owns and operates a sugar mill located in Passos within the state of Minas Gerais in Brazil’s Centre South, the country’s second largest sugarcane growing area. Its cane crushing capacity is 1.75 million metric tonnes per annum with an output capacity of up to 200,000 metric tonnes of sugar per year.

The additional capital expenditure of US\$111.5 million will be used to increase UAP’s own cane production capacity through the expansion of cane cultivation and additional renovation and refurbishment of agricultural equipment. The investment will also be used to refurbish milling equipment and expand capacity from 1.75 million to 3.0 million metric tonnes per annum.

Olam’s President for Sugar, Devashish Chaubey, said: “Over the past three years, we have made and committed several investments in sugar, including two sugar mills in India and two sugar refineries – one in Indonesia and one upcoming in Nigeria. Brazil is the largest and one of the most cost competitive producers of sugar in the world, and is integral to executing our sugar strategy.”



Olam's Senior Vice President and Regional Controller for South America, M Sathyamurthy added: "We are pleased to have identified a viable milling asset in UAP as it offers a number of structural advantages which can give us an attractive cost competitive position. With this investment, Olam has strengthened its commitment to the agricultural sector in Brazil where we have already built strong leadership positions in Coffee and Cotton."

Olam's strategic plan for the Sugar business is to build a configuration of milling assets in large sugar producing countries that have a comparative cost advantage, and invest in refining assets in large deficit-prone, consuming countries with regulated, structurally inefficient markets that offer the potential to extract high economic rents. The investment in UAP in Brazil is therefore consistent with this strategy given the country's central role and economics in the global sugar market.

### **Advantages of UAP**

UAP enjoys several structural advantages which enhance its attractiveness in the long term:

- 1      Agricultural conditions: Passos has comparable agro-climatic conditions and soil fertility the Brazil's prime cane production area located in Sao Paulo State.
- 2      Cane cultivation: About 75% of the cane crushed comes from UAP's own sugar plantations with the balance of the cane sourced from third party suppliers.
- 3      Cane expansion: Catchment radius of 50 kilometres provides a cultivable area of 130,000 hectares of which nearly 100,000 hectares can be converted to sugarcane cultivation.
- 4      Low competitive intensity: There are no neighbouring mills within an 80-kilometre radius.



- 5 Proximity to export and domestic markets: UAP is located 9 kilometres from the town of Passos in the state of Minas Gerais and some 480 kilometres from the port of Santos. Its proximity to large cities means that it is also well placed to serve local markets.
- 6 Management accretion: Olam will acquire an experienced UAP management team with strong capabilities across all operational facets of sugar milling – from agriculture to industrial - which will accelerate the company's capabilities within the Brazilian context.

### **Financial Impact**

Funded through internal accruals and borrowings, the investment is expected to be earnings accretive from the second year of operation.

Olam expects to deliver EBITDA margin in excess of 30% by steady-state (FY2016) and generate Equity IRR in excess of 20% on this investment.

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### **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, and 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).*

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