



**Olam International Limited**  
9 Temasek Boulevard  
#11-02 Suntec Tower Two  
Singapore 038989  
telephone 65 63394100  
facsimile 65 63399755  
Website [www.olamonline.com](http://www.olamonline.com)  
Regn no. 199504676-H

## NEWS RELEASE

### Q1 FY2008: Key Highlights

- **We continue to see strong growth in our existing business where we posted record growth of 40% in net profits** in Q1 FY2008 compared to Q1 FY2007.
- In our new business, 3 out of the 7 acquisition transactions announced in 2007 has been completed and consolidated in Q1 FY2008 results. **2 out of the 3 completed transactions earnings accretive in the first quarter itself, exceeding expectations.**
- **As anticipated and guided, Queensland Cotton Holdings (QCH) posted a loss in Q1** due to the severe and ongoing drought conditions in Australia in line with our expectations.
- Growth initiatives in both existing business and new business through acquisitions will underpin Olam's growth and profitability over the next two 3 year strategic planning cycles.

### Q1 FY2008: Financial Highlights

- Sales Revenue of **S\$1.38 billion, up 52.3%.**
- Sales Volumes of **0.916 million tonnes, up 36.2%** with growth across all four segments.
- Gross Contribution (GC) **up 71.7% to S\$130.5 million**, with GC/tonne **up 26.1% to S\$142.**
- Net Contribution (NC) **up 77.3% to S\$88.6 million**, with NC/tonne **up 30.1% to S\$97.**
- **54%** of NC growth on account of **volume growth**, and **46%** from **margin improvements.**
- NC growth in existing business was strong and accounted for **68.6%** of the total NC growth.
- New business through acquisitions accounted for **56.8%** of the growth in **Group Sales Volume** and contributed **S\$12.1m** in **Net Contribution** or **31.4%** of growth in Group Net Contribution.
- **SG&A increased from S\$ 40.9m to S\$ 78.2m** of which S\$ 17.2 (46.2% of the increase) was accounted by the acquisitions consolidated in Q1FY2008.
- **Net Profit After Tax up 14.2% to S\$9.2 million, EPS up 13.9% to S\$0.59.**



Financial Highlights	Q1 FY2008	Q1 FY2007	Change (%)
Sales Volume (metric tonnes)	916,430	672,861	36.2
Sales Revenue (S\$ million)	1,376.7	903.8	52.3
Gross Contribution (S\$ million)	130.5	76.0	71.7
Net Contribution (S\$ million)	88.6	50.0	77.3
Net Profit After Tax (NPAT) (S\$ million)	9.2	8.1	14.2
Earnings Per Share (cents) *	0.59	0.52	13.9

*\* Based on weighted average number of shares of 1,555,251,561 for Q1 FY2008 (compared to weighted average number of shares of 1,554,584,400 for Q1 FY2007).*

Singapore, November 14, 2007 – Olam International Limited (“Olam” or the “Group”), a leading global, integrated supply chain manager of agricultural products and food ingredients, today reported a year-on-year 14.2% growth in Net Profit After Tax to S\$9.2 million for the first quarter ended September 30, 2007 (“Q1 FY2008”). We continue to see strong growth in our existing business posting record growth of 40% in net profits in Q1 FY2008 compared to Q1 FY2007. In our new businesses, 3 out of the 7 acquisition transactions announced in 2007 were completed and consolidated in Q1 FY2008 results. 2 out of the 3 completed transactions were earnings accretive in the first quarter itself, exceeding expectations. As anticipated and guided, and in line with our expectations, Queensland Cotton Holdings (QCH) posted a loss in Q1 due to the severe and ongoing drought conditions in Australia.

The healthy growth in earnings was a result of the robust growth in both Sales Volume and Net Contribution across all four business segments, which was achieved net of the consolidated losses from the recently acquired Queensland Cotton Holdings (QCH) in Australia.

Said Olam's CFO, Krishnan Ravikumar said: “The first quarter is normally our weakest quarter, contributing between 5% and 10% to our full year's earnings, due to the seasonality of our business since we are present largely in the northern hemisphere countries where the harvesting season is typically between October and March.



The results for Q1 FY2008 included the consolidated results of three completed acquisitions – QCH, Universal Blanchers (UB) and Naarden Agro Products. QCH reported a net loss of S\$5.7 million due to a short cotton crop in Australia caused by severe drought conditions and unrealized loss relating to open hedging derivative financial instruments as of quarter-end, for which hedge accounting has not been applied. Excluding the QCH loss, our first quarter earnings would have been S\$14.3 million or a growth of 76.7% over the previous corresponding quarter.”

Olam’s Group Managing Director and CEO Sunny Verghese said: “Even as we continue to grow Olam’s existing business by scaling up volumes in our current 14 businesses and embedding more value-added services to grow our margins, we have successfully executed on our acquisition growth strategy and made a total of seven value-accretive investments to accelerate the growth of our existing businesses as well as to enter new product adjacencies. Although QCH as earlier guided is expected to crimp profits in the short term (as per guidance given at the time of the acquisition announcement and reiterated during the full year results announcement in August 2007), all our acquisitions taken together will make a significant positive impact on our earnings in the medium and long term. They have also added significant bandwidth to Olam in terms of our strategic, management and operational competitiveness.”

### **Group Financial Review**

In Q1 FY2008, Sales Revenue rose by 52.3% to S\$1.38 billion, underpinned by a strong 36.2% growth in Sales Volume to 0.916 million metric tonnes.

Both GC and NC surged by 71.7% and 77.3% to S\$130.5 million and S\$88.6 million respectively during the same period, contributed by all four business segments. The growth in NC was achieved in spite of interest costs, including funding costs for acquisitions, rising by 61.2% to S\$41.9 million during the first quarter. 54% of the growth in NC was on account of volume growth and while the balance 46% came from margin improvements.



## Segmental Review

<b>Edible Nuts, Spices &amp; Beans</b>	<b>Q1 FY2008</b>	<b>Q1 FY2007</b>	<b>Change (%)</b>
Sales Volume (metric tonnes)	208,268	134,640	54.7
Sales Revenue (S\$ million)	236.8	184.4	28.4
Net Contribution (S\$ million)	23.6	9.7	141.8
Net Contribution Per Tonne (S\$)	113	72	56.9

The **Edible Nuts, Spices & Beans** segment showed a significant volume growth of 54.7% and NC growth of 141.8% in Q1 FY2008 that came from strong growth in our existing business as well as growth arising from UB in the Peanuts business. The growth during this quarter was mainly due to high volume growth in Cashews, Sesame and Pulses and Beans. UB performed much better than expected, contributing some S\$8.8 million to NC.

<b>Confectionery and Beverage Ingredients</b>	<b>Q1 FY2008</b>	<b>Q1 FY2007</b>	<b>Change (%)</b>
Sales Volume (metric tonnes)	172,510	146,374	17.9
Sales Revenue (S\$ million)	481.0	334.8	43.7
Net Contribution (S\$ million)	23.0	16.9	35.9
Net Contribution Per Tonne (S\$)	133	115	15.7

Even though the markets for coffee and cocoa continued to experience high volatility and backwardation during the first quarter, the **Confectionery & Beverage Ingredients** segment registered a healthy 17.9% growth in Sales Volume and a strong 35.9% growth in NC.

This result was achieved as Olam had been successful in growing market share in Robusta Coffee, expanding its Arabica Coffee operations in Brazil, Colombia, Peru and Honduras. Cocoa has focused and grown the value-added services component of its business, including providing traceability, organic certification and vendor-managed inventory solutions, to Cocoa customers. We have also grown sheanut volumes from Ghana and Burkina Faso in this segment during the period.

<b>Food Staples and Packaged Foods</b>	<b>Q1 FY2008</b>	<b>Q1 FY2007</b>	<b>Change (%)</b>
Sales Volume (metric tonnes)	346,976	292,869	18.5
Sales Revenue (S\$ million)	341.3	223.7	52.6
Net Contribution (S\$ million)	24.1	12.1	99.7
Net Contribution Per Tonne (S\$)	69	41	68.3

The **Food Staples & Packaged Foods** segment posted an 18.5% growth in Sales Volume while its NC almost doubled from S\$12.1 million in Q1 FY2007 to S\$24.1 million in Q1 FY2008. The strong results came mainly from Rice, Sugar and Dairy Products.

Rice volumes grew 22% year-on-year during the first quarter, driven by stronger demand from West Africa and South Africa markets. Sugar volumes rose in excess of 30% as Olam's share of exports from India grew. Dairy Products continued its high growth momentum into Q1 FY2008, leading to a 51% increase in sales volume. The initiatives in our existing dairy business are also yielding good results with expansion of our distribution reach in China and other countries in Asia and Africa. The acquisition of Naarden also helped boost earnings in Dairy Products.

<b>Fibre &amp; Wood Products</b>	<b>Q1 FY2008</b>	<b>Q1 FY2007</b>	<b>Change (%)</b>
Sales Volume (metric tonnes)	188,676	98,978	90.6
Sales Revenue (S\$ million)	317.5	160.8	97.5
Net Contribution (S\$ million)	17.9	11.3	59.2
Net Contribution Per Tonne (S\$)	95	114	(16.7)

The **Fibre & Wood Products** segment recorded a 90.6% growth in Sales Volume and 59.2% improvement in NC following the completion of the acquisition of QCH in July 2007. NC per ton for our existing business was S\$154 per ton as compared to S\$114 in Q1 FY2007.



Cotton volumes rose by 120% largely due to QCH's contribution to higher volumes during the first quarter. As signaled during the acquisition announcement and at the time of our full year results briefing in August 2007, QCH is expected to incur a full year loss of AUD 12 to AUD 14 million this year due to the severe drought conditions in Australia. We have booked a loss of S\$5.7 million from QCH for the first quarter. This includes an unrealized loss of S\$4.6 million relating to open hedging derivative financial instruments as of quarter-end, for which hedge accounting has not been applied. The corresponding profits on the physical side of the business will flow in as and when the shipments are completed in the subsequent quarters. It should be noted that the QCH will apply, in compliance with the Group accounting policies, hedge accounting for new hedging derivatives contracted after the acquisition, in July 2007. QCH's operations in Brazil and US are performing strongly and this is expected to mitigate some of the impact of the drought in Australia. We also expect to realize more of the potential synergies of combining our two cotton businesses going forward. We expect QCH to return to profitability in 2009. Our post merger integration exercise carried out in the quarter gives us the confidence that QCH will exceed its maintainable earnings estimate of US\$14 million that we had factored in our deal thesis in the steady state, once this drought ends in Australia.

In Wood Products, sales volume increased by 81% as Olam diversified into sawn timber, top layer and flooring products and delivered higher volumes of these value-added products, including certified teak from Ghana and Brazil to timber processors in Asia, participated in processing activities, including manufacturing top layer and flooring products and developed direct distribution channels into Vietnam, China, India and Europe.

## **M&A Update**

During Q1 FY2008, Olam announced its 100% acquisition of Key Foods Ingredients, a processor and global supplier of dehydrates, and PT Dharmapala Usaha Sukses (PT DUS), a sugar refinery in Indonesia. Olam's soybean and cotton joint venture agreements with Chinatex Corporation were signed in October 2007 and their final closure is expected to be completed by end-December 2007. All M&A transactions announced to-date have been fully paid for in cash from internal accruals and debt and with no additional equity raised for this purpose.



The M&A deal pipeline continues to remain very strong and we continue to make good progress in identifying earnings and value accretive transactions that will further contribute to our growth and profitability going forward. Some of these acquisitions and investment opportunities may materialise over the next 12 months. We will announce such transactions as and when they materialise.

The status of completion of the announced acquisitions in 2007 is given below:

Acquisition	Investment (US\$ million)	Olam's Stake	Status/Date of Completion	Incorporated in Q1FY08 Results
JV with Chinatex	13.5	35 %	Dec 2007	No
Queensland Cotton Holdings	136.3	100%	Completed	Yes
Universal Blanchers	73.1	100%	Completed	Yes
Open Country Cheese	18.0	19.9%	Completed	No
Key Foods International	18.5	100%	Completed	No
Naarden Agro	3.8	100%	Completed	Yes
PT DUS	14.0	100%	Dec 2007	No
<b>Total</b>	<b>277.2</b>			

## Prospects

The Group continues to execute well on its strategic growth plan, both in existing business and new businesses through acquisitions. These growth initiatives are expected to further contribute to the Group's sustained growth and profitability beyond this period.

### **Note:**

*This release should be read and understood only in conjunction with the full text of Olam International Limited's Q1 FY2008 Financial Statements lodged on SGXNET on November 14, 2007.*



### **About Olam International Limited**

*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, 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). Olam received three prestigious honours at the Singapore Corporate Awards 2007 and the "Most Transparent Company" Award (Commerce) at the SIAS Investors' Choice Awards 2007. It was also named 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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ISSUED ON BEHALF OF	:	Olam International Limited
BY	:	Citigate Dewe Rogerson, i.MAGE Pte Ltd 1 Raffles Place #26-02 OUB Centre Singapore 048616

#### **For Olam**

CONTACT	:	Mr. S. Suresh, GM (Head, Corporate Affairs) / Ms Chow Hung Hoeng, Manager (Investor Relations)
DURING OFFICE HOURS	:	+ 65 6317-9552 / 6317-9471 (Office)
AFTER OFFICE HOURS	:	+ 65 9634-1372 / 9834-6335 (Mobile)
EMAIL	:	suresh@olamnet.com / chow.hunghoeng@olamnet.com

#### **For CDRI.MAGE**

CONTACT	:	Ms Dolores Phua / Ms Carol Wee
DURING OFFICE HOURS	:	6534-5122 (Office)
AFTER OFFICE HOURS	:	9750-8237 / 9730-5754 (Mobile)
EMAIL	:	dolores.phua@citigatedrimage.com / carol.wee@citigatedrimage.com

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