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## **FY2008: Milestone Year for Olam**

- **Sales reach S\$8.1 billion, up 48.7%; Net Profits up 53.8% to S\$167.7 million.**
- **Strong performance from twin growth engines - organic and inorganic:**
  - **Above-target Organic Net Profit Growth, up 36.7% to reach S\$149 million.**
  - **Above-target Inorganic Net Profits.**

### **FY2008 Financial Highlights**

- Sales Revenue of S\$8.11 billion, up 48.7%
  - Sales Volumes of 4.93 million tonnes, up 30.6% with growth across all four segments
  - Net Contribution (NC) up 43.4% to S\$504.0 million, with NC/tonne up 9.7% to S\$102/tonne
  - Overall Group Net Profit up 53.8% to S\$167.7 million
  - EPS up 50.0% to 10.28 cents/share
  - Existing businesses/organic volume growth of 20.1% and Net Profits growth of 36.7% - significantly above target
  - The new businesses through acquisitions (inorganic) achieved an operating NPAT of S\$1.72 million. In addition there were two one-off adjustments amounting to an NPAT of S\$16.9 million. The combined impact of these resulted in NPAT from acquisitions of S\$18.7 million (11.2% of the Group's profits) in FY2008.
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- Raised S\$304 million of additional equity capital through a successful preferential share offering
  - Raised US\$300 million (S\$408 million) through issue of convertible bonds providing more permanent capital to support growth plans
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- Board recommends First & Final dividend of 2.5 cents per share



Financial Highlights	Quarter 4			Year Ended		
	FY2008	FY2007	Change (%)	FY2008	FY2007	Change (%)
Sales Volume (metric tonnes)	1,172,195	796,148	47.2	4,926,315	3,772,820	30.6
Sales Revenue (S\$ million)	2,382.2	1,508.1	58.0	8,111.9	5,455.5	48.7
NC (S\$ million)	154.2	119.8	28.7	504.0	351.4	43.4
NPAT (S\$ million)	64.9	30.5	112.4	167.7	109.0	53.8
EPS (cents per share)	3.71	1.92	93.2	10.28	6.85	50.0
ROE (BOP <sub>E</sub> )	-	-	-	28.7%	20.6%	-
ROIC (Avg Invested Cap)	-	-	-	13.21%	12.35%	-

*Singapore, August 28, 2008* - Olam International Limited (“Olam” or the “Group”), a leading global, integrated supply chain manager of agricultural products and food ingredients, today reported a Net Profit After Tax of S\$167.7 million for the full year ended June 30, 2008 (“FY2008”), achieving a 53.8% increase over the previous corresponding year (“FY2007”). One of the key reasons for the strong earnings growth in FY2008 was the combined contribution from both the existing businesses (organic) as well as from acquisitions (inorganic).

Existing businesses (organic growth) achieved Net Profits of S\$149.0 million registering a 36.7% increase over FY2007 and was well above target. New businesses through acquisitions (inorganic growth) contributed net profits of S\$18.7 million and accounted for 11.2% of Group Net Profits which was significantly above target.

The five acquisitions consolidated in FY2008 registered a combined operating NPAT of S\$1.72 million. In addition there was a tax gain of S\$11.44 million due to the consolidation of tax groups of QCH and Olam in Australia and the recognition of S\$5.52 million in the P&L on account of negative goodwill arising from the completion of the Purchase Price Allocation (PPA) exercise in respect of PT DUS.

Sales Revenue grew 48.7% to S\$8.11 billion driven firstly by strong underlying volume growth of 30.6% which was broad based across all four segments and secondly by commodity price increases across most of the product portfolio during the year. Organic volume growth



accounted for 20.1% of the overall volume growth and organic revenue grew by 32.9% compared to FY2007.

NC rose 43.4% with contribution coming from all the four business segments. Margins measured as NC per tonne increased 9.7% from S\$93 to S\$102/tonne.

Olam's Group Managing Director and CEO Sunny Verghese said: "Our ability to deliver this strong performance for the 19<sup>th</sup> year in a row, reliably and consistently across commodity up and down cycles, including challenging credit and capital market conditions experienced in 2007 and 2008 demonstrates the power of the Olam business model. The Olam model includes:

- a sharp focus on a single commodity asset class - the agricultural complex, allowing us to cumulate and compound our supply chain skills and build deep insights into our product markets;
- within that to be broadly diversified across 16 agricultural commodities, 56 countries, 6,500 customers and over 200,000 suppliers with no product, country, customer or supplier dominating our revenue or earnings;
- our participation as a supply chain manager rather than a positional, directional commodity trader leading to better predictability and visibility to our earnings;
- our ability to secure competitive advantage by out-originating our competitors and providing differentiated, customised marketing solutions and services to our customers;
- our growth model of getting our existing businesses to full potential through clearly articulated growth initiatives and migrating into adjacent businesses that share suppliers, customers, channels, costs or capabilities with our existing businesses thereby reducing our expansion and execution risk;
- being selectively integrated in the supply chain including upstream (plantations, origination), midstream (processing/manufacturing) and downstream (distribution) to capture a higher share of the profit pool;
- building a network and configuration of assets that helps us link and leverage our presence in origins and markets for these commodities;
- our field operating, risk, IT and control systems that serve as a foundational enabler which allows us to scale our business with low execution risk;



- our demonstrated track record to identify, acquire and integrate companies through acquisitions that have a clear strategic fit with our core business and which are earnings and value accretive;
- our consistent discipline in capital management;
- our high standard of corporate governance and transparency and building an excellent shareholder base;
- and above all, developing an exceptional and high calibre management team that provides us significant bandwidth to pursue profitable growth.

“Through all this we have, over time, built leading market positions in an attractive and growing industry and created a powerful momentum that will deliver profitable growth for years to come.”

Olam’s CFO, Krishnan Ravikumar said: “We continue to deliver on our governing objective of **maximising intrinsic shareholder value over time for our continuing shareholders**. To this end, we have consistently focused on impacting three key value drivers: a) opening up the capital spread (ROE- $K_E$ , ROIC-WACC); b) increasing the rate of profitable growth; and c) sustaining this growth over a period of time.

“In FY2008, we generated an equity spread (ROE- $K_E$ ) of 19.7% achieving a ROE of 28.7% compared to a ROE of 20.6% in FY2007. We also improved total capital spread, where our ROIC grew from 12.35% in FY2007 to 13.21% in FY2008, generating a total capital spread (ROIC-WACC) of 6.56% in FY2008 compared to a capital spread of 5.41% in FY2007.”

## Segmental Review

Edible Nuts, Spices & Beans	Quarter 4			Full Year		
	FY2008	FY2007	Change (%)	FY2008	FY2007	Change (%)
Sales Volume (metric tonnes)	325,851	178,808	82.2	827,129	566,549	46.0
Sales Revenue (S\$ million)	409.5	254.9	60.6	1,168.9	783.2	49.3
Net Contribution (S\$ million)	55.4	29.9	84.9	125.0	68.8	81.9
Net Contribution Per Tonne (S\$)	170	167	1.8	151	121	24.8



The **Edible Nuts, Spices & Beans** segment recorded a significant volume growth of 46.0% and NC growth of 81.9% for the full year FY2008. The growth was broad-based across all products in this segment. NC per tonne improved by 24.8% as a result of several margin enhancement initiatives implemented across products.

The Cashew business achieved its twin objective of volume growth and margin enhancement. The volume growth was primarily from West African origins while margin enhancement was achieved by way of increased processing activities in Vietnam, Tanzania and India as also greater participation in the organic cashew segment.

Peanuts performed very well with Universal Blanchers turning in a better than expected performance, and the contract farming initiative undertaken in Argentina resulting in increased margins.

Sesame had a record year in terms of volume and net contribution underpinned by its expanded sourcing capability covering all major sesame origins and its market leading positions in Japan, China and the Middle East.

The Spices business saw volumes increase by 52.9% contributed partly by increased volumes from Key Foods Ingredients, while the Pulses & Beans business grew volume by 28.2% compared to FY2007.

Confectionery & Beverage Ingredients	Quarter 4			Full Year		
	FY2008	FY2007	Change (%)	FY2008	FY2007	Change (%)
Sales Volume (metric tonnes)	246,393	172,328	43.0	1,046,515	853,097	22.7
Sales Revenue (S\$ million)	723.5	454.5	59.2	3,188.9	2,177.8	46.4
Net Contribution (S\$ million)	39.7	43.9	(9.5)	141.0	126.0	11.9
Net Contribution Per Tonne (S\$)	161	255	(36.9)	135	148	(8.8)

Despite persistently volatile market conditions, the **Confectionery & Beverage Ingredients** segment posted a Sales Volume growth of 22.7% and NC growth of 11.9% in FY2008.



Both coffee and cocoa markets were in sustained backwardation for most of the year. There was a lag in the adjustment of physical differentials to reflect the underlying fundamental conditions, leading to margin pressure and a reduction in NC per tonne for this segment from S\$148 to S\$135/tonne.

The Company's expansion into South America for Arabica coffee is progressing as planned. Its soluble coffee manufacturing investment in Vietnam is on schedule.

Food Staples & Packaged Foods	Quarter 4			Full Year		
	FY2008	FY2007	Change (%)	FY2008	FY2007	Change (%)
Sales Volume (metric tonnes)	315,831	257,873	22.5	1,958,791	1,622,525	20.7
Sales Revenue (S\$ million)	597.5	462.4	29.2	2,027.5	1,432.3	41.6
Net Contribution (S\$ million)	16.1	12.9	25.3	103.1	60.2	71.4
Net Contribution Per Tonne (S\$)	51	50	2.0	53	37	43.2

During FY2008, the **Food Staples & Packaged Foods** segment generated a volume growth of 20.7% and grew its NC by a strong 71.4%. Margin per tonne increased from S\$37 to S\$53/tonne.

The key contributors to growth in this segment were Rice and Dairy Products. Rice volumes crossed the 1 million-tonne mark achieving a growth rate of 31.0% over FY2007 in spite of the tight supply situation when prices escalated and certain governments placed restrictions on exports. The Rice business increased margins by scaling up the premium and branded rice segment sales. Sales volumes in Dairy Products grew 44.7% during the year due to expanded sourcing and increased marketing investments in key countries.



Fibre & Wood Products	Quarter 4			Full year		
	FY2008	FY2007	Change (%)	FY2008	FY2007	Change (%)
Sales Volume (metric tonnes)	284,121	187,139	51.8	1,093,881	730,649	49.7
Sales Revenue (S\$ million)	651.7	336.2	93.8	1,726.6	1,062.2	62.6
Net Contribution (S\$ million)	43.0	33.1	29.9	134.7	96.5	39.7
Net Contribution Per Tonne (S\$)	151	177	(14.7)	123	132	(6.8)

The **Fibre & Wood Products** segment registered a 49.7% growth in Sales Volume and 39.7% growth in NC in FY2008.

Cotton volumes increased significantly during the year as a result of organic growth as well as additional volumes from QCH. NC/tonne for this segment has declined from S\$132 to S\$123 primarily on account of QCH's operating performance as a result of the Australian drought.

Sales volume of Wood Products rose by 37.2% due to the commencement of sawn timber operations in Gabon and expansion in value-added manufacturing of timber products in China. Market share in Vietnam substantially increased during the year.

## M&A Update

In July 2008, Nauvu Investments, the 50:50 joint venture company between Olam and Wilmar International, executed the first phase of its SIFCA acquisition by completing its 27.0% stake investment in SIFCA Group for US\$72.5 million. Nauvu's additional investments of taking a 50.5% stake in SIFCA's palm oil refining company and a 26.65% stake in SIFCA's oil palm plantation and CPO producing company, Palm-CI in Cote d'Ivoire are pending regulatory approvals. Olam's share of the total three investments when completed will be US\$122 million.

In addition, Olam, in another 50:50 joint venture with Wilmar, invested US\$53.1 million in a joint 20% stake in PureCircle, a leading producer of natural, zero-calorie high intensity sweeteners based on the stevia plant.

Olam also announced its intention to invest and take a 24.99% stake in Dairy Trust Limited (DTL), an independent dairy processor in New Zealand, and as a part of the transaction agreed



to swap its existing 19.9% stake in Open Country Cheese (OCC) to DTL. OCC is expected to become a wholly owned subsidiary of DTL. The total investment consideration for this transaction is estimated at US\$76.8 million. The deal is scheduled to be completed in October 2008.

### **Other Key Developments**

Olam successfully raised S\$304 million of new equity capital from a non-renounceable, non-transferable, Preferential Share Offering in April 2008. In June 2008, Olam issued convertible bonds worth US\$300 million (S\$408 million). Both these fund raising exercises were successfully carried out amid tough market conditions. Olam's increased equity base and debt capacity will support the company's growth plans in the near term.

As of June 30, 2008, Olam's nominal net debt to equity ratio stood at 3.17 times. Adjusted for liquid, hedged or pre-sold inventories and receivables (which had been secured by letters of credit or documents through banks), the net debt to equity ratio comes down to 0.74 times.

### **Prospects**

The Group continues to execute well on its organic and inorganic growth strategies both in existing and new origins/markets, expand into adjacent products and participate in more value-added activities to improve its margins. Olam has made substantial organic and inorganic investments during FY2007 and FY2008 which it believes will underpin its growth over the next two three-year planning cycles.

### **Note:**

*This release should be read and understood only in conjunction with the full text of Olam International Limited's FY2008 Financial Statements lodged on SGXNET on August 28, 2008.*





### **About Olam International Limited**

*Olam is a leading global integrated supply chain manager of agricultural products and food ingredients, sourcing 16 products with a direct presence in 56 countries and supplying them to over 6,500 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 a component stock in the Straits Times Index (STI), MSCI Singapore Free, S&P Agribusiness Index and the DAXglobal Agribusiness Index. More information on Olam can be found at [www.olamonline.com](http://www.olamonline.com).*

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