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## MEDIA RELEASE

### OLAM REPORTS Q3 FY2007 NET PROFIT UP 29.1% TO S\$40.3 MILLION

| <b>Q3 FY2007 Financial Highlights</b>  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Sales Revenue up 10.8% to S\$1.58 billion</li> <li>• Sales Volumes up 17.7% to 1.16 million metric tonnes, with growth across all four business segments</li> </ul>   |  |
| <ul style="list-style-type: none"> <li>▪ Gross Contribution (GC) up 45.8% to S\$146.3 million, with GC/tonne up 23.8% to S\$126</li> <li>▪ Net Contribution (NC) up 28.6% to S\$100.0 million, with NC/tonne up 9.2% to S\$86</li> <li>▪ 42% of NC growth on account of volume growth, and 58% from margin improvements</li> <li>▪ All four business segments experienced double digit growth in GC and NC</li> <li>▪ <b>Net Profit After Tax up 29.1% to S\$40.3 million, EPS up 29.1%</b></li> </ul> |  |

| Financial Highlights                  | Quarter 3 (Q3)* |         |            | Nine Months (9M)* |           |            |
|---------------------------------------|-----------------|---------|------------|-------------------|-----------|------------|
|                                       | FY2007          | FY2006  | Change (%) | FY2007            | FY2006    | Change (%) |
| Sales Volume (metric tonnes)          | 1,160,254       | 985,539 | 17.7       | 2,976,672         | 2,484,429 | 19.8       |
| Sales Revenue (S\$ million)           | 1,579.9         | 1,425.3 | 10.8       | 3,947.4           | 3,342.3   | 18.1       |
| Gross Contribution (GC) (S\$ million) | 146.3           | 100.4   | 45.8       | 343.7             | 245.3     | 40.1       |
| Net Contribution (NC) (S\$ million)   | 100.0           | 77.8    | 28.6       | 231.6             | 176.8     | 31.0       |
| Net Profit After Tax (S\$ million)    | 40.3            | 31.3    | 29.1       | 78.5              | 61.9      | 26.8       |
| Earnings Per Share (cents)            | 2.60            | 2.01    | 29.1       | 5.05              | 3.98      | 26.8       |

\* financial period ended March 31



*Singapore, May 15, 2007* – 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\$40.3 million for the quarter ended March 31, 2007 (“Q3 FY2007”), achieving a 29.1% increase over the previous corresponding period (“Q3 FY2006”). This strong improvement in earnings was the result of strong growth in both underlying Sales Volumes and Net Contribution (“NC”) across the Group’s all four business segments. Sales Volumes grew 17.7% to 1.16 million tonnes and anchored a 10.8% increase in Sales Revenue for the quarter to S\$1.58 billion, with the growth being entirely organic.

Olam’s CFO, K. Ravikumar said: “With the majority of our origins located in the northern hemisphere, where the harvest season generally falls between October and March, Q3 is usually a strong quarter for our Group with respect to earnings. We are delighted that our earnings for this quarter showed even stronger growth than that achieved in Q3 FY2006.”

Olam’s Group Managing Director and CEO Sunny Verghese said: “We continue to execute our strategy across all our business segments and deliver consistent profitable growth by growing our volumes, adding value and generating a return in excess of our cost of capital. Our results have been achieved amid very volatile commodity markets, and this is a reflection of the strength of our business model and our competitive position in the industry.”

## **Financial Review**

For Q3 FY2007, Sales Revenue grew 10.8% to S\$1.58 billion anchored by a 17.7% growth in Sales Volume to 1.16 million metric tones with contribution from all four business segments.

GC for Q3 FY2007 grew by 45.8% to S\$146.3 million while NC improved by 28.6% to S\$100.0 million. Total interest costs increased by 104.9% to S\$46.2 million during the quarter under review, with interest cost per tonne increasing to S\$40 from S\$23 during the corresponding period last year. In spite of this, all four business segments registered growth in NC, 42% of which was accounted for by volume increases while the remaining 58% came from margin improvements.



Sales Revenue for the nine months ended 31 March, 2007 (“9M FY2007”) grew 18.1% to S\$3.95 billion, with the entire growth in revenue attributable to underlying volume growth. Sales Volume for 9M FY2007 grew by 19.8% to 2.98 million tonnes. GC and NC rose 40.1% and 31.0% respectively and their growth was contributed by all the four business segments. 59% of the growth in NC was due to volume increases while the balance 41% came from margin improvements. NC per tonne improved from S\$71 / tonne to S\$78 per tonne with NC Margin also improving from 5.29% in the prior period to 5.87% for 9M FY2007.

### Review by Product Segment

| Edible Nuts, Spices & Beans      | Quarter 3 (Q3) |         |            | Nine Months (9M) |         |            |
|----------------------------------|----------------|---------|------------|------------------|---------|------------|
|                                  | FY07           | FY06    | Change (%) | FY07             | FY06    | Change (%) |
| Sales Volume (metric tonnes)     | 161,968        | 150,851 | 7.4        | 387,741          | 338,498 | 14.5       |
| Sales Revenue (S\$m)             | 193,183        | 153,166 | 26.1       | 528,294          | 389,460 | 35.6       |
| Net Contribution (S\$m)          | 19.4           | 16.3    | 18.8       | 38.8             | 32.2    | 20.4       |
| Net Contribution Per Tonne (S\$) | 120            | 108     | 10.6       | 100              | 95      | 5.1        |

The **Edible Nuts, Spices & Beans** segment recorded a volume growth of 7.4% in Q3 FY2007 and 14.5% in 9M FY2007. Net Contribution also recorded a strong 18.8% growth to S\$19.4 million in Q3 FY2007 and a 20.4% growth to S\$38.8 million for 9M FY2007.

All products under this segment performed well during 9M FY2007. Cashew volumes from most of our origins including India, Vietnam and West Africa were strong while peanut volumes grew as much as 158% due to the Group’s presence in all the major peanut producing and exporting countries. The Group’s recent acquisition of 100% interest in Universal Blanchers, the world’s largest independent peanut blancher and ingredient processor in the US, is expected to enhance peanut growth moving forward. Spices including pepper and sesame performed well in terms of a successful entry into new product, dehydrates sourced from China, as well as improved sesame market share in Turkey and the Middle East and penetration into South Korea, new market. Growth from Pulses and Beans came from wider reach into key origins like the US and China and strong redistribution network in large markets such as India, South Africa and Algeria.



| Confectionery & Beverage Ingredients | Quarter 3 (Q3) |         |            | Nine Months (9M) |         |            |
|--------------------------------------|----------------|---------|------------|------------------|---------|------------|
|                                      | FY07           | FY06    | Change (%) | FY07             | FY06    | Change (%) |
| Sales Volume (metric tonnes)         | 296,326        | 274,657 | 7.9        | 680,769          | 577,667 | 17.8       |
| Sales Revenue (S\$m)                 | 830.8          | 651.1   | 27.6       | 1,723.3          | 1,333.9 | 29.2       |
| Net Contribution (S\$m)              | 34.4           | 27.8    | 23.4       | 82.1             | 62.8    | 30.7       |
| Net Contribution Per Tonne (S\$)     | 116            | 101     | 14.4       | 121              | 109     | 10.9       |

Sales Volume and NC in the **Confectionery & Beverage Ingredients** segment grew 7.9% and 23.4% respectively in Q3 FY2007. Sales Volume and NC growth during the cumulative first nine months were 17.8% and 30.7% respectively.

Market demand for Arabica coffee was sluggish due to market expectation of a larger crop in South America, resulting in a lower than expected coffee volume growth during Q3 FY2007.

Cocoa volumes continued to grow with increase in Vendor Managed Inventory contracts secured with key customers during Q3 FY2007 and higher market share in the US.

| Food Staples & Packaged Foods    | Quarter 3 (Q3) |         |            | Nine Months (9M) |           |            |
|----------------------------------|----------------|---------|------------|------------------|-----------|------------|
|                                  | FY07           | FY06    | Change (%) | FY07             | FY06      | Change (%) |
| Sales Volume (metric tonnes)     | 440,937        | 322,026 | 36.9       | 1,364,653        | 1,102,665 | 23.8       |
| Sales Revenue (S\$m)             | 260.9          | 219.2   | 19.0       | 969.9            | 864.4     | 12.2       |
| Net Contribution (S\$m)          | 13.7           | 9.7     | 40.7       | 47.3             | 35.9      | 31.8       |
| Net Contribution Per Tonne (S\$) | 31             | 30      | 2.8        | 35               | 33        | 6.5        |

Sales Volume and NC for the **Food Staples & Packaged Foods** segment grew 36.9% and 40.7% respectively in Q3 FY2007 compared to Q3 FY2006. On an aggregate nine month basis, Sales Volume and NC growth were 23.8% and 31.8% respectively.



The improvement in Sales Volume came largely from Sugar, Dairy Products and Packaged Foods. Sugar volume rose by 89% during 9M FY2007 as a result of higher export from India into Middle East, larger volumes from Brazil arising from the expansion of pre-financing arrangement with sugar mills there and increased sales into Russia and its neighbouring CIS countries.

Dairy Products volume grew 90% during 9M FY2007 in spite of the ban of dairy export by India and supplier default situation in Argentina. This was because of the Group's strong supply arrangements from other origins in Eastern and Western Europe, and the US. On the marketing side, distribution has been enhanced in Russia, Belarus and Egypt.

| Fibre & Wood Products<br>(S\$ million) | Quarter 3 (Q3) |         |            | Nine Months (9M) |         |            |
|--|----------------|---------|------------|------------------|---------|------------|
|  | FY07           | FY06    | Change (%) | FY07             | FY06    | Change (%) |
| Sales Volume (metric tonnes)           | 261,023        | 238,005 | 9.7        | 543,509          | 465,599 | 16.7       |
| Sales Revenue (S\$m)                   | 295.1          | 401.9   | (26.6)     | 725.9            | 754.5   | (3.8)      |
| Net Contribution (S\$m)                | 32.6           | 23.9    | 36.4       | 63.4             | 45.9    | 38.3       |
| Net Contribution Per Tonne (S\$)       | 125            | 100     | 24.3       | 117              | 99      | 18.4       |

The **Fibre & Wood Products** segment experienced 9.7% growth in Sales Volume and 36.4% in NC in Q3FY2007. For the first nine months, the segment saw 16.7% growth in Sales Volume and 38.3% in NC.

Cotton sales volume grew lower than expected at 15% in 9M FY2007 due to a sharp drop in China imports following a bumper domestic crop and a new sliding scale quota. Volume growth came mainly from market share gains in Turkey, Thailand and Bangladesh during the quarter as well as participation in the domestic cotton distribution in India and Brazil.

In Wood Products, sales volume increased 20% in 9M FY2007 as a result of greater sourcing volumes and market reach. The new facility for manufacturing high value flooring products is being set up in China and is expected to contribute to better margins moving forward.



## **M&A Update**

In February 2007, Olam announced plans to form two joint ventures in the Oilseeds and Cotton businesses with Chinatex Corporation (Chinatex), a State Owned Enterprise in China. In the Oilseeds joint venture, Olam intends to take an initial 35% stake in Chinatex's Grains & Oil subsidiary for a consideration of US\$13.5 million with an option to increase its stake to 45% within two years at a pre-agreed valuation. China is the world's largest importer of soybeans and Chinatex has a leading market position in this industry in China. The second joint venture with Chinatex is a 50:50 domestic cotton joint venture for developing the domestic cotton business in China, which is the world's largest producer, consumer and importer of cotton. The Group is making good progress in closing this transaction and expects to complete it by August 2007.

In March 2007, Olam made an off-market takeover offer to acquire 100% shares in Queensland Cotton Holdings (QCH) to create a third largest global cotton company in the world. The offer is based on A\$4.75 cash per share for a minimum 50% acceptance level and A\$5.05 cash per share if acceptances reach 90% and subject to receiving the Foreign Investment Review Board's approval. The first tier pricing offer values QCH at A\$134 million and the second tier price at A\$142 million. The offer is unanimously recommended by the board of directors of Queensland Cotton. The acceptance level as of May 3, 2007 is 15.27%. The offer is open until May 30, 2007 unless otherwise renewed.

In April 2007, the Group announced it would acquire 100 per cent of the world's largest independent peanut blancher and ingredient processor, Universal Blanchers for a total cash consideration of US\$77 million as enterprise value (estimated net equity value of US\$72.3 million). This acquisition will enable Olam to expand into peanut blanching and ingredient manufacturing in the US. The requisite waiver from the regulating authorities in the United States of America with regard to the provisions of the Hart-Scott-Rodino Act (HSR) has subsequently been obtained.



## **Prospects**

The Group continues to execute well on its strategic plans and has identified growth initiatives in different businesses. Barring any unforeseen circumstances, the Group is confident of its prospects going forward into the last quarter of FY2007.

### **Note:**

*This release should be read and understood only in conjunction with the full text of Olam International Limited's Q3 FY2007 Financial Statements lodged on SGXNET on May 15, 2007.*

### **About Olam International Limited**

Olam is a leading global integrated supply chain manager of agricultural products and food ingredients. Today, the Group manages an integrated supply chain for 14 agricultural products with a direct presence in 52 countries, supplying these to over 3,800 customers in more than 55 destination markets, and employing over 6,300 employees worldwide.

Headquartered in Singapore and listed on the SGX-ST on February 11, 2005, it currently ranks among the 30 largest listed companies in Singapore in terms of market capitalisation. Olam has been included in the benchmark Straits Times Index (STI) effective February 5, 2007. Additional information on Olam can be found on its website at [www.olamonline.com](http://www.olamonline.com).



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