

## Chairman's Statement



2006 marked a very significant year in our corporate history. Ezyhealth Asia Pacific Ltd completed the acquisition of the palm oil and related assets from Wilmar Holdings Pte Ltd (the reverse takeover) and transformed into Wilmar International Limited, one of Asia's largest integrated agribusiness groups. Following a successful equity placement exercise which raised approximately US\$180 million, Wilmar was re-quoted on the Singapore Exchange on 8 August 2006.

### **2006 FINANCIAL PERFORMANCE**

I am pleased to report significantly stronger earnings for the year ended 31 December 2006 (FY2006).

**Net profit recorded a sharp increase of 80.2% to US\$104.6 million compared to the previous financial year, achieved through enhanced margins and volume growth in key business divisions. Revenue grew by 14% for FY2006 to US\$5.3 billion.**

We benefited from favourable market conditions and higher demand for our products. We are also reaping the rewards of our growth strategy and the strong competitive edge of our integrated business model.

As a result of our much improved performance, earnings per share rose 68.9% to 4.51 US cents for FY2006, from 2.67 US cents a year ago.

The Group's balance sheet has strengthened, boosted by our strong financial performance for FY2006 and the proceeds from our equity placement exercise in August 2006. As at 31 December 2006, the Group had total assets of US\$1.8 billion and shareholders' funds of US\$584.8 million. Net gearing ratio reduced substantially from 2.5x a year ago to 1.2x at the end of 2006 while cashflow from operations recorded a sharp turnaround to an inflow of US\$99.7 million in FY2006, from an outflow of US\$52.5 million in the previous year.

### **DIVIDENDS**

We paid a tax-exempt interim dividend of S\$0.013 per ordinary share on 15 March 2007, in place of a final dividend for financial year 2006. The dividend represents a payout ratio of approximately 20.5% and we have thus delivered on our intention to pay out 20% of our FY2006 net profit, as indicated in the reverse takeover circular.



### **EXPANSION DRIVE IN 2006**

During the year, we completed a major expansion drive to increase our processing capacity in palm oil milling, refining, palm kernel crushing and fertiliser manufacturing. We are also expanding into the biodiesel sector via three biodiesel plants in Indonesia with a combined capacity of 1.05 million metric tonnes (MT) per annum or 350,000 MT per annum each. The first plant was commissioned in January 2007 while the remaining two plants are expected to complete in the second and third quarters of 2007.

In August and September last year, we announced the acquisition of approximately 140,000 hectares of plantation land with 12,700 hectares of planted area, thereby increasing our landbank to about 210,000 hectares and planted area to 66,367 hectares as at 31 December 2006.

### **PROPOSED MERGER AND RESTRUCTURING EXERCISE**

On 14 December 2006, we announced a proposed merger with the Kuok Group's palm plantation, edible oils, grains and related businesses comprising Kuok Oils & Grains Pte Ltd, PGEO Group Sdn Bhd and PPB Oil Palms Berhad in a deal worth up to US\$2.7 billion. In a separate transaction, the Group also announced a restructuring exercise to acquire the edible oils, grains and related businesses of our parent company, Wilmar Holdings Pte Ltd, including interests

held by Archer Daniels Midland Asia Pacific and its subsidiaries in these businesses, for US\$1.6 billion.

Upon completion, the enlarged Group will become:

- the leading global processor and merchandiser of palm and lauric oils;
- one of the largest plantation companies in Indonesia/Malaysia;
- the leading merchandiser of consumer pack edible oils as well as the leading oilseeds crusher, edible oils refiner, specialty fats and oleochemical manufacturer in China;
- one of the largest edible oils refiners and the leading producer of consumer pack edible oils in India (through joint-venture);
- the leading importer of edible oils into East and South Africa;
- the largest edible oils refiner in Ukraine; and
- the largest palm biodiesel manufacturer in the world.

In Indonesia and Malaysia, the merged entity will have a combined plantation landbank of more than 570,000 hectares and refining capacity of about 10 million MT per annum. In China, the merged entity will have a consumer oil packing capacity of about 4 million MT per annum, soya bean crushing capacity of more than 10 million MT per annum and an edible oil refining capacity of more than 5 million MT per annum.

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The minimal duplication in operations and the strengths of the various entities in the merger and restructuring, result in a very strategic fit. By streamlining the operations of the various entities, capitalising on the multiple location processing facilities and with better access to market information, the enlarged Wilmar will be able to reap synergies from the merger and better position itself for growth.

**Through the proposed merger and restructuring exercise, Wilmar is poised to become Asia's leading agribusiness group.**

We are currently working with various parties involved in the transactions including our financial advisors, to finalise the necessary documentation and to obtain all necessary regulatory and shareholder approvals. These corporate exercises are targeted to complete in the second quarter of 2007.

### **OUTLOOK AND PROSPECTS**

We are optimistic about the outlook for palm oil due to the rising demand for food and energy globally. Barring a collapse in energy prices, we expect palm oil prices to remain favourable and hence, we will continue to increase our oil palm plantation acreage. Through the merger, we will have a very large landbank and greater expertise to develop oil palm plantations, especially in Indonesia. The merged entity will own a combined planted area of approximately 170,000 hectares and it is our intention to plant about 40,000 hectares per annum to become a major plantation group within 10 years.

As the production of palm oil will continue to grow rapidly in Indonesia and Malaysia, we will expand our merchandising and processing capabilities in line with production growth.

Demand for quality processed agricultural commodities in Asia, especially in China and India, is expected to remain robust driven by high economic growth, large population base and low per capita consumption. Given the merged entity's significant presence in China and India in processed agricultural commodities, we are well-positioned to capture the growth opportunities in these two markets.

### **COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE PALM OIL**

As a responsible corporate citizen, we regard our social obligations seriously by complying with environmental and pollution standards, and contributing to the welfare of the communities in which we operate. We manage our operations in a manner consistent with internationally-recognised best practices.

Our commitment is further demonstrated by our active involvement in activities promoting sustainable palm oil. These include participation in the Roundtable on Sustainable Palm Oil's (RSPO) two-year trial implementation project to field-test and review a set of principles and criteria for sustainable palm oil production, and supporting the Zoological Society of London's research on the conservation of endangered species. We have also participated in evaluations and audits on our environmental and social performance by the International Finance Corporation and Control Union Certifications of the Netherlands. (Please refer to the section "Corporate Social Responsibility" for more information.)

## **IN APPRECIATION**

Upon completion of the reverse takeover exercise on 14 July 2006, the Board of Directors was reconstituted to include new members – Mr Martua Sitorus, Mr Teo Kim Yong, Mr Stephen Yu, Mr Yeo Teng Yang, Mr Tay Kah Chye and Mr Kwah Thiam Hock. Mr William Camp was appointed to the Board on 31 October 2006, while Mr Stephen Yu resigned and was appointed as the Alternate Director to Mr Camp on the same day. I would like to extend a warm welcome to our new Directors and thank Mr Leong Horn Kee for agreeing to continue his service on the Board. I would also like to thank the former Board members – Mr Yeo Wee Kiong, Mrs Janice Yeo, Mr Ng Ede Phang and Mr Tysun Ihm for their past contributions and especially for their co-operation and support leading to the successful completion of the reverse takeover exercise.

I would like to express our sincere appreciation to our employees for their contribution, commitment and dedication, which brought Wilmar to where it is today. Our sincere appreciation also goes to our suppliers, customers and bankers for their strong support over the years.

Last but not least, I would like to thank our shareholders for their support and confidence in us and I look forward to their continued support as we strive to enhance shareholder value.

### **Kuok Khoon Hong**

Chairman & Chief Executive Officer

19 March 2007