Chairman's Message

FY2017 In Review

I am pleased to report that despite headwinds faced by the Tropical Oils and Sugar segments, Wilmar reported satisfactory results for FY2017, buoyed by a strong rebound of the Oilseeds and Grains segment.

The Group recorded a 25.4% jump in net profit to US$1.22 billion in FY2017, with earnings per share of 19.3 US cents. Revenue increased 5.9% to US$43.85 billion. The Group's balance sheet remains strong, with total assets standing at US$40.93 billion while shareholders' funds amounted to US$15.96 billion.

Our Oilseeds and Grains segment rebounded strongly to achieve a tripling of pre-tax profit to US$735.0 million on the back of higher crush volume and good margins throughout the year. This was partially negated by a marginal drop of 0.9% in Consumer Products sales volume due to the early Chinese Spring Festival in 2017 that had shifted seasonal demand to the last quarter of 2016.

The Tropical Oils segment recorded a 7.2% increase in revenue to US$18.07 billion. However, challenging operating conditions led to lower processing margins in the downstream business for most of the year. The Plantation unit registered a steady performance with improved production yield and higher realised crude palm oil prices in 2017. Overall, the segment saw a 38.2% drop in pre-tax profit to US$426.2 million.

The Sugar segment saw sales volume drop 12.3% from lower merchandising volume and a timing effect from the new sugar marketing programme in Australia under which certain proportion of sugar produced will only be sold in the first half of 2018. Amid declining sugar prices, the segment was further impacted by the weaker performances from the merchandising, refining and consumer products businesses as well as an impairment loss on the Australian refinery assets. Consequently, the Sugar segment posted a loss of US$24.6 million for FY2017.

2017 Highlights

In FY2017, we continued to execute our expansion plans to ride on the tremendous growth prospects of the various businesses in key markets.

In May 2017, we announced the intention to list the Group's operations in China on the Shanghai Stock Exchange. We have largely completed the internal restructuring of the operations and will continue to work on the proposed listing.

In June 2017, we entered into a conditional 50:50 joint venture agreement with Tokyo-listed Lion Corporation for the manufacture and sale of methyl ester sulfonate, an ingredient used to produce detergents. The joint venture, which is expected to complete by mid-2018, will enhance the competitiveness and growth of our oleochemicals business.

India is the world's largest sugar consumer. We have been a strategic industrial partner of Shree Renuka Sugars Limited (SRSL) since 2014, the leading

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sugar company in India. In July 2017, we announced our plan to make an additional investment of INR7,839.6 million (equivalent to approximately US$120 million) in SRSL. This was completed in March 2018, raising our stake in SRSL from approximately 27% to 39%.

Our other joint venture in India, Adani Wilmar Limited (AWL), in which we hold a 50% interest, is the largest edible oils manufacturer in India. AWL entered into transactions to acquire two refineries in 2017, is now building a new one and is also expanding its refinery in Mundra, which when completed, will be the world's biggest soft oil refinery located at one site. We are also expanding into flour and rice milling in India, having acquired a rice mill in 2017 and will be increasing capacities in the flour and rice business this year. The sales of our consumer products increased significantly in 2017 and we are working on a wider product offering to sustain the rapid growth.

In Vietnam, we commissioned our fourth flour mill in July 2017 and we will start construction of the fifth mill in 2018 to capture the healthy demand for our products. We also have a 45% stake in the largest soybean crushing plant in Vietnam through a joint venture formed in 2016 with Bunge and a local partner.

In August 2017, we acquired a 50% equity interest in Aalst Chocolate Pte Ltd, a home-grown chocolate manufacturer in Singapore. We are a leading manufacturer of specialty fats used in the production of chocolates and compounds and Aalst Chocolate possesses the expertise to expand our offering and services to confectionery manufacturers. According to market surveys, Asia's demand for chocolate is forecast to grow at nearly twice the global pace.

In November 2017, we entered into an agreement to purchase the edible oil facilities including a palm oil refinery and a storage facility in Kuantan, Malaysia from Cargill. This marks our first presence in the east coast of Peninsular Malaysia. The strategic location of this facility in the Kuantan Port will be an advantage for regional exports. The transfer of ownership is expected to complete by the end of 2018.

Our flour mill in Myanmar is under construction and should be completed by March 2019. We expect to start construction of a rice mill by the fourth quarter of this year. We see great potential in the agriculture sector in Myanmar and intend to expand our investment there.

In Indonesia, we invested in our first rice mill and are building two new flour mills.

We are continuing with our expansion in rice and flour milling, noodles manufacturing, crushing and refining in China. The Chinese economy is doing well and demand for high quality consumer products is rising.

Africa is the world's second fastest growing region. As Africa continues to experience very high rates of population growth, the potential for food business is tremendous. We are present in 14 countries across the continent today and we continue to strengthen our manufacturing base.

Our School Redevelopment Programme, which aims to provide quality education for children in rural communities, is currently underway in Indonesia, Ghana, Uganda and Nigeria.

Projects underway include rice and flour mills in Tanzania, a soap and detergent production plant in Ghana and an edible oils refinery in Ethiopia.

Connectivity

A signature initiative of Chinese President Xi Jinping's administration, the Belt and Road Initiative (BRI) is an ambitious plan that aims to connect Asia, Europe and Africa.

We believe in the importance of connectivity between markets for the success of a global business. Over a span of 26 years, we have steadily built a presence – be it marketing, manufacturing or distribution – in over 50 countries, enabling our products to reach customers in more than 150 countries in an efficient manner. The bulk of our global footprint sits along the routes of the BRI. Equally important, the intrinsic value of such an extensive footprint is the access to market information that is critical for trading and identifying significant business opportunities. This is Wilmar's unique competitive advantage and it is not something that can be replicated easily.

Making Strides in Sustainability

We accomplished a number of sustainability milestones in the palm oil industry. We launched the Child Protection Policy in November 2017, which supersedes our longstanding No Child Labour Policy, to enhance the welfare of our workers' children who live in our plantation communities. Complementing this new policy is our School Redevelopment Programme, currently underway in Indonesia, Ghana, Uganda and Nigeria, to provide quality education for children in rural communities.

We started to focus on addressing labour issues in the Indonesian palm oil sector in late 2016. A year on, we published a report on the actions we have taken to strengthen and improve labour practices in our upstream operations. We are heartened that our efforts have received validation and support from our workers' unions and worker representatives. We will continue to work with stakeholders to overcome entrenched labour challenges in the agricultural industry.

We believe that incorporating sustainability metrics into every aspect of our business, from daily operations to corporate financing, is key to creating value for our stakeholders. In collaboration with ING Bank, we became the first company, both in Asia and in the palm oil industry, to peg our sustainability performance to an existing credit facility. This enables us to enjoy a reduced interest rate if we meet certain environmental, social and governance (ESG) performance targets, as measured by ESG ratings and research provider, Sustainalytics.

Outlook and Prospects

Our success in various businesses in many countries convinces us that our vertically integrated model is the best way to tap the tremendous growth potential in agriculture-related businesses in Asia and Africa and we will continue to pursue this strategy. In order for us to maintain our leadership position, we will continue to invest heavily in research and development to improve our manufacturing processes, develop new products and improve the quality and consistency of our existing products.

Dividends

The Board has recommended a final dividend of S$0.070 per share for FY2017. Including the interim dividend of S$0.030 per share paid in August 2017, the total dividend for FY2017 is S$0.10 per share (FY2016: S$0.065 per share), representing a dividend payout of about 39% and a 53.8% increase over the 2016 dividend.

Board Changes

On 31 December 2017, Mr George Yong-Boon Yeo, who has served on the Wilmar Board since 2014, stepped down as a Non-Independent Non-Executive Director to make way for the appointment of additional Independent Non-Executive Directors, in compliance with the recommendation in the Code of Corporate Governance 2012. On behalf of the Board, I wish to thank him for his invaluable contributions to the Group.

At the same time, I would like to warmly welcome Mr Lim Siong Guan and Mr Shan Weijian, both of whom were appointed Independent Non-Executive Directors on 1 January 2018, as well as Mr Raymond Guy Young who was appointed alternate director to Mr Juan Luciano on 3 November 2017. The Board looks forward to the fresh perspectives these new directors will bring to the Group.

Appreciation

On behalf of the Board, I would like to express my sincere appreciation to our stakeholders including our shareholders, customers, business partners and committed employees for their support over the years. Your faith in us enables us to pursue long-term strategies which are vital to ensure our success in various businesses across the globe and sets us apart from many other competitors.

Kuok Khoon Hong
Chairman & Chief Executive Officer
16 March 2018

Demand for high quality consumer products is rising in China.