



# OPERATIONS REVIEW



## FOOD PRODUCTS

This segment comprises the processing, branding and distribution of a wide range of edible food products including vegetable oils, sugar, flour, rice, noodles, specialty fats, snacks, bakery and dairy products. These food products are sold in either consumer and medium packaging or in bulk.

We are the largest producer of consumer pack edible oils in the world, with leading positions in China, Indonesia, India, Vietnam, Sri Lanka and several African countries. We also have growing sales of rice, flour, noodles and condiments under a diverse brand portfolio. Our range of high-quality essential food products has enabled us to build extensive sales and distribution networks in many countries. Our consumer brands are well-established and renowned for their quality, having won numerous product awards (<https://www.wilmar-international.com/about-us/awards>) in their respective markets.

### Market Trends

2022 saw surging raw material and food prices driven by macro factors such as the Russian-Ukraine conflict and policy changes in Indonesia relating to the sale and export of palm oil. These factors drove commodity prices to unprecedented levels in the first half of the year. The higher raw material costs impacted the Group's profitability. With Covid-19 lockdowns still in place in multiple cities in China for most of the year, demand from the hotels, restaurants and catering (HORECA) businesses also continued to be affected. Towards the end of the year, even as China eased Covid-19 restrictions, demand remained muted due to a spike in Covid-19 cases in the country.

Over the longer term, e-commerce and modern retail channels such as community group buying and online live sales are likely to become more popular as consumer buying behaviours continue to evolve post pandemic.

### Our Performance

In FY2022, the Food Products segment continued to be impacted by higher raw material costs, especially during the first half of the year. However, pre-tax profit improved to US\$723.5 million mainly due to the gain on dilution of interest in Adani Wilmar Limited amounting to US\$175.6 million recognised in 1Q2022.

Overall sales volume for the segment grew by 3% to 29.1 million MT in FY2022, driven by higher consumption of medium pack and bulk products. In particular, sales volume for rice and flour increased during the year, in line with our capacity expansion in these businesses. However, the improvements were partially offset by a decrease in consumer products sales as the widespread outbreak of Covid-19 cases in China resulted in a slowdown in sales.

### Outlook & Strategy

We will continue to build our distribution networks and leverage our prominent brands as well as research and development capabilities to develop new products such as condiments and home care products to widen our range of offerings. We are also developing higher margin and superior quality products to improve our profitability.

With Covid-19 restrictions easing in more countries, especially in China, we are cautiously optimistic that demand for our food products will recover as consumer sentiment and spending improve.

In India, we expect food and fast-moving consumer goods segments to continue to grow with the expansion of the economy. Our strategy in India is similar to China.



Our consumer pack rice and flour are marketed under a diverse brand portfolio.