



OPERATIONS REVIEW

A GLOBAL INTEGRATED AGRIBUSINESS

At the core of Wilmar's strategy is a resilient business model encompassing the entire value chain of the agricultural commodity business, from origination, processing, merchandising to manufacturing of a wide range of branded consumer products.

Over the years, we have invested substantially in building an integrated agri and food business which gives us economies of scale and operational efficiencies, allowing us to be one of the most efficient producers in the industry.

This efficiency is complemented by our strategically located facilities in both origin and destination markets, which enable us to manage logistic and operational costs effectively. We also own a fleet of liquid and dry bulk carriers to support our shipping requirements. As at 31 December 2022, the Group owned and controlled tankers / dry bulk vessels with a total tonnage of about 2.6 million MT.

One of our key assets is our people. We believe we have some of the best people in the industry who have stayed with us for many years and built our Group to what it is today. Our business partners are another great asset who have contributed to the success of the Group in many countries.

COMPANY DEVELOPMENTS

We remain committed to our strategy and will continue to work towards expanding our footprint in the agri and food businesses globally, with a focus on Asia and Africa, as well as strengthening the integration across the various segments of our business.

In FY2022, we added capacities in various countries such as China, Indonesia, Malaysia, Vietnam, Pakistan, Papua New Guinea, Ghana and Ivory Coast, in the following areas:

- Edible oil refining
- Oilseeds crushing
- Rice bran extraction
- Flour, rice and sugar milling
- Edible oil, flour, rice and sugar packing
- Noodles manufacturing
- Specialty fats manufacturing
- Compound fertiliser manufacturing
- Soap and detergent manufacturing

In India, we successfully acquired the domestic business of renowned brands Kohinoor, Charminar and Trophy Basmati Rice from McCormick and launched new products such as Fortune Poha (Flattened Rice). We also became the first national player to launch branded consumer pack rice targeted specifically for various regions in the country, including rice variants such as Miniket, Banskanti and Gobindo Bhog in Eastern markets.

For our sugar business, we continue to increase our consumer pack and ethanol production in India. Our associate's sugar refinery located in Saudi Arabia reached full capacity in FY2022.





CENTRAL KITCHEN FOOD PARK PROJECT

In China, the Central Kitchen Food Park project is an important new extension of the Group's value chain and complements our existing businesses. We will build multiple integrated food park complexes and site most of them in our integrated manufacturing plants throughout China to address the growing need for efficient and quality food production.

We will adopt an open approach so that we can attract a broad tenant mix and bring together strategic ingredients suppliers, other food manufacturers and service providers. The efficiency and scale of this approach will help achieve the synergies of the projects to produce good tasting, safe, consistent quality food products at lower costs.

We have formed a joint venture with SF Express (顺丰速运) to provide efficient distribution of products from our food parks.



Food Park in Hangzhou, China.

WILMAR CENTRAL KITCHEN FOOD PARK BUSINESS MODEL

FOOD ECOSYSTEM

Shared Services

- Access to Culinary and Baking Institutes
- Access to Yihai Kerry Arawana (YKA) Food R&D
- Multi-Temperature Zone Warehousing
- QA/QC and Food Safety Testing
- Exhibition/Tasting Centers
- Consolidated Procurement
- Consolidated Logistics
- Marketing Services and Distribution Network

Central Kitchens

Own CK

- Student Meals
- Institutional Meals
- Retirement Home Meals
- Others



External Tenants

- Raw Material Processing and Storage
- Chinese Food Manufacturers and Other Producers
- Chain Restaurants
- Supermarket and Convenience Stores
- Others

Strategic Ingredient Suppliers

- Meat Suppliers and Processors
- Seafood Suppliers and Processors
- Fruit & Vegetable Suppliers and Processors
- Others

YKA Integrated Manufacturing Complex

Flour Mill

Edible Oil Refinery

Rice Mill

Condiment Factory

Others

Four food parks in operation with six more under construction



In Operation:

- Hangzhou 杭州
- Zhoukou 周口
- Chongqing 重庆
- Xingping 兴平 (in January 2023)



Under Construction:

- Langfang 廊坊
- Shenyang 沈阳
- Kunshan 昆山
- Yanzhou 兖州
- Guangzhou 广州
- Huai'an 淮安

We are planning for another 20 locations in the next two years and many more over the next decade.



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.



FEED & INDUSTRIAL PRODUCTS

This segment comprises the processing, merchandising and distribution of animal feeds, non-edible palm and lauric products, agricultural commodities, oleochemicals, gas oil and biodiesel.

We operate crushing plants in China, India, Vietnam, Malaysia, Zimbabwe, Zambia and South Africa. We crush a wide range of oilseeds including soybean, rapeseed, groundnut, sunflower seed, sesame seed, cotton seed, copra and palm kernels. We are the world's largest producer of palm biodiesel and oleochemicals. We offer a comprehensive range of products from basic oleochemicals, derivatives to biofuels. We also operate an integrated sugar business with milling, refining and ethanol production. We have a market-leading merchandising team headquartered in Singapore and trade about 15 million MT of raw and white sugar globally on an annual basis.

Oilseeds & Grains – Crushing

Soybean prices rose at the start of 2022 driven by concerns over a drought in Argentina, the escalation of the Russia-Ukraine war in February as well as Indonesia's palm oil export ban in end-April. By end-May, soybean prices had started to retreat as palm oil prices fell after Indonesia lifted its export ban on palm oil.

Soybean meal demand in China was weaker due to prolonged Covid-19 lockdowns, poor hog margins, higher freight costs and high prices.

Tropical Oils

Crude palm oil (CPO) prices were on an upward trend in 1Q2022 due to tight supply of vegetable oils following implementation of Indonesia's Domestic Market Obligation (DMO) scheme and palm oil export ban as well as the Russia-Ukraine war which resulted in a shortage of sunflower oil. Prices started to come off after Indonesia lifted its palm oil export ban and removed the export levy for all palm oil products.

CPO prices started the year at RM5,228, reached a record RM8,076 in March before closing the year at RM4,048, down 23% from the beginning of the year. Nonetheless, palm prices stayed at elevated levels compared to historical prices, partly due to continued support from the Indonesian biodiesel programme. Biodiesel production increased more than 10% to approximately 10.4 million kilolitres (kL) in 2022 from approximately 9.2 million kL in 2021.

Sugar

Tight supply and demand environment in the global sugar market resulted in sugar prices remaining range-bound between 18 and 21 US cents per pound for most of 2022 and



Oleochemicals plant in Gresik, Indonesia.

the white sugar premium (the difference between the price of raw sugar and white sugar) staying above US\$80 per MT.

Our Performance

In FY2022, the Feed and Industrial Products segment continued to perform well and delivered pre-tax profit of US\$1.56 billion, an improvement of 23% compared to FY2021. The robust results were achieved on the back of sustained good performance from the tropical oils business as well as better margins from sugar merchandising activities. However, these were partially impacted by weaker crush margins from the oilseeds business in China. Overall sales volume for the segment increased by 1% to 55.6 million MT, driven by improvement in sales in the oilseeds and grains, as well as sugar businesses.

Outlook & Strategy

Soybean demand in China is expected to improve in 2023 due to the easing of Covid-19 restrictions in China and lower prices are projected due to higher soybean supplies from Brazil.

For sugar, the market is expected to stay tight with lower production from Europe, Thailand and China, and lower exports from India in 2023.

For tropical oils, we expect demand to be supported by higher biodiesel blending in Indonesia and the re-opening of the Chinese economy. The Indonesian government increased its biodiesel blending mandate from 30% to 35% for 2023. The government also announced tightening of export trade rules, reducing the volume of exports allowed from eight to six times of the domestic palm oil sales volume. Palm oil exports will likely be further restricted between February and April 2023 to ensure sufficient supply to the domestic market ahead of the Lebaran holiday in Indonesia.

However, considering the weaker global economic environment, we maintain a cautious outlook for 2023.



OPERATIONS REVIEW



PLANTATION & SUGAR MILLING

This segment comprises oil palm plantation and sugar milling activities, which include the cultivation and milling of palm oil and sugarcane, as well as the production of compound fertilisers.

As at 31 December 2022, our total planted area for oil palm stands at 231,697 hectares (ha). Through joint ventures, we own plantations in Uganda and West Africa totalling approximately 54,000 ha. Wilmar also directly manages 36,390 ha under smallholder schemes in Indonesia and Africa, and another 167,999 ha under smallholder schemes through associates in Africa.

In recent years, we stepped up our re-planting programme and thus maintaining the average age of our plantations at a relatively young 13 years. This will support the medium to long-term growth of our plantation operations. Around 60% of the plantations are at the prime production age of seven to 18 years and 24% are at age six years and below.

We operate sugar cane and sugar beet mills in Australia, India, Myanmar, China and Morocco. We are Australia's largest raw sugar producer accounting for more than half of Australia's raw sugar. Each year we crush about 15 million tonnes of sugarcane to make more than two million tonnes of raw sugar. About 80% of the raw sugar we produce is shipped to overseas markets.

We own 62% of Shree Renuka Sugars Limited (SRSL), the leading sugar company in India. SRSL has a cane crushing capacity of 8.5 million MT per annum and ethanol distillery capacity of 1,250 kilolitres per day.

Our associate in Morocco, Cosumar S.A., operates sugar cane/sugar beet mills and a sugar refinery. Cosumar is the sole sugar producer in Morocco and the third largest in the African continent. In Myanmar, we have a total sugar production capacity of 1.4 million MT and a bioethanol plant. In China, we process sugar beet in Inner Mongolia.

Our Performance

In FY2022, the Plantation and Sugar Milling segment's pre-tax profit improved 1% to US\$569.3 million on the back of higher palm oil prices and better performance by the sugar milling operations in India for the first half of the year.

In palm plantations, favourable weather conditions and a better crop profile resulted in higher fresh fruit bunches production across all the Group's plantation regions, with total production growing by 11% to 4.4 million MT and production yield improving 7% to 21.0 MT per hectare in FY2022.



Oil palm plantation in Sabah, Malaysia.

Although sales volume for sugar milling operations decreased by 2% to 3.2 million MT in FY2022, revenue for the business increased by 7% to US\$1.30 billion as a result of higher sugar prices. The international sugar price rally as well as our integrated global intelligence and pricing platform enabled us to maximise margins and capture higher sugar prices and record Far-East premium.

Outlook & Strategy

Palm oil production for the industry is expected to be impacted in 2023 due to a reduction in fertiliser application as a result of high fertiliser prices in recent years. With demand projected to recover from further easing of Covid-19 restrictions, higher Indonesia palm oil biodiesel blending and lower raw material prices, palm oil prices are expected to stay elevated.

In India, the ethanol programme which is projected to reach 20% blend by 2025 will continue to reduce sucrose availability. As sugar consumption is forecasted to grow, India is expected to have less sugar available for export to the international market.



RESEARCH AND DEVELOPMENT

Wilmar's research and development (R&D) activities support our business operations by improving manufacturing processes, ensuring the consistency and enhancing the quality of existing products as well as developing new innovative products.

Our R&D work is carried out by around 500 scientists and researchers, of which 80 hold doctorate qualifications. The R&D teams are based in various locations worldwide, including Singapore, China, Indonesia, India, Malaysia, Australia and New Zealand.

In line with the Group's integrated and sustainable growth plan, our R&D teams engage in cross-border collaborations as well as with external organisations to share knowledge and resources to enhance our collective R&D effort. We were granted 79 patents in 2022 and a total of 371 patents to date.

In 2022, our R&D teams focused on the following areas:

- Identifying food ingredients and food components capable of contributing to nutritionally balanced diets as well as aid in healthy ageing. These efforts have translated into new, innovative and healthier food products including plant-based products, ready-to-cook and ready-to-eat products that have been successfully launched in some of our key markets.
- Development of efficient and cost-effective, bio-based methods of producing industrial enzymes and biochemicals. These developments provide environmentally sustainable solutions to our food processing industry and oleochemical production.
- Sustainable packaging - Transitioned to 100% recycled polyethylene terephthalate (PET) material for Praise dressings (Australia) and All Puhoi Valley (New Zealand) fresh and flavoured milk.



Goodman Fielder launched a new range of Meadow Fresh yoghurt for children in New Zealand that was the first in the market to have a 5-star health rating.



The Group developed and launched a range of ready-to-eat and ready-to-cook food products for the Chinese market.