WILMAR INTERNATIONAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 199904785Z)

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM SHAREHOLDERS IN ADVANCE OF THE ANNUAL GENERAL MEETING

Wilmar International Limited (the "**Company**" or "**Wilmar**") would like to thank our shareholders for submitting their questions in advance of the Annual General Meeting to be held on 19 April 2024 at 10.00 a.m. (Singapore time).

The Company's responses (in **blue**) to the questions are set out below:

1. On Profitability – In 2022H2, Feed and Industrial Products recorded a high profit of US$1,054M which was attributed to sustained good performance in the tropical oils business. In 2023H2, profit halved year on year to US$528M, attributed to weaker margins in the tropical oils business. Can a fuller explanation be provided so that the business characteristics of Feed and Industrial Products can be better understood? (i) What are the causes of weaker margins in the tropical oils business in 2023H2 (higher palm oil prices? hedging losses? pricing/competitive pressure?). (ii) It would be helpful if Management can briefly explain the fundamental reasons why the tropical oils business is so volatile by nature.

   Wilmar's Response

   (i) FY2022 was an exceptional year. We benefitted from increased palm oil prices and good palm processing margins due to strong demand for palm oil and relatively lower supply of competing/substitute oils.

   In FY2023, margins for our mid and downstream operations were affected by tight supply and weak demand for palm oil against relatively higher supply and lower prices of competing oils. Hence, we saw a normalisation of palm processing margins, compared to the exceptional margins recorded in 2022.

   (ii) Tropical oils operations, like all commodity-related products, are subject to margin volatility as a result of various factors which are difficult to control or predict, such as production volume, governmental policies and demand-related issues which include availability of US Dollar, high interest costs etc. To mitigate the risk from such volatility and even out earnings, Wilmar has over the years invested in more downstream operations like food products segments.

2. On Profitability – Ten years ago in 2013, Wilmar earned a PATMI of US$1.3B on PPE of US$9B. In 2023, while PPE has almost doubled to US$16B, Wilmar earned a PATMI of US$1.5B. Looking at the numbers and considering that ten years is not a short period, it would appear to an outsider, that the investments and business expansion in the past 10 years have not yielded a good result—earnings growth has not commensurated with investment outlay and earnings power/resilience has not improved notwithstanding investments over the years to build a vertically-integrated business. It would be helpful if Management can provide some perspective on the aforementioned figures.

Wilmar's Response
In recent years, we have experienced the Covid pandemic, heightened geopolitical tensions and commodity price fluctuations. Amidst all these challenges, we have been able to achieve relatively stable profits. We believe that our investments over the years, which have enhanced our vertically integrated business model, has helped us weather through the volatile market environment. Without these expansions and investments, we may not be able to maintain such results during tough operating conditions.

3. On Profitability – Given that the Central Kitchen Food Parks have just commenced operations, it is understandable that they may be loss-making. Stripping out the financial results of the Central Kitchen Food Parks, what would Food Products revenue and PBT be? It would be helpful to see the underlying performance of Food Products without the negative impact of the new Central Kitchen Food Parks business.

Wilmar's Response
For competitive reasons, we have not disclosed financial results of our Food Parks as we are in the early phases of building up this new business. It is not a significant contributor yet.

4. On CAPEX/Investment – At last year's AGM, it was asked if Wilmar would consider moderating the pace of CAPEX and allocate a larger amount to dividend payout. Management's response was that Wilmar sees huge opportunities in its key markets and that it was the result of past CAPEX that puts Wilmar in a favourable position today. In the outlook statement of FY23 full year results, Wilmar guided that it would now seek to reduce CAPEX and focus on extracting benefits from past expansion. Management's tone/attitude towards capex seems to have changed. What has prompted this shift in mindset?

Wilmar's Response
At last year's AGM, it was explained that we take a prudent approach and typically fund our capital expenditure (CAPEX) by internally generated cashflows, after paying taxes and interest costs, as well as factoring returns to shareholders such as dividends and share buybacks. Given the weak macroeconomic outlook for 2024, our decision to reduce CAPEX is consistent with our prudent approach. Our long-term strategy has not changed but it may take slightly longer to realise.

5. On CAPEX/Investment – Of the US$2.3B CAPEX in FY23, what would be a rough split between New CAPEX and Maintenance CAPEX (that simply maintains Wilmar's present level of business)? Given the asset-heavy nature of Wilmar's business model, does Wilmar have to annually spend a Maintenance Capex amount that is larger than its fixed asset depreciation charge?

Wilmar's Response
Maintenance CAPEX averages around 40% of the total CAPEX.

6. On CAPEX/Investment – Broadly, how does Management think about/evaluate a new investment? Based on a quantitative payback period? Or does Management take a more long-term approach, in view that Wilmar's investments are in less developed and/or underdeveloped countries, where growth potential is exponential but will take many years to realise? Are Wilmar's investments in underdeveloped countries e.g. in Africa or Papua New Guinea profitable today?

Wilmar's Response
We take a long-term approach in our expansion plans and usually invest in areas that are complementary to our current businesses and products. This can be seen in our venture into noodles and condiments, as well as further downstream expansion into Food Parks and Central Kitchens. Yes, investments in underdeveloped countries as a group is profitable.

7. On CAPEX / Investment – What is the reason for the divestment of Cosumar S.A.?

Wilmar's Response
Strategically, Cosumar and Wilmar had different views on how to grow the market and business, so we decided to sell when we received a good offer for our stake.

8. On 丰厨 – It is exciting to see 丰厨's wide range of RTE meals in the 2023 annual report. It shows that Wilmar has built up a new capability. As Management has explained before, Wilmar will leverage economies of scale to have a cost advantage versus competitors. However, the risk/concern is that as China's RTE/预制菜 market is so fiercely competitive, would 丰厨's central kitchens be able to win sufficient volume to achieve breakeven. (i) Can Management provide some colour on the profitability and capacity utilisation of 丰厨's central kitchens? (ii) Are the central kitchens producing mainly cook-fresh, cook-chilled, cook-frozen or ambient products – what shelf-life duration is 丰厨 targeting for its food products? (iii) Does 丰厨 seek to target/produce for large restaurant chains (the likes of Yum, Dicos, Haidilao)?

Wilmar's Response
(i) For competitive reasons, we have not disclosed the profitability and capacity utilisation of our central kitchens as we are still in the early phases of building up this new business.
(ii) It depends on the location of the central kitchen, as each region may have different types of products. The shelf-life duration varies for different types of products. For example, student bento meals must be consumed on the day itself, whilst hot pot soup bases and frozen items can be kept for up to 12 months.
(iii) Yes.

9. On Central Kitchen Food Park – Central Kitchen Food Park is an admirable endeavor, producing clean/healthy/hygienic food for society at affordable prices. (i) As at 31Dec23, how much has been invested for this project? (ii) Given China's weak economy at present, how has the take-up or level of enquiry been for space at the food parks. For the company's five Food Parks that are operational, what sort of occupancy rate are they operating at? (iii) 2023 annual report mention that Wilmar has formed joint ventures with Zhong Yuan Yue Xiu and Zhican Group. Other than joint venture companies, are there independent third-party companies that have leased space / facilities at the food parks?

<u>Wilmar's Response</u>

(i) We have not disclosed this information due to competitive reasons.
(ii) We have not disclosed this information due to competitive reasons.
(iii) Yes.

10. On Food Products – Want Want (旺旺) earns an operating profit margin of >20% on its rice crackers. Given Wilmar's experience in food manufacturing (noodles) and recipe development at 丰厨, would snacks be a business that Wilmar might one day enter?

<u>Wilmar's Response</u>

We have a 50:50 joint venture with Kellogg in China, which manufactures and sells cereals and other snacks under the Kellogg's and Pringles brands. Under our wholly-owned Goodman Fielder business, we also have snacks manufactured and sold in Fiji, New Caledonia and Papua New Guinea.

11. Since the beginning of the year, CPO prices have risen by more than 15% to above RM4,300/ton. Would this trend generally benefit the company's earnings?

<u>Wilmar's Response</u>

Rising CPO prices benefit our upstream plantation business. But for our downstream consumer pack cooking oil business, this will result in higher input costs. For our mid-stream business, the impact of higher CPO prices is less direct as other factors will also need to be considered, such as, the relative demand and supply of palm oil against other substitute oils.

12. According to the Annual Report (page 22), the company has a net loans and borrowings of over US$17 billion. In view of the high interest rate environment, is the company's finance costs expected to rise significantly in FY2024?

<u>Wilmar's Response</u>

Our debts are predominately trade-related and short-term in nature, mainly to finance our purchases of raw materials such as palm oil and soybeans. Hence when commodity prices are on an upward trend, our borrowings will increase. Conversely as commodity prices decline, so will our borrowings. As such, we expect our net finance cost to have peaked in 2023, given softening commodity prices as well as the peak in global interest rates.

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