

WILMAR INTERNATIONAL LIMITED

2Q2016 Results Briefing

August 11, 2016



wilmar

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Agenda

1

2Q2016 Financial Performance – Key Takeaways

2

Business Outlook

3

Questions and Answers

2Q2016 Financial Performance – Key Takeaways



Earnings Highlights

	2Q16 (US\$m)	vs 2Q15* △	1H16 (US\$m)	vs 1H15* △
Revenue	9,367	1%	18,370	-2%
EBITDA	41	-91%	600	-34%
Net (loss)/profit	(220)	n.m.	19	-96%
Core (loss)/profit	(220)	n.m.	2	-100%
(Loss)/earnings per share in US cents (fully diluted)	(3.5)	n.m.	0.3	-96%
Dividends per share In SGD cents	2.5	0%	2.5	0%

* Prior period figures were restated upon adoption of Amendments to FRS 16 Property, Plant and Equipment and FRS 41 Agriculture: Bearer Plants

Earnings Highlights – Segment Results (PBT US\$m)

	2Q16	2Q15*	Δ	1H16	1H15*	Δ
Tropical Oils (Plantation, Manufacturing & Merchandising)	186.3	164.0	14%	335.7	302.9	11%
Oilseeds and Grains (Manufacturing & Consumer Products)	(343.8)	115.9	<i>n.m.</i>	(175.0)	282.0	<i>n.m.</i>
Sugar (Milling, Merchandising, Refining & Consumer Products)	(78.7)	(37.5)	(>100%)	(96.9)	(105.5)	8%
Others	20.6	31.9	-35%	32.8	53.8	-39%
Joint Ventures & Associates	32.0	(10.4)	<i>n.m.</i>	44.7	28.7	56%
Unallocated expenses	(2.6)	(2.4)	-9%	(6.2)	(3.8)	-65%
(Loss)/Profit Before Tax	(186.2)	261.5	<i>n.m.</i>	135.1	558.1	-76%

* Prior period figures were restated upon adoption of Amendments to FRS 16 Property, Plant and Equipment and FRS 41 Agriculture: Bearer Plants

Cash Flow Highlights

US\$ million	1H16	1H15	FY15
Operating cash flow before working capital changes	651	1,205	2,042
Net cash flow from operating activities	706	1,656	2,232
Less:			
Investment in subsidiaries, joint ventures and associates	(35)	(461)	(511)
Capital expenditure	(391)	(482)	(865)
Net (decrease)/increase from bank borrowings*	(1,178)	523	(2,783)
Decrease/(increase) in other deposits and financial products with financial institutions	1,572	(531)	1,254
Dividends	(254)	(266)	(381)
Share buy-back	-	-	(149)
Others	(377)	(244)	528
Net cash flow	43	195	(675)
Free cash flow	446	849	1,067

*Net bank borrowings include proceeds/repayments of loans and borrowings net of fixed deposits pledged with financial institutions for bank facilities.

Gearing

US\$ million	As at Jun 30, 2016	As at Dec 31, 2015
Debt/Equity (x)	0.83	0.82
- Net Debt *	11,629	11,817
- Shareholders' funds	14,064	14,407
Adjusted Debt/Equity (x)	0.46	0.41
- Liquid working capital **	5,139	5,932
- Adjusted Net Debt	6,490	5,884
Net debt/EBITDA (x) ***	6.52	5.64

* Net Debt = Total borrowings – Cash and bank balances – Other deposits with financial institutions.

** Liquid working capital = Inventories (excl. consumables) + Trade receivables – Current liabilities (excl. borrowings)

*** EBITDA for 30 Jun 16 is based on LTM performance.

- Net debt to equity ratio remained comparable at 0.83x compared to 0.82x as at Dec 31, 2015.
- Adjusted debt to equity ratio increased to 0.46x from 0.41x.

Business Outlook

- Notwithstanding the one-time loss in 2Q2016, the Group's integrated agribusiness model remains intact and resilient. The Group continues to execute on its stated growth strategy with emphasis on downstream businesses and focusing on high growth Asian and Africa markets. Recent developments in joint ventures in Vietnam and India strengthen the long-term prospects in these countries. Barring unforeseen circumstances, the Group's performance for the rest of the year is expected to be satisfactory.

Questions & Answers



Appendix



Business Segment results:

Tropical Oils (Plantation, Manufacturing and Merchandising)

	2Q16	2Q15*	Δ	1H16	1H15*	Δ
Revenue (US\$ million)	4,162.6	3,936.6	6%	7,674.3	7,859.0	-2%
➤ <i>Plantation</i>	13.1	16.2	-19%	24.1	29.9	-19%
➤ <i>Manufacturing</i>	4,149.6	3,920.4	6%	7,650.1	7,829.1	-2%
Sales volume ('000 MT)	5,781	5,614	3%	11,338	11,166	2%
➤ <i>Manufacturing</i>						
Profit before tax (US\$ million)	186.3	164.0	14%	335.7	302.9	11%

* Prior period figures were restated upon adoption of Amendments to FRS 16 Property, Plant and Equipment and FRS 41 Agriculture: Bearer Plants

- PBT improvement in 2Q16 and 1H16 was due to favourable performance in downstream businesses although plantation performance was impacted by lower production volume.
- Plantation production yield, affected by El Nino, declined 29% to 3.9 MT per hectare in 2Q16 and declined 19% to 8.2 MT per hectare in 1H16.
- FFB production decreased 32% to 0.8m MT in 2Q16 and decreased 20% to 1.7m MT in 1H16.

Business Segment results:

Tropical Oils (Plantation, Manufacturing and Merchandising)

	2Q16	2Q15	Δ	1H16	1H15	Δ
Planted area (ha)	239,775	238,600	0%	239,775	238,600	0%
Mature area harvested (ha)	208,037	208,478	0%	208,037	208,478	0%
FFB production (MT)	783,538	1,155,431	-32%	1,685,572	2,115,750	-20%
FFB Yield (MT/ha)	3.9	5.5	-29%	8.2	10.1	-19%
Mill Production						
➤ Crude Palm Oil (MT)	356,802	511,018	-30%	732,782	907,543	-19%
➤ Palm Kernel (MT)	86,240	120,416	-28%	175,190	213,320	-18%
Extraction Rate						
➤ Crude Palm Oil	19.8%	20.3%	-2%	20.3%	20.4%	-1%
➤ Palm Kernel	4.8%	4.8%	0%	4.9%	4.8%	1%

Plantation Age Profile

30 Jun 2016 (in hectares)	0 - 3 yrs	4 - 6 yrs	7 - 14 yrs	15 - 18 yrs	>18 yrs	Total
Indonesia	9,383	8,847	106,652	14,113	27,462	166,457
Malaysia	10,604	2,540	11,232	8,650	24,386	57,412
Africa	8,162	1,320	5,432	980	12	15,906
Total planted area	28,149	12,707	123,316	23,743	51,860	239,775
<i>% of total planted area</i>	<i>11.8%</i>	<i>5.3%</i>	<i>51.4%</i>	<i>9.9%</i>	<i>21.6%</i>	<i>100.0%</i>
Included YTD new plantings of :	836					
Plasma/outgrower Programme	200	628	6,071	4,470	19,915	31,284
<i>% of planted area</i>	<i>0.6%</i>	<i>2.0%</i>	<i>19.4%</i>	<i>14.3%</i>	<i>63.7%</i>	<i>100.0%</i>
31 Dec 2015						
Indonesia	12,102	12,787	100,207	16,107	25,546	166,749
Malaysia	9,414	4,032	14,664	9,022	21,274	58,406
Africa	8,026	990	5,788	725	272	15,801
Total planted area	29,542	17,809	120,659	25,854	47,092	240,956
<i>% of total planted area</i>	<i>12.3%</i>	<i>7.4%</i>	<i>50.1%</i>	<i>10.7%</i>	<i>19.5%</i>	<i>100.0%</i>
Included YTD new plantings of :	3,146					
Plasma/outgrower Programme	380	1,085	5,969	5,571	18,423	31,428
<i>% of planted area</i>	<i>1.2%</i>	<i>3.5%</i>	<i>19.0%</i>	<i>17.7%</i>	<i>58.6%</i>	<i>100.0%</i>

- Weighted average age of our plantations is approximately 12 years.

Business Segment results: Oilseeds and Grains (Manufacturing and Consumer Products)

	2Q16	2Q15	Δ	1H16	1H15	Δ
Revenue (US\$ million)	3,959.3	4,206.8	-6%	8,456.2	8,665.9	-2%
➤ <i>Manufacturing</i>	2,801.5	2,984.2	-6%	5,237.5	5,485.7	-5%
➤ <i>Consumer Products</i>	1,157.9	1,222.6	-5%	3,218.7	3,180.3	1%
Sales volume ('000 MT)	6,957	6,913	1%	14,142	13,273	7%
➤ <i>Manufacturing</i>	5,943	5,911	1%	11,405	10,742	6%
➤ <i>Consumer Products</i>	1,014	1,002	1%	2,737	2,531	8%
(Loss)/profit before tax (US\$ million)	(343.8)	115.9	<i>n.m.</i>	(175.0)	282.0	<i>n.m.</i>

- Untimely purchases of soybeans in a highly volatile market, resulted in a significant loss in the Manufacturing business in Oilseeds & Grains.
- The loss was mitigated by stable performance from the Consumer Products business.
- Sales volume for Consumer Products and Manufacturing continued to see growth in 2Q16 and 1H16.

Business Segment results:

Sugar (Milling, Merchandising, Refining and Consumer Products)

	2Q16	2Q15	Δ	1H16	1H15	Δ
Revenue (US\$ million)	1,038.0	854.4	21%	1,808.5	1,597.7	13%
➤ <i>Milling</i>	58.9	78.6	-25%	88.2	99.4	-11%
➤ <i>Merchandising, Refining & Consumer Products</i>	979.1	775.8	26%	1,720.3	1,498.3	15%
Sales volume ('000 MT)	2,484	2,297	8%	4,439	4,106	8%
➤ <i>Milling</i>	188	292	-36%	276	354	-22%
➤ <i>Merchandising, Refining & Consumer Products</i>	2,296	2,005	15%	4,163	3,752	11%
(Loss) before tax (US\$ million)	(78.7)	(37.5)	(>100%)	(96.9)	(105.5)	8%

- Higher losses in 2Q16 because of delay in harvesting due to rain in Australia and accounting marked-to-market losses on hedges as a result of higher sugar prices.
- Lower loss in 1H16 due to stronger performance from merchandising business in 1Q16.
- Sales volume growth supported by higher merchandising activities in 2Q16 and 1H16.

Non-Operating Items

US\$ million	2Q16	2Q15	1H16	1H15
(Loss)/profit before tax – reported	(186.2)	261.5	135.1	558.1
Foreign exchange (loss)/gain arising from intercompany loans to subsidiaries	(1.1)	2.1	4.0	(19.1)
Net gain from investment securities – HFT	6.8	10.3	24.9	11.6
Interest expense directly attributable to the funding of the Wilmar Sugar Australia acquisition	(5.7)	(5.5)	(11.2)	(11.4)
Others	1.2	1.2	3.4	1.4
Non-operating items gain /(loss) (pre-tax impact)	1.2	8.1	21.1	(17.5)
(Loss)/profit before tax - excl non-operating items	(187.4)	253.4	114.0	575.6
Net (loss)/profit – reported	(220.1)	193.2	19.3	425.2
Non-operating items gain/(loss) (post-tax impact)	0.2	8.2	17.1	(13.9)
Net (loss)/profit - excl non-operating items	(220.3)	185.0	2.2	439.1

Cash Flow

US\$ million	1H16	1H15	FY15
Operating cash flow before working capital changes	651	1,205	2,042
Net cash flow from operating activities	706	1,656	2,232
Less : Investment in subsidiaries, joint ventures and associates	(35)	(461)	(511)
Capital expenditure	(391)	(482)	(865)
Net (decrease)/increase from bank borrowings*	(1,178)	523	(2,783)
Decrease/(increase) in other deposits and financial products with financial institutions	1,572	(531)	1,254
Dividends	(254)	(266)	(381)
Share buy-back	-	-	(149)
Others	(377)	(244)	528
Net cash flow	43	195	(675)
Free cash flow	446	849	1,067
Turnover days			
- Inventories	68	66	65
- Trade Receivables	35	35	34
- Trade Payables	13	15	14

* Net bank borrowings include proceeds/repayments of loans and borrowings net of fixed deposits pledged with financial institutions for bank facilities.

- In 1H16, inventories declined 7% to US\$5.9b reflecting lower stockholding of products in China after the festive season. Due to the high volume of soybean arrivals in China in 1Q16, average turnover days increased to 68 days.
- Trade receivables decreased 8% to US\$3.4b from lower seasonal sales against the December festive season and timing of sales. Average turnover days remained comparable at 35 days.
- Trade payables increased 7% to US\$1.3b but average turnover days reduced to 13 days from timing of purchases.

Funding and Liquidity

US\$ million	As at Jun 30, 2016		
	Available	Utilised	Balance
Credit facilities :			
Committed	10,969	7,840	3,129
Trade finance	22,100	7,426	14,674
Short term	1,303	613	690
Total credit facilities	34,372	15,879	18,493

- 47% of utilised facilities were trade financing lines, backed by inventories and receivables.
- 46% of total facilities were utilised as at June 30, 2016.

Key Indicators

	As at Jun 30, 2016	As at Dec 31, 2015 ^(a)
Return on Average Equity* #	4.3%	7.0%
Return on Average Capital Employed** #	2.4%	3.9%
Return on Invested Capital*** #	3.5%	4.6%
in US cents		
EPS (fully diluted)	0.3	16.0
NTA per share	153.4	158.8
NAV per share	222.5	228.0
in Singapore cents		
Dividends (interim & final)	2.5 ^(b)	8.0

(a) Prior period figures were restated upon adoption of Amendments to FRS 16 Property, Plant and Equipment and FRS 41 Agriculture: Bearer Plants

(b) Only interim dividends

** Return on Average Equity = Net profit ÷ Average equity*

*** Return on Average Capital Employed = EBIT x (1 – tax rate) ÷ (Average equity + Average minority interest + Average net debt)*

**** Return on Invested Capital = Net Operating Profit After Tax ÷ (Average long term assets excl intangibles + Average net working capital excl cash and borrowings)*

Jun 30, 2016 returns based on LTM performances