# Press Release

**FOR IMMEDIATE RELEASE**

# Halcyon Agri's Q2 overall sales volume up by 27%, driven by integration of recent acquisitions

- Q2 2018 overall volume was 374,216 mT, up 26.9% from Q2 2017
- Rubber market remains weak due to structural challenges and negative macro influences
- Group further strengthens balance sheet, focusing on stable funding base, matched tenors and reducing fixed asset gearing

**Singapore, 13 August 2018** - Halcyon Agri Corporation Limited ("Halcyon Agri" and collectively with its subsidiaries, the "Group"), the world's leading natural rubber franchise, today announced Q2 2018 revenues of US$574.1 million and EBITDA of US$9.5 million, and H1 2018 revenues and EBITDA of US$1,049.8 million and US$21.3 million respectively.

**Financial Highlights**

| **US$m** | **Q2 2018 (Unaudited)** | **Q2 2017 (Restated)** | **% change** | **H1 2018 (Unaudited)** | **H1 2017 (Restated)** | **% change** |
|---|---|---|---|---|---|---|
| **Total sales volume** (mT) | 374,216 | 294,907 | 26.9 | 680,716 | 581,041 | 17.2 |
| **Revenue** | 574.1 | 573.9 | 0.03 | 1,049.8 | 1,132.2 | (7.3) |
| **EBITDA** | 9.5 | 12.6 | (24.4) | 21.3 | 38.0 | (43.9) |
| **Operating profit** | 2.0 | 5.8 | (65.2) | 6.7 | 25.3 | (73.7) |
| **(Loss) / Profit attributable to owners of the Company** | (4.1) | 1.5 | n/m | (2.9) | 12.4 | n/m |
| **(Loss) / Earnings / share** (US cents) | (0.26) | 0.10 | n/m | (0.18) | 0.78 | n/m |

**Group Performance**

Halcyon Agri's year-to-June 2018 sales volume increased by 99,700 mT compared to year-to-June 2017. This increase was mainly due to volumes associated with recent acquisitions in the Global Tyre Majors and Global Non-Tyre & Specialty Tyre business units. Aggregate Group revenue however dropped by US$82.4 million as a result of a 20.9% reduction in average revenue per metric tonne over H1 2018 (US$1,542) compared to H1 2017 (US$1,949). Gross profit per metric tonne decreased from US$138 to US$101 mainly due to margin compression across most manufacturing assets, driven by the low price levels of natural rubber over 2018.

Mr Robert Meyer, Executive Director and Chief Executive Officer commented: "Halcyon Agri's differentiated business model and segmented market approach is mitigating some of the pain resulting from this extended period of low prices for us as a Group. The distribution arms of both our Corrie MacColl and SINRIO business units have benefitted from the double effect of lower operating costs and higher margins per metric tonne sold, while margins in our factories are being squeezed".

Mr Meyer continued: "I am very concerned about the health of the upstream ecosystem, as prices below US$1,500 FOB per metric tonne for tyre-grade rubber are bringing financial ruin to most subsistence farmers. The global supply equation is distorted by the unique situation in China, where a niche-grade futures contract continues to misguide participants to produce a grade of rubber (i.e. Wholefield Latex) for which there is little industrial use. This rubber inventory is untouchable for consumers outside of China, and is distorting global price discovery; market players should beware of the inevitable after-effects of this extended era of low prices".

### Segmental Reporting

| **Q2 2018** (US$m) | HRC Group | Corrie MacColl Group | SINRIO Group |
|---|---|---|---|
| **Revenue** | 189.5 | 168.7 | 229.8 |
| **Gross Profit** | 6.0 | 14.7 | 19.9 |
| **Operating Profit / (loss)** | (7.5) | 2.0 | 7.1 |
| **Segment Assets** | 716.9 | 1,043.1 | 449.4 |
| **Segment Liabilities** | 632.8 | 608.8 | 293.9 |

Halcyon Rubber Company ("HRC"), the Group's Global Tyre Majors franchise, delivered 250,591 mT in the year to June, of which 12,300 mT were contributed by the newly acquired PT Sumber Alam, PT Sumber Djantin and PT Pulau Bintan Djaya factories. On a like-for-like basis, the Group responded to the persistent low market prices by throttling back output across most factories, with sales volumes declining 22.7% and 21.3% respectively for Q2 2018 vs Q2 2017 and H1 2018 vs H1 2017, for the 14 Indonesian factories that the Group owned and operated in the comparative periods in 2017. The impact of lower raw material margins was partially offset by lower processing cost contributed by the strengthening of the USD against IDR over the period.

Corrie MacColl ("CMC"), the Group's Non-Tyre & Specialty Tyre business, fared comparatively better, mainly due to the acquisition of a portfolio of EU and US distribution and technical support units earlier this year. CMC delivered an increase in distributed sales volumes by 69.2% and gross profits by 119.6% for Q2 2018 vs Q2 2017, to 102,597 mT and US$14.7 million respectively. The comparative numbers for H1 2018 vs H1 2017 are an increase of 51.8% in sales volume and 66.0% in gross profits to 188,588 mT and US$21.1 million respectively. However, the combination of weak spot market prices and seasonal wintering in Cameroon negatively impacted plantation margins, which in turn diluted the consolidated operating performance of CMC.

SINRIO, the Group's China-focused platform, delivered 267,706 mT which represents a decrease of 13.4% compared to the previous half year period. This cut-back was largely driven by a deliberate reduction in contracted supplies from Thailand. SINRIO managed to grow gross profits by 323.8% to US$19.9 million for Q2 2018 vs Q2 2017 due to a combination of key accounts focus, effective positioning and cost-efficient supply chain and inventory management.

### Group Funding Structure

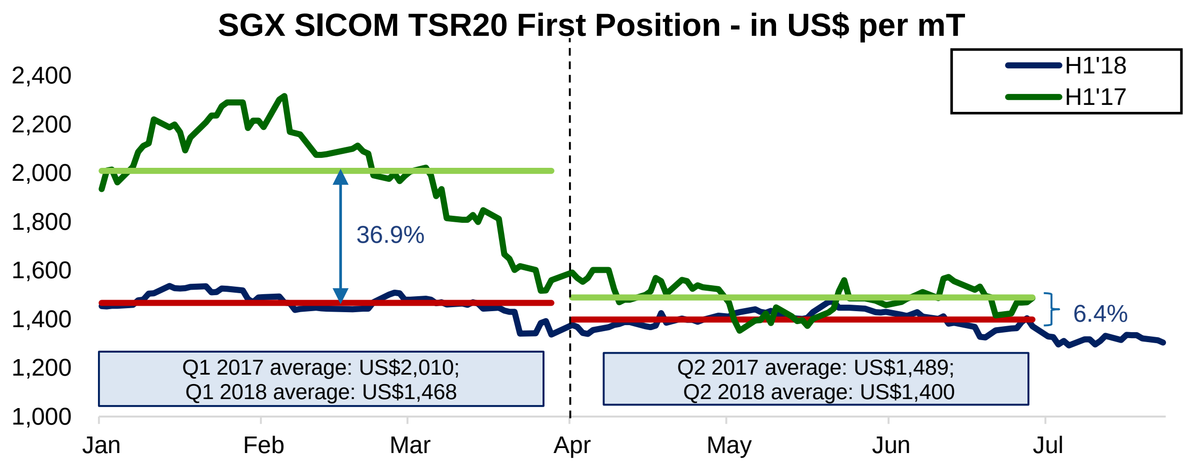
Against these lacklustre market conditions, the Group focused on further strengthening its balance sheet. The table below summarises the funding structure of the Group:

| **US$m** | **Unaudited 30-Jun-18** | **Unaudited 31-Mar-18** | **Restated 31-Dec-17** | **Restated 30-Sep-17** |
|---|---|---|---|---|
| Working capital employed (1) | 536.0 | 550.4 | 427.7 | 463.5 |
| Working capital loans | 515.1 | 422.1 | 207.6 | 323.6 |
| **% Efficiency of Working Capital Funding** | **96.1%** | **76.7%** | **48.5%** | **69.8%** |
| Operational long term assets (2) | 861.3 | 785.6 | 718.1 | 706.0 |
| Term loans | 394.0 | 402.2 | 403.0 | 412.7 |
| **% Fixed Asset Gearing** | **45.7%** | **51.2%** | **56.1%** | **58.5%** |
| Cash and cash equivalents (3) | 132.3 | 168.4 | 153.4 | 107.1 |
| Non-core assets (4) | 149.3 | 148.6 | 144.5 | 298.7 |
| **Total equity (excluding Perpetual Securities)** | **621.2** | **680.1** | **684.5** | **690.4** |
| Perpetual Securities | 148.7 | 148.7 | 148.7 | 148.7 |
| **Total equity (including Perpetual Securities)** | **769.9** | **828.8** | **833.2** | **839.1** |

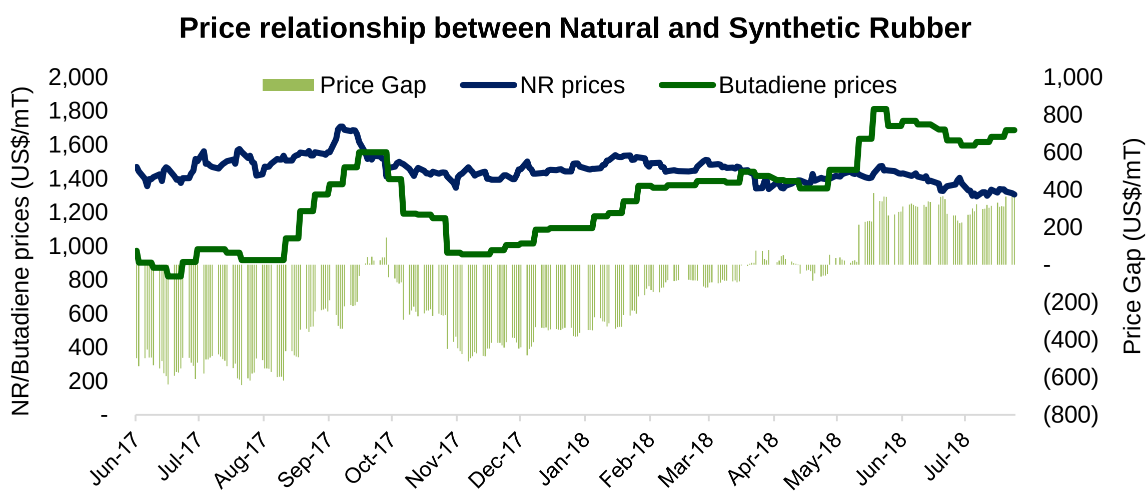
Note 1: Working capital employed for the Group are defined as the sum of operational trade and other receivables, net derivative assets, pledged deposits and inventories, netted off against trade and other payables.
Note 2: Operational long term assets of the Group are defined as intangible assets, property, plant and equipment, plantation and biological assets, other non-current assets, net off against non-current liabilities.
Note 3: Cash and cash equivalents as stated in the cash flow statement.
Note 4: Non-core assets includes financial investments, assets potentially held for sale, investment properties as well as investment in an associate (of Sep-17 only).

Halcyon Agri's treasury operations have developed a stable funding base where the Group maintains full control of cash balances, financing tenors are matched, and fixed assets sustainably financed.

**Market Overview**




The SICOM TSR20 first position trended lower during the quarter from an average of US$1,468 in Q1 2018 to US$1,400 in Q2 2018, driven by global macro uncertainties and the misconstrued notion of an oversupplied market arising mainly from the Shanghai Futures Exchange ("SHFE") inventory levels. Raw materials prices followed lower in Thailand and Vietnam, but in Indonesia, the combination of rising incomes, widespread rubber tree root and leaf diseases (please see our report "*The Sorry State of Indonesian Hevea*" published on www.halcyonagri.com on 10th August 2018) and low prices have set a price floor above current spot market levels. The expiry of Agreed Export Tonnage Scheme by members of the Tripartite Rubber Council has helped increase volumes marginally.



**Market Commentary**

The natural rubber market is facing a crisis. Demand levels are healthy and the price differential to synthetic rubber is at record levels in favour of natural rubber. For reasons outlined in greater detail in our report published on www.halcyonagri.com on 7th August 2018 titled *"What is wrong with the natural rubber market?"*, natural rubber prices are not reacting to fundamental recovery drivers at this point.

Halcyon Agri is committed to bringing about positive change to the natural rubber industry. We own and operate plantations in Cameroon, Africa and Kelantan, Malaysia, as well as a wide portfolio of 38 factories distributed across all major producing origins. Our segmented market approach allows us to understand clients and their requirements in all consumer markets and across all relevant applications and uses. As such, we are confident in the fundamental assessment of our future prospects:

1. We are a major provider of a key industrial product for which there is no viable alternative
2. The demand drivers for natural rubber are inexorably linked to global GDP growth
3. Viable origins to grow rubber are limited to the tropical agricultural belt
4. Given ecological concerns, it is highly unlikely that significant amounts of new land will be made available to this industry
5. Given persistent low price levels, it is highly unlikely that smallholders, who provide 96% of global feedstock, will replace ageing or sick trees with new rubber trees. The current market prices for rubber wood are sufficiently remunerative to finance the switch to a new crop without further investment.

The one thing we cannot be sure of is the time required for these considerations to have the market impact they ultimately will. Distortions such as the red-herring Chinese stockpile, macro sentiment, and other issues have been weighing on the price for longer than we had anticipated, and continue to do so.

In the face of the above, we will continue to exercise all due caution when operating our business; we will continue to optimise internal processes, and use our deep insights into the supply chain to produce solutions that drive efficiency and ultimately, fair and sustainable price outcomes. One such initiative is our digitisation strategy, which will be further elaborated upon in the near future.

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**About Halcyon Agri**

Halcyon Agri (SGX: 5VJ) is a leading supply chain franchise of natural rubber with a production capacity of 1.63 million metric tonnes per annum. The Group owns 38 processing factories in most major rubber producing origins and produces sustainable natural rubber under its proprietary HEVEA*PRO* brand. The Group leverages its extensive network of warehouses, terminals, laboratories and sales offices across the world to distribute a range of natural rubber grades, latex and specialised rubber for the tyre and non-tyre industries. The Group is headquartered in Singapore and has about 16,300 employees located in over 50 locations. Halcyon Agri is listed on the Main Board of the Singapore Exchange with a market capitalisation of more than US$600 million.

Please visit us at www.halcyonagri.com and follow us @HalcyonAgri

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