

HALCYON AGRI

**Building a Leading Global
Natural Rubber Producer**
Q2 2014 Results

14 August 2014

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Q2 2014 results

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Q2 2014 results

Sales Volume

- Q2 2014 sales volume in line with Q1 2014 at 19,336 tonnes
- Volume slightly lower than Q2 2013 due to tight raw material supplies as a result of the low market price for natural rubber

Margins

- Recovery in Gross Material Profit (“GMP”) experienced in Q2 2014 as the “perfect storm” experienced in Q1 2014 abated somewhat
- GMP up 19% over Q1 2014 to US\$338 per tonne
- Average selling price premium over SGX-ST TSR20 average contract price at US\$396 per tonne

Corporate Actions

- Transformational acquisition of Anson adds 9 factories and 408,000 tonnes of licensed capacity in Indonesia
- Halcyon Agri is now one of the top 5 Technically Specified Rubber (“TSR”) producers in the world

Sales Volume

- 1H 2014 sales volume up 5.6% over 1H 2013 at 38,497 tonnes
- Increase includes contribution of 2,278 tonnes from HKB in Malaysia

Margins

- Margins for the half affected by “perfect storm” in Q1 2014 and depressed rubber market
- Gross Material Profit 21% lower at US\$311 per tonne

Corporate Actions

- In Q1 2014, acquisitions of Chip Lam Seng assets, PT Golden Energi and JFL Agro completed
- Acquisition of Anson in Q2 2014

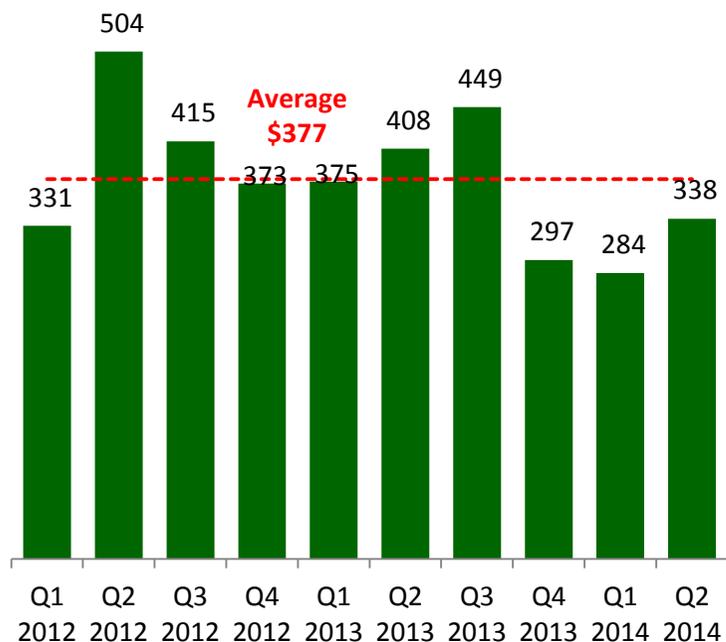
Income Statement highlights

US\$m	H1		Q2	
	2014	2013	2014	2013
Revenue	78.0	104.1	37.2	53.9
Gross profit	6.3	9.5	3.4	5.4
Operating profit	1.7	5.6	1.1	3.4
EBITDA (adjusted)*	2.8	6.5	1.5	3.7
Net profit (adjusted)*	1.1	4.5	0.6	2.7
Sales volume (tonnes)	38,497	36,459	19,336	19,926
Gross material profit per mT (US\$)	311	395	338	408
EBITDA per mT (US\$)*	73	178	78	186

* The results have been adjusted to exclude the non-recurring expenses of US\$32,000 in Q2 2014 (Q2 2013: US\$0.1 million), and US\$0.2 million in H1 2014 (H1 2013: US\$0.4 million).

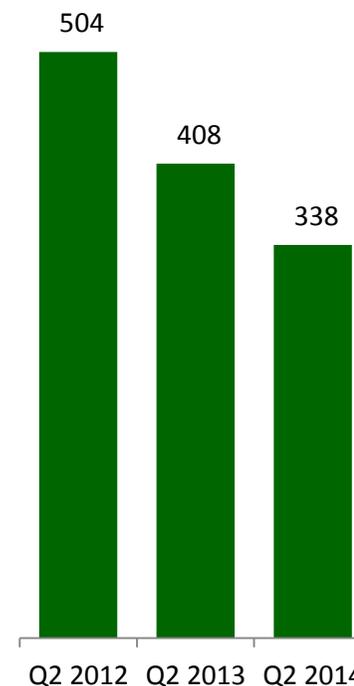
Gross material profit ("GMP") track record

Quarterly GMP (US\$/tonne)



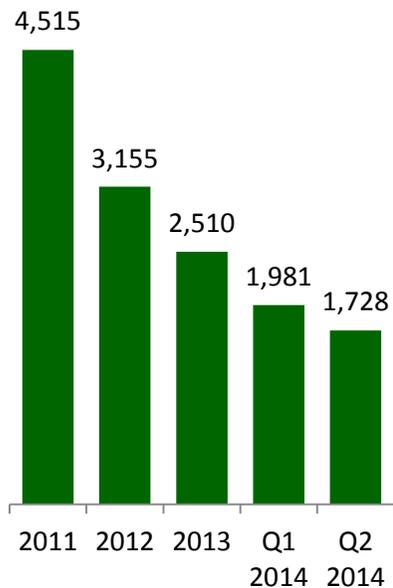
- Last three quarters below historic average due to challenging market conditions
- Q2 showed a significant recovery over Q1, with GMP/tonne increasing by 19%

Q2 GMP trend (US\$/tonne)

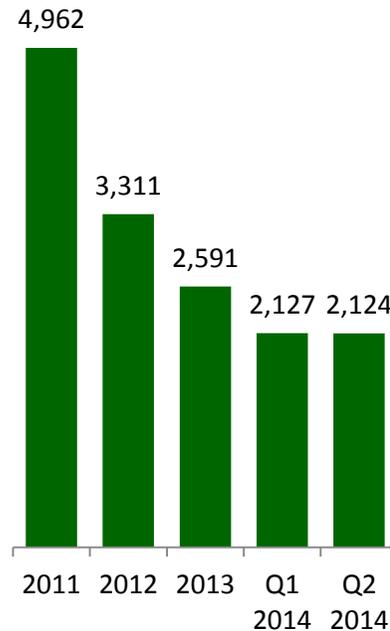


- Excess TSR20 inventories in Thailand and China
- Undersupply of raw material due to extreme dry conditions and reduced tapping due to low prices

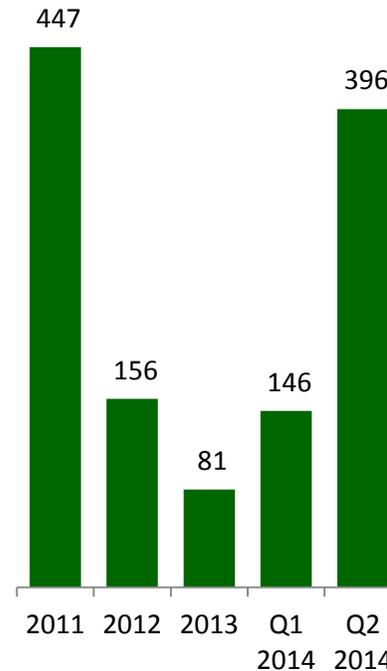
Average TSR20 mkt price (US\$/tonne)



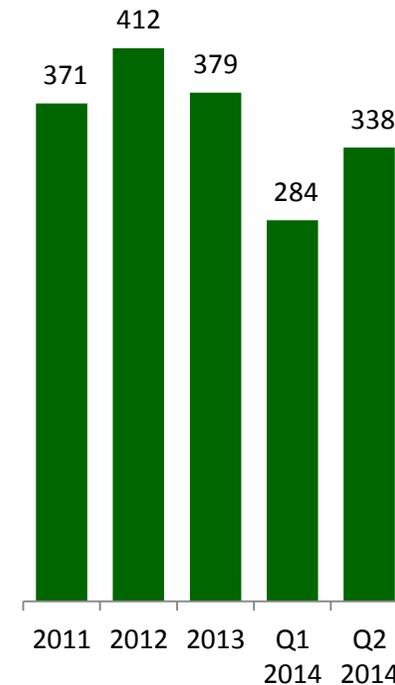
Average sales revenue (US\$/tonne)



Average selling price premium (US\$/tonne)



Average GMP (US\$/tonne)



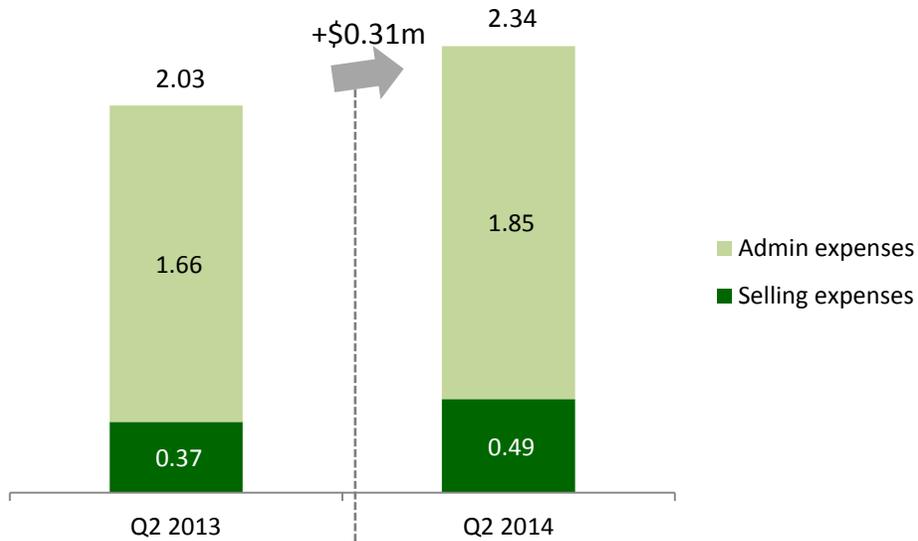
- TSR20 prices in decline since 2011
- New low of US\$1,646 per tonne in April

- Strong outperformance versus market - premium of average sales revenue/tonne over average market price/tonne up 2.7x over Q1 2014; 4.9x over FY2013

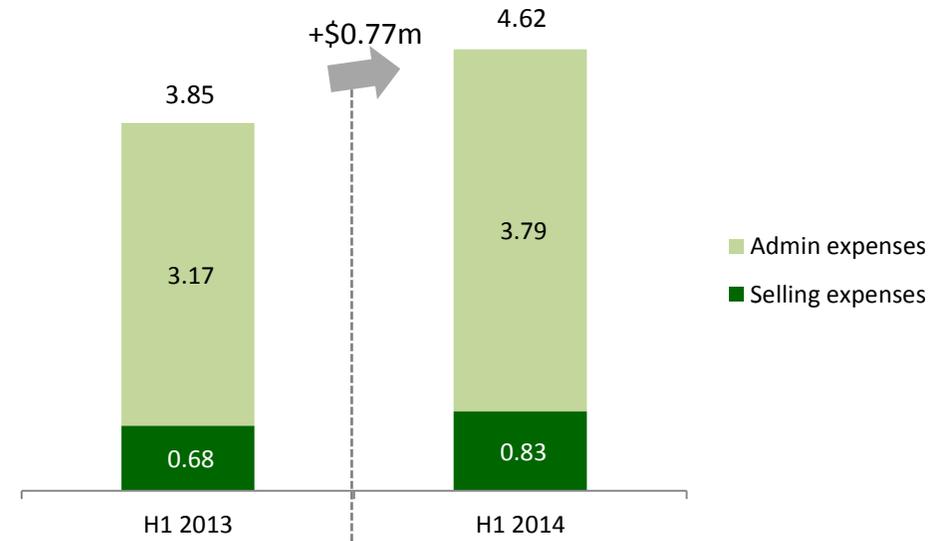
- Resilient in spite of exceptionally challenging market conditions

Selling & General administrative expenses

Q2 2014 vs Q2 2013



1H 2014 vs 1H 2013



- SG&A expenses higher reflecting the scaling up of the Group's operations

Cash flow

US\$m	H1		Q2	
	2014	2013	2014	2013
Net cash from operating activities, before working capital changes	1.6	5.9	(0.9)	4.1
Changes in working capital	(10.4)	(7.1)	(4.2)	2.3
Net cash (used in)/generated from operating activities	(8.8)	(1.2)	(5.1)	6.4
Investing activities	(34.5)	(5.7)	(2.8)	(3.6)
Financing activities	21.8	23.9	16.2	8.3
Net (decrease)/increase in cash	(21.6)	17.0	8.3	11.1

Note: Amounts do not sum due to rounding

- Outflow of operating cash flow after working capital changes reflects procurement of raw material for commencement of operations at recently acquired factories
- Investing cash outflows due to acquisitions and regular capital expenditure

Balance sheet

US\$m	30-Jun-14	31-Dec-13
Total assets	175.0	107.8
Working capital cash and bank balances	21.7	14.9
Inventories	30.1	16.4
Trade receivables	5.0	7.3
Total working capital assets	56.8	38.6
Cash reserved for strategic purposes	8.3	-
Total liabilities	(80.7)	(27.6)
Trade payables	(2.4)	-
Working capital loans	(22.7)	(15.3)
Total working capital liabilities	(25.1)	(15.3)
Term loan	(20.4)	(5.8)
Total Equity	94.4	80.2
Net working capital	31.7	23.3

- Significant expansion in assets due to acquisitions
- Increase in liabilities due to consideration payable on acquisitions, increase in working capital loans for raw material purchases and increase in term loans to finance acquisitions

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Key developments in Q2 2014

Acquisition of Anson

Halcyon Agri has signed definitive agreements to **acquire Anson Company** (Private) Limited (“Anson”) for an aggregate purchase consideration of **S\$450m**

Anson, part of the **Lee Rubber Group**, owns and operates 9 crumb rubber factories in Indonesia with a total licensed capacity of **408,000** metric tonnes per annum

Transformational acquisition propels Halcyon Agri to be one of the **top 5 Technically Specified Rubber (“TSR”)** producers in the **world**

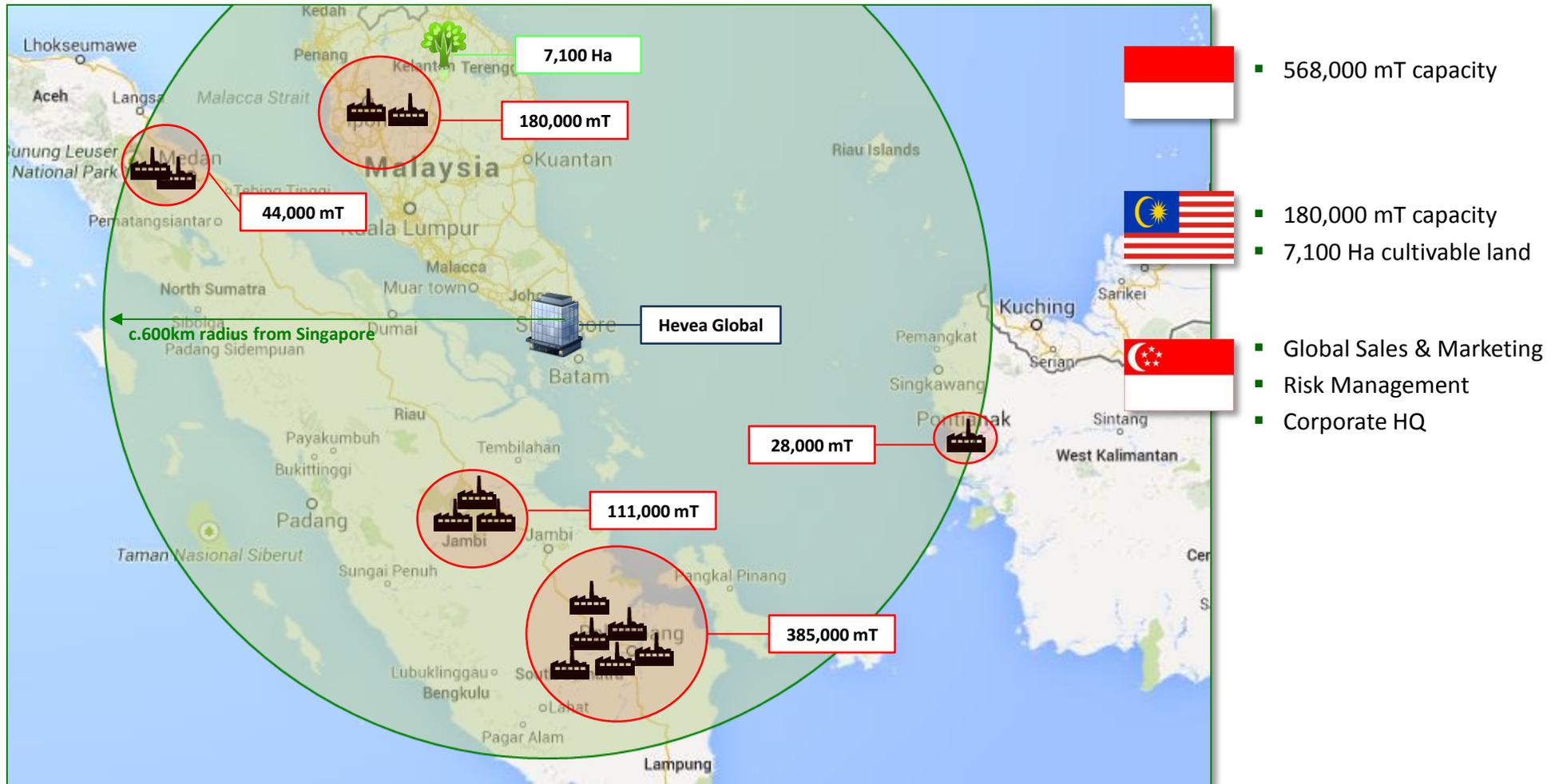
Acquisition to be financed through a combination of internal resources, debt and co-investment by Angsana Capital Ltd

*Transaction **unanimously approved** by Halcyon Agri’s shareholders present at an EGM on 4 August 2014*

*Transaction **completed** on 12 August 2014*

Profile of Halcyon Agri post acquisition of Anson

Halcyon Agri 2014: 14 factories with combined annual licensed capacity of 748,000 tonnes



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Outlook

Sales Volume

Significantly higher in 2014

- Current committed offtake for remainder of FY2014 of 46,853 tonnes, bringing the full year total to 86,943 tonnes, excluding any contribution from Anson
- Contribution from Anson expected for c.3 months in FY2014

Pricing

Challenging

- The market price for TSR20 natural rubber remained at 5 year lows over the course of Q2, averaging US\$1,728 per tonne
- Price level unsustainable for producers and smallholders; market forces should find a floor and force appreciation over time

Margins

Positive

- Optimistic of further recovery in GMP as market prices improve
- Significant economies of scale as administrative costs applied over a significantly larger business, particularly with Anson completed and contributing profits

Strategic Actions

Reviewing

- Halcyon Agri focused on integrating Anson and increasing production from recent acquisitions
- Will remain selectively acquisitive

HALCYON AGRI

