FOR IMMEDIATE RELEASE

Halcyon Agri (SGX: 5VJ) reports selected operating and financial details for Q1 2020

SINGAPORE, 11 May 2020 – Halcyon Agri Corporation Limited ("Halcyon Agri" and collectively with its subsidiaries, the "Group") releases selected operating and financial information for the quarter ended 31 March 2020 ("Q1 2020").

Halcyon Agri has ceased quarterly reporting of the financial statements following the introduction of a risk-based approach for quarterly reporting by the Singapore Exchange. In producing this voluntary business update, we have prioritised qualitative analysis over detailed financial results.

The Covid-19 crisis and the unprecedented global disruption to industrial and manufacturing activity has had a profound impact on the natural rubber business. We view this pandemic as an acute crisis of unprecedented scale, but also believe that the fundamental demand and supply dynamics of natural rubber remain intact. The Covid-19 outbreak is accelerating structural supply issues while temporarily disrupting physical demand and price discovery.

Our commitment to building a fully integrated natural rubber business is to generate long-term shareholder returns, and we believe that we will achieve this by building an enduring, sustainable business franchise.

As a global leader in the natural rubber sector, we wish to be particularly transparent in relation to the management priorities we pursue in dealing with the effects of Covid-19, to our on-the-ground tactical response, and to our expectations for the remainder of the year.

Ultimately, we see the Covid-19 pandemic as an opportunity to expand our competitive advantage, by relentlessly focussing on keeping our people safe, delivering value to customers, and protecting our finances.

Halcyon Agri's response to Covid-19

In dealing with the Covid-19 crisis, we are pursuing the following priorities:

Our #1 concern is the safety and continued wellbeing of all our employees. We have implemented precise and detailed response protocols, and to this day there have been **zero Covid-19 infections** amongst the over 16,000 members of Halcyon Agri's global workforce.

In addressing the economic impact of Covid-19, we look to meaningfully reduce operating expenditure and defer capital expenditure without jeopardising the quality of our assets under development or our dedicated customer service – we have initiated **USD10m in aggregate operating and capital expenditure reductions for FY2020**.

Financial institutions in Singapore are dealing with the Covid-19 crisis as well as the insolvency of a prominent Singapore-based oil trader, which have adversely influenced the credit rating of the broader commodity sector. We are proactively managing our treasury operations to maintain sufficient liquidity headroom across all operating entities. This includes:

- Leveraging our "People, Planet, Profit" approach to stakeholder engagement and risk management to **raise committed long-term "green" financing** for our Corrie MacColl ("CMC") plantations;
- Reconfirming existing revolving trade facilities for Halcyon Rubber Company and CMC distribution by intensifying frequency and depth of dialogue with our lenders; and
- Enhancing our credit by developing a digital borrowing base utilising a Smart Rubber Contract.

Key Q1 2020 performance takeaways

1. <u>Volumes and sales mix</u>

   The Group's sales volumes remained stable, improving slightly from 278,355 tonnes in Q1 2019 to 280,800 tonnes in Q1 2020.

   HeveaPRO production volumes increased meaningfully from 176,232 tonnes in Q1 2019 to 186,046 tonnes in Q1 2020, whilst third-party traded volumes dropped from 102,123 tonnes in Q1 2019 to 94,754 tonnes in the current quarter.

   Revenues increased by 3.3% from US$399.7 million in Q1 2019 to US$412.8 million in Q1 2020, driven by a combination of higher volumes and moderately higher average selling prices.

2. <u>Margins</u>

   Gross profits declined from US$31.7 million to US$29.0 million, reflecting a reduction in unit gross margin from US$114 per MT to US$103 per MT. This is largely due to the Group having positioned for reduced natural rubber production during the Q1 wintering season in Thailand, Malaysia and Indochina, and having been sideswiped by the Coronavirus induced collapse in rubber prices from US$1,450 in the beginning of the year, to US$1,038 as at end March. Consequently, EBITDA decreased from US$11.3 million in Q1 2019 to US$3.5 million in Q1 2020, and Core Operating Profit reversed from a US$5.6 million profit to US$2.6 million loss during the same period.

3. <u>Corporate developments</u>

   The CMC distribution group has transitioned from its legacy brands – Centrotrade, Wurfbain and Alan L Grant – to Corrie MacColl. Effective immediately, the US operations of Centrotrade and Alan L Grant have merged to form Corrie MacColl North America, while Wurfbain and Centrotrade have been renamed to Corrie MacColl Europe, and other Centrotrade group of entities are being renamed Corrie MacColl in a phased approach.

FY2020 outlook and trends

While the extent of the impact on the Group's financial performance and operations for the full year 2020 cannot be accurately determined at this stage, we observe the following trends:

- Rubber prices have collapsed from a peak of US$1,524 on 14 January 2020 to close the quarter at its lowest point of US$1,038, a level not seen in 4 years. The continued depression of rubber prices will accelerate supply shortages in medium term, as smallholders are increasingly unable to make a living at these price levels.
- Lockdown restrictions have seen the significant majority of tyre factories around the world shut down. However, at the time of writing, most tyre factories are now re-opening and operating rates will gradually return to normal levels. We are in constant dialogue with our customers to understand their requirements for the remainder of the year and match such volumes with our capacity utilisation plan.

- Travel restrictions and shelter-in-place orders have triggered a shift in mobility patterns, causing a decline in personal driven miles and a surge in commercial delivery miles, as the e-commerce industry thrives while community mobility stalls.
- The pandemic has also served as a catalyst for natural rubber demand from the medical industry, where products such as tubes and personal protective equipment ("PPE" - masks and medical gloves) experience high demand.

Our detailed response protocols to Covid-19

Covid-19 has affected our global operations, and we have implemented stringent measures to protect our workers and staff from contracting the disease across our offices, factories and plantations.

Group level guidance on conducting business amongst the Coronavirus situation was issued to all sites, including information on infection prevention measures, procedures for prompt identification and isolation of sick workers, and safe work practices.

An enhanced health and safety awareness campaign continues across all our locations, covering the following main topics:

- Regular reminders for hand-washing at least once every four hours;
- Regular monitoring of employees' body temperatures;
- Shortened working hours and work-from-home where necessary; and
- Ground markers to facilitate social distancing.

Recognising that timely and accurate dissemination of information is essential, we ensure that our employees and communities are kept abreast of the evolving situation. This includes email updates, daily broadcasts on AM radio in Cameroon, "Chat with me" video conferencing sessions for staff with our Group CEO, and bulk SMS and WhatsApp updates.

Our Vietnamese office has reopened last week, and our factories and offices in China, which had earlier ceased operations temporarily to comply with lockdown restrictions, have resumed full operations. We are also note a gradual lifting of restrictions in Europe. Our assets in these regions will gradually resume normal operations as well.

<u>Offices and distribution assets</u>

Travel restrictions apply globally, and the majority of our distribution and corporate offices globally have implemented a 'work-from-home' policy. We are pleased to update that adoption of the new work arrangements has been relatively smooth.

<u>Processing factories</u>

Our factories have implemented compulsory daily health declarations and temperature checks, mandatory stay-home orders for staff who display symptoms as well as strict social distancing measures on the production floor and in dormitories and canteens. PPE is compulsory to varying degrees and is provided to employees. Visitors are discouraged and, where unavoidable, recorded for contact tracing purposes. We have also conducted various educational talks about the Coronavirus for both workers and the communities surrounding our sites, and stepped up our regular disinfection processes for factories, offices and incoming transport.

We are pleased to report that all factories are now operating and that we suffered only temporary shutdowns in China and Malaysia.

Plantations

The Group's plantation operations are particularly vulnerable to infectious diseases as they not only employ many thousands of plantation workers and contractors, but also provide accommodation, schooling and basic amenities to their immediate family members, all this whilst being deeply intertwined with the surrounding communities. We have implemented strict entry controls, wide-scale educational programmes, installation of numerous washing points, medical and equipment preparations for on-site hospitals and clinics. Our local management team in Cameroon developed a disinfection tunnel through which all personnel and equipment mass pass several times daily.

In preparation for a total lockdown, we have also ensured that these sites have enough food and fuel supplies to last 2-3 months of complete isolation. We are also pleased to have received excellent support from local villages who provide fresh fruit and vegetables to supplement the newly set-up home delivery systems for food and basic amenities.

Our tapping and processing operations in Cameroon have resumed operations post Wintering break (delayed by 3 weeks due to Covid-19), and Malaysia has also resumed harvesting Fresh Fruit Bunches.

"We started 2020 positioned for a return to better operating conditions in the automotive industry, and have had to change course in order to deal with a black swan event of significant scale. The team has come together in a way that surpassed my expectations, and I am proud of the alacrity and effectiveness of our response. The next two quarters will be tough, but Halcyon Agri is ready to deal with these challenges. We will protect our people and our business, by balancing our focus on growth with near term financial prudence and capital management," said Robert Meyer, Chief Executive Officer, Halcyon Agri.

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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 the audited 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. Halcyon Agri is headquartered in Singapore and has over 16,000 employees in over 50 locations.

Please visit us at www.halcyonagri.com

For media and analyst queries, please contact:

Investor Relations
Halcyon Agri Corporation Limited
Tel: +65 6460 0200
Fax: +65 6460 0850
Email: investor@halcyonagri.com