FOR IMMEDIATE RELEASE

Halcyon Agri (SGX: 5VJ) reports full year profit before tax of US$3.3 million

Integration efforts now place the Group in pole position to be a sustainable disruptor

SINGAPORE, 26 February 2020 – Halcyon Agri Corporation Limited ("Halcyon Agri" and collectively with its subsidiaries, the "Group") announces its financial and operational performance for the full year ended 31 December 2019 ("FY2019"), reporting full-year revenues of US$1.9 billion, EBITDA of US$71.9 million and profit before tax of US$3.3 million.

FY2019 in review

2019 presented highly challenging market conditions for Halcyon Agri, with the confluence of weakened demand, tight supply and low prices, leading to lower sales volumes and compressed margins.

While long-term demand for natural rubber is positive and expected to track GDP growth, near term concerns about economic growth have negatively affected the global automobile sector, resulting in a 10.7% contraction of sales volume from 1,432,335 tonnes in FY2018 to 1,279,201 tonnes in FY2019.

Supply attrition has further aggravated the Group's challenges: years of sustained low prices have seen the smallholder-dominated natural rubber crop to be over-tapped, under-maintained and in some cases, abandoned. This has left vast key rubber producing countries vulnerable to disease, such as Indonesia, Thailand and Malaysia which collectively accounts for 93% of the global rubber supply. Diseases such as leaf blight (*Fusicoccum and Pestalotiopsis*) and white root (*Rigidoporus Microporus*) reduce the yield of affected trees by half.

Additionally, the pronounced Indian Ocean Dipole observed in 2019 has brought severe drought to many parts of IndoChina and Thailand, causing an extended period of wintering which is further affecting the availability of raw materials.

The above supply issues are structural: trees cannot grow faster, nor can the ageing process be slowed or reversed. Demand will recover as the world moves forward with the electrification of motorcars, and this will inevitably lead to a cyclical recovery of the natural rubber industry. With futures prices yet to adjust, margins remained compressed and combined with lower volumes, resulted in gross profit of US$107.4 million in FY2019, compared with US$118.4 million in FY2018.

Although current market conditions are exceptionally challenging for the natural rubber industry as a whole, Halcyon Agri, with its scale and global diversification, is well positioned to weather the storm and emerge profitably as the industry recovers. Meanwhile, the Group continues to exercise prudence in operations and maintained positive operating cash flows before working capital changes in both FY2019 and FY2018.

Q4 2019 net one-off gain of US$46.5 million

The Company announces a one-off impact on its financial results for the fourth quarter ended 31 December 2019 (“Q4 2019”) mainly arising from US$8.4 million of post-merger integration costs, and a US$53.3 million fair value gain from its biological assets.

Global concerns about ecological preservation have forced changes upon the tropical timber business. Traditional sources in South East Asia are clamping down on illegal logging. The big consumer markets of the US, Europe and China no longer permit the importation of non-certified tropical hardwoods, all of which represents a big opportunity for West- and Central African plantation-sourced rubberwood.

Our plantations in Cameroon, which have approximately 2 million trees due for replanting over the next four years, will process harvested rubber trees into rough sawn tropical lumber, a premium product for the global furniture and construction industries. The lumber will be marketed through Corrie MacColl’s global distribution platform.

This development warrants a change in the accounting treatment of Corrie MacColl’s Cameroonian rubber trees from bearer plants to biological assets, which requires the Group to conduct a fair value assessment annually. For the inaugural valuation, performed by Knight Frank, the fair value of the Cameroonian plantation exceeds their historical book value by US$53.3 million, resulting in a net fair value gain in the FY 2019 accounts.[1]

The accounting change is line with the historical treatment of Corrie MacColl’s rubber estates in Kelantan, Malaysia, such that the Corrie MacColl Group now is aligned with a uniform reporting standard globally.

The above gain is set off by post-merger integration costs which includes:

- US$3.5 million in restructuring and retrenchment expenses;
- US$2.5 million write-off in supplier prepayments;
- US$1.6 million write-down of slow-moving inventories;
- US$0.5 million tax penalty and US$0.3 million of asset write-down.

Highlights

- Launch of BOUNCE in December 2019, the world’s first sustainable rubber movement anchored by the UN Sustainable Development Goals (SDGs). The movement proposed six key changes for the natural rubber industry to adopt, with a long-term aim of developing a framework for sustainable rubber and a stamp of approval that consumers understand and trust.
- The Group was rated the second most transparent rubber-producing company using the Sustainability Policy Transparency Toolkit (SPOTT) in a study conducted by the Zoological Society of London. The Group’s SPOTT score of 69.9% was almost double the industry average of 35% among major natural rubber companies, and is reflective of Halcyon Agri’s strong commitment to transparency in its supply chain.
- Commenced work on Halcyon Data Centre 2.0 and implementation of Internet of Things (IoT) technology within our Hok Tong factory in Palembang. The project aims to fully capture data on our factory floor to allow seamless recording and live monitoring

[1] A copy of the valuation report for our Cameroonian plantation is available for inspection at 180 Clemenceau Avenue, #05-02 Haw Par Centre, Singapore 239922 during office hours until 26 May 2020.

of production data, improve the traceability of our products from raw material to finished goods. This also allows for closer technical cooperation with customers, meeting their needs for the increasing demand for specialised rubber materials.

- Continued partnerships with global and local Non-government organisations (NGOs) to ensure the Group upholds the highest ESG standards and engages actively with our surrounding communities.
- The roll-out of the HeveaConnect trading platform was further enhanced with the launch of HeveaConnect Mobile, offering convenience to both buyers and sellers to negotiate and confirm terms on the go. This is on top of the 80,000 tonnes of rubber traded on the platform since its inception.

Positioned for Sustainable Disruption

Three years into the three-way merger where Halcyon Agri acquired the global natural rubber assets of Sinochem International Corporation including Singapore-listed GMG Global Ltd, we have now completed the integration and re-alignment of its business units, while introducing and adhering to strict sustainability principles.

Halcyon Agri has created two best-in-class operations: Halcyon Rubber Company (HRC), a pre-eminent supplier of natural rubber to the global tyre fraternity, and Corrie MacColl (CMC), the world's leading provider of specialist polymers for industrial and non-tyre applications.

In a year that saw renewed global consciousness about sustainability, the Group is now uniquely positioned to take the lead on the conversation about sustainable growth to ensure an equitable supply chain which encompasses both the farmer and end consumer.

"*We have left no stone unturned in our aim to be the industry's sustainable disruptor. Our efforts are now bearing fruit, and we are ready to drive the natural rubber agenda within the broader global conversation on mobility*." said Robert Meyer, CEO of Halcyon Agri.

"*Change in our industry is long overdue. The decades-old business model in the rubber industry has to be shaken up: together with technological innovation, we must ensure a fairer and more sustainable supply chain. We repeat our call for physical rubber prices to be decoupled from the futures markets, and launch an inquiry into alternative pricing models*."

"*Tesla is redefining the drivetrain, Amazon has revolutionised shopping – Halcyon Agri will make sure that the tyres both of them so critically rely on, will be sourced from a reliable supply of increasingly sustainable and future-proof natural rubber."*

APPENDIX

GROUP FINANCIAL HIGHLIGHTS

		Q4 2019	Q4 2018	Change	FY 2019	FY 2018	Change
Total sales volume	tonnes	333,028	377,239	-11.7%	1,279,201	1,432,335	-10.7%
Revenue	US$ million	482.8	538.3	-10.3%	1,907.7	2,141.0	-10.9%
Revenue per tonne	US$	1,450	1,427	1.6%	1,491	1,495	-0.2%
Gross profit	US$ million	14.7	16.9	-12.7%	107.4	118.4	-9.4%
EBITDA	US$ million	39.2	(0.1)	n/m	71.9	36.2	98.7%
Net profit/(loss)	US$ million	16.7	(8.7)	n/m	(3.7)	(13.4)	-72.2%

GROUP FUNDING STRUCTURE

The table below summarises the funding structure of the Group:

(US$ million)	Balance at 31-Dec-19	Balance at 30-Sep-19	Balance at 30-Jun-19	Balance at 31-Mar-19
Working capital employed (1)	594.9	600.2	636.9	659.3
Working capital loans	572.6	599.2	630.9	636.4
% Efficiency of Working Capital Funding	**96.3%**	**99.8%**	**99.1%**	**96.5%**
Operational long term assets (2)	1,017.1	942.5	954.0	943.4
Other borrowings	551.1	473.4	481.6	561.7
% Fixed Asset Gearing	**54.2%**	**50.2%**	**50.5%**	**59.5%**
Cash and cash equivalents (3)	55.6	38.9	60.3	133.0
Non-core assets (4)	45.2	48.5	48.5	48.0
Total equity	**589.1**	**557.3**	**587.2**	**585.4**

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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 about 17,000 employees in over 50 locations.

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