



**HALCYON** AGRI

**Building a Leading Global  
Natural Rubber Producer**  
Q1 2014 Results

6 May 2014

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1Q 2014 results

## Sales Volume

- 1Q 2014 sales volume up 16% over 1Q 2013 at 19,161 tonnes
- Increase entirely from HMK1 & HMK2 in Palembang; HKB1 & HKB2 in Malaysia only commenced commercial production towards the end of March 2014 and HGE in Jambi will be operational towards the end of 2Q 2014

## Margins

- Margins compressed through a “perfect storm” of excess inventories of TSR20 in China and Thailand and an undersupply of raw materials in Southern Sumatra
- Gross Material Profit (“GMP”) per tonne 24.5% lower at US\$284 per tonne

## Corporate Actions

- In 1Q 2014, acquisitions of Chip Lam Seng assets, PT. Golden Energi and JFL Agro completed

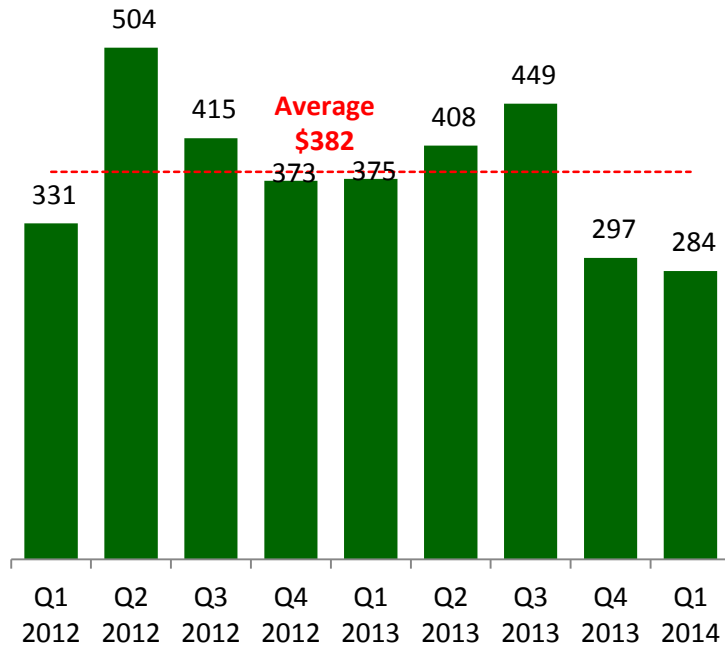
## Income Statement highlights

US\$m	1Q	
	2014	2013
Revenue	40.8	50.1
Gross profit	2.9	4.0
Operating profit	0.6	2.2
EBITDA (adjusted) *	1.3	2.8
Net profit (adjusted) *	0.4	1.8
Sales volume (tonnes)	19,161	16,534
Gross material profit per mT (US\$)	284	376
EBITDA per mT (US\$) *	68	169

\* The results have been adjusted to exclude non-recurring expenses in 1Q 2014 totalling US\$0.1 million (1Q 2013: US\$0.3 million)

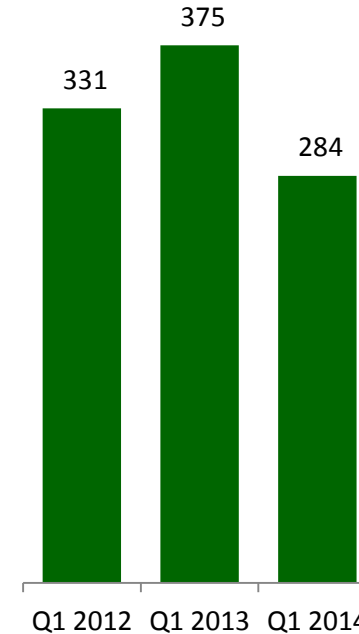
# Gross material profit ("GMP") track record

## Quarterly GMP (US\$/tonne)



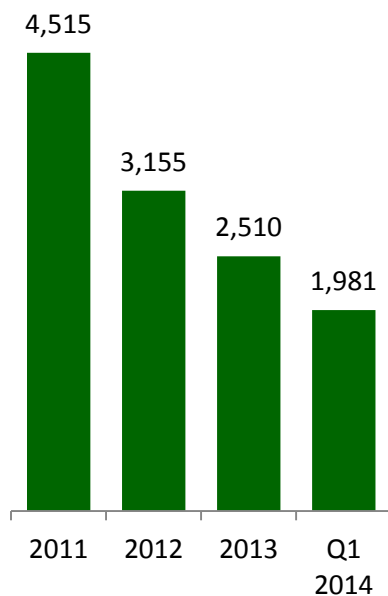
- Last two quarters below historic average due to challenging market conditions

## Q1 GMP trend (US\$/tonne)

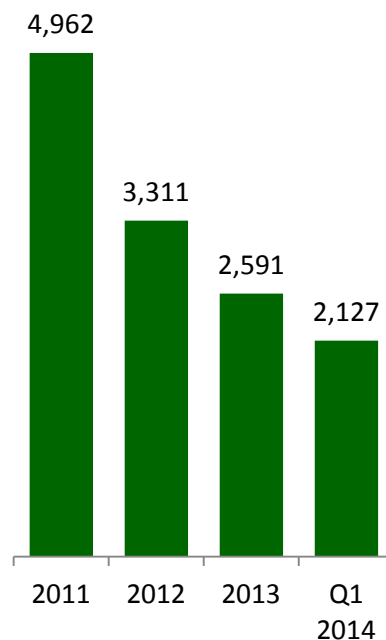


- Excess TSR20 inventories in Thailand and China
- Undersupply of raw material due to extreme dry conditions and reduced tapping due to low prices

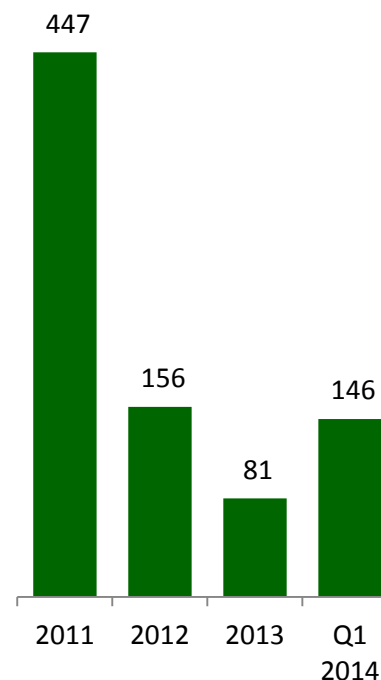
**Average TSR20 mkt price (US\$/tonne)**



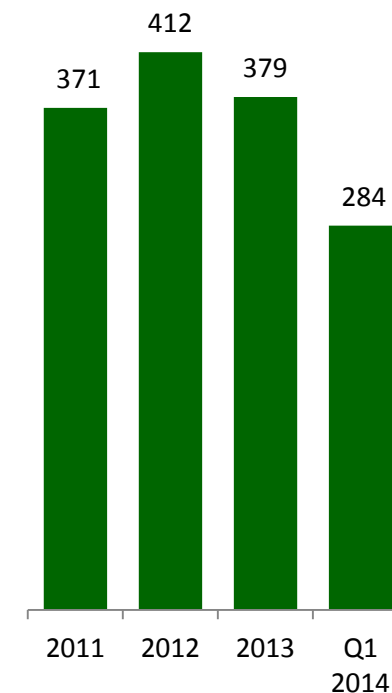
**Average sales revenue (US\$/tonne)**



**Average selling price premium (US\$/tonne)**



**Average GMP (US\$/tonne)**



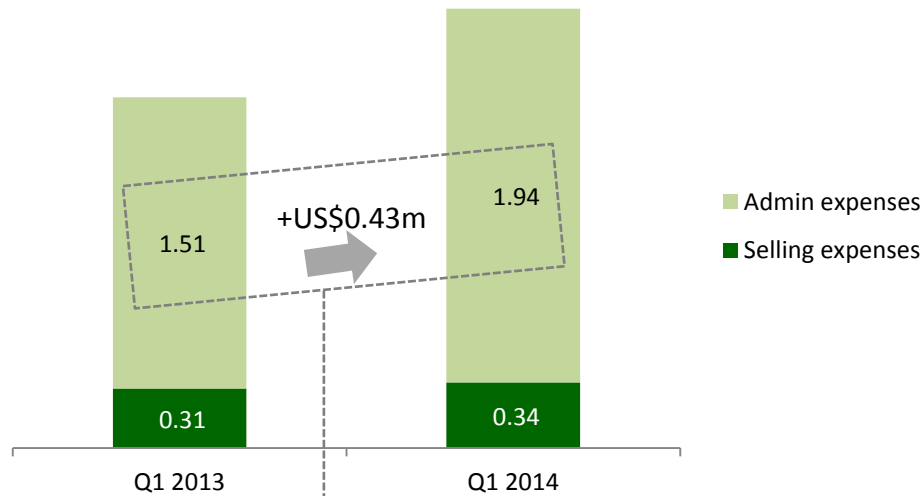
- TSR20 prices in decline since 2011
- Reached a low for the quarter of US\$1,790 per tonne at the end of February
- New low of US\$1,646 per tonne in April

- Premium of average sales revenue/tonne over average market price/tonne expanded in the quarter

- Resilient in spite of exceptionally challenging market conditions



# Selling & General administrative expenses



- Higher administrative expenses reflecting the significant increase in the scale of operations
- US\$0.2 million of expenses from acquisitions which had not yet produced revenue in the quarter

US\$m	1Q	
	2014	2013
Net cash from operating activities, before working capital changes	2.5	1.9
Changes in working capital	(6.2)	(9.5)
Net cash used in operating activities	(3.7)	(7.6)
Investing activities	(31.8)	(2.0)
Financing activities	5.6	15.6
Net (decrease)/increase in cash	(29.9)	6.0

- Strong operating cash flow reflecting higher volume produced, partially offset by lower selling prices
- Investing cash outflows due to acquisitions and regular capital expenditure

# Balance sheet

US\$m	31-Mar-14	31-Dec-13
<b>Total assets</b>	<b>157.4</b>	<b>107.8</b>
Working capital cash and bank balances	14.6	14.9
Inventories	21.2	16.4
Trade receivables	5.9	7.3
<b>Total working capital assets</b>	<b>41.7</b>	<b>38.6</b>
Cash reserved for strategic purposes	8.3	37.8
<b>Total liabilities</b>	<b>(59.9)</b>	<b>(27.5)</b>
Trade payables	(0.7)	-
Working capital loans	(19.3)	(15.3)
<b>Total working capital liabilities</b>	<b>(20.0)</b>	<b>(15.3)</b>
Term loan	(5.2)	(5.8)
<b>Total Equity</b>	<b>97.5</b>	<b>80.3</b>
<b>Net working capital</b>	<b>21.7</b>	<b>23.3</b>

- Significant expansion in assets due to acquisitions
- Increase in liabilities primarily due to US\$24.7 million consideration payable on acquisitions

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Key developments in 1Q 2014

- Successfully completed acquisitions:
  - ✓ January 16 – completion of Chip Lam Seng assets acquisition (now Hevea KB)
  - ✓ January 29 – completion of JFL Agro acquisition
  - ✓ February 19 – completion of PT. Golden Energi acquisition (now Hevea GE)
- Hevea KB:
  - ✓ Commenced operations following completion
  - ✓ Commenced production on schedule in mid March
  - ✓ Initial customers' visit very positive, with high quality raw material and production
  - ✓ Significant interest from customers
- Hevea GE:
  - ✓ Conducted initial test runs of the wet production, showing good results
  - ✓ Reconfiguration of the dry process and packaging lines commenced
  - ✓ Production to commence towards the end of 2Q 2014
- JFL Agro
  - ✓ Rubber plantation works to commence in 2H 2014



Upstream suppliers



Midstream



Downstream customers



400+ smallholders & dealer suppliers



Hevea MK I    Hevea MK II    Hevea GE

SIR20, SIR20VK, Compound



- Bridgestone
- Ceat India
- Continental
- Cooper tyre
- Goodyear
- JK Tyre India
- Kumho
- Sumitomo
- Toyo



Smallholders, dealers  
JFL Agro plantation in Kelantan



Hevea KB I    Hevea KB II

SMR, SMR CV, Compound



- Hankook
- Kumho
- Nexen
- Goodyear
- GT Tyres

*7,100 ha to be developed as rubber plantation in Malaysia*

*Potential 360,000 tonnes annual processing capacity*

*Customers include many of the world's leading tyre producers*

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Outlook

## Sales Volume

**Significantly higher in 2014**

- Current committed offtake for FY2014 of 73,596 tonnes
- Ramping up of operations in Hevea KB in Malaysia and Hevea GE in Jambi, Indonesia over the course of the remaining 3 quarters

## Pricing

**Challenging**

- After recovering somewhat in March 2014, the market price for TSR20 natural rubber plunged to a 4-year low of US\$1,646 per tonne on 21 April 2014
- Price level unsustainable for producers and smallholders; market forces should find a floor and force appreciation over time

## Margins

**Positive**

- With a better price environment, GMP should return to levels more consistent with historic averages
- Significant economies of scale as administrative costs applied over a significantly larger business once new acquisitions begin generating sales

## Strategic Actions

**Reviewing**

- Further industry consolidation expected
- Halcyon Agri will be selectively acquisitive



# HALCYON AGRI

