HALCYON

H1 2020 Results Presentation

14 August 2020

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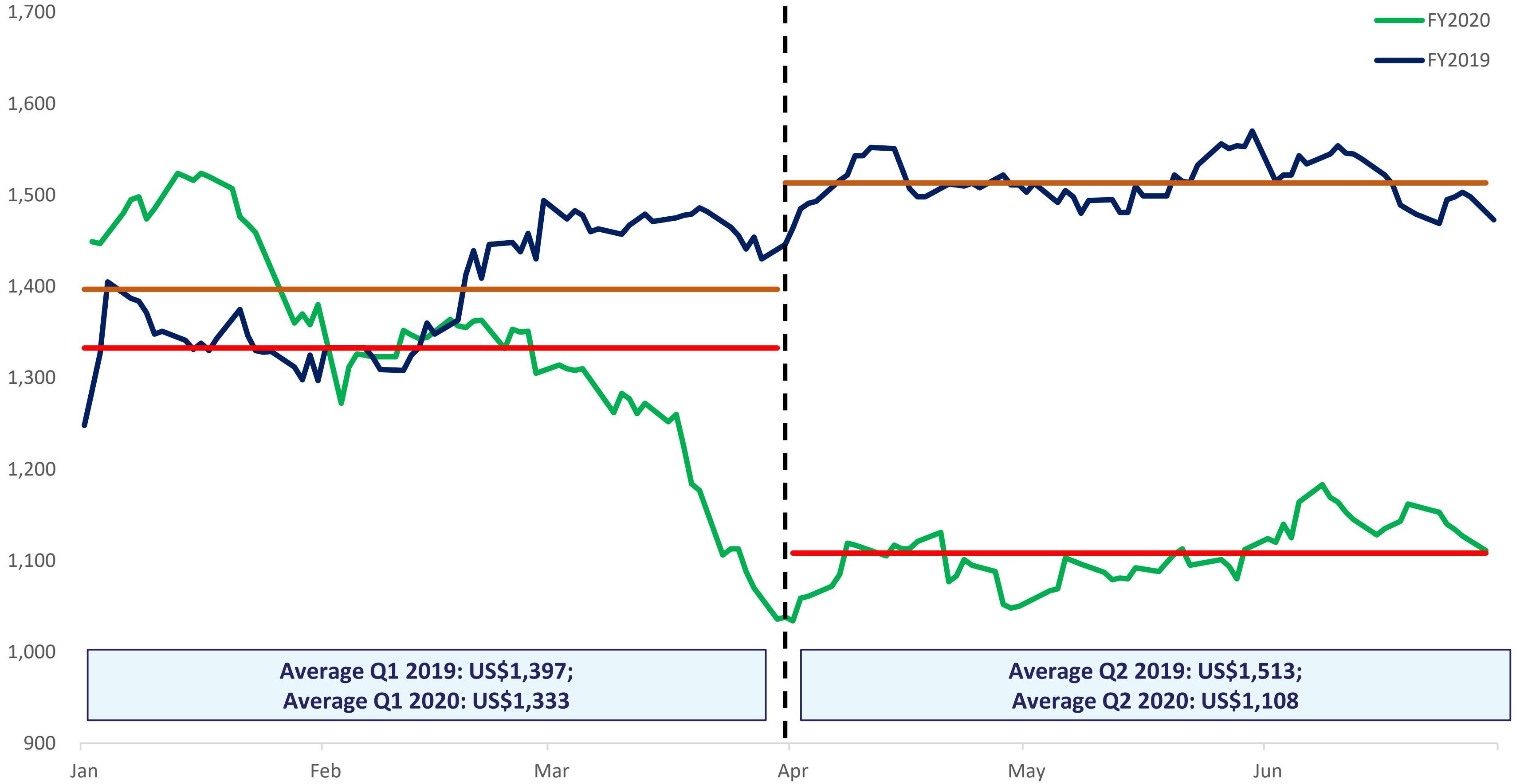
Overview of H1 2020

Movement in SICOM TSR20 1st position



Reflecting on H1 2020

Building operational resilience

- **Weakened demand and lockdown situation amid COVID-19** have resulted in delay in cargo deliveries requested by customers, to match their reduced operating level during H1 2020.
- Amid downturn, our global scale and geographical diversification have enabled us to sell to different regions, and **enlarge our market share at key origins**, as financial weakness prevailed on the smaller producers.
- Collapse in rubber prices from US$1,447 per MT in 1-Jan, to US$1,108 in 30-Jun compressed margins, compounded by the lower factory utilisation.
- **Actively reviewing existing operational set up for rationalisation opportunities** with a view to preserve cash and creating a more nimble cost structure.

Protecting our people and business amid COVID-19

- Health and safety of Halcyon Agri's employees remains **top priority**.
- **Stringent SOPs** have been implemented in our plantations, as well as all of our operating factories.
- Telecommuting and split-team arrangements have been made with employees in distribution and corporate offices, where practicable.
- We are pleased to report:
    - All of our factories have returned to full scale operation after suffering temporary shutdowns in China and Malaysia in Q1 2020.
    - Tapping and factory operations in our global plantations have resumed after extended wintering break due to COVID-19.
    - Seamless transition to remote work across our global offices.

Strengthening our capital structure

- Amid tightening credit conditions in the market, CMC secured a **US$25m 3-year sustainability-linked loan from Deutsche Bank AG**. The loan comes with an accordion option up to US$75m, a validation to our ongoing sustainability efforts.
- **Successful re-negotiation** of the terms of the loan receivable from FIMAVE S.A, which includes an upward revision in interest rate of 6.5% to 10.0% per annum, as well as a 5-year tenor extension.
- Levers to solidify financial structure:
    - Intensifying frequency and depth of dialogue with our lenders, re-confirming existing trade facilities.
    - Proposed rights issue as a pre-cursor to addressing the capital structure, and preparing for post-COVID recovery.

Building a sustainable business franchise

HALCYON

Our story

A leading sustainable innovator in natural rubber industry

- Fully integrated natural rubber business with two best-in-class operations:
  - Operating 36 factories in 5 geographical locations, **Halcyon Rubber Company** is the pre-eminent supplier to the global tyre fraternity
  - **Corrie MacColl** combines sustainable rubber planting and leading distribution network of specialty polymers for industrial and non-tyre applications.
- At the forefront of digitalisation for the natural rubber industry:
  - **HeveaConnect** operates a sustainable rubber trade platform
  - Cloud-based data tool to monitor and optimise factory process

Our focus

Operational excellence

Relentless improvement of quality and efficiency

Customer excellence

Strengthening our position as the preferred supplier for key industry players in the mobility business

Corporate excellence

Establish industry leadership based on sustainability principles at core

Our strategy

- Active engagement with our customers amid challenging periods, to understand their requirement matching it with our production plan.
- Deepen working relationship with customers with our full suite of services, and ability to deliver quality products timely.
- Continue to advocate fair remuneration for smallholders, being the most vulnerable party in the supply chain, to encourage sustainable practices and stable supply.
- Shifting towards a nimble cost structure to allow flexibility in scaling up and down according to demand and raw material availability.

Outlook for industry and business

- SICOM TSR20 reference prices have strengthened by 9% to close July trading month at US$1,230 level.

- During COVID lockdown from March to May 2020, a shift in mobility pattern is noted – personal driven miles ↓ and commercial delivery miles ↑, as the community move towards online shopping and e-commerce industry thrives.

- Downstream industrial and manufacturing activities have resumed and productions are picking up – cautiously optimistic that the demand for natural rubber will improve along with global macroeconomic recovery.

- “Tyres need natural rubber, and the world needs tyres” – Natural rubber is here to stay and will continue to fuel humanity’s quest for mobility.

- HAC’s key priorities ahead of the anticipated market recovery:
  - Proactive management of capital structure, maintain sufficient liquidity headroom across all operating entities – active conversation with banks to review terms of existing borrowings.
  - Cost containment and efficiency improvement – leverage the enlarged market share to improve our factory utilisation profitably, concurrently reviewing for cost saving opportunities.
  - Sustainability and profitability remains key focus – Building on our “People, Planet, Profit” framework, we aim to embrace good corporate citizenship, by creating sustainable value for the all industrial stakeholders.

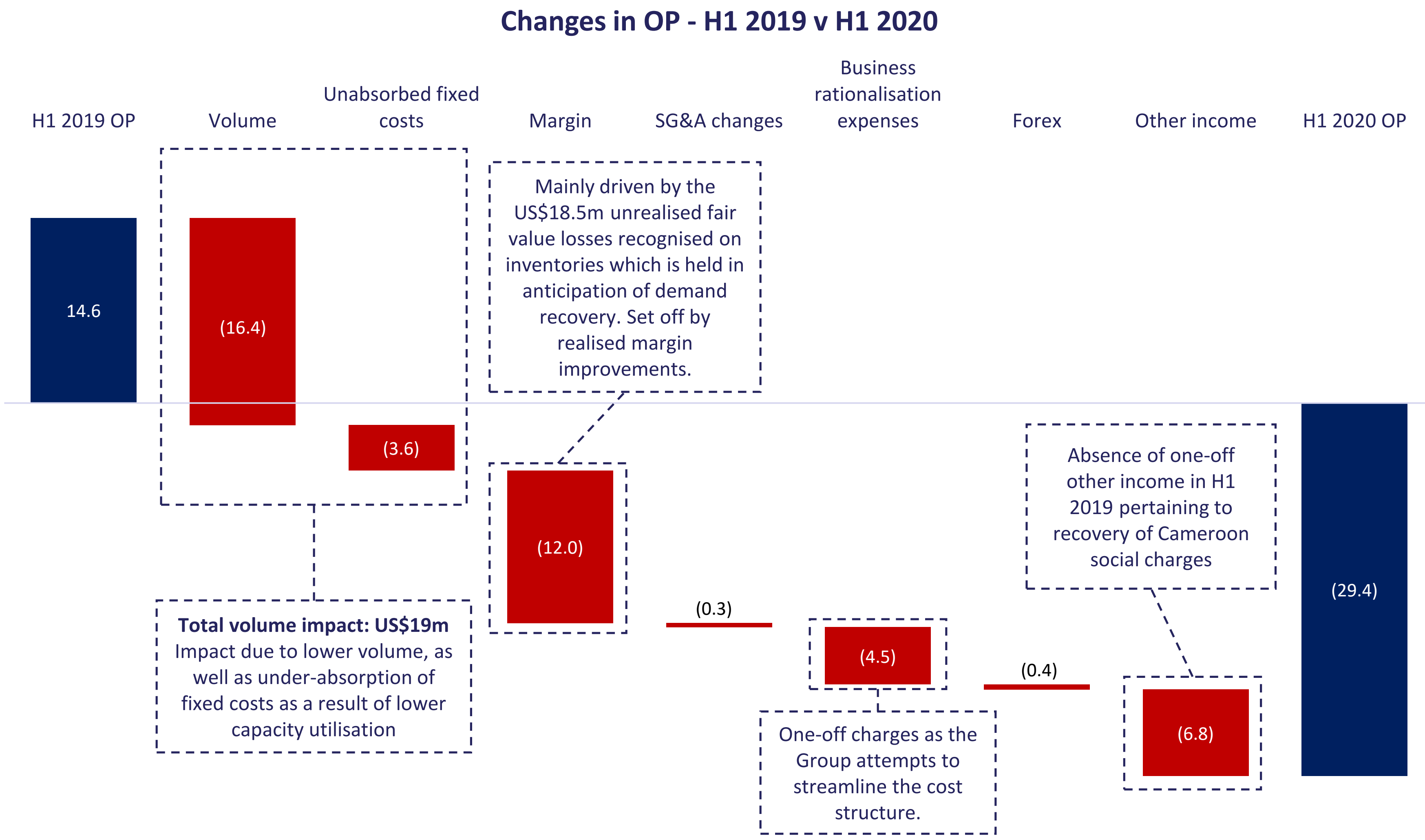
Financial highlights

Income Statement Highlights

US$m	For the half year ended June		
	H1 2020	H1 2019	▲%
Revenue	770.2	911.9	-15.5%
Gross profit	33.7	65.7	-48.6%
Core operating (loss)/profit	(25.5)	18.2	n.m.
Operating (loss)/profit	(29.4)	14.6	n.m.
(LBITDA)/EBITDA	(13.8)	30.3	n.m.
Net loss	(41.6)	(3.8)	995.2%
Sales volume (mT)	530,401	612,490	-13.4%
Average selling price (US$)	1,452	1,489	-2.5%
Gross profit per mT (US$)	64	107	-40.7%
Core operating (loss)/profit per mT (US$)	(48)	30	n.m.
Operating (loss)/profit per mT (US$)	(55)	24	n.m.
(LBITDA)/EBITDA per mT (US$)	(26)	50	n.m.

Note 1: Core operating (loss)/profit is derived by deducting working capital finance costs from EBITDA.
n.m.: Not meaningful

H12020 Results Review



Cash flows

US$m	Half year ended 30 June 2020	Half year ended 30 June 2019
Operating cash flows before working capital changes	6.5	14.0
Changes in working capital	91.4	(26.1)
Payment of taxes and working capital loan interests	(7.2)	(16.0)
Cash flow generated from/(used in) operating activities	**90.8**	**(28.1)**
Cash flow used in investing activities	(23.9)	(28.1)
Cash flow generated (used in)/from financing activities	(11.6)	37.2
Net changes in cash and cash equivalents	**55.3**	**(18.9)**

- The increase in cash and cash equivalents is mainly due to the releases of net working capital as the Group frees up its net working capital and turning it into cash, primarily through the reduction in inventory holding.

- Net cash used in investing activities of $23.9m was mainly due the cash outlay for the acquisition of the remaining shareholding in PT Pulau Bintan Djaya from the minority shareholders upon exercise of put option, offset by lower capital expenditure as a result from conscious capex management.

- Net cash used in financing activities was $11.6m, mainly due to the repayment of working capital loan using proceeds from liquidation of net working capital.

Balance sheet overview

US$ in millions	30-Jun-20	31-Dec-19
Assets partially funded by debt		
Total net working capital employed	590.0	650.5
Net working capital assets	*424.1*	*540.9*
Cash and cash equivalents	*112.0*	*57.9*
Loan receivables	*53.9*	*51.7*
Working capital loans	561.1	572.6
% Efficiency in working capital funding	**95.1%**	**88.0%**
Operational long term assets	1,015.6	1,017.1
Non-core assets	43.5	44.7
Term loans	555.1	551.1
% Fixed asset gearing	**52.4%**	**51.9%**
Total equity	**532.9**	**588.6**
Net asset value per share (US cents)	*33.4*	*36.9*
Net asset value per share (SG cents)	*46.5*	*49.7*

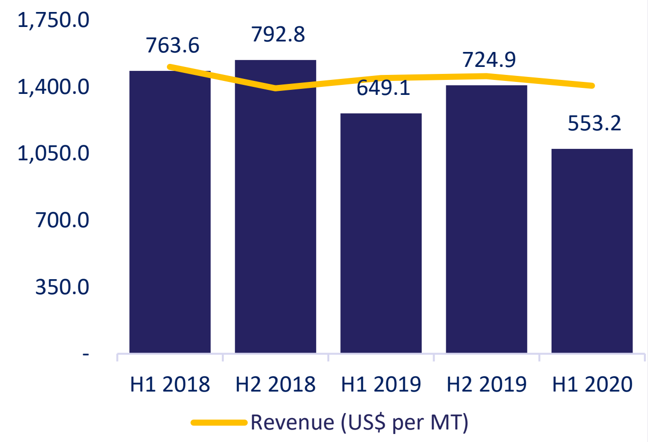
Note 1: Please refer to the announcement for the definition of the captions in the tables displayed above.
Note 2: Translated at the closing exchange rates for each respective period.

Having positioned for the reduced in NR production during wintering season in Q1 2020, the Covid-19 has induced the collapse in NR prices which have resulted in a downward revaluation of our inventory holdings, which are financed by revolving working capital loans, causing a temporary mismatch in funding efficiency.

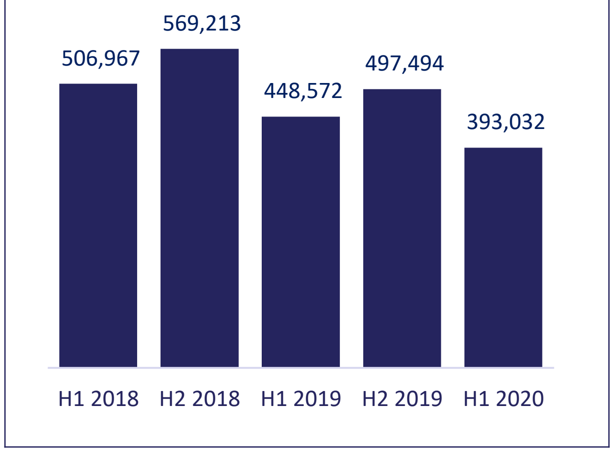
Segmental Performance

Halcyon Rubber Company (HRC)

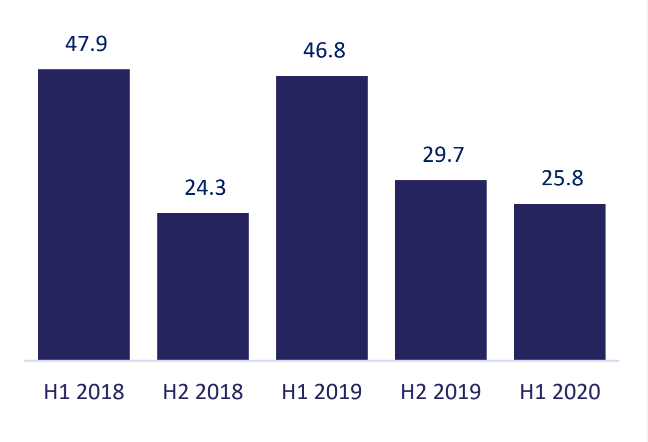
Revenue (US$m)[1]



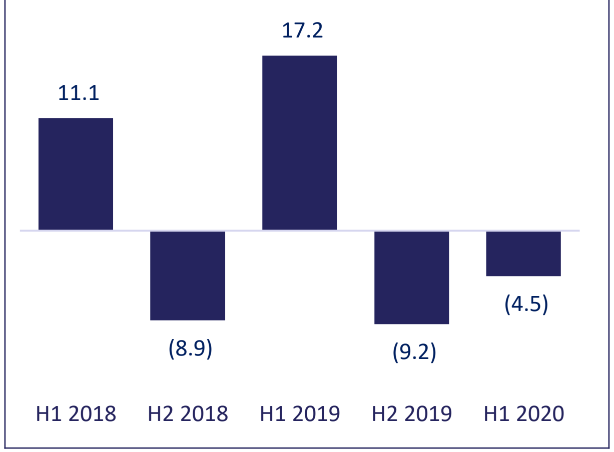
Sales Volume (mT)[1]



Gross Profit (US$m)



Op. Profit/(Loss)[2] (US$m)

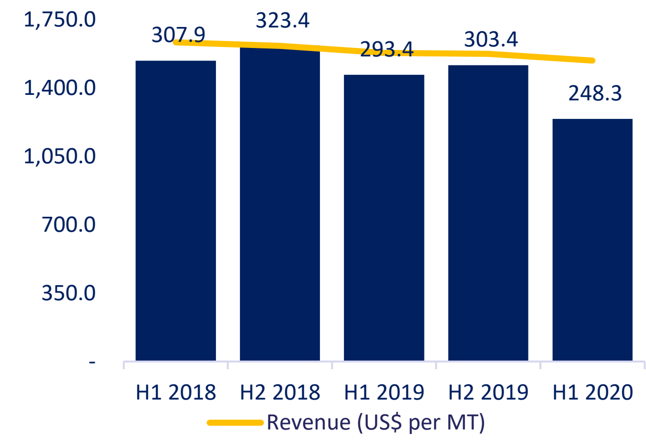


- Sales volumes have reduced due to customers delaying their deliveries as the downstream production facilities furloughed for 2 to 4 months during H1 2020.
- Suboptimal factory utilisation have resulted in the inability of the fixed costs to be adequately absorbed by current volumes, causing lower gross profits.
- Yielded benefits in the way of lower cost base after execution of the rationalisation plans in FY2019.

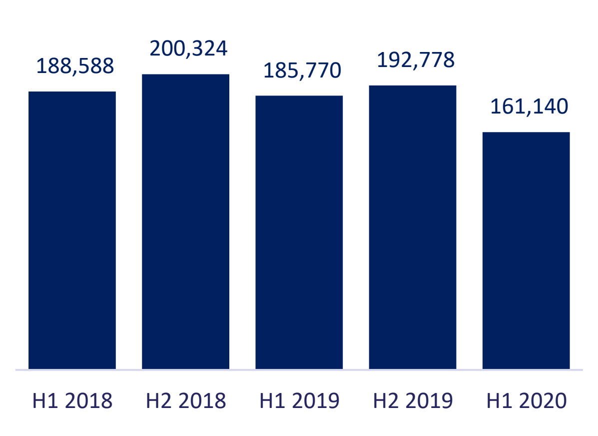
[1] Includes intersegment figures
[2] Adjusted for management fees

Corrie MacColl (CMC)

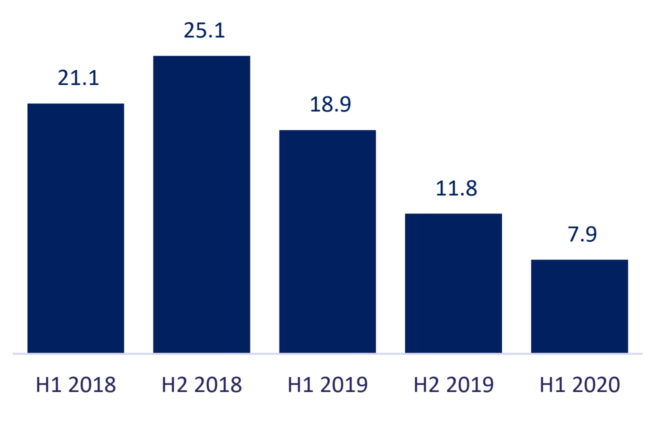
Revenue (US$m)[1]



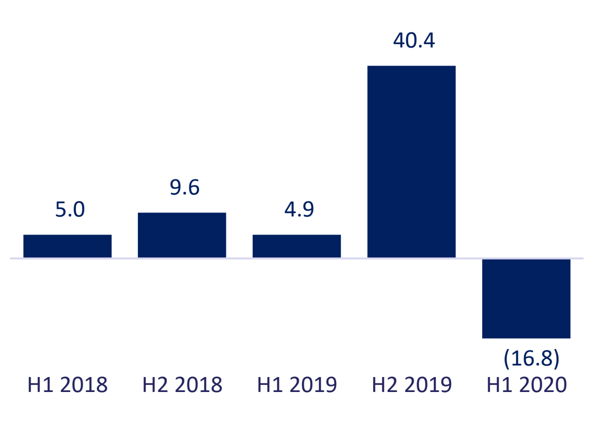
Sales Volume (mT)[1]



Gross Profit (US$m)



Op. Profit/(Loss)[2] (US$m)



- Deliveries and new contracts for dry rubber were sluggish, similar to HRC, however volume was offset by higher than expected latex deliveries for the healthcare industries.
- Latex prices remained steady, relative to dry rubber prices, due to healthcare demand driving competition for raw materials, therefore resulted in margin compressions for our distribution business.
- Absence of one-off gains on biological assets.
- Operating costs increases progressively following the maturing of the plantations.

[1] *Includes intersegment figures*
[2] *Adjusted for management fees.*

Thank you