



**EXECUTIVE SUMMARY
CORPORATE REPORT 2019**

The executive summary contains highlights and milestones of our businesses.
For the full report, please visit www.halcyonagri.com

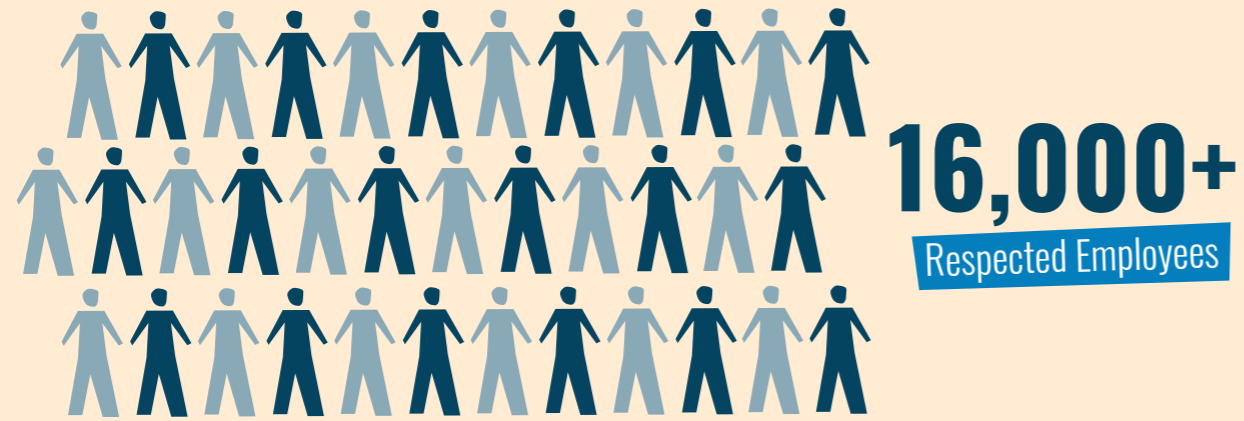
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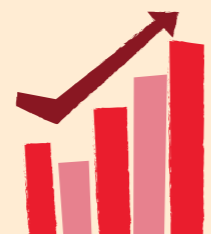
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**HALCYON
PEOPLE
PLANET
PROFIT**





Headquartered in Singapore, we have sales offices, warehouses, terminals, laboratories, factories, plantations and a wide distribution network across the world



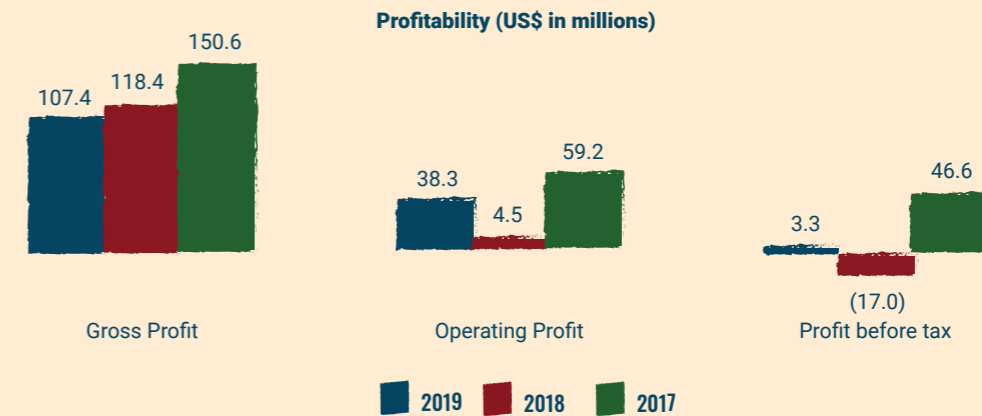
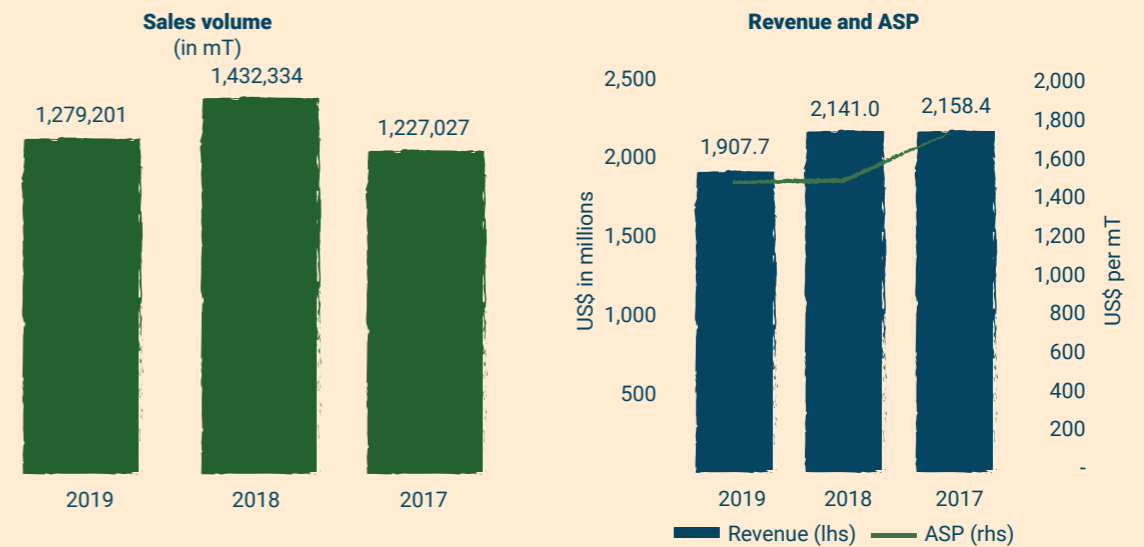
All figures above based on Halcyon Agri's analysis of sales and customer information and IRSG data

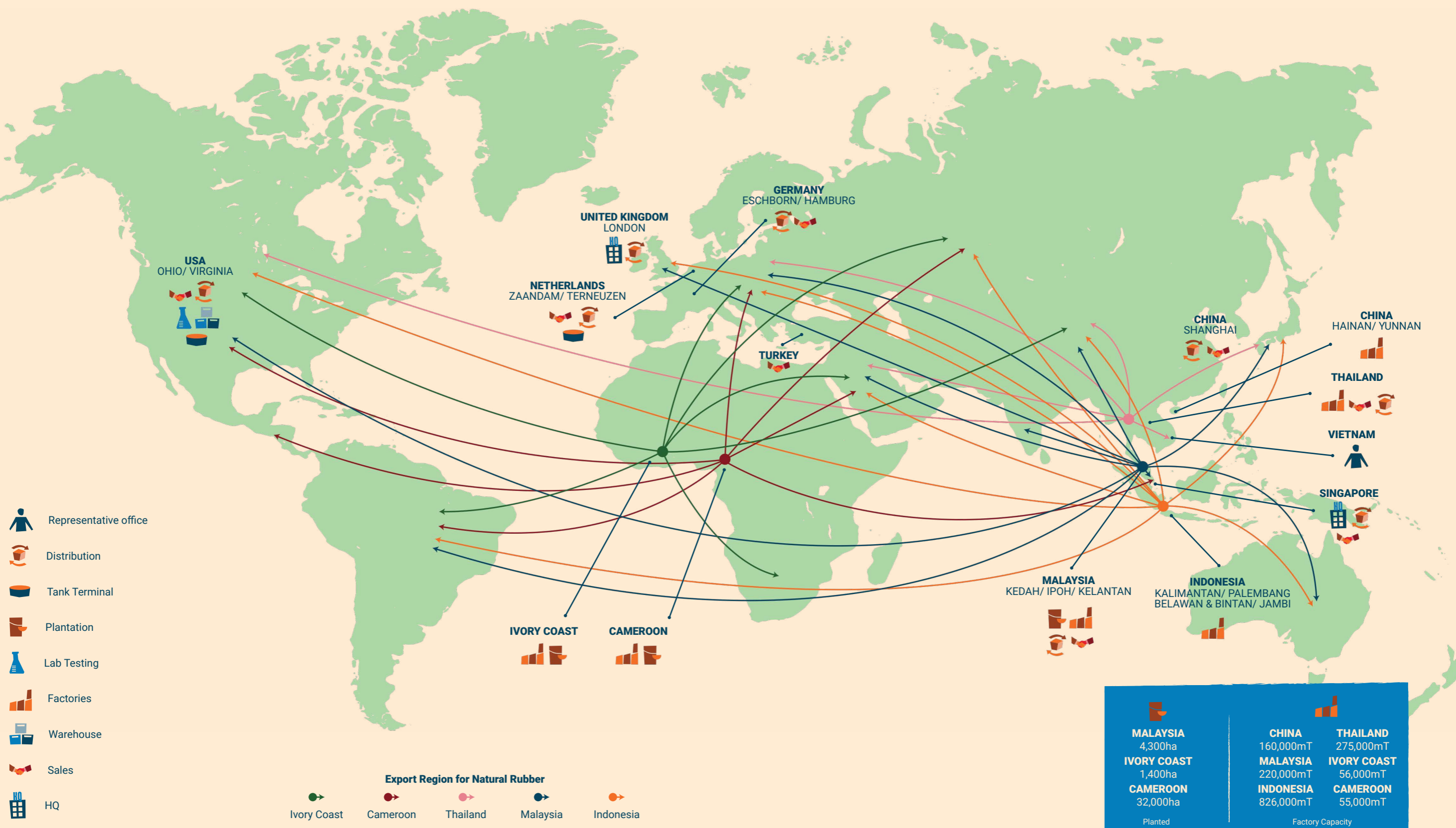
Selected key financial statistics

		2019	2018	2017
Sales volume	mT	1,279,201	1,432,335	1,227,027
Revenue	US\$m	1,907.7	2,141.0	2,158.4
EBITDA	US\$m	71.7	36.2	64.9
Core operating profit ¹	US\$m	47.2	22.6	56.1
Operating profit	US\$m	38.3	4.5	59.2
Return on assets ²	%	3.7	2.0	4.0
Return on equity ³	%	12.2	6.2	9.5
Return on capital employed ⁴	%	6.3	3.2	5.2

Notes

1. Core operating profit = EBITDA less working capital interest
2. Return on assets = EBITDA divided by total assets
3. Return on equity = EBITDA divided by total equity (excluding perpetual securities)
4. Return on capital employed (ROCE) = EBITDA divided by (term debt plus total equity (including perpetual securities of US\$148.7 million))





- Representative office
- Distribution
- Tank Terminal
- Plantation
- Lab Testing
- Factories
- Warehouse
- Sales
- HQ

	MALAYSIA 4,300ha		CHINA 160,000mT		THAILAND 275,000mT
	IVORY COAST 1,400ha		MALAYSIA 220,000mT		IVORY COAST 56,000mT
	CAMEROON 32,000ha		INDONESIA 826,000mT		CAMEROON 55,000mT
	Planted				Factory Capacity

Where Does Your Source of Mobility Comes From?

Essentially, it comes from the tyres that allow your current mode of transport to take you from A to B. As you sit behind the wheel of your car driving your children to school, or in the back of a taxi that takes you to the airport (where you board a plane that would be grounded if not for its tyres), did you ever wonder what material makes up a significant percentage of those tyres? The answer is unequivocally **NATURAL RUBBER**.

So where is this critical raw material produced? Only from countries bordering the equator, with Thailand and Indonesia being the largest producers. Over 90% of Indonesian raw material is produced by 2.4 million farmers with an average smallholding of about 1.5 hectares. Each rubber tree produces approximately 2.5 kg of rubber per annum so imagine how many millions of trees are needed to guarantee the convenience and luxury of mobility that we all take for granted on a daily basis. The farmer sells his cup lumps to our factories at a price determined by a commodity futures market, over which neither we nor the farmer has control. Given the prevailing low prices, his income is now significantly below the Indonesian government's gazetted minimum wage for employees. A typical benchmark for Indonesian cost of living is the cost of a kilo of rice. Historically one kilo of rubber would have purchased two kilos of rice. Today the **reverse** is the case where **two kilos of rubber are needed to purchase one kilo of rice**.

Natural rubber's place in a global context

In 2017, the European Union commission added natural rubber to its list of **Critical Raw Materials**, the vast majority for which, including natural rubber, the EU is dependent on imports from non-EU countries. **Natural rubber is simply an irreplaceable component of tyres**. Different applications require different levels, but natural rubber cannot be replaced. The demand for natural rubber in passenger tyres is determined by global vehicle density as well as by total mileage driven. Global vehicle density and utilisation are largely determined by GDP growth.

It should be abundantly clear to vehicle owners et al, that without the existence of these smallholder farmers, the mobility that they take for granted in everyday life would be severely compromised. As well, the very livelihood and existence of smallholders are in peril by the current poor return for their labours and product. The only way to keep the world moving is to enforce the **sustainable** supply of natural rubber, which primarily includes ensuring that the smallholders are properly compensated.

Consumers (e.g. vehicle owners) are demanding more sustainable products and in turn, automobile and tyre manufacturers are demanding full transparency and sustainability in respect of supply chains. But without a fair price reflective of the efforts and investment required to produce this critical and irreplaceable product: there will be no, in the true sense of the word, sustainability.



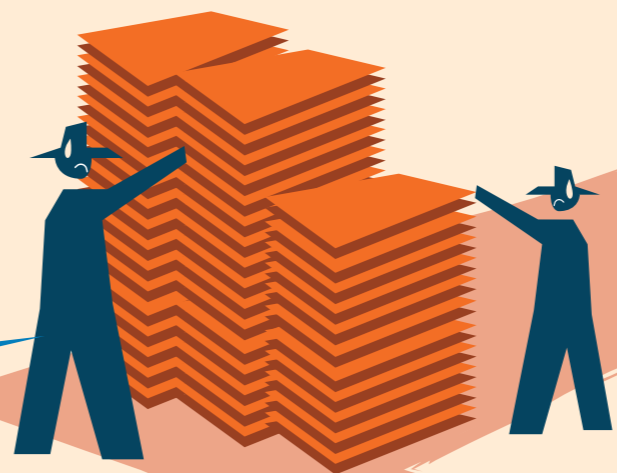
The tyre industry consumes 9.9 million mT of natural rubber per annum. In order to supply this, the world needs 4 billion rubber trees.



Farmer sells his rubber to factories at a price set by a commodity futures market, over which neither we nor the farmer has control.

#DIDYOUKNOW
Natural rubber is considered a **CRITICAL RAW MATERIAL** by the EU Commission. It is an irreplaceable component of tyres.

#DIDYOUKNOW
Indonesia supplies 21% of the world's natural rubber mainly to global tyre manufacturers.



2.4 million Indonesian farmers produced >90% of the country's raw material.

Farmer taps his trees in rotation daily before sunrise. Each rubber tree gives 2.5 kg of rubber per year.



A farmer needs two kilos of rubber to buy one kilo of rice. His income is now below minimum wage.



First Natural Rubber Company to declare ZERO DEFORESTATION

HeveaTRACE for Traceable Supply Chain

HeveaGROW for Smallholder Capacity Building

Cameroon Sustainability Council

Formation of 25,000ha Community Forest in Cameroon

State-of-the-Art Factory and Laboratory in Africa

Outgrower Programme for Community Empowerment

Water Stewardship Action Learning Project in Indonesia

Smallholder Financing Study