

Boundless Impact



Chairman's and Managing Director's
Joint Statement

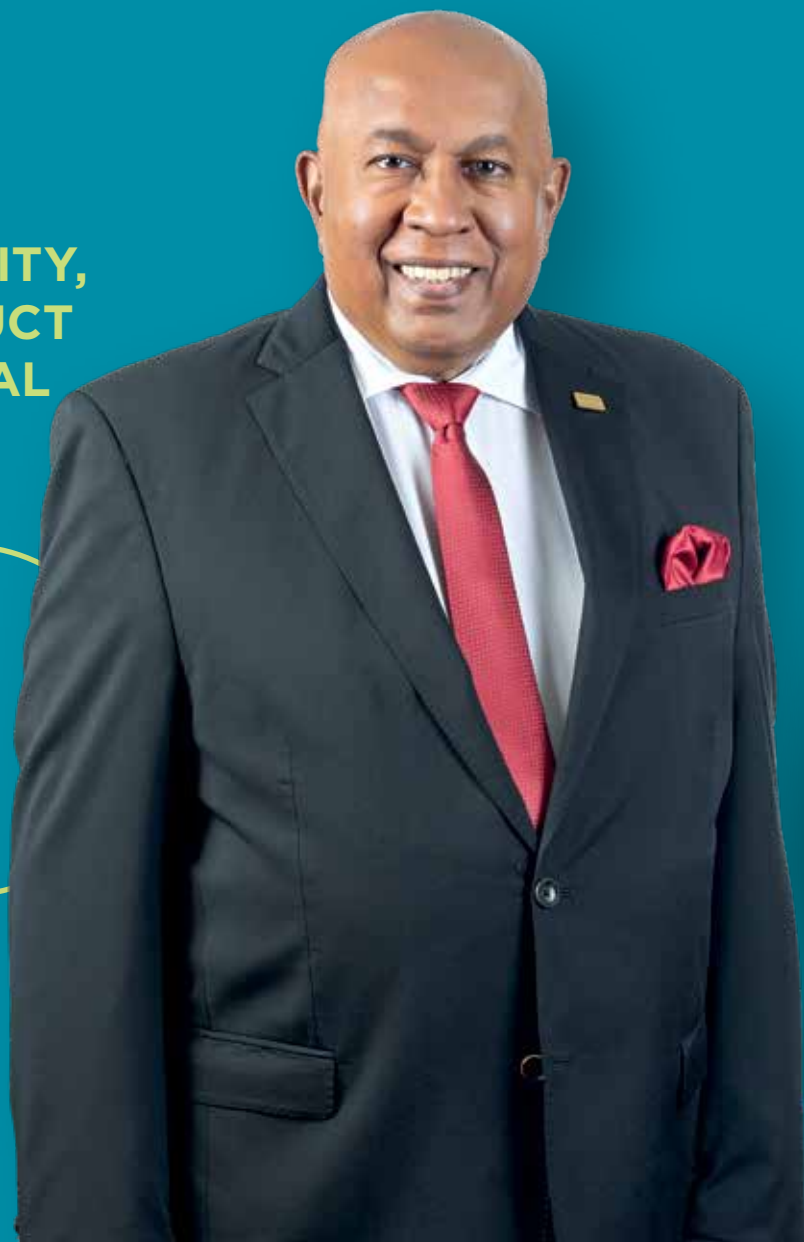


Chairman's & Managing Director's Joint Statement

GRI 2-22

HAYCARB PLC DELIVERED RESILIENT GROWTH IN 2024/25, POWERED BY INNOVATION, SUSTAINABILITY, AND A DIVERSIFIED PRODUCT PORTFOLIO ACROSS GLOBAL MARKETS.

Mohan Pandithage
Chairman



Dear Stakeholder,

Haycarb PLC delivered a resilient performance recording pre-tax earnings of Rs.5.52 Bn and post-tax earnings of Rs. 4.27 Bn, retaining its position as a leader in innovative coconut shell activated carbon solutions for a wide range of applications. The Group

demonstrated its characteristic resilience and agility to overcome multiple challenges across the value chain, leveraging its market presence, diversified product portfolio, strategic positioning and its commitment to sustainable innovation to deliver resilient growth and consistent shareholder value.

Haycarb is a purpose-driven Company, envisioning tomorrow's purification and energy storage needs, empowering our employees to provide solutions that enrich our stakeholders whilst upholding our values of customer centricity, technical excellence, and innovation, within a sustainable mindset.





HAYCARB CONTINUES TO INVEST IN THE ADVANCEMENT OF ITS TECHNOLOGY TO BE A CUTTING-EDGE INNOVATIVE COCONUT SHELL BASED ACTIVATED CARBON COMPANY

Rajitha Kariyawasan
Managing Director

STRENGTHENING OUR VALUE CHAIN

Our value chain commences with coconut shells, a by-product of the coconut industry. Our manufacturing facilities are strategically located in Sri Lanka, Thailand, and Indonesia, providing direct access to our main raw material, coconut shell-based

charcoal in these countries. Our raw material procurement network also extends to other major coconut-growing countries in Asia, including the Philippines, India, and Vietnam. This extensive network has enabled us to gain valuable insights into the production and availability of raw materials, allowing us to effectively

manage the cyclical volatility in demand and supply across all coconut-producing countries in Asia.

The year under review presented significant challenges as coconut harvests across all our operating countries declined due to extreme weather and climate conditions.

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THE GROUP DEMONSTRATED ITS CHARACTERISTIC RESILIENCE AND AGILITY TO OVERCOME MULTIPLE CHALLENGES ACROSS THE VALUE CHAIN, LEVERAGING ITS MARKET PRESENCE, DIVERSIFIED PRODUCT PORTFOLIO, STRATEGIC POSITIONING AND ITS COMMITMENT TO SUSTAINABLE INNOVATION TO DELIVER RESILIENT GROWTH AND CONSISTENT SHAREHOLDER VALUE.

Furthermore, the increase in coconut charcoal exports from the countries we operate in exerted further pressure on raw material prices, which recorded an exponential increase during the year. Ensuring an adequate supply of raw materials is critical to optimising production and managing costs. To address this, we have strengthened our charcoal procurement teams in each of these countries to optimise our presence and supplies.

In Sri Lanka and Thailand, we have leveraged our engagement with rural communities in the eco-friendly production of coconut shell charcoal, thereby supporting local livelihoods through initiatives such as the Environment Friendly Charcoaling Units and Vertical Charcoaling Kilns. The Company has intensified its efforts to introduce eco-friendly charcoaling pits in Indonesia as part of its strategy to bolster our supply network in the region.

Our latest venture, Haycarb Philippines Corporation, has received approval from the Board of Investments of the Philippines to establish an activated carbon manufacturing facility. The first phase is scheduled to be commissioned in the first half of 2027 and will further enhance our manufacturing footprint and strengthen our position in the coconut shell-based charcoal supply chain.

To address the challenges associated with coconut shell charcoal supply chain, Haycarb has successfully

developed activated carbons from alternative sustainable raw materials. This initiative was undertaken in close collaboration and consultation with our valued customers for specific applications and markets and will be pursued as a viable strategy to reduce dependence on coconut shell-based charcoal, thereby reducing the pressure on the supply chain.

MARKET DYNAMICS

A portfolio of over 1500 products catering to a vast array of applications supports revenue diversification across geographies and business segments, making our business model a resilient one. We observed strong demand for products serving the gold mining sector, driven by heightened uncertainty in global financial markets. With increasing concerns around the safety of drinking water, demand for our water purification carbons have remained robust. The value-added carbon segment sustained its growth trajectory, continuing to secure broader market acceptance. Our range of carbon for chloramine removal, pelletised carbon and chemically impregnated carbon products are steadily gaining market momentum. Our growing portfolio of energy storage carbons also gained traction and demonstrated strong performance.

Asia remained our largest and most dynamic market during the year, driven by strong and sustained demand. We also retained solid market positions in North America,

Africa, and Australia, supported by long-standing partnerships and reliable service delivery. In contrast, Europe experienced a decline in demand reflecting the broader economic slowdown and its impact on industrial activity and purchasing patterns.

The Environmental Engineering business gained momentum with the recovery of the Sri Lankan economy to record a revenue of Rs. 2.02 Bn during the year. The demand for water and wastewater treatment plants, Operations and Maintenance (O&M) contracts and water distribution projects in Sri Lanka and Maldives are driving this business segment, which is expected to maintain its growth trajectory.

TECHNOLOGY, NEW PRODUCT DEVELOPMENT AND DIGITALISATION

Haycarb continues to invest in the advancement of its technology to be a cutting-edge innovative coconut carbon company that offers best-in-class products and solutions and enhances customer experience. Our newly developed range of carbons tailored for silicon anodes has gained market share. Concurrently, we are in the process of securing patents for our of hard-carbon products for Sodium-ion batteries. The ongoing global shift toward renewable energy continues to present significant growth opportunities and in anticipation of this demand, we have invested Rs. 1.23Bn to expand our manufacturing capacity for the Energy Storage Carbon portfolio during the year ended 31 March 2025.

With rising awareness of the presence and adverse impacts of perfluoroalkyl and polyfluoroalkyl substances (PFAS) particularly in North America and Europe, the Company is actively working to bring to market a new range of products,

now nearing commercialisation, designed for the effective removal of "forever chemicals." Coconut shell-based activated carbon has demonstrated high efficacy in PFAS removal while also offering a sustainable, renewable solution-enhancing its appeal across environmentally conscious markets. This position enables us to enter a new, high-potential product segment with strong prospects for long-term growth.

We have embarked on a digital transformation drive in line with the aspirations of our parent company, as we see the immense potential presented by embracing rapidly advancing AI-related technologies. The relaunching of our website integrated into the new CRM platform, factory automation and the ongoing update of ERP systems to RISE with SAP represent several key interventions.

DELIVERING VALUE TO INVESTORS

Performance 2024/25

The Haycarb Group's Revenue of Rs.43.20 Bn remained consistent with the previous year, with the appreciation of the Sri Lankan rupee which impacted the growth reported in the reporting currency. US Dollar-denominated revenue, recorded an increase of 6% to reach USD 145 Mn during the year, reflecting improvements in core performance.

Persistent shortages in coconut shells led to a significant increase in raw material prices, a worsening trend that continues to date. While this exerted significant pressure on profitability margins, the impact was partially mitigated by increased contributions from value-added products, the support extended by our valued customers to share the burden of cost increase and strategic emphasis on lean initiatives that improved efficiency. Consequently, the Group managed to contain the

decline in gross profit to 9% to Rs. 12.06 Bn while gross profit margins narrowed from 31% to 28% during the year.

The moderation in Gross Profit trickled down to Operating Profits, which declined by 12% to Rs. 5.75 Bn during the year. The net exchange cost decreased to Rs.58.8 Mn. Despite the capital expenditure, investment in new businesses and increase in working capital needs we capped the net interest cost at Rs. 227.50 Mn due to prudent loan portfolio management, and reduction in market interest rates.

Haycarb recorded a Profit Before Tax of Rs.5.52 Bn for the year ending 31st March 2025, a moderation of 10% in comparison to the previous year. This decline is primarily attributed to the increase in raw material prices and the appreciation of the Sri Lankan Rupee. The tax expense decreased by 31% to Rs.1.2 Bn, owing to enhanced capital allowances on new investments. The effective tax rate decreased from 30% to 23%, resulting in a Profit After Tax of Rs.4.27 Bn, only 1% below the previous year's Post-Tax Profit of Rs.4.30 Bn. Furthermore, in USD terms, the Profit After Tax amounted to USD 14.35 Mn, reflecting a 6% increase.

GROWTH & RESILIENCE

During the year, Haycarb strengthened capabilities to manufacture value-added carbons through increasing production capacity for energy storage carbons in Sri Lanka and enhancing post-activation facilities in both locations to augment its capacities in point of use (POU) and point of entry (POE) carbons in water treatment applications, a key growth area of the business. In line with our environmental aspirations of increasing reliance on renewable energy sources, a key area of focus in the Group's ESG Roadmap

INNOVATION & GROWTH 2024/25

NEW PRODUCTS

- Improved energy storage carbons
- Advanced PFAS removal carbons
- High-capacity chloramine removal carbons
- New products for respirator carbon for personal protection

VALUE TO STAKEHOLDERS

- Value delivered to employees **Rs. 4.9Bn**
- Value delivered to shell and charcoal suppliers **Rs.14.9Bn**
- Value to Governments
 - Sri Lanka **Rs. 1.7Bn**
 - Others **Rs. 1.7Bn**
- Value to investors
 - ROE **13.6%**
 - Dividends **Rs. 1.1Bn**
 - Share price increase **7.3%**

"Activate", the Company also invested in the installation of roof solar PV systems. Accordingly, Property Plant and Equipment increased by 17% to Rs.12.72 Bn.

The Group's working capital expanded, driven by the increase in value of inventories by 32% to Rs.15.16 Bn. This contributed to an increase of 6% in current assets to Rs.28.14 Bn while total assets increased by 14% to Rs. 45.90 Bn.

Balance sheet growth was funded by increases in equity and borrowings; equity increased by 15% to Rs.29.68 Bn due to the growth in reserves while Interest bearing borrowings increased by Rs. 2.80 Bn to Rs. 9.08 Bn. Despite the increase in borrowings, the debt-to-equity ratio

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OUR TECHNOLOGICAL ADVANCEMENTS IN THE ENERGY STORAGE CARBONS CONTINUE TO INTRODUCE NEW PRODUCTS, FEATURES AND PROCESSES NEEDED BY THIS DYNAMIC AND EVOLVING MARKET SEGMENT.

remained at a prudent 31%, albeit an increase over the 24% recorded in the previous year.

Haycarb continued to deliver on its shareholder commitments, with Net assets per Share increasing from Rs.77.09 to Rs. 89.30.

STRATEGIC ESG INTEGRATION

The Group's ESG Framework, "Activate" sets out 13 sustainability priorities under the 5 core pillars of Restore, Inspire, Excite, Uplift and Innovate connected by mindful governance as the "Conscious Core". Sustainability governance structures established in the previous year were maintained to support the Board in its mandate to guide and oversee the implementation of the Group's ESG Framework, monitor emerging sustainability-related risks and opportunities and measure progress against goals and targets.

We remain committed to driving socio-economic empowerment across our charcoal supply chains while propagating environmentally friendly practices and high-yielding techniques in all the countries we operate. As we mark the 10th anniversary of Puritas Sath Diyawara, we celebrate a decade of impactful community service by providing over 200,000 litres of purified drinking water per day to over 45,000 people in villages that were severely affected by chronic kidney disease. Our dedication to this initiative highlights our unwavering commitment to improving the lives of those in need and fostering healthier communities.

The Group partnered with the Coconut Development Authority

and the Coconut Cultivation Board in Sri Lanka sponsoring the planting of 100,000 coconut seedlings in the Northern Province, supporting the government initiative to establish a second coconut growing region in the country. The second phase of this initiative will be continued in 2025.

Our decarbonisation efforts continue with investments in solar power generation during the year, which culminated in Haycarb now fulfilling 35% of its electricity requirements in Sri Lanka through rooftop solar installations. Additionally, we are commissioning a floating solar power generation project which will meet approximately 10% of the electricity consumption in our plant in Chonburi, Thailand. In parallel we expanded rainwater harvesting initiatives in Thailand, aligned with our aspirations to increase reliance on sustainable water sourcing.

MINDFUL GOVERNANCE

Haycarb benefits from the robust governance structures and policy frameworks of the Hayleys Group. During the year, Haycarb complied with new requirements of the CSE Listing Rules Section 9 which included the publication of several policies on the corporate website including the Policy on Anti Bribery and Corruption which mandates a zero-tolerance approach for bribery and corruption. Three new Board Committees were formed in May 2024, namely the Nominations & Governance Committee, the Remuneration Committee and the Related Party Transaction Review Committee for Haycarb PLC, where supervision was exercised by the Board Committees of the parent Company.

We continued to exercise oversight over the subsidiaries through regular reporting to the Board Committees and Board as well as representation of Directors on boards of all subsidiary companies. An Executive Director of Haycarb PLC is assigned to the subsidiaries who ensure that key concerns are escalated to the main board. Financial audits of the subsidiaries are conducted by reputed external independent auditors and consolidated by Group auditors. Importantly, Group Internal Audit provides assurance on the effective functioning of internal controls to the Board of Directors.

BUILDING TALENT PIPELINES

Haycarb's holistic value proposition engages employees, for driving innovation and growth. Building strong talent pipelines is crucial for our operations particularly given the relatively high level of skilled migration from Sri Lanka.

We initiated one-on-one engagement at all levels to understand employee issues and adopt corrective action to drive increased motivation and employee well-being. Ongoing investment in training resulted in total training hours per employee increasing by 43%. The learning platforms on digital media were given high priority, encouraging specific functions to upgrade the knowledge base in line with the higher pace of ubiquitous technological advancements. As an innovative company, team dynamics are invaluable, and we will continue focusing on maintaining strong teams to drive sustainable growth through product and process innovation.

STRONG PROSPECTS

Emerging trade dynamics and geo-economic confrontations have led to a downward revision of global growth projections, with the IMF's latest forecast adjusting the growth



rate from 3.3% to 2.8%. Growth in advanced economies is expected to remain subdued, revised downward from 1.6% to 1.5%. Given the current unpredictability of the situation, the Company is closely monitoring the ongoing bi-lateral negotiations with the US Government and potential impacts that can unfold.

Meanwhile, agricultural commodity prices are projected to rise, driven by poor harvests resulting from the escalating impacts of climate change and extreme weather events.

Sri Lanka is anticipated to record GDP growth, over 3.0% forecasted by the Central Bank, alongside a moderate uptick in inflation to mid-single-digit levels. Interest rates are expected to remain low, supporting investor and consumer sentiments. The resultant increase in purchasing power, coupled with a stable policy environment, is expected to create favourable conditions for private sector growth and economic recovery.

Looking ahead, we anticipate varying growth trajectories across our product portfolios. Demand is expected to strengthen in key sectors such as energy storage, water treatment, air purification and gold recovery and resources are allocated in line with strategic priorities, to technical and R&D functions and marketing teams for new product development and expansion of market reach with the optimum mix of value-added products.

The availability of raw materials remains a critical concern which we hope to address through a multi-pronged action plan leveraging on our geographical reach in coconut producing countries in Asia and leadership in initiatives to enhance the yield and reduce the environmental footprint in charcoaling.

Manufacturing and technical excellence under our key ethos of 'Sustainable Innovation' is at the core of Haycarb's strategy and operations, and we continue to focus on enhancing our technical capabilities, new product and process developments and driving lean practices within a framework of robust Occupational, Health and Safety practices. Digitalisation will remain a strategic priority, as we strive to drive efficiency and resilience across our operations.

The Environmental Engineering segment will continue its focus on core markets in Sri Lanka and Maldives and has strengthened its business development, technical design and project execution teams to tap into the opportunities for water and wastewater treatment and water distribution projects that are in the pipeline.

ACKNOWLEDGEMENTS

Mr. James Naylor resigned from the Board of Directors with effect from 31st January 2025, in anticipation of his retirement from service in May 2025. The Board of Directors join us in thanking James for his instrumental leadership during his tenure at Haycarb and wish him a happy and fulfilling retirement.

Mr. Hisham Jamaldeen resigned from the Board of Directors on 14th November 2024, and we thank him for his strategic insights and guidance.

We express our gratitude to the team at Haycarb for upholding our values and fostering a culture of learning and innovation. Their expertise, commitment and determination were essential in driving sustainable growth, in a period of intense pressure on the challenges on supply side of our key raw material, coconut charcoal. Further, we extend our appreciation to our valued customers for

their continued partnership and patronage of Haycarb products and services, and all other stakeholders for their continuous support throughout our journey. Lastly, we appreciate the Board's diligence and guidance, as we enhance our competitive edge, solidifying Haycarb's position as a global leader in activated carbon renowned for Sustainable Innovation.

Yours sincerely,



MOHAN PANDITHAGE
Chairman



RAJITHA KARIYAWASAN
Managing Director

15th May 2025