

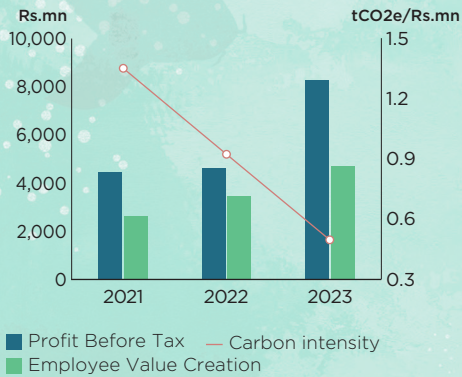


PURIFICATION

Haycarb is a globally leading manufacturer and marketing of coconut-shell based activated carbon, with a strong reputation for innovation, quality, technical excellence and sustainability. The Sector is also a leading provider of water and waste purification systems in Sri Lanka and Maldives.

PURIFICATION

INTEGRATED PERFORMANCE TRENDS



FINANCIAL PERFORMANCE



Revenue
Rs. 60.36 bn (+84%)



Profit Before Tax
Rs. 8.25 bn (+78%)



Profit After Tax
Rs. 6.50 bn (+75%)



Assets
Rs. 38.57 bn (+1%)



Liabilities
Rs. 14.82 bn (+22%)

Product applications

- Air purification
- Water purification
- Medical and pharmaceuticals
- Hybrid and electric vehicles
- Pesticide removal and soil remediation
- Removal of mercury and poisonous gas

New products launched

16

INNOVATIONS FOR A BETTER TOMORROW

LEADERSHIP DEVELOPMENT

33

Employees undergoing leadership development

Rs. 7 mn

Investment in training

40

Promotions

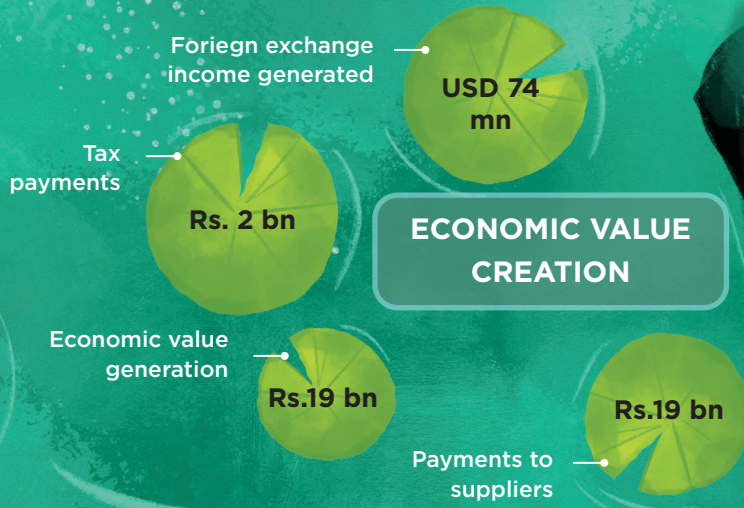
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Vacancies filled internally

INSPIRING ACTION

INCLUSIVE VALUE

ECONOMIC VALUE CREATION



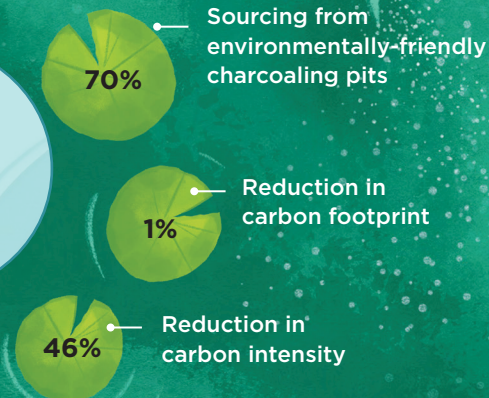
STRATEGIC FOCUS AREAS

- Innovation focused on value-added products
- Operational efficiency and productivity
- Supply chain management

THRIVING PLANET

MITIGATING OUR ENVIRONMENTAL IMPACT

Rs.1 bn planned investment in renewable energy



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SECTOR OVERVIEW

MARKET POSITION

- A global leader in coconut-shell based activated carbon with a market share of 16%
- Leading provider of water and waste purification in Sri Lanka, the Maldives and the region
- Portfolio of over 1,500 products



OPERATING ENVIRONMENT

Global demand for activated carbon was somewhat dampened during the year, in view of the economic downturn in Europe and inventory adjustments following stock-build up in the previous year. Geo political tensions also posed challenges in transfer of goods and funds in the region, following sanctions and restrictions to the global financial system. On the other hand, customer engagement through trade exhibitions and visits recommenced during the year, following the resumption of global travel and gradual opening of markets. Sri Lankan operations were inevitably impacted by macro-economic headwinds, with fuel shortages, escalations in cost of production, exchange rate volatility and the sharp increase in interest rates affecting performance. Meanwhile, Sri Lanka's coconut production reached a record high of 3.39 mn nuts in 2022 supported by conducive weather conditions, which outweighed the negative implications of the shortage in chemical fertilizers. Coconut prices also remained elevated for most part of the year. In Thailand, the sharp appreciation of the Baht towards the latter part of the financial year, affected performance of exporters through exchange losses.

+9%

Increase in Sri Lanka's coconut production in 2022



+9%

Increase in retail prices of coconuts in 2022






8%

Anticipated global growth



Emerging trends and implications on Sector

 Growing demand for water purification and air filtration	 New energy arena	 Implications of climate change on coconut crop
<p>Increasing concerns over air and water quality together with increasingly stringent environmental regulations are driving increased demand for purification products.</p> <p>IMPLICATIONS</p> <ul style="list-style-type: none"> + Growth opportunities across new industries and applications 	<p>The transition to a low-carbon economy is driving the shift towards renewable energy and energy storage solutions.</p> <ul style="list-style-type: none"> + Significant growth potential for high-value added proposition such as energy storage carbon 	<p>Climate change causes changes in rainfall patterns, natural disasters and erratic weather which directly affect coconut crop</p> <ul style="list-style-type: none"> - Direct implications on the Sector's supply chain, given its reliance on coconut-shell charcoal



ENVIRONMENTAL ENGINEERING

Provider of water and waste purification systems

Contribution to Sector

Revenue: 2%
PBT: -3%

Performance 2022/23

Revenue: 43% decline
PBT: 658% decline

STRATEGY & INTEGRATED PERFORMANCE

The Sector posted record profitability during the year, delivering Revenue and Profit Before Tax growth of 84% and 78% respectively. The year's performance reflects the Sector's relentless efforts over the past few years to strengthen its presence in higher value-added segments, achieve operational efficiency and drive deeper penetration in its key markets. Despite the extraordinary challenges that prevailed during the year, the Sector ensured continuity of operations through the timely procurement of raw material inventories and other inputs fuel stocks. Revenue expansion was supported by strong growth in the USA and Asian region, coupled with increasing contributions from

the Sector's value-added portfolio. Meanwhile, the performance of the Environmental Engineering arm was impacted by the curtailment of government-sector infrastructure projects and slowdown of the construction sector. In addressing these challenges, the Sector sought to rationalise its portfolio and reduce credit exposures.

The Sector invested Rs. 1.91 bn in strengthening its manufacturing capabilities across all three locations; this included enhancing value-added washing capabilities, laboratory infrastructure and an addition of a second regeneration kiln. Consistent with the strategy adopted over the last few years, research and development efforts were focused towards widening the value-added

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portfolio. During the year significant progress was made in the technical development of hard carbon for the manufacture of sodium-ion batteries.

Given the conditions that prevailed during the year, the Sector focused on ensuring the financial security and well-being of its employees through a range of initiatives (refer to Human Capital on page 255 for further information). Our people strategy for the year also centered on effective succession planning through identifying high-performers in each function and building talent pipelines. Despite the widespread talent migration in the country, the Sector maintained a relatively healthy retention rate of 95%, attesting to the strength of its employee value proposition.

Supply chain issues eased during the year, reflecting Sri Lanka's bumper coconut crop. The Sector leveraged its extensive supplier relationships to secure continued access to raw materials, ensuring uninterrupted production at all times. The Sector also expanded its 'Haritha Angara' initiative with the addition of 6 new pits and expansion into the Northern and Eastern provinces. This unique programme uses a proprietary closed-pit charcoaling technology which ensures pollution free production of charcoal, thereby reducing the carbon footprint across our supply chain.

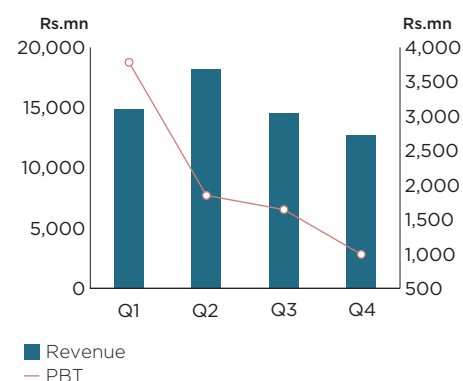
Rs. Mn	2023	2022	% y-o-y	2021
FINANCIAL HIGHLIGHTS (RS.MN)				
Revenue	60,357	32,751	+84	25,485
Earnings Before Interest and Tax	8,274	3,079	+169	4,436
Net Finance Income/(Cost)	(18.67)	1,602	-101	54
Profit before tax	8,247	4,642	+78	4,475
Profit after tax	6,494	3,707	+75	3,551
Assets	38,567	38,160	+1	22,945
Liabilities	14,820	18,908	+22	10,079
Operating cash flow	10,122	(2,814)	+460	2,059
OPERATIONAL HIGHLIGHTS				
Production volumes (MT)	48,883	47,905	+2	37,656
Capacity utilisation (%)	86	90	-4	90
EMPLOYEE PRODUCTIVITY AND VALUE				
No. of employees	1,880	1,768	6	1,694
Remuneration/employee (Rs.mn)	2	2	20	2
Revenue/employee (Rs.mn)	32	19	68	15
Net profit/employee(Rs.mn)	3	2	50	2
RESOURCE EFFICIENCY				
Energy consumption (MJ mn)	271	268	1	281
Energy intensity (MJ mn / Revenue Rs.mn)	4	8	-45	11
Carbon footprint (tCO ₂ e)	29,984	30,211	-1	34,409
Carbon intensity (tCO ₂ e/Rs.mn)	0.5	0.9	-46	1.4
Water consumption (Litres mn)	649	574	13	498
Water intensity (Litres/Revenue Rs.mn)	10	18	-39	20

KEY DEVELOPMENTS

- Research and development efforts focused on value-added carbons including,
 - EDLC carbons
 - Hard carbons
 - Impregnated carbon
- Increased penetration of USA and Asia regions through customer acquisition and deeper relationships with existing customers
- Investments in strengthening manufacturing capabilities in Thailand and laboratory equipment



QUARTERLY PERFORMANCE TRENDS



Spotlight



PRODUCT APPLICATIONS THAT SHAPE A BETTER FUTURE

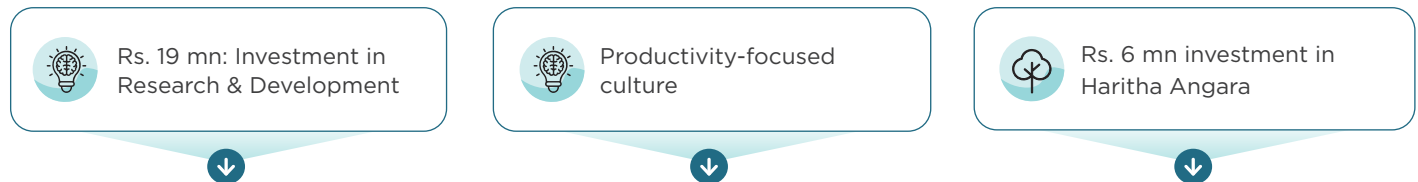
The Sector's product caters to applications across diverse industries which address critical environmental issues including air and water pollution.

Safeguarding health and well-being of people	Eco-friendly energy storage systems	Protecting the environment	Minimising resource depletion
Pharmaceutical, F&B, drinking water treatment and air purification	Energy storage applications	Applications in waste gas and water treatment	Water recycling in Environmental Engineering

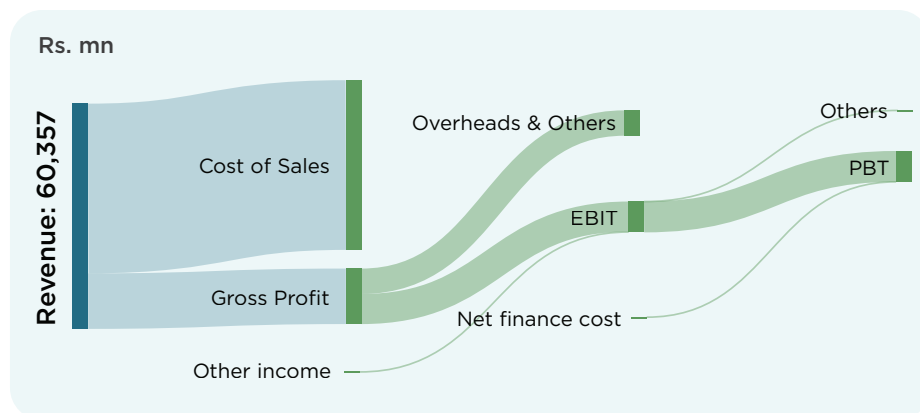
STRATEGIC PRIORITIES



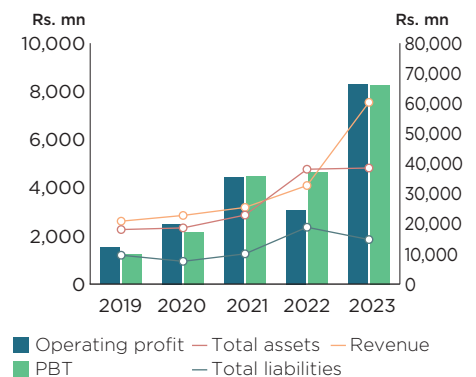
RESOURCE ALLOCATION



STRATEGIC KPIS/PRE-FINANCIALS



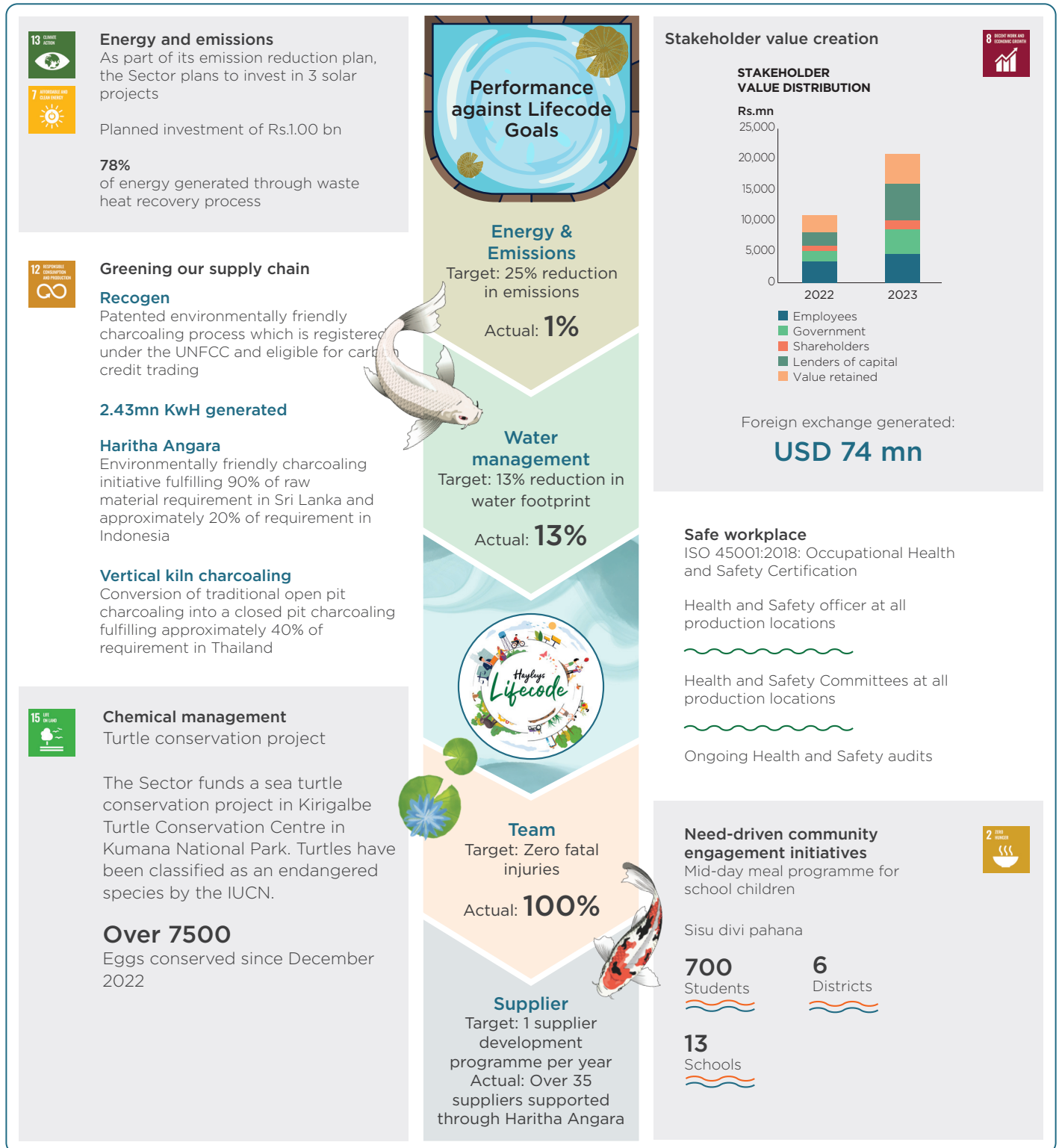
SECTOR FINANCIAL PERFORMANCE



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ESG IN ACTION

The Sector marked a step change in its ESG aspirations during the year, initiating the formulation of a holistic ESG roadmap to achieve the Sector’s environmental, social and governance aspirations. This roadmap is expected to provide an effective platform for integrating ESG considerations across the Sector’s operations, processes and decision-making.



SASB DISCLOSURES

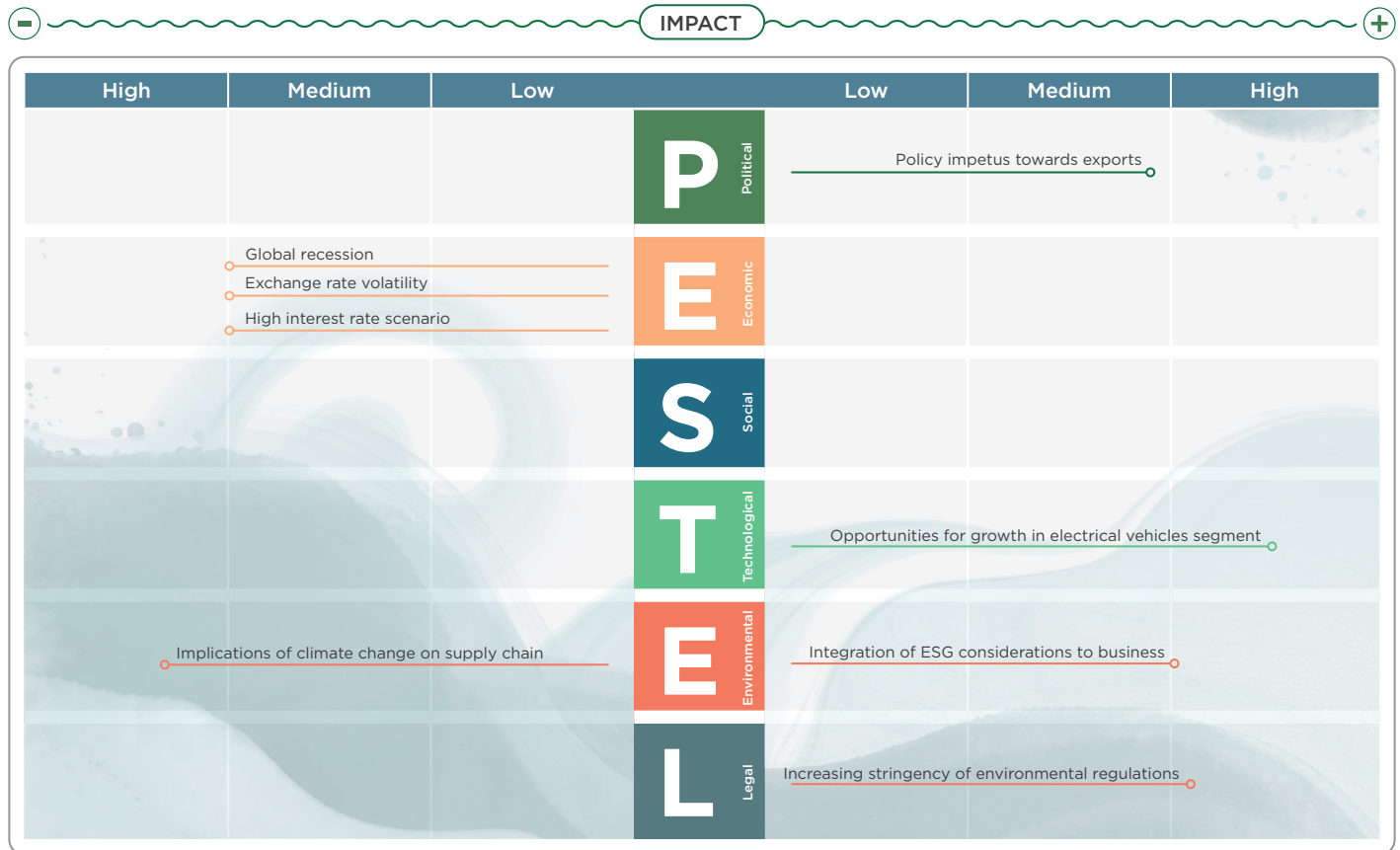
Table: Chemicals, Standard- Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Greenhouse gas emissions	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Metric tons (t) CO ₂ -e, Percentage (%)	RT-CH-110a.1	11,132
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	n/a	RT-CH-110a.2	Refer to page 274
Energy management	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable (4) Total self-generated energy	Gigajoules (GJ), Percentage (%)	RT-CH-130a.1	271,342 41 - 0.1
Water management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Thousand cubic meters (m ³), Percentage (%)	RT-CH-140a.1	649 58.2% withdrawn from Sri Lanka, which is classified as a water stressed country by the Food and Agriculture Organisation, given a water withdrawal rate of 90.79%.
	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	Number	RT-CH-140a.2	N/A
	Description of water management risks and discussion of strategies and practices to mitigate those risks	n/a	RT-CH-140a.3	Refer to page 279
Hazardous Waste Management	Amount of hazardous waste generated, percentage recycled	Metric tons (t), Percentage (%)	RT-CH-150a.1	Our operations do not generate hazardous waste.
Community Relations	Discussion of engagement processes to manage risks and opportunities associated with community interests		RT-CH-210a.1	Refer to page 261
Workforce health and safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Rate	RT-CH-320a.1	1.8 0
	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks		RT-CH-320a.2	N/A

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PROSPECTS AND PLANS

The global demand dynamics for activated carbon remains favourable, given increasingly stringent pollution control regulations, strengthening gold prices and growth in the energy storage segment in line with the transition to low-carbon economies. While prices are expected to normalise in the short-to-medium term, this will be outweighed by continued growth in demand providing opportunities for manufacturers to seek penetration in new markets and applications. The Sector's short, medium and long-term risks and opportunities are summarised below:



Strategic efforts made in recent years to enhance product development and manufacturing capabilities together with investments in technology, people and leadership development have aptly positioned Haycarb to capitalise on the growing demand for value-added products such as hard carbons and impregnated carbons. The Sector's priorities in the short, medium and long-term together with our targets are presented below:

STRATEGIC PRIORITIES	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> Increase market share of value-added carbon portfolio Identify application for development of new products Expansion of Haritha Angara initiative in Sri Lanka Productivity and lean focus within factory operations Expand regional manufacturing presence 	<ul style="list-style-type: none"> Expand regional manufacturing presence Geographical expansion through new distributorships Diversify charcoal supply chain Re-engineer and automate manufacturing systems to improve efficiency Expanding regional presence of water purification business
Short-term goals ROCE>10% Borrowings<50% of capital employed	Medium-to-long term goals ROE>10% Gearing<55% Dividend to net profit of 40%