

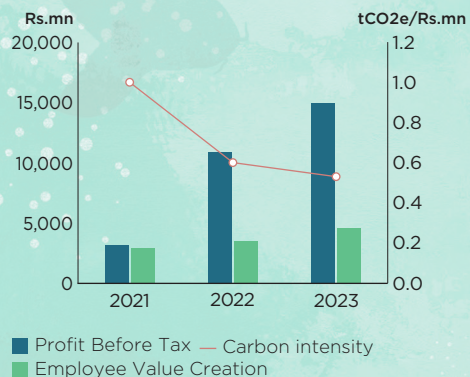


TRANSPORTATION & LOGISTICS

Hayleys Advantis Group is at the forefront of Sri Lanka's transportation and logistics industry, providing the entire spectrum of end-to-end solutions in integrated logistics, projects & engineering, marine & energy, international freight management and aviation. The Group also has a growing presence in South Asia and South East Asia.

TRANSPORTATION & LOGISTICS

INTEGRATED PERFORMANCE TRENDS



FINANCIAL PERFORMANCE



Revenue
Rs. 134.30 bn (+94%)



Profit Before Tax
Rs.15.01 bn (+38%)



Profit After Tax
Rs. 9.63 bn (+12%)



Assets
Rs. 70.33 bn (+3%)



Liabilities
Rs. 51.17 bn (-5%)

Installation of largest continuous unitised curtain wall in Sri Lanka

Project logistics and heavy cargo transportation services for the North Central Province Canal Project (NCPCP)

State-of-the-art dairy farm facility in Ambewela

INVESTING IN THE FUTURE

Rs. 4 mn

Capital expenditure
Key projects

INSPIRING ACTION

FUTURE-READY ORGANISATIONAL CULTURE

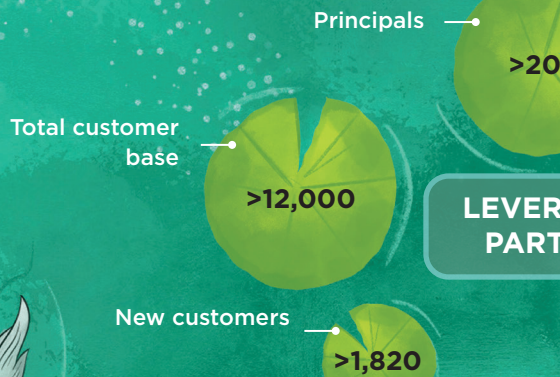
Launch of Advantis DNA
Purpose, Spirit, Philosophy, Values

2,399

Employees engaged

INCLUSIVE VALUE

LEVERAGING OUR PARTNERSHIPS



STRATEGIC FOCUS AREAS



Expand international presence



Strengthen the Advantis product portfolio



Enhance leadership capabilities

THRIVING PLANET

MANAGING OUR ENVIRONMENTAL IMPACTS

Advantis Blue Carbon launched to conserve and replenish coastal eco-systems

Reduction in carbon footprint

-26%

Reduction in Energy consumption

-30%

Reduction in Water consumption

-4%

TRANSPORTATION & LOGISTICS

SECTOR OVERVIEW

MARKET POSITION

- Leading player in Sri Lanka's transportation and logistics industry
- Owner of the largest commercial fleet of floating assets in Sri Lanka
- Strengthening market presence in transportation and logistics in South Asia, South East Asia and Africa





INTEGRATED LOGISTICS

Offers integrated logistics services across diverse industry verticals

Contribution to Sector

Revenue: 12%
PBT: 6%

Performance 2022/23

Revenue: 15% growth
PBT: 36% decline



INTERNATIONAL OPERATIONS

Represents the agencies and providing supply chain solutions and maritime services in the region

Contribution to Sector

Revenue: 9%
PBT: 6%

Performance 2022/23

Revenue: 83% growth
PBT: 65% growth



AVIATION & OTHER

General Sales Agency representing leading airlines, ticketing and in & outbound tours

Contribution to Sector

Revenue: 3%
PBT: -7%

Performance 2022/23

Revenue: +174% growth
PBT: 275% decline

OPERATING ENVIRONMENT

Global merchandise trade volumes increased by 5.1% in 2022; activity slowed-down during the 2nd half of the year reflecting the confluence of several shocks including geopolitical tensions, escalating global inflation and monetary tightening across key economies. Global freight rates, which reached unprecedented highs in the aftermath of COVID19, recorded a gradual slowdown towards the last quarter of 2022, continuing this downward trajectory into 2023. The global economic uncertainty created by the drop in global demand, challenged the manufacturers and distributors. Meanwhile, Sri Lanka's port and airport activities also moderated in 2022, as import restrictions led to a contraction in import volumes. Resultantly, total containers and air cargo handled declined by a respective 7.4% and 12.4% in 2023.

55%

Decline in global freight rates




+5.1%

Increase in global trade volumes

-7.4%

Decline in cargo handled in Sri Lanka

Emerging trends and implications on Sector

 Technology-driven transformation	 Move towards green technology	 Preference for third-party logistics
<p>Technologies such as big data and predictive analytics is transforming the industry through optimising operations, reducing costs and enhancing safety and security.</p> <p>IMPLICATIONS</p> <ul style="list-style-type: none"> + Opportunity to drive increased agility and transparency of operations through investments in technology 	<p>Increasing prevalence of adopting green practices including use of cleaner fuels</p> <p>IMPLICATION</p> <ul style="list-style-type: none"> + Pursue opportunities to reduce and/or offset carbon emissions + Opportunity to sharpen competitive edge as a sustainable player within the industry 	<p>Retailers/manufacturers show increased preference for outsourcing all logistic services, given the cost-effectiveness, optimisation of resources and secure access to a fleet of reliable carriers and use of expertise.</p> <p>IMPLICATIONS</p> <ul style="list-style-type: none"> + Positioned to leverage growth opportunities in this segment given the portfolio of services that we offer with the capacity expansion

STRATEGY & INTEGRATED PERFORMANCE

The Sector delivered yet another year of remarkable growth, achieving record Revenue and Profits and sustaining its position as the largest contributor to the Group's Consolidated Earnings. Revenue increased by 94% to Rs. 134.30 bn as

the Sector leveraged its strong market positions across diverse businesses to capture emerging opportunities, supported by a growing international presence. With the bulk of its Revenue stemming from foreign currency earnings, the Sector generated USD 193 mn foreign exchange during the year.

International Freight Management, Marine & Energy and the Aviation sub-segments delivered record profitability, resulting in the Sector's Profit Before Tax growing by 38% during the year.

International Freight Management delivered Profit growth of 35%. Two

TRANSPORTATION & LOGISTICS

years of strong freight rates during the pandemic, upheld profitability.

In Integrated Logistics, the Sector continued to benefit from businesses' increasing preference towards third-party logistics services as it leveraged its strong relationships with multi-national companies to expand into new markets. During the year, the Sector also completed construction of the 2nd phase of the Advantis Logistics City (ALC)- the nation's largest single roof multi-user distribution center. Supported by advanced warehousing management technologies, Phase 2 of the facility has added 125,000 square feet to the Sector's overall warehousing capacity, positioning the sub-sector for strong growth.

Marine & Energy delivered a Revenue and Profit growth of 147% and 113% respectively; performance was upheld by the Sector's timely interventions in importing and supplying bunker fuel to the domestic market which was experiencing fuel shortages due to the country's forex crisis. With the opportunities available in the local regional markets, the company intends to further expand its portfolio of marine assets in the short-to-medium term.

Projects & Engineering was adversely affected by the sharp downturn in the country's construction sector and major infrastructure projects. Given the prevalent uncertainty in the local construction industry, the sub-sector is pursuing opportunities for geographical diversification, leveraging its existing relationships to drive customer acquisition in regional markets.

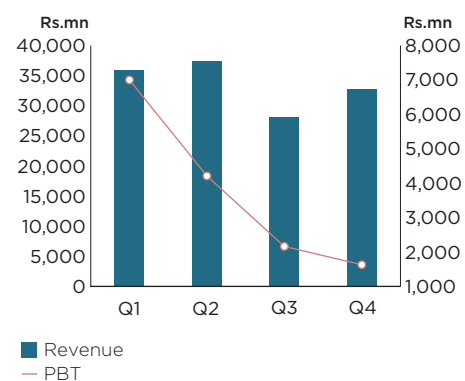
Meanwhile, the International Operations sub-sector delivered good growth supported by increased activity in key markets of Bangladesh, India, Indonesia and the Maldives.

The Aviation business also recorded healthy growth during the year, reflecting increased volumes in air cargo handling, particularly during the first half of the year.

Rs. Mn	2023	2022	% y-o-y	2021
FINANCIAL HIGHLIGHTS (RS.MN)				
Revenue	134,295	69,273	94%	37,692
Earnings before interest and tax	15,737	8,422	87%	3,990
Net Finance Income/(Cost)	(967)	2,226	-143%	(845)
Profit before tax	15,008	10,873	38%	3,218
Profit after tax	9,627	8,611	12%	2,514
Assets	70,325	67,967	3%	39,669
Liabilities	51,174	53,698	5%	31,220
Operating cash flow	4,296	14,823	-71%	5,686
OPERATIONAL HIGHLIGHTS				
Cargo handled (MT)	96	104	-8%	98
EMPLOYEE PRODUCTIVITY AND VALUE				
No. of employees	2,399	2,626	-9	2,489
Remuneration/employee (Rs.mn)	4	3	63%	1
Revenue/employee (Rs.mn)	56	27	107%	15
Net profit/employee (Rs.mn)	4	3	22%	1
RESOURCE EFFICIENCY				
Energy consumption (GJ)	308,947	439,809	-30	374,036
Energy intensity (GJ/Revenue Rs.mn)	2,301	6,349	-64	10,044
Carbon footprint (tCo2e)	31,012	41,760	-26	37,714
Carbon intensity (tCo2e/ Rs. mn)	230	603	-12	1,013
Water consumption (Litres mn)	54	56	-4	59
Water intensity (Litres/Rs.mn)	402	813	-51	1,574

In a key achievement, the Sector launched the Advantis DNA during the year; this unique initiative aims to nurture a holistic, future-ready organisational culture, which leverages the capabilities of the diverse generations of employees. Centering on the four pillars of Purpose, Spirit, Philosophy and Values, Advantis DNA was launched across the organisation through 17 culture workshops and 19 leadership workshops. Meanwhile, health and safety remained a key priority during the year, with the Sector obtaining independent assurance on its health and safety systems and standards.

QUARTERLY PERFORMANCE TRENDS



Spotlight



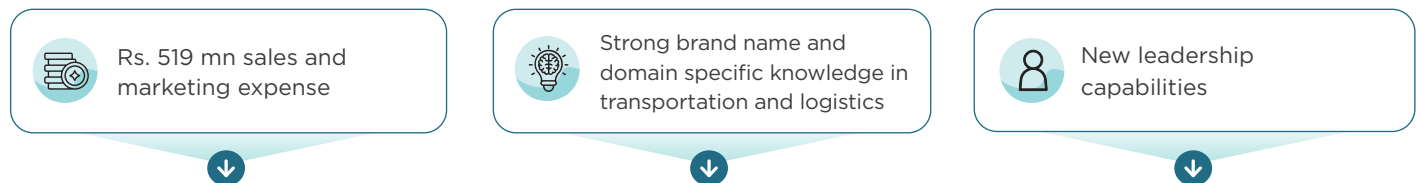
RESTORATION OF TANKS IN THE NORTH CENTRAL PROVINCE

Hayleys Advantis secured World Bank approved projects to restore and develop tanks in the North Central Province through its Projects & Engineering sub-sector. In addition to its significant environmental benefits including preserving ecosystems and water resources, this unique initiative is expected to support water security for agriculture in the relevant areas thereby supporting livelihood development.

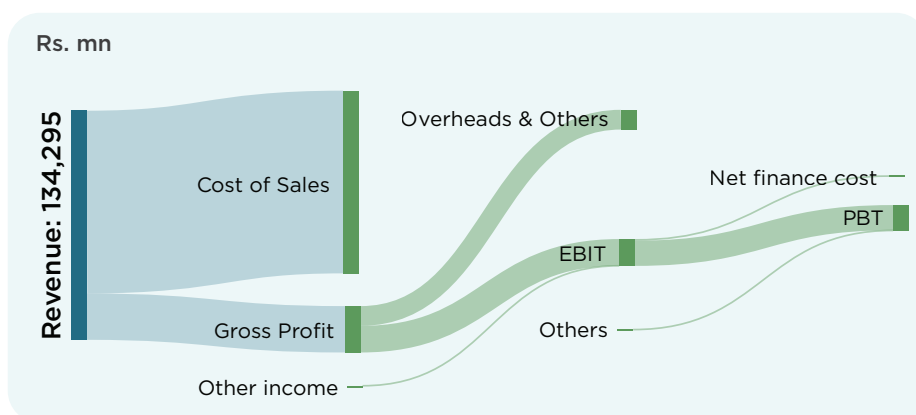
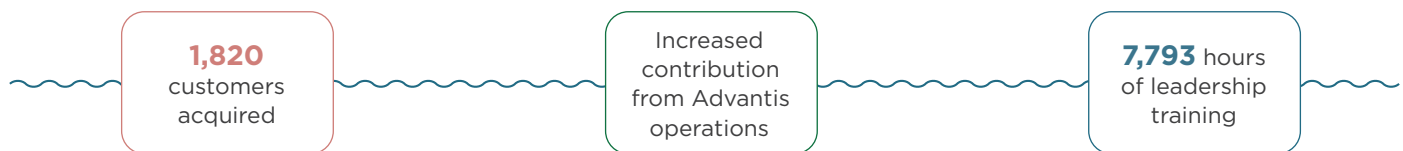
STRATEGIC PRIORITIES



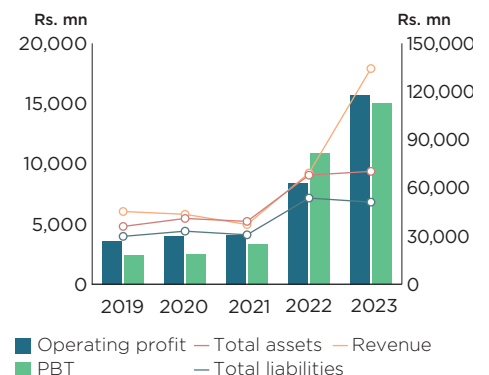
RESOURCE ALLOCATION



STRATEGIC KPIS/PRE-FINANCIALS



SECTOR FINANCIAL PERFORMANCE



TRANSPORTATION & LOGISTICS

ESG IN ACTION

The Sector has aligned its sustainability journey to the long-term aspirations of Hayleys Lifecode, formulating targets and action plans for key material areas. Progress made in the integration of ESG factored into its business during the year is summarised below:



Advantis Blue Carbon

Advantis partnered with the Wildlife and Nature Protection Society (WNPS) to enhance Sri Lanka's national blue carbon sinking capacity by supporting the conservation and replenishment of coastal ecosystems. The first initiative focused on accelerating the natural regeneration of mangroves at Anawilundawa. The project included the following:

Facilitating the studying and collection of data by supporting teams of scientists

Setting up a pre-engineered laboratory facility adjacent to data collection points

Gather topographical data and develop hydrological models providing valuable scientific insights



Energy & Emissions

Target: 30% reduction in Scope 1&2 emissions

Actual: **-28%**

Biodiversity

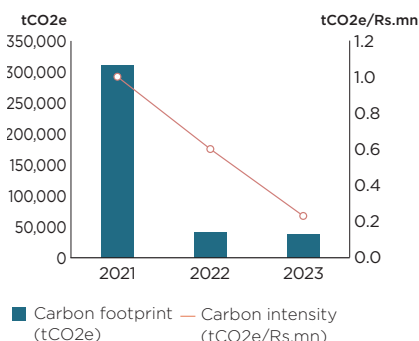
Target: Increase biodiversity cover to 5 times the area utilised



Quantification and verification of GHG inventory

During the year, Advantis engaged an independent third-party to quantify and verify its carbon footprint, thereby obtaining external assurance on the processes and activity data used to measure its carbon footprint.

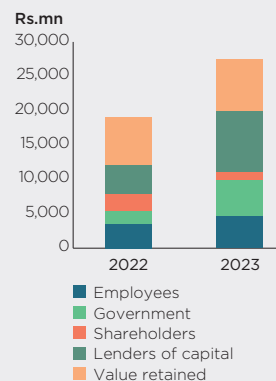
CARBON FOOTPRINT AND INTENSITY



Stakeholder value creation



STAKEHOLDER VALUE DISTRIBUTION



Export income generated:

USD 193 mn



Culture of learning

The Advantis campus nurtures a culture of learning and mentoring through providing continuous opportunities for skill development.

	2023	2022
Training hours	27,414	22,144
Avg training hours/employee	11.43	8.43
Investment in training (Rs. Mn)	76	20.19

Health and Safety

Target: Zero workplace injuries

Actual: **0**

Customer relationships

Target: 25% coverage of customer satisfaction surveys

Actual: **13%**

Community Engagement

The Sector's community engagement initiatives for the year centered on supporting educational needs of primary and secondary schools and contributions to the health sector, which included donations to the Naitonal Hospital Kandy and Apeksha Cancer Hospital

SASB DISCLOSURES

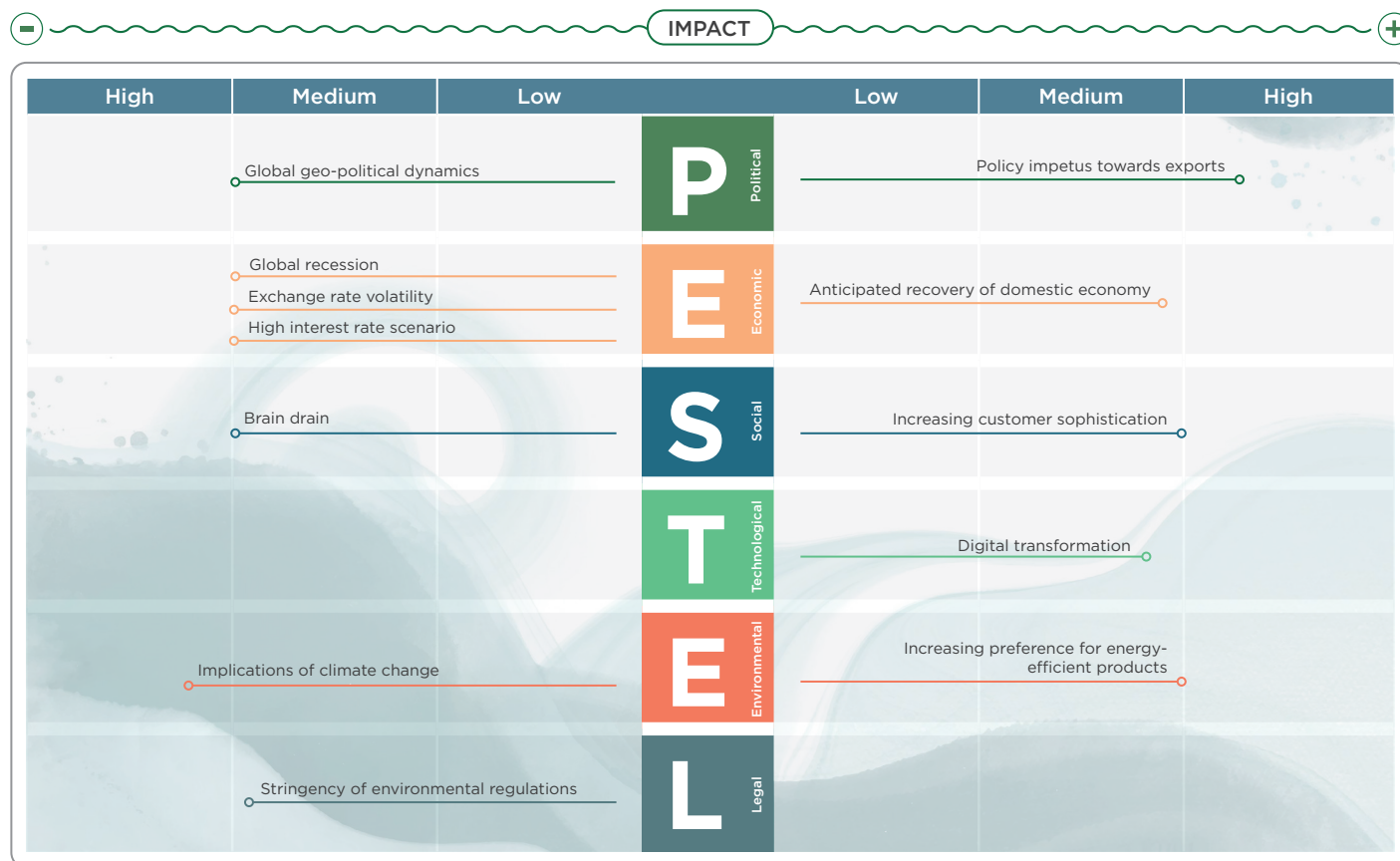
Table: Air freight & Logistics- Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/ Pg. reference
Greenhouse Gas Emissions	Gross global Scope 1 emissions	Metric tons (t) CO ₂ -e	TR-AF-110a.1	22.21
	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	-	TR-AF-110a.2	Refer to page 274
	Fuel consumed by (1) Road transport percentage (2) Air transport	Gigajoules (GJ), Percentage (%)	TR-AF-110a.3	31,572.71
	Total greenhouse gas (GHG) footprint across transport modes	MT	TR-AF-430a.2	6,864
Air Quality	Air emissions of the following pollutants: (1) NO _x (excluding N ₂ O) (2) SO _x ,	Metric tons (t)	TR-AF-120a.1	N/A
Labour Practices	Percentage of drivers classified as independent contractor	%	TR-AF-310a.1	N/A
	Total amount of monetary losses as a result of legal proceedings associated with labor law violations	Rs. mn	TR-AF-310a.2	0
Employee Health & Safety	(1) Total recordable incident rate (TRIR) (2) Fatality rate	Rate	TR-AF-310a.2	0.3947 0
Supply Chain Management	Percentage of carriers with BASIC percentiles above the FMCSA intervention threshold	Percentage (%)	TR-AF-430a.1	N/A
Accident & Safety Management	Description of implementation and outcomes of a Safety Management System	-	TR-AF-540a.1	Refer to page 253
	Number of aviation accidents	Number	TR-AF-540a.2	N/A
	Number of road accidents and incidents	Number	TR-AF-540a.3	11
	Safety Measurement System BASIC percentiles for: (1) Unsafe Driving (2) Hours-of-Service Compliance (3) Driver Fitness (4) Controlled Substances/Alcohol (5) Vehicle Maintenance (6) Hazardous Materials Compliance	Percentile	TR-AF-540a.4	N/A
ACTIVITY METRICS				
Revenue ton kilometres (RTK) for: (1) road transport and (2) air transport		RTK	TR-AF-000 A	N/A
Load factor for: (1) road transport (2) air transport		Rate	TR-AF-000.B	N/A
Number of employees Number of truck drivers		Number	TR-AF-000.C	N/A

TRANSPORTATION & LOGISTICS

PROSPECTS AND PLANS

The anticipated slow-down in global economic activity amidst ongoing geopolitical tensions and commodity and energy price shocks are likely to have an impact on the transportation and logistics industry, particularly over the short-to-medium term. Profitability of industry players is expected to normalise from the unprecedented highs of the previous years which benefitted from the sharp increase in freight rates and release of pent-up demand. On the other hand, the gradual recovery of the Sri Lankan economy together with policy thrust towards strengthening port infrastructure and exports will present considerable opportunities for growth for Sri Lankan operators. The short, medium and long-term outlook and plans in place to respond to the emerging risks and opportunities are presented below:



Against this backdrop, strategic efforts to drive business and geographical diversification is expected to augur well for Advantis over the medium-to-long term. The Sector will continue to focus on leveraging its extensive relationships, unparalleled domain knowledge and strong brand name in widening its regional presence and driving acquisition of new customers across its business verticals.

STRATEGIC PRIORITIES	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> Pursue aggressive growth in regional markets Automation, lean management and ongoing focus on systems improvements Capacity expansion across key verticals Strengthen Advantis brand image 	<ul style="list-style-type: none"> Drive a culture of technology-driven decision making to enhance productivity Expansion of services through joint ventures and/or acquisitions
Short-term goals ROCE >15% ROE >20%	Medium-to-long term goals ROCE >25% ROE >28%