CHAIRMAN'S AND MANAGING DIRECTOR'S JOINT STATEMENT GRI 2-22

THE GROUP CONTINUED TO DEMONSTRATE RESILIENCE AND ADAPTABILITY AMIDST EVOLVING MARKET DYNAMICS BY FURTHER STRENGTHENING ITS POSITION WITHIN THE VALUE-ADDED CARBON CATEGORY WHILE EFFECTIVELY NAVIGATING SUPPLY CHAIN CONSTRAINTS AND AN INCREASINGLY COMPLEX GLOBAL OPERATING ENVIRONMENT TO DELIVER SUSTAINABLE GROWTH AND CONSISTENT SHAREHOLDER VALUE.

Mohan Pandithage
Chairman

DURING THE YEAR UNDER REVIEW, HAYCARB SUCCESSFULLY LAUNCHED 14 NEW PRODUCTS, REFLECTING THE GROUP'S STRONG CULTURE OF INNOVATION AND TECHNICAL EXCELLENCE. THESE INNOVATIONS EXTEND BEYOND COMMERCIAL ADVANCEMENT, CONTRIBUTING TOWARD CLEANER WATER, IMPROVED AIR QUALITY, SUSTAINABLE INDUSTRIAL DEVELOPMENT, AND THE BROADER WELL-BEING OF SOCIETY.

Dear Stakeholder,

Haycarb PLC delivered pre-tax earnings of Rs. 5.89 Bn and post-tax earnings of Rs. 4.34 Bn during the year under review, reinforcing its position as a global leader in innovative coconut shell activated carbon solutions. The Group continued to demonstrate resilience and adaptability amidst evolving market dynamics by further strengthening its position within the value-added carbon category while effectively navigating supply chain constraints and an increasingly complex global operating environment to deliver sustainable growth and consistent shareholder value.

As a purpose-driven organisation, Haycarb remains focused on addressing the world's evolving purification and energy storage needs through sustainable innovation, technical excellence and a strong culture of customer-centricity, empowered by the capabilities of our people. The Group continues to deliver advanced carbon solutions that create long-term value for stakeholders while contributing toward a cleaner and more sustainable future.

SUSTAINABLE INNOVATION

Sustainable innovation continues to remain at the core of Haycarb's long-term growth strategy, enabling the Group to respond to evolving global requirements in energy storage, gold recovery, water purification, air treatment, and other advanced industrial applications. During the year under review, Haycarb continued to invest in R&D, process development, and in new technologies, strengthening its portfolio of value- added carbons, improving sustainable practices and manufacturing efficiency.

During the year under review, Haycarb successfully launched 14 new products, reflecting the Group's strong culture of innovation and technical excellence. These innovations extend beyond commercial advancement, contributing toward cleaner water, improved air quality, sustainable industrial development, and the broader well-being of society. As a global leader in coconut shell activated carbon, Haycarb remains committed to continuous investment in sustainable innovation to deliver best-in-class products, solutions, and customer experience.

Our newly developed energy storage carbon range for silicon carbon composites and supercapacitor applications continued to gain traction. Coconut shell based activated carbon tailored for silicon carbon composites in lithium-ion battery anodes represents a significant advancement in battery technology, enabling higher energy density and faster charging, critical improvements needed in the mainstream Li-ion battery industry. Our supercapacitor carbons deliver low equivalent series resistance (ESR) and high specific capacitance, supporting enhanced overall energy storage performance. These developments strengthen Haycarb's standing in the evolving global markets for energy storage carbons, enabling the Company to capitalise on growing opportunities arising from the global transition toward renewable energy.

The Group also successfully commercialised a new range of activated carbons designed for the effective removal of perfluoroalkyl and polyfluoroalkyl substances (PFAS), addressing increasingly stringent water treatment regulations in the United States and Europe. In parallel, Haycarb further expanded its impregnated carbon range for advanced air treatment applications while progressing the development of fine carbon products for pharmaceutical-grade applications.

MARKET DYNAMICS

Activated Carbon Segment

Haycarb's diversified portfolio of over 1,500 products catering to a wide range of applications, industries and markets continued to support revenue diversification and operational resilience during the year under review. Strong demand was witnessed across several strategic product segments, particularly within gold recovery carbons, energy storage applications and water and air purification solutions. Elevated global gold prices amid prevailing uncertainties supported strong performance in the gold recovery carbon segment, while the increase in demand for energy storage carbon was driven by expansion of AI Data Centres, transition to electric mobility and rising demand for electricity grid balancing in renewable energy expansion projects specially in China. Increasingly stringent environmental regulations and growing awareness relating to water and air quality also supported demand for purification applications globally.

The management of US tariff revision during the year, that was passed on to customers through constructive engagement and long-standing partnerships, reflected the strength of the Group's customer relationships and value proposition.

Geographically, Asia remained the Group's largest market supported by strong regional growth dynamics and increasing industrial demand for activated carbon products. China continued to remain a key market of growth during the year, and the Group will continue to strengthen its focus on the region given its long-term strategic importance and expanding industrial demand. Our market positions in North America, Africa and Australia also remained resilient, supported by long-standing partnerships, technical excellence and reliable service delivery. However, demand in Europe continued to remain subdued

AS A PURPOSE-DRIVEN ORGANISATION, HAYCARB REMAINS FOCUSED ON ADDRESSING THE WORLD'S EVOLVING PURIFICATION AND ENERGY STORAGE NEEDS THROUGH SUSTAINABLE INNOVATION, TECHNICAL EXCELLENCE AND A STRONG CULTURE OF CUSTOMER-CENTRICITY, EMPOWERED BY THE CAPABILITIES OF OUR PEOPLE.

Rajitha Kariyawasan
Managing Director

CHAIRMAN'S & MANAGING DIRECTOR'S JOINT STATEMENT SUMMARY

Sinhala & Tamil

Other Languages

Video Version

reflecting broader economic slowdowns and weaker industrial activity within the region.

Environmental Engineering Segment

The Environmental Engineering Solutions business also gained momentum during the year, supported by improving business activity in Sri Lanka and stronger demand in the Maldives. Growth was driven by increasing demand for water and wastewater treatment plants, Operations and Maintenance (O&M) contracts and water distribution projects. The Sector is also expected to explore opportunities for geographic expansion into new markets in the period ahead.

STRATEGIC INVESTMENTS AND OPERATIONAL EXCELLENCE

Haycarb's globally diversified manufacturing footprint continued to support greater operational resilience, improved access to raw materials and strategic proximity to key markets. Our most recent investment in the Philippines further strengthens this position given its strategic location and significance as one of the world's largest coconut producing nations. Upon commissioning, the plant will significantly enhance the Group's manufacturing capacity and strengthen our ability to cater to the growing global demand for activated carbon products while supporting long-term market positioning.

The expansion of energy storage carbon capacity was a key strategic investment undertaken by Haycarb during the year to capitalise on the growing demand for energy storage carbons. In anticipation of this future demand, the Group invested in doubling its energy storage carbon manufacturing capacity during the year and will continue to further strengthen and expand its capabilities in the years ahead.

Further investments undertaken during the year enhanced activation and post-activation operations across existing facilities, increasing production capacity and improving operational efficiency. In parallel, enhancements to Recogen operations strengthened access to sustainably produced coconut shell charcoal while further advancing the Group's renewable energy and sustainability aspirations.

The rapid advancement of technology, digitalisation and AI continues to create significant opportunities for productivity improvement and operational excellence. Accordingly, Haycarb accelerated its digital transformation journey during the year through progressive strategic investments across the value chain. Investments to digitalise boiler operations further enhanced operational efficiency and strengthened the safety environment across production locations. Meanwhile, automation initiatives in coconut shell charcoal procurement, post activation operations and the extensive use of digital marketing channels continue to strengthen value chain management while deepening market penetration across existing and new markets.

During the year under review, Ultracarb Pvt. Ltd. was amalgamated with Haycarb PLC. The Company was registered with the Board of Investment (BOI) of Sri Lanka in support of long-term value creation and future strategic expansion initiatives.

STRENGTHENING SUPPLY CHAINS

Activated Carbon Segment

Haycarb's manufacturing footprint remains strategically positioned across major coconut producing regions with further supply chain diversification across the Philippines, India and Vietnam. This diversified sourcing network has historically enabled the Group to proactively manage volatility in coconut harvests and coconut shell availability across sourcing markets.

However, the challenges associated with ensuring uninterrupted coconut shell charcoal supplies at sustainable prices continued during 2025/26. Although coconut harvests improved to some extent, stronger regional demand dynamics and sustained increases in charcoal and coconut exports from Southeast Asia and very strong gold recovery carbon market continued to exert pressure on raw material prices across all sourcing markets. In response, the Group implemented several targeted initiatives across its countries of operation to strengthen procurement capabilities and optimise supply chain efficiency.

In Sri Lanka, Haycarb further strengthened engagement with community-based charcoal suppliers through the Haritha Angara environment-friendly charcoaling programme while continuing household-level shell collection initiatives through strategically located collection centres. In Indonesia, backward integration initiatives supported supply security through the establishment of two Charcoaling facilities in Surabaya, Java and in North Sulawesi while procurement operations in Thailand were further strengthened through deeper supplier engagement. The investment in the manufacturing facility in the Philippines, together with the parallel development of a charcoal procurement network within the country, will further enhance and strengthen the Group's supply chain resilience. Alongside these initiatives, the Group remained committed to the Group's long-term sustainability aspiration of sourcing over 75% of charcoal requirements sustainably by 2030.

The Group also continued exploring alternative sustainable raw materials in collaboration with customers as part of a long-term strategy to reduce dependence on coconut shell-based charcoal and ease future supply chain pressures.

Environmental Engineering Segment

Strengthening its Operations & Maintenance (O&M) and process chemical distribution network across Sri Lanka and the Maldives, Puritas secured the distributorship rights of a globally recognised leader in industrial water management solutions and chemicals. The business further enhanced its competitiveness through the sourcing of prefabricated packaged sewage treatment plants that enabled greater operational agility and cost efficiency within the local market landscape. In addition, Puritas established strategic collaborative arrangements to deliver a comprehensive value proposition in water and wastewater treatment solutions in the Maldives.

A DYNAMIC OPERATING LANDSCAPE

The Group continued to operate amidst dynamic and evolving global conditions during 2025/26. The activated carbon industry maintained strong growth momentum driven by increasing environmental awareness, stricter regulatory requirements, greater focus on pollution control and expanding access to potable water while geopolitical tension and economic uncertainty increased gold prices and demand for gold recovery carbons. The rapid adoption of AI and the accelerating global transition towards renewable energy and electric mobility also continued to drive demand for energy storage carbon solutions.

However, geopolitical risks, revisions to import tariff structures in the United States, elevated freight costs arising from geopolitical tensions in the Middle East and continued volatility in global energy markets created operational and cost pressures across industries. Furthermore, the increasing frequency and severity of climate-related events across several operating regions further reinforced the need for greater operational resilience and proactive risk management.

Meanwhile, monetary policy conditions gradually eased across several markets during the year. Interest rates in Sri Lanka remained comparatively accommodative despite upward movements during the second half of the financial year.

Within this context, Haycarb's robust risk management framework enabled the proactive identification and management of emerging risks while positioning the Group to capitalise on opportunities. Close monitoring of macroeconomic developments, industry trends, geopolitical developments, sustainability risks and regulatory changes across all jurisdictions supported agility and responsiveness throughout the year.

DELIVERING VALUE TO INVESTORS

The Haycarb Group delivered resilient financial performance during 2025/26 amidst a challenging operating environment characterised by elevated raw material prices, geopolitical uncertainties and evolving market dynamics. Consolidated revenue increased by 55.3% to Rs. 67.08 Bn during the year under review, supported by strong performance in gold recovery carbons, energy storage carbons and water and air purification solutions as well as increase in price of activated carbon due to elevated charcoal prices. This resulted in the Haycarb Group surpassing U$ 200 Mn milestone in turnover. In geographical terms, Asia continued to dominate the Group's revenue mix, while significant contributions from Africa and the USA reflected strong demand for gold recovery and water purification applications respectively.

Despite significant escalation in raw material costs, proactive procurement practices across the Group's supply chain supported a 10.9% increase in gross profit to Rs. 13.38 Bn during the year. Gross profit margins remained under pressure due to sustained increases in coconut shell charcoal prices across sourcing markets, although this was partially mitigated through a higher contribution from value-added carbons, strategic lean initiatives and the continued support extended by customers in sharing the burden of raw material cost escalations. Operating profits increased to Rs. 6.93 Bn during the year under review reflecting the Group's resilience amidst a complex external environment.

Although interest rates remained stable during the year supported by lower US Federal Reserve rates and a comparatively favourable interest rate environment in Sri Lanka, finance costs increased due to higher borrowings undertaken to support working capital requirements and strategic capacity expansion initiatives. Accordingly, the Group recorded a profit before tax of Rs. 5.89 Bn and a profit after tax of Rs. 4.34 Bn during the year.

The Group's balance sheet continued to strengthen during the year supported by profitability and strategic investments undertaken to enhance production capabilities and operational resilience. Working capital investments increased during the year primarily due to higher inventory and trade receivable balances. Inventory levels increased as a result of elevated raw material prices and the strategic buildup of buffer stocks of coconut shell charcoal to ensure uninterrupted supply to customers, while trade receivables increased in line with the significant growth in turnover during the year under review.

Balance sheet growth was funded through a prudent combination of equity and borrowings as the Group continued to optimise its capital structure amidst a relatively favourable interest rate environment.

STRATEGIC ESG INTEGRATION

ACTIVATE, our 2030 ESG Roadmap, continued to guide Haycarb's sustainability journey during the year under review, driving strategic focus, resource allocation and management attention toward the Group's key sustainability priorities. Continued emphasis on decarbonising operations supported a progressive increase in renewable energy reliance while process innovation and continuous improvement initiatives enhanced operational efficiency across production locations. The Group also maintained a strong focus on sustainable water management through rainwater harvesting, recycling and reuse initiatives.

Haycarb remained committed to supporting socio-economic progress within the communities in which we operate. Active engagement with micro-, small- and medium-scale charcoal suppliers across sourcing regions continued to create economic opportunities while facilitating environmentally responsible charcoaling practices and higher-yielding techniques. The backward integration into charcoaling operations in Indonesia has significantly increased the proportion of sustainably sourced raw materials within the country, while the installation of the new steam boiler and turbine at the Recogen Plant in Sri Lanka is expected to further enhance the operational efficiency and sustainability of the facility. The Puritas Sath Diyawara programme continued to foster healthier communities by providing purified drinking water to villages affected by chronic kidney disease, while educational and community development initiatives such as Going Beyond and Sisu Divi Pahana continued to positively impact the lives of students across Sri Lanka.

The Group also continued to support environmental conservation and long-term raw material sustainability through partnerships with the Coconut Development Authority and Coconut Cultivation Board to expand coconut cultivation in Sri Lanka. These efforts form part of broader initiatives aimed at strengthening long-term supply chain sustainability while contributing toward national development priorities. The ongoing Turtle Conservation project 'Behold the Turtle' continued for another successful season, as a benchmark project to protect

14 New Products

ENERGY STORAGE CARBONS:
3 Products

WATER PURIFICATION SOLUTIONS:
7 Products

AIR PURIFICATION:
3 Products

PHARMACEUTICAL APPLICATIONS:
1 Products

Value to stakeholders

DELIVERED TO EMPLOYEES:
Rs. 5.58 Bn

SHELL AND CHARCOAL SUPPLIERS:
Rs. 32 Bn

VALUE TO GOVERNMENTS:
Sri Lanka Rs. 0.97 Bn
Other Rs. 1.89 Bn

VALUE TO INVESTORS:
ROE 12.3%
Dividends LKR 1.21 Bn
Share Price increase 33.4%

turtle hatchlings in the Southeast coastal line near Kumana National Park, Sri Lanka.

Our sustainability framework continues to be supported by strong governance structures that enable effective Board oversight of sustainability strategy, emerging risks and opportunities, and progress against long-term sustainability goals and targets.

MINDFUL GOVERNANCE

Haycarb's fit-for-purpose governance framework continued to support agility, accountability and effective decision-making across an increasingly complex operating landscape spanning multiple jurisdictions. The diversity of experience and competencies represented on the Board continued to facilitate thoughtful deliberation and effective oversight of the Group's operations and strategic direction. As part of the Hayleys Group, Haycarb also continued to benefit from the wider governance structures, policy frameworks and oversight mechanisms established at Group level.

Oversight of subsidiary operations remained vested with the respective subsidiary Boards, while formal reporting structures and Board representations ensured timely escalation and review of key matters at Haycarb PLC Board and Sub-Committee level. Executive Directors representing Haycarb PLC on subsidiary Boards further strengthened governance oversight while the Group Internal Audit function continued to provide assurance on the effectiveness of internal controls and risk management processes. Financial audits of subsidiaries were conducted by independent external auditors and consolidated by the Group auditors.

Haycarb PLC continued to comply fully with the Corporate Governance requirements applicable to entities listed on the Colombo Stock Exchange, while the Group's governance framework remained aligned with the Code of Best Practice on Corporate Governance (2023) issued by CA Sri Lanka. Our policies including the Anti-Bribery and Corruption Policy reflect our commitment to ethical business practices, effective risk management and responsible governance. In line with efforts to further strengthen the Company's personal data protection framework, and ensure compliance with the Data Protection Act of Sri Lanka, a Data Protection officer was appointed during the year.

PEOPLE

Our people continued to remain at the centre of Haycarb's ability to create sustainable value, advancing the Group's strategic aspirations. We continued to foster a culture of empowerment, collaboration and continuous learning to support the growth and progression of our employees across the organisation.

Tailored training opportunities, structured career progression pathways and collaborative initiatives such as work improvement meetings continued to support competency development while encouraging active employee participation in organisational improvement. During the year under review, the Group invested significantly in impactful and relevant training and development while continuing to prioritise internal talent progression and career advancement opportunities.

The Group's comprehensive health and safety management framework continued to support a safe and injury-free working environment aligned with international standards and evolving industry best practice.

The establishment of a Diversity and Inclusion Policy alongside a Diversity, Equity and Inclusion framework and dedicated implementation team further strengthened the Group's commitment toward fostering an inclusive and equitable workplace culture.

Talent retention remained strong during the year, reflecting effective alignment between the Group's employee value proposition and employee expectations. Building future talent pipelines also remained a strategic priority, with partnerships established with universities, technical colleges and Divisional Secretariats, supporting socio-economic development within local communities.

STRONG PROSPECTS

Activated Carbon Segment

Looking ahead, the long-term outlook for the activated carbon industry remains positive despite continuing geopolitical uncertainties and supply chain challenges. Rapid technological advancements in AI, and the accelerating global transition toward renewable energy & electric mobility, continued strong demand for gold, increasingly stringent environmental regulations, growing emphasis on pollution management and contaminant removal, are expected to continue driving demand for activated carbon solutions across water purification, air treatment, gold mining, industrial and energy storage applications.

However, the adequate availability of coconut shell charcoal remains a key industry challenge given the long gestation period associated with coconut cultivation and the increasing impact of climate-related weather disruptions on agricultural productivity. While initiatives are underway to strengthen coconut cultivation, particularly in Sri Lanka and India, the benefits of such initiatives are expected to materialise over the medium-to-long term. Consequently, supply chain pressures are expected to persist over the short to medium-term amidst strong projected growth for the activated carbon industry.

Geopolitical uncertainties and volatility in global freight and energy markets seriously affected by the current Middle East crisis remain key challenges going forward. Global economic growth is expected to moderate in 2026 amid current geo-political tensions, elevated energy prices and prevailing macro-economic uncertainties. Sri Lanka's economic outlook also remains uncertain, with inflationary pressures and external sector vulnerabilities that are likely to persist linked to global energy prices.

Within this context, Haycarb will continue to proactively monitor developments across its operating landscape and adapt strategy accordingly to capitalise on emerging opportunities while mitigating risks. As a global leader in advanced coconut shell based activated carbon solutions, the Group remains well positioned to benefit from projected industry growth through its strong internal culture of sustainable innovation and technical expertise, with a diversified product portfolio and strategic investments in emerging applications. The Group will also continue to strengthen supply chain resilience, deepen customer engagement and leverage digital capabilities to support long-term value creation.

Environmental Engineering Segment

The Environmental Engineering Solutions business is also expected to continue its growth momentum during 2026/27 supported by increasing focus on sustainable water management, improving economic activity in Sri Lanka and the Maldives and further geographic expansion into new markets.

ACKNOWLEDGMENTS

We extend our sincere appreciation to the Haycarb team for their leadership, dedication, resilience and commitment in navigating dynamic operating conditions while continuing to uphold the Group's values and strategic aspirations during a period of rapid transformational growth in energy storage carbons needing accelerated changes in the entire operational landscape. We also express our gratitude to our valued customers, business partners and all other stakeholders for their continued trust and support in enabling sustainable value creation during the year under review. Lastly, we thank the Board of Directors for their guidance and stewardship as Haycarb continues to strengthen its position as a global leader in sustainable coconut shell based activated carbon solutions renowned for innovation, technical excellence, customer centricity and sustainable business practices

Yours sincerely,

Mohan Pandithage
Chairman

Rajitha Kariyawasan
Managing Director

21st May 2026