FINANCIAL CAPITAL

Haycarb demonstrated strong financial resilience in 2025/26, recording its highest-ever annual turnover of LKR 67 billion and surpassing the USD 200 million revenue milestone despite a challenging operating environment. Total assets grew by 37% to LKR 63 billion. The Group remained focused on safeguarding and growing shareholder wealth through sustainable value creation, while investing strategically to strengthen its competitive position and support future growth. Backed by a strong financial platform, ***Haycarb is well-equipped to pursue opportunities beyond the visible horizon,*** transforming ambition into long-term value and ensuring resilience in an evolving global landscape.

MS. JEEVANI ABEYRATNE
Director – Finance & IT

STRATEGIC ROLE

Financial Capital enables operational resilience, strategic expansion and long-term value creation across global operations. Disciplined capital allocation and liquidity management support growth investments while maintaining resilience amid economic and geopolitical uncertainties.

MANAGEMENT APPROACH

We manage Financial Capital through disciplined treasury oversight, prudent working capital management and continuous monitoring of liquidity, foreign exchange and funding exposures, balancing operational needs, strategic investments and shareholder returns.

OUR STRATEGIC PRIORITIES IN 2025/26

- Prudent management of loan portfolio
- Proactive measures to manage exchange rate vulnerabilities
- Adherence to all compliance standards
- Higher focus on digitalisation to drive financial efficiency

PROGRESS MADE IN 2025/26

Return of Capital Employed	Operating Profit	Total Assets	Gearing Ratio
13.4 %	Rs. 6.9 Bn	Rs. 63.8 Bn	37.5 %

32.5 Rs. Bn — Market capitalisation as at 31st March 2026

98.83 Rs. — Net assets per share

12.18 Rs. — Earnings per Share

3.7 % — Dividends yields

FUTURE OUTLOOK

Maintaining financial resilience and funding flexibility will remain critical amid economic volatility and geopolitical uncertainty. Disciplined capital allocation, diversified funding structures and prudent treasury management will continue supporting growth and long-term competitiveness.

DIGITALISATION

We continued to strengthen our digital financial infrastructure to improve transparency, accuracy, and real-time visibility across the Group. Enhanced automation and system integration increased process efficiency, reinforced internal controls, and enabled more informed decision-making, supporting financial resilience and long-term value creation.

VALUE CREATED IN 2025/26

- In 2025/26, we generated LKR 67.1 Bn in group revenue, reflecting strong market demand and product innovation.
- Our operating profit reached LKR 6.9 Bn, supported by improved cost efficiencies and scale advantages.
- LKR 331.5 Mn was allocated to R&D, digital transformation, and product innovation initiatives.
- Employee-related benefits and development programs accounted for LKR 5.58 Bn, reinforcing our people-first culture
- We returned LKR 1.21 Bn to shareholders through dividends, demonstrating our commitment to delivering investor value.
- Total assets increased by 37% to LKR 63 Bn, driven by investments of LKR 4.1 Bn in capital expenditure and a LKR 13.4 Bn increase in working capital to support growth initiatives, operational capacity, and future value creation.

WAY FORWARD

Short Term

- Optimise production costs, process efficiencies, and working capital to enhance cash generation and returns.
- Secure cost-effective funding for growth, capital investments, ESG initiatives, and working capital requirements while maintaining a balanced debt portfolio.
- Strengthen treasury capabilities through digitalisation, automation, and integration with the proposed RISE with SAP platform.

Medium Term to Long Term

- Diversify funding sources and explore sustainable financing options to optimise the cost of capital.
- Enhance financial risk management through robust treasury controls and appropriate hedging strategies.
- Maintain an efficient capital structure to support growth and financial resilience.
- Develop a data-driven, future-ready treasury function to support strategic decision-making.
- Align funding and capital allocation strategies with long-term growth, sustainability, and value creation objectives

67,084 Revenue (Rs. Mn)

5,887 Profit Before Tax (Rs. Mn)

4,341 Profit After Tax (Rs. Mn)

THE INDICATIVE US DOLLAR REVENUE ROSE TO USD 219.81 MN IN 2025/26, COMPARED TO USD 145.16 MN IN THE PREVIOUS YEAR REFLECTING A GROWTH OF 51.4%. THIS STRONG TOPLINE PERFORMANCE REFLECTS A COMBINATION OF VOLUME EXPANSION, FAVOURABLE PRODUCT MIX IMPROVEMENTS, STRATEGIC PRICE REVISIONS AND CONTRIBUTION FROM RECENT CAPACITY EXPANSIONS.

Consolidated revenue of the Haycarb Group increased significantly to Rs. 67.08 Bn in 2025/26, recording a growth of 55.3% compared to Rs. 43.20 Bn in the previous financial year. This strong top-line performance reflects a combination of volume expansion, favourable product mix improvements, strategic price revisions and contribution from recent capacity expansions.

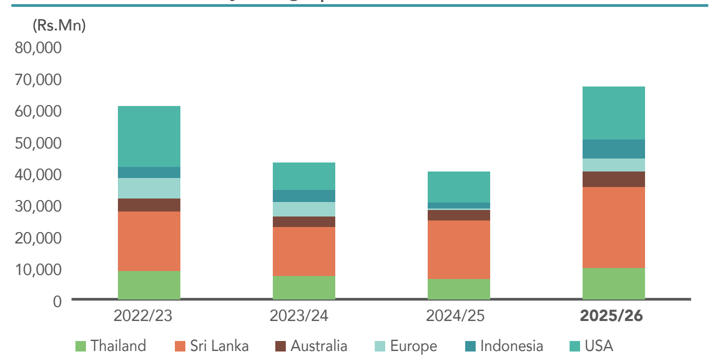
A significant proportion of the Group's sales are denominated in USD. The indicative US dollar revenue rose to USD 219.81 Mn in 2025/26, compared to USD 145.16 Mn in the previous year reflecting a growth of 51.4%.

In terms of product applications revenue growth was driven by strong demand for gold recovery and energy storage carbons, supported by favourable commodity prices and expanding applications linked to artificial intelligence, renewable energy and electric vehicles, alongside steady demand for water and air purification solutions. Geographically, Asia remained the Group's largest market, while demand in Europe continued to be influenced by prevailing macroeconomic pressures, including their impact on industrial activity and purchasing patterns.

Environmental Engineering Solutions recorded revenue of Rs. 1.93 Bn in 2025/26 compared to Rs. 2.02 Bn in 2024/25. The segment continued to support the Group's integrated value proposition through the delivery of water and wastewater treatment solutions, Operations and Maintenance (O&M) contracts and related environmental infrastructure projects across its key markets.

Further, Ultracarb (Pvt) Limited was amalgamated with Haycarb PLC, effective 1st October 2025, and the accounting impact of this amalgamation is reflected only in the Company-level financial statements of Haycarb PLC. As Ultracarb was already a wholly owned subsidiary, the Group's consolidated financial performance remains unaffected and continues to reflect the underlying operational performance across key markets and product categories.

Revenue Generated by Geographical Location

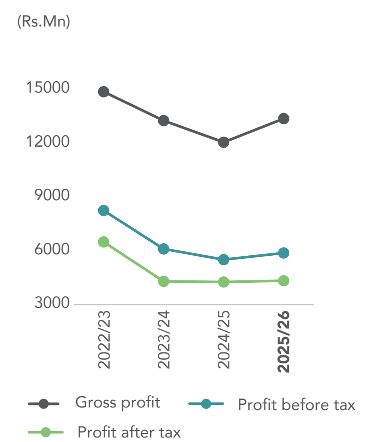


GROSS PROFIT

The Group's gross profit increased to Rs. 13.38 Bn in 2025/26, compared to Rs. 12.06 Bn in the previous financial year. However, the gross profit margin moderated to 19.9% from 27.9% in 2024/25, reflecting continued cost pressures encountered during the year under review.

Cost of sales was impacted by escalations in raw material costs, particularly coconut shell charcoal, due to supply constraints across sourcing markets and heightened competition for limited supplies, alongside elevated logistics and energy costs experienced during the year. These pressures were partially mitigated through increased contributions from value-added carbon products, strategic pricing actions in selected markets, proactive procurement strategies and closer supplier engagement to support continuity of supply. Continued focus on operational efficiency and cost optimisation initiatives across manufacturing locations, contributing Rs. 1,163 Mn to the bottom line, also supported to manage cost increases during the year.

Profitability Trend



OVERHEAD EXPENSES

The Group's overhead expenses comprised of administrative, selling, distribution, research and development costs increased by 10.9% to Rs. 7.35 Bn in 2025/26, compared to Rs. 6.63 Bn in the previous financial year, reflecting the scale-up of operations in line with revenue growth, expansion of manufacturing capacity, increased promotional costs and continued investments to support the Group's strategic priorities. The Company focused on cost optimisation, process standardisation and productivity improvements leveraging digital tools and technologies where appropriate, to minimise overhead increases. These measures, together with the growth in revenue, reduced overhead to revenue ratio by 35.1% to 9.6%.

EXCHANGE GAIN/LOSS UNDER OPERATING PROFIT

The Group recorded an exchange gain of Rs. 597 Mn in 2025/26, reported under operating profit, compared to an exchange loss of Rs. 74 Mn in the previous year, arising from exchange fluctuations relating to trade receivables and payables reflecting higher deprecation of the reporting currencies against the USD. This classification has been made in line with the guidelines set out in SLFRS 18 – Presentation and Disclosures in Financial Statements.

FINANCE AND INVESTMENT ACTIVITIES

Finance expenses on loans and borrowings increased to Rs. 988 Mn in 2025/26, compared to Rs. 510 Mn in the previous financial year. The increase was primarily driven by higher borrowings utilised to support elevated working capital requirements and ongoing capacity expansion initiatives during the year under review.

The Group also recorded a net exchange loss of Rs. 276 Mn on foreign currency denominated borrowings, reported under financing activities, compared to a net exchange gain of Rs. 16 Mn in the previous financial year. These foreign currency borrowings are underpinned by export revenues and foreign currency receivables .

Interest income earned from investing activities, recorded under investment income, amounted to Rs. 155 Mn in 2025/26, compared to Rs. 236 Mn in the previous financial year.

The Group continues to adopt a prudent treasury management approach, aiming to mitigate the overall impact of higher financing costs and currency movement volatility during the year.

PROFITABILITY

The Group's operating profit increased by 22.1% to Rs. 6.93 Bn in 2025/26, compared to Rs. 5.68 Bn in the previous financial year, supported by strong revenue growth and improved operating scale. However, the operating profit margin moderated to 10.3% in 2025/26 from 13.2% in 2024/25, reflecting the combined impact of margin pressures across the value chain.

From a segmental perspective, the Activated Carbon segment continued to be the primary contributor to pre-tax profits contributing 99% to the sector, while the Environmental Engineering Solutions segment reported PBT of Rs. 77.4 Mn in 2025/26 a drop of 7.5% profitability compared to last year.

Consequently, profit after tax increased marginally to Rs. 4.34 Bn in 2025/26, compared to Rs. 4.27 Bn in 2024/25, demonstrating the Group's ability to sustain bottom-line performance despite a challenging operating environment.

TAXATION

GRI: 207-1 to 4

The Group's tax expense increased to Rs. 1.55 Bn in 2025/26, compared to Rs. 1.25 Bn in the previous financial year, primarily reflecting higher profitability during the year under review changes in the geographic mix of earnings across jurisdictions and the impact of enhanced capital allowances claimed on new business in the previous financial year.

TAX GOVERNANCE AND COMPLIANCE

GRI: 207-2

Haycarb's Board of Directors and Audit Committee oversee the Group's tax strategy and governance framework, while the Chief Financial Officer and finance team are responsible for implementation across all operations. Given the Group's presence across multiple jurisdictions, qualified external tax consultants have been appointed in each country to support compliance and provide regular guidance on local tax regulations.

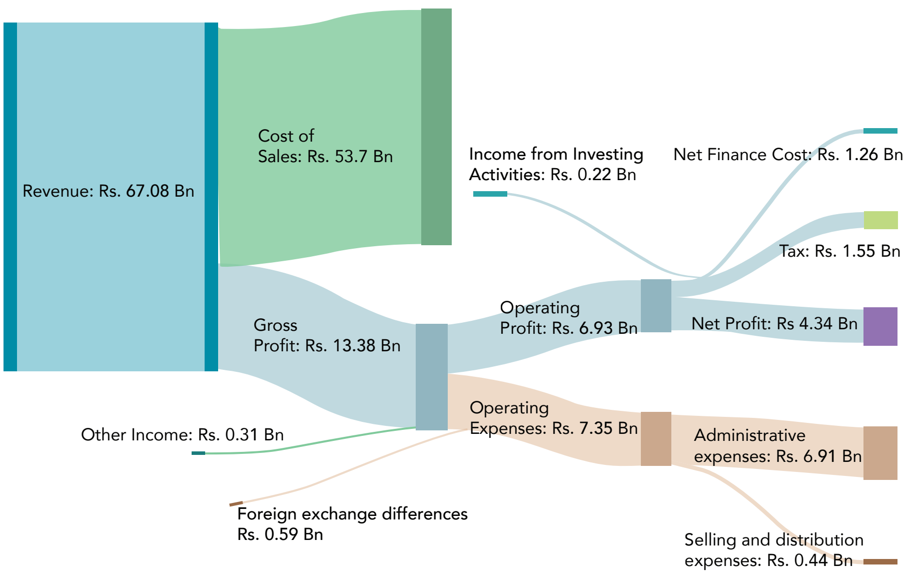
The Group also engages a reputed international tax consultancy firm to advise on global tax developments, including transfer pricing regulations and OECD guidelines. Based on such guidance, appropriate transfer pricing policies and tax governance procedures have been established to support transparency, consistency, and compliance across all jurisdictions.

The Group maintains ongoing engagement with key stakeholders, including tax authorities, customers, and supply chain partners, to address tax-related matters and support the smooth functioning of operations. Haycarb complies with applicable Country-by-Country ("CbC") reporting requirements and other statutory tax obligations in relevant jurisdictions, with all required filings submitted within prescribed timelines.

The Internal Audit function continuously monitors compliance with tax laws and regulations, supported by independent reviews performed by external auditors. The Chief Financial Officer is responsible for liaising with tax authorities and overseeing the timely filing of tax returns across the Group's operating jurisdictions.

During the year under review, the Group complied with all applicable tax laws and regulations, and no material incidents of tax non-compliance were recorded.

Sankey diagram on the income statement



The Group digitalised its treasury operations with a cloud based cash and liquidity management platform enhancing visibility over global cash positions, liquidity movements, and funding requirements across the Group. The system enabled improved cash forecasting, centralised monitoring of bank balances, and more efficient treasury decision-making while strengthened collaboration with the Hayleys Group Treasury function, enabling greater synergies in cash and currency management.

ASSET STRENGTH

The Group's total asset base expanded by 39.2% to Rs. 63.9 Bn as at 31st March 2026, compared to Rs.45.9 Bn in the previous financial year, depicting sustained balance sheet growth in line with the expansion of operations. This increase was primarily driven by working capital investments undertaken to support growth and capital investments in property, plant and equipment reflecting manufacturing capacity enhancements.

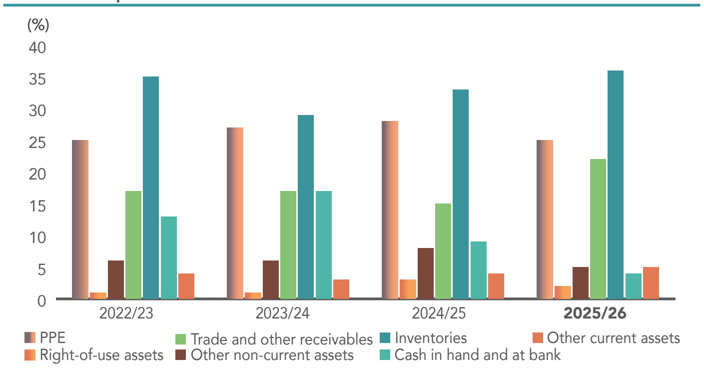
Overall, the strengthening of the Group's asset base in 2025/26 reflects disciplined capital deployment, enhanced operational resilience and long-term value creation.

CASHFLOW

Cash generated from operations before changes in working capital amounted to Rs. 8.94 Bn in 2025/26, compared to Rs. 7.31 Bn in the previous financial year. However, the Group reported a net cash outflow of Rs. 5.58 Bn from operating activities, primarily due to higher working capital requirements arising mainly from significant raw material price increases and expansion in revenue during the year.

Net cash outflows from investing activities totalled Rs. 3.96 Bn, reflecting continued capital investments to expand value-added manufacturing capacity and support strategic growth initiatives. Financing activities resulted in a net cash outflow of Rs. 1.23 Bn, largely driven by dividend payments and increase in interest payments. Reflecting the net negative cash flows from operating, investing and financing activities, the Group's cash and cash equivalents declined to a negative Rs. 10.61 Bn during the year under review.

Asset Composition

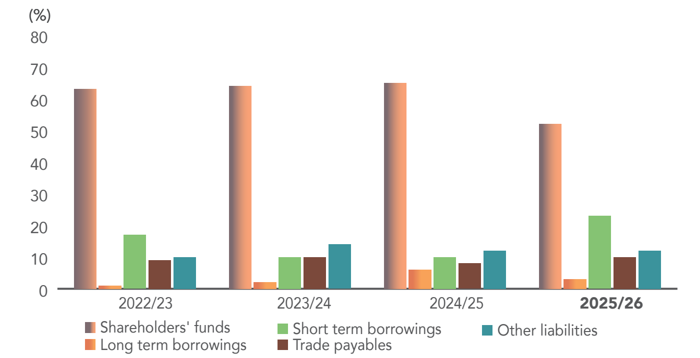


Funding Profile

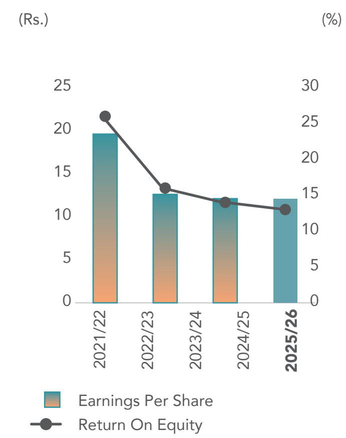
The Group's total interest-bearing borrowings increased significantly by more than two folds, to Rs. 20.05 Bn (including non-current lease liabilities) as at 31st March 2026, compared to Rs. 9.08 Bn in the previous financial year.

Long-term borrowings increased to Rs. 2.20 Bn, reflecting funding requirements for capacity expansion and strategic investments, while non-current lease liabilities remained broadly stable at Rs. 1.23 Bn. Short-term borrowings increased notably by more than three folds to Rs. 14.69 Bn, primarily to support elevated inventory levels and higher receivables in line with the substantial expansion in revenue and operations during the year.

Funding Composition



Shareholder Return



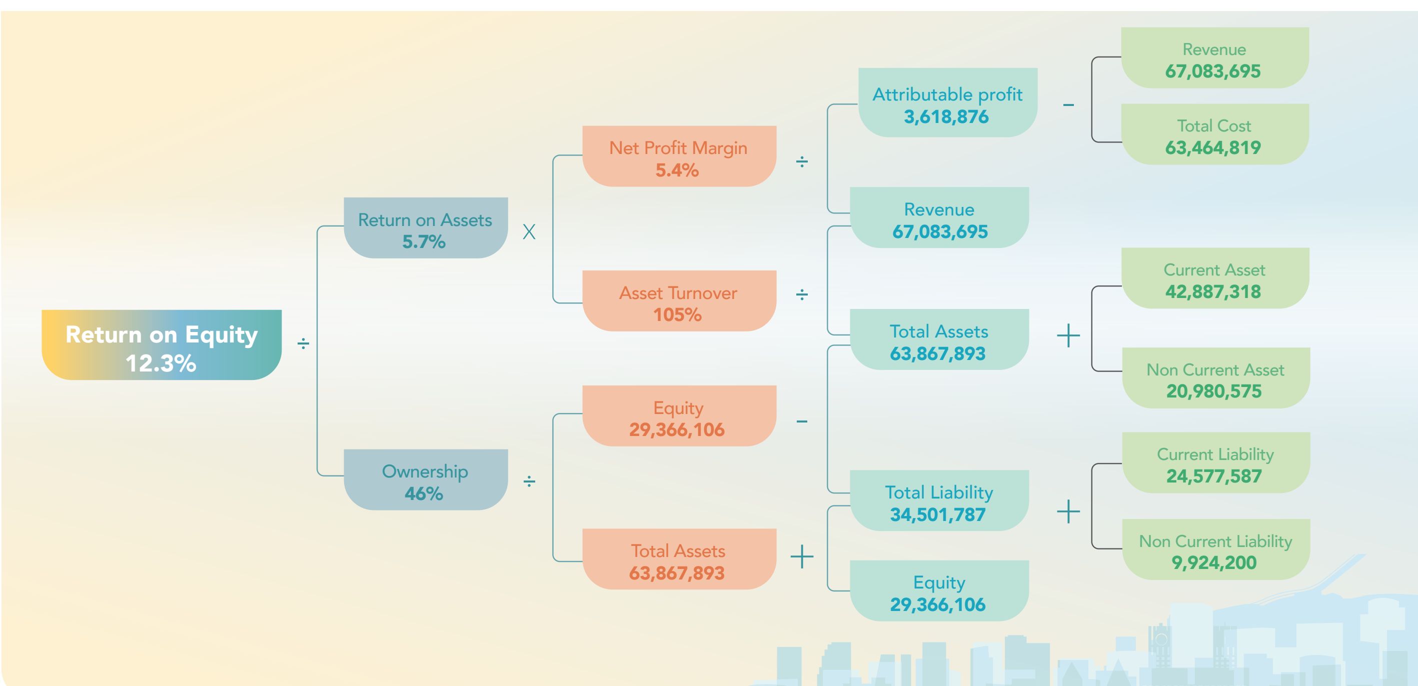
While the funding profile remains robust, the gearing ratio moved upwards to 37.5 % during the period under review to fund working capital and expansion of capacity.

Supported by stable performance and profit retention, Shareholders' Funds expanded by 10.7% to Rs. 29.37 Bn as at end-March 2026, reinforcing the Group's capital structure while supporting the funding of its strategic growth initiatives.

VALUE CREATION FOR SHAREHOLDERS

In the context of a challenging operating environment, the Group delivered improved value to shareholders in 2025/26. Earnings per share remained stable at Rs. 12.18, while Return on Equity stood at 12.3%, demonstrating sustained profitability amid continued balance sheet growth. The Group's net assets per share increased by 10.6% to Rs. 98.83 as at 31st March 2026, compared to Rs. 89.30 in the prior financial year. Total dividends per share for the year amounted to Rs. 4.07 in 2025/26, compared to Rs. 3.80 in 2024/25, reflecting a 7.1% increase and the Group's continued commitment to delivering shareholder returns while supporting growth.

DUPONT ANALYSIS (RS. '000)



OUR BUSINESS CASE

MARKET LEADERSHIP POSITION	GLOBAL PRESENCE	CAPACITY TO INNOVATE WITH STATE-OF-THE-ART MACHINERY AND EQUIPMENT	CAPABLE TEAM AND STRATEGIC PARTNERSHIPS	RESPONSIBLE BUSINESS PRACTICES AND SUSTAINABILITY

FINANCIAL RATIOS

		2025/26	2024/25
Profitability highlights			
Revenue	Rs. Mn	67,084	43,202
Gross Profit	Rs. Mn	13,380	12,062
Gross Profit margin	%	19.9%	27.9%
Operating profit	Rs. Mn	6,935	5,679
Operating profit margin	%	10.3%	13.1%
Profit before tax	Rs. Mn	5,887	5,517
Profit before tax margin	%	8.8%	12.8%
Profit after tax	Rs. Mn	4,341	4,271
Profit after tax margin	%	6.5%	9.9%
Return on equity (%)	%	12.3%	13.6%
Return on capital employed (%)	%	13.4%	15.5%
Return on Assets	%	6.8%	9.3%
Interest cover ratio	No. of times	7.24	11.78
Effective Tax Rate	%	26.3%	22.6%
Efficiency ratios			
Asset turnover ratio	No. of times	1.05	0.94
Inventory holding days	Days	158	178
Debtor days	Days	58	59

		2025/26	2024/25
Creditor days	Days	21	14
Cash conversion cycle	Days	195	223
Liquidity ratios			
Current ratio	No. of times	1.74	2.47
Quick asset ratio	No. of times	0.80	1.14
Solvency position			
Total assets	Rs. Mn	63,868	45,897
Total liabilities	Rs. Mn	30,522	16,221
Shareholders' funds	Rs. Mn	29,366	26,534
Non Controlling Interest	Rs. Mn	3,980	3,143
Total debt	Rs. Mn	20,050	9,084
Equity/Assets	No. of times	0.52	0.65
Debt/equity	%	60.1%	30.6%
Gearing ratio	%	37.5%	23.4%
Debt/Total assets	%	31.4%	19.8%
Investor position			
No. of shares outstanding	Number	297,123,750	297,123,750
Earnings per share	Rs.	12.18	12.10
Dividends per share	Rs.	4.07	3.80
Net asset value per share	Rs.	98.83	89.30
Market price per share	Rs.	109.50	82.10
Market capitalisation	Rs. Mn	32,535	24,394
P/E ratio	No. of times	8.99	6.78
Dividend payout	%	33.4%	31.4%
Dividend cover	No. of times	2.99	3.19
Dividend yield	%	3.7%	4.6%

FINANCIAL CAPITAL CONNECTIVITY

1. STRATEGIC PRIORITIES ENABLED

- Market Growth
- Innovation-Led Growth
- Strengthen Global Supply Chain
- ESG Mindset
- Purpose-Driven & Committed Teams

Key Strategic Focus Areas
- Revenue growth
- Working capital management
- Capacity expansion
- Treasury optimisation
- Sustainable capital allocation
- Shareholder value creation

2. MATERIAL TOPICS CONNECTED

- M5 Economic Performance
- M9 Manufacturing Capabilities
- M18 Market Presence
- M6 Technology & Product Innovations
- M3 Customer Satisfaction
- M12 Environmental Impacts in Supply Chain
- M2 Regulations & Compliance
- M13 Cyber Security
- M1 Materials
- M20 Energy Cost

3. RISKS & OPPORTUNITIES CONNECTED

Principal Business Risks
- PBR 2 Interest Rate Risk
- PBR 3 Compliance Risk
- PBR 4 Geopolitical Dynamics
- PBR 5 Cyber Security Risk

SRROs / CRROs
- SRRO 2: Workforce Capability and Skilled Labour Availability Risk

Strategic Responses
- Prudent treasury management
- Working capital optimisation
- Diversified market expansion
- Capacity enhancement investments
- Strategic pricing actions

4. CAPITAL CONNECTIVITY

Financial Capital	Intellectual Capital	Human Capital	Social & Relationship Capital	Natural Capital	Digital Capital
Supports capacity expansion and operational scalability	Supports innovation, process optimisation and product development	Supports workforce capability and productivity enhancement	Strengthens investor confidence, supplier relationships and stakeholder trust	Supports sustainable sourcing and ESG investments	Supports treasury integration, analytics and operational visibility

5. CAPITAL TRADE-OFFS

Strategic Initiative	Capital Strengthened	Capital Potentially Pressured	Nature of Trade-Off
Capacity expansion investments	Manufactured Capital / Financial Capital	Financial Capital	Higher funding requirements
Working capital build-up	Social & Relationship Capital / Financial Capital	Financial Capital	Higher inventory and receivable financing needs
Sustainability investments	Natural Capital / Social & Relationship Capital	Financial Capital	Longer investment recovery periods
Digital treasury integration	Digital Capital / Financial Capital	Financial Capital	Technology implementation expenditure
Dividend distribution	Social & Relationship Capital	Financial Capital	Balancing shareholder returns with growth funding

6. LONG-TERM VALUE CREATION

- Sustained revenue growth
- Improved operational resilience
- Greater capital efficiency
- Strengthened market leadership
- Scalable long-term growth platform
- Enhanced shareholder returns
- Stronger liquidity management
- Improved funding flexibility
- Enhanced investor confidence
- Balanced and sustainable value creation

CONTRIBUTION TO SDG'S