



PURIFICATION

The Purification Sector transforms waste to value through procuring coconut shells and coconut shell charcoal from smallholder communities, which are used to produce an array of world-class activated carbon products that are used across numerous applications in diverse industries.

PURIFICATION

Value addition across supply chain
 >850 suppliers

Rs. 14.43 bn supplier payments

25,000 coconut plants distributed

Procurement of coconut shell and coconut shell charcoal

We create value across the coconut value chain through financial assistance and capacity building to coconut smallholders and micro-entrepreneurs, 285 charcoal and coconut shell suppliers

Economic Value

Rs. 5.24 bn tax contributions

USD. 62 mn forex generated to Sri Lanka

Rs. 9.41 mn forex generated to Thailand and Indonesia

Socio-economic value generation

Community value generation

Mid-day meals to 800 students in 14 schools since April 2023



Rs. 17.46 bn
 Economic value creation



11%
 Contribution to Group's value creation



Manufacturing a range of products for purification and energy storage and provision of environmental engineering solutions

Employee value
 Rs. 5.36Bn payments to our 1933-strong team
 Rs. 8.27 Mn investment in providing 23,353 training hours

PRODUCT APPLICATIONS WHICH SHAPE A BETTER FUTURE



Safeguarding health and well-being of people through **personal protection**



Energy storage solutions supporting the transition to a low-carbon economy



Water and air purification products which address critical environmental challenges



Water recycling solutions through environmental engineering

INNOVATION

Recogen: Patented green charcoaling process

Diverse product range catering to a wide range of applications

- Energy storage carbons
- Hard carbons
- Activated carbons for PFOA removal from drinking water
- Development of Carbon Molecular Sieves (CMS)
- Gold carbons

Revenue Rs. 42.74 bn (-29%)	Profit Before Tax Rs. 6.11 bn (-26%)	Profit After Tax Rs. 4.30 bn (-34%)	Assets Rs. 38.20 bn (-1%)	Liabilities Rs. 14.15 bn (-5%)	Employees 1,933 (-14%)	Carbon footprint 26,696 tCO ₂ e (-6%)

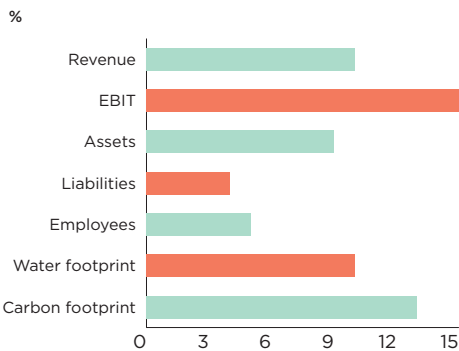
+ denotes y-o-y growth - denotes y-o-y decline

PURIFICATION

SECTOR OVERVIEW

The Purification Sector is represented by Haycarb Group, a global leader in the coconut-shell based activated carbon market commanding a share of approximately 16%. Through its subsidiary Puritas (Private) Limited, the Sector is also a leading provider of water and waste water purification solutions in Sri Lanka, Maldives and the region. During the year under review, the Purification Sector ranked as the top contributor to the Group’s bottom line, accounting for 15% and 19% of EBIT and PBT respectively.

CONTRIBUTION TO GROUP



SRI LANKAN OPERATIONS

Manufacture of coconut-shell based activated carbon

Contribution to Sector
Revenue: 41%
PBT: 48%

Performance 2023/24
Revenue: 26% decline
PBT: 41% decline

OVERSEAS MANUFACTURING

Manufacturing facilities in Indonesia and Thailand

Contribution to Sector
Revenue: 30%
PBT: 42%

Performance 2023/24
Revenue: 18% decline
PBT: 3% decline

OVERSEAS MARKETING

Marketing arm engaged in distribution

Contribution to Sector
Revenue: 29%
PBT: 10%

Performance 2023/24
Revenue: 42% decline
PBT: 43% decline

in supply coupled with dampened demand led to intensifying price competition across the industry. On the other hand, increased volatility of global currencies fuelled demand for precious materials, which in turn drives demand for mining-related activated carbon applications. While Sri Lanka’s macro-economic environment stabilised compared to the previous year, the appreciation of the Sri Lankan Rupee towards the latter part of the financial year adversely impacted export-oriented businesses and remains a significant risk factor in the near term. Over the medium to long-term however, implications of climate change are expected to have increasingly pronounced impacts on the coconut supply chain, as evidenced by chronic shortages in most producing countries.

OPERATING ENVIRONMENT

The global activated carbon market witnessed some consolidation during the year, with demand softening due to inventory adjustments following stock-build up over the previous years. The normalisation of global supply chains and resultant increase

COMPETITIVE POSITION

The Sector caters to >590 **customers in over 50 countries** with marketing offices in Sri Lanka, USA, Europe and Australia

Seven manufacturing facilities comprising 2 in Sri Lanka, Indonesia and 3 in Thailand. The Sector’s newest facility will be commissioned in Philippines shortly

A complete range of over **1500 product variants** including standard, washed impregnated granular activated carbon, powder activated carbon and extruded pellet activated carbon

Advanced **research and product development capabilities** which have enabled the Sector to cater to evolving customer demands across different applications



7%
Decrease in Sri Lanka's coconut production in 2023



3%
Increase in cost of production



8%
Appreciation of the Sri Lankan Rupee

Summary of external drivers

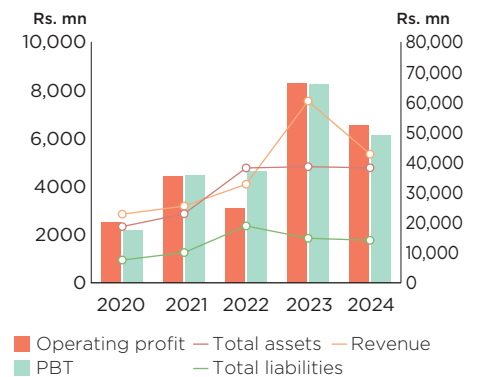
	Driver	Driver Significance of impact	Implications on Sector
Economic and geo-political context	Appreciation of Sri Lankan Rupee	H	- Reduced competitiveness in the global market and adverse implications on volume and market share
	Gradual decline in interest rates	M	+ Reduction in borrowing costs
	Fiscal policy: Higher corporate income tax rate of 30% applicable to the full financial year	H	- Increase in effective tax rate to 30% from 21%
	Decline in freight rates	M	+ Reduction in transportation costs
Industry context	Increased demand from mining industry	H	+ Potential for business growth
	Growing demand for water and air purification		
	Decline in raw material prices	H	+ Positive impact on profitability margins
Sustainability context	New energy arena with the global transition to a low-carbon economy	H	+ Opportunities to access new market segments through energy solutions
	Implications of climate change on coconut crop	H	- Disruptions to the supply chain - Volatility in raw material pricing - Implications on quality and yield
	Escalating customer requirements on sustainability considerations	H	+ Opportunity to strengthen competitive position by catering to emerging requirements + Cost efficiencies

H-High, M-Medium, L-Low. Brown circle represents adverse effect while yellow circle represents positive affect

STRATEGY AND INTEGRATED PERFORMANCE REVIEW

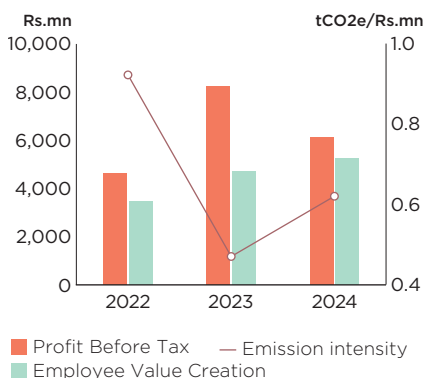
The Sector delivered a commendable performance in a challenging year, sustaining customer relationships and preserving profitability margins amidst external pressures. The 29% decline in Revenue during the year primarily reflects the appreciation of the Sri Lankan Rupee and a reduction of prices offered to customers, while the Sector successfully leveraged its strong customer relationships to remain resilient against intensifying competition and subdued demand. Revenue was also upheld by deeper penetration in key markets such as USA, China and the Middle East, and increasing contributions from the value-added portfolio. Meanwhile, proactive negotiations with raw material suppliers enabled the Sector to optimise input costs, thereby preserving profitability margins. Meanwhile, the Environmental Engineering arm recorded strong

SECTOR FINANCIAL PERFORMANCE



PURIFICATION

INTEGRATED PERFORMANCE



turnaround during the year supported by the gradual recovery of the construction sector and infrastructure projects. Overall, the Sector recorded a Profit Before Tax of Rs. 56 mn (compared to loss of Rs. 240 mn the previous year) gradually emerging as a key contributor to profit during the period.

The Sector’s product strategy was consistent with the approach adopted in the last few years, in which considerable business development efforts were directed towards widening the value-added product portfolio. Strategic emphasis placed on energy storage carbon including hard carbon for sodium ion batteries, which presents significant upside potential given rapid growth in the new energy arena. Manufacturing and R&D capabilities were also strengthened in these areas, with investments of over Rs. 125 mn directed towards constructing a state-of-the-art electrochemical laboratory for energy storage solutions. Digital transformation also remains a strategic focus, with the Sector exploring avenues of leveraging AI capabilities to drive increased automation and efficiencies.

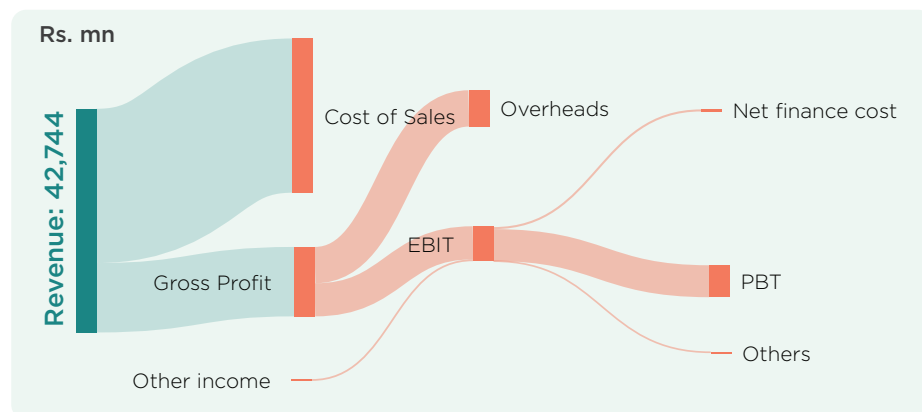
Improving security and resilience of the coconut supply chain is critical to the long-term success of the Sector. Reflecting its efforts to strengthen local coconut production, the Sector committed to plant 100,000 coconut trees in Northern province of Sri Lanka, aligned to a national initiative to establish a second coconut triangle. In line with the Sector’s efforts to further diversify its raw material sources, the Sector’s 7th and latest manufacturing facility is to be commissioned in the Philippines in the first half of 2025. Meanwhile, the ‘Haritha Angara’ initiative, which uses a proprietary closed pit charcoaling technology was further expanded, with the addition of 25 new pits.

The Sector’s people strategy for the year centered on succession planning, building capabilities in critical areas such as digitalisation and ESG as well as creating better working environments through renovations and upgrades to workspaces. Despite the widespread talent migration in the country, the Sector maintained relatively healthy retention levels of 88%, reflecting its superior employee value proposition which is aligned to the three pillars of the Sector’s corporate purpose- envision, enrich and empower.

ESG IN ACTION

The Sector marked a major milestone in its ESG journey during the year, with the launch of ‘Activate’ the Sector’s holistic ESG roadmap for 2030. Through Activate (which is broadly aligned to the Hayleys Lifecode), the Sector committed to ambitious social, environmental and governance targets centering on five action-driven pillars of Restore, Inspire, Excite, Uplift and Innovate articulating the Sector’s commitment to the environment, employees, customers, communities and product proposition. In addition, the following measures have been taken to institutionalise ESG:

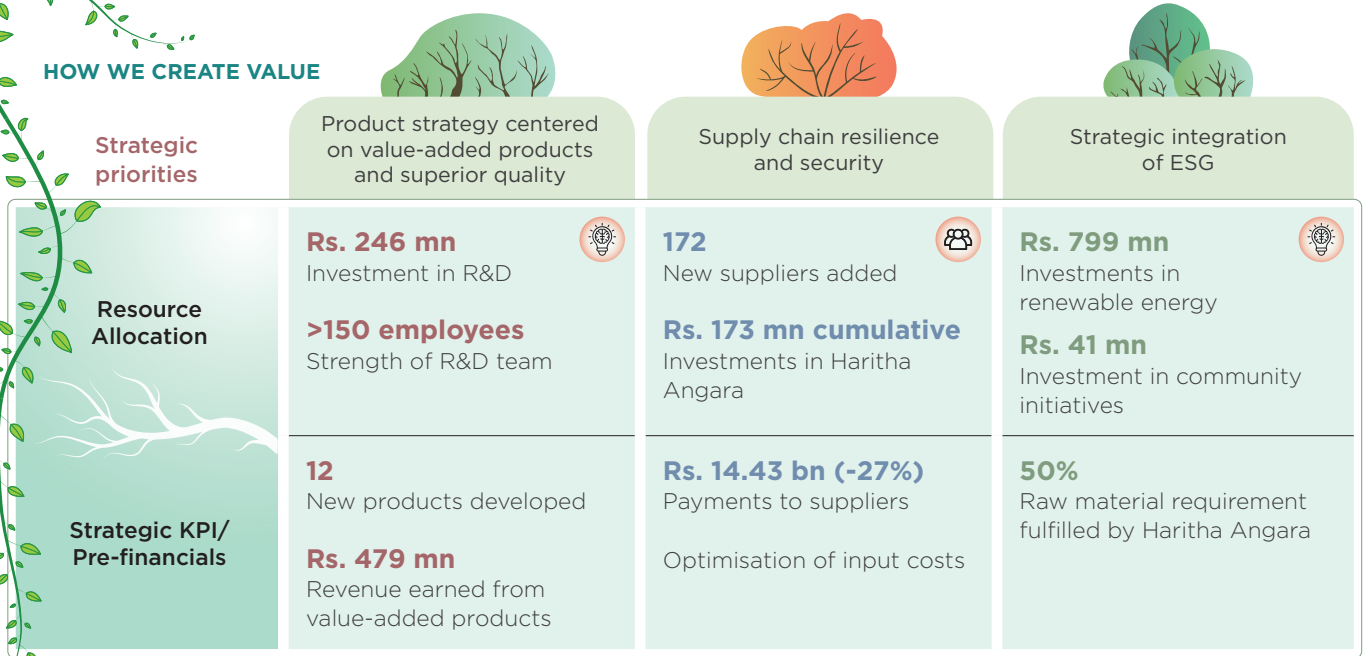
- Establishment of Sector ESG Steering Committee and ESG Working Group
- Strengthen ESG risk assessment and integration with existing risk processes
- Monthly and quarterly monitoring and reporting of performance against ESG targets
- ESG audits conducted by the Sector ESG Division
- Third-party verification of GHG emissions (2022/23)



HOW WE DEFINE VALUE



HOW WE CREATE VALUE

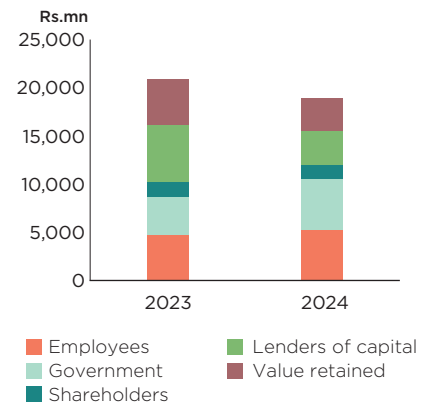


HOW WE DELIVER AND PRESERVE VALUE

- Total economic value generated during the year decreased by 10%
- Value generated to Governments (in Sri Lanka and overseas) increased by 33%
- Payments to lenders of capital decreased by 41%, reflecting over the gradual decline in interest rates
- Value retained in the business amounted to 20% compared to 25% the previous year



VALUE DISTRIBUTION



PURIFICATION

FINANCIAL PERFORMANCE

Rs.mn	2024	2023	% y-o-y	2022
Revenue	42,743	60,357	(29)	32,751
Earnings before interest and tax	6,521	8,274	(21)	3,079
Net finance income/(cost)	(399)	(19)	2037	1,602
Profit before tax	6,106	8,247	(26)	4,642
Profit after tax	4,299	6,494	(34)	3,707
Assets	38,198	38,567	(1)	38,160
Liabilities	14,146	14,820	(5)	18,908
Operating cash flow	7,877	10,122	(22)	(2,814)
Performance against targets				
	Target	Actual	Reason for variance	
ROE	>10%	18%	Stronger profit performance driven by value-added portfolio	
Gearing	<55%	16%	More effective working capital management	
OPERATIONAL HIGHLIGHTS				
	2024	2023	% y-o-y	2022
Production volumes (MT)	43,236	48,883	(11.6)	47,905
Capacity utilisation (%)	77	86	(10.5)	90
Energy intensity (GJ mn/Revenue Rs.mn)	5.6	4.4	29	8
Water intensity (Litres/Revenue Rs.mn)	17,428	10,764	62	18
No. of employees	1,933	1,880	+3	1,768
Revenue per employee (Rs.mn)	22	32	+31	19
Remuneration per employee (Rs.mn)	3	2	+50	2
Carbon intensity (tCo2e/Revenue Rs. mn)	0.62	0.47	33	0.9

ESG HIGHLIGHTS



CLIMATE ACTION

The Sector's renewable energy drive consists of increased investments in solar as well as waste-heat-recovery. Plans are in place to install solar panels across manufacturing locations in Sri Lanka and Thailand.

	2024	2023	Y-o-y	Target
Energy consumption (MJ mn)	240,589	264,182	-9%	Scope 1 and 2 emission
Carbon footprint (tCO2e)	26,696	28,396	-6%	reduction target of 25
Solar capacity	2.4%	N/A		50%



GREENING THE SUPPLY CHAIN

Recogen: Patented environmentally friendly charcoaling process

Haritha Angara: Environmentally friendly charcoaling initiative with 431 pits operating to date

Vertical Kiln Charcoaling: Conversion of traditional open pit charcoaling into a closed pit charcoaling fulfilling approximately 20% of raw material requirement in Thailand



SKILL DEVELOPMENT

Key areas of training: Digital, R&D, ESG, business leadership

Training hours: 23,353

Investment in training: Rs. 8.27 mn



COMMUNITY INITIATIVES

Numerous needs-based community initiatives initiated with the commemoration of the Sector's 50th anniversary

Sisu Divi Pahana: Mid day meal programme for school children

- >150,000 meals
- 14 schools
- 800 children

PROSPECTS AND PLANS

While short-term demand will be driven by strong growth in the mining industry, medium-to-long term demand outlook also remains favourable, supported by the global transition to a low-carbon economy which is driving demand for energy storage solutions as well as increasingly stringent water and pollution control regulations. Prices are expected to remain stable in the short-to-medium term, while opportunities in value-added products and new market segments would enable manufacturers to gain premium pricing. The Sector's risk and opportunity landscape is summarised below.

INDUSTRY RISK AND OPPORTUNITY LANDSCAPE

⊖ Exchange rate volatility

The Sri Lankan Rupee is expected to appreciate further over the short-term before decelerating and stabilising towards the latter part of the year. In the near term, this is expected to impact revenue, profitability and global competitiveness.

Response

Proactive monitoring of exchange rate trends

⊖ Talent migration

The exodus of talent from the country in recent years has posed considerable challenges in attracting and retaining the tight talent.

Response

Investments in talent development and succession planning

⊖ Competition for raw materials

The gradual reduction in coconut crops, coupled with the persistent increase in demand has led to price pressure and disruptions to supply chains.

Response

Geographical diversification of raw material sources and backward integration

+ Digitalisation and digital transformation

Significant opportunities in driving operational efficiencies, risk mitigation and elevating the customer experience through technology-driven solutions.

Response

Exploring avenues to digitalise manufacturing process data, to drive real time reporting and better decision-making.

+/- Sustainability as a competitive edge

Environmental and social considerations are increasingly featuring in customers' purchasing decisions, presenting both opportunities and risks.

Response

Leveraging sustainability as a competitive advantage to access new markets and customer segments

Sustainability related risks and opportunities (SRRO)

Physical climate risk

Implications of adverse weather patterns on the coconut charcoal supply chain

< 1 year	Limited impact of weather on coconut charcoal -will not have a shortages in charcoal
1-5 years	More pronounced shortages in coconut charcoal leading to price escalations and volatility
>5 years	If mitigation measures are not adopted, climate change will lead to significant disruptions of the supply chain
Response	Diversification of raw material sources and support expansion of coconut triangle in Sri Lanka

Shift to low-carbon economy

Increased stringency regulations relating to environmental implications and escalating customer demands on sustainability considerations

< 1 year	Necessitates focus on providing customers relevant sustainability information
1-5 years	Compliance to sustainability requirements Opportunity for growth in new energy arena
>5 years	Strong growth in energy storage solutions
Response	Embedding ESG in a strategic manner and increasing investments towards energy storage solutions

Water availability

Sri Lanka has been ranked a water-stressed country and escalating implications of climate change are likely to drive further challenges

< 1 year	Limited impact albeit increased variability of weather patterns
1-5 years	If climate implications are not abated, shortages in water supply could impact production continuity
>5 years	Increase in water costs and disruptions to availability
Response	Continued monitoring of water usage and increase reliance on sustainable sources



PURIFICATION

Despite potential external challenges, the Sector's investments in product development, people capabilities and digitalisation has positioned it in good stead to capture emerging opportunities. The Sector's priorities in the short, medium and long-term together with our targets are presented below:

FUTURE PLANS	
Short-term	Medium-to-long term
<ul style="list-style-type: none"> Increase market share of value-added carbon portfolio Increased penetration in markets with high potential Expand regional manufacturing presence Digital transformation to facilitate data-driven decision making and increased efficiencies Backward integration 	<ul style="list-style-type: none"> Re-engineer and automate manufacturing systems to improve efficiency Pursuit of ESG aspirations Expanding regional presence of water purification business Explore opportunities on entering the activated Carbon solution market
Short-term goals ROE>10% Borrowings<50% of capital employed	Medium-to-long term goals ROE>12% Gearing<55% Dividend to net profit of 40%

SASB DISCLOSURES

Chemicals- Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	DISCLOSURE/Pg. reference
Management of Chemicals in Product	(1) Gross global Scope 1 emissions. (2) Percentage covered under emissions-limiting regulations.	Kg CO2-eq Mn %	RT-CH-110a.1	10,903,000 Kg CO2-eq Not applicable
	Discussion of long-term and short-term strategy or plan to manage emissions		RT-CH-110a.2	Clearly set out in Activate- the Sector's ESG roadmap which aims to reduce Scope 1 and 2 emissions by 25% by 2030 through increasing reliance on renewable energy
Air quality	Air emissions of the following pollutants: (1) NOX (excluding N2O),	Mt	RT-CH-120a.1	508.3
Energy management	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable, (4) Total self-generated energy	GJ %	RT-CH-130a.1	(1) 1,132,964 GJ (2) 10% (3) 78% (4) 78% (Haycarb Recogen plant supplied over 800,000 kWh of electricity to the National Grid)
Water management	(1) Total water withdrawn, (2) Total water consumed. (3) Percentage of each in regions with High or Extremely High Baseline Water Stress	m2 %	RT-CH-140a.1	(1) 732,634 m2 (2) 744,951 m2 (Including recycle water) (3) 61% 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 environmental non-compliance	Number	RT-CH-140a.2	Zero
	Description of water management risks		RT-CH-140a.3	Ongoing efforts to drive lean initiatives to minimise water usage and water efficiency.
Hazardous waste management	Amount of hazardous waste generated, and percentage recycled	Mt %	RT-CH-150a.1	1.2 Mt 28%
Community relations	Discussion of engagement processes to manage risks and opportunities associated with community interests.		RT-CH-210a.1	The Group engages frequently with the communities it operates in. Investment in CSR activities - Rs.40.8 Mn
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) (2) Fatality rate for (a) direct employees (b) contract employees	Rate	RT-CH-320a.1	(1) 1.58 (2) 0%. No fatalities of direct or contract employees were recorded during the year.
Activity metrics				
Production by reportable segment	Production quantity - Activated Carbon	Mt	RT-CH-000.A	43,459 Mt