

# Chairs Statement

## Introduction

I am pleased to present Haydale Graphene Industries Plc's ("Haydale", the "Group" or the "Company") full year audited results to 30 June 2021 ("FY21").

Despite the headwinds from the Covid-19 pandemic during the year, the Group continued to make positive progress in its transition from a research and development operation to one capable of delivering sustainable commercial revenues. Whilst demand for the proprietary Silicon Carbide ('SiC') blanks manufactured at our US facility has remained subdued, the Group saw encouraging developments in its core nanomaterial business and to meet potential demand accelerated the investment in its operational and technical capacity both during FY21 and into the current financial year.

## Summary financials

Commercial revenue for FY21 of £2.90 million (FY19: £2.95 million) remained in line with the prior year which was a robust performance given the subdued market conditions globally. Gross profit marginally reduced to £1.98 million (FY20: £2.06 million) delivering a gross profit margin of 68.2% (FY20: 70.0%) broadly in line with prior year. Other operating income for the year of £0.58 million (FY20: £0.76 million) was lower than the prior year as the Group's shift away from grant funded to commercial projects continues. Included within other operating income is further support received from the US Cares Act.

The focus on reducing costs continued in the year with adjusted administrative expenses on a pre IFRS 16 basis falling by £0.70 million (11.7%) to £5.29 million (FY20: £5.99 million). Over the last three reporting periods, the Group has reduced its operating cost base by £2.43 million in total on a like for like basis. There were no non-recurring restructuring costs in the year (FY20: £0.06 million). Total Administrative Expenses were £6.11 million (FY20: £7.05 million).

Loss for the year was £3.41 million (FY20: £4.02 million)

## Operational Highlights

Whilst Covid-19 may have provided the backdrop to the past year it has certainly not defined it for the Group. By focussing on the elements within our control, the Group has made solid progress towards its longer term goals. The priorities of focussed investment in our technology, delivery of commercial revenue and control of operating costs remains central to our strategy.

### Focussed Investment in R&D

Haydale brings together two state of the art technologies – the patented HDPlas® functionalisation process and an understanding of graphene and other nanomaterials. I was encouraged to see that the Company's expertise in Hydrogen storage has attracted renewed interest in the past 18 months. In particular, we have collaborated on the functionalised graphene

masterbatch required to produce lightweight low permeability storage tanks to help unlock the pathway to hydrogen propulsion. During the year the Company has also seen demand for the functionalisation of other nanomaterials accelerate and, in particular, demand for Boron Nitride, where Haydale has been engaged to functionalise the 'white graphene' to improve its dispersibility into lubricants to increase heat dissipation from moving parts.

## COMMERCIAL DEVELOPMENT

During the year, the Group made progress in commercialising its core technology portfolio despite the challenging operating environment. I would highlight the three-year exclusive agreement with iCraft announced in September 2020 and in December 2020 we secured our first sale of functionalised nano-enhanced rubber masterbatch for use in a premium shoe range. Subsequent to this sale, the Company has been engaged by several companies in the premium leisure footwear market.

I was also pleased to see the Company broaden its trading footprint with sales of SiC and blanks to new customers in the Far East and in Europe. We also extended our distribution agreement for Ceramycguard™ to 2030 and this range of products continues to attract significant interest from water utilities and civil engineering operations both in the UK and the Middle East. We achieved our first sales in the year and anticipate revenue will grow in the current year.

## COST RESTRAINT

The Group continued to realign its cost base and, during the year, it reduced its overall headcount whilst continuing to invest in its global sales presence. The Group also realised other overhead savings and, as noted above, like-for-like administrative expenses reduced by £0.70 million, (11.7%) in the year without affecting the operational capacity of the Group.

## IMPACT OF COVID-19

The principal trading impact of Covid-19 has been the slowdown in the global aviation sector which has reduced demand for SiC and the SiC blanks that we manufacture at our US facility. The immediate impact has been mitigated to an extent by the continued support of our largest customer which offered this business unit valuable breathing space. During the year the Group has moved to reduce medium term exposure to the aviation sector and, as noted above, has entered new markets for its existing products and by adopting complementary products such as Ceramycguard™, has accessed new markets and customers.

Within the wider operation, despite an initial slowdown which saw a number of projects delayed or postponed, business has remained robust. I am pleased to report that, as the UK moved through the second and third waves, whilst not 'business as

## Chairs Statement continued

normal', projects and contracts progressed according to revised plans.

At no time during the year were any of the Group's sites closed and the Company acted in accordance with the latest guidance at each of its locations

### Staff

I would like to thank the executive management team who have maintained the momentum of our transition during these unprecedented times. In particular, for ensuring that our facilities continued to operate during the year with minimal interruption and without compromising on the safety and wellbeing of our employees. I would also like to thank our staff who have readily adjusted to rapidly evolving local restrictions and have effectively embraced new technology and ways of working. Their resilience and flexibility have allowed the Group to continue to operate effectively over the past year.

### Funding

The Directors believe the business is well placed to benefit from a recovery in the aviation industry and the wider improvement in the global economy. During the year we were pleased to be awarded a £1.10 million loan from Innovate UK and this will allow the business to expand its functionalisation capacity eight-fold at our Ammanford facility and support increased investment in our production, sales and marketing resources. At 30 June 2021 we had drawn down £0.8 million of this facility.

On 20 September 2021, the Company completed an equity placing raising £5.10 million (gross) and I would like to welcome our new shareholders and to thank our existing shareholders for their continued support at this time.

### Outlook

The Board is encouraged by the very positive response from across several different industry sectors to our new products and technologies, which gives us confidence in our medium to long-term outlook. However, we are yet to see any sustained recovery in our Aerospace business and so we continue to be cautious with respect to short-term revenue. Haydale's proprietary technology now has the potential to deliver material change across many sectors in ways that our customers are increasingly recognising as important in their search for more environmentally friendly materials. As a result, Haydale is expanding the Group's capacity to functionalise nano and other materials and continues to invest in product development critical to our future success.

### David Banks

Chair

14 December 2021