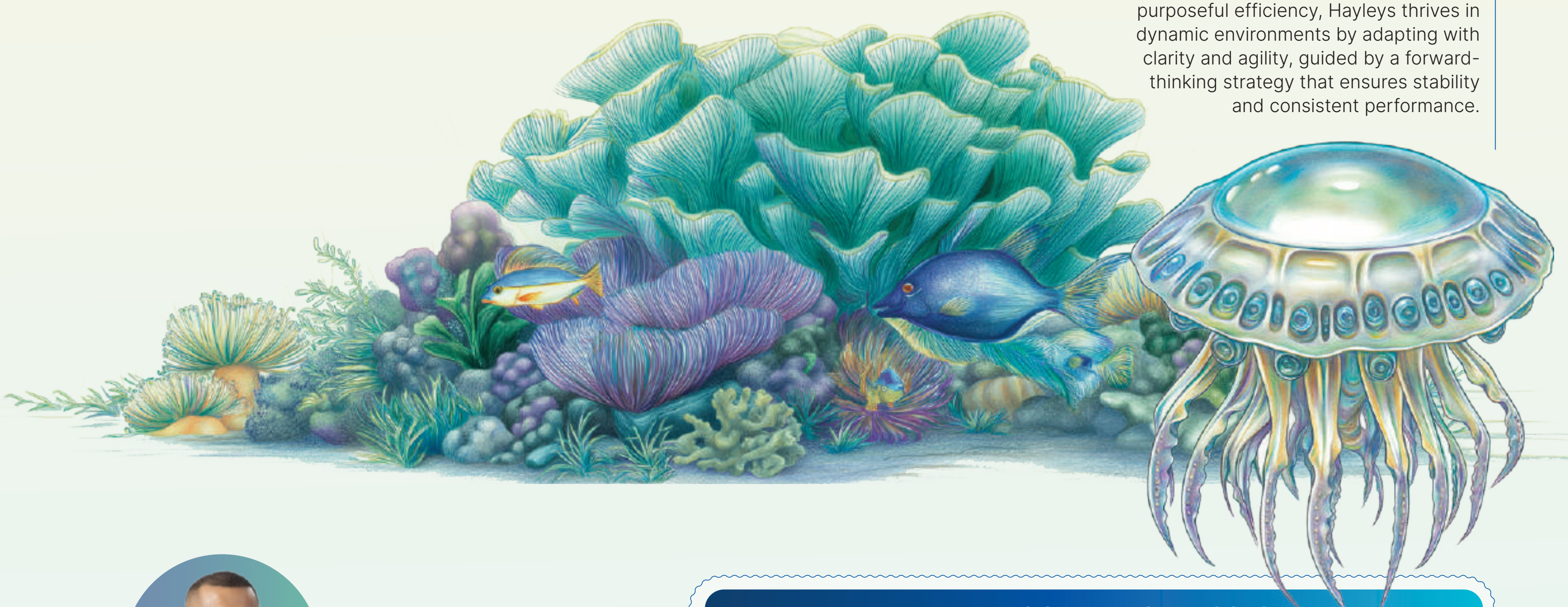
Financial Capital

DIGITS AND DIVIDENDS

Financial Capital comprises the pool of funds available to the Group, which enables new investments and allows the sustenance of day-to-day operations. It includes equity funding, debt and retained earnings.

Like jellyfish that emit light with purposeful efficiency, Hayleys thrives in dynamic environments by adapting with clarity and agility, guided by a forward-thinking strategy that ensures stability and consistent performance.



GROUP CHIEF FINANCIAL OFFICER'S OVERVIEW

Our strategy is designed to drive long-term shareholder value through building a resilient and optimal portfolio of businesses, while maximising cash generation to fund future investments. Our approach to resource allocation and portfolio management centers on building a strategic equilibrium between investing in high-potential, return-accretive growth ventures while preserving the stable cash flows of our mature, low-growth businesses.

Despite a multitude of challenges that prevailed during the year, the Group demonstrated strong resilience to achieve its highest ever Revenue and strong profitability. We remained focused on driving enhanced shareholder value through organic and inorganic growth in the portfolio, operating efficiency and effective margin management.

Insights from Group Chief Financial Officer
Scan to view

KEY AREAS OF FINANCIAL FOCUS

- → Strategic deployment of capital prioritising high-return, scalable businesses
- → Optimise portfolio performance to achieve a balance between short-term profit targets and long-term growth
- → Strengthening financial position through effective management of debt, enabling greater financial resilience
- → Effective capital allocation- which balances the needs of our shareholders while retaining funding for future growth
- → Strategic financial reporting and transparency

FINANCIAL DRIVERS

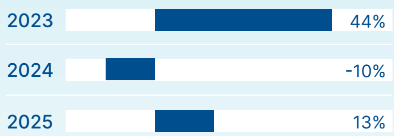
- → Revenue growth
- → Effective margin management
- → Cash flow generation
- → Working capital management
- → Management of financial risks

Financial Capital

MEASURING PROGRESS
Financial Capital- Our KPIs

GROWTH

Revenue growth (%)



How we performed:
The Group achieved 13% Revenue growth during the year, driven primarily by domestic businesses which benefitted from more conducive economic conditions. Revenue expansion during the year highlights the diversity and resilience of the Group's earnings profile.

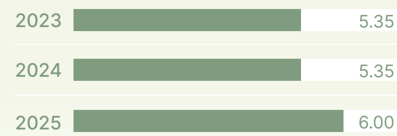
PROFITABILITY

EBIT margin (%)

How we performed:
Despite a contraction in margins at GP level, the Group maintained its EBIT margins reflecting the success its value-addition strategy and focus on cost efficiencies.

SHAREHOLDER RETURNS

Dividend per share (Rs.)



How we performed:
DPS increased by 12% as the Group continued to deliver on its shareholder commitments.

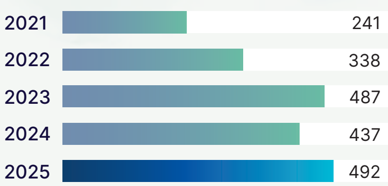
REVENUE

Strategic foresight in driving deeper diversification along industry verticals, geographies and markets positioned the Group in good stead during the financial year, enabling it to remain resilient to a multitude of converging challenges. Consolidated Revenue increased by 13% to an unprecedented Rs.492.20 bn during the year, driven by the strong top line growth of Consumer & Retail (+33%), Transportation & Logistics (+17%) Projects & Engineering (+34%) and Hand Protection (+8%). It is noteworthy that this Revenue achievement was made despite the strengthening of the Sri Lakan Rupee, which adversely affected the Group's export-oriented sectors. As domestic conditions became more favourable, the Group's local businesses recorded strong growth, although export revenue still accounted for 53% of total Revenue during the year. Further information on the factors which shaped the performance of each Sector is detailed in the Portfolio Reviews from page 156 to 288.

Revenue	Growth (%)	Relevance to group (%)
Eco Solutions	(7)	3
Hand Protection	8	9
Purification	0	9
Textiles	(12)	9
Construction Materials	32	3
Plantations	6	4
Agriculture	8	8
Consumer & Retail	33	22
Leisure	7	2
Industry inputs, Power & Energy	14	2
Transportation & Logistics	17	22
Projects & Engineering	34	4
Tea exports	8	3
Others	(27)	0

Revenue

Rs. 492.20 bn (+13%)



Most significant increases in revenue was driven by,

- **Consumer & Retail** – supported by improved consumer sentiments, proactive market activations and measures to ensure improved product availability across the network
- **Transportation & Logistics**- Driven by improved freight rates and customer acquisition across key verticals

Implications of SRROs on Revenue

- Implications of SRROs on Revenue
- Rainfall and temperature impact on yields of Plantations Sector
- Revenue impacts through demand from the Agriculture Sector, both in Agriculture and e Consumer & Retail Sectors
- Potential positive impact on Revenue from accessing new sustainability-conscious segments

OPERATING PROFITABILITY

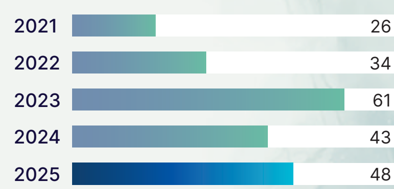
The Group's Operating Profit/EBIT increased by 12% to Rs.47.77 bn during the year, reflecting top line growth as well as improvement in the core performance of Consumer & Retail and Transportation & Logistics Sectors among others. The stronger Rupee continued to adversely affect the profitability of export-oriented sectors including Textiles (-26%), Purification (-12%) and Tea Exports (-27%). Notably, the Leisure Sector which had incurred a Loss Before Interest and Tax of Rs.427.00 mn in the previous year, recorded strong turnaround to generate an EBIT of Rs.543.82 mn during the reviewed period. Despite the narrowing of profitability margins at Gross Profit level, the Group maintained its EBIT margin at 10%. Key determinants of the Group's Operating Profitability are set out below:

Cost of Sales including Raw Materials and Consumables: The Group's Cost of Sales increased by 15%, resulting in Consolidated GP margin narrowing marginally to 24%, from 25% the previous year. This increase reflected sharp cost increases in certain raw material categories including latex and coconut-shells.

Operating Costs: Despite the considerably higher operational activity, the increase in Administrative Expenses was contained at 4%, reflecting the Group's relentless focus on driving efficiency and productivity improvements. Distribution expenses increased by 15% during the year in view of increased investments in market activations across key verticals as well as higher commission paid on the

EBIT

(Rs) 47.77 bn (+12%)



Operating profit	Growth (%)	Relevance to group (%)
Eco Solutions	(187)	(1)
Hand Protection	1	7
Purification	(12)	11
Textiles	(26)	8
Construction Materials	82	4
Plantations	(11)	5
Agriculture	(14)	6
Consumer & Retail	152	17
Leisure	227	1
Industry inputs, Power & Energy	12	3
Transportation & Logistics	26	16
Projects & Engineering	(19)	7
Tea exports	(27)	1
Others	19	15

Financial Capital

Implications of SRROs on Profitability

- Physical damage to assets due to extreme weather events
- Increased cost of sourcing water due to supply disruptions
- Increased cost of compliance stemming from sustainability-related regulations

significantly higher business volumes at Singer (Sri Lanka) PLC. Meanwhile, Other Expenses increased sharply to Rs.1.07 bn mainly driven by losses on fire damage in the Construction Material Sector

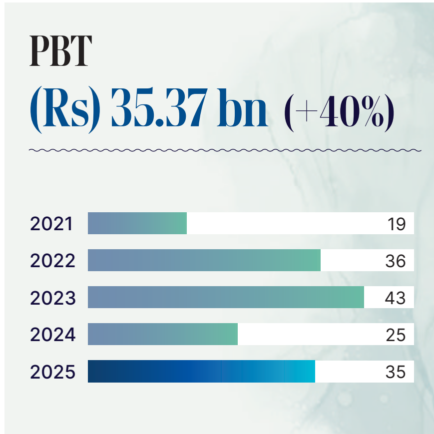
Other Income: Consolidated Other Income increased by 45% to Rs.5.06 bn during the year, upheld by the receipt of insurance claims.

NET FINANCE COSTS

The Group's Net Finance Cost declined by 30% to Rs.12.14 bn during the year, supported by a sharp drop in finance costs stemming from the continued deceleration of market interest rates. Despite a 19% increase in Total Borrowings, Finance Cost fell by 30%. The net foreign exchange gains included in the net Finance Cost also improved to Rs.515 mn from a loss of Rs. 312 mn the previous year. Meanwhile, Finance Income declined to Rs.6.96 bn from Rs.9.91 bn during the year, reflecting the decline in market interest rates.

PROFIT BEFORE TAX

The Group achieved a 40% increase in Profit Before Tax to Rs.35.37 bn during the year, as it leveraged its diverse earnings profile to capitalise on emerging market opportunities. The Consumer & Retail Sector emerged as the largest contributor to PBT with a share of 15%, followed closely Transportation & Logistics (15%), Purification (13%), Hand Protection (9%), Textiles (7%) and Projects & Engineering (8%)

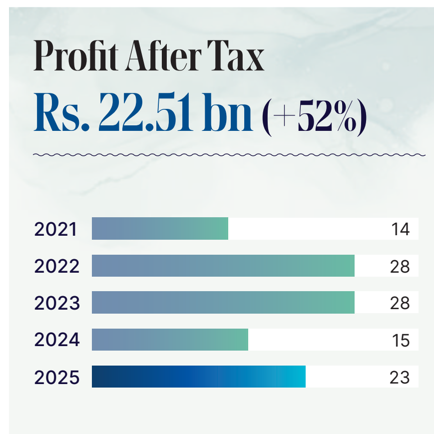


TAXATION

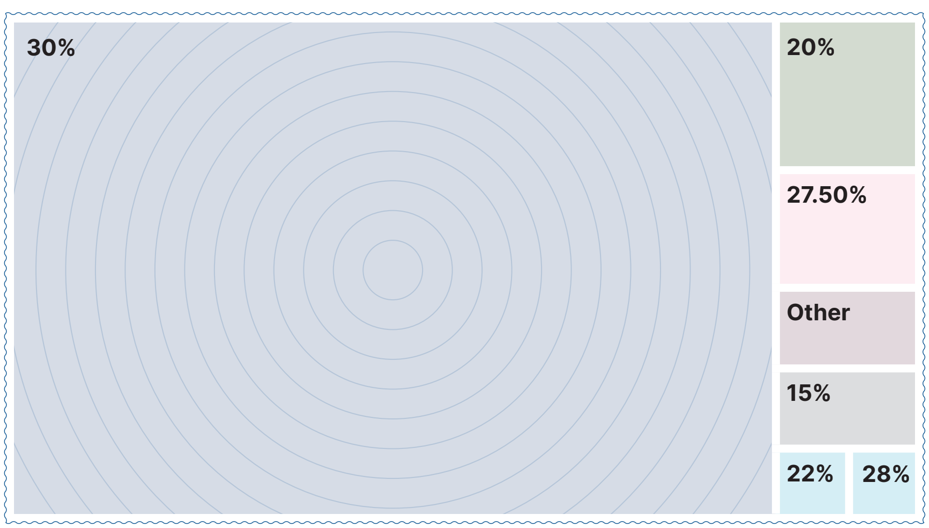
The Group's Tax Expense for the year increased by 23% to Rs.12.86 bn during the year led by improved profitability while the effective tax rate amounted to 37% during the year. The tax payments relevant to each of the tax rates applicable across the Group are set out below.

Tax strategy: The Group's tax strategy is reviewed by the Board and implemented by the Group Head of Tax and the Group Chief Financial Officer. The tax strategy centers on the following pillars:

- Ensuring compliance with all applicable laws and regulations in all jurisdictions that the Group operates in
- Maintain open and transparent engagement with tax authorities
- Efficient management of tax affairs which support achievement of growth profitability targets
- Ensuring timely and accurate filing of all tax returns
- Ensuring timely and accurate filing of all tax returns (corporate income tax, VAT/GST, payroll taxes, etc.).



Income tax payments by rate



PROFIT AFTER TAX

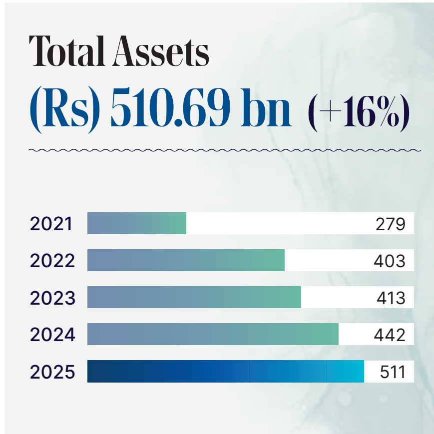
The Group generated a Profit After Tax of Rs.22.51 bn, an increase of 52% compared to the previous year. At Company level, Hayleys PLC recorded a Profit After Tax of Rs. 3.99 bn, compared to Rs. 1.33 bn the previous year. Although declining in comparison to the previous year, dividend upstreaming remained healthy at Rs.5.75 bn during the year.

OTHER COMPREHENSIVE INCOME

The Group's Other Comprehensive Income for the year increased to Rs.4.46 bn, driven mainly by revaluation of land which amounted to Rs.6.52 bn. Meanwhile, net exchange differences on translation of foreign operations declined to Rs.256 mn compared to losses of Rs.3.88 bn the previous year. As a result, the Group's Total Comprehensive Income more than doubled to Rs.26.97 bn compared to Rs.10.96 bn the previous year.

TOTAL ASSETS

The year under review was marked by significant investments aimed at expanding capacity, diversifying businesses and strengthening earnings generation. Investments across several key sectors including Transportation & Logistics, Purification, Hand Protection, Textiles and Construction Materials resulted in the Group's Property, Plant and Equipment increasing by 15% to Rs. 153.77 bn, which resulted in Total Assets expanding by 16% to Rs.510.69 mn. Total Current Assets also increased by 14% to Rs.294.13 bn, driven mainly by an increase in Trade and Other Receivables (+27%) reflecting higher operational activity across verticals. The asset composition remained relatively unchanged during the year, with Current Assets accounting for 58% of Total Assets. Key contributors to asset growth were Consumer & Retail (+32%), Transportation & Logistics (+11%), Hand Protection (+22%) and Purification (+12%)



CAPITAL AND FUNDING

The Group's funding strategy aims to maximise financial flexibility and minimising the risk of refinancing by broadening funding sources. The Group Treasury Function is responsible for raising funding for the Group with clear parameters and limits including levels of authority being defined. The Group's Funding Profile features a relatively healthy funding mix, with Equity and Borrowings funding a respective 28% and 40% of the Group's Total Assets as at end-March 2025. The Group's National Long-Term Rating of 'AAA (lka)' with a Stable Outlook from Fitch Ratings attests to the stability and resilience of the Group's financial profile.

Total Assets	Growth (y-o-y) (%)	Relevance to group (%)
Eco Solutions	4	4
Hand Protection	22	7
Purification	12	8
Textiles	0	6
Construction Materials	29	3
Plantations	8	5
Agriculture	13	5
Consumer & Retail	32	22
Leisure	0	3
Industry inputs, Power & Energy	5	3
Transportation & Logistics	11	14
Projects & Engineering	3	5
Tea Exports	20	1
Others	9	14

Implications of SRROs on Financial Position

- Physical damage to assets leading to impairment
- Obsolescence/write-off of assets
- Funding requirements stemming from asset replacement etc.

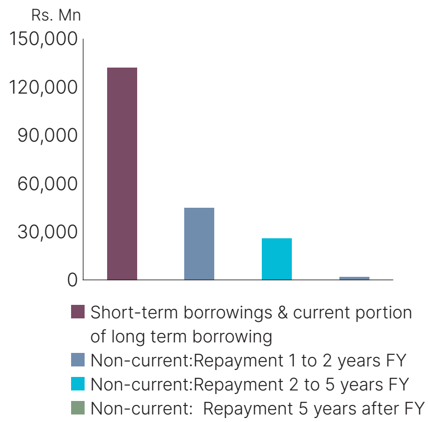
Maintaining a stable debt profile

In managing the Group's debt profile, we ensure that the maturities of our funding sources are adequately spread out. Counterparty exposures are also monitored on an ongoing basis, ensuring that our funding platform is

Financial Capital

diversified across banks and other debt instruments. The Group's Total Borrowings increased by 19% to Rs.204.41 bn during the year with short-term borrowings accounting for 50% of Total Debt. Short-term borrowings are primarily working capital facilities and are typically revolving in nature. Meanwhile Consumer & Retail, Transportation & Logistics and Others Sectors continued to dominate the debt profile, collectively accounting for 61% of Total Borrowings.

DEBT MATURITY PROFILE



CASH FLOW AND LIQUIDITY

The Group's liquidity management centers on proactively monitoring forecasts and actual cashflows, ongoing negotiations with fund-providers and ensuring optimal funding for all asset acquisitions or disposals.

The Group invested in "Kyriba", a state-of-the-art Treasury Management System during the year, enabling real-time access to treasury-related data and connectivity across 300 banks accounts. Aligned to the overall digital transformation strategy of the Group, the system will facilitate increased transparency on rate negotiations, Group-wide consolidation and increased transparency.

During the year, the Group's Net Cash Inflow from Operating Activities declined to Rs.11.86 bn from Rs.30.43 bn the previous year reflecting an increase in working capital requirements in line with higher operational activity. Meanwhile Net Cash Outflow from Investing Activities amounted to Rs. 19.67 bn during the year, mainly due to capital investments across key verticals. Net Cash Outflow from Financing Activities amounted to Rs.3.82 bn during the year.

Adequacy of Financial Capital for future plans

The Group will require funding to drive its regional and international expansion plans, which it intends to raise through diversifying its funding profile. Overseas funding, debt instruments and green financing options are currently being assessed as potential options

Total Borrowings	Growth (y-o-y) %	Relevance to Group Total Borrowings (%)
Eco Solutions	13%	3%
Hand Protection	38%	4%
Purification	57%	3%
Textiles	1%	6%
Construction Materials	38%	4%
Plantations	3%	1%
Agriculture	28%	5%
Consumer & Retail	31%	28%
Leisure	-8%	5%
Industry inputs, Power & Energy	15%	1%
Transportation & Logistics	1%	16%
Projects & Engineering	59%	5%
Tea Exports	11%	1%
Others	17%	18%

WAY FORWARD

Priorities for 2025/26

- Diversifying funding sources, given changes to Single Borrower Limit regulations applicable on banks
- Effective management of liquidity and debt maturity
- Optimal capital allocation

INVESTOR RELATIONS

Hayleys PLC is committed to maintaining transparent, constructive and ongoing dialogue with its shareholders, facilitated through multiple engagement platforms including the Annual General Meeting, the publication of the Annual

- Timeliness of disclosures
- Accuracy and integrity of information
- Transparency
- Stakeholder inclusivity in communications

Report, quarterly reporting to the CSE as well as periodic press releases and announcements. Through our engagement we seek to provide meaningful and relevant information to facilitate informed decision making.

Information we share with our shareholders through this Annual Report

→ The operating environment during the year (pg. 98)

→ Implications of the macro-economic environment (pg. 98)

→ Financial performance and Portfolio Review (pg. 289,156-288)

→ Corporate Governance and risk management practices (pg.54)

→ Our Environmental, Social and Governance (ESG) framework (pg.530)

PERFORMANCE OF THE COLOMBO STOCK EXCHANGE

The Colombo Bourse recorded a year of strong growth in 2024 attesting to an overall improvement in investor sentiments following the stabilisation of the macro-economic landscape. During the year, the All Share Price Index (ASPI) recorded a growth of 49.7% while the Standard & Poor's Sri Lanka 20 (S&P SL20) increased by 58.5%. Market capitalisation increased by 34.1% during the year while average daily turnover amounted to Rs. 2.24 bn, compared to Rs.1.70 bn the previous year. In view of the upside potential and positive outlook among investors, the Price to Book Value also improved to 1.2, up from 0.9 in December 2023.

Securities in Issue:

→ Ordinary Shares

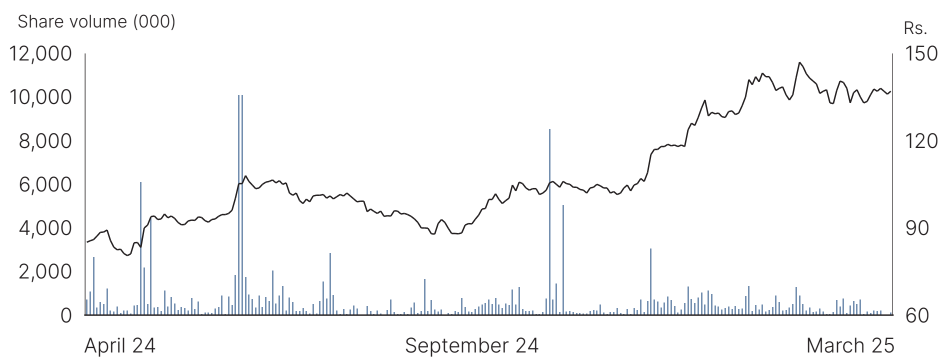
→ Debentures

- Hayleys PLC issued Rs.7.0 bn listed, rated, unsecured, senior redeemable debentures in May 2025, which was over-subscribed on the first day of opening.

Performance of the Hayleys Share

The Hayleys share performed exceptionally well during the year, strengthening gradually throughout the year to close at Rs. 137.00, an increase of 67% from the beginning of the year. The share price traded between a low of Rs.80.00 and a high of Rs. 149.25, while the average volume traded amounted to 644,943 during the year while the daily average turnover clocked in at Rs. 68.44 mn compared to Rs.35.20 mn the year before, demonstrating improved investor interest and frequency of trading.

SHARE PRICE MOVEMENTS



SHAREHOLDER RETURNS

The Group delivered superior returns to shareholders during the year, recording broad-based improvements across multiple shareholder metrics as summarised in the table below.

		2025	2023	2022
Market value per share	Rs.	**137.00**	82.10	72.00
Dividend per share	Rs.	**6.00**	5.35	5.35
Company market capitalisation	Rs. bn	**102.75**	61.58	54.00
Group market capitalisation	Rs. bn	**254.69**	168.13	142.46
Price earnings ratio	No. of times	**7.64**	8.94	3.30
Dividend yield ratio	%	**4.38**	6.52	7.43
Dividend payout ratio	%	**33.46**	58.25	24.54
Dividend Cover	No. of times	**2.99**	1.72	4.07