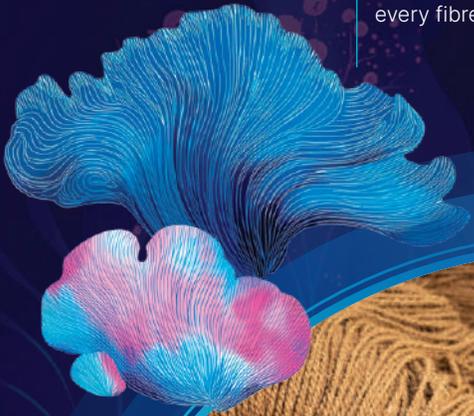


### Corals

Each strand of coral radiates with an exceptional glow, symbolising the intricate structures that inspire every fibre of our being.



## ECO SOLUTIONS

The Sector is one of Sri Lanka's leading exporters of traditional and value-added coconut fibre products, catering to a global network of retailers, industries and households through a wide portfolio of innovative and sustainable solutions.



Insights from Sector  
Managing Director  
Scan to view

# Eco Solutions

## HIGHLIGHTS OF 2024/25



**Revenue**  
Rs. 12.85 bn  
(-7%)



**Profit Before Tax**  
Rs. (524) mn



**Profit After Tax**  
Rs. (520) mn  
(31-fold)



**Assets**  
Rs. 20.76 bn  
(+4%)



**Liabilities**  
Rs. 9.51 bn  
(+8%)



**Employees**  
1,123  
(0%)



**Carbon Footprint**  
(Scope 1,2,3)\*  
10,875 tCO<sub>2</sub>e\*

### INTEGRATED PERFORMANCE



### STAKEHOLDER VALUE CREATION



\*The carbon footprint for 2024/25 represents an expanded coverage of Scope 3 emissions compared to the previous year

### KEY DEVELOPMENTS IN 2024/25

Backward integration through investments in a fibre-extraction facility

Ongoing investment in value-added products

Just like bioluminescent organisms that adapt to their environment, illuminate the depths, and sustain their delicate ecosystems, the Sector continues to evolve and adapt, and thrive sustainably in an ever-changing world.

#### EVOLVE WITH INNOVATION

- Investments in R&D aimed towards developing innovative solutions catering to new applications across industries

#### INDUSTRY FORERUNNER

- **One** of Sri Lanka's leading coconut-fibre exporters
- **USD 42 mn** export revenue generated

#### Presidential Export Awards 2024

- **Bonterra** - Best Exporter Award – Coconut Fiber Products Category
- **Hayleys Fibre PLC** - Best Exporter Award- Coconut Substrate Products Category

#### ADVANCE SUSTAINABILITY

Growing media solutions which facilitate plant growth in limited spaces by providing suitable substrates for plant growth

Erosion control solutions which preserve soil quality and support agriculture and vegetation

A range of brushware and floor covering catering to the needs of industries and households

Horticulture products which encourage cultivation and home gardening in households

# Eco Solutions



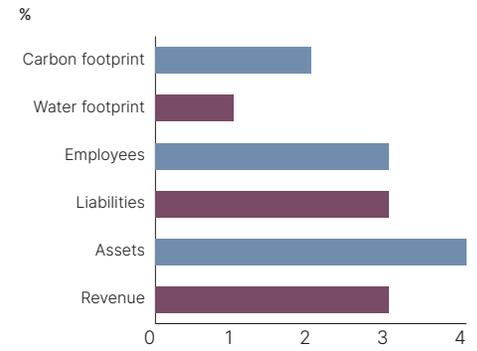
## SECTOR OVERVIEW

The Group's Eco Solutions Sector is a pioneering and leading manufacturer of value-added coconut fibre products, offering an array of tailor-made, innovative and environmentally sustainable solutions across several product categories. Through the procurement of coconut coir fibre from a network of local suppliers which are subsequently transformed and exported across the world, the Sector generates significant local value addition

## SECTOR OPERATIONS

Sub-Sector	Revenue	PBT
	Contribution to Sector (%)	Rs. mn
<b>Eco fibre</b> Manufacture a range of value-added coir fibre products	64	63
<b>Brushware</b> Pioneer in the brush market, catering to both the local and international markets	17	(237)
<b>Floor covering and mattresses</b> Manufacturer of coir, rubber, flocked door mats and PU mattresses	19	347

## RELEVANCE TO GROUP



Product capabilities	Market reach	Brands	Manufacturing
Over <b>1,000 product varieties</b> including value-added coir fibre products, brushware, floor coverings and mattresses	Over <b>300 industry-leading customers</b> across 80 markets ranging from Fortune 500 companies to international supermarket chains and local customers.	<b>Portfolio of leading brands</b> including Bonterra, Haygreen Ravi, Rileys, Hayleys Fibre and Hayleys Mattresses	<b>13 manufacturing facilities</b> including 1 in India and regional marketing offices in the UK, Netherlands and Japan

## OPERATING ENVIRONMENT

The global coir market has recorded consistent growth in recent years, fuelled by the increasing demand for sustainable materials and the rising adoption of coir in agriculture and horticulture applications such as erosion control and hydroponics. Meanwhile, the limited availability of land and the increasing prevalence towards healthy diets have driven the demand for growing media products. The global market also remains intensely competitive, underscoring the need for manufacturers to focus on innovation and value-added product propositions. Key dynamics which shaped the operating landscape during the year are summarised below:

	<b>EXCHANGE RATE</b>	<b>COCONUT SUPPLY</b>	<b>GEOPOLITICAL DYNAMICS</b>	<b>FORECAST GROWTH</b>
	<b>6%</b> Y-o-y appreciation of the Sri Lankan Rupee (Monthly average rate)	<b>-12%</b> Decline in Sri Lanka's coconut production	<b>+145%</b> Increase in intra-Asia global freight rates	<b>7% CAGR (2023-2030)</b> Growing media products
		<b>+200%</b> Increase in average price of coconut husk	<b>1.5 times</b> Prolonged lead times	<b>6% CAGR (2023-2030)</b> Natural fibre carpets
<b>Description</b>	The appreciation during 2024 was driven by Improved foreign exchange liquidity and para-tariffs on top of existing customs duties.	Limited application of fertilizer, climate implications and spread of diseases led to an acute shortage of coconut and its by products	Global shipping costs surged in 2024, driven by disruptions in major maritime routes and rising operational costs	Demand for growing media is expected to be driven by limited availability of arable land, popularity of home gardening and growth in the agriculture and horticulture industries.
<b>Impact</b>	<b>H</b>	<b>H</b>	<b>H</b>	<b>M</b>
<b>Implications</b>	<ul style="list-style-type: none"> <li>- Adverse implications on volume and market share</li> <li>- Reduced competitiveness in the global market</li> </ul>	<ul style="list-style-type: none"> <li>- Sharp increase in raw material costs, pressurising margins</li> </ul>	<ul style="list-style-type: none"> <li>- Adverse implications on costs and profit margins</li> </ul>	<ul style="list-style-type: none"> <li>- Strategic emphasis on innovation and value-added growing media products</li> </ul>

**H**-High, **M**-Medium, **L**-Low / Blue circle represents adverse effect while green circle represents positive effect

**RISK LANDSCAPE**

**Market risks**

Exchange rate volatility and potential impacts on global competitiveness and margins

Ⓞ **Strategic response**

→ Proactive monitoring of exchange rate movements and timely pricing revisions

**Market risks**

Geopolitical dynamics could impact demand conditions, global shipping and freight rates

Ⓞ **Strategic response**

→ Strengthen customer relationships through deeper penetration

**Market risks**

Competitive pressures from regional manufacturers and intensifying price pressure

Ⓞ **Strategic response**

→ Enhance value-added portfolio through investments in R&D

→ Efficiency improvements and automation

→ Optimise business model through curtailment of loss leaders

**Sustainability-related risks**

**CRRO 3**

Physical climate risks including rainfall and temperature have a direct impact on availability of coconut fibre

Ⓞ **Strategic response**

→ Backward integration and supplier diversification



# Eco Solutions

**Sustainability-related opportunities**

**SRRO 3**  
Stringency of environmental regulations and increasing prevalence towards sustainable products

📌 **Strategic response**

→ New product development and market expansion in growing media products

**OPPORTUNITIES**

**Market opportunities**

Environmental and social considerations are increasingly featuring in customers purchasing decisions

📌 **Strategic response**

→ Unlocking growth through the Sector's ESG strategy 'Entwine'

## STRATEGY AND RESOURCE ALLOCATION

The Sector's strategic priorities for the year were consistent with the approach adopted in recent years which sought to strengthen the Sector's position in non-traditional markets and drive innovation towards value-added products. The prevalent coconut shortage has also prompted the Sector to pursue backward integration and these efforts were strengthened during the year as the Sector sought to secure its coconut supply chain.

### Strategic KPIs/ Pre-financials

MARKET EXPANSION	INNOVATION	SUPPLY CHAIN MANAGEMENT												
<p><b>How we performed:</b> The Sector has made inroads into several non-traditional markets in the North Africa and CIS regions, securing considerable market share in specialised products.</p>	<p><b>How we performed:</b> The Sector focused on developing specialised and technical floor covering solutions catering to specific industrial requirements, with the aim of gradually expanding its value-added product portfolio.</p>	<p><b>How we performed:</b> The Sector commenced construction of a fibre processing facility. Progress was also made in securing new suppliers outside the traditional coconut triangle.</p>												
<p><b>New customers acquired</b></p> <table border="1"> <tr><td>2025</td><td>47</td></tr> <tr><td>2024</td><td>60</td></tr> <tr><td>2023</td><td>53</td></tr> </table>	2025	47	2024	60	2023	53	<p><b>New products developed</b></p> <table border="1"> <tr><td>2025</td><td>18</td></tr> <tr><td>2024</td><td>4</td></tr> <tr><td>2023</td><td>3</td></tr> </table>	2025	18	2024	4	2023	3	<div style="border: 1px solid #ccc; border-radius: 15px; padding: 10px; background-color: white;"> <p style="font-size: 24px; font-weight: bold; color: #0070c0;">96</p> <p>New suppliers added</p> </div>
2025	47													
2024	60													
2023	53													
2025	18													
2024	4													
2023	3													
<p><b>About this KPI and why we use it:</b> This KPI helps assess the strength of the Sector's market expansion and customer acquisition strategy, evaluating marketing effectiveness, brand growth and revenue potential.</p> <p><b>Resource allocation</b> Sales and marketing expenditure: <b>Rs. 344 mn</b></p>	<p><b>About this KPI and why we use it:</b> We use this KPI to assess revenue potential as well as the Sector's competitiveness, market responsiveness and brand differentiation.</p> <p><b>Resource allocation</b> Investment in research &amp; development: <b>Rs. 1.70 mn</b></p>	<p><b>About this KPI and why we use it:</b> This KPI is used to assess the effectiveness of the Sector's supplier diversification strategy and supplier relationship management.</p> <p><b>Resource allocation</b> Investment in backward integration: <b>Rs. 600 mn</b> Payments to suppliers: <b>Rs. 5.38 bn</b></p>												

**INTEGRATED PERFORMANCE REVIEW**

**Subdued performance:** The Sector's performance was pressured by the dual challenges of an appreciating Sri Lankan Rupee and the acute shortage of coconuts, which in turn led to a surge in raw material costs. As a result, the Sector's Revenue declined by 7% y-o-y, with Loss Before Tax amounting to Rs.523.92 mn during the year, reflecting a volume decline of 4%. Profitability margins were impacted by the difficulties in passing on cost increases to customers given the intensely price competitive nature of several products in key verticals. Against this backdrop, the Sector placed strategic focus on driving innovation-led differentiation, acquiring customers in new markets and backward integration to mitigate the impacts of supply chain disruptions.

**Sub-sector performance:** The Eco fibre sub-segment recorded a year of subdued performance during the year, reflecting global dynamics and competitive pressures. Meanwhile, the Brushware sub-segment's performance was adversely affected by the escalating raw material costs and the unfavourable exchange rate dynamics which pressured profitability margins. The performance of the Floor covering and mattress sub-segment was also below expectations with the appreciation of the exchange rate rendering Sri Lankan manufacturers uncompetitive in comparison to its regional counterparts. Subdued demand in the domestic mattress sector led to severe price competition, thereby adversely affecting the Sector's profitability.

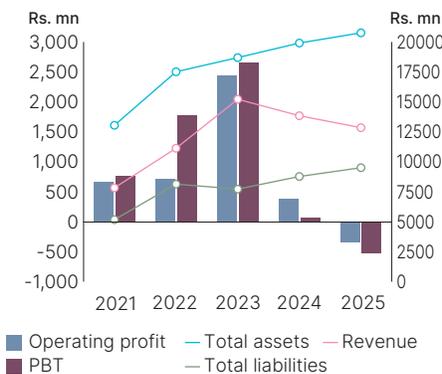
**Supply chain challenges:** The effective management of supply chain dynamics was a critical priority during the year, with the persistent decline in the country's coconut yield and crop presenting a significant risk to the Sector. Continued emphasis was placed on geographically diversifying supply chains and investing in backward

integration. During the year, the Sector also commenced construction of a fibre extraction plant in Nikaweratiya; with a total investment of Rs.600 mn- the plant represents the largest of its kind in the Sector and is expected to fulfill around 35% of the Sector's total fibre requirement. During the year, the Sector also expanded capacity of its palmyrah fibre processing plant in Jaffna by nearly 30%, which will further support supply chain security in the short-to-medium term.

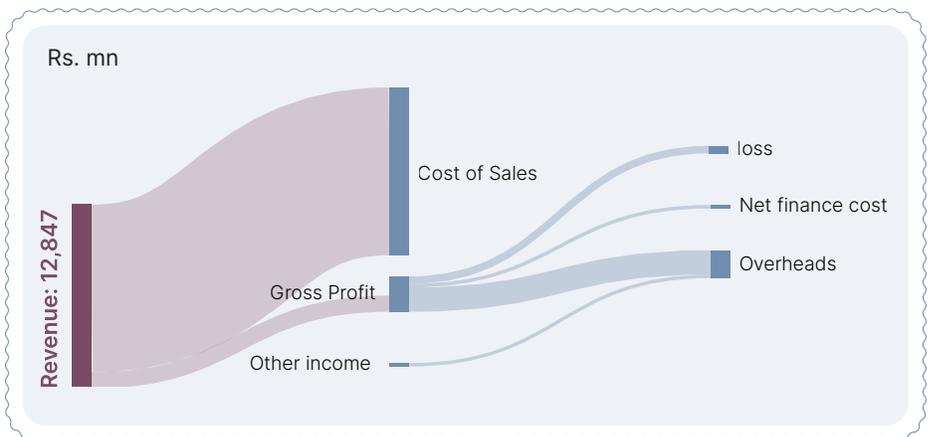
**Value-added product propositions:**

The Sector's R&D and innovation efforts have centered on gradually transitioning to a more value-added product portfolio, and considerable progress was made in the growing media, floor covering and value-added fibre segments. Key developments in recent years include specialised grow bags for strawberries and cherry tomatoes, high-performing twine, rubberised coir car seats and industrial cow mats which are showing considerable upside potential. The Sector is also driving efforts towards gradually modernising its manufacturing infrastructure and technology; during the year, several machines were introduced for higher productivity while a packing line was automated.

**SECTOR FINANCIAL PERFORMANCE**



	Revenue (y-o-y) %	PBT (y-o-y) %
Eco Fibre	-17	-91
Brushware	-3	42
Floor Coverings	-13	-75



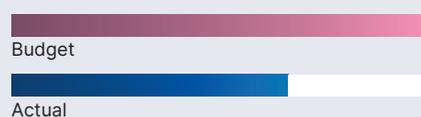
# Eco Solutions

## PERFORMANCE HIGHLIGHTS

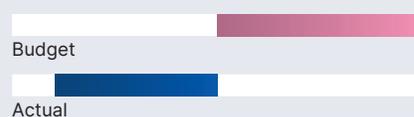
FINANCIAL METRICS	2025	2024	%	2023
Revenue	12,847	13,846	(7)	15,221
Earnings before interest and tax	(333)	384	-	2,430
Net finance income/(cost)	(250)	(357)	30	134
Profit before tax	(524)	68	-	2,656
Profit after tax	(520)	(17)	>(1,000)	2,471
Assets	20,763	19,911	4	18,694
Liabilities	9,508	8,775	8	7,722
Operating cash flow	387	(494)	-	3,555
<b>OPERATIONAL HIGHLIGHTS</b>				
No. of manufacturing facilities	13	12	8	11
Production volumes (MT)	5,869	6,157	(4)	4,901
Capacity utilisation (%)				
Hayleys Fibre	50	65	(15)	52
Bonterra	70	69	1	76
Creative Polymats	50	43	7	57

### PERFORMANCE AGAINST TARGETS

#### Revenue



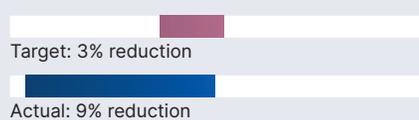
#### Profit before tax



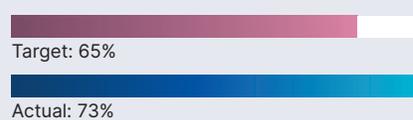
ENVIRONMENTAL METRICS		2025	2024	%	2023
ESG commitment areas	Energy consumption (GJ)	111,495	132,477	(16)	97,445
	Energy intensity (GJ/Revenue USD mn)	2,583	3,029	(15)	2,306
	Carbon footprint (tCO <sub>2</sub> e)- Scope 1 & 2	3,648	3,997	(9)	4,147
	Emission intensity (tCO <sub>2</sub> e/Revenue USD mn)	85	91	(8)	98
	Water intensity (m <sup>3</sup> /Revenue USD mn)	995	421	136	430
Relevant SASB metrics	Water withdrawal from areas with baseline water stress**(%)	100	100	-	100
	Water consumption (m <sup>3</sup> )***	42,969	18,426	133	18,186
	Total weight of packaging (MT)	58,690	N/A	-	N/A

### PERFORMANCE AGAINST TARGETS

#### Emission reduction

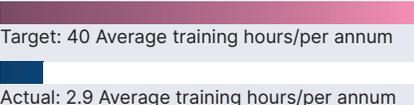


#### Reliance on renewable energy



SOCIAL METRICS	2025	2024	%	2023
No. of employees	1,123	1,119	0	908
Revenue per employee (Rs. mn)	11	12	(8)	17
Remuneration per employee (Rs.mn)	1	1	-	2
Investment in CSR (Rs.mn)	3	3	-	28
No. of CSR beneficiaries	721	1,201	(40)	1,949

PERFORMANCE AGAINST TARGETS	
<b>Training Hours</b> 	<b>Target: 50% increase in CSR beneficiaries</b> <b>Actual: 721 beneficiaries</b>

\*The Environmental and Social metrics disclosed above represent the Sector's most material impact areas, long-term ESG commitments and topics prescribed by the SASB Standard- Household & Personal Products Standard

\*\* The Aqueduct Water Risk Atlas places Sri Lanka in the medium to high risk category for water stress

\*\*\* Water consumption demonstrates a significant increase due to improved monitoring.

**ESG integration:** In line with the aspirations set out in its ESG Roadmap, Entwine, the Sector engaged in several interventions aimed towards fulfilling its 2030 targets. With talent migration remaining a challenge, focus was placed on recruiting and retaining high-performing talent. Succession planning remained a key priority during the year, while skill development for the year focused primarily on leadership development, marketing and other technical areas. Employees underwent health and safety training, reflecting the Sector's efforts to nurture a safety-conscious culture. On the environment pillar, key areas of focus included renewable energy, monitoring of water and biodiversity as illustrated below. During the year, the Sector's manufacturing facility in Katana also successfully obtained ISO 14001: Environmental Management Systems.

### Long-term ESG commitments

#### Accelerate climate action

- Conversion of furnace boilers in two factories to biomass
- Conversion to LED lighting in all factories

#### Restore and regenerate nature

- Reforestation project in Nikaweratiya site

#### Optimise resource footprint

- Improved mechanisms for water measurement
- Installation of push taps in selected locations



#### Responsible work place

- Focus on health and safety training
- Leadership development

#### Partner progress

- Distribution of school supplies under the Sathdiyawara Going Beyond
- Ongoing financial assistance to supplier network

#### Responsible and responsive corporate citizenry

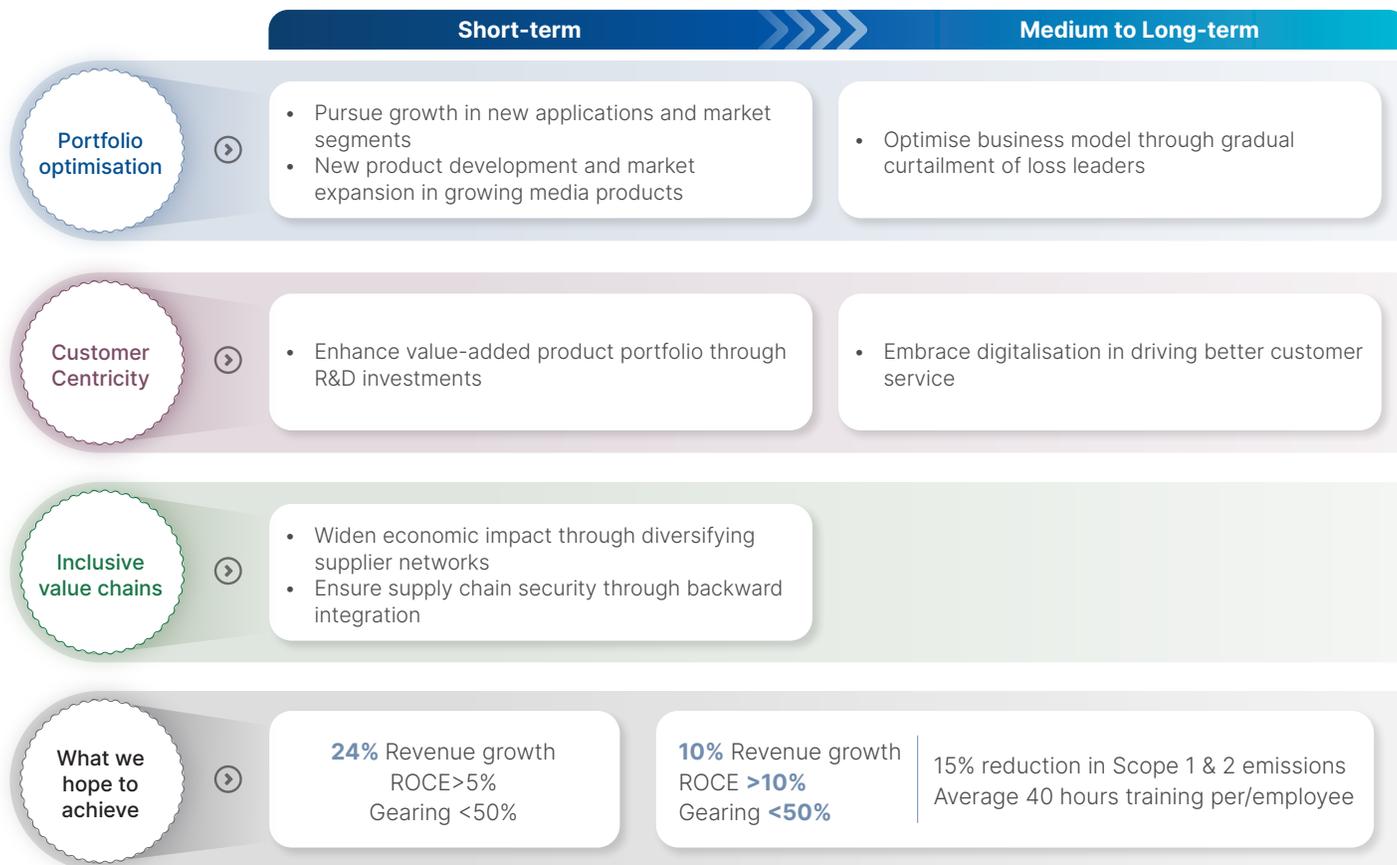
- Launch of 'Entwine' Sector-level ESG Roadmap
- ESG Governance and reporting mechanisms strengthened

# Eco Solutions

## PROSPECTS AND PLANS

The long-term demand dynamics for the Sector remain favourable, particularly in categories such as growing media, erosion control and horticulture which are projected to see robust growth in line with increasing regulation and global focus on sustainability. For the Sector, raw material shortage remains the most critical risk in the short-term, requiring proactive inventory planning, supply chain diversification and backward integration. Competitive pressures from regional counterparts also pose a significant risk in the near term, with potentially unfavourable tax policies impacting the competitiveness of Sri Lankan manufacturers.

### Alignment to Group strategy



Opportunities and levers	Risks to strategy
→ Increasing demand for growing media products	→ Escalating geo-economic confrontations
→ Sustainability as a competitive edge	→ Escalating physical implications of climate change (CRRO1, CRRO 2)
→ Growth opportunities in new markets	→ Increasing stringency of environmental regulations (CRRO 3)