

Chameleon

Chameleons' colours transform under UV light – representing the unique patterns and designs that differentiate us from the rest.



TEXTILES

The Sector is the largest textile manufacturer in Sri Lanka, catering to leading global fashion brands through a portfolio of natural and synthetic-fibre based fabrics. The Sector's position is underpinned by its world-class innovation, manufacturing capabilities and sustainability practices.



Insights from Sector
Managing Director
Scan to view

Textiles

HIGHLIGHTS OF 2024/25



Revenue
Rs. 43.46 bn
(-12%)



Profit Before Tax
Rs. 3.07 bn
(-17%)



Profit After Tax
Rs. 2.11 bn
(-15%)



Assets
Rs. 35.86 bn
(0%)



Liabilities
Rs. 23.95 bn
(-4%)



Employees
3,397
(+3%)

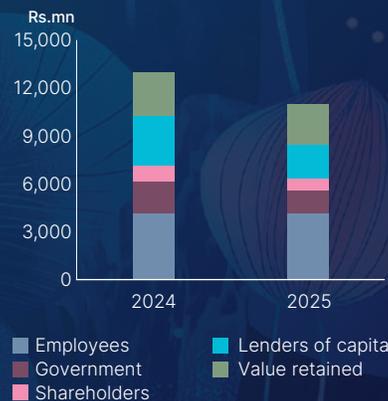


Carbon Footprint
(Scope 1,2,3)*
204,896 tCO2e

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

Emerged as the first fabric manufacturer in Sri Lanka to obtain verification of its net-zero GHG emissions targets by the Science Based Targets initiative (SBTi)

Addition of several exciting, fast-growing brands to the portfolio

39 awards won across multiple areas of excellence

South Asia Textiles Limited obtained the membership of United Nations Global Compact (UNGC)

Rooted in sustainability, innovation and adaptability, the Sector mirrors the quiet strength of bioluminescence and biofluorescence. Like these organisms, the company radiates value from within and adapts to change with resilience and agility, reflecting its commitment to ecological harmony and purposeful progress.

AGILITY AND ADAPTABILITY

- Customer diversification with the acquisition of emerging global brands
- Geographical diversification, with exposure to largest market (USA) reducing to **33%** from **39%**

INNOVATION-LED GROWTH

- **Rs. 42 mn** investment in Research and Development
- Strategic focus on performance and premium value-added fabrics
- Continued growth of **'INNO'** brand

STRATEGIC SUSTAINABILITY

Scientifically aligned decarbonisation targets and strategy

'Breath' – Holistic and transformative sustainability journey

Reductions in water, energy and emission intensities during the year

Textiles



SECTOR OVERVIEW

The Group's Textile Sector, represented by Hayleys Fabric PLC and South Asia Textiles Limited is the pioneering and largest textile manufacturer in the country. The Sector manufactures and supplies world-class fabric to leading global fashion brands and has built a strong global reputation for sustainability, quality and innovation. In addition to the conventional cotton range, the Sector specialises in the manufacture of synthetic, knitting fabric suitable for lingerie and casual/lounge wear, with over 50% of its manufacturing capacity comprising synthetic fabric.

SECTOR OPERATIONS

Sub-Sector	Contribution to Sector (%)	
	Revenue	PBT
Hayleys Fabrics PLC Fabric manufacturer with an annual production capacity of 11,400 MT	64%	85%
South Asia Textiles Fabric manufacturer, acquired by Hayleys Fabric in April 2011 with an annual production capacity of 10,320 MT	36%	15%

RELEVANCE TO GROUP



Market Presence	Manufacturing Capabilities	Innovation	Sustainability Focus
The Sector caters to high-end global fashion brands such as Nike, Calvin Klein, Tommy Hilfiger and Victoria's Secret among others	Knitting, Dyeing, Printing, Brushing, Sueding and Finishing, with the ability to manufacture a variety of tailor-made natural, synthetic and weft-knit fabrics.	The first Sri Lankan fabric mill to launch its own brand, ' INNO '- enabling it to position itself as a niche supplier of fashion-forward fabric	Globally recognised for its strong sustainability focus , with numerous innovations centered on decarbonisation, circularity and resource efficiency

OPERATING ENVIRONMENT

The global fashion and apparel industry is estimated to have recorded a sluggish growth rate of 3-4% during the year, with geopolitical tensions and economic volatility leading to reduced consumer spending in key markets. Regional disparities prevailed with China and India recording robust growth while the USA and EU saw moderate expansion due to inflation and economic uncertainty. Global competitive dynamics are also shifting with the rise of fast fashion, shifting customer behaviour and wide acceptance of e-commerce platforms reshaping the industry. Sri Lanka's competitive position remained relatively unchanged in the global market, although the appreciation of the Sri Lankan Rupee had an adverse impact on exporters during the year.

	EXCHANGE RATE 6% Y-o-y appreciation of the Sri Lankan Rupee (Monthly average rate)	IMPACT OF GLOBAL GEOPOLITICAL DYNAMICS +3% Global industry growth rate +5% Growth in Sri Lanka's apparel exports in 2024 (USD Terms)	GLOBAL COTTON PRICES -9% Reduction in global prices	ESCALATING CUSTOMER CONSIDERATIONS ON SUSTAINABILITY
Description	The appreciation during 2024 was driven by Improved foreign exchange liquidity and para-tariffs on top of existing customs duties	Shifting global trade dynamics were largely favourable to Sri Lanka in 2024, resulting in increased demand from selected countries.	The relatively sluggish consumption of cotton during the year led to a down in pricing during the year under review	Escalating environmental and social consciousness of buyers is reshaping demand dynamics, presenting both risks and opportunities for current manufacturers
Impact	H	M	M	H M
Implications	<ul style="list-style-type: none"> - Reduced competitiveness in the global market - Impact on profitability margins 	<ul style="list-style-type: none"> + Volume growth in selected markets 	<ul style="list-style-type: none"> + Short-term positive impact on profitability margins - Intensification of price competition 	<ul style="list-style-type: none"> + Strategic integration of ESG through considering broader impacts of the business on environment and communities

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

RISK LANDSCAPE

Market risks

Recent geopolitical trade dynamics including the increase in trade tariffs from the USA poses a key short-term risk

Ⓞ Strategic response

→ Market diversification including pursuing growth opportunities in the EU and UK region

Policy and regulatory risks

Potential abolishment of the SVAT system could insert severe financial pressure on exporters

Ⓞ Strategic response

→ Ongoing engagement with policy makers

Sustainability-related risks

CRRO 1,2

Exposure to physical climate risks including rainfall and temperature, given that cotton is a key raw material for the Sector

Ⓞ Strategic response

→ Diversification of supplier networks
 → Pursuing sustainable innovation to reduce reliance on virgin materials

Sustainability-related risks

CRRO 3

Transition-related risks of climate change with customers' increasingly demanding social and environmental consciousness

Ⓞ Strategic response

→ Strategic integration of ESG considerations across processes and operations

Sustainability-related risks

SRRO 1

Operating in a water-intensive industry, the Sector is exposed to Sri Lanka's medium-to-high level of water stress

Ⓞ Strategic response

→ Increasing reliance on sustainable water sourcing
 → Process and product innovation to increase water efficiency



Textiles

OPPORTUNITIES

Market opportunities

Shifts in the global competitive landscape has given rise to the emergence of rapidly growing, fresh brands

© Strategic response

→ Diversification of market and brand portfolio

Technology

Opportunities presented by digitalisation and technology in increasing efficiency and productivity, new product development and improving real-time monitoring

© Strategic response

→ Ongoing trials on automation and digital transformation

Market opportunities

Consumer trends such as hybrid clothes (athleisure segment), smaller capsule wardrobes, reselling platforms and focus on sustainability considerations.

© Strategic response

→ Pursuing innovation as a key driver of competitive edge



STRATEGY AND RESOURCE ALLOCATION

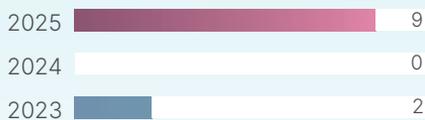
The Sector's two-pronged product and brand strategy have enabled it remain resilient to evolving global dynamics through strategic emphasis on premium, value-added products and tier-1 customers. During the year, emphasis was placed on further diversifying its customer base given regional growth disparities, global trade dynamics and emergence of new brands which are reshaping the competitive landscape in the global apparel arena.

Strategic KPIs/ Pre-financials

BRAND DIVERSIFICATION

How we performed: The Sector made significant progress in diversifying its customer base through the acquisition of emerging new brands.

New customers acquired



About this KPI and why we use it:

This KPI demonstrates the effectiveness of the Sector's marketing, promotional and customer engagement strategies

Resource allocation

Sales and marketing expenditure:
Rs. 288 mn

VALUE-ADDED PRODUCT STRATEGY

How we performed: The Sector continued to pursue a strategy of differentiation and innovation through its focus on premium and value-added products both in natural and synthetic fibre.

New products/ variants developed



About this KPI and why we use it:

This KPI demonstrates the effectiveness of the Sector's product strategy and optimum product mix

Resource allocation

Investment in research & development:
Rs. 42 mn

STRATEGIC ESG INTEGRATION

How we performed: As an industry leader in sustainability, the Sector continued to reinforce its commitment to embedding the principles of ESG into its operations

Near-term and net-zero emission targets verified
Science-Based-Targets -initiative (SBTi)

About this KPI and why we use it:

The SBTi is considered the global gold standard in emission reduction, being scientifically aligned to the emission reduction pathway of the Paris Agreement

Resource allocation

Investments in renewable energy over the past 3 years: **Rs. 320 mn**

INTEGRATED PERFORMANCE REVIEW

Challenging operating dynamics: The Sector’s performance reflected the challenging operating landscape and shifts in the competitive dynamics of global players during the year. A volume decrease of 7% stemming from deferred orders from a key customer, together with the appreciation of the Sri Lankan Rupee led to a 12% decline in Revenue during the year. Intensifying price competition in the global market, the decline in production volumes and the temporary rise in costs aligned with our shift towards premium fabrics resulted in a narrowing of profitability margins, resulting in the Sector’s Profit Before Tax and Profit After Tax declining by a respective 17% and 15% to Rs. 3.07 bn and Rs. 2.11 bn during the year.

Diversification-centred strategy: Regional disparities in demand together with shifting competitive dynamics among international apparel brands reinforced the strategic imperative of market and brand diversification. Proactive customer acquisition initiatives enabled the Sector to onboard rapidly growing fitness apparel and accessories brands—with considerable growth potential in the expanding athleisure segment. This acquisition also enabled diversification of major markets, with the reliance on the USA declining from 39% to 33% during the year.

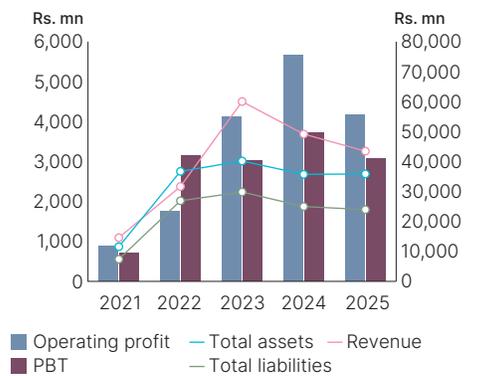
Advancing up the value chain: The Sector’s product strategy remained consistent with the approach adopted in recent years and has focused on transitioning from basic, conventional cotton-based fabrics to premium, value-added products both in natural and synthetic fabrics. In line with its customer acquisition strategy, the Sector is also driving efforts to widen its portfolio of synthetic fabric to include the Nylon-range, which is widely used in the activewear segment. The Sector’s own brand INNO continued to perform well during the year, delivering a volume growth of around 2%.

ESG as a differentiator: Hayleys Fabric has an established track record in sustainability, and is globally recognised as an industry leader in environmental consciousness and responsible and ethical business practices. The Sector’s remarkable achievements in sustainability (some of which are listed in the table below) have been supported by its relationships with global fashion brands, which has paved way for ongoing collaborations on sustainability products and the transition to a low-carbon operation through ambitious targets. In a key milestone during the year, the Hayleys Fabric Group emerged as the first fabric manufacturer in Sri Lanka to secure validation of its net-zero GHG emissions targets from SBTi. During the year, the Sector also made significant progress in complying with the SLFRS S1 and S2 Sustainability Disclosure Standards. The Sector continued to be recognised for excellence in sustainability practices winning the ‘Sustainability Impact Category’ as the International Quality Awards 2024 and the Gold Award at the Green Productivity Awards 2024 among many others.

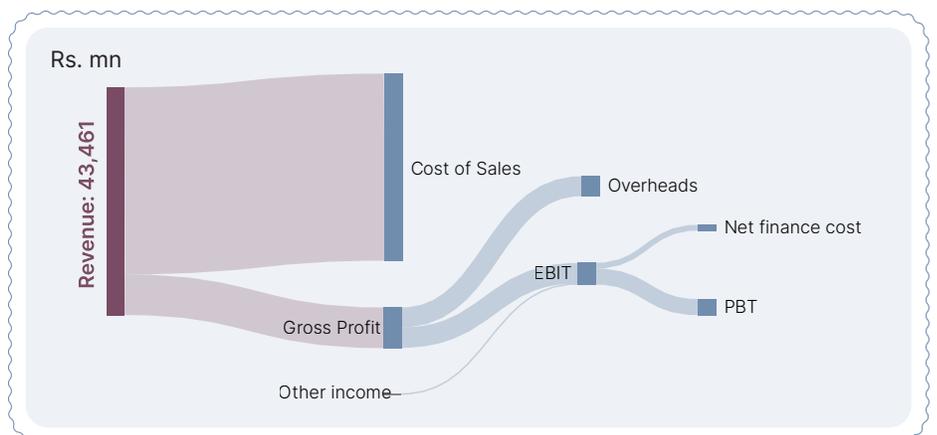
Managing sustainability risks: The dyeing process involves the use of chemicals, necessitating strict guidelines on the management of risks or hazards. Safety measures adopted include maintenance of comprehensive safety data sheets detailing relevant

procedures, use of appropriate PPE, storage in line with manufacturer recommended specifications among others. The Sector also complies with the zero discharge of hazardous chemicals (ZDHC). The most significant environmental risks along the Sector’s value chain include water stress, implications of climate change and its impact on the availability of cotton as well as drought and flood risks.

SECTOR FINANCIAL PERFORMANCE



	Revenue (y-o-y) %	PBT (y-o-y) %
Hayleys Fabrics PLC	-6	-11
South Asia Textiles	-19	-33



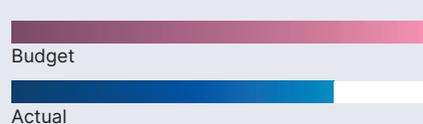
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PERFORMANCE HIGHLIGHTS

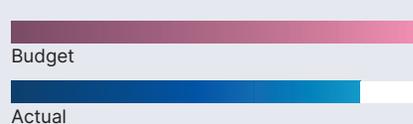
FINANCIAL METRICS	2025	2024	%	2023
Revenue	43,461	49,167	(12)	60,014
Earnings before interest and tax	4,179	5,660	(26)	4,129
Net finance income/(cost)	(1,104)	(1,941)	(43)	(1,115)
Profit before tax	3,075	3,719	(17)	3,013
Profit after tax	2,111	2,488	(15)	403
Assets	35,858	35,721	0.4	40,175
Liabilities	23,952	24,979	(4)	29,824
Operating cash flow	1,966	6,011	(67)	481
OPERATIONAL HIGHLIGHTS				
Production volumes (%)	15,856	16,413	-3	16,612
Capacity utilisation (%)	>85	>90	-6	>90

PERFORMANCE AGAINST TARGETS

Revenue



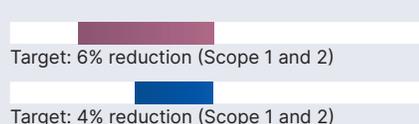
Profit before tax



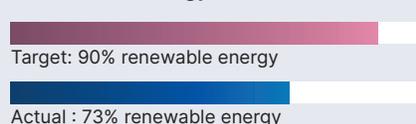
ENVIRONMENTAL METRICS		2025	2024	%	2023
ESG commitment areas	Energy consumption (GJ)	1,472,273	1,476,777	(0.3)	1,500,360
	Energy intensity (GJ/Revenue USD mn)	10,082	9,508	6	9,004
	Carbon footprint (tCO ₂ e)- Scope 1 & 2	36,326	37,775	(4)	47,316
	Emission intensity (tCO ₂ e/Revenue USD mn)	249	243	2	284
	Water withdrawn (m ³)	3,398,195	3,345,198	2	3,469,131
	Water intensity (m ³ /Revenue USD mn)	23,270	21,537	8	20,819
Relevant SASB metrics	% of suppliers in compliance with wastewater discharge permits Tier 1	92	91	1	98
	Amount of priority raw materials purchased (MT) and certified %				
	-Cotton	8,021 (41%)	8,815 (58%)	(9)	9,062
	-Polyester	10,609 (18%)	7,553 (26%)	40	6,640
-Dyes and Chemicals	13,385 (100%)	13,273 (100%)	1	11,698	

PERFORMANCE AGAINST TARGETS

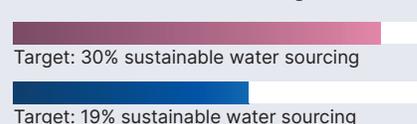
Emission reduction



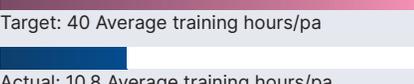
Renewable energy



Sustainable water sourcing



SOCIAL METRICS		2025	2024	%	2023
ESG commitment areas	No. of employees	3,397	3,285	3	3,088
	Revenue per employee (Rs. mn)	13	15	(15)	19
	Remuneration per employee (Rs.mn)	1	1		1.0
	Investment in CSR (Rs.mn)	12	13	(1)	11
	No. of CSR beneficiaries	6,850	6,800	1	6,700
Relevant SASB metrics	% of tier 1 suppliers that have completed the Higg FEM assessment	75	86	(13)	92
	% of suppliers that have been audited to a labour code of conduct	79	84	(16)	70
	No. of Tier 1 suppliers	48	58	(17)	64

PERFORMANCE AGAINST TARGETS		
Training hours  Target: 40 Average training hours/pa Actual: 10.8 Average training hours/pa	Health and Safety Safest workplace with zero workplace injuries /occupational diseases in 2030 2024/25: 39% reduction in injuries	Community relationships Target: Increase CSR beneficiaries by 50% by 2030 2024/25: Over 6,850 beneficiaries

*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- Apparel, Accessories and Footwear Standard

Long-term ESG commitments

Accelerate climate action

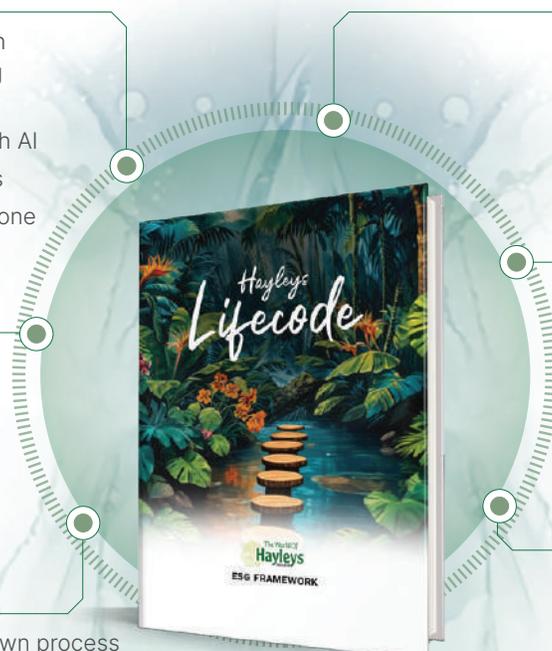
- Interventions to increase reliance on renewable energy sources including biomass and wood chip
- Real-time energy monitoring through AI
- Verification of SBTi emission targets
- Rs. 23 Mn in solar investments and one of the largest private sector rooftop solar systems

Restore and regenerate nature

- Coastal preservation activities in line with the 'Breath' initiative
- Mangrove restoration project in Galle
- 9-acre thriving biodiversity park Diyathuru Uyana

Optimise resource footprint

- Increased water recovery in blowdown process
- 100% chemicals and dyes certified as ZDHC Level 1 and 94% certified as ZDHC Level 3
- Sustainable innovation – yarn sourced from recycled PET bottles and waste-to-value initiatives



Responsible work place

- Investment in talent developing focusing on technical and leadership skills
- Book distribution to all employees' children

Partner progress

- Rs.12 mn CSR investment in numerous CSR initiatives, including Sathdiyawara-Going Beyond (Page 307)
- Rs. 42.40 bn payments to suppliers

Responsible and responsive corporate citizenry

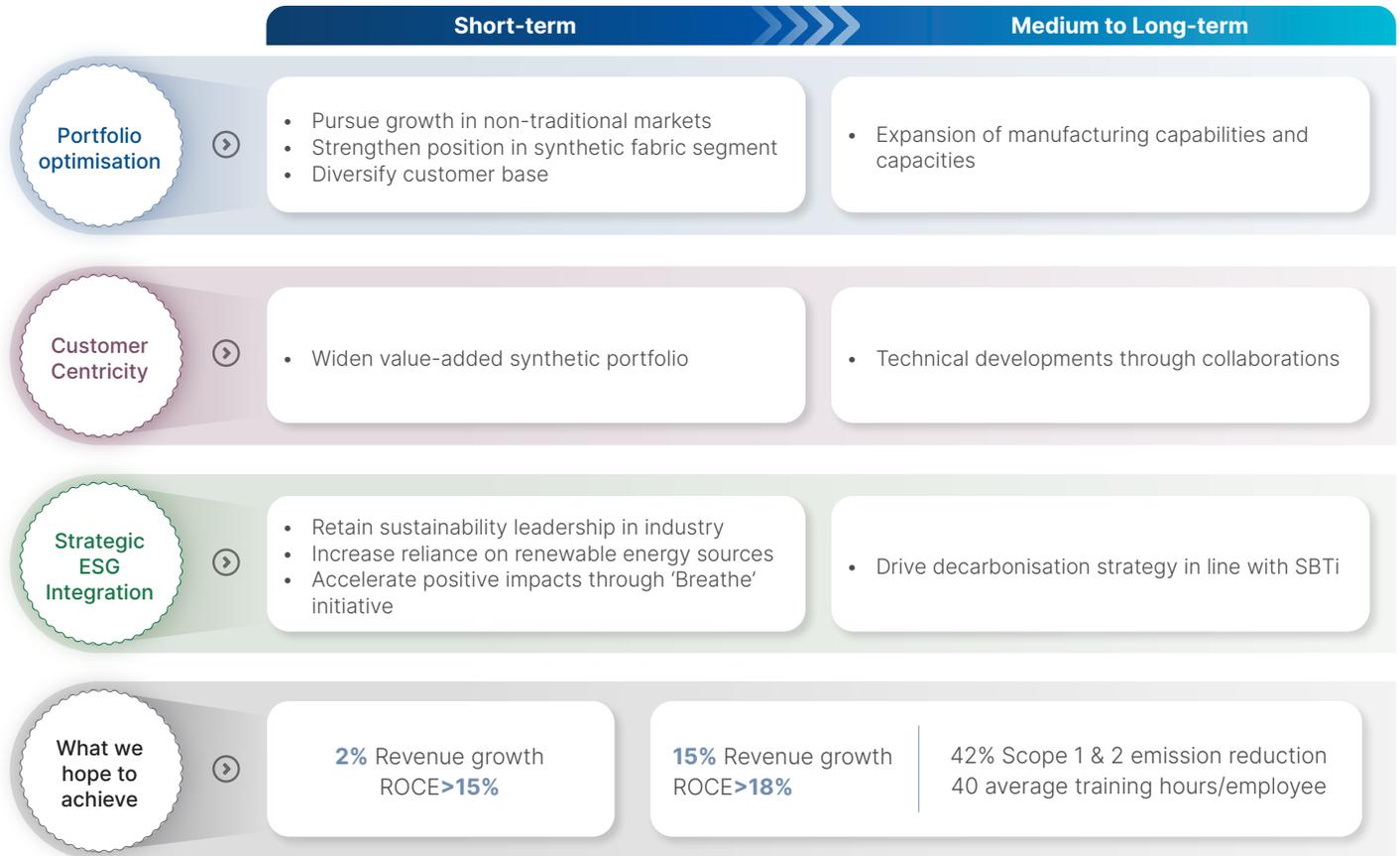
- Launch of 'Breath- a better environment for all' a transformative sustainability journey
- Strengthened emission reporting with the coverage of Scope 3 computation expanded

Textiles

PROSPECTS AND PLANS

While recent geopolitical trade dynamics have led to increasing global uncertainty, the long-term prospects for the industry remain promising, presenting niche opportunities for manufacturers. Key trends shaping the industry landscape will include increasing popularity of e-commerce platforms in fashion, value-driven and price sensitive customer behaviour, demographic shifts and emergence of sustainability as a competitive edge. Against this backdrop, the Sector will continue to leverage its strengths in innovation and sustainability to sharpen its competitive edge, access new markets and create long-term value.

Alignment to Group strategy



Opportunities and levers	Risks to strategy
→ Customers' increasing sustainability consciousness	→ Escalating geo-economic confrontations
→ Favourable shifts in consumption patterns	→ Escalating implications of climate change and water availability on the cotton value chain (SRRO 4)
→ Emergence of new apparel brands	