FINANCIAL CAPITAL

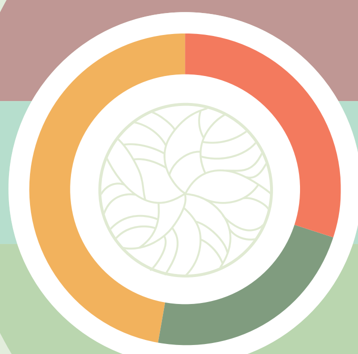
The Group's Financial Capital comprises the pool of funds available to the Group, which enables new investments and allows the sustenance of day-to-day operations. It includes equity funding, debt and retained earnings.

CONTRIBUTION TO VALUE CREATION

Rs.126 bn
Total equity

Rs.172 bn
Total debt

Funding Profile

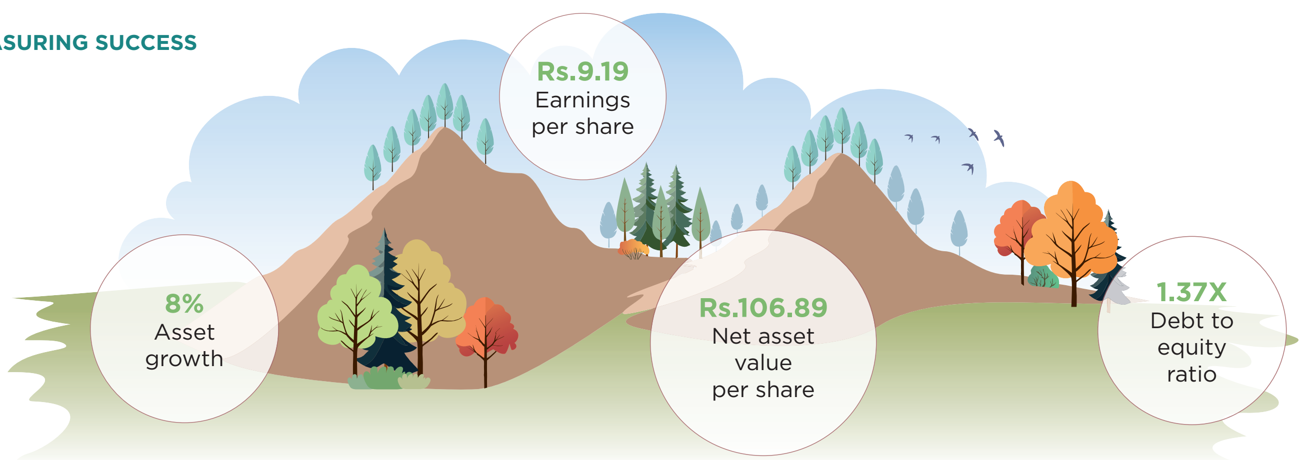


Equity | Non current liabilities | Current liabilities

ROLE IN VALUE CREATION

- Funding to pursue growth opportunities and business expansion
- Attract and retain the industry's best talent through competitive remuneration
- Driving our innovation and product capabilities
- Deliver shareholder expectations
- Resources to further our environmental and social aspirations

MEASURING SUCCESS



8%
Asset growth

Rs.9.19
Earnings per share

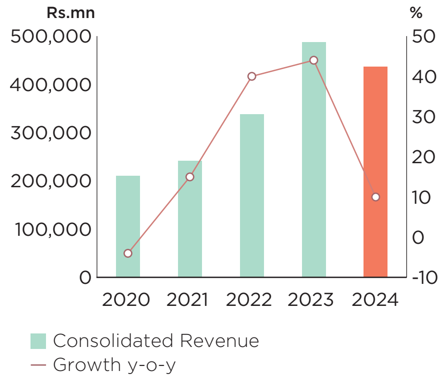
Rs.106.89
Net asset value per share

1.37X
Debt to equity ratio

REVENUE

The Group leveraged the diversity of its businesses, geographies and markets to remain resilient in a year of volatility and unpredictability. Despite subdued global demand in key markets and the appreciation of the Sri Lankan Rupee during the year, the Group generated a Consolidated Revenue of Rs. 436.83 bn, curtailing the y-o-y decline to 10%. While the Group's export sectors recorded revenue contractions, this was somewhat countered by the strong top line growth of Projects & Engineering (+46%) and Consumer & Retail Sector (+28%). Resultantly, the Group's Revenue composition tilted increasingly towards the domestic market, accounting for 46% of Consolidated Revenue during the year, compared to 38% the year before. The Transportation & Logistics Sector maintained its position as the largest contributor to Consolidated Revenue with a share of 21% during the year, followed by Consumer & Retail (19%), Textiles (11%), Hand Protection (10%) and Purification (10%). Further information on the factors which shaped the performance of each Sector is detailed in the Portfolio Reviews from page 114 to 245.

REVENUE TRENDS



GROSS PROFIT

The Group's Gross Profit declined by 8% to Rs.109.43 bn during the year, reflecting the reduction in the top line. The Group's relentless focus on increasing contributions from value-added products across its verticals, together with ongoing focus on cost efficiencies and a deceleration of commodity prices enabled the Group to widen its gross profit margins to 25% from 24% the previous year. This is a creditable achievement given the escalation in operating costs and appreciation of the Sri Lankan Rupee which affected the profitability of the export-oriented sectors.

Sector	Revenue Growth (%)	Contribution (%)
Eco Solutions	-9	3
Hand Protection	-16	10
Purification	-29	10
Textiles	-18	11
Construction Materials	-2	2
Plantations	+13	4
Agriculture	+6	8
Consumer & Retail	+28	19
Leisure	+35	2
Industry inputs, Power & Energy	+12	2
Transportation & Logistics	-32	21
Projects & Engineering	+46	5
Tea Exports	-3	3
Others	-6	0

OPERATING COST MANAGEMENT

Ongoing focus on operating efficiencies and lean management enabled the Group to contain the increase in operating costs to 12% during the year. Administrative Expenses (comprising primarily of staff costs) accounted for 78% of the Group's Operating Costs and increased by 14% during the year reflecting increased value creation to employees. Distribution expenses also increased by 12% reflecting promotions and market activations across key verticals. The Group's focus on optimising resource usage through integrating ESG as well as the anticipated rollout of the Group's digital transformation roadmap is expected to further enhance efficiencies over the mid to long-term.

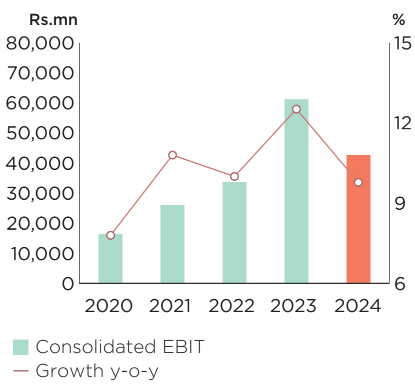
OPERATING PROFITABILITY

The Group's Operating Profit/Earnings before Interest and Tax (EBIT) declined by 30% to Rs.42.72 bn during the year, reflecting the decrease in Revenue and the escalation in Operating Costs, which adversely impacted profitability margins. Subdued global demand and a stronger Rupee affected the profitability of key export sectors such as Transportation & Logistics (-57%), Purification (-21%) and Hand Protection (-7%). That said, these sectors continued to dominate the Group's earnings profile, with Transportation & Logistics, Purification and Textiles emerging as the most significant contributors to Consolidated EBIT. Projects & Engineering emerged as a significant contributor to core profitability, with EBIT increasing by 90% upheld by the impressive performance of its Renewable Energy cluster. Meanwhile, the Group's Consolidated EBIT margin narrowed from 12.5% to 9.8% during the year under review.

FINANCIAL CAPITAL

Sector	EBIT growth (%)	Contribution (%)
Eco Solutions	(84)	1
Hand Protection	(7)	8
Purification	(21)	14
Textiles	37	12
Construction Materials	(14)	2
Plantations	(27)	6
Agriculture	(47)	8
Consumer & Retail	(53)	7
Leisure	(53)	-1
Industry inputs, Power & Energy	(13)	4
Transportation & Logistics	(57)	14
Projects & Engineering	90	9
Tea Exports	(38)	2
Others	(7)	14

EARNINGS BEFORE INTERST AND TAX



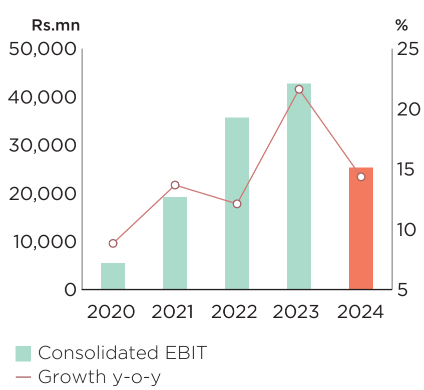
NET FINANCE COST

The Group's Net Finance Cost declined by 8% to Rs.17.24 bn during the year, with Finance Income decreasing at a faster pace than the Finance Cost. Despite an 8% increase in Total Borrowings, Finance Cost fell by 31% to Rs. 27.15 bn as interest rates fell sharply during the year. Finance Cost also included foreign exchange losses of Rs.5.14 bn stemming primarily from the appreciation of the Sri Lankan Rupee in the latter part of the financial year. Meanwhile, Finance Income declined to Rs.9.91 bn from Rs.20.72 bn the previous year as significant foreign exchange gains of 2022/23 normalised during the year.

PROFIT BEFORE TAX

The Group generated a Consolidated Profit Before Tax of Rs. 25.34 bn during the year, declining by 41% compared to the record-high profitability of the previous year. The normalisation of profits represent the impacts of external headwinds on our export-oriented sectors and the still recovering conditions in local businesses. The Purification Sector emerged as the Group's largest profit generator with a share of 19%, followed by Projects & Engineering (share of 14%), Hand Protection (share of 13%), Textiles (12%) and Plantations (11%). The Group's performance during a volatile and challenging year is testament to the diversity and resilience of its earnings profile as well as the strength of its market positions.

PROFIT BEFORE TAX



TAX

The Group's Tax Expense for the year amounted to Rs.10.49 bn, a reduction from the previous year owing to the moderation in profitability. That said, the Group's effective tax rate increased from 36% to 42% during the year, with the majority of companies being liable for tax under the higher 30% rate and withholding tax on dividend income and the impact of deferred tax.

PROFIT AFTER TAX

The Group generated a Profit After Tax of Rs.14.85 bn, a decrease of 46% compared to the previous year. At Company level, Hayleys PLC recorded a Profit After Tax of Rs. 1.33 bn, compared to Rs.1.90 bn the previous year. Although declining in comparison to the previous year, dividend upstreaming remained healthy at Rs.5.35 bn during the year.

OTHER COMPREHENSIVE INCOME

The Group's Other Comprehensive Income for the year clocked in at a negative Rs.3.89 bn, driven primarily by net exchange differences on translation of foreign operations. As a result, the Group's Total Comprehensive Income amounted to Rs. 10.96 bn, a decline of 63% compared to the previous year.

TOTAL ASSETS

Despite the short-term vulnerabilities the Group remains optimistic about the growth potential of its businesses and markets and continued to invest in further diversifying its businesses and strengthening earnings generation capacity. Investments in several key sectors including Purification, Hand Protection, Transportation & Logistics and Agriculture resulted in the Group's Property, Plant and Equipment increasing by 6% to Rs.133.79 bn, which resulted in Total Assets expanding by 8% to Rs.446.34 bn. Total Current Assets also increased by 10% to Rs. 261.62 bn, driven primarily by an increase in Trade and Other Receivables (+19%), in the Consumer & Retail and Projects & Engineering Sectors. The asset composition remained relatively unchanged during the year, with Current Assets accounting for 59% of Total Assets.

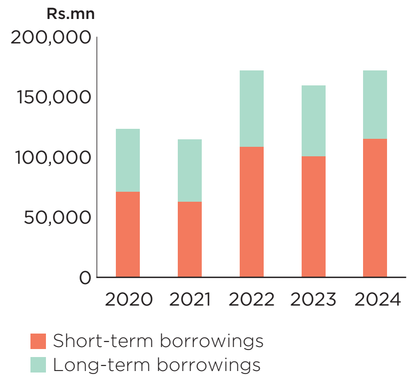
Key contributors to asset growth were Projects & Engineering (+157%), Consumer & Retail (+22%) and Construction Materials (+23%). Sector-level Asset growth and contribution to Assets is given below;

Sector	Asset growth (y-o-y) %	Contribution (%)
Eco Solutions	7	4
Hand Protection	(2)	7
Purification	(1)	8
Textiles	(11)	7
Construction Materials	23	3
Plantations	5	5
Agriculture	(1)	5
Consumer & Retail	+22	19
Leisure	0	4
Industry inputs, Power & Energy	+3	3
Transportation & Logistics	+6	15
Projects & Engineering	+157	5
Tea Exports	+3	1
Others	1	15

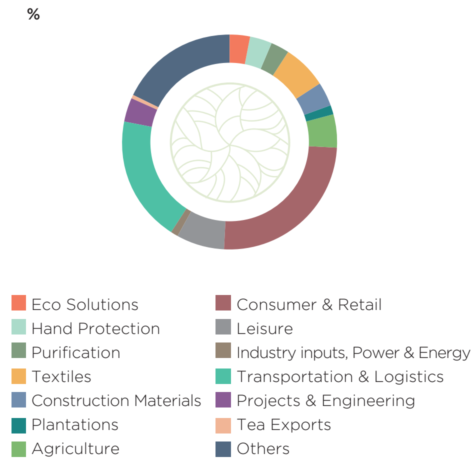
CAPITAL FUNDING

The Group's Financial Position is strong, as reflected by a relatively healthy funding profile and manageable debt coverage levels. Total Equity increased by 2% to Rs.125.53 bn during the year, funding 28% of the Group's Total Assets. Borrowings increased by 8% to Rs.171.88 bn, reflecting increased capital expenditure in the Transportation & Logistics Sector and higher working capital requirements in the Consumer & Retail Sector. Borrowings funded 39% of the Group's assets during the year, with Consumer & Retail, Others and Transportation & Logistics collectively accounting for 62% of the Group's debt. Given the decelerating interest rate scenario, the Group's borrowings profile tilted more to the short-term, with Short-Term Borrowings accounting for an increased 67% of Total Borrowings, compared to 63% the previous year. Overall, the Group's Debt/Equity ratio increased to 1.40X from 1.30X the previous year.

DEBT PROFILE



BORROWINGS BY SECTOR



CASH FLOW AND LIQUIDITY

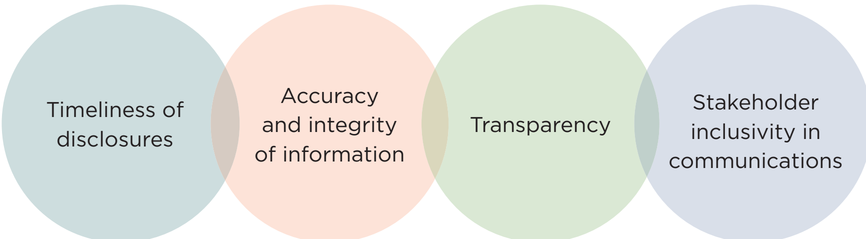
The Group's cashflow position mirrored the trends in its operating performance during the year and Net Cash Inflow from Operating Activities declined to Rs.30.43 bn from Rs.56.79 bn the year before. Meanwhile, Net Cash Outflow from Investing Activities amounted to Rs. 11.46 bn during the year, reflecting additions to Property, Plant and Equipment. Net Cash Outflow from Financing Activities amounted to Rs. 32.50 bn during the year, mainly due to debt and interest repayment as well as dividends paid to equity holders.

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 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.

FINANCIAL CAPITAL

Principles of our Investor Relations



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.114)
- Corporate Governance and risk management practices (pg.248)
- Our Environmental, Social and Governance (ESG) framework (pg.100)

PERFORMANCE OF THE COLOMBO STOCK EXCHANGE

The Colombo Stock Exchange recorded a mixed performance during the year, reflecting macro-economic and policy developments throughout the year. The All Share Price Index (ASPI) and S&P SL20 Index demonstrated positive momentum during the year, particularly following considerable progress in the domestic debt optimisation programme and the exclusion of the banking sector from the same. Accordingly, both ASPI and S&P SL20 indices grew by 24.9% and 15.7% respectively during the year 2023 while market capitalisation increased by 9.7% to close the year at Rs. 4,233.3 bn. Foreign participation in the domestic equity market through foreign purchases declined in comparison to the previous year.

Securities in Issue:

- Ordinary Shares
- Debentures
  - Listed, rated, senior, unsecured, redeemable debentures redeemable in August 2024
  - Listed, Rated, Unsecured, Fixed, subordinated debentures redeemable in June, 2026
  - Listed, Rated, Unsecured, Variable, subordinated debentures redeemable in June, 2026
  - Listed, rated, senior, unsecured debentures redeemable in May 2025

This section of the Report provides information on Hayleys PLC's ordinary shares; please refer to page 408 for information on the debentures.

PERFORMANCE OF THE HAYLEYS SHARE

The Hayleys share performed relatively well during the year, appreciating gradually during the year to close the year at Rs.82.10, an increase of 13% from the beginning of the year. The share price traded between a low of Rs.65.60 and a high of Rs.97.90 during the year. The average volume traded amounted to 425,208 during the year while the daily average turnover clocked in at Rs.35.20 mn.

SHAREHOLDER RETURNS

Despite the moderation in performance, the Group continued to deliver on its shareholder commitments. Shareholder returns as measured by Earnings per share declined from Rs.21.80 to Rs.9.19 during the year, reflecting the moderating profitability. Meanwhile, Net Asset Value per share increased from Rs. 105.24 to Rs.106.88 depicting the growing value of the Group's non-monetised capital including innovation capabilities, deep rooted relationships with suppliers and communities, strong brand equity as well as our ability to attract the country's top talent.

Despite the moderation in profitability the Group paid a dividend of Rs.5.35 during the year, ensuring continued value creation to its shareholders.